IBC ADVANCED ALLOYS CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

SIX MONTHS ENDED DECEMBER 31, 2023

FISCAL SECOND QUARTER OF 2024

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The following is management's discussion and analysis ("MD&A") of IBC Advanced Alloys Corp. and its subsidiaries, prepared as of February 13, 2024. This MD&A should be read together with the unaudited interim financial statements for the period ended December 31 2023, and the audited consolidated financial statements and related notes for the year ended June 30, 2023. Financial amounts, other than amounts per share or per pound, are presented in United States dollars ("$") unless indicated otherwise. Canadian dollar amounts are denoted by "C$". The terms "IBC", "we", "us", and "our" refer to IBC Advanced Alloys Corp. and its subsidiaries, unless the context otherwise requires.

This MD&A contains "forward-looking information" or "forward-looking statements" within the meaning of applicable securities legislation, concerning our future financial or operating performance of our business and operations. Forward-looking statements include information concerning future strategic objectives, business prospects, anticipated savings, financial results (including expenses, earnings, liquidity, cash flow and capital expenditures), industry or market conditions, demand for and pricing of our products, acquisitions and divestitures, anticipated results of litigation and regulatory developments, or general economic conditions. Words such as "plans", "expects", "budget", "scheduled", "estimates", "projects", "forecasts", "intends", "anticipates", "believes" and future or conditional verbs such as "will", "may", "could", "would", "should", or as well as any other statement that necessarily depends on future events, are intended to identify forward-looking statements. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits we will obtain from them. These forward-looking statements reflect management's current views and are based on certain assumptions and are effective only as of the date of this MD&A. These assumptions, which include management's current expectations, estimates, and assumptions about certain projects and the markets in which we operate, the global economic environment, interest rates, exchange rates, our business strategy, plans, outlook, shareholder value, projections, targets, and expectations and our ability to manage our assets and operating costs, may prove to be incorrect.

Forward-looking statements are subject to known and unknown risks, uncertainties, and other factors that may cause our actual results, level of activity, performance, or achievements to be materially different from those expressed or implied by such forward-looking statements, including: our estimates regarding capital requirements; future production, future cash, and total costs of production for our manufacturing operations; our expectations with respect to transactions with third parties; changes in general economic conditions; the financial markets; commercial demand for our products; changes in, and the effects of, the laws, regulations, and government policies affecting operations; uncertainties in the market price for minerals and metals, such as copper, beryllium and other inputs we consume; and currency exchange rate fluctuations. Although we have attempted to identify factors that would cause actual actions, events, or results to differ materially from those disclosed in the forward-looking statements or information, there may be other factors that cause actual results, performances, achievements, or events not to be as anticipated, estimated, or intended. Other factors that could cause actual results to differ materially include, but are not limited to, those set forth in our most recent Annual Information Form under "Risk Factors". Also, many factors are beyond our control. Accordingly, readers should not place undue reliance on forward-looking statements or information. We undertake no obligation to reissue or update forward-looking statements or information as a result of new information or events after the date hereof, except as may be required by applicable securities laws. All forward-looking information and statements made in this MD&A are qualified by this cautionary statement.

Certain information in this MD&A may be considered a "financial outlook" within the meaning of applicable securities legislation. Any financial outlook set out in this MD&A is based on a number of significant assumptions. The purpose of this financial outlook is to provide readers with disclosure regarding our reasonable expectations as to the anticipated results of its proposed business activities for the periods indicated. Readers are cautioned that the financial outlook may not be appropriate for other purposes.

Our financial statements for the period ended December 31, 2023 have been prepared in accordance with *IAS 34 – Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), using accounting policies consistent with IFRS as issued by the IASB and interpretations of the International Financial Reporting Interpretations Committee. Additional information relating to us, including our most recent Annual Information Form, is available for view on SEDAR at www.sedar.com.

EXECUTIVE SUMMARY

Except as noted, all financial amounts are determined in accordance with IFRS.[1]

SELECTED RESULTS: Consolidated Operations ($000s)				
	Quarter Ended 12-31-2023	Quarter Ended 12-31-2022	Six Months Ended 12-31-2023	Six Months Ended 12-31-2022
Revenue	$10,050	$7,495	$16,717	$13,423
Operating income (loss)	$1,472	$203	$1,138	$(1,219)
Adjusted EBITDA	$1,902	$673	$2,021	$(269)
Income (loss) for the period	$712	$(394)	$(222)	$(2,408)

- Copper Alloys division sales rose by 24.1% in the quarter and 18.6% in the six-month period ended December 31, 2023 over the comparable prior-year periods. Engineered Materials ("EM") division sales rose by 66.1% in the quarter and 42.8% in the six-month period ended December 31, 2023 compared to the prior-year periods. Engineered Materials' higher sales performance was largely due to more favorable prices.

- Gross profit and gross margins in the quarter improved in both divisions, largely due to higher sales revenue as compared to the prior-year period resulting in fixed costs forming a lower proportion of sales.

