



IBC Advanced Alloys

IBC ADVANCED ALLOYS CORP.

CONSOLIDATED FINANCIAL STATEMENTS

Expressed in United States Dollars

June 30, 2022

Independent Auditor's Report

To the Shareholders of IBC Advanced Alloys Corp.

Opinion

We have audited the consolidated financial statements of IBC Advanced Alloys Corp. (the "Group"), which comprise the consolidated statements of financial position as at June 30, 2022 and June 30, 2021 and the consolidated statements of loss and comprehensive loss, cash flows and changes in equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2022 and June 30, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

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

Other Information

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

- Management's Discussion and Analysis
- Annual Information Form

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

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

We obtained the other information prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information,

we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Pejman Mahlooji.

"Crowe MacKay LLP"

**Chartered Professional Accountants
Vancouver, Canada
October 27, 2022**

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

	Note	June 30 2022 \$	June 30 2021 \$
ASSETS			
Current assets			
Cash		478	2,359
Receivables, net	6	3,625	2,753
Inventories	7	6,754	7,529
Prepaid expenses and deposits		282	275
Total current assets		11,139	12,916
Non-current assets			
Deposits		295	612
Inventories	7	1,558	-
Property, plant, and equipment	8	14,616	11,649
Other assets		40	1
Total non-current assets		16,509	12,262
Total assets		27,648	25,178
LIABILITIES			
Current liabilities			
Line of credit	9	3,733	3,467
Accounts payable and accrued liabilities	10, 21	5,196	3,871
AR factoring facility	6	2,056	-
Leases payable	12	712	774
Note payable	11	-	3
Unearned revenue		1,134	2,045
Loans payable	11	182	792
Arbitration award liability	10, 21	1,483	1,470
Debentures, current portion	11	3,419	517
Total current liabilities		17,915	12,939
Non-current liabilities			
Loan payable	11	578	153
Leases payable	12	2,050	2,762
Debentures	11	228	2,659
Total non-current liabilities		2,856	5,574
Total liabilities		20,771	18,513
EQUITY			
Share capital	14	60,924	60,004
Additional paid in capital		-	-
Reserves	15	9,698	9,274
Accumulated deficit		(63,745)	(62,613)
Total equity		6,877	6,665
Total liabilities and equity		27,648	25,178

Going concern of operations 2
Commitment and contingencies 19, 21
Subsequent events 23

On behalf of the board of directors:

“Simon Anderson” Director “Mark Smith” Director
Simon Anderson Mark Smith

See accompanying notes

IBC ADVANCED ALLOYS CORP.**Consolidated Statements of Loss and Comprehensive Loss**

(US dollars in thousands, except for share and basic and diluted loss per common share)

Year ended June 30	Note	2022	2021
		\$	\$
Revenue	20	26,911	21,809
Cost of revenue	7, 8	21,366	17,581
Gross profit		5,545	4,228
Selling, general, and administrative expenses (recovery)			
Consulting fees		502	207
Depreciation	8	201	139
Director fees, cash portion	18	50	51
Doubtful debts (recovery)		(7)	38
Office and miscellaneous		1,105	1,226
Professional fees		319	246
Public company costs		181	175
Rent		7	4
Salaries, wages, and management fees	18	2,431	2,048
Share-based compensation and services	16, 18	319	287
Travel, meals and entertainment		180	60
		5,288	4,481
Income (loss) before other items		257	(253)
Other income (expense)			
Foreign exchange expense		(33)	(7)
Interest and accretion expense	6, 9, 11, 12	(1,566)	(1,270)
Gain on disposal of assets		137	2
Gain on revaluation of derivative	11	83	-
Other income		18	20
Loss before income taxes		(1,104)	(1,508)
Income tax expense			
Current		(28)	(13)
		(28)	(13)
Loss for the year, net of tax		(1,132)	(1,521)
Other comprehensive income (loss), net of tax			
Foreign currency translation		125	(311)
Total comprehensive loss		(1,007)	(1,832)
Basic and diluted loss per common share	22	(0.01)	(0.02)
Weighted average number of common shares outstanding	22	80,011,484	63,986,619

See accompanying notes

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

Year ended June 30	2022	2021
	\$	\$
Cash flows provided by (used in) operating activities		
Loss for the year, net of tax	(1,132)	(1,521)
Adjustments for:		
Share-based compensation and services	319	287
(Gain) on disposal of assets	(137)	(2)
(Gain) on revaluation of derivative	(83)	-
Doubtful debts expense (recovery)	(7)	38
Depreciation	1,549	1,183
Sales returns and allowances expense (recovery)	177	(15)
Foreign exchange expense	33	7
Interest and accretion expense	1,566	1,270
Changes in non-cash working capital items:		
Receivables	(865)	240
Inventories	(769)	(919)
Prepaid expenses and deposits	310	(382)
Accounts payable and accrued liabilities	1,002	832
Unearned revenue	(911)	1,988
	1,052	3,006
Cash flows provided by (used in) financing activities		
Net line of credit advances	266	116
Interest paid	(976)	(436)
AR factoring facility	2,056	-
Notes payable, related parties repayments	-	(110)
Loan repayments	(1,052)	(77)
Loan proceeds	900	-
Loan financing costs	(61)	-
Debenture proceeds	1,500	1,095
Lease principal repayments	(774)	(602)
Debenture principal repayments	(749)	(411)
Debentures financing costs	(109)	(71)
Options exercised	10	121
Private placement proceeds	-	1,672
Share issue costs	-	(46)
	1,011	1,251
Cash flows provided by (used in) investing activities		
Proceeds from sale of property, plant, and equipment	150	3
Purchase of property, plant, and equipment	(4,061)	(2,403)
	(3,911)	(2,400)
Foreign exchange effect on cash		
	(33)	(7)
Change in cash during the year		
	(1,881)	1,850
Cash, beginning of year	2,359	509
Cash, end of year	478	2,359
Supplemental Cash Flow Information:		
Interest payments, net of amounts capitalized	(976)	(436)
Income tax payments	(28)	(13)
Non-cash items:		
Borrowing cost capitalized to property, plant and equipment	458	33
Right of use asset capitalized to property, plant and equipment	-	1,799
Issuances of common shares in lieu of services paid in cash	97	110
Fair value of options exercised	7	80
Issuances of common shares upon debentures converted to shares and related interest	524	310
Issuances of common shares in lieu of interest paid in cash	282	242

