IBC ADVANCED ALLOYS CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

SIX MONTHS ENDED DECEMBER 31, 2024

FISCAL SECOND QUARTER OF 2025

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Table of Contents

The following is management's discussion and analysis ("MD&A") of IBC Advanced Alloys Corp. and its subsidiaries, prepared as of February 27, 2025. This MD&A should be read together with the unaudited consolidated interim financial statements for the period ended December 31, 2024, and the audited consolidated financial statements and related notes for the year ended June 30, 2024. Financial amounts, other than amounts per share or per pound, are presented in United States dollars ("$") unless indicated otherwise. Canadian dollar amounts are denoted by "C$". The terms "IBC", "we", "us", and "our" refer to IBC Advanced Alloys Corp. and its subsidiaries, unless the context otherwise requires.

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

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

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

The financial statements for the period ended December 31, 2024 have been prepared in accordance with *IAS 34 – Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), using accounting policies consistent with IFRS as issued by the IASB and interpretations of the International Financial Reporting Interpretations Committee. Additional information relating to IBC, including the most recent Annual Information Form, is available for view on SEDAR at www.sedarplus.com.

EXECUTIVE SUMMARY

On June 24, 2024, we discontinued production operations at our Engineered Materials ("EM") division's sole operating plant in Wilmington, Massachusetts, where we produced beryllium-aluminum alloy products, as a result of insufficient long-term demand for these products. In this MD&A, we report both on the "discontinued operations" at the Massachusetts facility and on "continuing operations" at our Copper Alloy division. Except as noted, all financial amounts are determined in accordance with IFRS.[1]

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

SELECTED RESULTS: ($000s)				
	Quarter Ended 12-31-2024	*Quarter Ended 12-31-2023*	*Six Months Ended 12-31-2024*	*Six Months Ended 12-31-2023*
CONTINUING OPERATIONS				
Revenue	$3,561	$7,082	$8,460	$11,987
Operating income (loss)	$(428)	$617	$(654)	$438
Net income (loss)	$(1,127)	$12	$(1,779)	$(617)
Adjusted EBITDA	$(396)	$837	$(381)	$894
Gross Profit	$562	$1,691	$1,420	$2,555
Gross Margin	16%	24%	17%	21%
DISCONTINUED OPERATIONS				
Revenue	$-	$2,968	$-	$4,730
Operating income (loss)	$(231)	$855	$(707)	$700
Net income (loss)	$(265)	$700	$(828)	$395
Adjusted EBITDA	$(230)	$1,065	$(694)	$1,127
CONSOLIDATED OPERATIONS				
Revenue	$3,561	$10,050	$8,460	$16,717
Operating income (loss)	$(660)	$1,472	$(1,362)	$1,138
Net income (loss)	$(1,392)	$712	$(2,607)	$(222)
Adjusted EBITDA	$(626)	$1,902	$(1,075)	$2,021

1. Our Copper Alloys division sales dropped by 29.4% in the six-month period ended December 31, 2024, over the comparable prior-year period. The EM division, where operations ceased and all contracts were completed before June 30, 2024, recorded no sales in the six-month period ended December 31, 2024.

2. Gross profit in the Copper Alloys division decreased by 44.4% year-over-year (Y/Y) while gross margin decreased by 4%, for the six months ended December 31, 2024. This is driven by higher labor and overhead costs as a proportion of revenue when compared to the comparative quarter.

3. The presentation of the comparative numbers has been changed to conform to the presentation used in the current period which segregates revenues and expenses associated with our EM division. The main effect is to eliminate intercompany charges amounting to $137,000 for the three months ended, and $312,000 for the six months ended, charged by continuing operations to discontinued operations to enable comparability with current year results. As a result, the reported amounts for the three and six months ended December 31, 2023, for income (loss) before other items ("operating income (loss)"), net income (loss), and Adjusted EBITDA from continuing operations were decreased (increased), and the operating income, net income, and Adjusted EBITDA from discontinued operations were increased by the same amount. On a consolidated basis, the amounts remain unchanged from those reported for the three and six months ended December 31, 2023.

4. On a consolidated basis, operating income and adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") in the six-months ended December 31, 2024 was worse year-over-year (Y/Y), which is driven by the EM division continuing to incur costs after its discontinuation. As of January 1, 2025, the only ongoing EM division costs relate to the premises lease commitment..

