RB ENERGY INC

SECOND QUARTER REPORT

For the Six Months Ended

June 30, 2014

RB ENERGY INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2014

The following management's discussion and analysis ("**MD&A**") of RB Energy Inc. ("**RB Energy**", "**RBI**" or the "**Company**") should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2014 and the December 31, 2013 year end audited consolidated financial statements and related notes therein. The financial information in this MD&A is reported in Canadian dollars unless otherwise indicated and is partly derived from the Company's unaudited condensed interim consolidated financial statements prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). The effective date of this MD&A is August 14, 2014. Additional information about the Company and its business activities is available on SEDAR at www.sedar.com and the Company's website www.rb-e.com.

RB Energy is a Canadian-based resource and energy company trading under the symbol "RBI" on the Toronto Stock Exchange and on the U.S. OTCQX market under the symbol RBEIF. The Company's main focus is the Québec lithium project ("**Québec Lithium**"), currently in the commissioning phase, and the Aguas Blancas iodine producing mine ("**Aguas Blancas**").

The properties comprising Québec Lithium are located in the north-east corner of La Corne Township, approximately 38 kilometres south-east of Amos and 60 kilometres north of Val d'Or, Québec. Aguas Blancas is located 95km south-east of Antofagasta, Chile, on the western side of the Atacama Desert.

The technical contents of this MD&A have been reviewed by Kevin Ross, Eur. Ing., a Qualified Person pursuant to NI 43-101. Mr. Ross is the Chief Operating Officer of RB Energy. Some of the statements in this MD&A are forward-looking statements that are subject to risk factors set out in the cautionary note contained herein.

SECOND QUARTER HIGHLIGHTS

Québec Lithium

Unusually cold temperatures in northern Québec this past winter made the operations of the crushing and grinding circuit not possible, with fine ore freezing in the storage silos. In mid-April, with the onset of warmer temperatures, re-started the crushing, grinding and concentrator circuits were re-started with the objective of achieving continuous battery grade[1] lithium carbonate production from run of mine operations. Production of EV grade[1] lithium carbonate was achieved, however, commissioning issues encountered with the kiln and bi-carbonate reactors delayed production of commercial volumes.

As scheduled, the primary optical ore sorter was delivered to site in late Q2 2014. Installation and commissioning of the ore sorter commenced in July and will be completed in August. The diversion of a road running through the open pit to will allow full access to the open pit commenced in Q2 2014. The diversion is scheduled to be completed by the end of Q3 2014. The construction of a natural gas pipeline to the mine site commenced in Q2 2014 and is on schedule for completion in Q4 2014. Once the line is connected, the operation will realize significant cost savings by switching from propane to natural gas.

[1] *Québec Lithium specifications (lithium carbonate content)*

Technical grade	*99.0%*
Battery grade	*99.7%*
Electric Vehicle (EV) grade	*99.9%*

As more fully described in the Outlook section of this MD&A, as a result of the commissioning delays, the Company does not expect to reach its original production targets for 2014. It is now anticipated that commercial production levels of lithium carbonate will be achieved by the end of 2014 and name plate production by the end of Q1 2015. EV grade lithium carbonate production is targeted for early 2015 following modifications to the final circuit for the conversion of battery grade lithium carbonate to EV grade in Q4 2014.

Subsequent to Q2 2014, the Company commenced shipments of lithium carbonate to its off-take partner in China.

Aguas Blancas

The financial results from Aguas Blancas are included in the consolidated financial statements of RB Energy from January 31, 2014, the effective date of the Company's business combination with Sirocco Mining Inc. ("**Sirocco**"), as described in detail in the Corporate Transaction section of this MD&A. Further, IFRS required RBI to value Sirocco's iodine inventory acquired on January 31, 2014 as a result of the Arrangement (861 tonnes of finished product) at its fair value on the date of acquisition. As a result, the operating margin in the statement of operations will not reflect normal course of business until such time as the effect of the fair value of the acquired inventory is absorbed under the Company's weighted average cost methodology applied under its accounting principles.

For the three months ended June 30, 2014, Aguas Blancas produced 314 tonnes of iodine at a cash cost of US $22 per kg and sold 518 tonnes at an average price of US $36 per kg during Q2 2014. High sales volumes in Q2 2014 offset the low volumes of sales in Q1 2014, which were due principally to disrupted shipments from Chile as a result of earthquakes and a port strike.

Financial Position and Going Concern

In March 2014 management negotiated amendments to the $75.0 million debt facility put in place for the construction of the Québec Lithium operation ("**Senior Debt Facility**") to better align the repayment terms with the commissioning schedule. As a result, the four 2014 principal repayments have been reduced from $24.3 million to $11.4 million. The deferred payments have been rescheduled to the periods from March 2015 to March 2017.

Following the Arrangement outlined below (see "Corporate Transaction" section of the MD&A), the ongoing commissioning costs at Québec Lithium have been supported by the treasury of Sirocco, supplemented by a $22 million equity financing (the "**Financing**") that closed in Q2 2014 and cash flow from the iodine operations of Aguas Blancas. The aforementioned delays in the ramp up of production have deferred the anticipated production and sale of battery grade lithium carbonate by a full quarter, thereby accelerating the depletion of the Company's treasury to a greater extent than anticipated.

As a result, the Company is working to secure additional sources of funding to complete commissioning, achieve commercial production and realize positive operating cash flow at Québec Lithium. Management is engaged in discussions with a number of parties including strategic and other potential investors, towards an injection of funds over the next few weeks, which would allow for longer term financial solutions to be put in place. However, should such funding efforts not be successful, this could result in delay, postponement or interruption of discretionary spending and operations at Québec Lithium until a financial solution is achieved.

Further, the timing of completion of commissioning, achieving commercial and name-plate production, and generation of revenues sufficient to reach positive operating cash flows cannot be determined with certainty. Accordingly, there can be no assurance that RB Energy will not require additional funding or alternative funding to complete the commissioning at Québec Lithium and to settle debt obligations falling due within the next twelve months. Should such funding be required, failure to obtain it could adversely affect the Company's financial condition, liquidity, business and prospects.

Permitting and government approvals

In late 2013, subsequent to the Company's submission of its reclamation plan for Québec Lithium to the Québec *Ministère Des Resources Naturelles et de la Faune* ("**MRNF**"), the Québec government passed legislation that amended the rules regarding the calculation and bonding requirements for end of mine life reclamation costs. At approximately the same time, the Company commenced a review of the nature and estimated cost of its original plan with a view to submitting an amended plan. The revised plan was submitted to MRNF in March 2014. The Company is currently engaged with MRNF in the review process of its amended plan, including discussion regarding the nature and timing of bonding requirements with MRNF.

Class action lawsuit

On August 6, 2013, the Ontario Superior Court of Justice certified a lawsuit initiated by Statement of Claim dated May 9, 2011 as a class proceeding and issued an Order, with the consent of the Company, which granted leave to the Plaintiffs to pursue their statutory causes of action for primary and secondary market misrepresentation. At the same time, with the approval of the court, the Plaintiffs abandoned their claims of negligence and negligent misrepresentation. These are all procedural steps, and none of the allegations in the lawsuit, as amended, have been assessed or determined by the court. The suit currently names the Company, its directors and certain former officers. It arises from a mineral resource estimate announced by the Company on October 28, 2010 and incorporated into various disclosure documents from October 28, 2010 to February 28, 2011. The Company continues to deny that the allegations will be proven at trial and intends to vigorously defend itself and its assets against the suit.

CORPORATE TRANSACTION

On January 31, 2014, the Company and Sirocco completed a business combination by way of a statutory Plan of Arrangement (the "**Arrangement**") under the Canada Business Corporations Act at which time:

1. The Company acquired all of the issued and outstanding common shares of Sirocco in exchange for 1.175 common shares of the Company for each outstanding common share of Sirocco (the "**Exchange Ratio**"). As a result of the Arrangement, the Company issued approximately 294 million common shares on a pre-consolidation basis (representing approximately 98 million common shares on a post-consolidation basis).
2. The Company completed a post-acquisition share consolidation on the basis of one new share for three existing shares (the "**Consolidation**").
3. Immediately following the Consolidation, the Company and Sirocco amalgamated to form RB Energy Inc. ("**RB Energy**"), a federal company registered under the Canada Business Corporation Act.
4. Additionally, outstanding options to acquire Sirocco common shares were deemed to be exchanged for options to acquire common shares of the Company, adjusted to reflect the Exchange Ratio and the Consolidation.

Following the Arrangement, RB Energy appointed a new board and senior management team.

Under applicable IFRS, the Arrangement is considered a business combination where the Company was determined to be the acquirer and Sirocco the acquiree for accounting purposes. Accordingly, the Company's consolidated financial statements include the operations of Sirocco starting on February 1, 2014.

The acquisition consideration was in the form of common shares issued by the Company and its acquisition date fair value was determined by reference to the share price on January 31, 2014. In addition, a Sirocco loan to the Company that was extinguished on January 31, 2014 as a result of the Arrangement was netted against the fair value of the common shares issued to Sirocco shareholders as follows:

(in thousands of dollars)	As at January 31, 2014
Common shares	85,141
Loan amount, plus accrued interest	(10,129)
	75,012

The fair value of the net assets of Sirocco has been determined on a preliminary basis as follows:

(in thousands of dollars)	As at January 31, 2014
Cash and cash equivalents	34,396
Receivables and other assets	13,513
Inventories	52,159
Property, plant and equipment	43,224
Accounts payable and accrued liabilities	(9,555)
Bank debt and finance leases	(53,513)
Asset retirement obligations	(5,212)
	75,012

Transaction costs of $3.3 million were incurred by the Company on professional fees, advisory services, and termination costs in relation to the Arrangement and were expensed in Q1 2014 in accordance with IFRS.

RESULTS FROM OPERATIONS

Three and six months ended June 30

Québec Lithium is in the commissioning stage and has yet to generate sales and revenues. Iodine revenues only include the Aguas Blancas operations of since February 2014 (2013: none) and reflect sales of iodine inventory acquired at its fair value on January 31, 2014 and iodine produced since the Arrangement.

During the three and six months ended June 30, 2014, the Company earned a net profit of $1.3 million ($0.01 earnings per share) and incurred a net loss of $6.2 million ($0.03 loss per share), respectively, compared with net losses of $1.3 million ($0.01 loss per share) and $3.9 million ($0.03 loss per share), respectively, for the same periods in 2013. As more fully described below, included in the Q2 2014 profit is a foreign exchange gain of $1.5 million. More than half of the loss for the six months ended June 30, 2014 ($3.3 million) is due to the one-time transaction costs associated with the Arrangement.

