



Condensed Interim Financial Statements of
(unaudited)

ORBITE TECHNOLOGIES INC.
(Formerly known as Orbite Aluminae Inc.)

(A development stage company)

For the first quarter ended March 31, 2016

ORBITE TECHNOLOGIES INC.
Condensed Interim Financial Statements
(unaudited)

For the first quarter ended March 31, 2016

Financial Statements

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

ORBITE TECHNOLOGIES INC.**Condensed Interim Statements of Financial Position
(unaudited)**

	March 31, 2016	December 31, 2015
Assets		
Current assets:		
Cash	\$ 1,729,282	\$ 1,722,746
Short-term investments	878,050	874,565
Restricted cash	3,896,034	4,151,942
Sales taxes and other receivables	1,375,092	1,462,074
Current income and mining taxes recoverable	1,760,700	1,760,700
Investment tax credits and other governmental assistance receivable	16,200,073	12,837,443
Inventory	244,096	244,096
Prepaid expenses and others	1,304,289	1,599,381
Total current assets	27,387,616	24,652,947
Non-current assets:		
Property, plant and equipment (note 3)	108,571,712	99,409,695
Patents and others	1,904,159	1,769,673
Exploration and evaluation assets	17,051,757	17,044,498
Total non-current assets	127,527,628	118,223,866
Total assets	\$ 154,915,244	\$ 142,876,813
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 13,039,342	\$ 8,070,882
Short-term loans (note 4)	11,626,975	11,767,784
Long-term debt (note 6)	1,608,227	549,619
Derivative financial instruments (note 10)	174,418	108,268
Total current liabilities	26,448,962	20,496,553
Non-current liabilities:		
Convertible debentures liability (note 5)	1,435,866	112,573
Long-term debt (note 6)	14,652,207	16,421,712
Deferred income and mining tax liabilities	2,372,460	2,372,460
Total non-current liabilities	18,460,533	18,906,745
Equity		
Share capital and warrants (note 7)	191,531,303	183,537,658
Contributed surplus	17,802,516	17,576,387
Deficit	(99,328,070)	(97,640,530)
Total equity attributable to equity holders of the Company	110,005,749	103,473,515
Commitment (note 11), Subsequent events (note 13), Going concern (note 2)		
Total liabilities and equity	\$ 154,915,244	\$ 142,876,813

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

ORBITE TECHNOLOGIES INC.**Condensed Interim Statements of Comprehensive Loss
(unaudited)**

	Three months ended	
	March 31, 2016	March 31, 2015
Expenses		
Research and development charges, net of investment tax credits and other governmental assistance of \$3,048 (2015 - \$21,486)	\$ 460,244	\$ 383,179
General and administrative charges	1,545,361	1,206,431
HPA plant operations	1,128,132	1,057,341
Other income	(500,000)	(202,950)
Loss before net finance expense (income) and income and mining taxes	2,633,737	2,444,001
Net finance expense (income) (note 8)	(946,197)	242,122
Net loss and comprehensive loss	\$ 1,687,540	\$ 2,686,123
Basic and diluted net loss per share	\$ 0.00	\$ 0.01
Weighted average number of shares outstanding	400,837,667	320,795,551

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

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

	Number of shares	Share capital and warrants	Contributed surplus	Deficit	Total
Balance at December 31, 2015	385,328,049	\$ 183,537,658	\$ 17,576,387	\$ (97,640,530)	\$ 103,473,515
Share-based payments	-	-	161,567	-	161,567
Warrants issued (note 7)	-	-	136,141	-	136,141
Exercise of warrants (note 7)	2,200,000	1,037,579	(71,579)	-	966,000
Convertible debentures conversion (note 5)	25,893,505	6,956,066	-	-	6,956,066
Comprehensive loss	-	-	-	(1,687,540)	(1,687,540)
Balance at March 31, 2016	413,421,554	\$ 191,531,303	\$ 17,802,516	\$ (99,328,070)	\$ 110,005,749
Balance at December 31, 2014	320,795,551	\$ 169,152,760	\$ 14,981,211	\$ (82,271,730)	\$ 101,862,241
Share-based payments	-	-	180,876	-	180,876
Comprehensive loss	-	-	-	(2,686,123)	(2,686,123)
Balance at March 31, 2015	320,795,551	\$ 169,152,760	\$ 15,162,087	\$ (84,957,853)	\$ 99,356,994