See accompanying notes

IBC ADVANCED ALLOYS CORP.
Consolidated Statement of Changes in Equity
(US dollars in thousands)
For the Year Ended June 30, 2022

	Note	Share Capital \$	Reserves \$	Accumulated Deficit \$	Equity \$
At June 30, 2020		57,515	9,355	(61,092)	5,778
Shares issued for option exercised	14	121	-	-	121
Fair value of options exercised	14	80	(80)	-	-
Foreign currency translation		-	(311)	-	(311)
Private placement	14	1,672	-	-	1,672
Share issue costs	14	(46)	-	-	(46)
Shares issued for services	11, 14, 15	110	(106)	-	4
Debentures converted to shares	11, 14, 15	310	(22)	-	288
Debentures interest paid in shares	11, 15	242	-	-	242
Share-based compensation	15, 16	-	287	-	287
Warrants and conversion features issued with debentures	16	-	151	-	151
Loss for the year		-	-	(1,521)	(1,521)
At June 30, 2021		60,004	9,274	(62,613)	6,665
At June 30, 2021		60,004	9,274	(62,613)	6,665
Shares issued for option exercised	14	10	-	-	10
Fair value of options exercised	14	7	(7)	-	-
Foreign currency translation		-	125	-	125
Shares issued for services	11, 14, 15	97	(97)	-	-
Debentures converted to shares	11, 14, 15	524	(31)	-	493
Debentures interest paid in shares	11, 14	282	-	-	282
Share-based compensation	15, 16	-	319	-	319
Warrants and conversion features issued with debentures	16	-	115	-	115
Loss for the year		-	-	(1,132)	(1,132)
At June 30, 2022		60,924	9,698	(63,745)	6,877

See accompanying notes

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

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

For the Year Ended June 30, 2022

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

The Company's board of directors approved the release of these consolidated financial statements on October 25, 2022.

b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are measured at fair value, as explained in the significant accounting policies set out in note 24. The consolidated financial statements are presented in United States dollars ("\$\$") and all financial amounts, other than per-share amounts, are rounded to the nearest thousand dollars. The functional currency of the parent company is the Canadian dollar ("C\$"), and the functional currency of the subsidiary companies is the United States dollar.

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

c) Going concern of operations

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

For the year ended June 30, 2022, the Company had not yet achieved consistently profitable operations, having incurred a loss of \$1,132 during the year ended June 30, 2022 (June 30, 2021 - \$1,521). The Company had accumulated losses of \$63,745 (June 30, 2021 - \$62,613) since inception.

On July 29, 2021, the Company replaced its line of credit facilities with an accounts sale and purchase agreement and a line of credit facility with other financial institutions as described in Note 6 and 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 became due and payable in full. On January 24, 2022 the Company completed its payments on its \$1.7 million mortgage term loan with BMO Harris Bank fully satisfying its obligations on this mortgage. 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.

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

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

For the Year Ended June 30, 2022

2. Basis of Presentation (continued)

c) Going concern of operations (continued)

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 less a \$75 closing fee. 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 will be convertible into common 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.

For the year ended June 30, 2022, the Company had a loss for the year of \$1,132 (2021 – \$1,521), has a working capital deficiency of \$6,776 (June 30, 2021 – \$23), and has an accumulated deficit of \$63,745 (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.

The Company's business may be affected by changes in political and market conditions, such as interest rates, availability of credit, inflation rates, changes in laws, and national and international circumstances. Recent geopolitical events, including the outbreaks of the coronavirus (COVID-19) pandemic, relations between NATO and Russian Federation regarding the situation in Ukraine, and potential economic global challenges such as the risk of the higher inflation and energy crises, may create further uncertainty and risk with respect to the prospects of the Company's business. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

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

For the Year Ended June 30, 2022

2. Basis of Presentation (continued)

c) Going concern of operations (continued)

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.

3. New and Amended IFRS Standards that are Effective for the Current Year

There are no new standards, interpretations, and amendments to existing standards that have been issued by the IASB or IFRC that are effective in the current year that are relevant to the Company.

New standards, interpretations and amendments not yet effective

Certain new standards, interpretations, and amendments to existing standards have been issued by the IASB or IFRC that are mandatory for accounting years beginning on or after January 1, 2022. New accounting pronouncements that are not applicable or are not consequential to the Company have been excluded in the preparation of these consolidated financial statements.

A number of new standards, and amendments to standards and interpretations, are not effective for the year ended June 30, 2022, and have not been early adopted in preparing these financial statements. The Company is currently in the process of assessing the potential impacts, if any, on the Company's financial statements. The following accounting standards and amendments are effective for future periods:

(i) Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37) - The amendments to IAS 37 specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments to IAS 37 are not expected to have a material impact on the Company's consolidated financial statements.

These amendments are effective for reporting periods beginning on or after January 1, 2022.

(ii) Classification of Liabilities as Current or Non-current (Amendments to IAS 1) - The amendments to IAS1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date.

These amendments are effective for reporting periods beginning on or after January 1, 2023.

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 year only, or in the year of the change and future years, if the change affects both.

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

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

For the Year Ended June 30, 2022

4. Critical Accounting Estimates and Judgments (continued)

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed (note 24).

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.

Income taxes

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

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

Useful lives of property, plant and equipment

Property, plant and equipment are amortized or depreciated over their useful lives. Useful lives are based on management's estimate of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the consolidated statement of loss and 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. Current portions and non current portions of inventories are based upon estimated projections of processing or forecasted usage of the revert material.

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.

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

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

For the Year Ended June 30, 2022

4. Critical Accounting Estimates and Judgments (continued)

Debentures issued with conversion features or derivative liability and/or warrants

The derivative liability is initially recorded at fair value, next the liability portion of the debenture is recorded at its fair value with the residual allocated to the equity warrants. The fair value of the derivative liability is based upon the Black-Scholes model using various estimates for volatility, discount rate, dividend rate, and etc. 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.

Share-based transactions

The Company must exercise judgement in defining its assumptions for evaluating share-based compensation, (note 16) per IFRS 2 and employs the Black-Scholes option-pricing model and various weighted average assumptions. The Company bases estimates on historical data for volatility, forfeitures, expected option lives, dividend yield, interest rates and actual market price and grant price of the options.

Segmented reporting

The Company must exercise judgement in defining its business segments (note 20) 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 June 30, 2022, 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 19 and 21).

