



Condensed Consolidated Interim Financial Statements of
(unaudited)

ORBITE ALUMINAE INC.
(A development stage corporation)

For the quarter and the six months ended June 30, 2014

ORBITE ALUMINAE INC.
Condensed Consolidated Interim Financial Statements
(unaudited)

For the quarter and the six months ended June 30, 2014

Financial Statements

Condensed Consolidated Interim Statements of Financial Position.....	1
Condensed Consolidated Interim Statements of Comprehensive Loss	2
Condensed Consolidated Interim Statements of Changes in Equity.....	3
Condensed Consolidated Interim Statements of Cash Flows.....	4
Notes to Condensed Consolidated Interim Financial Statements	5

ORBITE ALUMINAE INC.
Condensed Consolidated Interim Statements of Financial Position
(unaudited)

	June 30, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,661,605	\$ 9,909,439
Short-term investments	373,912	370,023
Sales taxes and other receivables	790,128	302,138
Current income and mining taxes recoverable	1,935,743	1,996,543
Investment tax credits and other governmental assistance receivable	3,503,435	1,393,408
Inventory	92,468	76,786
Prepaid expenses and others	393,206	939,853
Total current assets	15,750,497	14,988,190
Non-current assets:		
Investment tax credits receivable	25,656,591	25,656,591
Property, plant and equipment (note 4)	70,122,684	64,886,054
Patents	1,107,842	853,062
Exploration and evaluation assets (note 5)	17,053,316	17,361,519
Total non-current assets	113,940,433	108,757,226
Total assets	\$ 129,690,930	\$ 123,745,416
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 4,234,244	\$ 4,765,563
Long-term debt (note 7)	4,874	164,778
Provisions	-	239,310
Derivative financial instrument (note 12)	362,000	-
Total current liabilities	4,601,118	5,169,651
Non-current liabilities:		
Convertible debentures liability (note 6)	20,843,137	31,386,180
Long-term debt (note 7)	4,478,417	2,478,506
Deferred income and mining tax liabilities	2,372,460	2,433,260
Derivative financial instrument (note 12)	352,808	3,510
Total non-current liabilities	28,046,822	36,301,456
Equity		
Share capital and warrants (note 8)	161,183,760	138,150,913
Contributed surplus	14,421,544	13,876,689
Deficit	(78,562,314)	(69,753,293)
Total equity attributable to equity holders of the Corporation	97,042,990	82,274,309
Commitment (note 13), Subsequent event (note 14)		
Total liabilities and equity	\$ 129,690,930	\$ 123,745,416

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

ORBITE ALUMINAE INC.

Condensed Consolidated Interim Statements of Comprehensive Loss (unaudited)

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	2014	2013	2014	2013
Expenses				
Research and development charges, net of investment tax credits and other governmental assistance of:				
\$21,221 (2013-\$25,474) for three months ended June 30	\$ 471,655	\$ 538,286	\$ 875,829	\$ 844,808
\$44,675 (2013-\$43,096) for six months ended June 30				
General and administrative charges	1,879,208	3,587,770	4,023,810	5,666,963
HPA plant operations	972,345	887,536	1,837,688	1,374,501
Other expense (income)	245,578	(47,604)	245,578	(77,900)
Loss before net finance income (expense) and income and mining taxes	(3,568,786)	(4,965,988)	(6,982,905)	(7,808,372)
Net finance income (expense) (note 9)	(716,669)	1,597,949	(1,713,717)	3,953,605
Loss before income and mining taxes	(4,285,455)	(3,368,039)	(8,696,622)	(3,854,767)
Income and mining taxes				
Current	60,800	(19,840)	60,800	(90,550)
Deferred	(60,800)	45,090	(60,800)	140,040
	-	25,250	-	49,490
Net loss and comprehensive loss	\$ (4,285,455)	\$ (3,393,289)	\$ (8,696,622)	\$ (3,904,257)
Basic and diluted net loss per share	\$ (0.02)	\$ (0.02)	\$ (0.03)	\$ (0.02)
Weighted average number of shares outstanding	265,904,695	184,189,629	253,298,475	184,177,745

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

ORBITE ALUMINAE INC.**Condensed Consolidated Interim Statements of Changes in Equity
(unaudited)**

	Number of shares	Share capital and warrants	Contributed surplus	Deficit	Total
Balance at January 1, 2013	184,165,728	\$ 117,724,219	\$ 12,361,866	\$ (54,686,655)	\$ 75,399,430
Share-based payments (note 8)	-	-	1,602,633	-	1,602,633
Exercise of share options (note 8)	25,000	16,925	(7,925)	-	9,000
Share issuance costs	-	-	-	(28,647)	(28,647)
Settlement of liabilities - shares to be issued	-	13,726,876	-	-	13,726,876
Comprehensive loss	-	-	-	(3,904,257)	(3,904,257)
Balance at June 30, 2013	184,190,728	131,468,020	13,956,574	(58,619,559)	86,805,035

