



IBC Advanced Alloys

IBC ADVANCED ALLOYS CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Expressed in United States Dollars

September 30, 2022



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

The accompanying unaudited condensed consolidated interim financial statements of IBC Advanced Alloys Corp. for the three months ended September 30, 2022 have been prepared by the management of the Company and approved by the Company's audit committee.

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

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

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

	Note	September 30 2022 \$	June 30 2022 \$
ASSETS			
Current assets			
Cash		72	478
Receivables, net	6	3,247	3,625
Inventories	7	6,128	6,754
Prepaid expenses and deposits		662	282
Total current assets		10,109	11,139
Non-current assets			
Deposits		295	295
Inventories	7	1,558	1,558
Property, plant, and equipment	8	14,231	14,616
Other assets		115	40
Total non-current assets		16,199	16,509
Total assets		26,308	27,648
LIABILITIES			
Current liabilities			
Line of credit	9	3,736	3,733
Accounts payable and accrued liabilities	10, 20	4,435	5,196
AR factoring facility	6	1,575	2,056
Leases payable	12	723	712
Related party note payable		1,200	-
Unearned revenue		1,446	1,134
Loans payable	11	189	182
Arbitration award liability	10, 20	1,495	1,483
Debentures, current portion	11	3,445	3,419
Total current liabilities		18,244	17,915
Non-current liabilities			
Loan payable	11	533	578
Leases payable	12	1,865	2,050
Debentures	11	14	228
Total non-current liabilities		2,412	2,856
Total liabilities		20,656	20,771
EQUITY			
Share capital	13	61,452	60,924
Additional paid in capital		-	-
Reserves	14	9,953	9,698
Accumulated deficit		(65,753)	(63,745)
Total equity		5,652	6,877
Total liabilities and equity		26,308	27,648
Going concern operation	2		
Commitments and contingencies	18		
Events after the reporting date	21		

On behalf of the board of directors:

"Simon Anderson"

Director

Simon Anderson

"Mark Smith"

Director

Mark Smith

See accompanying notes

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

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

Three months ended September 30	Note	2022	2021
		\$	\$
Revenue	19	5,928	7,090
Cost of revenue	7, 8	6,172	6,073
Gross profit		(244)	1,017
Selling, general, and administrative expenses (recovery)			
Consulting fees		51	53
Depreciation	8	68	46
Director fees, cash portion	17	13	13
Doubtful debts (recovery)		-	(7)
Office and miscellaneous		242	308
Professional fees		83	143
Public company costs		16	38
Rent		2	1
Salaries, wages, and management fees	17	572	525
Share-based compensation and services	15, 17	76	45
Travel, meals and entertainment		49	38
		1,172	1,203
Income (loss) before other items		(1,416)	(186)
Other income (expense)			
Foreign exchange expense		(5)	1
Interest and accretion expense	6, 9, 11, 12	(620)	(328)
Gain on disposal of assets		-	(49)
Gain on revaluation of derivative	11	30	-
Other income		(1)	5
Loss before income taxes		(2,012)	(557)
Income tax expense			
Current		4	(24)
		4	(24)
Loss for the period, net of tax		(2,008)	(581)
Other comprehensive income (loss), net of tax			
Foreign currency translation		230	85
Total comprehensive loss		(1,778)	(496)
Basic and diluted loss per common share	21	(0.02)	(0.01)
Weighted average number of common shares outstanding	21	86,863,612	78,425,041