RB Energy incurred general and administrative expenses of $1.8 million (2013: $2.0 million) and $3.6 million (2013: $4.3 million) for the three and six months ended June 30, 2014, respectively, which include costs to maintain offices and staff in Toronto and Montreal to the end of April. A decision to close the Toronto and Montreal offices was made on the date of the Arrangement with all corporate functions consolidated in Vancouver effective April 30, 2014. General and administration expenses for the three and six months ended June 30, 2014 also include stock-based compensation of $18,000 (2013: $0.9 million) and $0.4 million (2013: $1.8 million), respectively. Stock-based compensation is a non-cash cost and reflects the amortization of the estimated fair value of options over their vesting period. No options were granted during the three and six months ended June 30, 2014. The calculation of the fair value of options is based to a large degree on the Company's share price and its volatility. The actual future value to the option holders may differ materially from these estimates as it depends on the trading price of RB Energy's shares if and when the options are exercised. In addition, as the granting of options and their vesting is at the discretion of the Board, the related expense is unlikely to be uniform across quarters or financial years.

The foreign exchange gain of $1.5 million for the three months ended June 30, 2014 (2013: $0.3 million loss) is principally unrealized and due to the positive impact of the strengthening of the Canadian dollar against the US dollar on the carrying values of the US dollar denominated convertible debentures, finance lease liabilities, and cash advances from a customer since the end of Q1 2014. Overall, since the beginning of 2014, the Canadian dollar weakened slightly over the US dollar, explaining the foreign exchange loss of $0.3 million (2013: $0.5 million) for the six months ended June 30, 2014. Interest expense for the three and six months ended June 30, 2014 of $0.7 million (2013: $nil) and $1.4 million (2013: $nil), respectively, relates mainly to the debt supporting iodine operations and interest accrued on cash advances from a customer. Interest on the debt for Québec Lithium is capitalized during commissioning. Exploration costs of $0.2 million (2013: $nil) and $0.7 million (2013: $nil) respectively for the three and six months ended June 30, 2014 relate to an exploration program in Côte d'Ivoire completed in Q1 2014 and limited work in support of resource determination at Aguas Blancas.

Quarterly historical results

Three Months Ended	**Jun-14**	**Mar-14**	**Dec-13**	**Sep-13**	**Jun-13**	**Mar-13**	**Dec-12**	**Sep-12**
Total revenues ($000's) ***(Note 1)***	20,145	5,044	-	-	-	-	-	-
Net profit (loss) ($000's)	1,307	(7,474)	(2,824)	(1,511)	(1,330)	(2,555)	(2,089)	(957)
Earnings (loss) per share, basic and diluted ($)	0.01	(0.04)	(0.02)	(0.01)	(0.01)	(0.02)	(0.02)	(0.01)
Iodine produced (t) ***(Note 1)***	314	211	-	-	-	-	-	-
Iodine sold (t) ***(Note 1)***	518	126	-	-	-	-	-	-
Iodine avg. price ($/kg) ***(Note 1)***	39	40	-	-	-	-	-	-
Iodine cash operating cost ($/kg) (***Note 1, 2***)	24	27	-	-	-	-	-	-

Note 1: *revenues and iodine data are for the post-Arrangement period, from February 1 onwards. During Q1 2014, sales volumes were negatively affected as shipments were disrupted by a port strike and earthquakes in Chile.*

Note 2: *this is a non-GAAP measure. As shown below, it was calculated by dividing cost of sales, adjusted for the change in inventory and the related depreciation, by quantities of iodine produced in the period.*

Cost of sales ($000's)	*17,829*	*4,723*	-	-	-	-	-	-
Change in inventory ($000's)	*(9,883)*	*1,435*	-	-	-	-	-	-
Depreciation ($000's)	*(260)*	*(444)*	-	-	-	-	-	-
	7,686	*5,714*	-	-	-	-	-	-
Iodine produced (t)	*314*	*211*	-	-	-	-	-	-
Cash operating cost ($/kg)	*24*	*27*	-	-	-	-	-	-

The Company's net quarterly losses have varied significantly over the last eight quarters principally as a result of the following:

1. the timing of the grant of options which, as explained above, affects the amount of stock-based compensation;
2. interest income which is directly related to cash and short-term deposits on hand in a given quarter;
3. the timing of receipts of insurance recoveries relating to costs incurred for the class action suit; and
4. foreign exchange, particularly fluctuations between the Canadian and US dollar.

Starting in February 2014, the results of operations also include iodine operations at Aguas Blancas. While Québec Lithium is still in the commissioning phase, revenues are generated solely from sales of iodine subsequent to the date of the Arrangement. Approximately $3.3 million of the Q1 2014 loss is due to the one-time transaction costs associated with the Arrangement.

LIQUIDITY AND CAPITAL RESOURCES

Working capital

Following completion of the Arrangement on January 31, 2014, the cash, working capital and cash flow of Sirocco became available to support the commissioning at Québec Lithium in 2014, as required. In addition, on May 21, 2014, the Company closed the Financing, which added net proceeds of $20.7 million to working capital. At June 30, 2014, the Company had cash and cash equivalents totalling $5.9 million compared with $8.5 million as at December 31, 2013, and a working capital deficiency of $14.7 million compared to $42.2 million at December 31, 2013.

Included in the working capital balance at June 30, 2014 are inventories of $44.4 million (December 31, 2013: $2.1 million) offset by $61.9 million due under the existing loan and lease facilities (December 31, 2013: $42.0 million).

The higher inventory reflects principally the iodine inventory at Aguas Blancas. The increase in debt is due to the inclusion of the debt from the Aguas Blancas operations. This is partially offset by reduced principals owing under the Senior Debt Facility of Québec Lithium as a result of RB Energy negotiating a deferral of over half of the 2014 principal repayments of the Senior Debt Facility to 2015 and beyond. Working capital was also affected by increases in accounts receivables and accounts payable as a result of the consolidation of the Aguas Blancas operations following the Arrangement.

In addition, the Company has total restricted cash of $4.3 million. Included in restricted cash is a $3.9 million cash-backed standby letter of credit to Hydro-Québec for the construction of a high-voltage power infrastructure.

Financial liabilities

The Company has an aggregate of $130 million outstanding under bank and lease financing facilities ("**Financing Facilities**") at June 30, 2014 between its two operations. They are used for the construction and development of its Québec Lithium open pit mine and processing plant, for capital expansion projects at Aguas Blancas and to support iodine inventory and export sales.

The Financing Facilities include $72.0 million outstanding under the Senior Debt Facility, US $13.4 million outstanding under a term bank debt at Aguas Blancas, US $24.7 million drawn under export credit facilities for Aguas Blancas and finance leases for mining equipment at both operations.

In Q1 2014, RB Energy negotiated amendments to the four 2014 principal repayments under the Senior Debt Facility reducing them from $24.3 million to $11.4 million. The deferred payments have been rescheduled to the periods from March 2015 to March 2017.

In addition, the Company has convertible debentures of $27.6 million and US $15.9 million maturing in 2018.

The Senior Debt Facility and the convertible debentures are carried net of related transaction costs, at their amortized cost.

Investments in property, plant and equipment

The total cost of the Company's property, plant and equipment amounted to $418 million at June 30, 2014, compared to $325 million at December 31, 2013. Other than $43.2 million of property plant equipment acquired under the Arrangement, during the six months ended June 30, 2014, the Company's property, plant and equipment increased as a result of the following:

	Lithium Project	**Aguas Blancas**	**Total**
Construction and capital costs	8.3	2.3	10.6
Capitalized commissioning cost	32.5	-	32.5
Capitalized borrowing costs	8.7	-	8.7
	49.5	2.3	51.8

The operating and borrowing costs incurred during the commissioning stage are capitalized until such time as the Company reaches commercial production. As a result of the extended commissioning timelines, the capitalization of the commissioning and borrowing costs as property, plant and equipment has continued longer than anticipated. The Company reviews all exploration and evaluation assets, development assets and mineral property, plant and equipment to determine whether the future economic value of certain elements of the costs that have been capitalized has been affected and to assess whether any impairment indicators exist.

Financial position and going concern

During the second quarter, the Company closed the Financing by issuing 32.4 million common shares at a price of $0.68 per share and net proceeds of $20.7 million. The proceeds from the financing were scheduled to be used at Québec Lithium, principally for capital projects and in support of the costs of ongoing commissioning. Expected revenues generated from initial sales of lithium carbonate would then support the balance of commissioning costs and applied to reduce historical accounts payable balances. As outlined earlier in the MD&A, the Company experienced delays in commissioning at Québec Lithium and no lithium revenues were generated in Q2 2014. As a result, proceeds from the Financing were also used to satisfy the principal and interest obligations under the Senior Debt Facility and convertible debentures and to reduce working capital obligations while commitments or obligations relating to capital projects remain outstanding and for settlement later in 2014.

The aforementioned delays in the ramp up of production have deferred the anticipated production and sale of commercial quantities of lithium carbonate by a full quarter, thereby accelerating the depletion of the Company's treasury.

As a result, Québec Lithium cash flow requirements are presently being satisfied by the forward sale of iodine from Aguas Blancas. Discussions with stakeholders and other potential investors are in progress towards a more comprehensive financing package to take the Québec Lithium operation to commercial production, and proceeding to name plate levels of 20,000 tonnes of lithium carbonate per annum in Q1 2015. However, should such funding efforts not be successful, this could result in delay, postponement or interruption of discretionary spending and operations at Québec Lithium until a financial solution is achieved.

Further, the timing of completion of commissioning, achieving commercial and name-plate production, and generation of revenues sufficient to reach positive operating cash flows cannot be determined with certainty. Accordingly, there can be no assurance that RB Energy will not require additional funding or alternative funding to complete the commissioning at Québec Lithium and to settle debt obligations falling due within the next twelve months. Should such funding be required, failure to obtain it could adversely affect the Company's financial condition, liquidity, business and prospects.

CONTINGENCIES

The Company may be subject to various contingent liabilities that occur in the normal course of its operations. The Company is not aware of any pending or threatened proceedings, other than disclosed above (see *Class action lawsuit* section), that would be expected to have a material adverse effect on the consolidated financial condition or future results of the Company.

The Company provided for environment rehabilitation liabilities of $17.6 million at June 30, 2014 (December 31, 2013: $12.4 million) in respect to the future closure and cleanup of Québec Lithium and Aguas Blancas. The increase is a result of the acquisition of the Aguas Blancas operations and accretion for the period. The rehabilitation work is currently expected to be incurred in 2027 (Québec Lithium) and 2028 (Aguas Blancas).

