



IBC Advanced Alloys

IBC ADVANCED ALLOYS CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Expressed in United States Dollars

December 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 six months ended December 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 Chartered Professional Accountants of Canada 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	December 31 2021 \$	June 30 2021 \$
ASSETS			
Current assets			
Cash		760	2,359
Receivables, net	6	1,678	2,753
Inventories, net	7	5,495	7,529
Prepaid expenses and deposits		1,063	275
Total current assets		8,996	12,916
Non-current assets			
Deposits		318	612
Property, plant, and equipment	8	13,897	11,649
Other assets		143	1
Total non-current assets		14,358	12,262
Total assets		23,354	25,178
LIABILITIES			
Current liabilities			
Line of credit	9	2,155	3,467
Accounts payable and accrued liabilities	10, 21	2,680	3,871
Leases payable	12	707	774
Note payable	11	-	3
Unearned revenue		1,503	2,045
Loans payable	11	469	792
Arbitration award liability	10, 21	1,471	1,470
Debentures, current portion	11	1,062	517
Total current liabilities		10,047	12,939
Non-current liabilities			
Loan payable	11	660	153
Leases payable	12	2,411	2,762
Debentures	11	3,156	2,659
Total non-current liabilities		6,227	5,574
Total liabilities		16,274	18,513
EQUITY			
Share capital	13	60,222	60,004
Reserves	14	9,708	9,274
Accumulated deficit		(62,850)	(62,613)
Total equity		7,080	6,665
Total liabilities and equity		23,354	25,178
Going concern operation	2		
Commitment and contingencies	18		
Events after the reporting date	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 Income (Loss) and Comprehensive Income (Loss)

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

	Note	Three months ended December 31		Six months ended December 31	
		2021	2020	2021	2020
		\$	\$	\$	\$
Revenue	19	7,124	4,929	14,214	9,356
Cost of revenue	7, 8	5,221	4,091	11,294	7,957
Gross profit		1,903	838	2,920	1,399
Selling, general, and administrative expenses					
Consulting fees		68	42	121	95
Depreciation	8	46	27	92	54
Director fees, cash portion	17	9	13	22	26
Doubtful debts (recovery)		-	-	(7)	-
Office and miscellaneous		285	339	593	603
Professional fees		135	19	278	71
Public company costs		78	21	116	59
Rent		2	-	3	1
Salaries, wages, and management fees	17	615	518	1,140	1,032
Share-based compensation and services	15, 17	92	69	137	167
Travel, meals and entertainment		19	4	57	10
		1,349	1,052	2,552	2,118
Income (loss) before other items		554	(214)	368	(719)
Other income (expense)					
Foreign exchange		(3)	86	(2)	24
Interest and accretion expense	9, 11, 12	(270)	(172)	(598)	(571)
Gain on disposal of assets		70	-	21	3
Other income (expense)		(7)	19	(2)	24
Income (loss) before income taxes		344	(281)	(213)	(1,239)
Income tax recovery (expense)					
Current		-	(23)	(24)	(20)
		-	(23)	(24)	(20)
Income (loss) for the period, net of tax		344	(304)	(237)	(1,259)
Other comprehensive loss, net of tax					
Foreign currency translation		61	-	146	-
Total comprehensive income (loss)		405	(304)	(91)	(1,259)
Basic and diluted income (loss) per common share	21	0.00	(0.00)	(0.00)	(0.02)
Weighted average number of common shares outstanding	21	78,772,552	62,928,319	78,598,797	62,689,784
Weighted average number of common shares outstanding - diluted	21	88,701,867	62,928,319	78,598,797	62,689,784

See accompanying notes

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

Period ended December 31	2021	2020
	\$	\$
Cash flows provided by (used in) operating activities		
Loss for the period, net of tax	(237)	(1,259)
Adjustments for:		
Share-based compensation and services	137	167
Gain on disposal of assets	(171)	(3)
Doubtful debts recovery	(7)	-
Depreciation	781	653
Sales returns and allowances expenses (recovery)	2	(14)
Foreign exchange expense	2	(24)
Interest expense	598	571
Changes in non-cash working capital items:		
Receivables	1,082	602
Inventories	2,030	(852)
Prepaid expenses and deposits	(494)	(272)
Accounts payable and accrued liabilities	(1,295)	456
Unearned revenue	(542)	2,375
Net cash provided by operating activities	1,886	2,400
Cash flows used in financing activities		
Net line of credit advances (repayments)	(1,312)	(355)
Interest paid	(334)	(207)
Notes payable, related parties repayments	-	(110)
Loan repayments	120	(38)
Loan proceeds	1,500	937
Lease principal repayments	(418)	(227)
Leases proceeds		
Debenture principal repayments	(283)	(179)
Debentures financing costs	(110)	-
Debentures converted to shares	-	(69)
Net cash used in financing activities	(837)	(248)
Cash flows used in investing activities		
Proceeds from sale of fixed assets	150	-
Purchase of property, plant, and equipment	(2,796)	(82)
Net cash used in investing activities	(2,646)	(82)
Foreign exchange effect on cash	(2)	25
Change in cash during the period	(1,599)	2,095
Cash, beginning of period	2,359	509
Cash, end of period	760	2,604
Supplemental Cash Flow Information:		
Interest payments, net of amounts capitalized	(334)	(207)
Income tax (payments) refunds	(24)	(20)
Non-cash items:		
Borrowing cost capitalized to property, plant and equipment	233	-
Issuances of common shares in lieu of services paid in cash	96	73
Issuances of common shares upon debentures converted to shares and related interest	-	38
Issuances of common shares in lieu of interest paid in cash	122	117