See accompanying notes

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

Period ended September 30	2022	2021
	\$	\$
Cash flows provided by (used in) operating activities		
Loss for the period, net of tax	(2,008)	(581)
Adjustments for:		
Share-based compensation and services	76	45
(Gain) on disposal of assets	-	49
(Gain) on revaluation of derivative	(30)	-
Doubtful debts expense (recovery)	-	(7)
Depreciation	410	392
Sales returns and allowances expense (recovery)	(113)	5
Foreign exchange expense	5	(1)
Interest and accretion expense	620	328
Changes in non-cash working capital items:		
Receivables	378	1,195
Inventories	634	1,681
Prepaid expenses and deposits	(380)	(411)
Accounts payable and accrued liabilities	(797)	(641)
Unearned revenue	312	(306)
	(893)	1,748
Cash flows provided by (used in) financing activities		
Net line of credit advances	3	(1,080)
Interest paid	(281)	(129)
AR factoring facility repayments	(481)	-
Related party note payable proceeds	1,200	-
Loan repayments	(2)	(169)
Lease principal repayments	(174)	(208)
Debenture principal repayments	(225)	(133)
Options exercised	79	-
Warrants exercised	398	-
	517	(1,719)
Cash flows provided by (used in) investing activities		
Purchase of property, plant, and equipment	(25)	(1,480)
Net cash used in investing activities	(25)	(1,480)
Foreign exchange effect on cash	(5)	1
Change in cash during the period	(406)	(1,450)
Cash, beginning of period	478	2,359
Cash, end of period	72	909
Supplemental Cash Flow Information:		
Interest payments, net of amounts capitalized	(281)	(129)
Income tax (payments) refunds	4	(24)
Non-cash items:		
Borrowing cost capitalized to property, plant and equipment	-	65
Fair value of options exercised	51	-

See accompanying notes

IBC ADVANCED ALLOYS CORP.
Condensed Consolidated Interim Statements of Changes in Equity
(US dollars in thousands)
For the Three Months Ended September 30, 2022

	Note	Share Capital \$	Reserves \$	Accumulated Deficit \$	Equity \$
At June 30, 2021		60,004	9,274	(62,613)	6,665
Foreign currency translation		-	85	-	85
Share-based compensation	14, 15	-	45	-	45
Loss for the period		-	-	(581)	(581)
At September 30, 2021		60,004	9,404	(63,194)	6,214
At June 30, 2022		60,924	9,698	(63,745)	6,877
Shares issued for option exercised	13	79	-	-	79
Fair value of options exercised	13	51	(51)	-	-
Shares issued for warrants exercised	12	398	-	-	398
Foreign currency translation		-	230	-	230
Share-based compensation	14, 15	-	76	-	76
Loss for the period		-	-	(2,008)	(2,008)
At September 30, 2022		61,452	9,953	(65,753)	5,652

See accompanying notes

IBC ADVANCED ALLOYS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

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

For the Three Months Ended September 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 condensed consolidated interim financial statements of the Company for the three months ended September 30, 2022 have been prepared in accordance with *International Accounting Standard 34 - Interim Financial Reporting* (“IAS 34”) using accounting policies consistent with IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), on a basis consistent with the significant accounting policies disclosed in note 3 of the most recent annual financial statements as at and for the year ended June 30, 2022 as filed on SEDAR at www.sedar.com. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and were approved and authorized for issue by the audit committee on November 28, 2022.

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

b) Basis of measurement

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

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

IBC ADVANCED ALLOYS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

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

For the Three Months Ended September 30, 2022

2. Basis of Presentation (continued)

c) Going concern of operations

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

As of September 30, 2022, the Company had not yet achieved consistently profitable operations, having incurred a loss of \$2,008 (2021- \$581) during the three months ended September 30, 2022. The Company had accumulated losses of \$65,753 (June 30, 2022 - \$63,745) since inception. For the three months ended September 30, 2022, the has a working capital deficiency of \$8,135 (June 30, 2022 – deficiency of \$6,776). 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.

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.

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.

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.

Management believes the Company will be successful at securing additional funding, and, if it successfully sustains profitable operations at its production facilities, would continue as a going concern for the foreseeable future. Accordingly, the consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities, contingent obligations and commitments other than in the normal course of business and at amounts different from those in the consolidated financial statements.

IBC ADVANCED ALLOYS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

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

For the Three Months Ended September 30, 2022

2. Basis of Presentation (continued)

d) Basis of consolidation

The condensed consolidated interim financial statements comprise the financial statements of IBC and its subsidiaries on September 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 condensed consolidated interim financial statements include all the assets, liabilities, revenues, expenses and cash flows of IBC and its subsidiaries after eliminating inter-entity balances and transactions. Any other investments in subsidiaries would not be consolidated but measured at fair value through profit or loss in accordance with IFRS 9, but there are no non-consolidated subsidiaries.

