Orbite Technologies Inc.

(A development stage company)

Condensed Interim Financial Statements
(unaudited)
For the quarter and nine months ended September 30, 2016

ORBITE TECHNOLOGIES INC.

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(unaudited)

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Financial Statements

ORBITE TECHNOLOGIES INC.

Condensed Interim Statements of Financial Position
(in thousands of dollars, unless otherwise indicated)
(unaudited)

	Note	September 30, 2016	December 31, 2015
Assets			
Current assets:			
Cash		$ 2,368	$ 1,723
Short-term investments		1,377	875
Restricted cash		3,958	4,152
Sales taxes and other receivables		2,816	1,462
Current income and mining taxes recoverable		1,761	1,761
Investment tax credits and other governmental assistance receivable		9,295	12,837
Inventory		242	244
Prepaid expenses and others		1,138	1,599
Total current assets		22,955	24,653
Non-current assets:			
Investment tax credits receivable		6,732	-
Property, plant and equipment	3	118,845	99,410
Patents and others		1,880	1,770
Exploration and evaluation assets		17,066	17,044
Total non-current assets		144,523	118,224
Total assets		$ 167,478	$ 142,877
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities		$ 9,252	$ 8,071
Convertible debentures liability	5	7,621	-
Short-term loans	4	358	11,768
Long-term debt	6	3,945	550
Derivative financial instruments	10	206	108
Total current liabilities		21,382	20,497
Non-current liabilities:			
Convertible debentures liability	5	17,080	113
Long-term debt	6	12,081	16,422
Deferred income and mining tax liabilities		2,372	2,372
Total non-current liabilities		31,533	18,907
Equity			
Share capital and warrants	7	201,113	183,538
Contributed surplus		19,525	17,576
Deficit		(106,075)	(97,641)
Total equity attributable to equity holders of the Company		114,563	103,473
Going concern (note 2), Commitment (note 11), Subsequent events (note 13)			
Total liabilities and equity		$ 167,478	$ 142,877

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

ORBITE TECHNOLOGIES INC.

Condensed Interim Statements of Comprehensive Loss

(in thousands of dollars, except per share amounts)
(unaudited)

	Note	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Expenses					
Research and development charges, net of investment tax credits and other governmental assistance of: $25 (2015- $53) for three months ended September 30 $54 (2015- $114) for nine months ended September 30		$ 351	$ 378	$ 1,208	$ 1,294
General and administrative charges		1,316	1,142	4,171	4,164
HPA plant operations		1,104	1,152	3,353	3,341
Insurance claim recovery and other income		(209)	(144)	(1,750)	(348)
Loss before net finance expense (income) and income taxes		2,562	2,528	6,982	8,451
Net finance expense (income)	8	2,536	(395)	1,719	108
Loss before income taxes		5,098	2,133	8,701	8,559
Income taxes					
Deferred		(294)	-	(294)	-
Net loss and comprehensive loss		$ 4,804	$ 2,133	$ 8,407	$ 8,559
Basic and diluted net loss per share		$ (0.01)	$ (0.01)	$ (0.02)	$ (0.03)
Weighted average number of shares outstanding		443,691,546	371,168,998	425,318,634	349,986,674

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ORBITE TECHNOLOGIES INC.

Condensed Interim Statements of Changes in Equity
(in thousands of dollars, except number of shares)
(unaudited)

	Note	Number of shares		Share capital and warrants		Contributed surplus		Deficit		Total
Balance at December 31, 2015		385,328,049	$	183,538	$	17,576	$	(97,641)	$	103,473
Share-based payments	7	-		-		815		-		815
Warrants issued	7	-		-		633		-		633
Exercise of share options	7	460,000		306		(140)		-		166
Exercise of warrants	7	5,509,875		2,427		(159)		-		2,268
Share issuance costs	7	-		-		-		(27)		(27)
Shares issued	7	25,011,826		6,028		-		-		6,028
Shares issued for interest	7	104,787		28		-		-		28
Convertible debentures conversion	5	31,200,405		8,786		-		-		8,786
Equity component of convertible debentures	5	-		-		800				800
Comprehensive loss		-		-		-		(8,407)		(8,407)
Balance at September 30, 2016		447,614,942	$	201,113	$	19,525	$	(106,075)	$	114,563
Balance at December 31, 2014		320,795,551	$	169,153	$	14,981	$	(82,272)	$	101,862
Share-based payments		-		-		735		-		735
Warrants issued		-		-		1,459		-		1,459
Shares issued for interest		54,761		13		-		-		13
Convertible debentures conversion		56,660,655		11,607		-		-		11,607
Comprehensive loss		-		-		-		(8,559)		(8,559)
Balance at September 30, 2015		377,510,967	$	180,773	$	17,175	$	(90,831)	$	107,117

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

ORBITE TECHNOLOGIES INC.