RELATED PARTY TRANSACTIONS

Related party transactions in the normal course of operations are measured at the exchange amount of consideration established and agreed to by the parties involved, having regard to prevailing market rates.

a) Related parties expenses

The Company incurred the following expenses with Namdo Management Services Limited ("Namdo"), Bofill Mir & Alavarez Jana Abogados Ltda ("BMAJAL"), Hugh Stuart Exploration Consulting Ltd. ("HSEC"), and Muru Consultants Inc. ("Muru"), companies related by way of directors, officers and shareholders in common.

In thousands of Canadian dollars

		Three months ended June 30,		Six months ended June 30,	
	Related party	**2014**	**2013**	**2014**	**2013**
Management fees	Namdo	120	-	200	-
Legal fees	BMAJAL	-	-	40	-
Consulting fees	Muru	79	-	129	-
Exploration services	HSEC	143	-	143	-
Total related parties expenses		342	-	512	-

b) Related party income

Included in other income are management, administrative and technical service fees charged to Orca Gold Inc. ("Orca"), a company related by way of directors, officers and shareholders in common. For the three and six months ended June 30, 2014 these fees were $119,000 (2013: $nil) and $199,000 (2013: $nil).

c) Due from (to) from related parties

The receivables (accounts payables) of the Company include the following amounts due from (to) related parties:

	In thousands of Canadian dollars	
	June 30, 2014	**December 31, 2013**
Namdo	(42)	-
HSEC	(12)	-
Muru	(83)	
Orca	8	-

d) Key management compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel includes the Company's executive officers and vice-presidents. The remuneration of key management personnel were as follows:

	In thousands of Canadian dollars			
	Three months ended June 30,		**Six months ended June 30,**	
	2014	**2013**	**2014**	**2013**
Salaries and management fees	271	299	546	599
Termination payments	-	-	1,160	-
Short term benefits	8	4	13	7
Stock-based compensation	-	865	126	1,681
Total key management compensation	279	1,168	1,845	2,287

CRITICAL ACCOUNTING ESTIMATES

The Company's accounting policies are described in Note 3c of the December 31, 2013 audited consolidated financial statements and in the next section of this MD&A. The application of these polices requires management to make assumptions and derive estimates that are subject to uncertainty and affect the reported results of the Company. The assumptions and estimates are based on historical experience, established industry standards and are reviewed on an ongoing basis to confirm their continued applicability. There have been no material changes to the critical accounting estimates discussed in the 2013 annual MD&A filed on Sedar on March 31, 2014 other than as outlined below.

The Company has accounted for the Arrangement as a business combination. Significant judgment and estimates were required to determine the application of this accounting treatment. These included, among others, the determination that Canada Lithium was the acquirer, the basis for the calculation of the fair value of the consideration transferred and the estimate of the fair value of the net assets of Sirocco. Factors considered in these analyses included the relative voting rights in the combined entity after the business combination, the composition of the governing body and management of the combined entity, the terms of the exchange of equity interests, and the relative relevance and reliability of other measurement bases as compared to the use of the fair value of the consideration as the basis of valuation of Sirocco's net assets.

SIGNIFICANT ACCOUNTING POLICIES

Other than the change and adoption of new standards as noted below, the Company continues to follow the accounting policies described in Note 3 of the December 31, 2013 audited consolidated financial statements that were filed on Sedar on March 31, 2014.

Change to accounting policy - exploration and evaluation expenditures

Exploration and evaluation expenditures comprise costs which are directly attributable to: researching and analyzing existing exploration data; conducting geological studies, exploratory drilling and sampling; examining and testing extraction and treatment methods; and compiling pre-feasibility and feasibility studies. Exploration and evaluation expenditures also include the costs incurred in acquiring mining rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.
Following the Arrangement, as part of the review process of reconciling the accounting policies of Canada Lithium and Sirocco, the Company elected to change its accounting policy on the treatment of exploration and evaluation expenditures. Historically, direct and indirect acquisition and exploration expenditures associated with mineral exploration properties were capitalized when incurred and not amortized. Upon completion of a technical feasibility study and when commercial viability was demonstrated, capitalized exploration and evaluation assets were transferred to and classified as mineral property development expenditures.

The asset created by the capitalization of exploration and evaluation expenditures was assessed for impairment before such reclassification or when indicators of impairment arose.

With the change in accounting policy, exploration and evaluation expenditures are expensed as incurred except for the costs associated with the acquisition of mineral interests and for costs incurred after management has determined that there is sufficient technical evidence to support the potential for positive economic returns from a deposit. Once a mineral property is considered to be sufficiently advanced and economic potential is identified, all further expenditures for the current year and subsequent years are capitalized as incurred and subsequently amortized on a units of production based on proven and probable reserves of the assets they relate to. These costs include further exploration, costs of maintaining the site until commercial production, mine planning costs, and other development and infrastructure costs.

This change in accounting policy has been applied retroactively and has resulted in a decrease in “Property, plant and equipment” of $18.9 million as at March 31, 2014 and December 31, 2013, offset by an equal increase in opening accumulated deficit as at January 1, 2013 and 2014.

Adoption of new accounting policies

On January 31, 2014, as a result of the Arrangement the Company formally adopted a number of policies that were specific to Sirocco and its iodine operations.

a) Acquisitions

The acquisition method of accounting is used to account for acquisitions. The cost of an acquisition is measured as the aggregate fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange.

If the investee constitutes a business, as defined by IFRS, the acquisition is accounted for as a business combination whereby identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Company’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of income.

If the investee does not meet the definition of a business, the acquisition is accounted for as an asset acquisition, whereby the cost of the acquisition is allocated between the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. No goodwill can be recognized in an asset acquisition.

b) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief executive officer and executive management (the chief operating decision-makers who are responsible for allocating resources and assessing performance of the operating segments).

The Company's primary reporting segments are based on individual mining projects or operations, being Québec Lithium and the Aguas Blancas mine, with all other operations, including the Canadian corporate head office, falling into a third reportable operating segment. The Canadian corporate office provides support to the mining and exploration activities with respect to treasury and finance, technical support, regulatory reporting and corporate administration.

c) Foreign currency translation

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of the parent company and Québec Lithium Inc., which holds Québec Lithium, is the Canadian dollar. The functional currency of the Company's subsidiary which owns and operates the Aguas Blancas mine is the US dollar. The consolidated financial statements are presented in Canadian dollars.

The results and financial position of the subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a) Assets and liabilities for each balance sheet presented are translated using the exchange rate prevailing at the date of that balance sheet.
b) Income and expenses for each income statement are translated at average exchange rates (unless this 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).
c) All resulting exchange differences are recognized as a separate component of equity and in other comprehensive income.

d) Property, plant and equipment

Depreciation of the iodine plant facilities is calculated using the unit of production method, based on proven and probable reserves, to allocate its cost less its residual value over its estimated useful life.

e) Trade receivables

Trade receivables are amounts due from customers for iodine sold in the normal course of business.

f) Revenue recognition

Revenue represents the fair value of the consideration received or receivable derived from the sales of goods in the ordinary course of business. Sales revenue is shown net of export expenses, freight and insurance.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when the significant risks and rewards of ownership passes to the customer.

New accounting standards

The Company has determined that the adoption of the following standard effective for annual periods beginning on or after January 1, 2014 has not resulted in a material impact on the Company's consolidated financial statements:

IFRIC 21, Levies

IFRIC 21 addresses when an entity recognizes a liability to pay a government levy, other than income taxes, in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets.* In the case of government levies, IFRIC 21 provides clarity that the obligating event that gives rise to the liability is the activity described in the applicable legislation which triggers the payment of the levy.

FINANCIAL INSTRUMENTS

The Company has the following types of financial instruments: cash and cash equivalents, receivables, available-for-sale investments, accounts payable and accrued liabilities, debt, note payable, royalties payable and the debt instrument of the convertible debentures. With the exception of the available-for-sale investments, the debt, the note and the royalty payable and the convertible debentures, the carrying amounts reported in the consolidated balance sheets of these financial instruments approximate their fair value because of their immediate or short-term maturity. The available-for-sale investments are recorded at their fair values. The debt, the note and the royalty payable and the convertible debentures are measured at their amortized costs.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Currency risk

The Company does not hedge its exposure to currency fluctuations. Therefore, a significant change in the currency exchange rates affecting the Company's or its subsidiaries' respective functional currencies could have an effect on the Company's results of operations, financial position or cash flows.

The Company operates in Chile through a subsidiary whose functional currency is the US dollar and therefore is exposed to foreign exchange risk arising from transactions denominated in a currency other than the US dollar. Approximately 61% of this subsidiary's operating expenses during the five months ended June 30, 2014 were in Chilean pesos. Therefore, a 10% variation in the exchange rate between the Chilean Peso and the US dollar would have resulted in a $0.8 million change in costs in 2014.

At June 30, 2014, RB Energy, whose functional currency is the Canadian dollar, is exposed to currency risk relating to funds held in US dollars of $0.8 million, and to US dollars denominated payables, cash advances from a customer, finance lease obligations and convertible debentures totalling $28.1 million. Based on this exposure, a 10% change in the Canadian/US dollar exchange rate would give rise to an increase/decrease of approximately $2.9 million in the loss/gain of the Company.

Credit risk

The majority of the Company's cash is held through several large Canadian financial institutions with a high investment grade rating. Credit risk includes the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. During the six month period ended June 30, 2014, approximately 93% of sales were made to two customers. The carrying value of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk as at June 30, 2014.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. Liquidity requirements are managed based on expected cash flow to ensure that there is capital to meet short term and long term obligations.

Payments due on contractual obligations for the next five years are outlined in the table below.

in $'000	Total $	Less than 1 year $	1 - 3 years $	4 - 5 years $	After 5 years $
Debt - principal repayments	72,000	20,250	51,750	-	-
May 2013 convertible debentures	27,496	-	-	27,496	-
July 2013 convertible debentures	16,921	-	-	16,921	-
Finance lease obligations	17,920	6,912	9,388	1,620	-
Bank term loans	14,254	4,751	9,503	-	-
Renewable export credit facilities	25,919	25,448	471	-	
Purchase obligations	5,425	5,200	200	25	-
Cash advance from customer	5,864	5,864	-	-	-
Trade & other payables	19,685	19,685			-
Total contractual obligations	205,484	88,110	71,312	46,062	-

During the development and commissioning of the Company's mining and processing operations additional funding has been and continues to be required to sustain capital and working capital requirements. The delays in commissioning and the ramp up of production have deferred the anticipated production and sale of commercial quantities of lithium carbonate by a full quarter, thereby accelerating the depletion of the Company's treasury to a greater extent than anticipated.