The principal subsidiaries are:

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

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

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Company elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability are recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is remeasured, and subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

IBC ADVANCED ALLOYS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

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

For the Three Months Ended September 30, 2022

2. Basis of Presentation (continued)

d) Basis of consolidation

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

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

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

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

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

IBC ADVANCED ALLOYS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

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

For the Three Months Ended September 30, 2022

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

The following new standards, interpretations, and amendments to existing standards have been issued by the IASB or IFRC and are effective in the current year and are relevant to the Company.

- **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.

New standards, interpretations and amendments not yet effective

Certain new standards, and amendments to standards and interpretations, are not effective for our current fiscal year and have not been early adopted in preparing these financial statements. The Company is currently assessing the potential impact, if any, on the Company's financial statements. The following accounting standards and amendments are effective for future periods:

Our fiscal years beginning on July 1, 2023

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.

4. Critical Accounting Estimates and Judgments

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the financial year are discussed in note 23 in the consolidated June 30, 2022 financial statements.

The Company makes critical judgments in the determination of income taxes and critical estimates in computing the value of share-based transactions, depreciation and inventory. The Company applies a fixed accrual for uncollectable receivables and corrects the amount quarterly based on the expected credit loss model. Factors which could affect actuals are the macro economic climate as well as customer disputes over quality and customer bad collections experience.

IBC ADVANCED ALLOYS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

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

For the Three Months Ended September 30, 2022

4. Critical Accounting Estimates and Judgments (continued)

Share-based payment transactions

The Company must exercise judgement in defining its assumptions for evaluating share-based compensation, (note 15) 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.

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.

Segmented reporting

The Company must exercise judgement in defining its business segments (note 19) and allocating revenue, expenses and assets among the segments. The Company bases allocations on the groupings used to manage the business and report to senior management. From time to time, assets and personnel of one division may be used to benefit another division resulting in inaccuracies, but these are not material.

IBC ADVANCED ALLOYS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

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

For the Three Months Ended September 30, 2022

4. Critical Accounting Estimates and Judgments (continued)

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 September 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 18).

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 three months ended September 30, 2022 from the year ended June 30, 2022.

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.

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

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

For the Three Months Ended September 30, 2022

6. Receivables, net

	September 30	June 30
	2022	2022
	\$	\$
Trade accounts receivable	1,672	3,625
Trade accounts receivable subject to factoring	1,575	-
Net trade accounts receivable	3,247	3,625

At September 30, 2022, trade accounts receivable of \$2,613 (June 30, 2022 - \$1,770) held by Copper Alloys were pledged as collateral for bank loans (notes 9 and 11) and trade accounts receivable of \$634 (June 30, 2022 - \$286) held by EMC were pledged as collateral for notes payable (note 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 0.5% 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 September 30, 2022, the Company has \$1,575 (June 30, 2022 - \$2,056) of its accounts receivable factored as part of this AR factoring facility and during the period has incurred \$94 (2021 - \$49) in interest expense as a result of factoring of accounts receivable.

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

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

For the Three Months Ended September 30, 2022

7. Inventories, net

	September 30, 2022	June 30, 2022
	Cost	Cost
Current Inventories	\$	\$
Raw materials	3,853	4,749
Work in process	2,021	1,562
Finished goods	254	443
	6,128	6,754
Non current Inventories		
Raw materials	1,558	1,558
	7,686	8,312

At September 30, 2022, inventories of \$4,224 (June 30, 2022 - \$4,072) held by Copper Alloys were pledged as collateral for bank loans (notes 9 and 11) and inventories of \$3,462 (June 30, 2022 - \$3,590) 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 three months ended September 30, 2022, cost of sales included materials of \$4,137 (2021 - \$3,565), and labor of \$1,189 (2021 - \$1,191).