Condensed Interim Statements of Cash Flows
(in thousands of dollars, unless otherwise indicated)
(unaudited)

	Note	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Cash flows used in operating activities:					
Comprehensive loss		$ (4,804)	$ (2,133)	$ (8,407)	$ (8,559)
Non-cash items:					
Depreciation of property, plant and equipment		56	64	182	209
Depreciation of patents and discontinuance of patent applications		159	66	191	73
Share-based payments recognized in comprehensive loss	7	618	205	1,119	723
Deferred taxes		(294)	-	(294)	-
Net finance expense (income)		2,304	(497)	1,486	(135)
		(1,961)	(2,295)	(5,723)	(7,689)
Changes in non-cash working capital items:					
Sales taxes and other receivables		(680)	323	(781)	576
Investment tax credits and other governmental assistance receivable		(65)	50	(65)	7
Prepaid expenses and others		(64)	585	161	428
Inventory		-	(104)	2	(86)
Accounts payable and accrued liabilities		(354)	1,016	(194)	1,121
		(1,163)	1,870	(877)	2,046
Interest received		10	171	45	437
Interest paid		(340)	(600)	(1,200)	(1,681)
		(3,454)	(854)	(7,755)	(6,887)
Cash flows from financing activities:					
Net proceeds from convertible debentures	5	19,023	-	29,479	13,422
Net proceeds from short-term loans	4	2,113	5,000	4,920	8,025
Repayment of short-term loans	4	(12,580)	-	(16,298)	-
Proceeds from long-term debt	6	-	-	200	-
Repayment of long-term debt	6	(825)	(1)	(908)	(3)
Issuance of shares, warrants and exercise of options	7	895	-	7,917	13
Share issuance costs		-	-	(27)	-
		8,626	4,999	25,283	21,457
Cash flows used in investing activities:					
Changes in restricted cash		(23)	(2,526)	(23)	(8,623)
Changes in investment tax credits receivable		-	4,089	3,608	10,089
Additions to patents		(179)	-	(395)	(308)
Additions to property, plant and equipment		(6,772)	(6,295)	(19,548)	(15,547)
Additions to exploration and evaluation assets		(10)	(79)	(22)	(92)
Changes in short-term investments		(5)	(467)	(503)	(495)
		(6,989)	(5,278)	(16,883)	(14,976)
Net increase (decrease) in cash		(1,817)	(1,133)	645	(406)
Cash - beginning of period		4,185	3,705	1,723	2,978
Cash - end of period		$ 2,368	$ 2,572	$ 2,368	$ 2,572

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

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.C'' and "ORT.DB.D".

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 September 30, 2016 and authorized their publication on November 10, 2016.

2. Basis of presentation and measurement

The condensed interim financial statements for the quarter and nine months ended September 30, 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 nine months of the year may not necessarily be indicative of full year results.

Certain prior-year amounts have been reclassified to conform to 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 of which construction is materially completed. The Company's sources of funding to this point has been the issuance of equity securities, debt and government grants. Even though the plant is not currently operational commercially, sections of the plant have been operated on an intermittent basis in order to produce samples for customer qualification programs. Nevertheless, 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, subsequent commissioning of its HPA plant and repay outstanding borrowings, the Company completed the following transactions during each of the first three quarters of 2016: during the first quarter a public offering totalling $9.5 million of 2016 Convertibles Debentures (February) (see note 5). During the second quarter the Company received $5 million equity placement with Ressources Quebec (see note 7), $5 million for the Investissement Quebec ("IQ") Convertible Debentures (see note 5), drew $2.8 million from the ITC 2016 bridge loan with IQ (see Note 4) and $1 million from a non-brokered equity financing (see Note 7). During the third quarter the Company drew the remaining $2.1 million on ITC 2016 bridge loan with IQ, completed the 2016-

2018 ITC Debentures for an aggregate principal amount of $12 million and used $4.9 million to repay the 2016 ITC bridge loan with IQ (see Note 5) and completed the 2015 ITC Debentures for an aggregate principal amount of $8.5 million and used $7.6 million to repay the 2015 ITC bridge loan with IQ (see Note 5).