See accompanying notes

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

	Note	Share Capital \$	Reserves \$	Accumulated Deficit \$	Equity \$
At June 30, 2020		57,515	9,355	(61,092)	5,778
Foreign currency translation adjustment		-	(258)	-	(258)
Shares issued for services	11, 13, 14	73	(61)	-	12
Debentures converted to shares	11, 13	38	(1)	-	37
Debentures interest paid in shares	11, 14	117	-	-	117
Share-based compensation	14, 15	-	122	-	122
Warrants and conversion features issued with debentures	15	-	152	-	152
Loss for the period		-	-	(1,259)	(1,259)
At December 31, 2020		57,743	9,309	(62,351)	4,701
At June 30, 2021		60,004	9,274	(62,613)	6,665
Foreign currency translation adjustment		-	146	-	146
Shares issued for services	11, 14, 15	96	(95)	-	1
Debentures interest paid in shares	11, 14	122	-	-	122
Share-based compensation	14, 15	-	137	-	137
Warrants and conversion features issued with debentures	15	-	246	-	246
Loss for the period		-	-	(237)	(237)
At December 31, 2021		60,222	9,708	(62,850)	7,080

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 For the Six Months Ended December 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 six months ended December 31, 2021 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, 2021 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 February 28, 2022.

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 For the Six Months Ended December 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 December 31, 2021, the Company had not yet achieved consistently profitable operations, having incurred a loss of \$237 during the six months ended December 31, 2021. The Company had accumulated losses of \$62,850 since inception and was in breach of certain bank covenants related to its line of credit and term loan facility.

On July 29, 2021, the Company replaced its line of credit facilities an accounts sale and purchase agreement and a line of credit facility with other financial institutions as described in Note 9. On September 30, 2021, the bank amended the term loan facility with a change in the maturity date to January 31, 2022 with principal and monthly interest payments of \$11 commencing on September 30, 2021 until January 31, 2022, on which date all unpaid principal together with all accrued and unpaid interest shall be due and payable in full. 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.

On October 4, 2021, The Company entered into a financing agreement among Utica Leaseco LLC and Utica Equipment Finance, LLC (collectively, "Utica") and certain of the Company's U.S. Subsidiaries (the "Subsidiaries"). With the financing agreement with Utica, the Subsidiaries granted a security interest in certain equipment located on the Company's premises in exchange for \$900 in connection with a term loan for a four-year term. The Subsidiaries will make 51 monthly payments of \$24. Utica has the option to charge a surcharge of 1% of the monthly payment amount per month for every 0.25% that the prime rate of Comerica Bank exceeds 3.25%.

On October 14, 2021, the Company completed a second definitive funding agreement with the Lind Partners for an initial amount of \$1,500. The Company has executed a convertible security funding agreement for the issue of a convertible security in the principal amount of \$1,500 (the "Convertible Security") to Lind Global Fund II, LP, managed by the Lind Partners, LLC (together, the "Investor" or "Lind"). The Convertible Security has a principal amount of \$1,500 with pre-paid interest amount of \$188 for an aggregate face value of \$1,688 and have a 24-month term. The principal amount less a \$75 closing fee will be convertible into commons shares of the Company at the option of the Investor at a fixed conversion price per share of C\$0.21. The Company will make monthly repayments of \$75 commencing 4 months after the closing of the investment and issuance of the \$1,500 Convertible Security. In connection with the issuance of the Convertible Security, the Investor received 4,270,591 common share purchase warrants with an exercise price equal to C\$0.21 which expire October 14, 2023. The Investor will have the right to invest another \$750 with an additional interest amount of \$94 with pro-rata terms and fees.

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.