The Company has developed a process to recover alloy from manufacturing waste by heating the waste material in a furnace to separate usable alloy from contaminants. The Company continues to refine the process to improve yields and recoveries. The estimated value of recovered material included in raw material inventory was \$1,896 as of September 30, 2022 (June 30, 2022 - \$1,822). Of the recovered raw material inventory, inventory with a carrying value of \$1,558 (June 30, 202 - \$1,558) is classified as non-current because the expected use of this material is more than 12 months in the future.

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 Condensed Consolidated Interim Financial Statements**

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

For the Three Months Ended September 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, 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	-4916	
Disposals	(90)	-	(1,484)	-	(314)	(36)	-	(1,924)
At June 30, 2022	420	4,456	11,459	35	8,274	670	160	25,474
Additions	-	-	-	-	-	-	25	25
At September 30, 2022	420	4,456	11,459	35	8,274	670	185	25,499
Accumulated depreciation and impairment								
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
Depreciation expense	-	176	132	1	70	31	-	410
At September 30, 2022	-	2,137	6,787	29	2,190	125	-	11,268
Net book value								
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
At September 30, 2022	420	2,319	4,672	6	6,084	545	185	14,231

On September 30, 2022, the Company pledged property, plant, and equipment held by Copper Alloys with a net book value of \$8,810 (June 30, 2022 - \$9,042) and Engineered Materials with a net book value of \$2,507 (June 30, 2022 - \$2,580) as collateral for bank loans (notes 9 and 11).

Specific borrowing costs of \$Nil in the current period ended September 30, 2022 (June 30, 2022 - \$68) were capitalized related to the Utica Financing agreement which specifically funded the long-term capital projects in the current year. General borrowing costs of \$Nil in the current period ended September 30, 2022 (June 30, 2022- \$390) were capitalized in the current period based upon a weighted average cost of capital of 13.94% in the year ended June 30, 2022.

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

	Three months ended	
	September 30	
	2022	2021
	\$	\$
Cost of revenue	342	346
Selling, general and administrative expenses	68	46
Total depreciation expense	410	392

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

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

For the Three Months Ended September 30, 2022

9. Line of Credit

	September 30	June 30
	2022	2022
	\$	\$
Line of credit	3,736	3,733

The Company maintains 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. 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.

10. Accounts Payable and Accrued Liabilities

	September 30	June 30
	2022	2022
Note	\$	\$
Trade accounts payable	3,106	3,570
Employee wages and payroll withholdings	324	282
Accrued liabilities	697	931
Sales returns and allowances	308	413
Other liabilities	-	-
Accounts payable and accrued liabilities	4,435	5,196
Arbitration award liability	20	1,483

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

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

For the Three Months Ended September 30, 2022

11. Debentures, loans and notes payable

	September 30 2022 \$	June 30 2022 \$
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%	722	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	2,448	2,487
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	128	129
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	72	-
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	770	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	41	71
Related Party Note Payable bears interest at 10% per annum and has a maturity date of February 19, 2023 with interest and principal both payable at maturity	1,200	-
	<u>5,381</u>	<u>4,407</u>
Financial statement presentation:		
Debentures:		
Gross proceeds and accrued interest from convertible and non-convertible debentures and Lind financing	3,695	3,996
Unamortized transaction costs and original issued discount (arising from warrants and conversion features) allocated proportionately to convertible and non-convertible debentures	<u>(236)</u>	<u>(349)</u>
Net debentures	<u>3,459</u>	<u>3,647</u>
Net debentures (current)	3,445	3,419
Net debentures (long-term)	<u>14</u>	<u>228</u>
Net debentures	3,459	3,647
Loans payable (current)	189	182
Loan payable (long-term)	<u>533</u>	<u>578</u>
Total debentures, loans and notes payable	<u>5,381</u>	<u>4,407</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 Condensed Consolidated Interim Financial Statements

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

For the Three Months Ended September 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 September 30, 2022, the liability was estimated based on Black Scholes option pricing model assuming a risk free rate of 0.3% (June 30, 2022 – 0.3%), a duration of 1 year (June 30, 2022 – 1.13 years), volatility of 88.32% (June 30, 2022 - 88.39%), and based on the USD/CAD exchange rate of 1.3707 (June 30, 2022 – 1.2886) on the date as having a fair value of \$47 (June 30, 2022 - \$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.