- Consolidated adjusted earnings before interest, taxes, depreciation, and amortization ("Adjusted EBITDA") improved 182.6% in the quarter as compared to the comparable prior-year period and swung to a positive adjusted EBITDA six-month period ended December 31, 2023 as compared to negative adjusted EBITDA in the comparable prior-year period. Adjusted EBITDA improved by 6.2% and 45.1% in the Copper Alloys division over the prior-year periods, and swung to a positive adjusted EBITDA as compared to negative adjusted EBITDA in the Engineered Materials division. On a consolidated basis, we booked income for the quarter of $712,000 of $0.01 per share as compared to a loss of $394,000 or ($0.00) per share in the quarter ended December 31, 2022. In the six-month period ended December 31, 2023, we booked a loss of $222,000 or ($0.00) per share, as compared to a loss of $2.4 million or ($0.03) in the comparable prior-year period.

As announced in October 2023, we continue to explore strategic options with potential partners, investors, and others regarding our Engineered Materials division and Wilmington, Mass facility. Such options include, but are not limited to, pursuit of additional contracts, joint ventures, restructuring, sale of assets, sale of the division, or closure of the division, and other possibilities.

[1] We report non-IFRS measures such as "Adjusted EBITDA" and "Operating Income". Please see information on this and other non-IFRS measures in the "Non-IFRS Measures" section of this MD&A.

OUR BUSINESS

At IBC, we are primarily engaged in developing and manufacturing advanced nonferrous alloys for a variety of customers in the defense and non-defense sectors. Headquartered in Franklin, IN, we operate two plants in the United States ("U.S.") that manufacture, heat-treat, machine, or market copper-beryllium, BeAl, copper-based master alloys, and similar specialty alloy products including BeAl castings.

Our manufacturing operations currently employ 65 people and comprise two divisions: Copper Alloys (37 people) and Engineered Materials (28 people).

- Copper Alloys manufactures and distributes a wide variety of copper alloys as castings and forgings: beryllium copper; chrome copper; oxygen-free high conductivity copper and aluminum bronze as plate, block, bar, rings; and specialty copper alloy forgings. The industries served include the industrial welding, oil and gas, plastic mold, metal melting, marine defense, electronic, aerospace, and industrial equipment markets.

- Engineered Materials manufactures and supplies high-performance, precision-cast BeAl components to the defense and high-tech manufacturing sectors.

We were formed by an amalgamation under the laws of British Columbia on November 23, 2007 and the common shares listed on the TSX Venture Exchange (the "TSX-V") under the symbol "IB" and on the OTCQB market under "IAALF".

MANUFACTURING OPERATIONS

Our production facilities are located in Franklin, Ind. and Wilmington, Mass. Most management and administration personnel are based in the Franklin, Ind. facility, which also serves as the corporate headquarters.

COPPER ALLOYS

This division manufactures and distributes a wide variety of copper alloys as castings and forgings, including beryllium copper, chrome copper, oxygen-free high-conductivity copper, and aluminum bronze as plate, block, bar, rings and specialty copper alloy forgings for various markets and applications. We sell these products directly to end users and serve various markets through a network of established dealers and distributors. The Copper Alloys division's operations are based in Franklin, Indiana, where we maintain foundry, forging (hammer, press and ring rolling), heat-treating, and machining operations. In March 2022 our Franklin, Indiana plant started casting billets that were previously cast at two other Company-owned facilities. Since October 2022 we have realized operating benefits from the consolidation, which are reflected in improved gross margins.

Our copper alloys are sourced as cast billet, slab, or ingot from mills in North America, Europe, and Asia, and converted into usable industrial products serving the industrial welding, oil and gas, plastic mold, metal melting, marine defense, electronic, and industrial equipment markets. We also provide tooling components for the North American automotive industry, the European and North American consumer plastic tooling producers, the global oil and gas service industry, the North American submarine and aircraft carrier producers and repair facilities including the U.S. Navy, electronics industries, and general equipment manufacturers.

We produce material and also purchase billets and slabs from independent third-party foundries and mills. We have strong technical and manufacturing engineering resources in the highly specialized copper alloy industry. In particular, we have expertise in melting and casting beryllium-copper and other beryllium-containing alloys. Our Franklin foundry has furnaces and associated equipment that have been adapted to meet the specialized requirements of copper alloy casting. Casting operations are a primary producer/supplier of beryllium copper casting and master alloy ingot products in North America. We offer our customers a full range of manufacturing and support services, cast and forged billet products, semi-continuous cast input billets, and wrought products.

Engineered Materials

Our Engineered Materials division supplies high-performance BeAl components to defense, aerospace, high-tech manufacturing, and other sectors. We manufacture the Beralcast® family of metal matrices that are used in commercial and defense applications that require complex, lightweight, and high-stiffness parts.

In general, Beralcast® alloys serve as a higher-performance or lower-cost replacement materials for cast aluminum, magnesium, titanium, metal matrix composites, non-metallic composites, and pure beryllium or powder metallurgy BeAl. Some of the varied applications include structural components and aerospace and satellite system components.