Subsequent to September 30, 2016, the Company completed a public offering of $5.5 million of Convertible Debentures 2016 (October) on October 31, 2016 (see note 13).

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. It is estimated that the HPA plant will enter production during the fourth quarter of 2016. 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. However once Orbite reaches commercial production of the HPA plant and has sales, it could obtain further financing through the MidCap revolving facility.

In addition, under its Facility, the Company has restrictive covenants to be met in the first quarter of 2017 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 three waivers from its lender.

If the going concern assumption was not appropriate for these condensed interim financial statements, adjustments to the carrying value of assets and liabilities, reported expenses and condensed 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.

(in thousands of dollars, unless otherwise indicated)

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	$ 264	$ 9,052	$ 2,295	$ 88,983	$ 100,594
Additions	23	158	139	26,146	26,466
Investment tax credits	-	-	-	(6,732)	(6,732)
Government grants	-	-	-	(117)	(117)
Balance at September 30, 2016	$ 287	$ 9,210	$ 2,434	$ 108,280	$ 120,211
Accumulated depreciation					
Balance at December 31, 2015	$ -	$ 237	$ 947	$ -	$ 1,184
Depreciation	-	33	149	-	182
Balance at September 30, 2016	$ -	$ 270	$ 1,096	$ -	$ 1,366
Carrying amounts					
As at September 30, 2016	$ 287	$ 8,940	$ 1,338	$ 108,280	$ 118,845
As at December 31, 2015	$ 264	$ 8,815	$ 1,348	$ 88,983	$ 99,410

The majority of the equipment being purchased and constructed in relation to the HPA 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 nine-month period ended September 30, 2016, \$2.6 million (September 30, 2015 – \$3.0 million) in borrowing costs were capitalized in assets under construction.

4. Short term loans

	Investissement Quebec	Revolving credit facility	Term loan A	Other short-term loans	Total
Balance at December 31, 2015	$ 7,600	$ 3,396	$ 575	$ 197	$ 11,768
Proceeds	4,920	-	-	-	4,920
Effective interest accretion	-	-	27	-	27
Repayments	(12,520)	(3,046)	(535)	(197)	(16,298)
Effect of changes in foreign exchange rates	-	(19)	(40)	-	(59)
Balance at September 30, 2016	$ -	$ 331	$ 27	$ -	$ 358

On April 27, 2016, Orbite entered into a loan agreement for up to \$4.9 million bridge loan with IQ. From the available aggregate of \$4.9 million, a portion of \$2.8 million was drawn on May 31, 2016, while the remaining balance of \$2.1 million was drawn on July 25, 2016.

On August 10, 2016, \$4.9 million was used to repay the 2016 ITC bridge loan contracted with IQ from the proceeds received from the 2016-2018 ITC Debentures (see note 5). Consequently, the security granted to IQ on the Company's 2016 ITC was discharged. The bridge loan was bearing interest at an annual interest rate of 3.5% over the prevailing prime lending rate.

On September 28, 2016, \$7.6 million was used to repay the 2015 bridge loan with IQ from the proceeds received from the 2015 ITC Debentures (see note 5). Consequently, the security granted to IQ on the Company's 2015 ITC was discharged.

(in thousands of dollars, unless otherwise indicated)

During the nine-month period ended September 30, 2016 the aggregate interest expense for the short-term loans amounted to $503 thousand (September 30, 2015 – $179 thousand).

During the second quarter of 2016 Orbite received payments totaling $3.6 million from tax authorities in consideration of the Company's 2014 ITC. The sums received were used to partially repay the revolving credit facility and term loan A on a prorated basis.

5. Convertible debentures

	2015 Convertible debentures	2016 Convertible debentures	IQ Convertible debentures	2016-2018 ITC Debentures	2015 ITC Debentures	Total
Balance at December 31, 2015	$ 113	$ -	$ -	$ -	$ -	$ 113
Issuances	-	6,794	3,901	12,000	7,621	30,316
Effective interest accretion	4	307	238	-	-	549
Conversion into common shares	(117)	(6,790)	-	-	-	(6,907)
Interest paid in shares upon conversion	-	(10)	-	-	-	(10)
Net change in fair value (FVTPL)	-	-	-	640	-	640
Balance at September 30, 2016	$ -	$ 301	$ 4,139	$ 12,640	$ 7,621	$ 24,701
Presented as:						
Current						7,621
Non-current						17,080

2015 Convertible debentures

On April 7, 2016, the Company exercised its option to convert all of the 179 units outstanding of the 2015 convertible debentures. As a result, 712,644 Class A shares were issued for an amount of $127 thousand which included the Make-Whole amount and unpaid interest. The conversion is a non-cash transaction and thus excluded from the cash flow statement.

