



IBC Advanced Alloys

IBC ADVANCED ALLOYS CORP.

CONSOLIDATED FINANCIAL STATEMENTS

Expressed in United States Dollars

June 30, 2024



Crowe MacKay LLP

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Independent Auditor's Report

To the Shareholders of IBC Advanced Alloys Corp.

Opinion

We have audited the consolidated financial statements of IBC Advanced Alloys Corp. (the "Group"), which comprise the consolidated statements of financial position as at June 30, 2024 and June 30, 2023 and the consolidated statements of income (loss) and comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2024 and June 30, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the year ended June 30, 2024. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be a key audit matter to be communicated in our report. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Revert Inventories

We draw attention to Notes 3 and 6 to the consolidated financial statements. As at June 30, 2024, the Group held revert inventory of \$2.16 million with a portion of the balance presented as non-current inventory.

Why the matter was determined to be a key audit matter

We identified the valuation of revert as a key audit matter due to the magnitude of the revert inventory, historical technological challenges in the processing of this inventory and the related significant estimations and judgments required by management in assessing net realizable value, including expected recoveries, consumption rates, and certain cost assumptions.

How the matter was addressed in our audit

The primary procedures we performed to address this key audit matter included the following:

- We analyzed the Group's estimate of net realizable value by taking into consideration the length of time the inventory has been stockpiled and other factors including usage of inventory during the year;
- Performed independent test counts;
- Inspected a sample of the Group's third-party metallurgical lab results;
- Tested the net realizable value of the Revert inventory by comparing its cost, including cost to complete, to the selling price of products that used this inventory; and
- Assessed the overall presentation and disclosure in the consolidated financial statements.

Other Information

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

- Management's Discussion and Analysis
- Annual Information Form

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

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

We obtained the other information prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Crowe Mackay LLP

**Chartered Professional Accountants
Vancouver, Canada
October 25, 2024**

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

As at	Note	June 30, 2024 \$	June 30, 2023 \$
ASSETS			
Current assets			
Cash		1,415	83
Receivables	5	3,342	5,497
Inventories	6	7,348	9,302
Prepaid expenses and deposits		354	328
Total current assets		<u>12,459</u>	<u>15,210</u>
Non-current assets			
Deposits	10	535	295
Inventories	6	1,863	916
Property, plant, and equipment	7	9,663	11,852
Other assets		17	46
Total non-current assets		<u>12,078</u>	<u>13,109</u>
Total assets		<u>24,537</u>	<u>28,319</u>
LIABILITIES			
Current liabilities			
Line of credit	8	3,461	4,809
Accounts payable and accrued liabilities	9,15	3,312	4,085
Factoring facility	5	2,036	1,569
Leases payable	11	803	756
Debentures	10	-	3,144
Loans payable	10	333	230
Related party loans	10,15	2,494	1,408
Onerous contract liability	14	-	738
Unearned revenue		3	4,104
Arbitration award liability	16	1,631	1,549
Total current liabilities		<u>14,073</u>	<u>22,392</u>
Non-current liabilities			
Loans payable	10	4,686	368
Related party loans	10,15	-	1,304
Leases payable	11	491	1,294
Total non-current liabilities		<u>5,177</u>	<u>2,966</u>
Total liabilities		<u>19,250</u>	<u>25,358</u>
EQUITY			
Share capital	13	62,911	62,667
Reserves	13	9,950	9,736
Foreign currency translation reserve		405	235
Accumulated deficit		(67,979)	(69,677)
Total equity		<u>5,287</u>	<u>2,961</u>
Total liabilities and equity		<u>24,537</u>	<u>28,319</u>

Going concern of operations	1
Commitment and contingencies	11,14,16
Subsequent events	22

On behalf of the board of directors:

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

The accompanying notes are an integral part of these consolidated financial statements.

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

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

Year ended June 30	Note	2024	2023
		\$	(Note 18) \$
Revenue	17	25,664	21,511
Cost of revenue	6,7,14	19,430	16,487
Gross profit		<u>6,234</u>	<u>5,024</u>
Selling, general, and administrative expenses			
Consulting fees		146	128
Depreciation	7	118	113
Director fees, cash portion	15	53	50
Doubtful debts		1	-
Office and miscellaneous		863	1,022
Professional fees		322	378
Public company costs		186	141
Rent		3	3
Salaries, wages, and management fees	15	1,968	1,867
Share-based compensation and services	13,15	401	236
Travel, meals and entertainment		55	95
		<u>4,116</u>	<u>4,033</u>
Income before other items		2,118	991
Other income (expense)			
Foreign exchange gain (loss)		(116)	12
Interest and accretion expense	5,8,10,11,16	(2,023)	(2,016)
Gain on revaluation of derivative	10	1	72
Other income		62	1,392
Net income before income taxes		<u>42</u>	<u>451</u>
Income tax recovery (expense):			
Current	12	14	(1)
Net income from continuing operations		56	450
Net income (loss) from discontinued operations	18	1,642	(6,382)
Total Income (Loss)		<u>1,698</u>	<u>(5,932)</u>
Foreign currency translation from continuing operations		170	110
Total comprehensive income from continuing operations		226	560
Total comprehensive income (loss) from discontinued operations		1,642	(6,382)
Total comprehensive income (loss)		<u>1,868</u>	<u>(5,822)</u>
Net income per common share from continuing operations:			
Basic	21	\$ 0.00	\$ 0.00
Diluted	21	\$ 0.00	\$ 0.00
Net income (loss) per common share - basic and diluted from discontinued operations	21	\$ 0.02	\$ (0.07)
Total income (loss) per common share - basic and diluted	21	\$ 0.02	\$ (0.06)
Weighted average number of common shares outstanding from continuing operations:			
Basic		106,414,158	93,785,813
Diluted	21	106,414,158	94,128,628
Weighted average number of common shares outstanding from discontinued operations:			
Basic and Diluted	21	106,414,158	93,785,813

The accompanying notes are an integral part of these consolidated financial statements.

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

Years ended June 30	2024	2023 (Note 18)
	\$	\$
Operating activities		
Net income from continuing operations, net of tax	56	450
Adjustments for:		
Share-based compensation and services	401	236
Gain on revaluation of derivative	(1)	(72)
Depreciation	641	613
Sales returns and allowances recovery	-	(97)
Foreign exchange expense	(56)	(14)
Interest and accretion expense	2,023	2,016
Write-down of inventory	-	1,027
Changes in non-cash working capital items:		
Receivables	2,173	(2,230)
Inventories	(7,955)	(5,224)
Prepaid expenses and deposits	8,715	(42)
Accounts payable and accrued liabilities	2,476	(2,520)
Unearned revenue	(3,194)	3,169
Net cash provided by (used in) operating activities from continuing operations	<u>5,279</u>	<u>(2,688)</u>
Net cash provided by (used in) operating activities from discontinued operations	<u>(531)</u>	<u>1,261</u>
Cash provided by (used in) Operating activities	<u>4,748</u>	<u>(1,427)</u>
Financing activities		
Net line of credit advances	1,070	1,076
Interest paid	(2,614)	(1,119)
Factoring facility repayments	(865)	(187)
Related party note proceeds	-	2,600
Loan repayments	(2,972)	(162)
Loan proceeds	4,906	-
Debenture principal repayments	(3,104)	(900)
Options exercised	-	156
Warrants exercised	-	398
Private placement proceeds	-	896
Share issue costs	-	(19)
Net cash provided by (used in) financing activities from continuing operations	<u>(3,579)</u>	<u>2,739</u>
Net cash provided by (used in) financing activities from discontinued operations	<u>536</u>	<u>(1,261)</u>
Cash flows provided by (used in) financing activities	<u>(3,043)</u>	<u>1,478</u>
Investing activities		
Purchase of property, plant, and equipment	(525)	(459)
Net cash used in investing activities from continuing operations	<u>(525)</u>	<u>(459)</u>
Net cash used in investing activities from discontinued operations	<u>(5)</u>	<u>-</u>
Cash flows used in investing activities	<u>(530)</u>	<u>(459)</u>
Foreign exchange effect on cash	157	13
Change in cash during the year	1,332	(395)
Cash, beginning of year	83	478
Cash, end of year	<u>1,415</u>	<u>83</u>
Supplemental Cash Flow Information:		
Interest payments	(2,614)	(1,119)
Income tax (payments) refunds	5	(1)
Non-cash items:		
Common shares issued for services	187	-
Fair value of options exercised	-	101
Common shares issued for interest	57	211

The accompanying notes are an integral part of these consolidated financial statements.