	Number of shares	Share capital and warrants	Contributed surplus	Deficit	Total
Balance at January 1, 2014	220,005,587	\$ 138,150,913	\$ 13,876,689	\$ (69,753,293)	\$ 82,274,309
Share-based payments (note 8)	-	-	1,183,642	-	1,183,642
Exercise of share options (note 8)	2,950,000	1,388,787	(638,787)	-	750,000
Share issuance costs (note 8)	-	-	-	(112,399)	(112,399)
Units issued (note 8)	35,714,286	10,000,000			10,000,000
Shares issued for interest (note 8)	183,840	55,152			55,152
Issuance of subscription rights (note 8)	-	4	-	-	4
Convertible debentures conversion (note 6 and 12)	33,113,126	11,588,904	-	-	11,588,904
Comprehensive loss	-	-	-	(8,696,622)	(8,696,622)
Balance at June 30, 2014	291,966,839	\$ 161,183,760	\$ 14,421,544	\$ (78,562,314)	\$ 97,042,990

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

ORBITE ALUMINAE INC.
Condensed Consolidated Interim Statements of Cash Flows
(unaudited)

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Cash flows used in operating activities:				
Comprehensive loss	\$ (4,285,455)	\$ (3,393,289)	\$ (8,696,622)	\$ (3,904,257)
Non-cash items:				
Depreciation and impairment of property, plant and equipment	105,514	81,439	179,666	152,084
Depreciation of patents	2,570	2,476	5,105	4,922
Share-based payments recognized in comprehensive loss (note 8)	342,371	859,175	1,128,285	1,427,104
Other income	-	(47,604)	-	(77,900)
Net finance (income) expense	632,807	(1,664,128)	1,534,506	(4,127,501)
Deferred income taxes	(60,800)	45,090	(60,800)	140,040
Changes in non-cash working capital items:				
Sales taxes and other receivables	(205,968)	63,693	(487,990)	3,491,245
Current income taxes recoverable	60,800	(19,840)	60,800	(90,550)
Investment tax credits and other governmental assistance receivable	38,407	(70,332)	14,953	(81,194)
Prepaid expenses and others	95,577	(458,357)	226,647	(547,467)
Inventory	13,350	9,786	(15,682)	(20,625)
Accounts payable and accrued liabilities	(1,815,687)	300,436	(2,039,984)	770,241
Interest received	13,105	37,981	36,678	95,979
Interest paid	(500,183)	(500,229)	(1,000,377)	(1,000,498)
	(5,563,592)	(4,753,703)	(9,114,815)	(3,768,377)
Cash flows from (used in) financing activities:				
Proceeds from long-term debt	-	(1,142)	3,800,000	(4,137)
Repayment of long-term debt	(1,187)		(2,364)	
Issuance of shares and rights (note 8)	10,685,152	9,000	10,805,156	9,000
Share issuance costs	(112,399)	(28,647)	(112,399)	(28,647)
	10,571,566	(20,789)	14,490,393	(23,784)
Cash flows used in investing activities:				
Changes in short-term investments	(2,116)	(1,374)	(3,889)	(1,374)
Additions to patents	(136,564)	(81,887)	(248,703)	(114,318)
Additions to property, plant and equipment	(1,565,790)	(6,257,324)	(6,679,416)	(25,524,157)
Changes to exploration and evaluation assets	422,466	(351,611)	308,596	(2,339,982)
	(1,282,004)	(6,692,196)	(6,623,412)	(27,979,831)
Net increase (decrease) in cash and cash equivalents	3,725,970	(11,466,688)	(1,247,834)	(31,771,992)
Cash and cash equivalents, beginning of period	4,935,635	19,882,480	9,909,439	40,187,784
Cash and cash equivalents, end of period	\$ 8,661,605	\$ 8,415,792	\$ 8,661,605	\$ 8,415,792

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

ORBITE ALUMINAE INC.

Notes to Condensed Consolidated Interim Financial Statements

For the quarter and six months ended June 30, 2014
(unaudited)

1. Nature of operations

Orbite Aluminae Inc. (the "Corporation" or "Orbite"), incorporated under the Canada Business Corporations Act, is a development stage corporation involved in the extraction of different ores, namely alumina, using environmentally friendly extraction processes. The Corporation's activities are located in Quebec, Canada and its shares are listed on the Toronto Stock Exchange "TSX" under the stock symbol "ORT" and since September 10, 2012, on the OTCQX International under the symbol "EORBF." The Corporation's 2012 and 2013 convertible debentures are also listed on the TSX under the symbols "ORT.DB" and "ORT.DB.A" respectively.