5. On a consolidated basis, alongside lower margin from our Copper Division over the prior-year period, our consolidated loss for the six months ended December 31, 2024 of $2.6 million was largely due to (1) continuing closing costs at the EM division, (2) higher-than-normal corporate SG&A costs (due to the EM division closure), and interest costs. We anticipate EM closing costs and SG&A expenses to decline following completion of all closing activities of the EM Division in December 2024.

BUSINESS

We are engaged in developing and manufacturing advanced copper and copper alloy-based products for a variety of customers in commercial and defense sectors. We operate a vertically integrated copper alloy manufacturing facility in Franklin, Indiana, that employs 38 people. Industries we serve include the industrial welding, oil and gas, plastic mold, metal melting, marine defense, electronic, aerospace, and industrial equipment markets. Our Company was formed by an amalgamation under the laws of British Columbia on December 11, 2002, and the common shares listed on the TSX Venture Exchange (the "TSX-V") under the symbol "IB" and on the OTCQB market under "IAALF".

MANUFACTURING OPERATIONS

We manufacture and distribute a wide variety of forged (wrought) copper alloys, including aluminum bronzes, beryllium copper, chrome copper, copper nickels, oxygen-free high-conductivity copper as plate, discs, bar, rods, rings and specialty copper alloy forgings for various markets and applications. These products are sold directly to end users and serve various markets through a network of established dealers and distributors. Our products are manufactured in Franklin, Indiana, where we maintain foundry, forge (hammer, press and ring rolling), heat-treating, and machining operations.

We have strong technical and manufacturing engineering resources in the highly specialized copper alloy industry. Our foundry in Indiana has furnaces and associated equipment that have been adapted to meet the specialized requirements of copper alloy manufacturing. We offer our customers a full range of manufacturing and support services, including master alloy products, semi-continuous cast input billets, and wrought products. We also manufacture beryllium alloys utilizing certified beryllium-copper master alloy.

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

Until June 24, 2024, our EM division supplied high-performance beryllium-aluminum components to defense, aerospace, high-tech manufacturing, and other sectors. We manufactured the Beralcast® family of metal matrices used in commercial and defense applications that require complex, lightweight, and high-stiffness parts. We have now sold all EM division's equipment and its premises are empty. There are currently no employees remaining at the EM division. The Company remains responsible for the premises lease commitment for the EM division until its expiration in January 2026, or until such commitment is otherwise extinguished.

RECENT CORPORATE DEVELOPMENTS, BUSINESS INITIATIVES, AND SUBSEQUENT EVENTS

On October 1, 2024, we repaid $50,000 of the related party loans payable to the CEO.

On December 23, 2024, we issued 250,000 common shares with a value of $63,000 to the CEO, upon the exercise of 250,000 options and receipt of $38,000 in cash.

On December 31, 2024, in accordance with an employment severance plan for the EM division and a transition agreement, our employment relationship with the CTO ended.

On December 31, 2024, we entered into amendments to the related party loans payable to our CEO, extending the maturity until June 30, 2025, and other revisions governing monthly repayment obligations. We have also entered into an agreement with our CEO granting him certain information rights, registration rights, and the right to participate in future financings.

On January 1, 2025, we appointed Terena White to the position of CFO and Corporate Secretary, upon the retirement of Toni Wendel.

On January 28, 2025, we granted incentive stock options to directors, officers, employees, and consultants to purchase up to an aggregate of 2,975,000 common shares, with an exercise price of C$0.09 per share, expiring January 27, 2030. A further 100,000 stock options were granted to employees on February 10, 2025 with an exercise price of C$0.085 expiring on February 10, 2030. Both option grants vested immediately.

Financial Results and Outlook

Selected Quarterly Information

During the most recent eight quarters, our continuing operations generated profits in five of those periods:

Quarter Ended	Revenue for the period *($000s)*	Income (loss) for the period from continuing operations *($000s)*	Income (loss) per share from continuing operations (basic and diluted) $	Income (loss) per share from continuing and discontinued operations (basic and diluted) $
March 31, 2023	5,925	494	0.01	(0.01)
June 30, 2023	5,476	1,303	0.01	(0.03)
September 30, 2023	4,905	(454)	(0.00)	(0.01)
December 31, 2023	7,082	150	0.00	0.01
March 31, 2024	6,627	343	0.00	0.01
June 30, 2024	7,050	18	0.00	0.01
September 30, 2024	4,899	(652)	(0.01)	(0.01)
December 31, 2024	3,561	(1,127)	(0.01)	(0.00)

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

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

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

- Sales for Copper Alloys have been lower in recent periods, primarily due to market conditions that impact demand for our products.
- The EM division did not generate sales after June 30, 2024.