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

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

	Three months ended	
	March 31, 2016	March 31, 2015
Cash flows used in operating activities:		
Comprehensive loss	\$ 1,687,540	\$ 2,686,123
Non-cash items:		
Depreciation of property, plant and equipment	62,590	76,202
Depreciation of patents	9,538	3,335
Share-based payments recognized in comprehensive loss (note 7)	390,300	174,709
Net finance expense (income)	(842,101)	184,212
	(2,067,213)	(2,247,665)
Changes in non-cash working capital items:		
Sales taxes and other receivables	86,983	685,146
Investment tax credits and other governmental assistance receivable	-	(35,413)
Prepaid expenses and others	70,092	(214,353)
Inventory	-	7,982
Accounts payable and accrued liabilities	2,297,523	413,744
	2,454,598	857,106
Interest received	1,246	151,799
Interest paid	(434,576)	(532,775)
	(45,945)	(1,771,535)
Cash flows from financing activities:		
Net proceeds from convertible debentures (note 5)	5,676,390	-
Net proceeds from short-term loan	-	3,025,000
Repayment of short-term debt (note 4)	(94,695)	-
Repayment of long-term debt (note 6)	(81,274)	(1,078)
Issuance of shares, warrants, rights and exercise of options (note 7)	966,000	-
	6,466,421	3,023,922
Cash flows used in investing activities:		
Changes in restricted cash	-	(4,051,866)
Changes in investment tax credits receivable		4,000,000
Additions to patents	(131,832)	(107,490)
Additions to property, plant and equipment	(6,271,364)	(2,207,379)
Additions to exploration and evaluation assets	(7,259)	(5,392)
Changes in short-term investments	(3,485)	(25,996)
	(6,413,940)	(2,398,123)
Net increase (decrease) in cash and cash equivalents	6,536	(1,145,736)
Cash and cash equivalents, beginning of period	1,722,746	2,977,929
Cash and cash equivalents, end of period	\$ 1,729,282	\$ 1,832,193

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

ORBITE TECHNOLOGIES INC.

Notes to Condensed Interim Financial Statements

For the three months ended March 31, 2016

(unaudited)

1. Corporate information

The Company's activities are located in Québec, Canada and its shares are listed on the Toronto Stock Exchange "TSX" under the stock symbol "ORT" and since September 10, 2012, on the OTCQX International under the symbol "EORBF." The Company's convertible debentures are also listed on the TSX under the symbols "ORT.DB.B" and "ORT.DB.C".

The Company owns the intellectual property rights to patented and patent-pending proprietary processes and technologies, which are expected to enable the environmentally sustainable and cost effective production of high value products such as high purity alumina, silica, hematite, magnesium oxide, titanium oxide, smelter grade alumina as well as rare earth oxides and rare metal oxides from a variety of potential feedstocks which could include red mud, fly ash, aluminous clay, mine tailings, bauxite and kaolin clay, without generating red mud waste or tailings.

The Board of Directors approved the condensed interim financial statements for the quarter ended March 31, 2016 and authorized their publication on May 12 2016.

2. Basis of presentation and measurement

The condensed interim financial statements for the quarter ended March 31, 2016 have been prepared in accordance with IAS 34, *Interim Financial Reporting*. These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited annual financial statements and notes thereto prepared for the year ended December 31, 2015. Results for the first three months of the year may not necessarily be indicative of full year results.

Certain prior-year amounts have been reclassified to conform with the current year's presentation.

Going Concern

The condensed interim financial statements have been prepared on a going concern basis, meaning on the basis that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. The application of the going concern concept is dependent upon the Company's ability to satisfy its liabilities as they become due and to obtain the necessary financing to complete the construction of its HPA plant, the exploration and development of its mineral property interests, the attainment of profitable operations or the receipt of proceeds from the disposition of its mineral property interests. The Company is a development stage corporation and has not generated revenue or cash flows from its HPA plant which is currently under construction. The Company's sources of funding to this point has been the issuance of equity securities, debt and government grants. There can be no assurance that the HPA plant will operate successfully or economically, that the estimated capital costs will be sufficient to achieve the design capacity or the product purities and characteristics, or that the plant will provide a return on investment or become profitable.