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

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

For the Three Months Ended September 30, 2022

11. Debentures, loans and notes payable (continued)

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

	Convertible Debentures	Non- Convertible Debentures	2nd Lind Financing	3rd Lind Financing	Total Debentures
	\$	\$	\$	\$	\$
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
Changes in fair value of derivative liability	-	-	-	(30)	(30)
Amortization of accreted interest	62	3	-	64	129
Accrued interest	55	3	72	23	153
Principal paid in cash	-	-	-	(225)	(225)
Effect of foreign exchange rate	(156)	(7)	-	(52)	(215)
September 30, 2022	2,448	128	72	811	3,459

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

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

For the Three Months Ended September 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 \$21 for the three months ended September 30, 2022. The Company did not incur any variable lease payments and there were not leases with residual value guarantees or leases not yet commenced to which the Company has committed. The expense relating to the low value lease amounted to \$nil.

	June 30, 2022	Principal payments in the period	Reclassification from long term to short term	September 30, 2022
	\$	\$	\$	\$
Leases payable	2,762	(174)	-	2,588
Less: current portion	(712)	174	(185)	(723)
Long-term portion	2,050	-	(185)	1,865

	June 30, 2022	Lease payments paid in the period	Reclassification from long term to short term	September 30, 2022
	\$	\$	\$	\$
Undiscounted lease payments				
Not later than 1 year	843	(208)	214	849
Later than 1 year and not later than 5 years	2,294	-	(214)	2,080
	3,137	(208)	-	2,929

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

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

For the Three Months Ended September 30, 2022

13. Share Capital*Authorized capital*

Unlimited number of common shares without par value.

Unlimited number of preferred shares issuable in series without par value. The board of directors may determine the designations, rights, preferences or other variation of each class or series within the preferred shares.

Issued capital

No preferred shares.

	Number of Common Shares	Common Shares \$
June 30, 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
Shares issued for options exercised	625,000	79
Fair value of options exercised	-	51
Shares issued for warrants exercised	2,248,324	398
September 30, 2022	87,630,783	61,452

IBC ADVANCED ALLOYS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

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

For the Three Months Ended September 30, 2022

13. Share Capital (continued)

Fiscal 2023

In July 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.

In July 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.

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.

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

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

For the Three Months Ended September 30, 2022

14. Reserves

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

	Warrants and convertible debentures	Share-based compensation reserve	Foreign currency translation reserve	Total
	\$	\$	\$	\$
June 30, 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
Foreign currency translation adjustment	-	-	230	230
Fair value of options exercised	-	(51)	-	(51)
Share-based compensation	-	76	-	76
September 30, 2022	1,756	7,842	355	9,953

15. Share-Based Payments

IBC's board of directors has adopted a rolling stock option plan, subsequently amended and approved by shareholders, under which the Company is authorized to grant options to directors, employees and consultants to acquire up to 10% of the issued and outstanding common shares. The exercise price of each option is based on the market price of the Company's stock for a period preceding the date of grant. The options can be granted for a maximum term of ten years and vest as determined by the board of directors. The Company's practice is to grant share options with a term of five years that vest in increments over a three-year period. The Company's shares trade in Canadian dollars and options granted to date have been denominated in Canadian funds.

The Company's shareholders re-approved the stock option plan at the December 2021 shareholders' meeting.

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

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

For the Three Months Ended September 30, 2022

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

A summary of stock option activity to September 30, 2022 is as follows:

	Stock Options Outstanding	Weighted Average Exercise Price C\$
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
Exercised	(625,000)	0.16
Forfeited	(76,000)	0.21
At September 30, 2022	5,967,250	0.21

During the three months ended September 30, 2022 the Company recognized share-based compensation and share-based services of \$76 (2021 - \$45).