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 (non-cash transaction, excluded from the statement of cash flow). 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 in 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

(in thousands of dollars, unless otherwise indicated)

"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 $0.6 million (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.

At the issuance date, the 2016 Convertible debentures were recorded as follow:

Debt component net of transaction costs of $852	$ 6,794
Recognition of the conversion option derivative financial liability on issuance of convertible debentures	1,896
Non-cash transaction costs related to broker warrants recognised as contributed surplus	136
Units issued for settlement of accounts payable	(2,938)
Transaction costs recognised as finance expenses	(211)
Net proceeds	$ 5,677

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.

During the nine months ended September 30, 2016, 30,487,761 common shares were issued as a result of the exercise of the conversion option by the 2016 debenture holders (9,262 units of debentures were converted at a weighted average price of $0.3038 per common share). The common shares issued included the accrued and unpaid interest to the date of conversion as well as the Make-Whole-Amount. Consequently, an amount of $8.659million 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 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.

IQ Convertible debentures

On June 1st, 2016 IQ subscribed to a convertible debenture (the "IQ Convertible debentures") in the capital amount of $5 million.

The debenture is unsecured, matures five years from the closing date and bears interest at a rate of 10% annually, payable monthly. Interest earned during the first two years will be capitalized and payable upon the maturity date of the debenture or convertible into shares at the market price at the time of conversion, at the holder's sole discretion. The debenture (principal only) is convertible at the option of the holder at any time prior to the maturity date, in Class A Shares of the Company at a price of $0.241 per share.

Upon initial recognition, the debt component of $3.9 million of IQ Convertible debentures was calculated by discounting the future cash flows of interest and principal at a rate of 14%. The fair value of the conversion feature was obtained by using the residual method and represents the net proceeds of $4.8 million less the fair value of the debt component. As a result, an amount of

$0.9 million was recorded as equity component in contributed surplus.

2016-2018 ITC Debentures

On August 10, 2016, the Company completed a private placement consisting of 12,000 units for an aggregate principal amount of $12 million, secured against the Company's ITC receivables resulting from capital expenditures at its HPA plant in Cap-Chat, Québec for the Company's 2016, 2017 and 2018 financial years. Each unit is comprised of $1,000 principal amount bearing interest at an annual rate of 9% payable semi-annually maturing in 5 years from issuance and convertible into shares of the Company at a price of $0.42, and 833 warrants exercisable into one share at a price of $0.55 for a period of 36 months from the date of closing.

For a period ending 3 years from closing, the Company may redeem up to, but not more than, 65% of the initial principal amount of the Debentures plus accrued and unpaid interest, upon which, the Company shall also issue warrants to purchase shares equal to 1% of the total number of shares issuable upon full conversion of the Debentures for each 1% of the principal amount being redeemed. The Redemption Warrants have an exercise price of $0.44 and expire on the maturity date of the Debentures. Following the period of 3 years from closing, the Company has the right to redeem all or part of the Debentures at a price equal to the principal amount plus accrued and unpaid interest without issuance of the Redemption Warrants or other compensation.

For its services, the agent received a cash commission of $0.7 million (equal to 6% of the gross proceeds) and 1,714,286 broker warrants, each such warrant exercisable into one share of the Company at a price of $0.44 for a period of 36 months from the date of closing.

The 2016-2018 ITC Debentures is a hybrid contract containing a prepayment embedded derivative requiring bifurcation. As a result, at the date of issuance, the Company has elected to use the Fair Value Through Profit and Loss (FVTPL) option with future changes in fair value recognized in net finance income (expense). By electing the FVTPL, the transaction costs of $1.3 million are included in the net finance income (expense).

The issuance of the 2016- 2018 ITC Debentures was initially recorded at $12,000,000 based on the fair value of the convertible debenture with no residual amount remaining to allocate to the warrants classified in equity. The Company used $4.9 million to repay the 2016 ITC bridge loan with IQ from the proceeds received from the 2016-2018 ITC Debentures (see note 4).