RESULTS OF CONTINUING OPERATIONS FOR THE QUARTER ENDED DECEMBER 31, 2024

We incurred a loss, net of tax, of $1,127,000 for the three months ended December 31, 2024, compared to income, net of tax, of $12,000 in the prior-year period. A summary of results of operations, and a reconciliation of income (loss) to Adjusted EBITDA, follows. Amounts are shown net of intercompany transactions.

	Three Months Ended December 31, 2024	Three Months Ended December 31, 2023
	Consolidated	Consolidated
	($000s)	*($000s)*
Revenue	3,561	7,082
Cost of revenue		
Materials	2,020	3,312
Labor	670	725
Subcontract	106	718
Overhead	288	401
Depreciation	132	131
Change in finished goods	(217)	104
	2,999	5,391
Gross profit	562	1,691
Gross margin	16%	24%
SG&A expenses		
Operations	408	520
Corporate	582	554
	990	1,074
Income (loss) before other items	(428)	617
Other expense and taxes	(699)	(605)
Income (loss) for the period, net of tax	(1,127)	12
Adjusted EBITDA:		
Add back (deduct):		
Tax recovery	-	3
Interest expense	540	625
Depreciation, amortization & impairment	163	159
Stock-based compensation expense (non-cash)	28	38
Adjusted EBITDA	(396)	837

As noted in the Executive Summary, the comparative SG&A expenses for the three months ended December 31, 2023 was increased by $137,000 to eliminate intercompany management fee income charged by continuing operations to the discontinued EM division, to enable comparability of results as reported for Fiscal 2025. As a result, the reported amounts for "Income before other items", "Income for the period, net of tax", and "Adjusted EBITDA" in the table above are lower by $137,000 when compared to amounts as previously reported in the MD&A for the three months ended December 31, 2023. The comparative results for the EM division (disclosed below) reflect the inverse impact from this restatement, and there were no changes to our consolidated results for the three months ended December 31, 2023.

RESULTS OF CONTINUING OPERATIONS FOR THE SIX MONTHS ENDED DECEMBER 31, 2024

We incurred a loss, net of tax, of $1,779,000 for the six months ended December 31, 2024, compared to loss, net of tax, of $617,000 in the prior-year period. A summary of results of operations, and a reconciliation of income (loss) to Adjusted EBITDA, follows. Amounts are shown net of intercompany transactions.

	Six Months Ended December 31, 2024 Consolidated *($000s)*	Six Months Ended December 31, 2023 Consolidated *($000s)*
Revenue	8,460	11,987
Cost of revenue		
Materials	4,873	5,939
Labor	1,328	1,410
Subcontract	207	845
Overhead	589	755
Depreciation	272	260
Change in finished goods	(229)	223
	7,040	9,432
Gross profit	1,420	2,555
Gross margin	17%	21%
SG&A expenses		
Operations	944	1,047
Corporate	1,130	1,070
	2,074	2,117
Income (loss) before other items	(654)	438
Other expense and taxes	(1,125)	(1,055)
Income (loss) for the period, net of tax	(1,779)	(617)
Adjusted EBITDA:		
Add back (deduct):		
Tax recovery	1	4
Interest expense	1,005	1,115
Gain (loss) on revaluation of derivative (non-cash)	-	1
Depreciation, amortization & impairment	335	317
Stock-based compensation expense (non-cash)	57	74
Adjusted EBITDA	(381)	894

As noted in the Executive Summary, the comparative SG&A expenses for the six months ended December 31, 2023 was increased by $312,000 to eliminate intercompany management fee income charged by continuing operations to the discontinued EM division, to enable comparability of results as reported for Fiscal 2025. As a result, the reported amounts for "Loss before other items", "Loss for the period, net of tax", and "Adjusted EBITDA" in the table above are increased by $312,000 when compared to amounts as previously reported in the MD&A for the six months ended December 31, 2023. The comparative results for the EM division (disclosed below) would reflect the inverse impact from this restatement, and there were no changes to our consolidated results for the six months ended December 31, 2023.