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 For the Six Months Ended December 31, 2021

2. Basis of Presentation (continued)

c) Going concern of operations (continued)

For the six months ended December 31, 2021, the Company had a loss for the period of \$237 (2021 – \$1,259), has a working capital deficiency of \$1,051 (June 30, 2021 – deficiency of \$23), and has an accumulated deficit of \$62,850 (June 30, 2021 - \$62,613). 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 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 fiscal year 2022. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

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. 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.

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 For the Six Months Ended December 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 December 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 For the Six Months Ended December 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 For the Six Months Ended December 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 period or are required to be adopted in future periods. The standards adopted during the period had no material impact on these condensed consolidated interim financial statements.

New standards, interpretations and amendments not yet effective

There are no other pending IFRSs or IFRIC interpretations that are expected to have material impact on 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 24 of the June 30, 2021 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 For the Six Months Ended December 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 December 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 For the Six Months Ended December 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 six months ended December 31, 2021 from the year ended June 30, 2021.

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

	December 31	June 30
	2021	2021
	\$	\$
Trade accounts receivable	1,678	2,760
Provision for impairment	-	(7)
Net trade accounts receivable	1,678	2,753

At December 31, 2021, trade accounts receivable of \$1,006 (June 30, 2021 - \$2,032) held by Copper Alloys were pledged as collateral for bank loans (notes 9 and 11) and trade accounts receivable of \$672 (June 30, 2021 - \$721) held by EMC were pledged as collateral for notes payable (note 11).

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 For the Six Months Ended December 31, 2021

6. Receivables, net (continued)

On July 29, 2021, the Company entered into an Accounts Sale and Purchase Agreement (“ASPA”) to provide the Company with US\$4,000 in advance purchase financing between Sallyport Commercial Finance LLC and the Company’s subsidiaries. The ASPA bears interest at the prevailing prime rate plus 2% per annum with an initial term of one year. The following table shows the amount of receivables sold with maturities beyond December 31, 2021 for which the risks and rewards have been transferred and derecognized.

	December 31 2021
	\$
Financing	1,567
Reserve held from borrowings	<u>(333)</u>
Receivables sold and derecognized	<u>1,234</u>

In the period ended December 31, 2021, trade accounts receivable of \$833 were sold by Copper Alloys and trade accounts receivable of \$401 were sold by Engineered Materials.

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 For the Six Months Ended December 31, 2021

7. Inventories, net

	December 31, 2021			June 30, 2021		
	Cost	Valuation Provision	Net	Cost	Valuation Provision	Net
	\$	\$	\$	\$	\$	\$
Raw materials	3,682	-	3,682	5,717	-	5,717
Work in process	1,198	-	1,198	1,196	-	1,196
Finished goods	615	-	615	616	-	616
	5,495	-	5,495	7,529	-	7,529

On December 31, 2021, the Company recognized a \$Nil valuation provision (June 30, 2021 - \$Nil). At December 31, 2021, inventories of \$2,376 (June 30, 2021 - \$4,071) held by Copper Alloys were pledged as collateral for bank loans (notes 9 and 11) and inventories of \$3,119 (June 30, 2021 - \$3,458) 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 six months ended December 31, 2021, cost of revenue included materials of \$6,409 (2020 - \$4,086), and labor of \$2,502 (2020 - \$1,861).

The Company has developed a process that allows recovery of metal from waste material and the Company includes the estimated value of recoverable beryllium in raw material inventory. The estimated value of material recovered from waste included in raw material inventory was \$1,878 as of December 31, 2021 (June 30, 2021 - \$2,072).

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 For the Six Months Ended December 31, 2021

8. Property, Plant, and Equipment

	Land	Right of Use Asset	Machinery and Equipment	Vehicles	Buildings and Leasehold Improvements	Furniture and Fixtures	Construction in Progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
At June 30, 2020	510	2,657	11,073	35	4,093	122	182	18,672
Additions	-	1,799	233	-	-	-	2,170	4,202
Borrowing Cost	-	-	-	-	-	-	33	33
Disposals	-	-	(28)	-	-	-	-	(28)
At June 30, 2021	510	4,456	11,278	35	4,093	122	2,385	22,879
Additions	-	-	110	-	24	-	2,662	2,796
Borrowing Cost	-	-	-	-	-	-	233	233
Disposals	(90)	-	(867)	-	(264)	-	-	(1,221)
At December 31, 2021	420	4,456	10,521	35	3,853	122	5,280	24,687
Accumulated depreciation and impairment								
At June 30, 2020	90	478	7,238	18	2,160	91	-	10,075
Depreciation expense	-	641	400	5	130	7	-	1,183
Disposals	-	-	(27)	-	-	-	-	(27)
At June 30, 2021	90	1,119	7,611	23	2,290	98	-	11,230
Depreciation expense	-	440	226	2	111	2	-	781
Disposals	(90)	-	(867)	-	(264)	-	-	(1,221)
At December 31, 2021	-	1,559	6,970	25	2,137	100	-	10,790
Net book value								
At June 30, 2020	420	2,179	3,835	17	1,933	31	182	8,597
At June 30, 2021	420	3,337	3,668	12	1,803	24	2,385	11,649
At December 31, 2021	420	2,897	3,552	10	1,716	22	5,280	13,897