2015 ITC Debentures

On September 28, 2016, the Company completed a private placement consisting of 8,500 units for an aggregate amount of $8.5 million, secured against the ITC for the Company's 2015 financial year. Each unit is comprised of $1,000 principal amount bearing interest at a rate of 7% annually, maturing 2 years from the date of closing and convertible into shares of the Company at a price of $0.44. These funds allowed the Company to repay the $7.6 million 2015 ITC bridge loan entered into with Investissement Québec in November 2015 (see note 4).

For its services, the agent received a cash commission of $0.3 million (equal to 4% of the gross proceeds) and 772,727 broker warrants, each such warrant exercisable into one share of the Company at a price of $0.44 for a period of 36 months from the date of closing. Upon initial recognition, the debt component was calculated by discounting the future cash flows of interest and principal at a rate of 8.5% excluding transaction costs. The amount of the conversion option recognized in equity was obtained by using the residual method and represents the net proceeds less the fair value of the debt component. The Debenture is classified in current liabilities based on the expected collection of the Company's 2015 ITC which are classified as current assets.

(in thousands of dollars, unless otherwise indicated)

At the issuance date the 2015 ITC Debentures were recorded as follows:

Debt component net of transaction costs of $646	$	7,621
Conversion option on issuance of convertible debentures recognised as contributed surplus		215
Non-cash transaction costs related to broker warrants recognised as contributed surplus		173
Net proceeds	$	8,009

6. Long-term debt

		September 30, 2016		December 31, 2015
Balance - beginning of period	$	16,972	$	4,644
Net proceeds		83		12,561
Gain on debt extinguishment		-		(1,263)
Effective interest accretion		575		425
Repayments		(908)		(5)
Effect of changes in foreign exchange rates		(696)		610
Balance at end of period	$	16,026	$	16,972
Presented as:				
Current		3,945		550
Non-current		12,081		16,422

During the nine months ended September 30, 2016, the Company repaid two of 10 semi-annual installments of $80 thousand (2015 – nil) to the government of Canada.

During the second quarter of 2016 the Company received the remaining $0.2 million financial contribution on the $4 million contribution agreement signed on February 3, 2014 and amended on October 20, 2015 with Canada Economic Development for Quebec Regions (“CED”). The remaining portion of the loan was discounted at a rate of 11% and was initially recorded at $83 thousand, reflecting its fair value given its non-interest bearing nature. The $117 thousand difference between the proceeds received and the initial carrying amount is considered a grant and credited to property, plant and equipment.

During the quarter ended September 30, 2016 the Company repaid $0.75 (US$0.57) million of the Term Loan B.

7. Share capital, warrants and share-based payments

Share capital

On May 6, 2016, Orbite completed a non-brokered private placement in the amount of $1 million at a price of $0.241 per share. Consequently, a total number of 4,264,938 Class A shares underlying the financing were issued without payment of a commission.

On May 19, 2016, the Company completed an equity placement in the amount of $5 million with Ressources Quebec inc., a subsidiary of Investissement Quebec, acting as agent of the Government of Quebec, which resulted in the issuance of 20,746,888 Class A shares of Orbite at a price of $0.241 per share. An amount of $27 thousand was recorded as share issuance cost. On May 31, 2016, the Company issued 104,787 Class A shares at a price of $0.268 in settlement of the interest due on the 2016 Convertible debentures, representing an amount of $28 thousand.

(in thousands of dollars, unless otherwise indicated)

Warrants

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

	September 30, 2016			September 30, 2015		
	Number of warrants		Weighted average exercise price (in dollars)	Number of warrants		Weighted average exercise price (in dollars)
Balance - beginning of period	70,437,970	$	0.75	47,623,893	$	0.46
Issued	37,493,713		0.44	18,924,230		0.39
Exercised	(5,509,875)		0.41	-		-
Balance - end of period	102,421,808	$	0.64	66,548,123	$	0.44

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 broker warrants each exercisable at a price of $0.40 for a period of 36 months. The fair value of the broker warrants of $136 thousand 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% an exercise price of $0.40, an expected volatility of 72.7% and no expected dividend.

As part of the financing completed on May 19, 2016, the Company amended the terms of the 17,857,143 warrants issued to Ressources Quebec in May 2014, by reducing the exercise price from $0.33 to $0.241 and extending the expiry date from May 2017 to May 2019.