The principal Beralcast® metal matrix is more than three times stiffer than aluminum, with 22% less weight, and it can be precision cast to both simple and complex configurations. This material is very lightweight, can be precision cast for three-dimensional stability, and delivers a high modulus of elasticity. As such, Beralcast® is ideally suited for certain demanding semiconductor manufacturing equipment, computer components, and other commercial and aerospace applications. The ability to cast Beralcast® products in a near-net shape allows for manufacturing cost efficiencies.

As noted above, we are exploring strategic options concerning our Engineered Materials operations.

Recent Corporate Developments, Business Initiatives, and Subsequent Events

- In October 2023, we announced that we are exploring strategic options with potential partners, investors, and others regarding our Engineered Materials division. Such options include, but are not limited to, pursuit of additional contracts, potential joint ventures, restructuring, sale of assets, sale of the division, or closure of the division, and other possibilities.

- In October 2023, we received a purchase order for $7.4 million to provide specialized alloy parts to a customer working as part of a classified U.S. Department of Defense program. We expect to fulfill the balance of the order in 2024.

- In October 2023, we borrowed $1.8 million from Loeb Terms Solutions, LLC secured by our machinery and equipment. The loan bears interest at prime plus 6.5% per year and is amortized over five years. Our Copper Alloys division received proceeds of $1,551,000 with a three-year term and our Engineered Materials division received proceeds of $230,000 with a two-year term. The loan proceeds were partially used to fully repay a term loan due to Utica.

FINANCIAL RESULTS AND OUTLOOK

SELECTED QUARTERLY INFORMATION

During the most recent eight quarters, we have not incurred any loss from discontinued operations.

Quarter Ended	Revenue ($000s)	Income (loss) for the period (net of tax) ($000s)	Basic and diluted loss per share [1] $
March 31, 2022	6,278	288	0.00
June 30, 2022	6,419	(1,183)	(0.01)
September 30, 2022	5,928	(2,014)	(0.02)
December 31, 2022	7,495	(394)	(0.00)
March 31, 2023	7,755	(510)	(0.01)
June 30, 2023	7,369	(3,013)	(0.03)
September 30, 2023	6,667	(934)	(0.01)
December 31, 2023	10,050	712	0.01

[1]The sum of quarterly loss per share may not add to year-to-date totals due to rounding

Quarterly operating results are affected by trends in the various sectors that we serve. Frequently, weak performance in one sector is offset by strength in another, but this is not always the case. Most operating costs other than materials, supplies, and energy are largely fixed, so small changes in sales volume can have a significant effect on operating income or loss.

In addition to these general trends the following factors have caused variation over the quarters presented:

- Copper Alloys sales increased in the current-year periods, as compared to the prior-year periods, primarily due to increased market demand for the division's products.

- Engineered Materials division sales have experienced quarter-to-quarter variability, largely due to swings in demand from commercial customers. Additionally, onerous contracts were identified within the open customer purchase orders at June 30, 2023. The onerous contracts liability has been reduced as the related contracts are fulfilled and which has benefited operating results in the quarters ended September 30, 2023 ($169,000) and December 31, 2023 ($428,000). An impairment indicator assessment was completed at June 30, 2023 which resulted in an impairment of $1,575,000 against equipment.

RESULTS OF OPERATIONS: FISCAL 2024 Q2

We recorded income, net of tax, of $712,000 for the three months ended December 31, 2023, compared to a loss, net of tax, of $394,000 in the prior-year period. A summary of results of operations, and a reconciliation of income (loss) to Adjusted EBITDA, follows. Amounts are shown net of intercompany transactions.

	Three Months Ended December 31, 2023				Three Months Ended December 31, 2022			
	Copper Alloys	Eng. Mat.	Corp.	Consol-idated	Copper Alloys	Eng. Mat.	Corp.	Consol-idated
	($000s)	*($000s)*	*($000s)*	*($000s)*	*($000s)*	*($000s)*	*($000s)*	*($000s)*
Revenue	7,082	2,968	-	10,050	5,708	1,787	-	7,495
Cost of revenue								
Materials	3,347	1,262	(35)	4,574	2,695	1,126	(4)	3,817
Labor	725	586	-	1,311	586	620	-	1,206
Subcontract	718	25	-	743	174	85	-	259
Overhead	401	502	-	903	415	389	-	804
Depreciation	131	174	-	305	123	219	-	342
Onerous Contracts	-	(429)	-	(429)	-	-	-	-
Change in finished goods	104	(412)	-	(308)	91	(415)	(1)	(325)
	5,426	1,708	(35)	7,099	4,084	2,024	(5)	6,103
Gross profit (loss)	1,656	1,260	35	2,951	1,624	(237)	5	1,392
Gross margin	23.4%	42.5%		29.4%	28.5%	-13.3%		18.6%
SG&A expenses	520	542	417	1,479	547	502	140	1,189
Income (loss) before other items	1,136	718	(382)	1,472	1,077	(739)	(135)	203
Other income (expense)	(473)	(155)	(132)	(760)	(156)	(74)	(367)	(597)
Income (loss) for the period, net of tax	663	563	(514)	712	921	(813)	(502)	(394)
Adjusted EBITDA:								
Add back (deduct):								
Tax expense (recovery)	4	-	-	4	1	-	6	7
Interest expense	484	156	140	780	156	79	378	613
Gain (loss) on revaluation of derivative (non-cash)	-	-	-	-	-	-	(29)	(29)
Impairment loss	-	-	-	-	-	-	-	-
Depreciation, amortization, & impairment	135	214	24	373	126	259	24	409
Stock-based compensation expense (non-cash)	5	(5)	33	33	12	6	49	67
Adjusted EBITDA	1,291	928	(317)	1,902	1,216	(469)	(74)	673