The Corporation's headquarters are located at 6505 TransCanada Highway, Suite 610, Saint-Laurent, Quebec, Canada.

The Corporation owns the intellectual property rights to patented and patent-pending proprietary processes for extracting alumina, scandium, gallium and other rare earths from aluminous clay and other feedstock and for the treatment of bauxite waste resulting from the Bayer process. Orbite owns 100% of the mining rights of several properties in the province of Quebec and an option to acquire claims in the province of Nova Scotia. The majority of the claims are located in Grande-Vallée and between Rimouski and Cap-Chat, all in the Gaspé region. Most of the exploration and evaluation activities undertaken are in relation to its 6,441-hectare Grande-Vallée property, the site of an aluminous clay deposit located 32 km northeast of Murdochville, Quebec. The Corporation has a 20-year renewable mining lease on its Grande-Vallée property, granted by Quebec's Ministry of Natural Resources and Wildlife, that would be sufficient to operate the future open pit operation to supply a smelter-grade alumina ("SGA") plant and the high-purity alumina ("HPA") plant operations.

In regards to its HPA project, Orbite has entered into the development phase and has commenced the construction activities at the HPA plant in Cap-Chat, Quebec, which was the site of the Corporation's alumina extraction pilot plant until March 2012.

The Corporation published a revised preliminary economic assessment in regards to the SGA project in May 2012.

The potential for recovery of costs incurred on patents, exploration and evaluation activities and the investment in the HPA plant depends on various factors including the existence of sufficient quantities of reserves, the ability to obtain all required permits, the ability to obtain appropriate financing to put mining properties into production, construct production facilities, and bring those into operation, the efficiency and commercial viability of its processes, and the ability to realize a profitable return for the Corporation.

2. Basis of presentation and measurement

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim financial reporting using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements should be read in conjunction with the Corporation's audited annual consolidated financial statements and notes thereto prepared for the year ended December 31, 2013.

The Board of Directors approved the consolidated interim financial statements for the quarter ended June 30, 2014 and authorized their publication on July 29, 2014.

ORBITE ALUMINAE INC.

Notes to Condensed Consolidated Interim Financial Statements

For the quarter and six months ended June 30, 2014
(unaudited)

Basis of measurement

The consolidated interim financial statements have been prepared on a historical cost basis except for derivative financial instruments and the 2013 convertible debentures, measured at fair value through profit or loss.

The consolidated interim financial statements have been prepared on a going concern basis, meaning the Corporation will be able to realize its assets and discharge its liabilities in the normal course of operations.

The application of the going concern concept is dependent upon the Corporation's ability to satisfy its liabilities as they become due and to obtain the necessary financing to complete the exploration and development of its mineral property interests, the attainment of profitable operations or the receipt of proceeds from the disposition of its mineral property interests. The Corporation is a development stage corporation and has not generated revenue or cash flows from its HPA plant which is currently under construction with certain sections of the plant in the commissioning phase. The Corporation's sole source of funding to this point has been the issuance of equity securities, debt and government grants. There can be no assurance that the HPA plant will operate successfully or economically, that the estimated capital costs will be sufficient to achieve the design capacity or the product purities and characteristics, or that the plant will provide a return on investment or become profitable. If the going concern assumption were not appropriate for these financial statements, adjustments to the carrying value of assets and liabilities, reported expenses and consolidated statement of financial position classifications would be necessary. Such adjustments could be material.

Principles of consolidation

The consolidated interim financial statements include the accounts of the Corporation and its wholly owned subsidiary Corporation that was incorporated in 2012. The wholly owned subsidiary is an entity over which the Corporation has control, where control is defined as the power to govern financial and operating policies.

The financial statements of the subsidiary are prepared for the same reporting period as the parent Corporation, using consistent accounting policies.

On consolidation, all significant inter-entity balances, transactions including unrealized gains and losses resulting from these transactions are eliminated. The subsidiary has not commenced any activities.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

3. Significant accounting policies

Adoption of new accounting standards

These financial statements have been prepared in accordance with accounting policies which are consistent with those of the previous financial year.

New standards and interpretations not yet adopted

Certain new standards, interpretations, and amendments to existing standards have been published and are mandatory for the Corporation's accounting periods beginning on or after January 1, 2015. The Corporation

ORBITE ALUMINAE INC.