As part of the 2016-2018 ITC Debentures issued in August 2016 (see Note 5), the Company issued 9,996,000 warrants to the debenture holders at an exercise price of $0.55 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 1,714,286 broker warrants each exercisable at a price of $0.44 per share for a period of 36 months. The fair value of the broker's warrants of $328 thousand 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 0.54% an exercise price of $0.44, an expected volatility of 73% and no expected dividend.

As part of the 2015 ITC Debentures issued in September 2016 (see Note 5), the Company issued 772,727 broker warrants each exercisable at a price of $0.44 for a period of 36 months. The fair value of the broker warrants of $173 thousand was determined using a Black and Scholes option pricing model and classified as transaction cost under contributed surplus. The assumptions used in the pricing model included a risk-free rate of 0.51% an exercise price of $0.44, an expected volatility of 73% and no expected dividend.

(in thousands of dollars, unless otherwise indicated)

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

Exercise price (in dollars)		Expiry date	Number of warrants
$	0.241	May 2019	17,857,143
$	0.39	April 2018	12,593,852
$	0.40	February 2019	23,909,450
$	0.44	August 2019	1,714,286
$	0.44	September 2019	772,727
$	0.48	December 2016	14,235,500
$	0.55	August 2019	9,996,000
$	0.60	July 2017	14,200,000
$	3.50	December 2017	7,142,850
			102,421,808

Share options

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

	September 30, 2016			September 30, 2015		
	Number of options		Weighted average exercise price (in dollars)	Number of options		Weighted average exercise price (in dollars)
Balance - beginning of period	19,395,250	$	0.68	15,792,500	$	0.94
Issued	3,950,000		0.45	5,459,000		0.30
Exercised	(460,000)		0.36	-		-
Expired	(597,500)		2.09	(3,993,750)		1.05
Cancelled	(130,500)		0.33	(62,500)		0.40
Balance - end of period	22,157,250	$	0.62	17,195,250	$	0.71
Options excercisable - end of period	17,661,081	$	0.68	9,998,912	$	0.93

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

		September 30, 2016	
Exercise price (in dollars)		Number	Weighted average remaining contractual life (years)
$	0.33 - 0.40	12,373,500	8.1
$	0.41 - 0.67	6,100,000	2.0
$	0.68 - 1.69	2,025,000	6.6
$	1.70 - 2.53	300,000	5.6
$	2.54 - 2.97	1,358,750	5.2
		22,157,250	6.1

(in thousands of dollars, unless otherwise indicated)

The share-based payment expense was recognized as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Research and development	$ 10	$ 27	$ 43	$ 66
General and administration	596	150	$ 1,018	594
HPA plant operations	12	28	58	63
Recognized in comprehensive loss	618	205	1,119	723
Prepaid expenses and others	150	-	(75)	-
Capitalized in property, plant and equipment	-	2	-	12
	$ 768	$ 207	$ 1,044	$ 735

8. Net finance income (expense)

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Finance income				
Interest income	$ 15	$ 176	$ 56	$ 442
Finance expense				
Interest on convertible debentures and on short-term loan	341	952	548	2,715
Interest on long-term debt	617	94	1,875	268
Transaction costs and other interest	1,498	36	2,003	572
	2,456	1,082	4,426	3,555
Other financial gains (losses)				
Effect of changes in fair value of derivative financial instruments	(1,094)	241	(700)	29
Effect of changes in foreign exchange rates	(127)	(2)	780	(6)
	(1,221)	239	80	23
Capitalized interest on qualifying assets	1,126	1,062	2,571	2,982
Net finance income (expense)	$ (2,536)	$ 395	$ (1,719)	$ (108)

9. Earnings per share

For the period ended September 30, 2016 and 2015, all outstanding warrants, share options and convertible debentures were anti-dilutive since the Company reported net losses.

(in thousands of dollars, unless otherwise indicated)

10. Financial Instruments

Liquidity risk

Management's objective is to maintain sufficient cash and 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 September 30, 2016:

	Carrying Amount	Contractual Cash flows	Payable within 1 year	Payable during Years 2 and 3	Payable during Years 4 and 5	Payable after year 5
Accounts payable and accrued liabilities	$ 9,252	$ 9,252	$ 9,252	$ -	$ -	$ -
Short-term loan	358	464	464	-	-	-
Derivative financial instrument	206	-	-	-	-	-
Convertible debentures b)	24,701	34,936	1,285	12,146	21,505	-
Long-term debt	16,026	20,835	4,367	9,225	4,463	2,780
Operating leases	-	380	286	55	39	-
Purchase obligations	-	229	229	-	-	-
	$ 50,543	$ 66,096	$ 15,883	$ 21,426	$ 26,007	$ 2,780

a) The embedded derivative has no outflows since it is included in the 2016 convertible debentures.
b) Includes interest outflows at 5%, 7%, 9% and 10%.