RESULTS OF OPERATIONS: FISCAL 2024 YEAR-TO-DATE

We incurred a loss, net of tax, of $222,000 for the six months ended December 31, 2023, compared to a loss, net of tax, of $2,408,000 in the prior-year period. A summary of results of operations, and a reconciliation of income (loss) to Adjusted EBITDA, follows. Amounts are shown net of intercompany transactions.

	Six Months Ended December 31, 2023				Six Months Ended December 31, 2022			
	Copper Alloys ($000s)	Eng. Mat. ($000s)	Corp. ($000s)	Consol-idated ($000s)	Copper Alloys ($000s)	Eng. Mat. ($000s)	Corp. ($000s)	Consol-idated ($000s)
Revenue	11,987	4,730	-	16,717	10,110	3,313	-	13,423
Cost of revenue								
Materials	5,974	2,285	(35)	8,224	5,393	2,567	(4)	7,956
Labor	1,410	1,124	-	2,534	1,191	1,204	-	2,395
Subcontract	845	31	-	876	340	99	-	439
Overhead	755	1,061	-	1,816	753	815	-	1,568
Depreciation	260	348	-	608	246	438	-	684
Onerous Contracts	-	(598)	-	(598)	-	-	-	-
Change in finished goods	223	(971)	-	(748)	136	(896)	(1)	(761)
	9,467	3,280	(35)	12,712	8,059	4,227	(5)	12,281
Gross profit	2,520	1,450	35	4,005	2,051	(914)	5	1,142
Gross margin	21.0%	30.7%		24.0%	20.3%	-27.6%		8.5%
SG&A expenses	1,047	1,062	758	2,867	1,109	994	258	2,361
Income (loss) before other items	1,473	388	(723)	1,138	942	(1,908)	(253)	(1,219)
Other income (expense)	(707)	(305)	(348)	(1,360)	(251)	(134)	(804)	(1,189)
Income (loss) for the period, net of tax	766	83	(1,071)	(222)	691	(2,042)	(1,057)	(2,408)
Adjusted EBITDA:								
Add back (deduct):								
Tax expense (recovery)	4	-	-	4	1	-	2	3
Interest expense	720	305	395	1,420	250	145	838	1,233
Gain (loss) on revaluation of derivative (non-cash)	-	-	1	1	-	-	(59)	(59)
Impairment loss	-	-	-	-	-	-	-	-
Depreciation, amortization, & impairment	269	429	48	746	252	519	48	819
Stock-based compensation expense (non-cash)	11	(2)	63	72	26	15	102	143
Adjusted EBITDA	1,770	815	(564)	2,021	1,220	(1,363)	(126)	(269)

We have not been impacted by the war in Ukraine and at this point we do not envision any adverse impacts. Likewise, we do not expect to be impacted by the war in Israel.

SEGMENT ANALYSIS: THREE AND SIX MONTHS ENDED DECEMBER 31, 2023

In the quarter and six-month period ended December 31, 2023, the main factors affecting our financial performance were (1) increased sales and stronger gross margin performance in the Copper Alloys division and (2) higher sales revenue from Be-Al products used in defense markets. Since many of our operating costs are fixed, these trends resulted in stronger performance in our Copper Alloys division and stronger performance in our Engineered Materials division.

Copper Alloys Sales Division Results:

Sales	Sales increased the quarter and six-month period ended December 31, 2023 of Copper Alloys product lines mostly due to increased demand from customers in the defense and power generation sectors.
Gross profit	Gross profit was positively impacted by improved material yield.
SG&A expenses	SG&A expenses decreased both in the quarter and in the six-month period ended December 31, 2023, over the comparable prior-year periods, primarily due to higher information technology costs incurred in the prior-year periods.
Other income (expense)	Other income (expense) is primarily comprised of interest expense which increased in the quarter and six-month period ended December 31, 2023 largely due to the higher interest rates on variable rate debt and due to the refinancing of corporate unsecured debt moving to secured debt onto the Copper Alloys division.

Engineered Materials Division Results:

Sales	Sales increased in the quarter and six-month period ended December 31, 2023, largely due to more favorable prices for our products in the commercial and defense markets. The Engineered Materials division is continuing its efforts to improve yields.
Gross profit	Gross margin improved from the comparable prior-year periods mostly due to higher sales in commercial and defense markets and improved yields on certain products and the reversal of the onerous contracts expense accrual as goods were shipped against related purchase orders.
SG&A expenses	SG&A expenses increased in quarter and in six-month period ended December 31, 2023 as compared to the prior-year periods, mostly due to higher legal and consulting fees related to exploration of strategic options for the division, offset by lower information technology costs than in the comparable prior-year periods ended December 31, 2022.
Other income (loss)	Other income (expense) primarily comprised higher interest expense related to higher interest rates on variable-rate debt, and $230,000

	higher debt principal resulting from the Loeb debt refinancing completed in October 2023.

