

## ORBITE ALUMINAE

TSX:ORT;OTCQX:EORBF:\$2.88 - SPECULATIVE BUY

12 MONTH TARGET PRICE : \$8.00 | PROJECTED RETURN: 178%

Luisa Moreno, PhD

416-933-3352

luisa.moreno@europac.ca

## A CLEAN BREAK

### EVENT – INITIATING COVERAGE

We are initiating coverage on Orbite Aluminae Inc. with a *Speculative Buy* recommendation and a target price of \$8.00/share. A full-length report titled “A Clean Break” will be available later today.

### INVESTMENT OPINION – A LEADING METAL PRODUCER

**A lowest costs producer:** Orbite is poised to become the lowest cost producer of high purity alumina and one of the lowest cost producers of smelter grade alumina.

**Strong technical team:** We believe that Orbite has assembled a team of world renowned engineers in the field of chemical processing and is on track to develop the world’s first toxic-waste-free alumina refinery.

**Strong partnerships:** Orbite is in the process of securing a partnership with the world’s largest producer of aluminum AC Rusal, and India’s top aluminum producer Nalco.

**The first heavy rare earth producer:** Orbite could become the first producer of individually refined heavy rare earths, and the leading producer of scandium.

**Robust business model:** Despite the high demand forecast for HPA, our growth assumptions for the HPA segment are conservative. More than 8 SGA plants will be required to satisfy Quebec’s current demand for alumina but, as per the PEA, we only model one SGA Plant. In addition, our target price does not account for the potential licensing revenue from agreements with Rusal and Nalco. Orbite is building a robust and diversified metal business.

### ACTION – GOOD ENTRY POINT

Orbite is less than 6-months away from proving the viability of its disruptive technology. The company has a number of immediate catalysts that, market permitting, should drive the stock to record highs.

### VALUATION – STRONG GROWTH POTENTIAL

Orbite is trading at a forward EV/(2015)EBITDA multiple of ~1.5x, our estimated 2015 EV/EBITDA is 6.5x. In the next 6-12 months, as the technology risk further decreases and the volatility of the stock falls, WACC should also fall, granting the company much higher valuations. If we apply the industry beta to our WACC calculations, WACC falls to 9.6% yielding a \$14 target price.

#### MARKET DATA AS OF 17/09/2012 (\$M except per share data)

Market Cap	\$518.78
Net Debt	-\$57.89
Cash & Short Term Investments	\$60.24
Debt	\$2.35
Enterprise Value	\$460.90
Basic S/O (M)	180.13
Fully Diluted (M)	207
Avg Daily Volume (3mo, k)	734
52 Week Range	\$3.81 - \$1.28

#### KEY FINANCIAL METRICS

\$000s	2013F	2014F	2015F	2016F	2017F
Revenue	68,250	121,371	526,959	557,073	557,825
EBITDA	38,955	74,130	325,536	342,564	343,872
EBIT	36,674	60,403	295,630	312,059	312,758
EPS	0.16	0.07	0.82	0.89	0.93
FCFPS	-1.33	-1.66	0.59	0.89	0.96

#### PRODUCTION ESTIMATES

tonnes	2013F	2014F	2015F	2016F	2017F
Alumina HPA	1,050	1,750	1,750	1,750	1,750
Alumina SGA	-	-	493,658	531,766	531,766
Ferric Oxide	-	-	175,799	189,370	189,370
Scandium	-	-	28	30	30
Gallium	-	-	89	95	95
Magnesium	-	-	32,196	34,682	34,682
Silica	-	-	1,133,233	1,220,714	1,220,714
REO	-	-	813	875	875

#### VALUATION

	2013F	2014F	2015F	2016F	2017F
EV/EBITDA	45.8x	29.8x	6.5x	5.7x	5.2x
ROIC	8.5%	6.3%	25.4%	25.5%	25.1%
P/E	50.8x	111.4x	9.7x	8.9x	6.5x
P/S	23.3x	14.5x	3.3x	3.2x	3.2x

#### COMPANY DESCRIPTION

Orbite Aluminae Inc. engages in the exploration and development of mineral deposits in Quebec, Canada. It owns 100% mining rights in the Grande-Vallee property, an aluminous clay deposit that consists of 115 claims covering an area of 6,441 hectares located to the northeast of Murdochville in the Gaspé region. The company was formerly known as Exploration Orbite VSPA Inc. and changed its name to Orbite Aluminae Inc. in October 2011. Orbite Aluminae Inc. is headquartered in Saint-Laurent, Canada.