On December 31, 2021, the Company pledged property, plant, and equipment held by Copper Alloys with a net book value of \$7,703 (June 30, 2021 - \$5,224) and Engineered Materials with a net book value of \$2,763 (June 30, 2021 - \$2,826) 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 December 31		Six months ended December 31	
	2021	2020	2021	2020
	\$	\$	\$	\$
Cost of revenue	343	286	689	599
Selling, general and administrative expenses	46	27	92	54
Total depreciation expense	389	313	781	653

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 For the Six Months Ended December 31, 2021

9. Line of Credit

	December 31 2021	June 30 2021
	\$	\$
Line of credit	2,155	3,467
	<u>2,155</u>	<u>3,467</u>

The Company maintained a 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. In addition to the collateral provided by the borrowers, Freedom has guaranteed the BMO line of credit.

On July 29, 2021, The Company replaced the line of credit agreement with BMO Harris Bank with a line of credit agreement with Iron Horse Credit, LLC with a facility limit of \$4,000 which bears interest at 1.166% per month (21.8% effective interest rate) with an initial term of one year. There is an inter-creditor facility between the ASPA with Sallyport Commercial Finance LLC and line of credit facility with Iron Horse Credit, LLC which is secured by inventory which requires that the Company maintain a minimum debt service coverage and positive cash flows as it pertains to the Company's operations.

10. Accounts Payable and Accrued Liabilities

	December 31 2021	June 30 2021
	\$	\$
Trade accounts payable	1,685	2,796
Employee wages and payroll withholdings	146	67
Accrued liabilities	637	800
Sales returns and allowances	212	208
Accounts payable and accrued liabilities	<u>2,680</u>	<u>3,871</u>
Arbitration award liability	<u>1,471</u>	<u>1,470</u>

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 For the Six Months Ended December 31, 2021

11. Debentures, loans and notes payable

	December 31 2021 \$	June 30 2021 \$
Loan payable to BMO Harris Bank in monthly payments of \$11 at the fixed rate of 6.5% per year to January 31, 2022, collateralized by substantially all the assets of Nonferrous and Freedom.	300	792
Term Loan payable to Utica with 51 monthly payments of \$24 beginning in November 2021 continuing through the maturity date of January 4, 2026, secured by certain fixed assets of Copper Alloys division. Utica has the option to charge a 1% surcharge for every 0.25% that the prime rate of Comerica Bank exceeds 3.25%	829	-
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	2,398	2,317
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	126	128
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%. ³	508	731
Convertible debt with monthly principal payments of \$75 beginning in February 2022 and quarterly interest payments of \$24 satisfied by the issuance of shares continuing through the maturity date of October 14, 2023. The effective interest rate is approximately 10%. ⁴	1,186	-
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.	-	156
	5,347	4,124
Financial statement presentation:		
Debentures:		
Gross proceeds and accrued interest from convertible and non-convertible debentures and Lind financing	4,989	3,827
Unamortized transaction costs and original issued discount (arising from warrants and conversion features) allocated proportionately to convertible and non-convertible debentures	(771)	(651)
Net debentures	4,218	3,176
Net debentures (current)	1,062	517
Net debentures (long-term)	3,156	2,659
Net debentures	4,218	3,176
Loans payable (current)	469	792
Loan payable (long-term)	660	-
Loan payable, coronavirus aid, relief, and economic security act (CARES Act)	-	156
Total debentures, loans and notes payable	5,347	4,124

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.

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 For the Six Months Ended December 31, 2021

11. Debentures, loans and notes payable (continued)

- 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\$0.145 per common share at the option of the holder beginning March 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 9,172,413 detached warrants were issued to the same holders of the convertible debt, exercisable at C\$0.145 per common share on or before November 25, 2022.
- ⁴ The convertible debt may be converted into common shares a conversion price of C\$0.21 per common share at the option of the holder beginning February 2022. Outstanding pre-paid accrued interest may be converted to common shares quarterly; however, a change in control would allow the holder the option of converting all outstanding pre-paid accrued interest to common shares. 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 4,270,591 detached warrants were issued to the same holders of the convertible debt, exercisable at C\$0.21 per common share on or before October 14, 2023

In addition to the collateral provided by the borrowers of the line of credit facility, Freedom 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 quarters ended December 31, 2019 and March 31, 2020, the Company breached 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, December 31, 2020, March 31, 2021, June 30, 2021, September 30, 2021 and December 31, 2021. On September 30, 2021, the bank amended the term loan facility with a change in the maturity date to January 31, 2022 with monthly principal and interest payments of \$11 due on the 30th of each calendar month commencing on September 30, 2021 until January 31, 2022, on which date all unpaid principal together with all accrued and unpaid interest shall be due and payable in full.