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

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

For the Year Ended June 30, 2022

5. Capital Management

The board of directors has overall responsibility for the establishment and oversight of the Company's capital management framework. The board of directors has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are regularly reviewed and updated to reflect changes in market conditions and the Company's activities. There were no changes to the Company's approach to capital management during the year ended June 30, 2022 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 line of credit facilities require that it maintain a minimum net worth and certain ratios indicating debt coverage and debt-to-tangible net worth. The Iron Horse Credit, LLC with whom the Company maintains a line of credit facility requires that Company demonstrate positive operating cash flows.

6. Receivables, net

	June 30	June 30
	2022	2021
	\$	\$
Trade accounts receivable	1,569	2,760
Trade accounts receivable subject to factoring	2,056	-
Provision for impairment	-	(7)
Net trade accounts receivable	3,625	2,753

At June 30, 2022, trade accounts receivable of \$1,770 (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 \$286 (June 30, 2021 - \$721) held by EMC were pledged as collateral for notes payable (notes 9 and 11).

On July 29, 2021, the Company entered into an account sale and purchase agreement (ASPA) or Accounts Receivable (AR) factoring facility with Sallyport Commercial Finance LLC and the Company's subsidiaries. The ASPA bears interest at the prevailing prime plus 2% per annum, additional fees include a 3% factoring fees, a factoring fee of .5% of the receivables balance purchased after 45 days and another .5% factoring fee after 90 days. The ASPA can provide up to \$4 million in revolving financing pursuant to the factoring of 90% of the company's accounts receivable. The Company has retained late payment and credit risk, and therefore, continues to recognize the transferred assets in their entirety in its Consolidated Statement of Financial Position. The repayable amount is presented as a liability, AR factoring facility. The initial term is 12 months with an inter-creditor facility with Iron Horse Credit, LLC and Sallyport Commercial Finance which requires that the Company maintain a minimum debt service coverage ratio and positive cash flows at it pertains to the Company's operations. On April 28, 2022, the Company entered into an amended agreement and extended the ASPA through July 28, 2023 and the inter creditor facility between Sallyport Commercial Finance LLC and Iron Horse Credit, LLC continues. As at June 30, 2022, the Company has \$2,056 of its accounts receivable factored as part of this AR factoring facility and during the year has incurred \$277 in interest expense as a result of factoring of accounts receivable.

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

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

For the Year Ended June 30, 2022

7. Inventories

	June 30, 2022	June 30, 2021
	Cost	Cost
	\$	\$
Current Inventories		
Raw materials	4,749	5,717
Work in process	1,562	1,196
Finished goods	443	616
	6,754	7,529
Non current Inventories		
Raw materials	1,558	-
	8,312	7,529

At June 30, 2022, inventories of \$4,072 (June 30, 2021 - \$4,071) held by Copper Alloys were pledged as collateral for bank loans (notes 9 and 11) and inventories of \$3,590 (June 30, 2021 - \$3,458) held by EMC were pledged as collateral for notes payable (notes 9 and 11). No valuation provision has been recorded as a direct result of the Company's ability to return product in the manufacturing process. Material generally retains its intrinsic value as the commodity can be re-introduced into the process flow by re-melting or sold as a commodity.

During the year ended June 30, 2022, cost of sales included materials of \$12,527 (2021 - \$10,486), and labor of \$4,850 (2021 - \$3,899).

In 2018, beryllium bearing alloys carried in salvage (work in process) inventory were revalued. The adjustment became necessary when a new process was developed allowing recovery of the alloys previously thought to be unrecoverable. The material in question has been stored over time in drums with the belief they would be disposed of. The new process allows the material to be heated in a furnace which allows the usable alloy to be separated from contaminants. As of June 30, 2018, the new process had been tested both determining the usability of the material as well as providing yield estimates for the recovery process. The adjustment to record the value of this inventory resulted in a \$979 increase in raw material inventory values and a corresponding adjustment to cost of goods sold as of June 30, 2018. During the years ended June 30, 2022, 2021, 2020 and 2019, the process was further implemented and proven successful allowing beryllium bearing alloys previously thought to be unusable to be heated in a furnace permitting usable alloy to separate from contaminants. The Company is in the process of further refining its process to improve yields and recoveries from processing this inventory. The estimated value of this material included in raw material inventory was \$1,822 as of June 30, 2022 (June 30, 2021 - \$2,072).

The net realizable value (NRV) of this inventory involves significant estimates related to future production and consumption, sales volumes, recovery and operating and capital costs. These estimates are subject to various risks and uncertainties and may have an effect on the NRV estimate and the carrying value of this inventory.

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

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

For the Year Ended June 30, 2022

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	-	-	1,434	-	12	382	2,233	4,061
Borrowing Cost	-	-	-	-	-	-	458	458
Construction in progress placed in service	-	-	231	-	4,483	202	(4,916)	-
Disposals	(90)	-	(1,484)	-	(314)	(36)	-	(1,924)
At June 30, 2022	420	4,456	11,459	35	8,274	670	160	25,474
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	-	-	(28)	-	-	-	-	(28)
At June 30, 2021	90	1,119	7,610	23	2,290	98	-	11,230
Depreciation expense	-	842	529	5	144	29	-	1,549
Disposals	(90)	-	(1,484)	-	(314)	(33)	-	(1,921)
At June 30, 2022	-	1,961	6,655	28	2,120	94	-	10,858
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 June 30, 2022	420	2,495	4,804	7	6,154	576	160	14,616

As at June 30, 2022, the Company pledged property, plant, and equipment held by Copper Alloys with a net book value of \$9,042 (June 30, 2021 - \$5,224) and Engineered Materials with a net book value of \$2,580 (June 30, 2021 - \$2,826) as collateral for bank loans (notes 9 and 11).

Specific borrowing costs of \$68 in the current year (June 30, 2021- \$Nil) were capitalized related to the Utica Financing agreement which specifically funded the long-term capital projects in the current year. General borrowing costs of \$390 in the current year (June 30, 2021- \$33) were capitalized using a weighted average cost of capital of 13.94% in the current year (June 30, 2021 - 10.16%)

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

	Twelve months ended June 30	
	2022	2021
	\$	\$
Cost of revenue	1,348	1,044
Selling, general and administrative expenses	201	139
Total depreciation expense	1,549	1,183

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

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

For the Year Ended June 30, 2022

9. Line of Credit

	June 30 2022	June 30 2021
	\$	\$
Line of credit	3,733	3,467

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% which is collateralized by substantially all of Nonferrous', Freedom's, and EMC's assets. In addition to the collateral provided by the borrowers, Freedom 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. On April 14, 2022, the Company entered into an amended agreement and extended the line of credit through July 28, 2023 and the inter creditor facility between Sallyport Commercial Finance LLC and Iron Horse Credit, LLC continues.