Notes to Condensed Consolidated Interim Financial Statements

For the quarter and six months ended June 30, 2014
(unaudited)

has not early adopted these standards. Those which are considered to be relevant to the Corporation's operations are as follows:

IFRS 9 Financial instruments ("IFRS 9")

In November 2009 the IASB issued IFRS 9, Financial Instruments (IFRS 9 (2009)), and in October 2010, the IASB published amendments to IFRS 9 (IFRS 9 (2010)). In November 2013, the IASB issued a new general hedge accounting standard, which forms part of IFRS 9 Financial Instruments (2013). The new standard removes the January 1, 2015 effective date of IFRS 9. The new mandatory effective date will be determined once the classification and measurement and impairment phases of IFRS 9 are finalized; however, in its February 2014 meeting, the IASB tentatively decided that IFRS 9 would be mandatorily effective for annual periods beginning on or after January 1, 2018.

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additional changes relating to financial liabilities. IFRS 9 (2013) includes a new general hedge accounting standard which will align hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Special transitional requirements have been set for the application of the new general hedging model.

The Corporation has not yet assessed the impact of the adoption of this standard on its consolidated financial statements.

Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Management's best estimates concerning the future are based on the facts and circumstances available at the time estimates are made. Management uses historical experience, general economic conditions and trends, as well as assumptions regarding probable future outcome as the basis for determining estimates. Actual results may differ from these estimates.

In preparing these interim consolidated financial statements, the significant management's judgments as well as the relevant uncertainty sources were the same as those applied to the consolidated annual financial statements for the year ended December 31 2013. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

ORBITE ALUMINAE INC.**Notes to Condensed Consolidated Interim Financial Statements**

For the quarter and six months ended June 30, 2014
(unaudited)

4. Property, plant and equipment

		Land and improvements	Buildings and improvements	Machinery, equipment, furniture and fixtures	Assets under construction	Total
Cost						
Balance at January 1, 2014	\$	263,830	\$ 8,922,548	\$ 1,324,928	\$ 54,938,955	\$ 65,450,261
Additions		-	118,907	302,919	9,186,292	9,608,118
Investment tax credits		-	-	-	(2,124,980)	(2,124,980)
Government grants					(2,066,842)	(2,066,842)
Balance at June 30, 2014	\$	263,830	\$ 9,041,455	\$ 1,627,847	\$ 59,933,425	\$ 70,866,557
Accumulated depreciation						
Balance at January 1, 2014	\$	-	\$ 130,160	\$ 434,047	\$ -	\$ 564,207
Depreciation		-	27,341	152,325	-	179,666
Balance at June 30, 2014	\$	-	\$ 157,501	\$ 586,372	\$ -	\$ 743,873
Carrying amounts						
As at June 30, 2014	\$	263,830	\$ 8,883,954	\$ 1,041,475	\$ 59,933,425	\$ 70,122,684
As at December 31, 2013	\$	263,830	\$ 8,792,388	\$ 890,881	\$ 54,938,955	\$ 64,886,054

Most of the equipment being purchased and constructed in relation to the HPA commercial plant is eligible for a 40% (before June 4, 2014), and 32% (after June 4, 2014) investment tax credit. The tax credit receivable is recorded in the same period as the eligible addition and is credited against property, plant and equipment (refer to note 7 for the government grant). During the six month period ended June 30, 2014, \$1,615,000 (June 30, 2013 – \$1,493,000) in borrowing costs were capitalized in assets under construction.

ORBITE ALUMINAE INC.**Notes to Condensed Consolidated Interim Financial Statements**

For the quarter and six months ended June 30, 2014
(unaudited)

5. Exploration and evaluation assets

Changes in exploration and evaluation assets by property are as follows:

	January 1, 2014	Additions / (Deductions)	June 30, 2014
Grande-Vallée	\$ 16,043,160	\$ (336,045)	\$ 15,707,115
Chaswood	741,909	25,147	767,056
Rimouski – Cap-Chat	284,381	2,695	287,076
Le Tac	223,031	-	223,031
Others	69,038	-	69,038
	\$ 17,361,519	\$ (308,203)	\$ 17,053,316

During the second quarter of 2014, the Corporation received a refund from a consultant in connection with the Grande-Vallée property, which was recorded as a deduction to the cost of that property.