IBC ADVANCED ALLOYS CORP.
Consolidated Statements of Changes in Equity
(US dollars in thousands)
For the Years Ended June 30, 2024 and 2023

	Note	Number of common shares	Share Capital \$	Warrants and convertible debenture reserve \$	Share based compensation reserve \$	Foreign currency translation reserve \$	Accumulated Deficit \$	Total \$
At June 30, 2022		84,757,459	60,924	1,756	7,817	125	(63,745)	6,877
Shares issued for options exercised	13	1,250,000	257	-	(101)	-	-	156
Shares issued for warrants exercised	13	2,248,324	398	-	-	-	-	398
Private placement	13	11,269,444	896	-	-	-	-	896
Share issue costs	13	-	(19)	-	-	-	-	(19)
Debentures interest paid in shares	13	3,056,741	211	-	-	-	-	211
Share-based compensation	13	-	-	-	264	-	-	264
Foreign currency translation		-	-	-	-	110	-	110
Net income for the year from continuing operations		-	-	-	-	-	450	450
Loss for the year from discontinued operations		-	-	-	-	-	(6,382)	(6,382)
At June 30, 2023	13	102,581,968	62,667	1,756	7,980	235	(69,677)	2,961
Shares issued for services	13	3,200,000	187	-	(187)	-	-	-
Debentures interest paid in shares	10(a),13	952,605	57	-	-	-	-	57
Share-based compensation	13	-	-	-	401	-	-	401
Foreign currency translation		-	-	-	-	170	-	170
Net income for the year from continuing operations		-	-	-	-	-	56	56
Net income for the year from discontinued operations		-	-	-	-	-	1,642	1,642
At June 30, 2024	13	106,734,573	62,911	1,756	8,194	405	(67,979)	5,287

The accompanying notes are an integral part of these consolidated financial statements.

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

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

For the Year Ended June 30, 2024

1. Nature and continuance of operations

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.

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

For the year ended June 30, 2024, the Company had not yet achieved consistently profitable operations, having incurred a net income from continuing operations of \$56 during the year ended June 30, 2024 (June 30, 2023 – \$450). The Company had accumulated losses of \$67,979 (June 30, 2023 – \$69,677) since inception. For the year ended June 30, 2024, the Company has a working capital deficit of \$1,614 (June 30, 2023 – \$7,182). The Company was in violation of the minimum debt service coverage ratio covenant on its line of credit for the quarter ended June 30, 2024, but had positive cash flows as it pertains to operations for the same period. The Company is seeking a waiver of the violation of the debt covenants, if it is unsuccessful, the lender may call the line of credit facility or seize the Company’s inventory (Note 8). 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 its operations and to realize assets at their carrying values is dependent upon its ability to raise adequate financing from external sources and generate profits and positive cash flows from operations in order to carry out its business objectives. The Company will require additional financing for continuing operations, to evaluate strategic opportunities, and for working capital purposes. However, there is no assurance that the Company will be able to secure such financing on favourable terms. These consolidated financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the Company’s consolidated financial statements. Such adjustments could be material.

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. We have given consideration as to the impact of these geopolitical events and global economic challenges on the Company’s business, future operations and financial results. Our assessment and the related disclosures in the consolidated financial statements are appropriate in the circumstances and provide accurate and complete disclosure of the known or potential impact and related uncertainties.

2. Basis of Presentation

a) Statement of compliance

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

The Company’s board of directors approved the release of these consolidated financial statements on October 25, 2024.

b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are measured at fair value, as explained in the material accounting policies set out in note 3.

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

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

For the Year Ended June 30, 2024

2. Basis of Presentation (continued)

b) Basis of measurement (continued)

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

c) Discontinued Operations

During the year, the Company decided to discontinue its IBC Engineered Materials Corp. ("EMC") business unit. In line with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations, the consolidated statements of loss and comprehensive loss and cash flows for the year ended June 30, 2023, have been restated to separately report the EMC financial results as discontinued operations. In the prior periods these assets and liabilities had been considered continuing operations (note 18). The restatement has no effect on the net assets as at June 30, 2023 nor on the loss and comprehensive loss and change in cash flows for the year ended June 30, 2023.

3. Material Accounting Policies

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

a) Basis of consolidation

The consolidated financial statements comprise the financial statements of IBC and its subsidiaries on June 30, 2024. 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. Subsidiaries are included in the financial results of the Company from the effective date of acquisition up to the effective date of disposition or loss of control. These consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of IBC and its subsidiaries after eliminating inter-entity balances and transactions.

The 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	Inactive
Nonferrous Products, Inc. ("Nonferrous")	100%	United States	Manufacturing
NF Industries, Inc.	100%	United States	Holding company
Specialloy Copper Alloys LLC ("Specialloy")	100%	United States	Inactive
IBC Engineered Materials Corp. ("EMC")	100%	United States	Inactive

b) Foreign currency transactions

Functional and presentation currency

The functional currency of the Company is determined based on the currency of the primary economic environment in which the Company operates. The functional currency of IBC is the Canadian dollar ("C\$"). All other entities have a functional currency of the United States dollar ("\$"). These consolidated financial statements are presented in United States dollars, and all financial amounts, other than per-share amounts, are rounded to the nearest thousand dollars.

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

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

For the Year Ended June 30, 2024

3. Material Accounting Policies (continued)

b) Foreign currency transactions (continued)

Transactions and balances

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into the relevant functional currency using the exchange rate in effect at that date. At the reporting period end date, monetary assets and liabilities are translated into the relevant functional currency using the exchange rate in effect at that date and the related translation differences are recognized in profit or loss.

Non-monetary assets and liabilities that are measured at historical cost are translated into the relevant functional currency by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated.

Translation into the presentation currency

The operating results and consolidated statements of financial position of entities with functional currencies different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities presented are translated at the year-end closing rate as at the date of the consolidated statements of financial position;
- Income and expenses for the statements of loss are translated at average exchange rates, unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated at the rate on the dates of the transactions; and
- All resulting exchange differences from translating foreign operations are recognized in a separate component of shareholders' equity as other comprehensive income (loss).

c) Cash and cash equivalents

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

d) Inventories

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

Raw materials:

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

Finished goods and work in progress

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

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

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

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

For the Year Ended June 30, 2024

3. Material Accounting Policies (continued)

e) Revenue recognition

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

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

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

If it is expected that the unavoidable costs required to satisfy the remaining performance obligations of a revenue contract will exceed its expected economic benefits, the Company will recognize an onerous provision with a corresponding loss in cost of sales in the consolidated statement of comprehensive income (loss).

Sale of goods

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

Return allowance

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

Unearned revenue

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

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

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

For the Year Ended June 30, 2024

3. Material Accounting Policies (continued)

f) Property, plant and equipment

Recognition and measurement

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

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

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

Subsequent costs

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

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

Major maintenance and repairs

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

Gains and losses

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

Depreciation

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

	Years
Machinery and equipment	5-35
Vehicles	5-10
Building and leasehold improvements	10-40 (or over lease period)
Furniture and fixtures	5-15

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

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

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

For the Year Ended June 30, 2024

3. Material Accounting Policies (continued)

g) Leases

Lease Definition

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

Measurement of Right of use assets ("ROU") and lease obligations

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

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

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

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

Recognition Exemptions

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

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

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

For the Year Ended June 30, 2024

3. Material Accounting Policies (continued)

h) Impairment of non-financial assets

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

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

Impairment losses of continuing operations, including impairment on inventories, are recognized in profit or loss in expense categories consistent with the function of the impaired asset.

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

i) Financial instruments

Measurement – initial recognition

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

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

Classification of financial assets

Amortized cost:

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

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

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

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

For the Year Ended June 30, 2024

3. Material Accounting Policies (continued)

i) Financial instruments (continued)

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

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

Derecognition:

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

Classification of financial liabilities

The Company classifies and measures its financial liabilities at amortized cost.