10. Accounts Payable, Accrued Liabilities and Arbitration award liability

		June 30 2022	June 30 2021
	Note	\$	\$
Trade accounts payable		3,570	2,796
Employee wages and payroll withholdings		282	67
Accrued liabilities		931	800
Sales returns and allowances		413	208
Accounts payable and accrued liabilities		5,196	3,871
Arbitration award liability	21	1,483	1,470

IBC ADVANCED ALLOYS CORP.
Notes to the Consolidated Financial Statements
(US dollars in thousands, except for share and per share amounts)

For the Year Ended June 30, 2022

11. Debentures, loans and notes payable

	June 30 2022 \$	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.	-	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%	760	-
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	2,487	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	129	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	-	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 26%. ⁴	960	-
Derivative Liability related to the Conversion features of the Convertible debt with 20 monthly principal payments of \$75 and maturity date of October 14, 2023 whose outstanding principal can be converted to the company's shares at a C\$0.21 per debenture. ⁵	71	-
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
	<u>4,407</u>	<u>4,124</u>
Financial statement presentation:		
Debentures:		
Gross proceeds and accrued interest from convertible and non-convertible debentures and Lind financing	3,996	3,827
Unamortized transaction costs and original issued discount (arising from warrants and conversion features) allocated proportionately to convertible and non-convertible debentures	(349)	(651)
Net debentures	<u>3,647</u>	<u>3,176</u>
Net debentures (current)	3,419	517
Net debentures (long-term)	<u>228</u>	<u>2,659</u>
Net debentures	3,647	3,176
Loans payable (current)	182	792
Loan payable (long-term)	578	-
Loan payable, coronavirus aid, relief, and economic security act (CARES Act)	-	156
Total debentures, loans and notes payable	<u>4,407</u>	<u>4,124</u>

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 Consolidated Financial Statements

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

For the Year Ended June 30, 2022

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.
- ⁵ On October 6, 2021, the Company entered into a convertible debt security funding agreement with Lind Global Fund II, LP, (Lind). Under the terms of the agreement, the Company may issue to Lind convertible securities of up to \$2,250 by way of convertible securities with detached warrants. On October 14, 2021 pursuant to the agreement, Lind made an initial investment of \$1,500, less closing fees of \$75 in exchange for a convertible security (The Third Lind Financing) with a face value of \$1,688, representing principal amount of \$1,500 and prepaid interest of \$188. Prepaid interest will accrue monthly at \$8 per month and Lind will have the option once every 90 days to convert accrued prepaid interest into common shares of the Company at 90% of the market closing price on the date immediately prior to conversion.

As the convertible note and embedded conversion feature are denominated in US dollars and the Company has a Canadian dollar functional currency, they are within scope of IAS 32 – Financial Statements: Presentation, the value of the conversion feature is subject to changes in value based on the prevailing exchanges rates, resulting in a derivative liability. As at June 30, 2022, the liability was estimated based on Black Scholes option pricing model assuming a risk free rate of 0.3%, a duration of 1.13 years, volatility of 88.39%, and based on the USD/CAD exchange rate of 1.2886 on the date as having a fair value of \$91. The fair value of the debt host contract was estimated using an effective interest rate of 26% based upon the Company's unsecured borrowing rate without conversion features.

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. 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 January 24, 2022 the Company completed its payments on its \$1,700 mortgage term loan with BMO Harris Bank fully satisfying its obligations on this mortgage.

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

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

For the Year Ended June 30, 2022

11. Debentures, loans and notes payable (continued)

A summary of debentures activity to June 30, 2022 and 2021 is as follows:

	Convertible Debentures	Non- Convertible Debentures	1st Lind Financing Debentures	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
Derivative liability - conversion features	-	-	-	-	154	154
Original issue discount	-	-	-	-	(280)	(280)
Transaction costs	-	-	-	-	(109)	(109)
Conversion of debentures	-	-	-	(413)	(80)	(493)
Changes in fair value of derivative liability	-	-	-	-	(83)	(83)
Amortization of accreted interest	249	13	-	127	200	589
Accrued interest	228	12	-	73	70	383
Principal paid in cash	-	-	-	(449)	(300)	(749)
Interest paid in cash	-	-	-	(45)	-	(45)
Interest paid in shares issued	(228)	(14)	-	(9)	(31)	(282)
Effect of foreign exchange rate	(79)	(10)	-	(15)	(10)	(114)
June 30, 2022	2,487	129	-	-	1,031	3,647

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

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

For the Year Ended June 30, 2022

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 \$190 for the year ended June 30, 2022. The Company did not incur any variable lease payments and there were no 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 \$(2021 - \$1).

	June 30, 2021	Principal payments in the year	Reclassification from long term to short term	June 30, 2022
	\$	\$	\$	\$
Leases payable	3,536	(774)	-	2,762
Less: current portion	(774)	774	(712)	(712)
Long-term portion	2,762	-	(712)	2,050

	June 30, 2021	Lease payments paid in the year	Reclassification from long term to short term	June 30, 2022
	\$	\$	\$	\$
Undiscounted lease payments	924	(924)	843	843
Not later than 1 year	3,137	-	(843)	2,294
Later than 1 year and not later than 5 years	4,061	(924)	-	3,137

13. Income Taxes

The material components of the income tax expense for the years ended June 30, 2022 and 2021 are as follows:

Year ended June 30	2022	2021
	\$	\$
Current tax (recovery) expense		
Current tax on profit for the year	28	13
Deferred tax expense	-	-
Total income tax (recovery) expense	28	13

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

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

For the Year Ended June 30, 2022

13. Income Taxes (continued)

The difference between tax expense for the years ended June 30, 2022 and 2021 and the expected income taxes based on the statutory tax rate arises as follows:

Year ended June 30	2022	2021
	\$	\$
Loss before income taxes	(1,104)	(1,508)
Tax recovery based on the statutory rate of 27%	(298)	(407)
Foreign exchange impact on deferred tax balance	295	(103)
Non-deductible expenses	141	(60)
Different tax rates in other jurisdictions	(10)	20
Change in current tax expense estimated for prior years	(45)	485
State income taxes and other	23	15
Changes in unrecognized deferred tax assets	(78)	63
Total income tax expense	28	13

For the year ended June 30, 2022, the Canadian federal corporate tax rate and the British Columbia provincial tax rate are 15% and 12% respectively. The US federal tax rate remained at 21%.