In order to finance ongoing construction and subsequent commissioning of its HPA plant, the Company completed a public offering of \$8.5 million on February 3, 2016 and an additional \$1.1 million on February 23, 2016 (see note 5). The Company also announced a \$15 million financing from the government of Québec on

ORBITE TECHNOLOGIES INC.

Notes to Condensed Interim Financial Statements

For the three months ended March 31, 2016
(unaudited)

April 27, 2016. On May 6, 2016, Orbite announced that it has completed a non-brokered financing in the amount of \$1,027,850 at a price of \$0.241 per share. (See note 13).

As at the date of these financial statements, the Company has postponed certain activities necessary to complete the construction of the HPA plant in order to manage its working capital and limit construction costs. Management expects to start commercial production in the third quarter of 2016. The Company has no other committed sources of future financing as of the date of these interim financial statements other than the one mentioned above. The Company currently does not have any executed sales orders pending achieving commercial production. If additional delays in reaching commercial production or in achieving positive cash flows from sales were to occur, the Company's working capital may be insufficient to meet its obligations. Once Orbite reaches commercial production of the HPA plant and has sales, they can obtain further financing through the MidCap revolving facility.

In addition, under its Facility, the Company has restrictive covenants to be met early in the second half of 2016 for which compliance will depend on the timing of completion of the HPA plant, timing and quantum of sales, and achieving positive cash flows from commercial production. If the Company does not comply with such covenant, management will need to obtain a waiver from its lender to avoid the consequences of the event of default, as it has in the past obtained 2 waivers from its lender.

If the going concern assumption were not appropriate for these consolidated interim financial statements, adjustments to the carrying value of assets and liabilities, reported expenses and consolidated statement of financial position classifications would be necessary. Such adjustments could be material.

Functional and presentation currency

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

Significant accounting policies

The accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2015.

Standards, amendments and interpretation not yet in effect

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently assessing the impact of IFRS 15 on its financial statements and whether to early adopt.

ORBITE TECHNOLOGIES INC.

Notes to Condensed Interim Financial Statements

For the three months ended March 31, 2016
(unaudited)

3. Property, plant and equipment

	Land and improvements	Buildings and improvements	Machinery, equipment, furniture and fixtures	Assets under construction	Total
Cost					
Balance at December 31, 2015	\$ 263,830	\$ 9,051,359	\$ 2,295,088	\$ 88,983,219	\$ 100,593,496
Additions	23,227	24,724	33,017	12,480,784	12,561,751
Investment tax credits	-	-	-	(3,337,145)	(3,337,145)
Balance at March 31, 2016	\$ 287,057	\$ 9,076,083	\$ 2,328,105	\$ 98,126,858	\$ 109,818,102
Accumulated depreciation					
Balance at December 31, 2015	\$ -	\$ 236,739	\$ 947,062	\$ -	\$ 1,183,801
Depreciation	-	12,833	49,757	-	62,590
Balance at March 31, 2016	\$ -	\$ 249,572	\$ 996,819	\$ -	\$ 1,246,391
Carrying amounts					
Balance at March 31, 2016	\$ 287,057	\$ 8,826,511	\$ 1,331,286	\$ 98,126,858	\$ 108,571,712
Balance at December 31, 2015	\$ 263,830	\$ 8,814,620	\$ 1,348,026	\$ 88,983,219	\$ 99,409,695

The majority of the equipment being purchased and constructed in relation to the HPA commercial plant is eligible for an investment tax credit. The tax credit receivable is recorded in the same period as the eligible addition and is credited against property, plant and equipment. During the quarter ended March 31, 2016, \$719,086 (March 31, 2015 – \$914,529) in borrowing costs were capitalized in assets under construction.