Amortized Cost:

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

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

		June 30, 2024 \$	June 30, 2023 \$
Financial assets, recorded at amortized cost	<ul style="list-style-type: none"> • Cash • Trade accounts receivables, net 	1,415 3,317	83 4,102
Financial liabilities, recorded at amortized cost	<ul style="list-style-type: none"> • Line of credit • Accounts payable and accrued liabilities • Accounts receivable factoring facility • Leases payable • Onerous contract liability • Borrowings • Arbitration award liability 	3,461 3,312 2,036 1,294 - 7,513 1,631	4,809 4,085 1,569 2,050 738 6,454 1,549

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

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

For the Year Ended June 30, 2024

3. Material Accounting Policies (continued)

j) Provisions

Other provisions

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

Onerous contract provision

When it is probable that total contract costs will exceed total contract revenue it is called an onerous contract and the expected loss or onerous contract provision is recognized as an accrued liability and an expense in cost of sales on the statement of comprehensive income (loss). Significant estimation assumptions are required to estimate remaining costs of the contract.

k) Income taxes

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

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

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

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

l) Share capital

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

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

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

For the Year Ended June 30, 2024

3. Material Accounting Policies (continued)

m) Compound and hybrid financial instruments

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

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

n) Earnings / loss per share

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

o) Share-based payments

The Company operates a stock option plan. Share-based payments to employees are measured at the grant date fair value of the instruments and recognized in expense over the vesting periods. Share based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued if it is determined that the fair value of the goods or services received cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is recorded to reserves. The fair value of the options is determined using a Black-Scholes Option Pricing Model. The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Upon the exercise of stock options, consideration received on the exercise is recorded as share capital and the related amount in reserves is transferred to share capital. Amounts recorded for forfeited unvested options are reversed in the period the forfeiture occurs.

p) Valuation of warrants in private placement units

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of the common shares issued in the private placements is determined to be the more easily measurable component and valued at their fair value, as determined by the closing quoted bid price on the date of issuance. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded to reserves.

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

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

For the Year Ended June 30, 2024

3. Material Accounting Policies (continued)

q) Assets and liabilities held for sale and discontinued operations

Non-current assets are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is met when the sale is highly probable, the asset is available for immediate sale in its present condition and the sale is expected to be completed within one year from the date of classification.

Non-current assets and disposal groups are classified and presented as discontinued operations if the assets or disposal groups are disposed of or classified as held for sale and:

- The assets or disposal groups are a major line of business or geographical area of operations;
- The assets or disposal groups are part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or,
- The assets or disposal groups are a subsidiary acquired solely for the purpose of resale.

A component that is a separate major line of business or geographical area of operations and has been disposed of, closed, abandoned or terminated is also classified as a discontinued operation.

The assets or disposal groups that meet these criteria are measured at the lower of carrying amount and fair value less cost of disposal, with impairments recognized in the consolidated statement of comprehensive income (loss). An impairment loss is recognized for any initial or subsequent write-down of the asset or disposal group to fair value less cost to dispose. Non-current assets and liabilities held for sale are presented separately in current assets and liabilities within the consolidated statement of financial position. Assets held for sale are not depreciated, depleted or amortized. The comparative period consolidated statement of financial position is not restated.

The results of discontinued operations, net of tax, are shown separately in the consolidated statements of comprehensive income (loss) and cash flows and comparative figures are restated.

r) New standards, interpretations and amendments adopted in the year

The following amendments to standards and interpretation are effective in the current fiscal year and have been adopted in preparing these consolidated financial statements:

Amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

The amendments introduced the definition of accounting estimates and included other amendments to help entities distinguish changes in accounting estimates from changes in accounting policies. The impact to the these consolidated financial statements is not material.

Amendments to IAS 1, Presentation of Financial Statements ("IAS 1") and IFRS Practice Statement 2

The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. The impact to the these consolidated financial statements is not material.

s) New standards, interpretations and amendments not yet effective

Certain new standards, and amendments to standards and interpretations, are not effective in the 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 its consolidated financial statements. The following accounting standards and amendments are effective for future periods:

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

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

For the Year Ended June 30, 2024

3. Material Accounting Policies (continued)

s) New standards, interpretations and amendments not yet effective (continued)

Amendment to IAS 1

In October 2022, the IASB issued amendments to IAS 1 titled Non-current Liabilities with Covenants. These amendments seek to improve the information that an entity provides when its right to defer settlement of a liability is subject to compliance with covenants within 12 months after the reporting period. These amendments to IAS 1 do not override but incorporate the previous amendments, Classification of Debt as Current or Non-current, issued in January 2020, which clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities should be classified as non-current if a company has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Early application is permitted.

Amendment to IFRS 16 – Leases on sale and leaseback.

Key changes include:

- **Lease Liability Measurement:** The lease liability is measured at the present value of lease payments, using the rate implicit in the lease or the entity's incremental borrowing rate if the implicit rate is not readily determinable.
- **Recognition of Gains and Losses:** In a sale classified under IFRS 15, any gain or loss from the sale is initially recognized and then deferred. The recognized gain is reduced from the carrying amount of the right-of-use asset and is recognized over the lease term as the asset is utilized.
- **Disclosure Requirements:** Entities must disclose the nature and terms of sale and leaseback transactions, including the amount of any gain or loss recognized and its accounting treatment.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Early application is permitted.

IFRS 18, Presentation and Disclosure in Financial Statements ("IFRS 18")

IFRS 18 introduces three defined categories for income and expenses—operating, investing and financing—to improve the structure of the income statement, and requires all companies to provide new defined subtotals, including operating profit. The improved structure and new subtotals will give investors a consistent starting point for analyzing companies' performance and make it easier to compare companies.

IFRS 18 requires companies to disclose explanations of those company-specific measures that are related to the income statement, referred to as management-defined performance measures. The new requirements will improve the discipline and transparency of management-defined performance measures, and make them subject to audit.

IFRS 18 sets out enhanced guidance on how to organise information and whether to provide it in the primary financial statements or in the notes.

The new standards are effective for annual reporting periods beginning on or after January 1, 2027. Early application is permitted.

The Company is still in the process of the assessing the potential impact, if any, from the aforementioned new standards and amendments on its consolidated financial statements.

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

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

For the Year Ended June 30, 2024

4. Critical Accounting Estimates and Judgments

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the Company's accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates. Management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted prospectively in the period in which the estimates are revised.

Judgments

Judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements are outlined below.

Determining cash generating units

For assessing impairment of non-financial assets, the Company must determine its cash-generating units (CGUs). Assets and liabilities are grouped into CGUs at the lowest level of separately identified cash flows. The determination of a CGU is based on management's judgement and is an assessment of the smallest group of assets that generate cash inflows independently of other assets.

Classification of Discontinued Operations

Management assessed and concluded that the operations of one of its subsidiaries, EMC qualify as a discontinued operation due to the decision to cease production during the year. The decision to cease production was as a result of insufficient long-term demand for cast beryllium-aluminum alloy products (note 18).

Assets Classified as Held for Sale

Despite the classification of EMC as a discontinued operation, management determined that the associated assets should not be classified as "held for sale" under IFRS 5. This decision was based on the lack of an active program to locate a buyer for the assets at the reporting date (note 18).

Financing arrangement with Flatbay

Management evaluated the transaction in which it sold its property to Flatbay consisting of land and buildings and subsequently entered into a leaseback arrangement. Based on the terms and conditions of the transaction, management concluded that it should be classified as a financing arrangement rather than a sale and leaseback under IFRS 16.

Impairment of non-financial assets

The determination of whether indicators of impairment exist is based on management's judgement of whether there are internal and external factors that would indicate that a non-financial asset is impaired. The recoverable amounts used for impairment calculations may require estimates of future net cash flows related to the assets or CGUs, probability of successful contract proposals and estimates of discount rates applied to these cash flows, or consideration of the Company's market capitalization as compared to the CGU's carrying amount in determination of fair value less cost of sales through appraisal. The Company also assess whether there are circumstances that indicate that previously impaired assets are now recoverable and need to be increased to their original carrying values.

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

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

For the Year Ended June 30, 2024

4. Critical Accounting Estimates and Judgments (continued)

Judgments (continued)

Functional currency

The functional currency for the Company and each of its subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of the functional currency involves certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

Segmented reporting

The Company must exercise judgement in defining its business segments (note 17) 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.

Determining the lease term of contracts with renewal and termination options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised. The Company has a lease contract for office and factory space that includes an extension option. The Company applied judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew the lease. That is, it considered all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew. The Company did not include the renewal period as part of the lease term for this lease contract as the intention was to identify alternative office space at the end of the lease term. The other lease contracts of the Company did not have extension or termination options.

Estimates

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods are outlined below.

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 7.

Leases - Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

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

For the Year Ended June 30, 2024

4. Critical Accounting Estimates and Judgments (continued)

Estimates (continued)

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. In the current year, the value of the revert inventory was estimated based on the net realizable value.

Onerous Contract

When it is probable that total contract costs will exceed total contract revenue it is called an onerous contract and the expected loss is recognized as an accrued liability and an expense in cost of sales on the statement of loss and comprehensive loss. Significant estimation assumptions are required to estimate remaining costs of the contract.

Share-based transactions

The Company must exercise judgement in defining its assumptions for evaluating share-based compensation (note 13), which includes 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.