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

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

For the Year Ended June 30, 2022

13. Income Taxes (continued)

Deferred Tax Assets and Liabilities

The nature and tax effect of the temporary differences giving rise to the deferred tax assets and liabilities on June 30, 2022 and 2021 are summarized as follows:

	June 30 2021	Recognized in net income	Recognized in equity	June 30 2022
	\$	\$	\$	\$
Losses carried forward	7,840	310	-	8,150
Shares issue costs	28	(9)	-	19
Inventories and other	643	(391)	-	252
Legal expenses	333	22	-	355
	8,844	(68)	-	8,776
Offset against deferred tax liabilities	(1,491)	506	31	(954)
Unrecognized deferred tax asset	(7,353)	(438)	(31)	(7,822)
Deferred tax assets	-	-	-	-
Property, plant and equipment	(1,100)	244	-	(856)
Convertible debt	(391)	262	31	(98)
Offset against deferred tax liabilities	1,491	(506)	(31)	954
Deferred tax liabilities	-	-	-	-
Net deferred tax balance	-	-	-	-

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

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

For the Year Ended June 30, 2022

13. Income Taxes (continued)

	June 30 2020	Recognized in net income	Recognized in equity	June 30 2021
	\$	\$	\$	\$
Losses carried forward	8,125	(285)	-	7,840
Shares issue costs	22	18	(12)	28
Inventories and other	144	499	-	643
Legal expenses	306	27	-	333
	<u>8,597</u>	<u>259</u>	<u>(12)</u>	<u>8,844</u>
Offset against deferred tax liabilities	(1,370)	(152)	31	(1,491)
Unrecognized deferred tax asset	(7,227)	(107)	(19)	(7,353)
Deferred tax assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Property, plant and equipment	(1,158)	58	-	(1,100)
Convertible debt	(212)	(210)	31	(391)
Offset against deferred tax liabilities	<u>1,370</u>	<u>152</u>	<u>(31)</u>	<u>1,491</u>
Deferred tax liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net deferred tax balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Tax Losses

As at June 30, 2022, the Company has accumulated non-capital losses of approximately C\$19,466 (June 30, 2021 - C\$18,561) for Canadian income tax purposes that may be carried forward to reduce taxable income derived in future years, which expire in various amounts from 2026 to 2041. The Company also has United States net operating losses of approximately \$18,538 (June 30, 2021 - \$19,011), of which \$13,167 expire in various amounts from 2028 to 2037.

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

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

For the Year Ended June 30, 2022

14. 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 issued 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 issued for services	600,000	97
Shares issued for options exercised	75,000	10
Fair value of options exercised	-	7
Debentures interest paid in shares	1,659,118	282
Debentures converted to shares	3,998,300	524
June 30, 2022	84,757,459	60,924

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

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

For the Year Ended June 30, 2022

14. Share Capital (continued)*Fiscal 2022*

In November 2021, the Company issued 600,000 common shares for services with a value of \$97 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 or \$121 in satisfaction of the December 31, 2021 interest payment in lieu of cash.

In February 2022, 68,226 common shares were issued to Lind Global Macro Fund with an issue-date value of C\$12 or \$9 in satisfaction of prepaid accrued interest obligations due per the second Lind Funding.

In February 2022, 234,201 common shares were issued to Lind Global Fund II with an issue-date value of C\$40 or \$31 in satisfaction of prepaid accrued interest obligations due per the first Lind Funding.

In March 2022, 75,000 common shares were issued upon the exercise of options with proceeds for \$10 received by the Company. The \$7 fair value of the options was reclassified from reserves to share capital.

In April 2022, 3,540,229 common shares were issued to the Lind Global Macro Fund with an issue-date value of C\$513 or \$444 upon the conversion of the remaining outstanding principal per the second Lind Funding.

In April 2022, 458,071 common shares were issued to the Lind Global Fund II, LP with an issue-date value of \$75 in satisfaction of the April 30, 2022 principal payment per Lind's conversion request. The \$5 fair value of the conversion features was reclassified from the derivative liability to share capital.

In June 2022, 585,648 common shares were issued to debenture holders with an issue-date value C\$152 or \$121 in satisfaction of the June 30, 2022 interest payment in lieu of cash.

Fiscal 2021

In August 2020, 80,645 shares were issued upon the conversion of C\$25 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.

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

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

For the Year Ended June 30, 2022

14. Share Capital (continued)

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.

15. 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 adjustment	-	-	(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 adjustment	-	-	125	125
Fair value of options exercised	-	(7)	-	(7)
Shares issued for services	-	(97)	-	(97)
Share-based compensation	-	319	-	319
Debentures converted to shares	(31)	-	-	(31)
Warrants and conversion features issued with debentures	115	-	-	115
June 30, 2022	1,756	7,817	125	9,698

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

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

For the Year Ended June 30, 2022

16. 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.

Option Grants

A summary of stock option activity to June 30, 2022 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	0.22
Exercised	(75,000)	0.17
Expired	(420,000)	0.40
Forfeited	(25,000)	0.18
Granted	3,540,000	0.22
At June 30, 2022	6,668,250	0.21

During the year ended June 30, 2022 the Company recognized share-based compensation and share-based services of \$319 (2021 - \$287).

The weighted average trading price on date of exercise for the stock options exercised during the year ended June 30, 2022 was C\$0.20 (2021 – C\$0.24).