#### KEY RISKS

Process Integration

Commodity prices

Energy costs

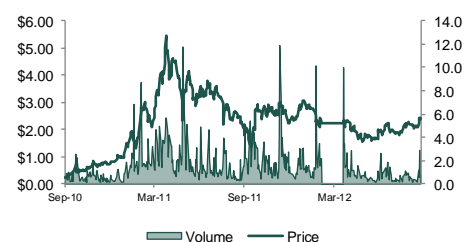
#### UPCOMING EVENTS/CATALYSTS

HPA production in 1Q2013

SGA feasibility study

Definitive JV Agreement

#### SHARE PRICE/TRADING VOLUME CHART



**EURO PACIFIC CANADA INC. RESEARCH DISCLOSURES**

**ANALYST CERTIFICATION**

**Company:** COMPANY NAME

**Ticker:** TSX:ORT

I, Lusía Moreno, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities or issuers. I also certify that I have not, am not, and will not receive, directly or indirectly, compensation in exchange for expressing the specific recommendations or views in this report.

**COMPANY SPECIFIC DISCLOSURES**

Is this an issuer related or industry related publication?	Issuer
Does the Analyst or any member of the Analyst's household have a financial interest in the securities of the subject issuer? If Yes: 1) Is it a long or short position? NA; and, 2) What type of security is it? NA	No
Does the Analyst or household member serve as a Director or Officer or Advisory Board Member of the issuer?	No
Does Euro Pacific Canada Inc. or the Analyst have any actual material conflicts of interest with the issuer?	No
Does Euro Pacific Canada Inc. and/or one or more entities affiliated with Euro Pacific Canada Inc. beneficially own common shares (or any other class of common equity securities) of this issuer which constitutes more than 1% of the presently issued and outstanding shares of the issuer?	No
During the last 12 months, has Euro Pacific Canada Inc. provided financial advice to and/or, either on its own or as a syndicate member, participated in a public offering, or private placement of securities of this issuer?	No
During the last 12 months, has Euro Pacific Canada Inc. received compensation for having provided investment banking or related services to this Issuer?	No
Has the Analyst had an onsite visit with the Issuer within the last 12 months?	Yes
Has the Analyst been compensated for travel expenses incurred as a result of an onsite visit with the Issuer within the last 12 months?	No
Has the Analyst received any compensation from the subject company in the past 12 months?	No
Is Euro Pacific Canada Inc. a market maker in the issuer's securities at the date of this report?	No

**U.K. DISCLOSURES**

This research report was prepared by Euro Pacific Canada Inc., a member of the Investment Industry Regulatory Organization of Canada and the Canadian Investor Protection Fund

EURO PACIFIC CANADA INC. IS NOT SUBJECT TO U.K. RULES WITH REGARD TO THE PREPARATION OF RESEARCH REPORTS AND THE INDEPENDENCE OF ANALYSTS.

The contents hereof are intended solely for the use of, and may only be issued or passed onto persons described in part VI of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001. This report does not constitute an offer to sell or the solicitation of an offer to buy any of the securities discussed herein.

**U.S. DISCLOSURES**

This research report was prepared by Euro Pacific Canada Inc., a member of the Investment Industry Regulatory Organization of Canada and the Canadian Investor Protection Fund.

This report does not constitute an offer to sell or the solicitation of an offer to buy any of the securities discussed herein.

Euro Pacific Canada Inc. is not registered as a broker-dealer in the United States. The firm that prepared this report may not be subject to U.S. rules regarding the preparation of research reports and the independence of research analysts.