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

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

For the Year Ended June 30, 2024

4. Critical Accounting Estimates and Judgments (continued)**Estimates (continued)***Contingencies*

Due to the complexity and nature of the Company's operations, various legal matters arise and are outstanding from time to time. The final outcome with respect to actions outstanding or pending on June 30, 2024, 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 16).

5. Receivables

	June 30, 2024	June 30, 2023
	\$	\$
Trade accounts receivable	1,281	2,533
Trade accounts receivable subject to factoring	2,036	1,569
Net trade accounts receivable	3,317	4,102
Sales tax	25	-
Tax refund receivable	-	1,395
	3,342	5,497

On July 29, 2021, the Company entered into an ASPA or accounts receivable (AR) factoring facility with Sallyport Commercial Finance LLC. The ASPA bears interest at the prevailing prime plus 2% per annum, additional fees include a 3% factoring fees, a factoring fee of 0.45% (June 30, 2023 - 0.45%) of the receivables balance purchased after 45 days and another 0.45% (June 30, 2023 - 0.45%) 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 Statements of Financial Position. The repayable amount is presented as a liability, 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.

During the year ended June 30, 2024, the Company is in compliance with the covenant of maintaining positive cash flows, but is not in compliance with the covenants related to the minimum debt service coverage ratio. The Company has applied to the creditors for a waiver regarding this non-compliance.

Subsequent to year end, the Company entered into an amended agreement and extended the ASPA through July 28, 2025 and the inter creditor facility between Sallyport Commercial Finance LLC and Iron Horse Credit, LLC continues. As at June 30, 2024, the Company has \$2,036 (June 30, 2023 - \$1,569) of its accounts receivable factored as part of this AR factoring facility and during the period has incurred \$397 (June 30, 2023 - \$548) in interest expense as a result of factoring of accounts receivable. On August 28, 2023, the Company also entered into amendments with Sallyport Commercial Finance, LLC where the maximum facility was increased from \$4,000 to \$7,000 and the accounts sale and purchase facility (i.e. invoice specific) was changed to a batch or "bulk" factoring facility, such that the Company is required to provide a weekly Accounts Receivable Eligibility Certificate, as opposed to a schedule of accounts listing each specific invoice.

The \$1,395 tax refund receivable from the prior year was recognized in the prior year after the Company met all of the requirements under the Employee retention credit per Section 2301 of the CARES Act. The tax refund receivable from the prior year was recognized as income per IAS 20.

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

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

For the Year Ended June 30, 2024

6. Inventories

	June 30, 2024	June 30, 2023
Current inventories	\$	\$
Raw materials	4,887	4,241
Work in process	1,271	4,664
Finished goods	1,190	397
	<u>7,348</u>	<u>9,302</u>
Non-current inventories		
Raw materials	1,863	916
	<u>9,211</u>	<u>10,218</u>

At June 30, 2024, inventories with a value of \$9,211 (June 30, 2023 – \$10,218) held by the Company were pledged as collateral for the Iron Horse and Sallyport facilities (note 8).

During the year ended June 30, 2024, cost of sales in continuing operations included materials of \$12,317 (June 30, 2023 – \$10,596), and labor of \$2,748 (June 30, 2023 – \$2,417).

During the year ended June 30, 2024, cost of sales in discontinued operations included materials of \$3,873 (June 30, 2023 – \$5,884) and labor of \$2,791 (June 30, 2023 – \$2,376).

In 2018, beryllium bearing alloys carried in salvage (work in process) inventory were revalued. The adjustment became necessary when a new process was developed allowing recovery of the alloys previously thought to be unrecoverable. The material in question has been stored over time in drums with the belief they would be disposed of. The new process allows the material to be heated in a furnace which allows the usable alloy to be separated from contaminants. As of June 30, 2018, the new process had been tested both determining the usability of the material as well as providing yield estimates for the recovery process. The adjustment to record the value of this inventory resulted in a \$979 increase in raw material inventory values and a corresponding adjustment to cost of goods sold as of June 30, 2018. The process was revised again during the year ended June 30, 2024, when Copper assumed responsibility for completing the recovery process, as part of this the recoverability of the beryllium bearing alloys in salvage increased, as a result the Company recorded a reversal of previous impairment of \$986. (June 30, 2023 - \$1,027 impairment).

The 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.

During the year ended June 30, 2024, the Company recognized a impairment for slow-moving inventory of \$121 (June 30, 2023 - \$Nil).

IBC ADVANCED ALLOYS CORP.
Notes to the Consolidated Financial Statements

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

For the Year Ended June 30, 2024

7. 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, 2022	420	4,456	11,459	35	8,274	670	160	25,474
Additions	-	-	108	-	-	-	351	459
Construction in progress placed in service	-	-	280	-	12	106	(398)	-
At June 30, 2023	420	4,456	11,847	35	8,286	776	113	25,933
Additions	-	-	251	-	87	-	207	545
Disposals	-	-	(96)	-	(48)	(45)	(44)	(233)
Construction in progress placed in service	-	-	25	-	-	45	(70)	-
At June 30, 2024	420	4,456	12,027	35	8,325	776	206	26,245
Accumulated depreciation and impairment								
At June 30, 2022	-	1,961	6,655	28	2,120	94	-	10,858
Impairment	-	-	717	-	858	-	-	1,575
Depreciation expense	-	706	534	5	276	127	-	1,648
At June 30, 2023	-	2,667	7,906	33	3,254	221	-	14,081
Impairment	-	1,083	60	-	8	40	-	1,191
Depreciation expense	-	706	471	2	187	133	-	1,499
Disposals	-	-	(96)	-	(48)	(45)	-	(189)
At June 30, 2024	-	4,456	8,341	35	3,401	349	-	16,582
Net book value								
At June 30, 2022	420	2,495	4,804	7	6,154	576	160	14,616
At June 30, 2023	420	1,789	3,941	2	5,032	555	113	11,852
At June 30, 2024	420	-	3,686	-	4,924	427	206	9,663

As at June 30, 2024, the Company pledged property, plant, and equipment held by Copper Alloys with a net book value of \$4,051 (June 30, 2023 - \$8,823) and Engineered Materials with a net book value of \$439 (June 30, 2023 - \$798) as collateral for bank loans (note 10).

During the year ended June 30, 2024, the Company made a decision to discontinue the operations of its Engineered Material division a CGU (note 18). As a result, the company, carried out an impairment assessment of the CGU and recorded an impairment loss of \$1,191 (June 30, 2023 - \$1,575). The recoverable amount was determined with reference to the fair value less cost to sell which was estimated based on the proceeds received from the sale of EMC assets subsequent to year end.

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

From continuing operations:

Year ended	2024 \$	2023 \$
Cost of revenue	523	498
Selling, general and administrative expenses	118	113
Total depreciation expense	641	611

From discontinued operations:

Year ended	2024 \$	2023 \$
Cost of revenue	699	875
Selling, general and administrative expenses	159	162
Total depreciation expense	858	1,037

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

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

For the Year Ended June 30, 2024

8. Line of Credit

The Company maintains a line of credit agreement with Iron Horse Credit, LLC with a facility limit of \$6,000 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 and requires that the Company maintain a minimum debt service coverage and positive cash flows as it pertains to the Company's operations. As at June 30 2024, the line of credit balances were \$3,461 (June 30, 2023 - \$4,809).

The Company was in violation of the minimum debt service coverage ratio for the quarter ended June 30, 2024, but had positive cash flows as it pertains to operations for the same period. The Company is seeking a waiver of the violation of the debt covenants, if it is unsuccessful, Iron Horse, LLC may call the line of credit facility or seize the Company's inventory.

On August 28, 2023, the Company entered into an amended agreement and extended the line of credit to August 28, 2024; the inter creditor facility between Sallyport Commercial Finance LLC and Iron Horse Credit, LLC continues. The Company entered into an amendment to the credit and security agreement with Iron Horse Credit, LLC where the maximum revolver amount has been increased from \$5,000 to \$6,000; with all other terms remaining substantially the same as the original agreement.