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 For the Six Months Ended December 31, 2021

11. Debentures, loans and notes payable (continued)

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

	Convertible Debentures \$	Non- Convertible \$	1st Lind Financing \$	2nd Lind Financing \$	3rd Lind Financing \$	Total Debentures \$
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)	-	-	(274)	-	(293)
Amortization of accreted interest	258	12	37	101	-	408
Accrued interest	227	13	53	64	-	357
Principal paid in cash	-	-	(352)	(59)	-	(411)
Interest paid in cash	-	-	(52)	(9)	-	(61)
Interest paid in shares issued	(227)	(15)	-	-	-	(242)
Effect of foreign exchange rate	203	20	37	44	-	304
June 30, 2021	2,317	128	-	731	-	3,176
Proceeds from issuance of debentures	-	-	-	-	1,500	1,500
Original issue discount	-	-	-	-	(270)	(270)
Transaction costs	-	-	-	-	(110)	(110)
Amortization of accreted interest	139	7	-	74	42	262
Accrued interest	114	6	-	55	24	199
Principal paid in cash	-	-	-	(283)	-	(283)
Interest paid in cash	-	-	-	(45)	-	(45)
Interest paid in shares issued	(115)	(7)	-	-	-	(122)
Effect of foreign exchange rate	(57)	(8)	-	(24)	-	(89)
December 31, 2021	2,398	126	-	508	1,186	4,218

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 For the Six Months Ended December 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 \$101 for the six months ended December 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 \$nil.

	June 30, 2021	Principal payments in the period	Reclassification from long term to short term	December 31, 2021
	\$	\$	\$	\$
Leases payable	3,536	(418)	-	3,118
Less: current portion	(774)	418	(351)	(707)
Long-term portion	2,762	-	(351)	2,411

	June 30, 2021	Lease payments paid in the period	Reclassification from long term to short term	December 31, 2021
	\$	\$	\$	\$
Undiscounted lease payments	924	(494)	416	846
Not later than 1 year	3,137	-	(416)	2,721
Later than 1 year and not later than 5 years	4,061	(494)	-	3,567

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 For the Six Months Ended December 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, 2020	62,408,297	57,515
Shares for services	825,979	110
Shares issued for options exercised	1,000,000	121
Fair value of options exercised	-	80
Debentures interest paid in shares	1,522,654	242
Debentures converted to shares	2,397,887	310
Private placement	10,270,224	1,672
Share issue costs	-	(46)
June 30, 2021	78,425,041	60,004
Shares for services	600,000	96
Debentures interest paid in shares	771,043	122
December 31, 2021	79,796,084	60,222

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 For the Six Months Ended December 31, 2021

13. Share Capital (continued)

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.

In April 2021, 468,966 common shares were issued to Lind Global Macro Fund with an issue-date value of C\$68 in satisfaction of the April 30, 2021 principal and interest obligations due per the second Lind Funding.

In May 2021, 1,000,000 common shares were issued upon the exercise of options.

On June 23, 2021, the Company completed a non-brokered private placement issuing 10,270,224 million units at a price of C\$0.20 per common share for gross proceeds of C\$2,054. Each unit comprised of one common share and one common share purchase warrant, each warrant entitling the holder thereof to acquire one further common share (a "warrant share") at a price of C\$0.23 per warrant share for a period of 24 months from the date of the closing of the private placement. Certain directors of the Company subscribed for an aggregate of 2,623,324 units in the private placement for gross proceeds of C\$525.

In June 2021, 1,158,621 common shares were issued to Lind Global Macro Fund with an issue-date value of C\$168 in satisfaction of the June 30, 2021 and July 31, 2021 principal and interest obligations due per the second Lind Funding.

In June 2021, 746,950 common shares were issued to debenture holders with an issue-date value C\$152 in satisfaction of the June 30, 2021 interest payment in lieu of cash.

Fiscal 2022

In November 2021, the Company issued 600,000 common shares for services to directors of the Company.