6. Convertible debentures

Transactions affecting the convertible debenture liability were as follows:

2012 Convertible debentures

	June 30, 2014	December 31, 2013
Balance - beginning of period	\$ 19,586,770	\$ 18,657,774
Effective interest accretion	1,519,942	2,928,996
Interest payments	(1,000,000)	(2,000,000)
Balance - end of period	\$ 20,106,712	\$ 19,586,770

2013 Convertible debentures

	June 30, 2014	December 31, 2013
Balance - beginning of period	\$ 11,799,410	\$ -
Issuances	-	16,320,000
Conversion into common shares	(11,588,904)	(6,514,176)
Net fair value change	525,919	1,993,586
Balance - end of period	\$ 736,425	\$ 11,799,410
Carrying amount at end of period	\$ 20,843,137	\$ 31,386,180

During the six month period ended June 30, 2014, 33,113,126 common shares were issued as a result of the exercise of the conversion option by some of the 2013 debenture holders. During the period, 9,453 units of debentures were converted at a weighted average price of \$0.29 per common share. The common shares issued included the accrued and unpaid interest to the date of conversion as well as the Make-Whole

ORBITE ALUMINAE INC.

Notes to Condensed Consolidated Interim Financial Statements

For the quarter and six months ended June 30, 2014
(unaudited)

Amount. Consequently, an amount of \$11,588,904 representing the fair value of the converted units immediately before conversion was transferred from convertible debenture liability to share capital. The conversion is a non-cash transaction and thus excluded from the cash flow statement.

The 2012 convertible debentures are secured against the HPA plant buildings having a carrying value of \$9,018,320 at June 30, 2014 (December 31, 2013 – \$8,755,000) as well as the Corporation's 2012 and 2013 refundable investment tax credits resulting from the purchase of manufacturing equipment related to the Corporation's HPA facility having a carrying value of \$25,656,591. The funds the Corporation will receive upon reimbursement of the investment tax credits will be deposited in a segregated account and serve as security for the 2012 convertible debentures.

The 2013 convertible debentures holders' conversion option meets the definition of a derivative financial liability. As a result, at the date of issuance, the Corporation has elected to use the Fair Value Option (FVO) for the convertible debentures with future changes in fair value recognized in net finance income (expense).

7. Long-term debt

	June 30, 2014	December 31, 2013
Government loans	\$ 4,465,803	\$ 2,623,431
Secured loans	17,488	19,853
Total	4,483,291	2,643,284
Presented as:		
Current	4,874	164,778
Non-current	4,478,417	2,478,506

Transactions affecting the long-term debt were as follows:

	June 30, 2014	December 31, 2013
Balance at January 1, 2014	\$ 2,643,284	\$ 2,471,799
Net proceeds	3,800,000	-
Government grant allocated to property, plant and equipment	(2,066,842)	-
Effective interest accretion	109,591	178,861
Repayments	(2,742)	(7,376)
Balance at end of period	\$ 4,483,291	\$ 2,643,284

During the quarter ended March 31, 2014, the Corporation was approved by Canada Economic Development for Quebec Regions ("CED") for a financial contribution comprised of a non-interest bearing secured loan in the amount of \$4,000,000 (the Loan) pursuant to CED's Quebec economic development program. Based on the agreement, in March 2014, the Corporation received \$3,800,000 and the remaining \$200,000 will be received during 2015. The contribution is interest free, repayable in 10 consecutive equal semi-annual installments starting 24 months following completion of the HPA Facility. The loan was discounted at a rate of

ORBITE ALUMINAE INC.

Notes to Condensed Consolidated Interim Financial Statements

For the quarter and six months ended June 30, 2014
(unaudited)

14.5% and was initially recorded at \$1,811,070, reflecting its fair value given its non-interest bearing nature. The difference between the proceeds received and the initial carrying amount of \$1,988,930 is considered a grant and credited to property, plant and equipment. The loan will be accreted from its initial carrying amount to \$3,800,000 over its life. In 2010 and 2011, the Corporation received unsecured loans totalling \$800,000 (Former Loan) from CED, whose maturity has been deferred until April 1st, 2016. The loan is secured by a first ranking movable hypothec (the Security), against the Corporation's movable assets located on the premises of the Corporation's high purity alumina production facility in Cap-Chat, Quebec, until such time as the calcination equipment is installed and functional, at which time the Former Loan will be secured exclusively by such calcination equipment.

8. Share capital, warrants, share-based payments and subscription rights

Private placement

On May 27, 2014, the Corporation completed a private placement with Ressources Quebec (RQ), a subsidiary of Investissement Quebec, which resulted in the issuance of 35,714,286 units at a price of \$ 0.28 per unit. Each unit is comprised of one Class A share and one half (1/2) of one Class A share purchase warrant. Each full warrant entitles RQ to purchase one Class A share of the Corporation at a price of \$ 0.33 for 36 months from the date of closing. An amount of \$112,399 was recorded as share issuance cost.

On May 31, 2014 the Corporation issued 183,840 Class A shares at a price of \$0.30 in settlement of the interest due on the 2013 Convertible debentures, representing an amount of \$55,152 as at May 31, 2014.