9. Accounts Payable and Accrued Liabilities

	June 30, 2024	June 30, 2023
	\$	\$
Trade accounts payable	1,905	3,126
Employee wages and payroll withholdings	663	118
Accrued liabilities	482	507
Sales returns and allowances	262	334
Accounts payable and accrued liabilities	<u>3,312</u>	<u>4,085</u>

10. Borrowings*(a) Debentures*

	Convertible Debentures \$	Non-Convertible Debentures \$	Lind financing \$	Total \$
June 30, 2022	2,487	129	1,031	3,647
Changes in fair value of derivative liability	-	-	(72)	(72)
Amortization of accreted interest	222	11	177	410
Accrued interest	215	12	94	321
Principal paid in cash	-	-	(900)	(900)
Interest paid in shares issued	(199)	(12)	-	(211)
Effect of foreign exchange rate	(67)	(2)	18	(51)
June 30, 2023	2,658	138	348	3,144
Changes in fair value of derivative liability	-	-	(1)	(1)
Amortization of accreted interest	-	-	14	14
Accrued interest	35	2	23	60
Repayments paid in cash	(2,586)	(134)	(384)	(3,104)
Interest paid in shares issued	(53)	(4)	-	(57)
Effect of foreign exchange rate	(54)	(2)	-	(56)
June 30, 2024	-	-	-	-

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

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

For the Year Ended June 30, 2024

10. Borrowings (continued)

(a) Debentures (continued)

Convertible debentures

The Company issued convertible debentures on June 6, 2018 for proceeds of C\$3,797 (\$2,877).

The convertible debentures were redeemable 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 were 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.

The convertible debentures had 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.

On initial recognition, these convertible debentures were determined to be a financial instrument comprising an equity classified conversion feature and equity classified warrants with a host debt component.

On August 2023, the Company satisfied its convertible debenture through payment of C\$3,499 in cash and 898,772 common shares to satisfy C\$72 of outstanding interest.

During the year ended June 30, 2024, the Company had interest expenses of \$35 (June 30, 2023 – \$215), and accretion of \$Nil (June 30, 2023 – \$222) in relation to these convertible debts.

Non-Convertible debentures

The Company issued non-convertible debentures on June 6, 2018 for proceeds of C\$182 (\$138).

The debentures were redeemable 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.

These debentures had a 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.

On initial recognition, these debentures were determined to be a financial instrument comprising equity classified warrants with a host debt component.

On August 2023, the Company satisfied this non-convertible debenture through payment of C\$182 in cash and 53,833 common shares to satisfy C\$4 of outstanding interest.

During the year ended June 30, 2024, the Company had interest expenses of \$2 (June 30, 2023 – \$12), and accretion of \$Nil (June 30, 2023 – \$11) in relation to the non-convertible debenture.

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

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

For the Year Ended June 30, 2024

10. Borrowings (continued)*(a) Debentures (continued)*Lind financing

The Company issued convertible debt in relation to the Lind financing on October 6, 2021, for proceeds of \$1,500. The convertible debt was convertible into common shares at a conversion price of C\$0.21 per common share at the option of the holder beginning February 2022. Outstanding pre-paid accrued interest was convertible 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 could in its sole discretion, buy-back the outstanding amount of the convertible debt at any time. However, the debt holder retained 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.

On initial recognition, these debentures were determined to be a financial instrument comprising equity classified warrants and liability classified conversion feature with a host debt component.

In April 2024, the lenders opted for a repayment in cash and the Company settled the outstanding Lind convertible debentures with a cash payment of \$159.

During the year ended June 30, 2024, the Company had interest expenses of \$23 (June 30, 2023 – \$94), and accretion of \$12 (June 30, 2023 – \$177) in relation to these convertible debts. The Company recognized \$1 gain in relation to the extinguishment of the derivative liability component. During the year ended June 30, 2023, the Company recognized a gain of \$72 in relation to the revaluation of the derivative liability component. As at June 30, 2023, the derivative liability was estimated based on Black Scholes option pricing model assuming a risk free rate of 0.3%, a duration of 0.62 year, volatility of 114.79%, and based on the \$/C\$ exchange rate of 1.3240.

(b) Loans payable

	Utica loan	Loeb loan	Sallyport loan	Flatbay financing arrangement	Total
	\$	\$	\$	\$	\$
June 30, 2022	760	-	-	-	760
Accrued interest	130	-	-	-	130
Principal paid in cash	(292)	-	-	-	(292)
June 30, 2023	598	-	-	-	598
Gross proceeds received	-	1,780	3,000	3,850	8,630
Transaction costs	-	(158)	-	(349)	(507)
Accrued interest	77	211	411	12	711
Settlement costs	39	-	-	-	39
Repayments paid in cash	(714)	(327)	(3,411)	-	(4,452)
June 30, 2024	-	1,506	-	3,513	5,019
June 30, 2023					
Current	230	-	-	-	230
Non-current	368	-	-	-	368
June 30, 2024					
Current	-	236	-	97	333
Non-current	-	1,270	-	3,416	4,686

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

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

For the Year Ended June 30, 2024

10. Borrowings (continued)

(b) Loans payable (continued)

Utica Loan

The Company entered into a term loan payable to Utica on October 4, 2021 for proceeds of C\$900. The term loan had a maturity date of January 4, 2026, and an effective interest rate of 15.24% per year. The loan is secured by certain fixed assets of Nonferrous.

Pursuant to the terms of the term loan, the Company would make 51 monthly instalment payments of \$24 until the maturity date. On October 26, 2023, the Company agreed with Utica to repay the outstanding loan prior to maturity, and incurred \$39 in settlement costs for the loan. The Company repaid the outstanding interest, loan balance and settlement costs of \$714 to Utica in order to settle the loan.

During the year ended June 30, 2024, the Company had interest expenses of \$77 (June 30, 2023 – \$130) in relation to this term loan payable to Utica.

Loeb Loan

In October 2023, the Company entered into an agreement with Loeb equipment term loan (“Loeb Loan”) that provided the Company with total proceeds of \$1,780 in exchange for a security interest in its machinery and equipment. The loan bears interest at prime plus 6.5% per annum with interest only payments for the first four weeks, then going forward principal and interest payment are due weekly. Nonferrous received proceeds of \$1,550 from the Loeb Loan which has a 3-year term and incurred transaction costs of \$138. EMC received proceeds of \$230 from the Loeb Loan which has a 2-year term and incurred transaction costs of \$20.

In July 2024, the Company repaid the balances owed by EMC in respect to the Loeb loan.

Sallyport Loan

In August 28, 2023, the Company entered into a loan agreement with Sallyport for proceeds of \$3,000. The proceeds were used by the Company to settle convertible debt obligations (Note 10(a)). The loan had a maturity date of November 28, 2024, and carried interest at prime plus 6.75%. The loan is secured by certain fixed assets of Nonferrous.

Pursuant to the terms of the loan, the Company would make six interest-only monthly payments initially, and interest plus \$150 principal monthly payments thereafter until the maturity date. The Company made payments totalling \$907 during the year ended June 30, 2024. On May 27, 2024, the Company agreed with Sallyport to repay the outstanding loan prior to maturity, and repaid the outstanding loan and accrued interest balance of \$2,504 to Sallyport in order to settle the loan.

During the year ended June 30, 2024, the Company had interest expenses of \$411 (June 30, 2023 - \$Nil) in relation to this loan payable to Sallyport.

Flatbay Financing Arrangement

In May 2024, the Company entered into an agreement with Flatbay Fund I, LLC (“Flatbay”) in which it sold its property consisting of land and buildings situated in Franklin, Indiana for \$3,850 with the option to repurchase the property during the period the Company leases the property from Flatbay. The terms set forth the following prices of repurchase as follows:

- During the first year of the lease – \$4,100;
- During the second year of the lease – \$4,043;
- During the third year of the lease – \$3,927;
- Thereafter, until the end of the lease – \$3,850.

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

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

For the Year Ended June 30, 2024

10. Borrowings (continued)*(b) Loans payable (continued)*

From that day the Company began to lease the property from Flatbay and pays monthly amounts of \$50 for the first six months and variable monthly amounts of \$45 to \$50 being payable thereafter depending on the debt service coverage ratio of the Company. The Company incurred transaction costs of \$349 surrounding the closing of the Flatbay financing agreement which will be amortized over the life of the liability. Based on the terms and conditions of the transaction, management concluded that it should be classified as a financing arrangement rather than a sale and leaseback under IFRS 16 since the transfer of the property did not qualify as a sale in terms of IFRS 15 – *Revenue from contracts with customers*.

Pursuant to the lease agreement, the Company has paid to Flatbay a security deposit equal to five months' base rent amounting to \$250 for faithful performance and observance of the agreement by the Company. The security deposit would be applied against the repurchase price of the property, should the Company exercise its option to repurchase. This security deposit is recognized as a non-current deposit in the consolidated statements of financial position of the Company.