The weighted average trading price on date of exercise for the stock options exercised during the three months ended September 30, 2022 was C\$ 0.19 (June 30, 2022 – C\$0.20).

On September 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	1,825,000	4.7 years	0.24	415,000	4.7 years	0.24
25-Jul-18	24-Jul-23	0.20	0.31	662,250	0.8 years	0.31	662,250	0.8 years	0.31
26-Jun-20	26-Jun-25	0.11	0.16	40,000	2.7 years	0.16	30,000	2.7 years	0.16
2-Jul-20	2-Jul-25	0.10	0.15	500,000	2.8 years	0.15	-	2.8 years	0.15
15-Jul-20	15-Jul-25	0.13	0.21	600,000	2.8 years	0.21	450,000	2.8 years	0.21
30-Oct-20	30-Oct-25	0.10	0.15	840,000	3.1 years	0.15	400,000	3.1 years	0.15
1-Dec-21	1-Dec-26	0.13	0.20	1,500,000	4.2 years	0.20	315,000	4.2 years	0.20
				5,967,250	3.5 years	0.21	2,272,250	2.8 years	0.23

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

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

For the Three Months Ended September 30, 2022

15. Share-Based Payments (continued)

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

	2022	2021
Annualized expected stock price volatility	104.9%	104.8%
Risk-free interest rate	3.1%	0.3%
Expected option lives	3.1 years	3.3 years
Expected forfeiture rate	7.9%	14.1%
Weighted average fair value of awards	C\$0.14	C\$0.10
Grant price	C\$0.24	C\$0.16
Market price	C\$0.24	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.

16. Warrants

	Financing Warrants		Broker Warrants	
	Warrants Outstanding	Weighted Average Exercise Price C\$	Warrants Outstanding	Weighted Average Exercise Price C\$
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
Exercised	(2,248,324)	0.23		
September 30, 2022	30,616,604	0.24	1,086,253	0.37

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

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

For the Three Months Ended September 30, 2022

16. Warrants (continued)

On September 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
8,021,900	-	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
30,616,604	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.

17. Related Parties Transactions

Key management personnel compensation was:

Three months ended September 30,	2022	2021
	\$	\$
Short-term employee benefits	319	282
Director fees	13	13
Share-based compensation and services	60	39
	392	334

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

As of September 30, 2022, \$256 (June 30, 2022 - \$220) is owing to directors and officers for services and \$Nil (June 30, 2022 - \$9) is owing to officers for expenses paid on the Company's behalf.

As of September 30, 2022, \$256 (June 30, 2022 - \$220) is owing to directors and officers for services and \$Nil (June 30, 2022 - \$9) is owing to officers for expenses paid on the Company's behalf. As of September 30, 2022 \$126 (June 30, 2022 - \$136) is owing to key management employees for bonuses and \$10 (June 30, 2022 - \$10) is owing to key management employees for related payroll taxes on the accrued bonuses.

During the three month ended September 30, 2022, the Company incurred interest expense of \$10 (2021 - \$Nil) on amounts due to related parties.

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

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

For the Three Months Ended September 30, 2022

18. Commitments and Contingencies

The Company has entered into commercial property leases. These leases have an average remaining life of 3.3 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 September 30, 2022 are:

Period ending June 30	\$
2023	635
2024	868
2025	895
2026	531
	<u>2,929</u>

The Company is contractually committed to purchase, on September 30, 2022 prices, an aggregate of \$7,700 (June 30, 2022 - \$4,398) in raw materials. The estimated commitment in the fiscal period is as follows:

Period ending June 30	\$
2023	4,450
2024	3,250
	<u>7,700</u>

Refer to note 20 for documentation on additional contingencies.