Corporate

SG&A expenses	SG&A expenses increased in quarter and the six-month period ended December 31, 2023 compared to the prior-year periods primarily because we incurred higher consulting, bank, legal and accounting fees related to the refinancing of debt than in the comparative periods.
Other income (expense)	The main components of other income (expense) are typically interest expense and foreign exchange gain (loss). Other income (expense) was lower in the quarter and six-month period ended December 31, 2023, than in the prior-year periods due largely to the refinancing of unsecured debt moving to secured debt onto the operating subsidiaries.

Changes in Financial Condition

Changes in our financial condition since June 30, 2023, are related to operations in the normal course of business except:

- We satisfied our obligations on the 9.5% senior unsecured debentures of $136,000 and the 8.25% senior unsecured convertible debentures of $2,591,000.
- We borrowed $1.8 million from Loeb Term Solutions, LLC secured by our machinery and equipment. The loan bears interest at prime plus 6.5% per year and is amortized over five years. The loan proceeds were partially used to fully repay a term loan due to Utica.

Commodity Pricing for Copper

We aim to pass the cost of copper through to our customers, and we do not hold large inventories of copper. Accordingly, profitability should not be affected by the price of copper in the long term, except to the extent that high copper prices discourage consumption or that competitors lower their margins to obtain business. In the short term, price fluctuations can have a bearing on our profitability as we realize gains or losses on inventories. Since copper is a significant component of products that we sell, the price of copper does materially affect revenues.

Recent indicative copper prices per pound are shown below:

	2023	**2022**
December 31	$3.89	$3.82
September 30	$3.73	$3.39
June 30	$3.74	$3.69
March 31	$4.08	$4.74

Source: COMEX

Liquidity and Capital Resources

On December 31, 2023, we had a working capital deficiency of $7,265,000, including cash of $1,772,000, as compared to working capital deficiency of $7,182,000, including cash of $83,000 on June 30, 2023. Factors affecting our liquidity include:

- We have not yet achieved sustained profitable operations.
- We owe principal and interest under $1,200,000 credit facility now due on December 31, 2024.
- We owe principal and resulted interest under a $1,400,000 credit facility now due on December 31, 2024.
- The Iron Horse loan facility has a maximum of $6,000,000.
- The Sallyport accounts receivable factoring facility has a maximum of $7,000,000.
- We owe $1.8 million to Loeb Term Solutions, LLC (Loeb). The Nonferrous Products term loan of $1,551,000 has a maturity date in October 2026 and Engineered Materials term loan of $230,000 has a maturity date in October 2025. If we complete a sale or otherwise dispose of the Engineered Materials division or its assets, the residual balance under the $230,000 loan will be due at that time to Loeb.
- A combination of increased inventory and accounts receivable required to support our Copper Alloy division growth and historic operating losses in our Engineered Materials division have constrained our operating cash flows. We are working to remedy this.
- Interest on the convertible debentures can be settled through the issuance of common shares. In the six-month period ended December 31, 2023, settling interest on convertible debentures through the issuance of common shares benefitted cash by $56,000.
- We have satisfied all principal obligations under the convertible debt security agreement with the Lind Global Fund II, LP, (Lind) on September 30, 2023. Only outstanding pre-paid accrued interest remains due to Lind and Lind may convert outstanding pre-paid accrued interest to common shares quarterly; however, a change in control would allow the Lind the option of converting all outstanding pre-paid accrued interest to common shares.
- Changes in resource prices can have a short-term impact on our manufacturing costs, selling prices, and profitability.
- We may be obliged to incur material expenditures on purchases of and repairs to property, plant, and equipment to maintain productive capacity or to service customers.
- We manage liquidity risk associated with trade receivables by trading with recognized creditworthy third parties and insuring trade receivables. All sales are conducted in U.S. dollars. In addition, receivable balances are monitored on an on-going basis with the result that our exposure to impaired receivables is not significant.

- We are contractually committed to purchase, at December 31, 2023 prices, an aggregate of $2,512,000 of raw materials in the year ending June 30, 2024 and $1,714,000 of raw materials in the year ending June 30, 2025. We may not be successful in securing sales to fully utilize these materials, particularly if we dispose of our Engineered Materials division.
- Our Engineered Materials division has entered into a commercial property lease that has a remaining life of 2.1 years, and a renewal option at 95% of fair market value. The future minimum rental payments under non-cancellable operating lease are $440,000 in the period ending June 30, 2024 and $1.4 million in subsequent periods. We may be responsible for lease payments even if we dispose of the Engineered Materials division.
- Should we elect to close or restructure our Engineered Materials division, we may incur retention bonuses, severance, employee health insurance, environmental mitigation and other facility costs. We are not yet able to estimate theses costs with any certainty.

We may need to raise additional funds in the short-term to finance working capital and additional growth initiatives. We may be able to generate additional cash flow through the use of equity markets for raising capital, in addition to adjusting spending, disposing of assets and obtaining other non-equity sources of financing. However, there can be no assurance that we will be successful in obtaining such funds.