Subscription Rights

In accordance with the subscription agreement dated November 7, 2013 and amended on December 6, 2013, on March 11, 2014 the Corporation issued 10,000 Series X Subscription Rights and 30,000 Series Y Subscription Rights for a cash consideration of \$1 and \$3 respectively.

Warrants

The number of warrants issued and outstanding during the period are as follows:

	June 30, 2014		June 30, 2013	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance - beginning of period	16,449,020	\$ 0.49	10,111,520	\$ 4.35
Issued	17,857,143	0.33	-	-
Balance - end of period	34,306,163	\$ 0.41	10,111,520	\$ 4.35

The number of warrants issued and outstanding by exercise price is as follows:

ORBITE ALUMINAE INC.

Notes to Condensed Consolidated Interim Financial Statements

For the quarter and six months ended June 30, 2014
(unaudited)

Exercise price	Expiry date	Number of warrants
\$ 0.33	May 2017	17,857,143
\$ 0.48	December 2016	16,400,000
\$ 2.60	December 2014	49,020
		34,306,163

Share options

Changes in the Corporation's Class A share purchase options issued and outstanding are as follows:

	June 30, 2014		June 30, 2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance - beginning of period	15,083,489	\$ 1.25	14,454,951	\$ 1.44
Granted	6,507,500	0.40	2,805,000	0.92
Exercised	(2,950,000)	0.25	(25,000)	0.36
Expired	(494,996)	3.29	(41,666)	2.73
Cancelled	(523,493)	2.56	-	-
Balance - end of period	17,622,500	\$ 1.01	17,193,285	\$ 1.35
Options exercisable - end of period	11,598,327	\$ 1.17	11,819,412	\$ 1.14

During the six month period ended June 30, 2014, 2,950,000 share options were exercised resulting in cash proceeds of \$750,000 and a transfer from contributed surplus to share capital of \$638,787.

The weighted average fair value of share options granted was \$0.24 for the six months ended June 30, 2014, (for the six months ended June 30, 2013 - \$0.36). The weighted average assumptions used to determine the fair value of the options issued and the share-based payment expense are as follows:

	June 30, 2014	June 30, 2013
Exercise price	\$ 0.40	\$ 0.92
Risk-free interest rate	1.72%	1.40%
Expected volatility	75%	40%
Expected life in years	5.73	5.70
Expected dividend	Nil	Nil
Expected forfeiture rate	8.82%	9.10%

Share options issued and outstanding by range of exercise price are as follows:

ORBITE ALUMINAE INC.

Notes to Condensed Consolidated Interim Financial Statements

For the quarter and six months ended June 30, 2014
(unaudited)

		June 30, 2014
		Weighted average remaining contractual life (years)
Exercise price	Number	
\$0.00 - 0.67	10,607,500	6.5
\$0.68 - 1.69	2,355,000	8.9
\$1.70 - 2.53	1,685,000	4.2
\$2.54 - 2.97	2,875,000	7.2
\$2.98 - 3.47	50,000	2.1
\$3.48 - 4.47	50,000	1.8
	17,622,500	6.7

The share-based payment expense was recognized as follows:

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Research and development	\$ 30,235	\$ 48,877	\$ 83,525	\$ 95,539
General and administration	304,232	790,812	1,020,947	1,294,141
HPA plant operations	7,904	19,487	23,813	37,424
Recognized in comprehensive loss	342,371	859,176	1,128,285	1,427,104
Capitalized in property, plant and equipment	-	42,909	55,357	175,529
	\$ 342,371	\$ 902,085	\$ 1,183,642	\$ 1,602,633

On March 24, 2014, the Corporation cancelled 523,493 stock options that had been granted to certain employees in prior years and were significantly out-of-the-money. The exercise price of those grants ranged from \$1.70 to \$2.98 per share. This transaction was treated as a cancellation, and accordingly the share-based payment expense that would have been recorded over the remaining vesting period of those options was expensed in the first quarter, in the amount of \$156,518.

On the same date, the Corporation also granted new stock options to certain employees at an exercise price of \$0.40 per share, which was treated as a new grant for accounting purposes.