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

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

For the Year Ended June 30, 2022

16. Share-Based Payments (continued)

On June 30, 2022, 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\$
8-Jun-22	7-Jun-27	0.16	0.24	1,910,000	4.9 years	0.24	477,500	4.9 years	0.24
25-Jul-18	24-Jul-23	0.20	0.31	668,250	1.1 years	0.31	668,250	1.1 years	0.31
26-Jun-20	26-Jun-25	0.11	0.16	40,000	3 years	0.16	30,000	3 years	0.16
2-Jul-20	2-Jul-25	0.10	0.15	1,000,000	3 years	0.15	-	3 years	0.15
15-Jul-20	15-Jul-25	0.13	0.21	600,000	3 years	0.21	300,000	3 years	0.21
30-Oct-20	30-Oct-25	0.10	0.15	860,000	3.3 years	0.15	410,000	3.3 years	0.15
1-Dec-21	1-Dec-26	0.13	0.20	1,590,000	4.4 years	0.20	382,500	4.4 years	0.20
				6,668,250	3.7 years	0.21	2,268,250	3.1 years	0.23

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

	2022	2021
Annualized expected stock price volatility	106.1%	104.8%
Risk-free interest rate	2.1%	0.3%
Expected option lives	3.1 years	3.3 years
Expected forfeiture rate	8.4%	14.1%
Weighted average fair value of awards	C\$0.16	C\$0.10
Grant price	C\$0.22	C\$0.16
Market price	C\$0.22	C\$0.16
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 Consolidated Financial Statements**

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

For the Year Ended June 30, 2022

17. 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	-	-
Expired	(2,249,805)	0.28	-	-
June 30, 2022	32,864,928	0.24	1,086,253	0.37

On June 30, 2022, 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
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
32,864,928	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. In the case of the Lind debentures issued on October 14, 2021 which a hybrid financial instrument containing a financial liability, a derivative liability and equity reserves for warrants; initially, the fair value of the derivative liability is recorded, next the fair value of the financial liability is recorded, and finally the residual value is assigned to the equity reserves for warrants.

IBC ADVANCED ALLOYS CORP.
Notes to the Consolidated Financial Statements
(US dollars in thousands, except for share and per share amounts)

For the Year Ended June 30, 2022

18. Related Parties Transactions

Key management personnel compensation was:

Twelve months ended June 30,	2022	2021
	\$	\$
Short-term employee benefits	1,399	1,024
Director fees	50	51
Share-based compensation and services	251	258
	1,700	1,333

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

As of June 30, 2022, \$220 (June 30, 2021 - \$144) is owing to directors and officers for services and \$9 (June 30, 2021 - \$1) is owing to officers for expenses paid on the Company's behalf. As of June 30, 2022 \$136 (June 30, 2021 - \$ Nil) is owing to key management employees for bonuses and \$10 (June 30, 2021 - \$Nil) is owing to key management employees for related payroll taxes on the accrued bonuses.

During the year ended June 30, 2022, the Company incurred interest expense of \$Nil (2021 - \$4) on amounts due to related parties.

19. Commitments and Contingencies

The Company has entered into commercial property leases. These leases have an average remaining life of 3.6 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 June 30, 2022 are:

Year ending June 30	\$
2023	843
2024	868
2025	895
2026	531
	3,137

The Company is contractually committed to purchase, on June 30, 2022 prices, an aggregate of \$4,398 (June 30, 2021 - \$1,999) in raw materials. The estimated commitment in the fiscal period is as follows:

Year ending June 30	\$
2023	4,398
	4,398

Refer to note 21 for documentation on additional contingencies.

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

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

For the Year Ended June 30, 2022

20. Segment Reporting

As of June 30, 2022, the Company had three reportable segments: Copper Alloys, Engineered Materials and Corporate. As of June 30, 2022, 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 these audited consolidated financial statements. IBC's management evaluates performance based on profit or loss from operations before other items ("operating income (loss)").

Year ended June 30, 2022	Copper Alloys	Engineered Materials	Corporate	Total
	\$	\$	\$	\$
Revenue from external customers	13,692	13,219	-	26,911
Depreciation	464	1,061	24	1,549
Share-based compensation and shared-based services	49	43	227	319
Operating income (loss)	(505)	1,444	(682)	257
Foreign exchange gain (loss)	-	-	(33)	(33)
Interest & accretion expense	63	(243)	(1,386)	(1,566)
Gain (loss) on revaluation of derivative	-	-	83	83
Gain (loss) on disposal of assets	137	-	-	137
Other income	-	21	(3)	18
Income (loss) before income taxes	(305)	1,222	(2,021)	(1,104)
Income tax (expense) recovery	(12)	-	(16)	(28)
Capital expenditures	3,676	358	485	4,519

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

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

For the Year Ended June 30, 2022

20. Segment Reporting (continued)

Year ended June 30, 2021	Copper Alloys	Engineered Materials	Corporate	Total
	\$	\$	\$	\$
Revenue from external customers	13,209	8,600	-	21,809
Depreciation	304	879	-	1,183
Share-based compensation and shared-based services	23	15	249	287
Operating income (loss)	19	956	(1,228)	(253)
Foreign exchange gain (loss)	-	-	(7)	(7)
Interest & accretion expense	(273)	(226)	(771)	(1,270)
Gain on disposal of assets	2	-	-	2
Other income	(20)	25	15	20
Income (loss) before income taxes	(272)	755	(1,991)	(1,508)
Income tax (expense) recovery	(9)	-	(4)	(13)
Capital expenditures	2,064	235	104	2,403

Capital expenditures include additions to property, plant and equipment but exclude right of use assets.

Total assets employed by each division are:

	June 30 2022	June 30 2021
	\$	\$
Copper Alloys	15,834	12,493
Engineered Materials	10,742	12,306
Corporate	1,072	379
	27,648	25,178

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

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

For the Year Ended June 30, 2022

20. Segment Reporting (continued)

Total liabilities recognized by each division are:

	June 30 2022	June 30 2021
	\$	\$
Copper Alloys	5,428	6,502
Engineered Materials	7,157	8,190
Corporate	8,186	3,821
	<u>20,771</u>	<u>18,513</u>

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

For the year ended	June 30 2022	June 30 2021
	\$	\$
United States	15,877	14,964
All others	11,034	6,845
	<u>26,911</u>	<u>21,809</u>

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

For the year ended	June 30 2022	June 30 2021
	\$	\$
Switzerland	257	-
Germany	144	456
Singapore	7,858	3,622
The Netherlands	88	1,039
Japan	159	-
Malaysia	1,219	782
Canada	935	688
all others	374	258
	<u>11,034</u>	<u>6,845</u>

The following customers represented more than 10% of sales:

For the year ended	June 30, 2022		June 30, 2021	
	Amount	%	Amount	%
	\$		\$	
Customer A - Engineered Materials	3,414	12.7	4,105	18.8
Customer B - Engineered Materials	8,533	31.7	4,196	19.2

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

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

For the Year Ended June 30, 2022

20. Segment Reporting (continued)

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

Property, plant and equipment	June 30 2022 \$	June 30 2021 \$
United States	14,616	11,649

21. 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 or 2 fair value measurements. There were no changes in level 1 or 2 financial instruments during the year ended June 30, 2022. The Company's derivative liability is subject to level 3 fair value measurements.