RELATED PARTY TRANSACTIONS

Except as described below, we do not have any contractual relationships with directors or officers other than employment contracts in the ordinary course of business. The employment contracts are not financially material to our business.

As of December 31, 2023 $177,000 (June 30, 2023 - $364,000) is owing to directors and officers for services and $7,000 (June 30, 2023 - $22,000) is owing to officers for expenses paid on our behalf. On July 18, 2023, we settled part of its obligation to directors through a share issuance, per Share Issuances below.

On August 19, 2022, we entered into a credit facility agreement with Mark A. Smith, our CEO and chairman of the board. The non-revolving credit facility in the amount of up to $1,200,000 included an establishment fee of 2.5% of the amount drawn down with a term expiring on December 31, 2024. The credit facility bears interest at 10% per year calculated monthly in arrears and is payable on the date of the repayment of the loan. We have drawn down the full amount of the facility. During the six-month period ended December 31, 2023, we incurred interest expense of $60,000 (December 31, 2022 - $44,000) on this facility. During the six-month period ended December 31, 2023 we paid $164,000 in interest (December 31, 2022 - $Nil) and $11,000 in principle (December 31, 2022 - $Nil).

On May 31, 2023, we entered into a separate credit facility agreement with Mr. Smith. The non-revolving credit facility in the amount of up to $1,400,000 included an establishment fee of 2.5% of the amount drawn down with a term expiring on August 31, 2023. In September 2023, the maturity date was extended to December 31, 2024. The credit facility bears interest at 10% per year calculated monthly in arrears and is payable on the date of the repayment of the loan. We have drawn down the full amount of the facility. During the six-month period ended December 31, 2023, we incurred interest expense of $71,000 (December 31, 2022 - $Nil) on this facility. During the six-month period ended December 31, 2023 we paid $75,000 in interest (December 31, 2022 - $Nil).

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Our activities expose us to a variety of financial risks, including foreign exchange risk, interest rate risk, commodity price risk, and credit risk. We do not have a practice of trading derivatives, and instead we use a natural hedge for foreign currency by holding funds in the currency in which we expect to spend the monies.

Foreign Exchange Risk

While the majority of our administrative and manufacturing activities occur in the U.S., we incur some corporate administration costs in Canada and raise equity proceeds in Canadian dollars. We manage exchange risk on equity capital by converting expected U.S. expenditures to U.S. dollars at the time the money is raised.

Interest Rate Risk

Our interest rate risk mainly arises from the interest rate impact on interest expense on the ASPA, the bulk accounts receivable factoring facility and the real estate bridge loan with Sallyport Commercial Financing, LLC.

Commodity Price Risk

Profitability and long-term viability depend, in some measure, on the market prices of copper, aluminum, and beryllium. The prices for metals can be volatile and are affected by factors beyond our control, including the following: 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. We cannot predict the effect of these factors on metal prices and does not engage in hedging but, where possible, we structure selling arrangements in a way that passes commodity price risk through to our customers.

Credit Risk

Credit risk is managed by trading with recognized creditworthy third parties and by insuring all trade receivables. In addition, we monitor receivable balances with the result that our exposure to impaired receivables is generally not significant.

Adoption of New Accounting Pronouncements and Recent Developments

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 us.

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 continue the IASB's clarifications on applying the concept of materiality. These amendments help companies provide useful accounting policy disclosures, and they include: requiring companies to disclose their material accounting policies instead of their significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and do not need to be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material. The IASB also amended IFRS Practice Statement 2 to include guidance and examples on applying materiality to accounting policy disclosures.

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. We are assessing the potential impact, if any, on our financial statements. The following accounting standards and amendments are effective for future periods:

Our fiscal years beginning on July 1, 2024

Non-current Liabilities with Covenants – Amendments to IAS 1 and Classification of Liabilities as Current or Non-current – Amendments to IAS 1 – The amendments provide for new disclosures for liabilities subject to covenants. The IASB has reconfirmed that only covenants with which a company must comply with on or before the reporting date affect the classification as a current or non-current.

The amendments are effective for reporting periods beginning on or after January 1, 2024. We are assessing the impact of these amendment.

Non-IFRS Measures

To supplement our consolidated financial statements, which are prepared and presented to supplement our audited consolidated financial statements, which are prepared and presented in accordance with IFRS, we use "operating income (loss)" and "Adjusted EBITDA", which are a non-IFRS financial measure.

We believe that operating income (loss) help identify underlying trends in our business that could otherwise be distorted by the effect of certain income or expenses that we include in loss for the period. We further believe that operating income (loss) provides useful information about core operating results, enhances the overall understanding of our past performance and future prospects, and allows for greater visibility with respect to key metrics used by management in our financial and operational decision-making.

We believe that Adjusted EBITDA is a useful indicator for cash flow generated by our business that is independent of our capital structure.

Operating income (loss) and Adjusted EBITDA should not be considered in isolation or construed as an alternative to loss for the period or any other measure of performance or as an indicator of our operating performance. Operating income (loss) and Adjusted EBITDA presented here may not be comparable to similarly titled measures presented by other companies. Other companies may calculate similarly titled measures differently, limiting their usefulness as comparative measures to our data.