ORBITE ALUMINAE INC.**Notes to Condensed Consolidated Interim Financial Statements**

For the quarter and six months ended June 30, 2014
(unaudited)

9. Net finance (expense) income

Net finance (expense) income is composed as follows:

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Finance income				
Interest income	\$ 25,648	\$ 38,180	\$ 51,018	\$ 97,901
Finance expense				
Interest on convertible debentures	(764,887)	(773,928)	(1,519,942)	(1,493,171)
Interest on long-term debt	(88,944)	498	(109,215)	(41,937)
Transaction costs and other	(34,453)	(5,438)	(56,964)	(20,837)
	(888,284)	(778,868)	(1,686,121)	(1,555,945)
Other financial (losses) gains				
Effect of changes in fair value of derivative financial instruments	(711,415)	1,625,960	(1,612,369)	4,067,906
Effect of changes in foreign exchange rates	3,358	(61,251)	(81,875)	(149,428)
	(708,057)	1,564,709	(1,694,244)	3,918,478
Capitalized interest	854,024	773,928	1,615,630	1,493,171
Net finance income (expense)	\$ (716,669)	\$ 1,597,949	\$ (1,713,717)	\$ 3,953,605

10. Related party transactions

During the quarter ended June 30, 2014, the Corporation incurred \$62,501 and \$130,043 respectively (quarter and six months ended June 30, 2013 - \$545,000 and \$617,000) from a legal firm in which a director of the Corporation is an equity partner. These transactions took place in the normal course of operations and were measured at the exchange amount, which is the amount established and accepted by the parties.

11. Earnings per share

For the quarter ended June 30, 2014 and 2013, all outstanding warrants, share options and convertible debentures were anti-dilutive since the Corporation reported net losses.

12. Financial Instruments

Fair value of financial instruments

The fair values of financial assets and liabilities, together with the carrying amounts included in the balance sheet, are as follows:

ORBITE ALUMINAE INC.

Notes to Condensed Consolidated Interim Financial Statements

For the quarter and six months ended June 30, 2014
(unaudited)

	June 30, 2014		December 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	\$ 8,661,605	\$ 8,661,605	\$ 9,909,439	\$ 9,909,439
Short-term investment	373,912	373,912	370,023	370,023
Financial liabilities				
Accounts payable and accrued liabilities	4,234,244	4,234,244	4,765,563	4,765,563
Provisions	-	-	239,310	239,310
Derivative financial instrument (current liabilities)	362,000	362,000	(320,000)	(320,000)
Derivative financial instrument (non- current liabilities)	352,808	352,808	3,510	3,510
Convertible debentures 2012 liability	20,106,712	23,642,500	19,586,770	20,500,000
Convertible debentures 2013 liability	736,425	736,425	11,799,410	11,799,410
Long-term debt (including current portion)	4,483,291	3,494,554	2,643,284	1,649,934

Fair value hierarchy

The Corporation defines the fair value hierarchy for financial instruments carried at fair value as follows:

- Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements includes inputs other than quoted prices included in level 1 that are observable for the assets or liability, either directly or indirectly.
- Level 3 valuations use unobservable inputs that are supported by little or no market activity and that are financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instrument for which the determination of fair value requires significant judgment or estimation.

If the inputs used to measure the financial assets and liabilities fall within more than one level described above, the categorization is based on the lowest level input that is significant to the fair valued measurement of the instrument.

2012 Convertible debentures

The embedded early payment option has been classified as a level 2 fair value measurement whereas the control premium and the convertible debentures holders' conversion option are classified as level 3 measurements. The variation in its fair value during the period is recorded under net finance income (expense) (note 9).

The effect of a change in the volatility assumption, which is the significant unobservable input in the fair value estimate, of 5% would have the following impact on the derivative financial liability:

- An increase of 5% would increase the value of the derivative financial liability by \$97,079
- A decrease of 5% would decrease the value of the derivative financial liability by \$87,222

ORBITE ALUMINAE INC.

Notes to Condensed Consolidated Interim Financial Statements

For the quarter and six months ended June 30, 2014
(unaudited)

Since there is no future cash disbursements associated with the derivative financial liability, it is presented in the non-current section of the statements of financial position.

The reconciliation of changes in level 3 fair value measurements of financial liabilities for the period ending June 30, 2014 is presented in the following table:

		June 30, 2014	June 30, 2013
Balance - beginning of year	\$	3,510	\$ 4,165,981
Loss (gain) recognized in net finance expense (income)		349,298	(4,067,906)
Closing balance	\$	352,808	\$ 98,075

2013 Convertible debentures

The 2013 convertible debentures including the conversion option is classified as level 1 fair value measurements since the debenture is listed on TSX exchange and the market is active. The changes in fair value are recognized in net finance income (expense). At the issuance date, the transaction costs were also included in net finance income (expense).

The Subscription rights were classified as level 3 fair value measurements due to the unobservable inputs used in determining the fair value. The Corporation used a discounted cash flow model to determine the fair value of the derivative. The significant inputs in the model include the effective interest rate, the market interest rate as well as the probability weighted percentage of exercising the Subscription rights. The fair value of the derivative was \$362,000 at June 30, 2014.