RESULTS OF DISCONTINUING OPERATIONS FOR THE QUARTER ENDED DECEMBER 31, 2024

We generated a loss in our discontinuing operations, net of tax, of $265,000 for the three months ended December 31, 2024, compared to an income, net of tax, of $700,000 in the prior-quarterly period. A summary of results of operations, and a reconciliation of income (loss) to Adjusted EBITDA, follows. Amounts are shown net of intercompany transactions.

	Three Months Ended December 31, 2024	Three Months Ended December 31, 2023
	Eng. Mat. *($000s)*	Eng. Mat. *($000s)*
Revenue	-	2,968
Cost of revenue		
Materials	-	1,262
Labor	-	586
Subcontract	-	25
Overhead	-	502
Depreciation	-	174
Onerous Contracts	-	(429)
Change in finished goods	-	(412)
	-	1,708
Gross profit (loss)	-	1,260
Gross margin	-	42%
SG&A expenses	231	405
Income (loss) before other items	(231)	855
Other income (expense)	(34)	(155)
Income (loss) for the period, net of tax	(265)	700
Adjusted EBITDA:		
Add back (deduct):		
Interest expense	40	155
Depreciation, amortization & impairment	-	215
Stock-based compensation expense (non-cash)	(5)	(5)
Adjusted EBITDA	(230)	1,065

As noted in the Executive Summary, the comparative SG&A expenses for the three months ended December 31, 2023 was decreased by $137,000 to eliminate intercompany management fee expense charged by continuing operations to the discontinued EM division, to enable comparability of results as reported for Fiscal 2025. As a result, the reported amounts for "Income (loss) before other items", "Income (loss) for the period, net of tax", and "Adjusted EBITDA" in the table above improved by $137,000 when compared to amounts as previously reported in the MD&A for the three months ended December 31, 2023. The comparative results for the continuing operations (disclosed previously) reflected the inverse impact from this restatement, and there were no changes to our consolidated results for the three months ended December 31, 2023. There was no revenue and cost of revenue during the three months ended December 31, 2024 as operations ceased during last quarter of the prior year. The EM division incurred some expenses associated with the closure of the division and these were classified as general administration expenses.

Results of Discontinuing Operations For the Quarter Ended December 31, 2024

We generated a loss in our discontinuing operations, net of tax, of $828,000 for the six months ended December 31, 2024, compared to an income, net of tax, of $395,000 in the prior-year period. A summary of results of operations, and a reconciliation of income (loss) to Adjusted EBITDA, follows. Amounts are shown net of intercompany transactions.

	Six Months Ended December 31, 2024	Six Months Ended December 31, 2023
	Eng. Mat.	Eng. Mat.
	($000s)	*($000s)*
Revenue	-	4,730
Cost of revenue		
Materials	-	2,285
Labor	-	1,124
Subcontract	-	31
Overhead	-	1,061
Depreciation	-	348
Onerous Contracts	-	(598)
Change in finished goods	-	(971)
	-	3,280
Gross profit (loss)	-	1,450
Gross margin	-	31%
SG&A expenses	707	750
Income (loss) before other items	(707)	700
Other income (expense)	(121)	(305)
Income (loss) for the period, net of tax	(828)	395
Adjusted EBITDA:		
Add back (deduct):		
Interest expense	104	305
Impairment loss	35	-
Depreciation, amortization & impairment	-	429
Stock-based compensation expense (non-cash)	(5)	(2)
Adjusted EBITDA	(694)	1,127

As noted in the Executive Summary, the comparative SG&A expenses for the six months ended December 31, 2023 was decreased by $312,000 to eliminate intercompany management fee expense charged by continuing operations to the discontinued EM division, to enable comparability of results as reported for Fiscal 2025. As a result, the reported amounts for "Income (loss) before other items", "Income (loss) for the period, net of tax", and "Adjusted EBITDA" in the table above improved by $312,000 when compared to amounts as previously reported in the MD&A for the six months ended December 31, 2023. The comparative results for the continuing operations (disclosed previously) reflected the inverse impact from this restatement, and there were no changes to our consolidated results for the six months ended December 31, 2023. There was no revenue and cost of revenue during the six months ended December 31, 2024 as operations ceased during last quarter of the prior year. The EM division incurred some expenses associated with the closure of the division and these were classified as general administration expenses.