(c) Related party notes

	Related party loan 1 \$	Related party loan 2 \$	Total \$
June 30, 2022	-	-	-
Gross proceeds received	1,200	1,400	2,600
Accrued interest	104	8	112
June 30, 2023	1,304	1,408	2,712
Accrued interest	118	139	257
Repayments paid in cash	(284)	(191)	(475)
June 30, 2024	1,138	1,356	2,494
June 30, 2023			
Current	-	1,408	1,408
Non-current	1,304	-	1,304
June 30, 2024			
Current	1,138	1,356	2,494
Non-current	-	-	-

As of June 30, 2024 a loan amounting to \$2,494 (June 30, 2023 - \$2,712) was owing to a director and officer of the Company and was included in the borrowings balance. This loan is unsecured and accrues interest at the rate of 10% per annum based on the principal outstanding balance and has a maturity date of December 31, 2024. The accrued interest relating to this loan of \$257 is included in the borrowings balance (June 30, 2023 - \$112).

11. 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 income (loss) and not the statement of financial position. Interest expense on the lease liabilities amounted to \$102 for the year ended June 30, 2024 (June 30, 2023 - \$146). The Company did not incur any variable lease payments and there were no leases with residual value guarantees or leases not yet commenced to which the Company has committed. The expense relating to the low value leases amounted to \$1 (June 30, 2023 - \$1).

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

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

For the Year Ended June 30, 2024

11. Leases payable (continued)

	\$
As at June 30, 2022	2,762
Finance costs	146
Payments	(859)
As at June 30, 2023	2,050
Finance costs	102
Payments	(859)
As at June 30, 2024	1,294

Allocated as:	June 30, 2024	June 30, 2023
	\$	\$
Current	803	756
Non-current	491	1,294
	<u>1,294</u>	<u>2,050</u>

Minimum lease payments for each fiscal year:		
2025		\$ 895
2026		531
Amount representing interest		<u>(132)</u>
		\$ 1,294

12. Income Taxes

The material components of the income tax expense for the years ended June 30, 2024 and 2023 are as follows:

Year ended June 30	2024	2023
	\$	\$
Current tax (recovery) expense		
Current tax on profit for the year	(14)	1
Total income tax (recovery) expense	<u>(14)</u>	<u>1</u>

The difference between tax expense for the years ended June 30, 2024 and 2023 and the expected income taxes based on the statutory tax rate arises as follows:

Year ended June 30	2024	2023
	\$	\$
Income (loss) before income taxes – continuing operations	42	451
Income before income taxes – discontinued operations	1,642	(6,382)
Income (loss) before income taxes	1,684	(5,931)
Statutory tax rate	27%	27%
Tax recovery	455	(1,601)
Foreign exchange impact on deferred tax balance	86	362
Non-deductible expenses	83	39
Different tax rates in other jurisdictions	(182)	288
Change in current tax expense estimated for prior years	(396)	(2)
State income taxes and other	1	3
Changes in unrecognized deferred tax assets	(61)	912
Total income tax expense	<u>(14)</u>	<u>1</u>

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

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

For the Year Ended June 30, 2024

12. Income Taxes (continued)

For the year ended June 30, 2024, the Canadian federal corporate tax rate and the British Columbia provincial tax rate are 15% and 12% respectively. The US federal tax rate remained at 21%.

Deferred Tax Assets and Liabilities

The nature and tax effect of the temporary differences giving rise to the deferred tax assets and liabilities on June 30, 2024 and 2023 are summarized as follows:

	June 30, 2023	Recognized in net income	June 30, 2024
	\$	\$	\$
Losses carried forward	8,960	(965)	7,995
Share issue costs	14	(8)	6
Inventories and other	372	441	813
Legal expenses	359	20	379
	9,705	(512)	9,193
Offset against deferred tax liabilities	(855)	286	(569)
Unrecognized deferred tax asset	(8,850)	303	(8,624)
Deferred tax assets	-	-	-
Property, plant and equipment	(853)	284	(569)
Convertible debt	(2)	2	-
Offset against deferred tax assets	855	(286)	569
Deferred tax liabilities	-	-	-
Net deferred tax balance	-	-	-

	June 30, 2022	Recognized in net income	June 30, 2023
	\$	\$	\$
Losses carried forward	8,150	810	8,960
Share issue costs	19	(5)	14
Inventories and other	252	120	372
Legal expenses	355	4	359
	8,776	929	9,705
Offset against deferred tax liabilities	(954)	99	(855)
Unrecognized deferred tax asset	(7,822)	(1,028)	(8,850)
Deferred tax assets	-	-	-
Property, plant and equipment	(856)	3	(853)
Convertible debt	(98)	96	(2)
Offset against deferred tax assets	954	(99)	855
Deferred tax liabilities	-	-	-
Net deferred tax balance	-	-	-

Tax Losses

As at June 30, 2024, the Company has accumulated non-capital losses of approximately C\$22,158 (June 30, 2023 - C\$20,638) for Canadian income tax purposes that may be carried forward to reduce taxable income derived in future years, which expire in various amounts from 2026 to 2044. The Company also has United States net operating losses of approximately \$17,000 (June 30, 2023 – approximately \$24,000), of which \$16,478 expire in various amounts from 2028 to 2037.

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

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

For the Year Ended June 30, 2024

13. Share Capital

(a) Authorized capital

Authorized share capital of the Company consists of an unlimited number of common and preferred shares with no 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

As at June 30, 2024, there were 106,734,573 (2023 – 102,581,968) common shares issued and outstanding.

There were no preferred shares outstanding.

Transactions during the year ended June 30, 2024:

In July 2023, the Company issued 3,200,000 common shares with a value of \$187 to directors of the Company in settlement of amounts due for services.

In September 2023, 952,605 common shares were issued to debenture holders in settlement of interest amounting to C\$76 or \$57 (note 10(a)).

Transactions during the year ended June 30, 2023:

In August 2022, 625,000 common shares were issued upon on the exercise of 625,000 options for total gross proceeds of \$77. As a result, \$51 being the fair value of these options was reclassified from reserves to share capital. Also, during the same period, 2,248,324 common shares were issued upon the exercise of 2,248,324 warrants for total gross proceeds of \$398. No fair value had been assigned to these warrants, as a result \$Nil was reclassified from reserves to share capital.

In December 2022, the Company completed a non-brokered private placement issuing 11,269,444 units at a price of C\$0.108 per common share for gross proceeds of C\$1,217 or \$896 and transaction costs of \$19. Each unit comprised of one common share and one common share purchase warrant, each warrant entitling the holder thereof to acquire one further common share (a “warrant share”) at a price of C\$0.135 per warrant share with an expiry date of December 30, 2024.

In January 2023, the Company issued 1,186,786 common shares to debenture holders with an issued-date value of C\$153 or \$112 in satisfaction of the December 31, 2022 interest payment in lieu of cash.

In June 2023, the Company issued 1,869,955 common shares to debenture holders with an issued-date value of C\$133 or \$99 in satisfaction of the June 6, 2023 interest payment in lieu of cash.

In June 2023, 625,000 common shares were issued upon on the exercise of 625,000 options for total gross proceeds of \$77. Upon the exercise of these options and the \$50 fair value of the options was reclassified from reserves to share capital.

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

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

For the Year Ended June 30, 2024

13. Share Capital (continued)*(b) Stock options*

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 2022 shareholders' meeting.

Option Grants

A summary of stock option activity to June 30, 2024 is as follows:

	Stock Options Outstanding	Weighted Average Exercise Price C\$
June 30, 2022	6,668,250	0.21
Exercised	(1,250,000)	0.16
Forfeited	(306,500)	0.21
June 30, 2023	5,111,750	0.22
Expired	(621,750)	0.31
Forfeited	(222,500)	0.20
June 30, 2024	4,267,500	0.21

During the year ended June 30, 2024 the Company recognized share-based compensation relating to stock options of \$57 (June 30, 2023 - \$264).

The weighted average trading price on date of exercise for the stock options exercised during the year ended June 30, 2024 was C\$Nil (June 30, 2023 – C\$0.16).

On June 30, 2024, the Company had outstanding, and exercisable stock options as follows:

Grant Date	Expiry Date	Fair Value per Option C\$	Exercise Price CAD	Outstanding Options		Exercisable Options				
				Number	Weighted Average Remaining Life	Number	Weighted Average Exercise Price CAD	Number	Weighted Average Remaining Life	Weighted Average Exercise Price CAD
26-Jun-20	26-Jun-25	0.11	\$0.16	40,000	1.0 years	40,000	\$0.16	40,000	1.0 years	\$0.16
15-Jul-20	15-Jul-25	0.13	\$0.21	600,000	1.0 years	600,000	\$0.21	600,000	1.0 years	\$0.21
30-Oct-20	30-Oct-25	0.10	\$0.15	730,000	1.3 years	730,000	\$0.15	730,000	1.3 years	\$0.15
1-Dec-21	1-Dec-26	0.13	\$0.20	1,267,500	2.4 years	928,750	\$0.20	928,750	2.4 years	\$0.20
8-Jun-22	7-Jun-27	0.16	\$0.24	1,630,000	2.9 years	1,203,750	\$0.24	1,203,750	2.9 years	\$0.24
				4,267,500	2.23 years	3,502,500	\$0.21	3,502,500	2.12 years	\$0.20

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

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

For the Year Ended June 30, 2024

13. Share Capital (continued)*(b) Stock options (continued)*

Subsequent to the year end date of June 30, 2024, a total of 277,500 stock options were forfeited. In July 2024, 27,500 unvested stock options were forfeited by employees as a result of the termination of employment relationship with the Company. In October 2024, pursuant to the terms of the stock option agreements with former employees, upon the lapse of the grace period ranging from 90 days to 12 months after the termination date of employment, a further 250,000 vested stock options were forfeited.