As a result, the Company is working to secure additional sources of funding to complete commissioning, achieve commercial production and realize positive operating cash flow at Québec Lithium. Management is engaged in discussions with a number of parties including strategic and other potential investors, towards an injection of funds over the next few weeks, which would allow for longer term financial solutions to be put in place.

Price risk

The Company is currently exposed to price risk with respect to iodine prices and, later this year as sales of lithium carbonate commence, to lithium prices as well. The price of iodine has historically fluctuated widely and is affected by numerous factors outside of the Company's control, including, but not limited to, industrial and retail demand, levels of worldwide production, short-term changes in supply and other factors. The Company closely monitors iodine prices to determine the appropriate course of action to be taken by the Company. Based on sales for the three and six months ended June 30, 2014, a 5% change in the price of iodine would have resulted in a decrease/increase in the net loss for the same period of approximately $0.8 million and $1.0 million, respectively

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term nature. The Company's term credit facilities carry interest based on the quarterly LIBOR US rate and interest can, therefore, fluctuate with changes in market interest rates. A 1% variation in the quarterly LIBOR US rate would result in a $0.04 million change in the Company's quarterly interest expense based on the amount of the line drawn as at June 30, 2014.

OUTSTANDING SHARE DATA

As at the date of this MD&A the following common shares, common share purchase options and common share purchase warrants were outstanding. Each option and warrant entitles the holders to purchase one common share.

Common shares	263,289,877
Options	12,550,487
Warrants	10,277,819

RISKS AND UNCERTAINTIES

The operations of the Company are speculative due to the high risk nature of its business which includes the acquisition, financing, exploration, development and operation of mining properties. These risk factors could materially affect the Company's future operations and could cause actual events to differ materially from those described in forward-looking statements relating to the Company. There have been no material changes in the risks and uncertainties affecting the Company that were discussed in the Company's 2013 MD&A that was filed on March 31, 2014 except for risks inherent and specific to the iodine operations and assets acquired as a results of the Arrangement, and the extension of the Company's liquidity risk as a result of the aforementioned delays in the ramp up of production, which are outlined below.

Commodity Price Risk: The Company's current revenues are affected by the fluctuation in iodine prices. If the price of iodine should drop significantly, the economic prospects of the Company's ongoing operations could be significantly reduced or rendered uneconomical.

Political and Country Risk: Iodine operations are focused in Chile. Political and economic risks such as high inflation rates may adversely affect the Company's existing assets and operations. Real and perceived political risk may also affect the Company's ability to finance capital expansion projects and future mine development opportunities.

Water and Power Risks: The viability of the Company's iodine operations relies on sufficient volumes of water and continued power supply. As the water comes from aquifers in an arid environment there is some risk to long-term supply. While the Company is taking steps to increase its water supply for expansions and long term stability, there is no guarantee this will be achieved.

Liquidity Risks: Delays and extended timelines in the commissioning phase at Québec Lithium, as discussed above, have deferred the anticipated production and sale of commercial quantities of lithium carbonate by a full quarter and accelerated the depletion of the Company's treasury to a greater extent than anticipated. As such, the Company has limited financial resources and requires external funding to take the Québec Lithium operation to commercial production. However, should such funding efforts not be successful, this could result in further delay, postponement or interruption of discretionary spending and operations at Québec Lithium until a financial solution is achieved. Although management is confident that the Company will be able to secure additional financing, there can be no assurance that additional funding will be available to the Company or available on terms acceptable to the Company.

OFF-BALANCE SHEET AGREEMENTS

The Company has no off-balance sheet arrangements.

OUTLOOK

Québec Lithium

With the aforementioned extended timelines in commissioning at Québec Lithium, the operating focus is to ramp up to commercial production volumes, achieve commercial production before the end of 2014 and name plate by the end of Q1 2015. This will allow regular shipments of product to our main off-take partner. Modifications to the processing plant to produce EV grade lithium carbonate are now scheduled for Q4 2014. The timetable to Q1 2015 includes four main operating objectives:

1. achieve continuous production and shipments of lithium carbonate in Q3 2014;
2. complete the commissioning of the primary optical ore sorter (to reduce ore dilution) thereby increasing concentrate grade in early Q3;
3. reach commercial production levels of lithium carbonate by the end of 201 and name plate production by the end of Q1 2015; and
4. produce EV grade lithium carbonate before the end of Q1 2015.

The extent of 2014 revenue will depend on the timing of achieving commercial production and the ramp up of production volumes. Operating costs for 2014 will be capitalized until commercial production has been achieved.

As part of the commissioning process, various plant improvements are in progress, including rerouting the local access road from the open pit area, the automation of the operation of the kiln and construction of a natural gas pipeline. In addition, RB Energy estimates that several individually smaller capital upgrades are also warranted.

Aguas Blancas

Production at Aguas Blancas was reduced in late 2013 by placing the Agitated Leach Plant ("ALP") on care and maintenance in response to further softening prices in the market. As a result, operations in 2014 will be limited to heap leaching. In 2014, production of iodine is estimated at approximately 1,000 tonnes at a cash cost of approximately US $26/kg. Aguas Blancas expects to supplement the sales of its 2014 production by reducing the level of finished product inventory on hand. Subsequent to Q2 2014, the Company has committed to the delivery of approximately 190 tonnes of iodine over the next twelve months to generate additional cash flows in support of commissioning at Québec Lithium.

In Q4 2013 the completion of the expansion of the ALP was deferred to 2015. In 2014, capital costs will be limited to settling the balance of payment of equipment orders ($1.2 million) for the expansion, completion of the chemical plant upgrade ($0.9 million) and sustaining capital of $1.4 million.

Financial resources

The above operating objectives for Québec Lithium are subject to the Company securing additional sources of funding. Management is engaged in discussions with a number of parties including strategic and other potential investors, towards an injection of funds over the next few weeks.

Failure to obtain such funding could result in delay or postponement of operations at Québec Lithium and adversely affect the Company's financial condition, liquidity, business and prospects.

Other activities

In the normal course of business, the Company may from time to time pursue future growth opportunities by evaluating strategic alliances, corporate transactions, and the acquisition of exploration, development or production assets. While RB Energy may at any given time be a party to letters of intent, discussions and activities on some of these initiatives and in respect of certain opportunities, it currently does not have any binding agreements or binding commitments to enter into any such transactions. There is no assurance that any potential transaction will be successfully completed.

INTERNAL FINANCIAL REPORTING AND DISCLOSURE CONTROLS

The Company's Chief Executive Officer ("**CEO**") and Chief Financial Officer ("**CFO**") are responsible for the design and effectiveness of internal controls over financial reporting (as such term is defined in National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("**NI 52-109**")), to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with accounting principles generally accepted in Canada. The Company maintains an effective control environment and has used the *Internal Control -- Integrated Framework* (COSO Framework) published by The Committee of Sponsoring Organizations of the Treadway Commission to design the Company's internal controls over financial reporting. The Company's CEO and CFO believe that the Company's internal controls and procedures are effective in providing reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner.

The Company's CEO and CFO are also responsible for the design and effectiveness of disclosure controls and procedures (as such term is defined in NI 52-109) to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers. The Company's CEO and CFO believe that the Company's disclosure controls and procedures are effective in providing reasonable assurance that information required to be disclosed under applicable securities legislation is recorded, processed, summarized and reported in a timely manner.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements made and contained herein in the MD&A and elsewhere may contain statements of forward-looking information. Forward-looking statements are frequently, but not always, identified by words or statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, identified by words or phrases such as "expects", "is expected", "anticipates", "believes", "plans", "projects", "estimates", "assumes", "intends", "strategy", "goals", "objectives", "potential", "possible" or variations thereof or stating that certain actions, events, conditions or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements.

These forward-looking statements may include statements regarding perceived merit of properties, exploration results and budgets, mineral reserves and resource estimates and the geology, grade and continuity of mineral deposits, work programs, capital expenditures, operating costs, cash flow estimates, production estimates and similar statements relating to the economic viability of a project, timelines, strategic plans, including the Company's plans and expectations relating to Québec Lithium and Aguas Blancas and other properties, completion of transactions, mineral price and foreign currencies, political and economic environments, the ability to obtain future financing, the ability to obtain necessary government permits, or other statements that are not statements of fact. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

Forward-looking statements are based on a number of material assumptions, including those listed below, which could prove to be significantly incorrect:

- our ability to achieve production targets;
- estimated future mineral prices, capital and operating costs, production and economic returns;
- estimated metallurgy, mineability and marketability, together with other assumptions underlying the Company's resource and reserve estimates;
- our expected ability to develop adequate infrastructure and that the cost of doing so will be reasonable;
- assumptions that all necessary permits and governmental approvals will be obtained;
- assumptions made in the interpretation of drill results, the geology, grade and continuity of the Company's mineral deposits;
- our expectations regarding demand for equipment, skilled labour and services needed for exploration, development and operations of mineral properties;
- our assumption that activities will not be adversely disrupted or impeded by development, operating or regulatory risks; and
- our ability to raise the necessary funds to bring Québec Lithium into commercial production.

Forward-looking statements are statements about the future and are inherently uncertain. The actual results and achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including, without limitation, those referred to in the "Risks and Uncertainties" section of the MD&A, the Company's Annual Information Form under the heading "Risk Factors" and elsewhere. Such factors include, without limitation:

- uncertainty relating to the estimation of the mineralization, resources and reserves and the corresponding grades being mined or dedicated to future production at the Company's mineral and developmental properties;
- risks related to lack of infrastructure, or interference with access to existing infrastructure or other unanticipated difficulties with or interruptions in development, construction or production;
- uncertainty related to title to the Company's mineral properties;
- risks related to the competitive nature of the mining industry;
- fluctuations in interest rates, foreign currency exchange rates, the supply and demand of mineral products, marketability, commodity prices and the general volatility of the securities markets;
- risks related to the Company's ability to finance the development of its mineral properties through external financing, strategic alliances, the sale of property interests or otherwise;
- the presence of potentially uninsurable risks;
- acts of the governments of the jurisdictions in which the Company's operations and properties are located and other risks associated with operations in foreign jurisdictions;
- risks related to the third parties on which the Company depends for its exploration, development and operating activities as well as the inherent hazards and risks associated with mining operations;
- risks related to governmental regulation and permits, including environmental regulation;
- risks related to hedging of commodity prices and exchange rates should the Company choose or need to do so; and
- conflicts of interest as well as the Company's dependence on its management and technical teams.