In December 2021, 771,043 common shares were issued to debenture holders with an issue-date value of C\$154 in satisfaction of the December 31, 2021 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 For the Six Months Ended December 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
	\$	\$	\$	\$
June 30, 2020	1,543	7,501	311	9,355
Foreign currency translation loss	-	-	(311)	(311)
Fair value of options exercised	-	(80)	-	(80)
Shares issued for services	-	(106)	-	(106)
Share-based compensation	-	287	-	287
Debentures converted to shares	(22)	-	-	(22)
Warrants and conversion features issued with debentures	151	-	-	151
June 30, 2021	1,672	7,602	-	9,274
Foreign currency translation loss	-	-	146	146
Shares issued for services	-	(95)	-	(95)
Share-based compensation	-	137	-	137
Warrants and conversion features issued with debentures	246	-	-	246
December 31, 2021	1,918	7,644	146	9,708

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 2021 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 For the Six Months Ended December 31, 2021

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

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

	Stock Options Outstanding	Weighted Average Exercise Price C\$
At June 30, 2020	1,888,250	0.47
Exercised	(1,000,000)	0.15
Expired	(425,000)	0.80
Forfeited	(335,000)	0.50
Granted	3,520,000	0.16
At June 30, 2021	3,648,250	0.47
Granted	1,630,000	0.20
At December 31, 2021	5,278,250	0.21

During the six months ended December 31, 2021 the Company recognized share-based compensation and share-based services of \$137 (2020 - \$167).

During the six months ended December 31, 2021, no options have been exercised. Also, During the six months ended December 31, 2020, no options have been exercised.

On December 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\$
30-Jun-17	30-Jun-22	0.24	0.40	420,000	0.5 years	0.40	420,000	0.5 years	0.40
25-Jul-18	24-Jul-23	0.20	0.31	668,250	1.6 years	0.31	668,250	1.6 years	0.31
26-Jun-20	26-Jun-25	0.11	0.16	40,000	3.5 years	0.16	20,000	3.5 years	0.16
2-Jul-20	2-Jul-25	0.10	0.15	1,000,000	3.5 years	0.15	-	3.5 years	0.15
15-Jul-20	15-Jul-25	0.13	0.21	600,000	3.5 years	0.21	300,000	3.5 years	0.21
30-Oct-20	30-Oct-25	0.10	0.15	920,000	3.8 years	0.15	460,000	3.8 years	0.15
1-Dec-21	1-Dec-26	0.10	0.20	1,630,000	4.9 years	0.20	407,500	4.9 years	0.20
				5,278,250	3.5 years	0.21	2,275,750	2.7 years	0.26

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 For the Six Months Ended December 31, 2021

15. Share-Based Payments (continued)

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	107.6%	106.6%
Risk-free interest rate	1.0%	0.3%
Expected option lives	3.1 years	3.3 years
Expected forfeiture rate	9.1%	13.2%
Weighted average fair value of awards	C\$0.13	C\$0.10
Grant price	C\$0.2	C\$0.15
Market price	C\$0.2	C\$0.15
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.

16. Warrants

	Financing Warrants		Broker Warrants	
	Warrants Outstanding	Weighted Average Exercise Price C\$	Warrants Outstanding	Weighted Average Exercise Price C\$
June 30, 2020	34,945,648	0.42	1,993,253	0.37
Issued	19,442,637	0.19	-	-
Expired	(23,544,143)	0.45	(907,000)	0.38
June 30, 2021	30,844,142	0.25	1,086,253	0.37
Issued	4,270,591	0.21	-	-
December 31, 2021	35,114,733	0.25	1,086,253	0.37

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 For the Six Months Ended December 31, 2021

16. Warrants (continued)

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

Number of Financing	Number of Broker	Exercise Price C\$	Issue Date	Expiry Date
9,172,413	-	0.145	November 25, 2020	November 25, 2022
2,249,805	-	0.280	April 29, 2019	April 22, 2022
10,270,224	-	0.230	June 23, 2021	June 23, 2023
4,270,591	-	0.210	October 14, 2021	October 14, 2023
9,151,700	1,086,253	0.370	June 6, 2018	June 6, 2023
35,114,733	1,086,253			

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 December 31,		Six months ended December 31,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Short-term employee benefits and consulting fees	362	268	657	537
Share-based compensation and services	65	56	104	151
	427	324	761	688

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

As of December 31, 2021, \$119 (June 30, 2021 - \$144) is owing to directors and officers for services and \$Nil (June 30, 2021 - \$1) is owing to officers for expenses paid on the Company's behalf.