Operating Income (Loss)

Operating income (loss) represents loss for the period, excluding foreign exchange loss, interest expense, interest income, other income (expense) and income taxes that we do not believe are reflective of our core operating performance during the periods presented. A reconciliation of our second fiscal quarter and six-month period ended December 31, 2023, loss to operating loss follows:

Quarter ended December 31	2023 ($000s)	2022 ($000s)
Income (loss) for the period	712	(394)
Foreign exchange (gain) loss	(3)	2
Interest expense	780	613
(Gain) loss on revaluation of derivative	-	(29)
Other income	(21)	4
Income tax expense (recovery)	4	7
Operating income (loss)	1,472	203

Six months ended December 31	2023 ($000s)	2022 ($000s)
Loss for the period	(222)	(2,408)
Foreign exchange (gain) loss	1	8
Interest expense	1,420	1,233
(Gain) loss on revaluation of derivative	1	(59)
Other income	(66)	4
Income tax expense (recovery)	4	3
Operating income (loss)	1,138	(1,219)

Adjusted EBITDA

Adjusted EBITDA represents our income (loss) for the period before interest, income taxes, depreciation, amortization and share-based compensation. A reconciliation of our second fiscal quarter and six-month periods ended December 31, 2023 loss to Adjusted EBITDA follows:

Quarter ended December 31	2023 *($000s)*	2022 *($000s)*
Income (loss) for the period	712	(394)
Income tax expense (recovery)	4	7
Interest expense	780	613
(Gain) loss on revaluation of derivative	-	(29)
Depreciation, amortization, & impairment	373	409
Stock-based compensation expense (non-cash)	33	67
Adjusted EBITDA	1,902	673

Six months ended December 31	2023 *($000s)*	2022 *($000s)*
Loss for the period	(223)	(2,408)
Income tax expense (recovery)	4	3
Interest expense	1,420	1,233
(Gain) loss on revaluation of derivative	1	(59)
Depreciation, amortization, & impairment	746	819
Stock-based compensation expense (non-cash)	73	143
Adjusted EBITDA	2,021	(269)

BUSINESS RISKS

Some of the risks that we face, which are specific to our operations, include the following:

Dependence on Ulba Metallurgical Plant and Sole-source Suppliers

The proprietary Beralcast® castings and many copper alloys use beryllium, which is a specialty metal that is produced by a limited number of companies globally. We purchase beryllium from Ulba Metallurgical Plant ("Ulba"), owned by Kazatomprom of Kazakhstan. It may also be possible to source beryllium from a U.S. producer and from the U.S. National Defense Stockpile. Vacuum-cast beryllium and beryllium copper master alloy are sourced from Ulba, and we have entered into long-term beryllium and beryllium copper master alloy supply agreements with Ulba lasting through 2026. Ulba's ability to honor its supply obligations will depend on its ability to source raw materials. Production uses long-term stockpiles; however, any disruptions in Ulba's ability to manufacture beryllium or CTMA (Carbothermic Master Alloy) to our specifications could have a materially adverse effect on our business. Our ability to purchase those supplies also is contingent upon a continuation of current U.S. laws and regulation governing such purchases.

We are dependent upon several suppliers of base materials and alloying agents as sole-source suppliers. Approximately 80% of materials purchased, including those from Ulba, as described above, are primarily from these sole-source suppliers. Any disruptions in these suppliers' ability to manufacture base materials and alloying agents needed by us could have a materially adverse effect on short-term revenue, while we seek to engage alternative sources.

Disruptions of Manufacturing Operations

From time to time, our operations are adversely affected by disruptions caused by such things as water line failures, power outages, labor turnover, equipment failures, and adverse weather. These issues normally only cause short-term interruptions but can affect our ability to meet quarterly revenue and profitability objectives.

Need to Meet Product Specifications

Most of the products that we manufacture are required to conform to a specification. Some of these specifications are very exacting. Small variations in process can cause our products to fall short of the required standards. In addition, customer requirements can change from time to time. If we are unable to address these specification issues in a timely manner, we are at risk of losing short-term revenue and even long-term production contracts.

Engineered Materials Division Strategic Options

We continue to explore strategic options with potential partners, investors, and others regarding our Engineered Materials division. Such options include, but are not limited to, pursuit of additional contracts, potential joint ventures, restructuring, sale of assets, sale of the division, or closure of the division, and other possibilities. Any of these options could expose us to significant costs, revenue loss, and reputational harm.

LEGAL MATTERS

In the normal course of business operations, we are parties, from time to time, to various civil and administrative proceedings. These may include product liability claims, health and safety claims, environmental claims and employee-related matters.

As more fully discussed below, we are from time to time 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 potential liability by analyzing litigation and regulatory matters using available information. We develop views on estimated losses in consultation with outside counsel handling 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 the 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 $1.2 million plus attorney's fees, costs, and expenses in the amount of $155,000 was granted by the American Arbitration Association's International Centre for Dispute Resolution. On March 27, 2019, we received notice of the U.S. District Court for the District Massachusetts affirming the September 8, 2017 arbitration award made in favor of Gerald Hoolahan. We appealed this decision. Subsequently, on January 22, 2020, the U.S. Court of Appeals for the First Circuit affirmed the judgment of the U.S. District Court for the District of Massachusetts, which found in favor of Mr. Hoolahan. We are evaluating our payment options with respect to the award granted to Mr. Hoolahan.