SEGMENT ANALYSIS: FISCAL Q2 2025

In the quarter and six-month period ended December 31, 2024, the main factors affecting our financial performance were (1) decreased sales in our Copper Alloys division due to weak market demand; and (2) the discontinuation of sales of beryllium-aluminum alloy "Be-Al" products for commercial markets; and (3) continuing closing costs related to the discontinuation of the EM Division.

Continuing Operations:

Sales	Sales of Copper Alloys product lines dropped during the six months ended December 31, 2024, mostly due to a quarter of weak market demand for our product.
Gross profit	We realized slight savings on materials, but labor, subcontract and overhead in the quarter ended December 31, 2024, which are not purely variable costs, represented a higher proportion of sales, leading to lower gross profit in the three and six months ended December 31, 2024 as opposed to the comparative period.
SG&A expenses	SG&A expenses slightly decreased in the quarter ended December 31, 2024, over the comparable prior-year period, and the previous quarter, primarily due to efficiency savings in the Copper Alloys division.
Other income (expense)	Other income (expense) is primarily comprised of interest expense which decreased during the six months ended December 31, 2024 largely due to a smaller loan balance outstanding in the current period. This was netted off by unfavorable exchange movements leading to exchange losses.

Discontinued Operations:

Sales	We ceased the production and sales of BeAl products and no longer generate sales from the EM division.
Gross profit	We ceased the production and sales of BeAl products and no longer generate gross profit from the EM division.
SG&A expenses	SG&A expenses increased as we incurred certain costs, primarily labor and cleanup due to the shutting down of the production facility in Wilmington, MA.
Other income (expense)	Other income (expense) is primarily comprised of interest expense which decreased in the quarter ended December 31, 2024 as the division no longer has any loan balance outstanding in the current quarter.

COMMODITY PRICING FOR COPPER

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

Recent indicative copper prices per pound are shown below:

	2024	2023
December 31	$4.02	$3.89
September 30	$4.57	$3.73
June 30	$4.39	$3.74
March 31	$4.01	$4.08

Source: COMEX

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2024, we had a working capital deficiency of $2,865,000, including cash of $306,000, as compared to working capital deficiency of $1,614,000, including cash of $1,415,000 on June 30, 2024.

Key Factors Affecting Liquidity:

1. Drawdown and repayment of debt:

   We plan to continue paying down the related party notes payable to the CEO.

2. Related Party Debt:

   We have $2,634 million outstanding related party debt that matures on June 30, 2025.

3. Working Capital Constraints:

   We discontinued operations at our EM division's Massachusetts plant on June 24, 2024, leaving it with closing costs related to the division and its plant. Despite the closure, increased inventory and accounts receivable to support growth in the Copper Alloy division have further constrained operating cash flow. We are now actively addressing these constraints.

4. Lease:

   We remain responsible for the lease on the Massachusetts plant until January 1, 2026 even though it no longer generates revenue. While efforts are underway to find a tenant for the facility, no tenant has been secured as of the reporting date. This ongoing lease obligation, combined with the search for a new tenant, continues to place a financial burden on us.

5. Resource Price Volatility:

   Fluctuations in resource prices, particularly copper, beryllium, and other inputs can have a short-term impact on our manufacturing costs, selling prices, and profitability.

6. Capital Expenditures:

   We may be required to make unexpected expenditures on property, plant, and equipment to maintain production capacity or service customer needs.

7. Liquidity Risk Management:

   We manage liquidity risk related to trade receivables by trading with recognized, creditworthy third parties and insuring these receivables when we can, but still incur bad debts or payment delays from time to time.