(c) Warrants

	Financing Warrants		Broker Warrants	
	Warrants Outstanding	Weighted Average Exercise Price C\$	Warrants Outstanding	Weighted Average Exercise Price C\$
June 30, 2022	32,864,928	0.24	1,086,253	0.37
Issued	11,269,444	0.14	-	-
Exercised	(2,248,324)	0.23	-	-
Expired	(26,346,013)	0.25	(1,086,253)	0.37
June 30, 2023	15,540,035	0.16	-	-
Expired	(4,270,591)	0.21	-	-
June 30, 2024	11,269,444	0.14	-	-

On June 30, 2024, warrants were outstanding enabling holders to acquire common shares or units as follows:

Number of Financing Warrants	Exercise Price C\$	Issue Date	Expiry Date
11,269,444	0.14	December 30, 2022	December 30, 2024

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.

14. Onerous Contract Liability

The Company enters into production contracts. When the unavoidable costs of meeting the obligations under some of these contracts exceed associated expected future net benefits; consequently, an onerous contract liability has been recognized. The calculation involved the use of estimates. The onerous contract provision is calculated by taking the expected future costs that will be incurred under the contracts and deducting any estimated revenues. The onerous contract provision for the year ended June 30, 2024 is \$Nil (June 30, 2023 - \$738). The onerous contracts were with an EMC customer.

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

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

For the Year Ended June 30, 2024

15. Related Party Transactions

Key management personnel compensation was:

Year ended June 30	2024	2023
	\$	\$
Salaries, wages, and management fees	1,444	1,352
Director fees	53	50
Share-based compensation and services	133	221
	<u>1,630</u>	<u>1,623</u>

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

As of June 30, 2024, \$89 (June 30, 2023 - \$364) in share-based compensation is owing to directors and officers for services and \$1 (June 30, 2023 - \$22) is owing to officers for expenses paid on the Company's behalf. Subsequent to the year ended June 30, 2024, the Company issued 1,714,284 common shares in settlement of the \$89 due for share-based compensation.

As of June 30, 2024, \$255 (June 30, 2023 - \$Nil) in share-based compensation, and \$60 (June 30, 2023 - \$Nil) is owing to key management employees, for bonuses to be paid in shares and retention bonus, respectively, and \$5 (June 30, 2023 - \$Nil) is owing to key management employees for related payroll taxes on the accrued bonuses. The amounts are unsecured and non-interest bearing. Subsequent to the year ended June 30, 2024, the Company issued 4,982,000 common shares in settlement of the \$255 due for share-based compensation.

As of June 30, 2024, \$2,494 (June 30, 2023 - \$2,712) is owing to a director and officer of the Company for notes payable principal and interest (note 10(a)). During the year ended June 30, 2024, the Company incurred interest expense of \$257 (June 30, 2023 - \$112) on amounts due to related parties.

16. Commitments and Contingencies*Supplier contracts*

The Company is contractually committed to purchase, at June 30, 2024 prices, an aggregate of \$Nil (June 30, 2023 - \$3,250) in raw materials.

Legal Matters

As more fully discussed below, the Company is 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.

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

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

For the Year Ended June 30, 2024

16. Commitments and Contingencies (continued)

Legal Matters (continued)

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 from an arbitrator which was then confirmed by the United States District Court for the District of Massachusetts, affirming the September 8, 2017 arbitration award made in favor of Gerald R. Hoolahan. As at June 30, 2024 the Company has recorded accrued interest of \$236 from the judgement date, September 8, 2017.

On January 21, 2014, Nonferrous 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 as a potentially responsible party ("PRP") under the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"). Nonferrous was identified as a PRP due to the EPA's review of Chemetco's records indicating that Nonferrous shipped more than 849,000 pounds of material to the Superfund Site. Nonferrous has joined a defense group of other PRPs. To date, insurers of Nonferrous has paid legal fees and PRP Group assessments associated with the claim. 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 Nonferrous as a defendant due to purchase of certain assets of Specialloy. Specialloy was allocated over 5 million pounds of material shipped to the Chemetco site, or more than five times the amount allocated to Nonferrous. Should the EPA and/or PRP Group contribution lawsuit pursue alter ego theories and allege that Nonferrous is responsible for the potential liabilities of Specialloy, the Company potentially faces significantly more liability requiring further defensive action.

The outcome of potential litigation and amounts cannot be determined at this time and has not been accrued for in these consolidated financial statements.

17. Segment Reporting

As of June 30, 2024, the Company had two reportable segments: Copper Alloys and Corporate. As of June 30, 2024, the Company had one manufacturing segment which is the Copper Alloys division. In the prior year the Company had another manufacturing segment, the Engineered Materials Division which ceased operations during the year ended June 30, 2024 and has been classified as a discontinued operation (note 18). The manufacturing segment produces specialty alloy products while Corporate administers the operating divisions.

The accounting policies of the segments are the same as described in note 3 of these consolidated financial statements. IBC's management evaluates performance based on income before other items.

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

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

For the Year Ended June 30, 2024

17. Segment Reporting (continued)

Year ended June 30, 2024	Copper Alloys \$	Corporate \$	Total \$
Revenue from external customers	25,664	-	25,664
Depreciation	542	99	641
Share-based compensation and share-based services	20	381	401
Income (loss) before other items	4,366	(2,248)	2,118
Foreign exchange loss	-	(116)	(116)
Interest and accretion expense	(1,547)	(476)	(2,023)
Gain on revaluation of derivative	-	1	1
Other income	10	52	62
Income (loss) before income taxes	2,830	(2,788)	42
Income tax recovery	14	-	14
Capital expenditures	545	-	545

Year ended June 30, 2023	Copper Alloys \$	Corporate \$	Total \$
Revenue from external customers	21,511	-	21,511
Depreciation	515	96	611
Share-based compensation and share-based services	43	193	236
Income (loss) before other items	2,926	(1,935)	991
Foreign exchange gain (loss)	-	12	12
Interest and accretion expense	(816)	(1,200)	(2,016)
Gain on revaluation of derivative	-	72	72
Other income (expense)	(4)	1,396	1,392
Income (loss) before income taxes	2,106	(1,655)	451
Income tax (expense) recovery	1	(2)	(1)
Capital expenditures	414	45	459

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

Total assets employed by each division are:

	June 30, 2024 \$	June 30, 2023 \$
Copper Alloys	20,460	20,583
Engineered Materials	2,119	5,486
Corporate	1,958	2,250
	24,537	28,319

Total liabilities recognized by each division are:

	June 30, 2024 \$	June 30, 2023 \$
Copper Alloys	6,934	7,294
Engineered Materials	5,929	6,516
Corporate	6,387	11,548
	19,250	25,358

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

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

For the Year Ended June 30, 2024

17. Segment Reporting (continued)

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

	June 30, 2024	June 30, 2023
	\$	\$
United States	21,336	19,273
China	1,649	-
The Netherlands	1,101	334
Japan	520	27
Canada	494	1,270
Germany	287	121
Taiwan	124	189
South Korea	-	140
All others	153	157
	25,664	21,511

The following customers represented more than 10% of sales:

	June 30, 2024		June 30, 2023	
	Amount		Amount	
	\$	%	\$	%
Customer A – Copper Alloys Division	4,856	19.0	-	-
Customer B – Copper Alloys Division	2,889	11.3	-	-

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

Discontinued operations:

The geographical division of the Company's revenues from discontinued operations (Note 18) based on the customer's country of origin is as follows:

	June 30, 2024	June 30, 2023
	\$	\$
United States	11,246	5,930
Malaysia	608	684
Singapore	557	422
	12,411	7,036

The following customers represented more than 10% of sales in discontinued operations (Note 18):