19. Segment Reporting

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

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

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

For the Three Months Ended September 30, 2022

19. Segment Reporting (continued)

Three months ended September 30, 2022	Copper Alloys	Engineered Materials	Corporate	Total
	\$	\$	\$	\$
Revenue from external customers	4,402	1,526	-	5,928
Depreciation	126	260	24	410
Share-based compensation and shared-based services	14	9	53	76
Operating income (loss)	(129)	(1,168)	(119)	(1,416)
Foreign exchange gain (loss)	-	-	(5)	(5)
Interest & accretion expense	(94)	(66)	(460)	(620)
Gain (loss) on revaluation of derivative	-	-	30	30
Other income	-	5	(6)	(1)
Income (loss) before income taxes	(223)	(1,229)	(560)	(2,012)
Income tax (expense) recovery	-	-	4	4
Capital expenditures	25	-	-	25

Three months ended September 30, 2021	Copper Alloys	Engineered Materials	Corporate	Total
	\$	\$	\$	\$
Revenue from external customers	3,518	3,572	-	7,090
Depreciation	123	269	-	392
Share-based compensation and shared-based services	4	3	38	45
Operating income (loss)	(337)	359	(208)	(186)
Foreign exchange gain (loss)	-	-	1	1
Interest & accretion expense	39	(46)	(321)	(328)
Loss on disposal of assets	(31)	(18)	-	(49)
Other income	-	5	-	5
Income (loss) before income taxes	(329)	300	(528)	(557)
Income tax (expense) recovery	(7)	-	(17)	(24)
Capital expenditures	1,332	58	90	1,480

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

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

For the Three Months Ended September 30, 2022

19. Segment Reporting (continued)

Total assets employed by each division are:

	September 30	June 30
	2022	2022
	\$	\$
Copper Alloys	15,897	15,834
Engineered Materials	9,629	10,742
Corporate	782	1,072
	<u>26,308</u>	<u>27,648</u>

Total liabilities recognized by each division are:

	September 30	June 30
	2022	2022
	\$	\$
Copper Alloys	5,452	1,962
Engineered Materials	6,021	7,157
Corporate	9,183	11,652
	<u>20,656</u>	<u>20,771</u>

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

For the three months ended	September 30	
	2022	2021
	\$	\$
United States	4,567	3,921
All others	1,361	3,169
	<u>5,928</u>	<u>7,090</u>

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

	Three months ended	
For the three months ended	September 30	
	2022	2021
	\$	\$
Canada	784	-
Malaysia	268	362
Singapore	269	2,347
all others	40	460
	<u>1,361</u>	<u>3,169</u>

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

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

For the Three Months Ended September 30, 2022

19. Segment Reporting (continued)

The following customers represented more than 10% of sales:

For the three months ended	September 30, 2022		September 30, 2021	
	Amount	%	Amount	%
	\$		\$	
Customer A	-	-	862	12.2
Customer B	934	15.8	2,709	38.2

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

Property, plant and equipment	September 30		June 30	
	2022		2022	
	\$		\$	
United States	14,231		14,616	

20. Financial Risk Management

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

Fair Values

The Company does not hold any financial instruments at fair value subject to level 1 or 2 fair value measurements. There were no changes in level 1 or 2 financial instruments during the period ended September 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 Canadian dollars.

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

	Profit or loss		Profit or loss	
	September 30, 2022		June 30, 2022	
	Increase	(Decrease)	Increase	(Decrease)
	\$	\$	\$	\$
10% movement in cash flows	(285)	285	(310)	310
1% movement in Canadian \$ per US \$	(28)	28	(31)	31

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

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

For the Three Months Ended September 30, 2022

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

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

Balances at September 30, 2022		C\$
Cash		13
Accounts payable and accrued liabilities		235
Debentures		3,682
Balances at June 30, 2022		C\$
Cash		10
Accounts payable and accrued liabilities		321
Debentures		3,682

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	
	September 30, 2022		June 30, 2022	
	Increase	(Decrease)	Increase	(Decrease)
	\$	\$	\$	\$
10% movement in cash flows	(24)	24	(25)	25
1% movement in interest rate index	(59)	59	(51)	51

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

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

For the Three Months Ended September 30, 2022

20. Financial Risk Management (continued)*Commodity Price Risk*

The Company's profitability depends, in part, on the market prices of copper, aluminium and beryllium. The market prices for metals can be volatile and are affected by factors beyond the Company's control, including: global or regional consumption patterns; the supply of, and demand for, these metals; speculative activities; the availability and costs of metal substitutes; expectations for inflation; and political and economic conditions, including interest rates and currency values. The Company cannot predict the effect of these factors on metal prices. The Company does not engage in hedging but, where possible, structures selling arrangements in a way that passes commodity price risk through to the customer.