4. Short term loans

	Investissement Québec	Revolving credit facility	Term loan A	Other short-term loans	Total
Balance at December 31, 2015	\$ 7,600,000	\$ 3,396,107	\$ 574,582	\$ 197,095	\$ 11,767,784
Effective interest accretion	-	-	9,895	-	9,895
Incremental borrowing	-	290,894	-	-	290,894
Repayments	-	(86,180)	-	(94,695)	(180,875)
Effect of changes in foreign exchange rates	-	(224,931)	(35,792)	-	(260,723)
Balance at March 31, 2016	\$ 7,600,000	\$ 3,375,890	\$ 548,685	\$ 102,400	\$ 11,626,975

During the quarter ended March 31, 2016 the aggregate interest expense for the short term loans amounted to \$187,414 (March 31, 2015 – \$ 32,629).

ORBITE TECHNOLOGIES INC.

Notes to Condensed Interim Financial Statements

For the three months ended March 31, 2016
(unaudited)

5. Convertible debentures

	2015	Convertible	2016	Convertible	Total
		debentures		debentures	
Balance at December 31, 2015	\$	112,573	\$	-	\$ 112,573
Issuances		-		6,793,904	6,793,904
Effective interest accretion		3,696		94,503	98,199
Conversion into common shares		-		(5,559,032)	(5,559,032)
Interest paid in shares upon conversion		-		(9,778)	(9,778)
Balance at March 31, 2016	\$	116,269	\$	1,319,597	\$ 1,435,866

2016 Convertible debentures

On February 3, 2016, the Company completed the first portion of a public offering of units in the amount of \$8.482 million under the short form base shelf prospectus and prospectus supplement dated March 18, 2015 and January 28, 2016 respectively. Included in the 8,482 units were 2,938 units issued to several of the Company's key suppliers as consideration for outstanding invoices in the aggregate amount of \$2.938 million. On February 23, 2016, the Underwriter exercised a portion of its underwriter's option to purchase an additional 1,060 units for gross proceeds of \$1.1 million.

Each unit consists of \$1,000 principal amount of convertible unsecured unsubordinated debentures (the "Debentures") and 2,500 share purchase warrants, each such warrant exercisable into one share for a period of 36 months at a price of \$0.40 per share. The Debentures will mature 5 years from their issue date, on February 3, 2021, (the "Maturity Date") and bear interest at a rate of 5% per annum. Each Debenture is convertible at any time prior to the Maturity Date, into the number of shares computed on the basis of (i) the principal amount of the Debentures divided by the conversion price of \$0.40 per share (the "Conversion Price"), and (ii) an amount equal to the additional interest amount that such holder would have received if it had held the Debentures until the Maturity Date (the "Make-Whole Amount") divided by the then 5-day volume weighted average trading price of the common shares on the TSX two (2) days prior to conversion (the "Current Market Price"). The Make-Whole Amount shall be reduced by 1% for each 1% that the Current Market Price at time of conversion exceeds the Conversion Price. Any outstanding amount of principal at maturity date will be repayable through issuance of shares based on the Conversion Price.

For its services, the Underwriter received a cash commission of \$579,800 (equal to 7% of the gross proceeds raised under the bought deal and underwriter's option and 4% on the value of the units for debt conversion) and 1,155,700 non-transferable broker warrants (equal to 7% of the shares into which the principal of the Debentures sold under the bought deal and underwriter's option are convertible). Each broker warrant is exercisable into one share for a period of 36 months at a price of \$0.40 per share.

The aggregate number of shares to be issued upon conversion of the Debentures and for any payment of the Make-Whole Amount in Common Shares shall not exceed the number of Common Shares equal to the principal amount of the Debentures divided by \$0.40 less the 25% maximum discount allowable in accordance with the rules of the Toronto Stock Exchange.

ORBITE TECHNOLOGIES INC.

Notes to Condensed Interim Financial Statements

For the three months ended March 31, 2016
(unaudited)

The convertible debentures holders' conversion option, which includes the Make Whole Amount is recorded as a derivative financial liability at fair value with all subsequent changes in fair value to be recorded in net finance expense (income), the debt portion is initially recorded at its fair value and subsequently accounted for using the effective interest rate method. The warrants are equity classified with no future remeasurement and represent, if any, the residual value of the proceeds from the issuance of the Debentures.