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 C\$ 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	
	June 30, 2022		June 30, 2021	
	Increase \$	(Decrease) \$	Increase \$	(Decrease) \$
10% movement in cash flows	(310)	310	(400)	400
1% movement in Canadian \$ per US \$	(31)	31	(40)	40

IBC ADVANCED ALLOYS CORP.
Notes to the Consolidated Financial Statements
(US dollars in thousands, except for share and per share amounts)

For the Year Ended June 30, 2022

21. Financial Risk Management (continued)

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

Balances at June 30, 2022		C\$
Cash		10
Accounts payable and accrued liabilities		321
Debentures		3,682
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 ASPA with Sallyport Commercial Financing, LLC, with the Utica financing agreement and the BMO Harris Bank line of credit in the prior year.

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	
	June 30, 2022		June 30, 2021	
	Increase	(Decrease)	Increase	(Decrease)
	\$	\$	\$	\$
10% movement in cash flows	(25)	25	(20)	20
1% movement in interest rate index	(51)	51	(35)	35

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 and cash.

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.

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

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

For the Year Ended June 30, 2022

21. Financial Risk Management (continued)

The Company also manages its credit risk by investing its cash only in obligations of Canada or the United States or their respective agencies, obligations of enterprises sponsored by any of the above governments; bankers' acceptances purchased in the secondary market and having received the highest credit rating from a recognized rating agency in Canada or the United States, with a term of less than 180 days; and bank term deposits and bearer deposit notes, with a term of less than 180 days.

The Company's maximum exposure to credit risk at the reporting date is the carrying value of cash, and receivables.

Liquidity Risk

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

June 30, 2022	Less than three months \$	Three to 12 months \$	One to five years \$	Total \$
Accrued payables and accrued liabilities	4,867	329	-	5,196
Line of credit	3,733	-	-	3,733
AR factoring facility	-	2,056	-	2,056
Leases payable (undiscounted)	215	628	2,294	3,137
Loan payable	73	220	512	805
Arbitration award liability	-	-	1,483	1,483
Convertible debentures	225	3,391	239	3,855
Debentures	-	141	-	141
	9,113	6,765	4,528	20,406
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	664	3,137	4,061
Loan payable	792	-	153	945
Note payable	-	3	-	3
Arbitration award liability	-	-	1,470	1,470
Convertible debentures	137	616	2,927	3,680
Debentures	-	-	147	147
	8,238	1,572	7,834	17,644

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

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

For the Year Ended June 30, 2022

21. 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. As at June 30, 2022 the Company has recorded accrued interest of \$87 from the judgement date, September 8, 2017.

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. Specialalloy 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 Products. 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 November 25, 2020 and October 14, 2021 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%, November 25, 2020 – 32.5% to 35.5% and October 14, 2021 – 33.3% to 36.3%) for the Company of a non-convertible debenture issued without warrants.

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

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For the Year Ended June 30, 2022

22. Loss per Share

Year ended June 30	2022	2021
Loss for the year (\$000)	(1,132)	(1,521)
Weighted average number of common shares outstanding	80,011,484	63,986,619
Basic and diluted income (loss) per common share	(0.01)	(0.02)

Diluted loss per share for the year ended June 30, 2022 and 2021 is the same as basic loss per share as the exercise of the 915,806 in-the-money share options (June 30, 2021 – 194,240) and 13,443,004 in-the-money warrants (June 30, 2021 – 9,172,413) would be anti-dilutive.

23. Subsequent Events

On July 13, 2022, 500,000 common shares were issued upon on the exercise of 500,000 options at C\$0.15 with an expiry date of July 7, 2025.

On July 27, 2022, 2,373,324 common shares were issued upon the exercise of 62,500 options at C\$0.20 with an expiry date of December 1, 2026 and the exercise of 62,500 options at C\$0.24 with an expiry date of June 7, 2027 and upon the exercise of 2,248,324 warrants at C\$0.23 with an expiry date of June 23, 2023.

On July 28, 2022, the Company entered into an Amendment no. 2 to the credit and security agreement with Iron Horse Credit, LLC where the maximum revolver amount has been increased from \$4,000 to \$5,000. All other terms are substantially the same as the original agreement.

On August 19, 2022, the Company entered into a credit facility agreement with Mark A. Smith, CEO and the chairman of the board of the directors of the Company. The non-revolving credit facility in the amount of up to \$1,200 included an establishment fee of 2.5% of the amount drawn down with a term expiring on February 19, 2023. The credit facility bears interest at 10% per annum calculated monthly in arrears and is payable on the date of the repayment of the loan. The Company drew down the full amount of the credit facility August 2022.

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

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

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24. Significant Accounting Policies

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

a) Basis of consolidation

The consolidated financial statements comprise the financial statements of IBC and its subsidiaries on June 30, 2022. Subsidiaries consist of entities over which IBC is exposed to, or has rights to, variable returns as well as the ability to affect these returns through the power to direct the relevant activities of the entity. To the extent that subsidiaries provide services that relate to the Company's activities, they are fully consolidated from the date control is transferred to IBC and are deconsolidated from the date control ceases. These consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of IBC and its subsidiaries after eliminating inter-entity balances and transactions. Any other investments in subsidiaries would not be consolidated but measured at fair value through profit or loss in accordance with IFRS 9, but there are no non-consolidated subsidiaries.