Basis for determining fair values

The fair value of cash and cash equivalents, short-term investments, accounts payables, accrued liabilities and provisions approximates its carrying value given their short-term maturity date.

The fair value of the long-term debt at June 30, 2014 and December 31, 2013 was determined based on discounted cash flows at a weighted average discount rate of 14.5%, a rate for a similar loan at the balance sheet date.

The fair value of the convertible debentures holders' conversion option of the 2012 convertible debentures was determined using a Black Scholes option pricing model and the following assumptions at June 30, 2014 and December 31, 2013: a 75% expected volatility rate, a 0% expected dividend rate and a risk-free rate of 1.17% (December 31, 2013 -1.4%) for the remaining contractual life of the conversion option.

The fair value of the 2012 convertible debentures, comprising the convertible debenture liability and the derivative financial liability components, was \$23,642,500 at June 30, 2014 (December 31, 2013 - \$ 20,500,000) and was determined based on its quoted price on the Toronto Stock Exchange.

The fair value of the change in control premium is estimated using the Black-Scholes option pricing model and management's assessment of the probability of the change in control event leading to the change in control premium occurring.

ORBITE ALUMINAE INC.

Notes to Condensed Consolidated Interim Financial Statements

For the quarter and six months ended June 30, 2014
(unaudited)

The fair value of the early payment option was estimated using a discounted cash flow analysis and a discount rate of 14.5%. The fair values of the early payment option as well as the change in control premium are insignificant as at June 30, 2014 and December 31, 2013.

The fair values of the 2013 convertible debenture liability including the embedded conversion option was \$736,425 at June 30, 2014 and \$11,799,410 at December 31, 2013 and was determined based on its quoted price on TSX.

13. Commitment

As at June 30, 2014, the total purchase commitment for capital expenditures at the HPA project relating to equipment amounts to approximately \$6,106,000.

14. Subsequent event

On July 11, 2014, Orbite announced that Crede Capital Group, LLC ("Crede") has completed an investment of \$10,000,000 in the form of convertible debentures and warrants pursuant to the exercise of the Series X Subscription Rights (the "Subscription Rights"), as issued on March 11, 2014.

Under the placement, Crede has purchased units of the Corporation consisting of \$10,000,000 principal amount of convertible unsecured debentures (the "Debentures") and 13,000,000 warrants (the "Warrants") of the Corporation. The Debentures will mature five years from issuance, namely July 11, 2019 and will bear interest at a rate of 7.5% per annum (the "Interest"). Each Debenture will be convertible, at the option of the holder, at any time prior to the maturity date, into class A shares of the Corporation ("Shares") at a conversion price of \$0.50 per Share (the "Conversion Price"), representing the 5 day VWAP at time of the conditional exercise of the Series X subscription rights. Upon conversion, the holder shall also be entitled to Shares equal to the additional interest such holder would have received if it had held the Debenture until maturity divided by the market price of the Shares prior to the date of conversion (the "Make-Whole Amount"), in addition to accrued and unpaid Interest, in cash or in Shares at the Corporation's discretion. Each Warrant shall entitle the holder to purchase one Share for a period of three years from its issuance at a price of \$0.60 per share (equivalent to the Conversion Price plus a 20% premium).

In connection with the placement, the regulatory authorities required certain changes to the initial terms of the Subscription Rights, namely that the maximum number of Shares issuable upon conversion of the Debentures on account of the principal amount and the Make-Whole Amount not exceed the principal amount of the Debentures converted, divided by the Conversion Price less 25%. The parties further agreed that the Make-Whole Amount would not be reduced by 1% for each 1% that the current market price of the Shares at the time of conversion exceeds the Conversion Price and that the number of Warrants would correspond to 65% of the number of Shares into which the principal amount of Debentures is convertible.

In connection with the placement, the Corporation will pay a fee of 6% of the amount of the investment and issue a total of 1,200,000 finder warrants to Euro Pacific Canada Inc. and Roth Capital LLC. Each finder warrant entitles the holder to purchase one Share for a price of \$0.60 per share for a period of two years and is nontransferable.

ORBITE ALUMINAE INC.**Notes to Condensed Consolidated Interim Financial Statements**

For the quarter and six months ended June 30, 2014

(unaudited)

On July 15, 2014, the Corporation received an initial payment of \$6.0 million from tax authorities in consideration of investment tax credits on the equipment purchased for manufacturing and processing in the Gaspé region. The payment relates to the 2012 financial year and the Corporation expects subsequent payments to follow. The amount will be deposited in a segregated account and serve as security for the convertible debentures issued in December 2012.