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

RELATED PARTY TRANSACTIONS

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

1. As of December 31, 2024, $55,000 (June 30, 2024 - $89,000) is owing to directors and officers for services and $11,000 (June 30, 2024 - $1,000) is owing to officers for expenses paid on our behalf.
2. As of December 31, 2024, $Nil (June 30, 2024 - $255,000), and $64,000 (June 30, 2024 - $60,000) is owing to key management employees for bonuses to be paid in shares and retention bonus, respectively, and $Nil (June 30, 2024 - $5,000) is owing to key management employees for related payroll taxes on the accrued bonuses. The amounts are unsecured and non-interest bearing.
3. On August 19, 2022, we entered into a credit facility agreement with Mark A. Smith, CEO, and Chairman of the board. The non-revolving credit facility in the amount of up to $1,200,000 included an establishment fee of 2.5% of the amount drawn down with a term expiring on February 19, 2023. On December 31, 2024, the maturity date of the loan was extended from December 31, 2024 to June 30, 2025. The credit facility bears interest at 10% per year calculated monthly in arrears and is payable on the date of the repayment of the loan. We have drawn down the full amount of the facility. During the six-month period ended December 31, 2024, we incurred interest expense of $87,000 (2023 - $60,000) on this facility.
4. On May 31, 2023, we entered into a credit facility agreement with Mark A. Smith, CEO, and Chairman of the Board. The non-revolving credit facility in the amount of up to $1,400,000 included an establishment fee of 2.5% of the amount drawn down with a term expiring on August 31, 2023. On December 31, 2024, the maturity date of the loan was extended from December 31, 2024 to June 30, 2025. The credit facility bears interest at 10% per year calculated monthly in arrears and is payable on the date of the repayment of the loan. We have drawn down the full amount of the facility. During the six-month period ended December 31, 2024, we incurred interest expense of $102,000 (2023 - $71,000) on this facility.

Financial Instruments and Other Instruments

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

Foreign Exchange Risk

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

Interest Rate Risk

Our interest rate risk mainly arises from the interest rate impact on interest expense on the Account Sale and Purchase Agreement ("ASPA") with Sallyport Commercial Financing, LLC, and with the Loeb term loan. These loans charge interest based on the prime rate in effect from time to time.

Commodity Price Risk

Profitability and long-term viability depend, in some measure, on the market prices of copper, beryllium, and other materials. The prices for metals can be volatile and are affected by factors beyond our control, including the following: global or regional consumption patterns; the supply of, and demand for, these metals; speculative activities; the availability and costs of metal substitutes; expectations for inflation; and political and economic conditions, including interest rates and currency values. We cannot predict the effect of these factors on metal prices and does not engage in hedging but, where possible, structure selling arrangements in a way that passes commodity price risk through to our customer.

Credit Risk

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

Adoption of New Accounting Pronouncements and Recent Developments

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

1. Amendments to IAS 1, Non-current liabilities with Covenants – The amendments to IAS 1 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. 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.
2. Amendments to IFRS 16, Leases on sale and leaseback – The amendments to IFRS 16 introduced key changes including:
    - 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 impact to our unaudited condensed interim consolidated financial statements is not material.

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

Our fiscal years beginning on July 1, 2027

IFRS 18, Presentation and Disclosure in Financial Statements
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 organize information and whether to provide it in the primary financial statements or in the notes.

We are still in the process of the assessing the potential impact, if any, from the new standards and amendments on our consolidated financial statements.

NON-IFRS MEASURES

To supplement our consolidated financial statements, which are prepared and presented in accordance with IFRS, we use "Adjusted EBITDA", which is a non-IFRS financial measure. We believe that Adjusted EBITDA is a useful indicator for cash flow generated by our business that is independent of our capital structure.

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

BUSINESS RISKS

Some of the risks specific to our operations, include the following:

Dependence on Ulba Metallurgical Plant and Sole-source Suppliers

Some of our copper alloys use beryllium, which is a specialty metal that is produced by a limited number of companies globally. We purchase beryllium from Ulba Metallurgical Plant ("Ulba"), owned by Kazatomprom of Kazakhstan. Vacuum-cast beryllium and beryllium copper master alloy are sourced from Ulba, and we have a beryllium copper master alloy supply agreement with Ulba lasting through 2026. Ulba's ability to honor its supply obligations will depend on its ability to source raw materials. Production uses long-term stockpiles; however, any disruptions in Ulba's ability to manufacture master alloy to our specifications could have a materially adverse effect on our business. Our ability to purchase those supplies also is contingent upon a continuation of current U.S. laws and regulation governing such purchases.

Approximately 10% of materials purchased as described above, are from a sole-source supplier. Any disruptions in this suppliers' ability to manufacture material and alloying agents needed by us could have a materially adverse effect on short-term revenue, while we seek to engage alternative sources.