This is not meant to be an exhaustive list of the factors that may affect any of the Company's forward-looking statements. Further, the Company's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and the Company does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change, except as required by law. Accordingly, for the reasons set forth above, readers are cautioned not to place undue reliance on these forward-looking statements.

RB Energy Inc.
Condensed Interim Consolidated Statements of Financial Position
(All amounts expressed in thousands of Canadian Dollars.)
(Unaudited)

	June 30, 2014	December 31, 2013	January 1, 2013
		(Restated) (Note 4)	(Restated) (Note 4)
ASSETS			
Current assets			
Cash and cash equivalents	$ 5,902	$ 8,470	$ 35,343
Trade receivables and other assets	16,570	5,869	15,155
Inventories (Note 8)	44,381	2,134	-
Restricted cash (Note 9)	125	125	1,608
	66,978	16,598	52,106
Restricted cash (Note 9)	4,130	4,130	4,380
Investments	458	464	263
Property, plant and equipment (Note 10)	412,699	321,641	201,605
Deferred financing costs	-	1,243	2,982
	$ 484,265	$ 344,076	$ 261,336
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities (Note 11)	$ 19,685	$ 16,815	$ 42,954
Financial liabilities - current (Note 12)	61,947	42,033	5,781
	81,632	58,848	48,735
Long-term liabilities			
Financial liabilities – non-current (Note 12)	105,962	92,062	49,807
Asset restoration provision (Note 13)	17,621	12,427	8,617
	123,583	104,489	58,424
	205,215	163,337	107,159
EQUITY			
Share capital (Note 14)	324,812	218,830	195,156
Warrants (Note 15)	6,266	6,266	1,985
Conversion rights on convertible debentures	3,298	3,298	-
Contributed surplus	15,067	14,725	11,160
Accumulated other comprehensive loss	(1,882)	(36)	-
Cumulative deficit	(68,511)	(62,344)	(54,124)
	279,050	180,739	154,177
	$ 484,265	$ 344,076	$ 261,336

Going concern (Note 1)
Commitments and contingency (Note 22)

Approved by the Board of Directors

/s/Robert F. Chase
Director

/s/Ronald F. Hochstein
Director

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

RB Energy Inc.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(All amounts expressed in thousands of Canadian Dollars, except per share data.)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
		(Restated) (Note 4)		(Restated) (Note 4)
Sales revenue	$ 20,145	$ -	$ 25,189	$ -
Costs of sales (Note 17)	17,829	-	22,552	-
Gross profit (loss)	2,316	-	2,637	-
Administration (Note 18)	1,805	2,014	3,571	4,284
Finance costs (Note 19)	627	-	1,398	-
Exploration and project investigation	190	-	699	-
Finance income	(27)	(1,013)	(217)	(1,030)
Other income	(159)	-	(250)	-
Foreign exchange loss (gain)	(1,486)	329	270	472
Impairment of investments	-	-	-	159
	1,366	(1,330)	(2,834)	(3,885)
Arrangement costs (Note 3)	(59)	-	(3,333)	-
Net profit (loss for the period)	1,307	(1,330)	(6,167)	(3,885)
Changes in fair value of available-for-sale investments	(6)	-	(6)	-
Gain (loss) on translation to reporting currency	(1,566)	12	(1,840)	13
Other comprehensive income (loss)	(1,572)	12	(1,846)	13
Comprehensive loss for the period	$ (265)	$ (1,318)	$ (8,013)	$ (3,872)
Basic and diluted income (loss) per common share	$ 0.01	$ (0.01)	$ (0.03)	$ (0.03)
Basic and diluted weighted average number of shares outstanding ('000s)	245,488	120,796	221,986	117,572

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

RB Energy Inc.
Condensed Interim Consolidated Statements of Cash Flow
(All amounts expressed in thousands of Canadian Dollars.)
(Unaudited)

	Three months ended June 30, 2014	Three months ended June 30, 2013 (Restated) (Note 4)	Six months ended June 30, 2014	Six months ended June 30, 2013 (Restated) (Note 4)
Cash flows from (for) Operating activities				
Net profit (loss) for the period	$ 1,307	$ (1,330)	$ (6,167)	$ (3,885)
Add non-cash items				
Depletion, depreciation and amortization	352	81	882	159
Stock-based compensation expense	15	940	371	1,830
Impairment of investments	-	-	-	159
Arrangement costs	-	-	141	513
Unrealized foreign exchange loss (gain)	(579)	331	768	-
Finance expense	276	-	603	-
	1,371	22	(3,402)	(1,224)
Changes in non-cash working capital items				
Trade receivables and other assets	(5,756)	(15)	2,271	(603)
Inventories	10,719	(2,338)	8,048	(2,972)
Accounts payable and other accrued liabilities	(6,276)	(388)	(8,842)	473
	58	(2,719)	(1,925)	(4,326)
Cash flows from (for) financing activities				
Proceeds from stock options exercise	-	100	92	169
Net proceeds from equity financing (Note 14)	20,700	-	20,700	13,398
Net proceeds from drawdown from debt facility	-	-	-	25,000
Net proceeds from issuance of convertible debenture	-	25,371	-	25,371
Deferred financing costs	-	(386)	-	(386)
Repayment of financial liabilities, net	(7,155)	(528)	(10,574)	(1,006)
	13,545	24,557	10,218	62,546
Cash flows from (for) investing activities				
Cash acquired in Arrangement	-	-	34,396	-
Change in restricted cash	-	-	-	1,608
Additions of property, plant and equipment	(23,497)	(35,038)	(45,681)	(77,238)
			(11,285)	(75,630)
Foreign exchange on cash and cash equivalents	748	8	424	44
Decrease in cash and cash equivalents	(9,146)	(13,192)	(2,568)	(17,366)
Cash and cash equivalents, beginning of period	15,048	31,169	8,470	35,343
Cash and cash equivalents, end of period	$ 5,902	$ 17,977	$ 5,902	$ 17,977
Other supplementary information				
Interest paid	$ 4,687	$ 1,385	$ 5,780	$ 2,272

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

RB Energy Inc.
Condensed Interim Consolidated Statements of Changes in Equity
(All amounts expressed in thousands of Canadian Dollars, unless otherwise indicated.)

	Number of Shares Issued and Outstanding (Note 14)	Share Capital	Warrants	Conversion Rights on Convertible Debentures	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total
Balance January 1, 2014	132,810	$ 218,830	$ 6,266	$ 3,298	$ 14,725	$ (36)	$ (62,344)	$ 180,739
Exercise of stock options	217	141	-	-	(49)	-	-	92
Acquisition of Sirocco (Note 3)	97,863	85,141						85,141
Shares issued on equity financing (Note 14)	32,400	20,700	-	-	-	-	-	20,700
Stock-based compensation (Note 16)	-	-	-	-	391	-	-	391
Loss for the period	-	-	-	-	-	-	(6,167)	(6,167)
Loss on translation to reporting currency	-	-	-	-	-	(1,846)	-	(1,846)
Balance June 30, 2014	263,290	$ 324,812	$ 6,266	$ 3,298	$ 15,067	$ (1,882)	$ (68,511)	$ 279,050
Balance January 1, 2013								
(Restated – Note 4)	113,769	$ 195,156	$ 1,985	$ -	$ 11,160	$ -	$ (54,124)	$ 154,177
Exercise of stock options	250	189	-	-	(20)	-	-	169
Shares issued on equity financing	6,849	12,664	734	-	-	-	-	13,398
Stock-based compensation	-	-	-	-	1,856	-	-	1,856
Convertible debenture placement	-	-	-	1,536	-	-	-	1,536
Change in deferred tax liability	-	415	-	(415)	-	-	-	-
Income for the period	-	-	-	-	-	-	(3,885)	(3,885)
Other comprehensive income	-	-	-	-	-	13	-	13
Balance June 30, 2013	120,868	$ 208,424	$ 2,719	$ 1,121	$ 12,996	$ 13	$ (58,009)	$ 167,264

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

1. NATURE OF OPERATIONS AND GOING CONCERN

RB Energy Inc. ("RB Energy" or the "Company"), formerly Canada Lithium Corp. ("Canada Lithium"), is a mining company engaged in the acquisition, exploration, development and operation of mineral properties. The Company's main focuses are the Québec Lithium Project ("Québec Lithium") near Val d'Or, Québec, and the Aguas Blancas iodine mine ("Aguas Blancas") located in the Atacama Desert in northern Chile. It also holds an early-stage exploration project located in Côte d'Ivoire.

RB Energy is a public company listed on the Toronto Stock Exchange. It was continued as a federal corporation under the Canada Business Corporation Act in January 2014 and its registered office is located at Suite 4000, 199 Bay Street, Toronto, Ontario, M5L 1A9, Canada.

At June 30, 2014 the Company had a working capital deficiency of $14.7 million (2013: $42.2 million) and commissioning efforts continue at Québec Lithium, which has yet to generate cash flows from operations. As a result of the acquisition of Sirocco Mining Inc. ("Sirocco") (Note 3), Sirocco's treasury and working capital and cash flow from the iodine operations are now available and have been used to support the commissioning at Québec Lithium, as required. This notwithstanding, the Company anticipates the need for additional external funding to complete commissioning, reach commercial production, and realized positive operating cash flows at Québec Lithium. Management is engaged in discussions with a number of parties, including strategic and other potential investors, towards an injection of funds in the near term, which would allow for longer term financial solutions to be put in place. However, the timing of the completion of Québec Lithium's commissioning, commencement of commercial production and generation of revenues from lithium sales cannot be determined with certainty. While the Company has been successful in generating cash flows through its iodine sales and sourcing the necessary financial resources to date, there can be no assurance that RB Energy will be able to do so in the future, thereby enabling the Company to complete the commissioning of the Québec Lithium Project and to settle debt obligations falling due within the next twelve months. Failure to obtain funding could result in delay or postponement of the commissioning at Québec Lithium and adversely affect the Company's financial condition, liquidity, business and prospects.

Under International Financial Reporting Standards ("IFRS"), the Company is required to disclose factors that give rise to material uncertainties that may lend significant doubt as to the Company's ability to continue as a going concern. Although management is currently working to secure additional financing, there are no assurances that it will be successful. These consolidated financial statements do not include the adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. The adjustments may be material.