- On January 21, 2014, a subsidiary in the Copper Alloys division, Nonferrous Products, Inc. ("Nonferrous Products") received a "Special Notice Letter of Potential Liability" from the U.S. Environmental Protection Agency ("EPA"). The letter references the EPA's determination that a release of hazardous materials had occurred at the Chemetco Superfund Site located in Hartford, Illinois. Chemetco, Inc. ("Chemetco") 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 Product was identified as PRP due to the EPA's review of Chemetco's records indicating that Nonferrous Products shipped more than 150,000 pounds of material to the Superfund Site. Nonferrous Products has joined a defense group of other PRPs ("Chemetco PRP Group"). The presumed amount of shipped material from Nonferrous Products classifies it as a Tier 3 Group member of four tiers, with Tier 1 consisting of PRP's that shipped the highest volume of material to Chemetco. By joining the PRP Group, Nonferrous Products entered into an Amended Cost Sharing Agreement which requires certain assessments based on an interim allocation according to the Tier Group. 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. On September 27, 2017, it was brought to the attention of IBC Counsel that the EPA Special Notice Letter was delivered to our subsidiary, Specialloy Copper, LLC, identifying Specialloy Metals Company as a Potentially Responsible Party to the Chemetco Superfund Site. The entity noticed (Specialloy Metals Company) sold assets to a subsidiary of Nonferrous Products, Inc. and was subsequently dissolved. Our subsidiary is covered under Nonferrous' Insurance policies, and other than the asset purchase transaction has no connection to the entity that was noticed. We are evaluating our options regarding notifying our insurers of potentially increased liability should the EPA and/or Chemetco PRP Group contribution lawsuit's attempt to name our subsidiary, Nonferrous Products, as a defendant. Specialloy Metals Company was allocated with over 4 million pounds of material shipped to the Chemetco site, or more than ten times the amount allocated to Nonferrous Products. Should the EPA and/or Chemetco PRP Group contribution lawsuit pursue alter ego theories and name our subsidiary company, Nonferrous Products, as a defendant, then we potentially face significantly more liability requiring further defensive action.

ENVIRONMENTAL AND OCCUPATIONAL SAFETY ISSUES

We melt and machine materials that have the potential, if not controlled and handled appropriately, to have a negative effect on an individual's health and the environment. In addition, operations use materials such as cutting and hydraulic fluids, which have the capacity to cause environmental contamination if left uncontained.

To mitigate these potential risks, we:

- employ a full-time health and safety manager to administer and monitor our safety programs;
- employ manufacturing practices to minimize and eliminate dispersal of fumes and dust;
- use trap basins and fluid reservoirs to capture and retrieve possible overages;
- use active exhaust vents and hoods located in equipment areas to capture and filter air;
- regularly schedule assessments and maintenance of in-house ventilation systems;
- require our employees to use appropriate personal protective equipment (such as respirators, outer garments, gloves, etc.) selected to limit and protect them from any potential exposures;
- conduct beryllium lymphocyte proliferation tests (BeLPT) to determine employees' potential for sensitivity to beryllium prior to possible exposure;
- undertake ongoing air quality monitoring and perform periodic employee health exams as per occupational health guidelines; and
- limit access to areas that may have a potential exposure to beryllium dust particles.

Despite these procedures, we remain subject to risk in this regard.

As with all industry, we are subject to periodic inspection by state and local safety, health and environmental authorities. If during an inspection a failing was noted in our systems, the potential for the temporary or permanent closure of the facilities could exist. If during the periodic employee health screening, an employee displays elevated exposure to metals, it could require us to place the employee on sick leave, which would have the potential to impact both direct and indirect costs and cause a disruption of production. There is also the potential that an inherent safety or environmental exposure, if uncontrolled, could initialize legal action by employees, neighbors or those who visit our facilities.

To minimize the risks arising from pre-acquisition activities, we commissioned phase one environmental reviews prior to acquiring our copper alloys businesses. It is possible that environmental problems remain at our facilities that these phase-one assessments did not uncover.

Shareholders' Equity

Share Issuances

- In July 2023, we issued 800,000 common shares to each of the four directors for director's fees with an issue-date value of C$240,000 in satisfaction of the Fiscal Year ended June 30, 2023 and Fiscal Year ended June 30, 2022 director's fees payable in shares in lieu of cash.
- In September 2023, we issued 952,605 common shares to debenture-holder with an issue-date value of C$76,000 in satisfaction of the September 5, 2023 interest payment in lieu of cash.

Outstanding Share Data

As at the date of this MD&A, we have issued:

- A total of 106,734,573 common shares.
- Warrants to purchase 11,269,444 common shares.
- Share options to purchase 4,362,500 common shares.

The maximum number of shares potentially issuable together with the issued shares is therefore 122,366,517.