Credit Risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations. The Company's credit risk arises primarily with respect to its trade accounts receivable.

The Company manages credit risk by trading with recognized creditworthy third parties and insuring trade receivables. In addition, receivable balances are monitored on an on-going basis with the result that the Company's exposure to impaired receivables is not significant.

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

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

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

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

For the Three Months Ended September 30, 2022

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

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

September 30, 2022	Less than three months \$	Three to 12 months \$	One to five years \$	Total \$
Accrued payables and accrued liabilities	4,198	237	-	4,435
Line of credit	3,736	-	-	3,736
AR factoring facility	-	1,575	-	1,575
Notes payable, related parties	-	1,200	-	1,200
Leases payable (undiscounted)	215	634	2,080	2,929
Loan payable	73	220	469	762
Arbitration award liability	-	-	1,495	1,495
Convertible debentures	225	3,323	14	3,562
Debentures	-	133	-	133
	8,447	7,322	4,058	19,827
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	634	2,080	2,929
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	6,771	4,314	20,198

IBC ADVANCED ALLOYS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

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

For the Three Months Ended September 30, 2022

20. Financial Risk Management (continued)

Legal Matters

As more fully discussed below, we are involved in a variety of claims, lawsuits, investigations and proceedings concerning securities law, intellectual property law, environmental law, employment law and the Employee Retirement Income Security Act (“ERISA”). We determine whether an estimated loss from a contingency should be accrued by assessing whether a loss is deemed probable and can be reasonably estimated. We assess our potential liability by analyzing our litigation and regulatory matters using available information. We develop our views on estimated losses in consultation with outside counsel handling our defense in these matters, which involves an analysis of potential results, assuming a combination of litigation and settlement strategies. Should developments in any of these matters cause a change in our determination as to an unfavorable outcome and result in the need to recognize a material accrual or should any of these matters result in a final adverse judgment or be settled for significant amounts, they could have a material adverse effect on our results of operations, cash flows and financial position in the period or periods in which such change in determination, judgment or settlement occurs.

On September 8, 2017, an Award was issued in favor of Claimant Gerald Hoolahan against IBC Advanced Alloys Corp. The Award, in the amount of \$1,240 plus attorney’s fees, costs, and expenses in the amount of \$155, was granted by the American Arbitration Association’s International Centre for Dispute Resolution. The amount has been accrued and the matter was under appeal. On March 27, 2019, the Company received notice of the Court affirming the September 8, 2017 arbitration award made in favor of Gerald R. Hoolahan. IBC has filed an appeal of the District Court’s decision. Subsequently, on January 22, 2020 United States Court of appeals for the First Circuit affirmed the judgment of the United States District Court for the District of Massachusetts in the case of Gerald R. Hoolahan v. IBC Advanced Alloys Corp., which found in favor of the petitioner, Mr. Hoolahan. The Company is evaluating its payment options with respect to the award granted to Mr. Hoolahan. As at June 30, 2022 the Company has recorded accrued interest of \$100 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 Condensed Consolidated Interim Financial Statements**

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21. Loss per Share

Three months ended September 30	2022	2021
Loss for the period (\$000)	(2,008)	(581)
Weighted average number of common shares outstanding	86,863,612	78,425,041
Basic and diluted income (loss) per common share	(0.02)	(0.01)

Diluted loss per share for the three months ended September 30, 2022 and 2021 is the same as basic loss per share as the exercise of the 745,000 in-the-money share options (September 30, 2021 – 1,610,000) and 9,172,413 in-the-money warrants (September 30, 2021 – 21,464,904) would be anti-dilutive.