2. BASIS OF PRESENTATION

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including IAS 34. The Company has consistently applied the same accounting policies disclosed in Note 3 to the audited consolidated financial statements for the year ended December 31, 2013, except for the changes disclosed in Notes 4, 5 and 6 below, which include a retroactive change to the Company's accounting policy that resulted in a restatement of the consolidated statements of financial position as at December 31, 2013 and January 1, 2013 (Note 4). Certain comparative figures have also been reclassified to conform to the basis of presentation adopted in the current period.

Where considered material to the understanding of these condensed interim consolidated financial statements, additional disclosures relating to the three and six months ended June 30, 2014 are provided in accordance with IFRS, as applicable.

These financial statements were approved for issue by the Company's board of directors on August 14, 2014.

3. CORPORATE TRANSACTION

On December 4, 2013, the Company and Sirocco Mining Inc. ("Sirocco") entered into an agreement to complete a business combination by way of a statutory Plan of Arrangement (the "Arrangement") under the Canada Business Corporations Act. The Arrangement closed on January 31, 2014 at which time:

1. The Company acquired all of the issued and outstanding common shares of Sirocco in exchange for 1.175 common shares of the Company for each outstanding common share of Sirocco (the "Exchange Ratio"). As a result of the Arrangement, the Company issued approximately 294 million common shares on a pre-consolidation basis (representing approximately 98 million common shares on a post-consolidation basis).
2. The Company completed a post-acquisition share consolidation on the basis of one new share for three existing shares (the "Consolidation").
3. Immediately following the Consolidation, the Company and Sirocco amalgamated to form RB Energy, a federal company registered under the Canada Business Corporation Act.
4. Additionally, outstanding options to acquire Sirocco common shares were deemed to be exchanged for options to acquire common shares of the Company, adjusted to reflect the Exchange Ratio and the Consolidation.

Following the Arrangement, RB Energy appointed a new board comprised of four former board members from each of the Company and Sirocco and one additional board member.

Under applicable IFRS, the Arrangement is considered a business combination where the Company was determined to be the acquirer and Sirocco the acquiree for accounting purposes. In accordance with the principles of consolidation, the Company will consolidate the operations of Sirocco on a prospective basis effective February 1, 2014.

The acquisition consideration was in the form of common shares issued by the Company and its acquisition date fair value was determined by reference to the share price on January 31, 2014. In addition, a Sirocco loan to the Company that was extinguished on January 31, 2014 as a result of the Arrangement was netted against the fair value of the common shares issued to Sirocco shareholders as follows:

(in thousands of dollars)	As at January 31, 2014
Common shares	85,141
Loan amount, plus accrued interest	(10,129)
	75,012

The fair value of the net assets of Sirocco has been determined on a preliminary basis as follows:

(in thousands of dollars)	As at January 31, 2014
Cash and cash equivalents	34,396
Receivables and other assets	13,513
Inventories	52,159
Property, plant and equipment	43,224
Accounts payable and accrued liabilities	(9,555)
Bank debt and finance leases	(53,513)
Asset retirement obligations	(5,212)
	75,012

Transaction costs of $3,333,000 were incurred by the Company on legal, accounting and regulatory costs, investment advisory fees and severance costs in relation to the Arrangement and have been expensed in accordance with IFRS.

4. CHANGE IN ACCOUNTING POLICIES

The Company has elected to retroactively change its accounting policy with respect to exploration and evaluation expenditure. Exploration and evaluation expenditure comprises costs which are directly attributable to: researching and analyzing existing exploration data; conducting geological studies, exploratory drilling and sampling; examining and testing extraction and treatment methods; and compiling pre-feasibility and feasibility studies. Exploration and evaluation expenditure also includes the costs incurred in acquiring mining rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

The Company's new accounting policy stipulates that exploration and evaluation expenditures are expensed as incurred except for the costs associated with the acquisition of mineral interests and for costs incurred after management has determined that there is sufficient technical evidence to support the potential for positive economic returns from a deposit. Once a mineral property is considered to be sufficiently advanced and economic potential is identified, all further expenditures for the current year and subsequent years are capitalized as incurred and subsequently amortized on a units of production based on proven and probable reserves of the assets they relate to. These costs include further exploration, costs of maintaining the site until commercial production, mine planning costs, and other development and infrastructure costs. Historically, the Company capitalized all exploration and evaluation expenditures. This change in the Company's accounting policy is considered to be a more relevant and reliable accounting treatment for these costs in the context of the IFRS framework and better aligns with the definition of an asset.

As a result of this retroactive change to its accounting policies, the Company recognized a $18,854,000 decrease to its opening property, plant, and equipment, and an offsetting increase to opening deficit as at January 1, 2013 and 2014. The application of this retroactive change did not result in a restatement of the consolidated statement of consolidated loss and comprehensive loss or the consolidated statement of cash flows for the three and six months ended June 30, 2013.

5. ADOPTION OF NEW ACCOUNTING POLICIES

In addition to accounting policies disclosed in Note 3 to the audited consolidated financial statements for the year ended December 31, 2013, the Company has adopted the following:

a) Acquisitions

The acquisition method of accounting is used to account for acquisitions. The cost of an acquisition is measured as the aggregate fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange.

If the investee constitutes a business, as defined by IFRS, the acquisition is accounted for as a business combination whereby identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of income.

If the investee does not meet the definition of a business, the acquisition is accounted for as an asset acquisition, whereby the cost of the acquisition is allocated between the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. No goodwill can be recognized in an asset acquisition.

b) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief executive officer and executive management (the chief operating decision-makers who are responsible for allocating resources and assessing performance of the operating segments).

The Company's primary reporting segments are based on individual mining projects or operations, being Québec Lithium and the Aguas Blancas mine, with all other operations, including the Canadian corporate head office, falling into a third reportable operating segment. The Canadian corporate office provides support to the mining and exploration activities with respect to treasury and finance, technical support, regulatory reporting and corporate administration.

c) Foreign currency translation

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of the parent company and Québec Lithium Inc., which holds Québec Lithium, is the Canadian dollar. The functional currency of the Company's subsidiary which owns and operates the Aguas Blancas mine is the US dollar. The consolidated financial statements are presented in Canadian dollars.

The results and financial position of the subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a) Assets and liabilities for each balance sheet presented are translated using the exchange rate prevailing at the date of that balance sheet.
b) Income and expenses for each income statement are translated at average exchange rates (unless this 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).
c) All resulting exchange differences are recognized as a separate component of equity and in other comprehensive income.

d) Property, plant and equipment

Depreciation of the iodine plant facilities is calculated using the unit of production method, based on proven and probable reserves, to allocate its cost less its residual value over its estimated useful life.

e) Trade receivables

Trade receivables are amounts due from customers for iodine sold in the normal course of business.

f) Revenue recognition

Revenue represents the fair value of the consideration received or receivable derived from the sales of goods in the ordinary course of business. Sales revenue is shown net of export expenses, freight and insurance.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when the significant risks and rewards of ownership passes to the customer.

6. APPLICATION OF NEW ACCOUNTING STANDARDS

The Company has adopted IFRC 21, Levies, which is effective for annual periods beginning on or after January 1, 2014. The Company has determined that the adoption of this standard has not resulted in a material impact on its consolidated financial statements. The following is a brief summary of the new standard:

IFRIC 21, Levies

IFRIC 21 addresses when an entity recognizes a liability to pay a government levy, other than income taxes, in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets.* In the case of government levies, IFRIC 21 provides clarity that the obligating event that gives rise to the liability is the activity described in the applicable legislation which triggers the payment of the levy.

7. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in applying the Company's accounting policies. These judgments and estimates are based on management's best knowledge of the relevant facts and circumstances taking into account previous experience, but actual results may differ from amounts included in the financial statements.

In addition to those described in Note 3c to the audited consolidated financial statements for the year ended December 31 ,2013, areas of judgement that have the most significant effect on the amounts recognized in the interim consolidated financial statements are:

Acquisition accounting – The Company has accounted for the Arrangement as a business combination. Significant judgment and estimates were required to determine that the application of this accounting treatment was appropriate for the Arrangement. These included, among others, the determination that the Company is the acquirer in the business combination, the basis for the calculation of the fair value of the consideration transferred and the estimate of the fair value of the net assets acquired.

8. INVENTORIES

	In thousands of Canadian dollars,	
	June 30, 2014	**December 31, 2013**
Iodine prills (product ready for sale)	22,234	-
Iodine on heap leach and in process	11,009	-
Total iodine inventory	33,243	-
Ore stockpiles (pegmatite)	751	1,215
Parts, supplies, and consumables	10,387	919
Total inventories	44,381	2,134

9. RESTRICTED CASH

As at June 30, 2014, the Company had short term restricted cash of $125,000 comprised of cash deposit with a major Canadian bank to secure charges made against its corporate credit cards (2013: $125,000).

The Company also had long term restricted cash of $4,129,621 (2013: $4,129,621) including the following:

a) A $3,876,420 (2013: $3,876,420) cash-backed standby letter of credit for the construction of high voltage power infrastructure at Québec Lithium.
b) A $215,213 (2013: $215,213) cash bond to cover the cost of a legal claim made against the Company.
c) A $25,000 (2013: $25,000) letter of guarantee secured by a guaranteed investment certificate to the Ontario Government relating to a resource property formerly held by the Company.