Disruptions of Manufacturing Operations

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

Need to Meet Product Specifications

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

Possible Imposition of Tariffs

The United States government has expressed a desire to levy tariffs on imported goods. We rely on imported metal as inputs to our operations and our profitability would be adversely affected if we were unable to pass our increased costs on to customers. It is also likely that increased selling prices would reduce demand for our products. The effect, if any, of tariffs cannot be estimated at the date of this MD&A.

LEGAL MATTERS

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

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

On September 8, 2017, an Award was issued in favor of Claimant Gerald Hoolahan against us. The Award, in the amount of $1.2 million plus attorney's fees, costs, and expenses in the amount of $155,000, was granted by the American Arbitration Association's International Centre for Dispute Resolution. The amount has been accrued and the matter was under appeal. On March 27, 2019, we 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. At December 31, 2024 we recorded accrued interest of $272,000 from the judgement date, September 8, 2017.

On January 21, 2014, our subsidiary in the Copper Alloys division, Nonferrous Products, Inc. ("Nonferrous Products") received a "Special Notice Letter of Potential Liability" from the U.S. Environmental Protection Agency ("EPA"). The letter references the EPA's determination that a release of hazardous materials had occurred at the Chemetco Superfund Site located in Hartford, Illinois. Chemetco, Inc. ("Chemetco") operated a secondary smelting operation for recycling and after-market processing of copper-bearing scrap and manufacturing by-products. The EPA has identified Nonferrous Products as a potentially responsible party ("PRP") under the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"). Nonferrous Product was identified as PRP due to the EPA's review of Chemetco's records indicating that Nonferrous Products shipped more than 849,000 pounds of material to the Superfund Site. Nonferrous Products has joined a defense group of other PRPs ("Chemetco PRP Group"). The presumed amount of shipped material from Nonferrous Products classifies it as a Tier 3 Group member of four tiers, with Tier 1 consisting of PRPs that shipped the highest volume of material to Chemetco. By joining the PRP Group, Nonferrous Products entered into an Amended Cost Sharing Agreement which requires certain assessments based on an interim allocation according to the Tier Group. To date, insurers of Nonferrous Products have paid legal fees and PRP Group assessments associated with the Chemetco PRP Group. These assessments will be used to fund further site investigation to determine the amounts of materials sent to Chemetco by each party and the best clean-up method. On September 27, 2017, it was brought to the attention of our Counsel that the EPA Special Notice Letter was delivered to our subsidiary, Specialloy Copper, LLC, identifying Specialloy Metals Company as a Potentially Responsible Party to the Chemetco Superfund Site. The entity noticed (Specialloy Metals Company) sold assets to our subsidiary and was subsequently dissolved. Our subsidiary is covered under Nonferrous' Insurance policies, and other than the asset purchase transaction, has no connection to the entity that was noticed. We are evaluating options regarding notifying its insurers of potentially increased liability should the EPA and/or Chemetco PRP Group contribution lawsuit's attempt to name our subsidiary, Nonferrous Products, as a defendant. Specialloy Metals Company was allocated over 5 million pounds of material shipped to the Chemetco site, or more than five times the amount allocated to Nonferrous Products. Should the EPA and/or Chemetco PRP Group contribution lawsuit pursue alter ego theories and name our subsidiary Company, Nonferrous Products, as a defendant, then we potentially face significantly more liability requiring further defensive action.

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

Environmental and Occupational Safety Issues

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

To mitigate these potential risks, we:

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

- limit access to areas that may have a potential exposure to beryllium dust particles.

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

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

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

SHAREHOLDERS' EQUITY

SHARE ISSUANCES IN FISCAL YEAR 2025

1. In July 2024, we issued 1,714,284 common shares with a value of $89,000 to directors in settlement of amounts due for services for fiscal year 2024. We also issued 4,982,000 common shares with a value of $255,000 to the CEO as consideration for certain guarantees made by the CEO for the Company's credit facilities.
2. In December 2024, we issued 250,000 common shares upon the exercise of 125,000 options with an exercise price of C$0.20 and 125,000 options with an exercise price of C$0.24 by the CEO. We received $38,000 upon the exercise of these options, and $25,000 in fair value of the options was reclassified from reserves to share capital.

OUTSTANDING SHARE DATA

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

1. A total of 113,680,857 common shares.
2. Share options to purchase 6,737,500 common shares.

The maximum number of shares potentially issuable together with the issued shares is therefore 120,418,357.