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 For the Six Months Ended December 31, 2021

18. Commitments and Contingencies

The Company has entered into commercial property leases. These leases have an average remaining life of 4.1 years, with a certain lease having a renewal option at 95% of fair market value. The future minimum rental payments under non-cancellable operating leases on December 31, 2021 are:

Period ending June 30	\$
2022	430
2023	843
2024	869
2025	895
2026	531
	<u>3,568</u>

The Company is contractually committed to purchase, on December 31, 2021 prices, an aggregate of \$1,667 (June 30, 2021 - \$1,999) in raw materials. The estimated commitment in the fiscal period is as follows:

Period ending June 30	\$
2022	1,667
	<u>1,667</u>

19. Segment Reporting

As of December 31, 2021, the Company had three reportable segments: Copper Alloys, Engineered Materials and Corporate. As of December 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 24 of the June 30, 2021 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 For the Six Months Ended December 31, 2021

19. Segment Reporting (continued)

Three months ended December 31, 2021	Copper Alloys	Engineered Materials	Corporate	Total
	\$	\$	\$	\$
Revenue from external customers	3,239	3,885	-	7,124
Depreciation	122	267	-	389
Share-based compensation and shared-based services	13	15	64	92
Operating income (loss)	(359)	1,036	(123)	554
Foreign exchange gain (loss)	-	-	(3)	(3)
Interest & accretion expense	99	(36)	(333)	(270)
Gain (loss) on disposal of assets	92	(22)	-	70
Other income	3	3	(13)	(7)
Income (loss) before income taxes	(165)	981	(472)	344
Income tax (expense) recovery	-	-	-	-
Capital expenditures	1,084	44	188	1,316

Three months ended December 31, 2020	Copper Alloys	Engineered Materials	Corporate	Total
	\$	\$	\$	\$
Revenue from external customers	2,873	2,056	-	4,929
Depreciation	130	183	-	313
Share-based compensation and shared-based services	11	8	50	69
Operating income (loss)	(202)	198	(210)	(214)
Foreign exchange gain (loss)	-	-	86	86
Interest & accretion expense	(84)	(31)	(57)	(172)
Loss on disposal of assets	-	-	-	-
Other income	8	5	6	19
Income (loss) before income taxes	(278)	172	(175)	(281)
Income tax (expense) recovery	(1)	-	(22)	(23)
Capital expenditures	18	14	-	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 For the Six Months Ended December 31, 2021

19. Segment Reporting (continued)

Six months ended December 31, 2021	Copper Alloys	Engineered Materials	Corporate	Total
	\$	\$	\$	\$
Revenue from external customers	6,757	7,457	-	14,214
Depreciation	245	536	-	781
Share-based compensation and shared-based services	17	18	102	137
Operating income (loss)	(696)	1,395	(331)	368
Foreign exchange gain (loss)	-	-	(2)	(2)
Interest & accretion expense	138	(82)	(654)	(598)
Gain (loss) on disposal of assets	61	(40)	-	21
Other income	3	8	(13)	(2)
Income (loss) before income taxes	(494)	1,281	(1,000)	(213)
Income tax (expense) recovery	(7)	-	(17)	(24)
Capital expenditures	2,416	102	278	2,796

Six months ended December 31, 2020	Copper Alloys	Engineered Materials	Corporate	Total
	\$	\$	\$	\$
Revenue from external customers	6,064	3,292	-	9,356
Depreciation	264	389	-	653
Share-based compensation and shared-based services	13	9	145	167
Operating income (loss)	(330)	144	(533)	(719)
Foreign exchange gain (loss)	-	-	24	24
Interest & accretion expense	(182)	(65)	(324)	(571)
Loss on disposal of assets	3	-	-	3
Other income	6	11	7	24
Income (loss) before income taxes	(503)	90	(826)	(1,239)
Income tax (expense) recovery	(3)	-	(17)	(20)
Capital expenditures	44	38	-	82

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 For the Six Months Ended December 31, 2021

19. Segment Reporting (continued)

Total assets employed by each division are:

	December 31	June 30
	2021	2021
	\$	\$
Copper Alloys	12,021	12,493
Engineered Materials	6,776	12,306
Corporate	4,557	379
	<u>23,354</u>	<u>25,178</u>

Total liabilities recognized by each division are:

	December 31	June 30
	2021	2021
	\$	\$
Copper Alloys	2,481	6,502
Engineered Materials	6,692	8,190
Corporate	7,101	3,821
	<u>16,274</u>	<u>18,513</u>

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

	Three months ended		Six months ended	
For the three months ended	December 31		December 31	
	2021	2020	2021	2020
	\$	\$	\$	\$
United States	3,775	3,614	7,696	7,563
All others	3,349	1,315	6,518	1,793
	<u>7,124</u>	<u>4,929</u>	<u>14,214</u>	<u>9,356</u>

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

	Three months ended		Six months ended	
	December 31		December 31	
	2021	2020	2021	2020
	\$	\$	\$	\$
Switzerland	124	-	246	-
Germany	26	3	109	149
Singapore	2,539	863	4,886	990
The Netherlands	-	262	-	295
Japan	159	-	159	-
Malaysia	242	99	604	99
Canada	203	-	298	-
all others	56	88	216	260
	<u>3,349</u>	<u>1,315</u>	<u>6,518</u>	<u>1,793</u>