At the issuance date, the 2016 convertible debentures were recorded as follows:

Debt component net of transaction cost of \$852,421	\$	6,793,904
Recognition of the conversion option derivative financial liability		
on issuance of convertible debentures		1,895,677
Non-cash transaction costs related to broker's warrants		
recognized as contributed surplus		136,141
Units issued for settlement of accounts payable		(2,938,000)
Transaction costs recognized as finance expenses		(211,332)
Net proceeds	\$	5,676,390

During the three months ended March 31, 2016, 25,893,505 common shares were issued as a result of the exercise of the conversion option by the 2016 debenture holders (7,796 units of debentures were converted at a weighted average price of \$0.3011 per common share). The common shares issued included the accrued and unpaid interest to the date of conversion. Consequently, an amount of \$6,956,066 representing the fair value of the derivative financial liability and the carrying amount of the debt of the converted units immediately before conversion as well as the accrued and unpaid interest of \$9,778 to the date of conversion was transferred to share capital. The conversion is a non-cash transaction and thus excluded from the cash flow statement.

6. Long-term debt

	March 31, 2016	December 31, 2015
Balance - beginning of period	\$ 16,971,331	\$ 4,643,771
Net proceeds	-	12,560,744
Gain on debt extinguishment	-	(1,263,041)
Government grant allocated to property, plant and equipment	-	-
Effective interest accretion	189,049	424,912
Repayments	(81,274)	(4,972)
Effect of changes in foreign exchange rates	(818,672)	609,917
Balance at end of period	\$ 16,260,434	\$16,971,331
Presented as:		
Current	1,608,227	549,619
Non-current	14,652,207	16,421,712

During the three months ended March 31, 2016, the Company repaid its first of 10 semi-annual installments of \$80,000 (2015 – nil) to the government of Canada.

ORBITE TECHNOLOGIES INC.**Notes to Condensed Interim Financial Statements**

For the three months ended March 31, 2016

(unaudited)

7. Share capital, warrants and share-based payments*Warrants*

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

	March 31, 2016		March 31, 2015	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance - beginning of period	70,437,970	\$ 0.75	47,623,893	\$ 0.46
Issued	25,010,700	0.40	-	-
Exercised	(2,200,000)	0.44	-	-
Balance - end of period	93,248,670	\$ 0.67	47,623,893	\$ 0.46

As part of the 2016 convertible debentures issued in February 2016 (see Note 5), the Company issued 23,855,000 warrants to the debenture holders at an exercise price of \$0.40 per share for a period of 36 months. These equity classified warrants were not allocated any proceeds. In addition, as part of the offering, the Company issued 1,155,700 warrants to the brokers at an exercise price of \$0.40 per share for a period of 36 months. The fair value of the broker warrants of \$136,141 was determined using a Black and Scholes option pricing model and classified as transaction cost under the net finance expense (income). The assumptions used in the pricing model included a risk-free rate of 0.4% and exercise price of \$0.40, an expected volatility of 72.7% and no expected dividend.

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

Exercise price	Expiry date	Number of warrants
\$ 0.33	May 2017	17,857,143
\$ 0.39	April 2018	14,802,477
\$ 0.40	February 2019	25,010,700
\$ 0.48	December 2016	14,235,500
\$ 0.60	July 2017	14,200,000
\$ 3.50	December 2017	7,142,850
		93,248,670

ORBITE TECHNOLOGIES INC.**Notes to Condensed Interim Financial Statements**

For the three months ended March 31, 2016

(unaudited)

Share options

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

	March 31, 2016		March 31, 2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance - beginning of period	19,395,250	\$ 0.67	15,792,500	\$ 0.94
Granted	100,000	0.32	-	-
Expired	(135,000)	1.92	-	-
Cancelled	(112,500)	0.35	(7,500)	0.40
Balance - end of period	19,247,750	\$ 0.67	15,785,000	\$ 0.94
Options exercisable - end of period	13,520,747	\$ 0.80	11,988,329	\$ 1.04

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

	March 31, 2016	
Exercise price	Number	Weighted average remaining contractual life (years)
\$0.30 - 0.40	12,036,500	8.2
\$0.41 - 0.67	3,220,000	2.2
\$0.68 - 1.69	2,025,000	7.1
\$1.70 - 2.53	300,000	6.1
\$2.54 - 2.97	1,566,250	5.4
\$2.98 - 3.47	50,000	0.3
\$3.48 - 4.47	50,000	0.1
	19,247,750	6.8