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 2016 convertible debentures conversion option derivative liability was determined using a Black Scholes option pricing model and the following assumptions at September 30, 2016: an 73% expected volatility rate, a 0% expected dividend rate a risk-free rate of 0.53% and no dividend yield for the remaining expected life of the conversion option.

(in thousands of dollars, unless otherwise indicated)

The fair value of the Convertible debentures was determined by key variables such as: share price, interest rates, maturity term and Company's credit rating.

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

	September 30, 2016		December 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Derivative financial instrument (current liabilities)	$ 206	$ 206	$ 108	$ 108
Convertible debentures liabilities (current and non-current)	24,701	25,757	113	190
Long-term debt (including current portion)	16,026	16,134	16,971	16,621

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 nine months ended September 30, 2016 is presented in the following table:

	September 30, 2016	December 31, 2015
Balance - beginning of period	$ 108	$ -
Recognition of the conversion option derivative financial liability on issuance of convertible debentures	1,896	3,785
Conversion into common shares	(1,856)	(3,606)
Loss (Gain) recognized in net finance expense (income)	58	(71)
Balance - end of period	$ 206	$ 108

The 2016-2018 ITC Debentures convertible debentures is accounted for using the Fair Value Through Profit and Loss option (FVTPL) and was classified as a level 3 measurement at issuance. 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 nine months ended September 30, 2016 is presented in the following table:

	September 30, 2016
Balance - beginning of period	$ -
Recognition 2016-2018 ITC Debentures on issuance	12,000
Loss recognized in net finance expense (income)	640
Balance - end of period	$ 12,640

The effect of a 5% change in the volatility assumption as of September 30, 2016, which is the significant unobservable input in the fair value estimate, would not have a significant impact on the derivative financial liability.

11. Commitment

As at September 30, 2016, the total remaining purchase commitment for capital expenditures at the HPA project relating to equipment amounts to approximately $0.2 million.

12. Related party transactions

During the three and the nine months ended September 30, 2016, the Company incurred $94 thousand and $353 thousand (three and nine months ended September 30, 2015 - $16 thousand and $358 thousand) 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

Debenture 2016 (October)

On October 31, 2016, the Company completed the public offering of 5,458 units on a bought deal basis for an aggregate amount of $5.5 million under the short form base shelf prospectus and prospectus supplement dated March 18, 2015 and October 27, 2016 respectively.

Each unit consists of $1,000 principal amount of convertible unsecured unsubordinated debentures and 2,793 share purchase warrants of the Company at a price of $0,358 for a period of 36 months. The Debentures will mature on October 31, 2021 and will bear interest at a rate of 5% per annum payable semi-annually.

Each Debenture will be convertible, at the option of the holder, at any time prior to the Maturity Date, into that number of shares computed on the basis of (i) the principal amount of the Debentures divided by the conversion price of $0.358 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 Debenture from the date of conversion until the Maturity Date (the "Make-Whole Amount") divided by the five (5) day volume weighted average trading price of the 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. The aggregate number of shares to be issued upon conversion of the Debentures and for any payment of the Make-Whole Amount shall not exceed the number of shares equal to the principal amount of the Debentures divided by $0.358 less the 25% maximum discount allowable by the Toronto Stock Exchange. The units are qualified for sale by way of the Company's short form base shelf prospectus dated March 18, 2015 and prospectus supplement dated October 27, 2016. Each Warrant will be exercisable into one share for a period of 36 months from their issue date at a price of $0.358 per share.

For its services, the Underwriter received a cash commission of $0.5 million (equal to 10% of the gross proceeds raised under the Bought Deal), a work fee of $0.2 million and 762,291 non-transferable broker warrants (equal to 5% 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 $0.358 per share.

Exercise of warrants

Subsequent to September 30, 2016 1,173,100 warrants and 140,000 share options were exercised resulting in cash proceeds of $0.3 million and $42 thousand, respectively.