10. PROPERTY, PLANT AND EQUIPMENT

	In thousands of Canadian dollars						
					Construction in progress		
Cost	**Mineral properties**	**Iodine plant facilities**	**Mine and mobile equipment**	**Furniture and office equipment**	**Iodine plant facilities**	**Lithium carbonate plant**	**Total**
As at January 1, 2013	5,370	-	15,063	529	-	181,746	202,708
Additions	18,482	-	4,801	127	-	99,115	122,525
As at December 31, 2013	23,852	-	19,864	656	-	280,861	325,233
Assets acquired in Arrangement (Note 3)	1,650	20,470	12,538	509	8,057	-	43,224
Additions	8,926	-	59	15	2,297	40,473	51,770
Effects of foreign exchange on translation to presentation currency	(66)	(814)	(499)	(7)	(379)	-	(1,765)
As at June 30, 2014	34,362	19,656	31,962	1,173	9,975	321,334	418,462
Accumulated depreciation							
As at January 1, 2013	-	-	1,017	85	-	-	1,102
Depreciation and depletion	-	-	2,284	206	-	-	2,490
As at December 31, 2013	-	-	3,301	291	-	-	3,592
Depreciation and depletion	23	199	1,832	135	-	-	2,189
Effects of foreign exchange on translation to presentation currency	(1)	(5)	(12)	-	-	-	(18)
As at June 30, 2014	22	194	5,121	426	-	-	5,763
Net book amount							
As at December 31, 2013	23,852	-	16,563	365	-	280,861	321,641
As at June 30, 2014	34,340	19,462	26,841	747	9,975	321,334	412,699

Depreciation of mineral properties and of the lithium carbonate plant under construction at Québec Lithium will start upon completion of plant commissioning and commencement of commercial production. Depreciation of the iodine plant expansion will commence when the expansion is completed and put in use.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	In thousands of Canadian dollars	
	June 30, 2014	**December 31, 2013**
Trade payables	12,485	11,524
Unbilled goods and services	4,948	4,185
Payroll obligations	2,067	1,106
Interest payable	185	-
Total	19,685	16,815

12. FINANCIAL LIABILITIES

	In thousands of Canadian dollars	
	June 30, 2014	**December 31, 2013**
Current		
Senior debt facility	19,593	23,379
Export credit facilities	25,448	-
Bank term loans	4,752	-
Finance lease liabilities	6,290	3,091
Cash advance from customer	5,864	5,524
Loan from Sirocco (Note 3)	-	10,039
	61,947	42,033
Non-current		
Senior debt facility	47,553	45,538
Export credit facilities	471	-
Bank term loans	9,502	-
Finance lease liabilities	10,465	9,365
Convertible debentures	36,470	35,756
Royalties payable	1,501	1,403
	105,962	92,062
Total financial liabilities	167,909	134,095

a) Senior debt facility

The Company has a $72,000,000 bank debt facility secured against the assets of the Company, other than the assets acquired from Sirocco in the Arrangement (Note 3). The debt facility is supported by a financial guarantee from a third party.

On March 26, 2014, RB Energy reached an agreement with the banking syndicate to revise the repayment schedule of the outstanding debt. According to the amendment, the Company's quarterly repayments in 2014 were reduced to a total amount of $11,400,000, compared to $24,300,000 prior to the amendment, with the difference allocated to subsequent quarterly repayments up to the facility maturity.

The debt facility matures on March 31, 2017 and bears interest and fees of 8.0% per annum. During the three and six month ended June 30, 2014, interest expenses of $1,607,000 and $3,440,000, respectively (2013: $1,881,000 and $3,762,000, respectively) and guarantee fees of $592,000 and $1,192,000, respectively (2013: $682,000 and $1,343,000) were capitalized to construction in progress.

The outstanding debt facility balance is recorded at amortized cost of $67,146,000 (2013: $68,917,000) at June 30, 2014, of which $19,593,000 (2013: $23,379,000) is due for repayment within the next twelve months.

b) Export credit facilities and term bank loans

All export credit facilities and term bank loans are unsecured and held through Atacama Minerals Chile SCM ("AAM Chile"), the wholly-owned subsidiary acquired in the Arrangement that holds Aguas Blancas.

Loans drawn under the export credit facilities mature between July 2014 and September 2015 and have interest rates ranging from 1.98% to 3.84%. They consist mainly of pre-export financing facilities that can be rolled over depending on the short-term cash requirements of the Company. Negotiations are currently in progress with the lending institutions with respect to renewal of certain export credit facilities which will be maturing in the coming months.

The bank term loans total US$13.4 million and relate to the Company's capital expansion projects at Aguas Blancas. They bear interest at the quarterly US LIBOR rate plus 2.65% and 2.80%, mature in 2017 and are repayable in equal semi-annual or quarterly instalments.

c) Finance lease liabilities

Finance leases are repayable by June 2018 and have interest rates ranging from 0.99% to 8.75%. Accrued interest on the leases outstanding at June 30, 2014 was $nil (2013: $nil). The leases are secured by the related equipment.

The net book value of equipment under finance lease at June 30, 2014 was $23.0 million (2013: $15.4 million)

d) Cash advance from customer

In August 2013, a total of US$5,000,000 was advanced to the Company by an off-take partner against future delivery of finished products from Québec Lithium. The advance carries a simple interest of 12% calculated on a monthly basis.

e) Loan from Sirocco

On December 4, 2013, in connection with the Arrangement (see Note 3), Sirocco agreed to loan up to $10 million to the Company under a loan agreement between the two companies ("the Loan Agreement"). The Company issued a drawdown notice and borrowed the full amount under the Loan Agreement on December 17, 2013.

On January 31, 2014, the loan principal and all accrued interest at the time was extinguished as a result of the amalgamation of Sirocco into the Company.

f) Convertible debentures

The convertible debentures are comprised of 27,556 and 15,850 convertible unsecured subordinated debentures with a par value of $1,000 and US$1,000, respectively, and pay a coupon of 11.0% per annum, payable semi-annually. They were issued May 15, 2013 and July 3, 2013 and will mature on June 30, 2018 and July 31, 2018 respectively. The debentures are convertible at the holder's option into common shares of the Company at any time prior to the earlier of the maturity date and the business day immediately preceding the date fixed for redemption of the debentures. As a result of the Consolidation (Note 3), the debentures are convertible at a conversion price of $2.16 per common share, being a ratio of 462.96 common shares per $1,000 principal amount of debentures. The debentures are not redeemable before June 30, 2016.

Subject to specified conditions and applicable regulatory approval, the Company may elect, from time to time, to satisfy its obligation to pay interest on the debentures, on the date it is payable (i) in cash; (ii) by delivering sufficient common shares of the Company to a designee of a holder of debentures, for sale, to satisfy the interest obligations in accordance with the debenture purchase agreement in which event holders of the debentures will be entitled to receive a cash payment equal to the interest payable from the proceeds of the sale of such common shares; or (iii) any combination of (i) and (ii) above.

The convertible debentures are compound financial instruments consisting of the debt instrument and the equity conversion feature. The debt instrument was recorded at amortized cost using the effective interest method at a discount rate of 15.0%. The excess of the gross proceeds over the value assigned to the debt instrument was allocated as the fair value of the equity component of the convertible debenture.

During the three and six month ended June 30, 2014, interest expenses of $1,579,000 and $3,149,000, respectively (2013: $446,000 and $446,000, respectively) were capitalized to construction in progress.

As at June 30, 2014, 27,496 of the May 15, 2013 and all of the July 3, 2013 convertible debentures remain unconverted.

g) Royalties payable

As part of the consideration for the guarantee noted in Note 12(a), the Company agreed to royalty payments to the guarantor based on the revenues from Québec Lithium using a graduated scale of achieved lithium sale prices beginning March 31, 2017 until the end of the mine life. The royalties payable of $1,501,000 as at March 31, 2014 (2013: $1,403,000) represents the estimated future payment of royalties discounted to its present value at the effective interest rate of the debt facility.

13. RESTORATION PROVISIONS

The Company has provided for closure, restoration and environmental rehabilitation costs, which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas, in the financial period when the related environmental disturbance occurs. The Company has restoration and remediation obligations as follows:

	In thousands of Canadian dollars		
	Québec Lithium	**Aguas Blancas**	**Total**
As at January 1, 2013	8,617	-	8,617
Impact of changes to estimated amount and timing of payments	3,810	-	3,810
As at December 31, 2013	12,427	-	12,427
Liability assumed in Arrangement (Note 3)	-	5,212	5,212
Accretion	78	115	193
Effects of foreign exchange on translation to presentation currency	-	(211)	(211)
As at June 30, 2014	12,505	5,116	17,621

Reclamation at Québec Lithium and Aguas Blancas are expected to begin at the end of the respective mine lives, which are 2027 and 2028.

14. SHARE CAPITAL

The authorized share capital of the Company consists of an unlimited number of common shares, with no par value.

As a result of the Consolidation (see Note 3), all information pertaining to shares, warrants, stock options, and conversion rights on convertible debentures presented in these financial statements has been adjusted retroactively, as necessary, to reflect the three for one reverse share split. Basic and diluted loss per common share has also been adjusted for the Consolidation.

On May 21, 2014, RB Energy closed a bought-deal equity financing for the issuance of 32.4 million common shares at a price of $0.68 per share for gross proceeds of $22,032,000. Share issue costs of $1,332,000 were incurred in connection with the bought-deal equity financing, and the Company received net proceeds of $20,700,000.

15. WARRANTS

The Company's issued and outstanding share purchase warrants are as follows:

	Number of warrants (In thousands)	Weighted average exercise price (CDN$)
Outstanding at January 1, 2013	1,366	$4.43
Granted	8,912	$1.90
Outstanding at December 31, 2013	10,278	$2.24
Outstanding at June 30, 2014	10,278	$2.24
Exercisable at June 30, 2014	8,944	$1.90

Each share purchase warrant entitles the holder to purchase one common share of the Company. The weighted average remaining contractual life of outstanding and exercisable share purchase warrants at June 30, 2014 is 1.95 years and 1.75 years, respectively.

16. STOCK OPTIONS

a) Stock option plan

The Company has a common share purchase option plan (the "Plan") for directors, officers, consultants and employees. The maximum number of shares available under the Plan is 10% of the outstanding common shares at the end of the period. Vesting periods and the terms of the options are determined at the discretion of the Board of Directors of the Company. Options are granted at a price no lower than the market price of the common shares at the date of grant.

Stock-based compensation relating to employees directly involved at Québec Lithium for the three and six months ended June 30, 2014 was $8,000 (2013: $13,000) and $17,000 (2013: $26,000) , respectively, which has been capitalized in property, plant and equipment. In addition, stock-based compensation of $18,000 (2013: $940,000) and $374,000 (2013: $1,830,000) has been allocated to Administration Expenses, for total stock-based compensation of $26,000 (2013: $953,000) and $391,000 (2013: $1,856,000) for the respective periods.

b) Stock options outstanding

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Number of shares (In thousands)	Weighted average exercise price (CDN$)
Outstanding at January 1, 2013	8,802	1.62
Granted	575	1.86
Exercised	(250)	0.69
Cancelled or forfeited	(162)	1.41
Outstanding at December 31, 2013	8,965	1.68
Sirocco options replaced by the Company on Arrangement (Note 3)	4,411	2.27
Exercised	(217)	0.45
Cancelled or forfeited	(542)	1.12
Outstanding at June 30, 2014	12,617	1.93
Exercisable at June 30, 2014	12,617	1.93

During the period ended June 30, 2014, 217,000 options were exercised at a weighted average share price of CDN $0.98 per share.