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 For the Six Months Ended December 31, 2021

19. Segment Reporting (continued)

The following customers represented more than 10% of sales:

For the six months ended	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
	\$		\$	
Customer A	1,806	12.7	2,195	23.5
Customer B	5,459	38.4	950	10.2

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

Property, plant and equipment	December 31		June 30	
	2021		2021	
	\$		\$	
United States	13,897		11,649	

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 six months ended December 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	
	December 31, 2021		June 30, 2021	
	Increase	(Decrease)	Increase	(Decrease)
	\$	\$	\$	\$
10% movement in cash flows	(369)	369	(400)	400
1% movement in Canadian \$ per US \$	(37)	37	(40)	40

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 For the Six Months Ended December 31, 2021

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

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

Balances at December 31, 2021		C\$
Cash		34
Accounts payable and accrued liabilities		318
Debentures		4,393
Balances at June 30, 2021		C\$
Cash		41
Accounts payable and accrued liabilities		252
Debentures		4,743

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	
	December 31, 2021		June 30, 2021	
	Increase	(Decrease)	Increase	(Decrease)
	\$	\$	\$	\$
10% movement in cash flows	(19)	19	(19)	19
1% movement in interest rate index	(46)	46	(35)	35

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 For the Six Months Ended December 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 For the Six Months Ended December 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.

December 31, 2021	Less than three months \$	Three to 12 months \$	One to five years \$	Total \$
Accrued payables and accrued liabilities	2,351	329	-	2,680
Line of credit	2,155	-	-	2,155
Leases payable (undiscounted)	230	616	2,721	3,567
Loan payable	373	220	536	1,129
Arbitration award liability	-	-	1,471	1,471
Convertible debentures	200	600	2,736	3,536
Debentures	-	-	143	143
	5,309	1,765	7,607	14,681
June 30, 2021	Less than three months \$	Three to 12 months \$	One to five years \$	Total \$
Accrued payables and accrued liabilities	3,582	289	-	3,871
Line of credit	3,467	-	-	3,467
Leases payable (undiscounted)	260	625	2,929	3,814
Loan payable	779	-	(3)	776
Note payable	-	3	-	3
Arbitration award liability	-	-	1,470	1,470
Convertible debentures	137	616	2,927	3,680
Debentures	-	-	147	147
	8,225	1,533	7,470	17,228

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 For the Six Months Ended December 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**

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

For the For the Six Months Ended December 31, 2021

21. Loss per Share

	Three months ended		Six months ended	
	December 31		December 31	
	2021	2020	2021	2020
Income (loss) for the period (\$000)	344	(304)	(237)	(1,259)
Weighted average number of common shares outstanding	78,772,552	62,928,319	78,598,797	62,689,784
Loss per share, basic and diluted				
Loss per share, basic and diluted (\$ per share)	0.00	(0.00)	(0.00)	(0.02)
Numerator				
Income (loss) for the period (\$000)	344	(304)	(237)	(1,259)
Add: Distributed earnings from warrants conversion	¹ 27	27	77	54
Net Earnings available to common shareholders, diluted	371	(277)	(160)	(1,205)
Denominator				
Weighted average number of commons shares outstanding	78,772,552	62,928,319	78,598,797	62,689,784
Effect of contingently issued shares upon warrants conversion	¹ 9,172,413	9,172,413	13,443,004	9,172,413
Effect of contingently issued shares upon options exercise	² 756,902	436,008	946,123	429,721
Weighted average number of common shares outstanding, diluted	88,701,867	72,536,740	92,987,924	72,291,918
Diluted Income (loss) pers share (\$ per share)	0.00	anti-dilutive	anti-dilutive	anti-dilutive

1 - if converted method

2 - treasury stock method

Diluted income per share for the three ended December 31, 2021 and is the same as basic income per share as only 756,902 share options and 9,172,413 warrants were in the money. Diluted loss per share is the same as basic loss per share for the three months ended December 31, 2020 as the exercise of the 436,008 share options and 9,172,413 warrants would be anti-dilutive. Diluted loss per share for the nine months ended December 31, 2021 and 2020 is the same as basic loss per share as the exercise of 946,123 share options (December 31, 2020 – 429,721) and 13,443,004 warrants (December 31, 2020 – 9,172,413) would be anti-dilutive.

22. Events after the reporting date

On January 24, 2022 the Company's Subsidiary, NF Industries, Inc. completed its payments on its \$1.7 million mortgage term loan with BMO Harris Bank fully satisfying its obligations on this mortgage.