The principal subsidiaries are:

Entity	Ownership Percentage	Location	Principal Activity
IBC US Holdings, Inc. ("IBC US")	100%	United States	Holding company
Freedom Alloys, Inc. ("Freedom")	100%	United States	Manufacturing
Nonferrous Products, Inc. ("Nonferrous")	100%	United States	Manufacturing
NF Industries, Inc.	100%	United States	Holding company
Specialloy Copper Alloys LLC ("Specialloy")	100%	United States	Manufacturing
IBC Engineered Materials Corp. ("EMC")	100%	United States	Manufacturing

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

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 Consolidated Financial Statements**

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

For the Year Ended June 30, 2022

24. Significant Accounting Policies (continued)

b) Foreign currency transactions

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

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

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

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

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

c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. For cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts. The Company has no cash equivalents.

d) Borrowing costs and upfront costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized. Qualifying assets are assets that require a substantial amount of time to prepare for their intended use. Qualifying assets also include significant expansion projects at the Company's operations. Borrowing costs are considered an element of the historical cost of the qualifying asset. Capitalization ceases when the asset is substantially complete or if construction is interrupted for an extended period. Where the funds used to finance a qualifying asset form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to the relevant borrowings during the period. Where funds borrowed are directly attributable to a qualifying asset, the amount capitalized represents the borrowing costs specific to those borrowings. Where surplus funds available out of money borrowed specifically to finance a project are temporarily invested, the total borrowing cost is reduced by income generated from short-term investments of such funds.

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

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

For the Year Ended June 30, 2022

24. Significant Accounting Policies (continued)

e) Inventories

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

Raw materials:

- Purchase cost on a first-in, first-out basis utilizing standard costing based upon the most recent receipt of material cost with any price variances adjusting the inventory value to actual cost.

Finished goods and work in progress

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

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

f) Revenue recognition

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

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

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

Sale of goods

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

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

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

For the Year Ended June 30, 2022

24. Significant Accounting Policies (continued)

f) Revenue recognition (continued)

Return allowance

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

Interest income

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

Unearned revenue

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

g) Property, plant and equipment

Recognition and measurement

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

Property, plant and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses.

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

Subsequent costs

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

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

Major maintenance and repairs

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

Gains and losses

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

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

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

For the Year Ended June 30, 2022

24. Significant Accounting Policies (continued)

g) Property, plant and equipment (continued)

Depreciation

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

	Years
Machinery and equipment	5-35
Vehicles	5-10
Building and leasehold improvements	Over lease period
Furniture and fixtures	5-15

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

h) Leases

Lease Definition

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. An identified asset may be implicitly or explicitly specified in a contract, but must be physically distinct, and must not have the ability for substitution by a lessor. The Company has the right to control an identified asset if it obtains substantially all of its economic benefits and either pre-determines or directs how and for what purpose the asset is used.

Measurement of ROU Assets and Lease Obligations

At lease commencement, the Company recognizes a ROU Asset and a lease obligation. The ROU Asset is initially measured at cost, which comprises the initial amount of the lease obligation adjusted for any lease payments made at, or before, the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The ROU Asset is subsequently amortized on a straight-line basis over the shorter of the term of the lease, or the useful life of the asset determined on the same basis as the Company's property, plant and equipment. The ROU Asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease obligation.

The lease obligation is initially measured at the present value of lease payments remaining at the lease commencement date, discounted using the Company's incremental borrowing rate. Lease payments included in the measurement of the lease obligation, when applicable, may comprise fixed payments, variable payments that depend on an index or rate, amounts expected to be payable under a residual value guarantee and the exercise price under a purchase, extension or termination option that the Company is reasonably certain to exercise.

The lease obligation is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease obligation is remeasured, a corresponding adjustment is made to the carrying amount of the ROU Asset.

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

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

For the Year Ended June 30, 2022

24. Significant Accounting Policies (continued)

h) Leases (continued)

Recognition Exemptions

The Company has elected not to recognize ROU Assets and lease obligations for short-term leases that have a lease term of twelve months or less or for leases of low-value assets. Payments associated with these leases are recognized as an operating expense on a straight-line basis over the lease term within costs and expenses in profit or loss.

i) Impairment of non-financial assets

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

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

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

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

For the Year Ended June 30, 2022

24. Significant Accounting Policies (continued)

j) Financial instruments

Measurement – initial recognition

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

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

Classification of financial assets

Amortized cost:

Financial assets that meet the following conditions are measured subsequently at amortized cost:

- (i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- (ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

FVTPL:

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

Financial assets measured at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship. The Company does not have any financial assets designated as FVTPL.

Derecognition:

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in profit or loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income.

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

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

For the Year Ended June 30, 2022

24. Significant Accounting Policies (continued)

Classification of financial liabilities

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

Amortized Cost:

Amortized cost liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest method. These financial liabilities are classified as current or non-current based on their maturity date. Amortized cost liabilities include accounts payable and accrued liabilities, line of credit, arbitration award liability, AR factoring facility, lease payable, notes payable, debentures and loans. The Company derecognizes financial liabilities when the Company's obligations are discharged, cancelled or they expire.

FVTPL:

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

Financial liabilities measured at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship. The Company has one financial liability, a derivative liability that is designated as FVTPL.

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

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

Derivatives

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

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

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

For the Year Ended June 30, 2022

24. Significant Accounting Policies (continued)**Classification financial liabilities (continued)**

The following table summarizes the classification and measurement of the Company's financial assets and liabilities

		June 30	June 30
		2022	2021
		\$	\$
Loans and receivables, recorded at amortized cost	<ul style="list-style-type: none"> • Cash and cash equivalents • Receivables, net 	478 3,625	2,359 2,753
Financial liabilities, recorded at amortized cost	<ul style="list-style-type: none"> • Line of credit • Accounts payable and accrued liabilities • AR factoring facility • Leases payable • Loan and notes payable • Arbitration award liability • Convertible debentures • Debentures 	3,733 5,196 2,056 2,762 760 1,483 3,447 129	3,467 3,871 - 3,536 948 1,470 3,048 128
Financial liabilities, recorded at FVTPL	<ul style="list-style-type: none"> • Derivative liability 	71	-

k) Provisions

Other provisions

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

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

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

For the Year Ended June 30, 2022

24. Significant Accounting Policies (continued)

l) Income taxes

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

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

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

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

m) Share capital

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

n) Compound and hybrid financial instruments

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

In some instances, financial instruments may be determined to be hybrid instruments which can contain a liability and a derivative liability. In these scenarios, the derivative liability is measured first at inception at fair value with any residual amount assigned to the liability component. If the hybrid instrument also contains an equity component, the liability and derivative liability are both measured at inception at fair value with any residual assigned to the equity component. Transaction costs are allocated proportionately among the liability, derivative liability and equity components.

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

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

For the Year Ended June 30, 2022

24. Significant Accounting Policies (continued)

o) Earnings / loss per share

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

p) Share-based payments

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

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

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

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