The following summarizes information about the stock options outstanding and exercisable at June 30, 2014:

	Outstanding and exercisable options		
Exercise prices (CDN$)	Number of options outstanding (In thousands)	Weighted average remaining contractual life (Years)	Weighted average exercise price (CDN$)
$1.20 – 1.41	3,700	2.51	1.34
$1.56 – 1.89	2,211	0.85	1.68
$1.95 – 2.10	3,368	2.88	1.99
$2.52 – 2.68	3,338	0.72	2.67
	12,617	1.85	1.93

17. COSTS OF SALES

In thousands of Canadian. dollars

	Three months ended June 30,		Six months ended June 30,	
	2014	**2013**	**2014**	**2013**
Power	1,149	-	1,946	-
Labour	2,002	-	3,854	-
Repairs and maintenance	1,601	-	2,789	-
Materials and supplies	2,334	-	3,787	-
Depreciation	260	-	704	-
Change in inventory	9,883	-	8,448	-
Production support	558	-	949	-
Other	42	-	75	-
Total costs of sales	17,829	-	22,552	-

18. ADMINISTRATION EXPENSES

In thousands of Canadian. dollars

	Three months ended June 30,		Six months ended June 30,	
	2014	**2013**	**2014**	**2013**
Salaries and benefits	450	559	1,001	1,139
Stock-based compensation (Note 16a)	18	940	374	1,830
Management fees	259	-	469	-
Professional fees	316	36	352	307
Travel and promotion	204	169	508	276
Depreciation	90	81	179	159
Office and general expenses	468	229	688	573
Total administration expenses	1,805	2,014	3,571	4,284

19. FINANCE COSTS

	In thousands of Canadian dollars			
	Three months ended June 30,		**Six months ended June 30,**	
	2014	**2013**	**2014**	**2013**
Interest expenses	519	-	1,205	-
Accretion on restoration provision (Note 13)	108	-	193	-
Total finance costs	627	-	1,398	-

20. RELATED PARTY TRANSACTIONS

a) Related parties expenses

The Company incurred the following expenses with Namdo Management Services Limited ("Namdo"), Bofill Mir & Alavarez Jana Abogados Ltda ("BMAJAL"), Hugh Stuart Exploration Consulting Ltd. ("HSEC"), and Muru Consultants Inc. ("Muru"), companies related by way of directors, officers and shareholders in common.

		In thousands of Canadian dollars			
		Three months ended June 30,		**Six months ended June 30,**	
	Related party	**2014**	**2013**	**2014**	**2013**
Management fees	Namdo	120	-	200	-
Legal fees	BMAJAL	-	-	40	-
Consulting fees	Muru	79	-	129	-
Exploration services	HSEC	143	-	143	-
Total related parties expenses		342	-	512	-

b) Related party income

Included in other income are management, administrative and technical service fees charged to Orca Gold Inc. ("Orca"), a company related by way of directors, officers and shareholders in common. For the three and six months ended June 30, 2014 these fees were $119,000 (2013: $nil) and $199,000 (2013: $nil).

c) Due from (to) related parties

The receivables (accounts payables) of the Company include the following amounts due from (to) related parties:

	In thousands of Canadian dollars	
	June 30, 2014	**December 31, 2013**
Namdo	(42)	-
HSEC	(12)	-
Muru	(83)	
Orca	8	-

d) Key management compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel includes the Company's executive officers and vice-presidents. The remuneration of key management personnel were as follows:

	In thousands of Canadian dollars			
	Three months ended June 30,		**Six months ended June 30,**	
	2014	**2013**	**2014**	**2013**
Salaries and management fees	271	299	546	599
Termination payments	-	-	1,160	-
Short term benefits	8	4	13	7
Stock-based compensation	-	865	126	1,681
Total key management compensation	279	1,168	1,845	2,287

21. SEGMENT INFORMATION

Following the Sirocco acquisition (Note 3), RB Energy's business consists of two operating units: iodine and lithium. The Company's chief operating decision makers review the operating results, assess performance and make capital allocation decisions for each of these two business operating units. Therefore, the Company's reportable operating segments consist of its iodine and lithium operations. The following is select information in regards to the reportable operating segments:

In thousands of Canadian dollars

Three months ended June 30,		Aguas Blancas, Chile	Québec Lithium, Canada	Other[1]	Total
2014	Sales revenue	20,145	-	-	20,145
	Costs of sales	17,829	-	-	17,829
	Gross profit	2,316	-	-	2,316
	Administration	175	79	1,551	1,805
	Finance costs	418	209	-	627
	Exploration and project investigation	97	-	93	190
	Finance income	-	(14)	(13)	(27)
	Other loss (income)	39	-	(198)	(159)
	Foreign exchange loss (gain)	43	(1,537)	8	(1,486)
	Transaction costs	-	-	59	59
	Net profit (loss) for the period	1,544	1,263	(1,500)	1,307
2013	Administration	-	291	1,723	2,014
	Finance income	-	-	(1,013)	(1,013)
	Foreign exchange loss (gain)	-	337	(8)	329
	Net loss for the period	-	(628)	(702)	(1,330)

(1) "Other" reflects expenses incurred and income earned at head office

In thousands of Canadian dollars

Six months ended June 30,		Aguas Blancas, Chile	Québec Lithium, Canada	Other[1]	Total
2014	Sales revenue	25,189	-	-	25,189
	Costs of sales	22,552	-	-	22,552
	Gross profit	2,637	-	-	2,637
	Administration	175	303	3,093	3,571
	Finance costs	905	402	91	1,398
	Exploration and project investigation	369	-	330	699
	Finance income	-	(172)	(45)	(217)
	Other income	(22)	-	(228)	(250)
	Foreign exchange loss	58	156	56	270
	Transaction costs	-	250	3,083	3,333
	Net profit (loss) for the period	1,152	(939)	(6,380)	(6,167)
2013	Administration	-	699	3,585	4,284
	Finance income	-	-	(1,030)	(1,030)
	Foreign exchange loss (gain)		477	(5)	472
	Impairment of investments	-	-	159	159
	Net loss for the period	-	(1,176)	(2,709)	(3,885)

(1) "Other" reflects expenses incurred and income earned at head office

In thousands of Canadian dollars

June 30, 2014	Aguas Blancas, Chile	Québec Lithium, Canada	Other[1]	Total
Cash and cash equivalents	1,823	1,458	2,621	5,902
Trade receivables and other assets	12,822	3,104	644	16,570
Inventories	42,396	1,985	-	44,381
Restricted cash	-	40	85	125
	57,041	6,587	3,350	66,978
Restricted cash	-	3,876	254	4,130
Investments	-	-	458	458
Property, plant and equipment	42,739	369,606	354	412,699
	99,780	380,069	4,416	484,265
Accounts payable and accrued liabilities	4,560	13,263	1,862	19,685
Financial liabilities - current	33,343	28,604	-	61,947
	37,903	41,867	1,862	81,632
Financial liabilities – current	12,702	93,260	-	105,962
Asset restoration provision	5,116	12,505	-	17,621
	55,721	147,632	1,862	205,215

(1) "Other" reflects head office assets and liabilities

In thousands of Canadian dollars

December 31, 2013	Aguas Blancas, Chile	Québec Lithium, Canada	Other[1]	Total
Cash and cash equivalents	-	2,464	6,006	8,470
Trade receivables and other assets	-	4,718	1,151	5,869
Inventories	-	2,134	-	2,134
Restricted cash	-	40	85	125
	-	9,356	7,242	16,598
Restricted cash	-	3,877	253	4,130
Investments		-	464	464
Property, plant and equipment	-	321,577	64	321,641
Deferred financing costs	-	-	1,243	1,243
	-	334,810	9,266	344,076
Accounts payable and accrued liabilities	-	13,885	2,930	16,815
Financial liabilities - current	-	31,994	10,039	42,033
	-	45,879	12,969	58,848
Financial liabilities – current	-	92,062	-	92,062
Asset restoration provision	-	12,427	-	12,427
	-	150,368	12,969	163,337

(1) "Other" reflects head office assets and liabilities

22. COMMITMENTS AND CONTINGENCY

At June 30, 2014, the Company has commitments with respect to the ongoing capital improvements at Québec Lithium totaling $5.1 million (2013: $nil).

On April 11, 2011, the Company announced a proposed class action lawsuit that has been commenced in the Ontario Superior Court of Justice against the Company, its directors and certain officers relating to a mineral resource estimate for Québec Lithium that was announced by the Company on October 28, 2010 and incorporated into various disclosure documents from October 28, 2010 to February 28, 2011. In August 2013, an order was issued by the court, on consent by the Company, providing for certification of the proceeding as a class action on an agreed set of common issues that narrowed the scope of the claims to be pursued on behalf of the plaintiff class. It is not possible at this time to assess the Company's potential liability, if any.

RB ENERGY INC

CORPORATE DIRECTORY

OFFICERS
Kerry Knoll
Chairman of the Board
Richard Clark
President
Chief Executive Officer
Alessandro Bitelli
Chief Financial Officer
Kevin Ross
Chief Operating Officer
Environmental, Health & Safety Committee
Hugh Stuart
Vice President Exploration
Brendan Pidcock
Vice President Mining
Kathy Love
Corporate Secretary

DIRECTORS
Kerry Knoll
Compensation Committee
Peter Secker
Environmental, Health & Safety Committee
Ian McDonald
Corporate Governance and Nominating Committee
Stéphane Bertrand
Audit Committee
Richard Clark
Compensation Committee
Ron Hochstein
Lead Director
Audit Committee
Environmental, Health & Safety Committee
Pablo J. Mir
Corporate Governance and Nominating Committee
Robert F. Chase
Audit Committee
L. Simon Jackson
Compensation Committee
Corporate Governance and Nominating Committee

AUDITORS
PricewaterhouseCoopers, LLP
Toronto, Ontario and Vancouver, British Columbia, Canada

LEGAL COUNSEL
Blake Cassels & Graydon LLP
Vancouver, British Columbia, Canada

CORPORATE OFFICE
Suite 2000 - 885 West Georgia Street
Vancouver, British Columbia
Canada V6C 3E8
Telephone: (604) 689-7842
Fax: (604) 689-5452

REGISTERED OFFICE
Blake Cassels & Graydon LLP
Suite 4000, 199 Bay Street
Commerce Court West,
Toronto, Ontario
Canada M5L 1A9

RECORDS OFFICE
Blake Cassels & Graydon LLP
2600 - 595 Burrard Street
Vancouver, British Columbia
Canada V7X 1L3

REGISTRAR AND TRANSFER AGENT
TMX Equity Transfer Services
Toronto, Ontario and Vancouver British Columbia Canada

SHARE LISTING
Toronto Stock Exchange
Symbol: RBI
CUSIP No.: 74932L101
ISIN: CA74932L1013
OTCQX: RBEIF