ORBITE TECHNOLOGIES INC.**Notes to Condensed Interim Financial Statements**

For the three months ended March 31, 2016
(unaudited)

The share-based payment expense was recognized as follows:

	Three months ended March 31,	
	2016	2015
Research and development	\$ 20,370	\$ 16,458
General and administration	341,768	156,670
HPA plant operations	28,162	1,581
Recognized in comprehensive loss	390,300	174,709
Prepaid expenses and others	(225,000)	-
Capitalized in property, plant and equipment	(3,732)	6,167
	\$ 161,568	\$ 180,876

8. Net finance expense (income)

	Three months ended March 31,	
	2016	2015
Finance income		
Interest income	\$ 7,214	\$ 151,799
Finance expense		
Interest on convertible debentures and on short-term loan	(296,969)	(796,716)
Interest on long-term debt	(444,566)	(85,184)
Transaction costs and other interest	(341,838)	(71,613)
	(1,083,373)	(953,513)
Other financial gains (losses)		
Effect of changes in fair value of derivative financial instruments	442,272	(336,011)
Effect of changes in foreign exchange rates	860,998	(18,926)
	1,303,270	(354,937)
Capitalized interest on qualifying assets	719,086	914,529
Net finance expense (income)	\$ (946,197)	\$ 242,122

9. Earnings per share

For the period ended March 31, 2016 and 2015, all outstanding warrants, share options and convertible debentures were anti-dilutive since the Company reported net losses.

ORBITE TECHNOLOGIES INC.

Notes to Condensed Interim Financial Statements

For the three months ended March 31, 2016
(unaudited)

10. Financial Instruments

Liquidity risk

Management's objective is to maintain sufficient cash to ensure that the Company has at its disposal sufficient sources of financing. The Company also establishes budgets and liquidity forecasts designed to ensure that it has at its disposal sufficient funds to meet its financial obligations, as they become due.

The following table presents the contractual maturities of the financial liabilities, operating leases and purchase obligations as of March 31, 2016:

	Carrying Amount	Contractual Cash flows	Payable within 1 year	<u>Payable during</u>		Payable After year 5
				Years 2 and 3	Years 4 and 5	
Accounts payable and accrued liabilities	\$ 13,039,342	\$ 13,039,342	\$ 13,039,342	\$ -	\$ -	\$ -
Short-term loan	11,626,975	12,864,718	5,029,118	7,835,600	-	-
Derivative financial instrument ^{a)}	174,418	-	-	-	-	-
Convertible debentures ^{b)}	1,435,866	1,987,740	96,250	192,500	1,698,990	-
Long-term debt	16,260,434	21,253,594	1,139,306	10,186,035	5,408,253	4,520,000
Operating leases	-	369,460	369,460	-	-	-
Purchase obligations	-	734,705	734,705	-	-	-
	\$ 42,537,035	\$ 50,249,559	\$ 20,408,181	\$ 18,214,135	\$ 7,107,243	\$ 4,520,000

a) The embedded derivative has no outflows since it is included in the 2015 and 2016 convertible debentures.

b) Includes interest outflows at 5%.

Fair value of financial instruments

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

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

Basis for determining fair values

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

The fair value of the long-term debt was determined based on discounted cash flows using a rate of 11% based on rates for similar loans at the balance sheet date.

The fair value of the 2015 and 2016 convertible debentures conversion option derivative liability was determined using a Black Scholes option pricing model and the following assumptions at March 31, 2016: an

ORBITE TECHNOLOGIES INC.**Notes to Condensed Interim Financial Statements**

For the three months ended March 31, 2016

(unaudited)

72.7% (March 31, 2015 - 75%) expected volatility rate, a 0% expected dividend rate and a risk-free rate of 0.53% (March 31, 2015 – 0.49%) for the remaining expected life of the conversion option.

The fair value of the 2015 and 2016 convertible debentures, comprising the convertible debenture liability and the conversion option derivative financial liability components, was determined based on its quoted price on the TSX.

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

	March 31, 2016		December 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Derivative financial instrument (current liabilities)	\$ 174,418	\$ 174,418	\$ 108,268	\$ 108,268
Convertible debentures liability	1,435,866	1,446,860	112,573	189,740
Long-term debt (including current portion)	16,260,434	14,405,064	16,971,331	16,620,979

Convertible debentures

The 2015 and 2016 convertible debentures conversion option derivative financial liability was classified as a level 3 measurement. The variation in its fair value during the period is recorded under net finance expense (income) (note 8).