	June 30, 2024		June 30, 2023	
	Amount		Amount	
	\$	%	\$	%
Customer C – Engineered Materials	10,763	86.7	5,293	75.2

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

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

For the Year Ended June 30, 2024

18. Discontinued Operations

On June 26, 2024, the Company discontinued the operations of EMC. As a result, EMC was classified as a discontinued operation in accordance with *IFRS 5 – Non-Current Assets Held for Sales and Discontinued Operations* for the years ended June 30, 2024, and 2023. The income (loss) and comprehensive income (loss) from discontinued operations (EMC) for the years ended June 30, 2024, and 2023 comprise the following:

Years ended June 30	Note	2024	2023
		\$	\$
Revenue	17	12,411	7,036
Cost of revenue	6,7,14	7,602	10,509
Gross profit (loss)		4,809	(3,473)
Selling, general, and administrative expenses			
Consulting fees		75	115
Depreciation	7	159	162
Office and miscellaneous		363	142
Professional fees		98	14
Rent		2	4
Salaries, wages, and management fees	15	563	395
Share-based compensation and services	13	-	28
Travel, meals and entertainment		67	80
		1,327	940
Income (loss) before other items		3,482	(4,413)
Other income (expense)			
Foreign exchange expense		(2)	1
Interest and accretion expense	5,10,11	(636)	(411)
Impairment loss	7	(1,191)	(1,575)
Gain on disposal of assets		(29)	-
Other income		18	16
Net income (loss) before income taxes		1,642	(6,382)
Total income (loss) for the year, net of tax		1,642	(6,382)

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

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

For the Year Ended June 30, 2024

18. Discontinued Operations (continued)

Cash flows from EMC are as follows:

Years ended June 30	2024	2023
	\$	\$
Cash flows provided by (used in) operating activities		
Net income (loss) from discontinued operations, net of tax	1,642	(6,382)
Adjustments for:		
Share-based compensation and services	-	28
Gain on disposal of assets	29	-
Depreciation	859	1,035
Foreign exchange expense	-	1
Impairment loss	1,191	1,575
Onerous contract expense (recovery)	(738)	738
Interest and accretion expense	636	411
Inventory impairment reversal	(865)	-
Changes in non-cash working capital items:		
Receivables	(18)	358
Inventories	853	2,291
Prepaid expenses and deposits	25	(4)
Accounts payable and accrued liabilities	(3,238)	1,409
Unearned revenue	(907)	(199)
Net cash provided by (used in) operating activities	(531)	1,261
Cash flows provided by (used in) financing activities		
Interest paid	(231)	(249)
AR factoring facility proceeds (repayments)	1,313	(300)
Lease principal repayments	(756)	(712)
Loan proceeds	210	-
Net cash provided by (used in) financing activities	536	(1,261)
Cash flows provided by (used in) investing activities		
Proceeds from sale of property, plant, and equipment	15	-
Purchase of property, plant, and equipment	(20)	-
Net cash used in investing activities	(5)	-
Change in cash during the year	-	-
Supplemental Cash Flow Information:		
Interest payments	231	249

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

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

For the Year Ended June 30, 2024

19. Capital Management

The board of directors has overall responsibility for the establishment and oversight of the Company's capital management framework. The board of directors has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are regularly reviewed and updated to reflect changes in market conditions and the Company's activities. There were no changes to the Company's approach to capital management during the year ended June 30, 2024 from the year ended June 30, 2023.

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. Iron Horse Credit, LLC with whom the Company maintains a line of credit facility requires that Company demonstrate positive operating cash flows.

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 year ended June 30, 2024. The Company's derivative liability is subject to level 3 fair value measurements.

Foreign Exchange Risk

Most of the Company's activities are in the United States, but the Company conducts business in other countries from time to time. The principal foreign exchange risk exposure arises from transactions denominated in C\$ dollars.

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

Profit or loss	June 30, 2024		June 30, 2023	
	Increase	(Decrease)	Increase	(Decrease)
	\$	\$	\$	\$
10% movement in cash flows	(25)	25	(312)	312
1% movement in C\$ per \$	(2)	2	(31)	31

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

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

For the Year Ended June 30, 2024

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

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

Balances at June 30, 2024	C\$
Cash	7
Accounts payable and accrued liabilities	344
<hr/>	
Balances at June 30, 2023	C\$
Cash	2
Accounts payable and accrued liabilities	430
Debentures	3,707

Interest Rate Risk

The Company's interest rate risk mainly arises from the variable interest rate impact on interest expense on the ASPA and the Term Loan with Sallyport Commercial Financing LLC and with the Loeb Machinery and Equipment financing agreement. All other debentures, loans, notes payable, related party notes payable and line of credit facilities bear interest at fixed interest rates per annum.

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

Profit or loss	June 30, 2024		June 30, 2023	
	Increase	(Decrease)	Increase	(Decrease)
	\$	\$	\$	\$
10% movement in cash flows	(44)	44	(35)	35
1% movement in interest rate index	(35)	35	(40)	40

Commodity Price Risk

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

Credit Risk

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

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

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

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

For the Year Ended June 30, 2024

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

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

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

Liquidity Risk

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

June 30, 2024	Less than three months \$	Three to twelve months \$	One to five years \$	Total \$
Accounts payables and accrued liabilities	2,772	540	-	3,312
Line of credit	3,461	-	-	3,461
Accounts receivable factoring facility	-	2,036	-	2,036
Notes payable, related parties	-	2,494	-	2,494
Leases payable (undiscounted)	221	674	531	1,426
Loan payable (undiscounted)	251	871	6,504	7,626
Arbitration award liability	1,631	-	-	1,631
	8,336	6,615	7,035	21,986

June 30, 2023	Less than three months \$	Three to twelve months \$	One to five years \$	Total \$
Accounts payables and accrued liabilities	3,848	237	-	4,085
Line of credit	4,809	-	-	4,809
Accounts receivable factoring facility	-	1,569	-	1,569
Notes payable, related parties	-	1,408	1,304	2,712
Leases payable (undiscounted)	215	654	1,425	2,294
Loan payable (undiscounted)	73	220	330	623
Arbitration award liability	1,549	-	-	1,549
Convertible debentures	3,015	-	-	3,015
Debentures	139	-	-	139
	13,648	4,088	3,059	20,795

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

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

For the Year Ended June 30, 2024

21. Net income (loss) per share*From continuing operations:*

Year ended June 30	2024	2023
Net income for the year (\$000)	56	450
Weighted average number of common shares outstanding:		
Basic	106,414,158	93,785,813
Diluted	106,414,158	94,128,628
Basic income per common share	\$ 0.00	\$ 0.00
Diluted income per common share	\$ 0.00	\$ 0.00

From discontinued operations:

Year ended June 30	2024	2023
Net income (loss) for the year (\$000)	1,642	(6,382)
Weighted average number of common shares outstanding	106,414,158	93,785,813
Basic and diluted earnings (loss) per common share	\$ 0.02	\$ (0.07)

Total:

Year ended June 30	2024	2023
Loss for the year (\$000)	1,698	(5,932)
Weighted average number of common shares outstanding	106,414,158	93,785,813
Basic and diluted income (loss) per common share	\$ 0.02	\$ (0.06)

For the year ended June 30, 2024, the Company's options and warrants were not included in the calculation of continuing or discontinued diluted earnings per share as their inclusion was anti-dilutive.

For the year ended June 30, 2023, the Company's options and warrants were not included in the calculation of continuing diluted earnings per share as their inclusion was anti-dilutive. For the calculation of discontinued diluted earnings per share, 11,269,444 (with a dilutive effect of 342,815) warrants were included in the calculation as their inclusion was dilutive. The Company's remaining warrants and options were not included in discontinued earnings per share as their includes as anti-dilutive.

22. Subsequent events

On July 11, 2024, the Company issued 1,714,284 common shares with a value of \$89 to directors of the Company in settlement of amounts due for services. The Company also issued 4,982,000 common shares with a value of \$255 to the CEO of the Company as a bonus payment in consideration for certain guarantees made by the CEO for the Company's credit facilities. The Company has accrued for these amounts as at June 30, 2024 (note 15).

On July 30, 2024, the Company entered into an agreement with Perfection Global LLC for the sale of certain assets previously used in the discontinued operations of EMC (note 18) for \$484.

On August 30, 2024, the Company made a drawdown of \$350 on the line of credit (note 8) with Iron Horse Credit, LLC.

On September 12, 2024, the Company entered into an amended agreement and extended the AR factoring facility (note 5) through July 28, 2025, with certain amendments to terms pertaining to the obligations of the Company. The inter creditor facility between Sallyport Commercial Finance LLC and Iron Horse Credit, LLC continues to be in effect.