The reconciliation of changes in level 3 fair value measurements for the three months ended March 31, 2016 is presented in the following table:

	March 31, 2016	December 31, 2015
Balance - beginning of period	\$ 108,268	\$ -
Recognition of the conversion option derivative financial liability on issuance of convertible debentures	1,895,677	3,785,402
Conversion into common shares	(1,387,255)	(3,606,463)
Gain recognized in net finance expense (income)	(442,272)	(70,671)
Balance - end of period	\$ 174,418	\$ 108,268

The effect of a change in the volatility assumption as of March 31, 2016, which is the significant unobservable input in the fair value estimate, of 5% would have the following impact on the derivative financial liability:

- An increase of 5% would increase the value of the derivative financial liability by \$17,540
- A decrease of 5% would decrease the value of the derivative financial liability by \$17,540

11. Commitment

As at March 31, 2016, the total remaining purchase commitment for capital expenditures at the HPA project relating to equipment amounts to approximately \$ 734,705.

ORBITE TECHNOLOGIES INC.

Notes to Condensed Interim Financial Statements

For the three months ended March 31, 2016

(unaudited)

12. Related party transactions

During the quarter ended March 31, 2016, the Company incurred \$ 137,322 (March 31, 2015 - \$118,155) from a legal firm in which a director of the Company is a partner. These transactions took place in the normal course of operations and were measured at the exchange amount, which is the amount established and accepted by the parties.

13. Subsequent events

On April 7, 2016, all of the remaining 2015 convertible debentures were converted into shares.

On April 27, 2016, Orbite announced that it had entered into a letter of intent with Investissement Québec, acting as mandatory of the Government of Québec, whereby Investissement Québec has agreed to provide the Company with an aggregate financing of \$15 million (the "Financing"). The Financing is comprised of the purchase of 5,000 units of 10% convertible non-secured debentures in the principal amount of \$5 million, the purchase of Class A shares of the Company in the amount of \$5 million, together with the grant of a \$4.9 million bridge loan secured by the Company's 2016 refundable investment tax credits ("ITC").

Each Debenture consists of \$1,000 principal amount of convertible unsecured debentures of the Company, which will mature five years from the closing date and will bear interest at a rate of 10% per annum payable monthly. The interest accrued during the first 2 years will be capitalized and payable in cash at the maturity date of the Debentures or convertible into shares at the then market price, at the sole option of the holder. Each Debenture (capital only) will be convertible, at the option of the holder at any time prior to the maturity date, into Class A shares of the Company at a price of \$0.241 per share.

The equity portion of the Financing will be comprised of the purchase of 20,746,888 class A shares of Orbite at a price of \$0.241 per share, for total gross proceeds of \$5 million. The \$4.9 million bridge loan will bear annual interest of 3.5% over the prevailing prime lending rate, which currently stands at 2.7%, payable monthly, collateralized against the Company's 2016 ITC receivables and repayable upon receipt of the 2016 ITC payments from tax authorities, but in no event later than July 23, 2018.

As part of the Financing, the Company has agreed to amend the terms of the 17,857,143 outstanding warrants issued to Ressources Québec inc., a subsidiary of Investissement Québec, in May 2014 as part of a private placement. The warrants will now be exercisable into Class A shares of the Company at a price of \$0.241 per share (instead of \$0.33) and will expire on May 2, 2019 (instead of May 27, 2017).

On May 6, 2016, Orbite announced that it had completed a non-brokered financing in the amount of \$1,027,850 at a price of \$0.241 per share. The financing was completed on a private placement basis, on the same terms as the anticipated \$5 million equity financing by Investissement Quebec. The shares underlying the financing were issued without payment of a commission and are subject to a hold period of four months and one day.

On May 11, 2016 Orbite announced a \$3.2 million advance payment from Revenu Québec for its 2014 ITCs. This amount represents 80% of the claimed amount and the remaining 20% is expected to be paid once the Audit is completed. The sums received were used to pay down a portion of the company's credit facility and term loan A on a prorated basis.