PYROGENESIS CANADA INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2014

(All figures expressed in Canadian dollars unless otherwise noted.)

May 30, 2014

This management's discussion and analysis (MD&A) of PyroGenesis Canada Inc. ("PCI" or the "Company") has been prepared by management and should be read in conjunction with the unaudited financial statements and related notes thereto of the Company for the period ended March 31, 2014 which were prepared in accordance with International Financial Reporting Standards ("IFRS"). The Company's Audit Committee has reviewed and approved this MD&A.

The MD&A was prepared as of May 30th, 2014. Additional information regarding the Company is available on SEDAR (www.sedar.com).

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements. All statements other than statements of historical fact contained in this MD&A are forward-looking statements, including, without limitation, the Company's: statements regarding its products and services; relations with suppliers and customers; future financial position; business strategies; potential acquisitions; potential business partnering; litigation; and plans and objectives. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" and similar words or the negative thereof. Although management of the Company believes that the expectations represented in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct.

In particular, this MD&A contains forward-looking statements that relate, but are not limited, to:

- the business strategies of the Company;
- the capital resources of the Company;
- the ability of the Company to increase sales, including the results of the successful completion of the Company's current projects;

- management's expectation that the Company will achieve sustained annual growth and profitability, and that gross margins will increase resulting in a decrease in cost of sales as a percentage of revenue; and

- the Company's overall financial performance.

By their nature, forward-looking statements require assumptions and are subject to inherent risks and uncertainties including those discussed herein. In particular, forward-looking statements relating to future sales, growth and profitability are based on the assumption that current projects will be completed and the Company will be awarded certain anticipated contracts pursuant to recent negotiations with, and statements made by, third parties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned to not place undue reliance on forward-looking statements made herein because a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements.

The future outcomes that relate to forward-looking statements may be influenced by many factors, including, but not limited to, the strength of the Canadian and US economy; operational, funding, and liquidity risks; unforeseen engineering and environmental problems; delays or inability to obtain required financing and/or anticipated contracts; risks associated with licenses, permits and regulatory approvals; supply interruptions or labor disputes; foreign exchange fluctuations and collection risk; competition from other suppliers or alternate less capital intensive energy solutions; and the risk factors described under the heading "Risk Factors" in the Company's annual information form for the financial year ended December 31, 2013. We caution that the foregoing list of factors is not exhaustive, and that, when relying on forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Forward-looking statements are provided as of the date of this MD&A, and the Company assumes no obligation to update or revise such forward-looking statements to reflect new events or circumstances except as required under applicable securities laws.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this MD&A are made as of the date of this MD&A or such other date specified herein.

OVERVIEW

PyroGenesis Canada, a TSX Venture 50® company, is the world leader in the design, development, manufacturing and commercialization of advanced plasma processes. The company provides engineering and manufacturing expertise, cutting-edge contract research, as well as turnkey process equipment packages to the defense, metallurgical, mining, advanced materials, oil & gas, and environmental industries. With a team of experienced engineers, scientists and technicians working from its Montreal office and its 3,800 m^2 production facility, PyroGenesis maintains its competitive advantage by remaining at the forefront of technology development and commercialization. PyroGenesis' core competencies allows the Company to be a leader in providing innovative plasma torches, plasma waste processes, high-temperature metallurgical processes, and engineering services to the global marketplace. PyroGenesis' operations are ISO 9001:2008 certified, and have been since 1997. PyroGenesis is a publicly-traded Canadian company on the TSX Venture Exchange (Ticker Symbol PYR.V).

SELECTED FINANCIAL INFORMATION

	Three months ended Mar 31, 2014	2013	% Change
Revenue	$ 806,425	$ 1,141,143	-29%
Cost of sales and services before amortization of intangible assets	483,141	630,583	
Gross margin before amortization of intangible assets	323,284	510,560	
Amortization of intangible assets	349,269	349,269	
Gross margin	(25,985)	161,291	
Selling, general and administrative	946,918	1,002,822	
Research and development	99,601	17,393	
Financing charges	92,259	95,215	
	1,138,778	1,115,430	
Loss from operations	(1,164,763)	(954,139)	22%
Other income	35	-	
Comprehensive loss	$ (1,164,728)	$ (954,139)	22%
Basic and fully diluted loss per share	$ (0.02)	$ (0.02)	
EBITDA (loss)	$ (681,293)	$ (461,322)	48%

	Mar 31, 2014	Dec 31. 2013
Total assets	$ 5,765,686	$ 7,170,872
Current liabilities	3,269,013	3,621,024
Non-current liabilities	8,221,415	8,159,862
Total Liabilities	$ 11,490,428	$ 11,780,886

RESULTS OF OPERATIONS

Revenues

Revenues for the first quarter of fiscal 2014 ended March 31, 2014 "2014-Q1" decreased 29% to $806,425, over that of $1,141,143, reported during the same period of fiscal 2013. This decrease is primarily due to certain customer-originated delays with respect to the commencement of the deployment of the European 10 TPD Plasma Waste to Energy system, the continuation of the second phase of the Asian Plasma Torch sale, and a postponement in activity relating to the reorder of a plasma waste destruction system to be installed on the CVN-79, the next US Navy Ford-class air craft carrier. As of this writing the second phase of the Asian Plasma Torch project has recommenced as has the work relating to the CVN-79. Management also expects the deployment of the European plasma system to commence shortly, albeit 6 months behind schedule.

Cost of Sales and Services and Gross Margin

Cost of Sales and Services

	Three months ended Mar 31, 2014	2013	% Change
Employee Compensation	$ 213,747	$ 224,074	-5%
Subcontracting	3,202	9,853	-68%
Direct materials	163,056	319,742	-49%
Manufacturing overhead & other	121,292	88,914	36%
Government grants and investment tax credits	(18,156)	(12,000)	51%
Sub-total before amortization of intangible assets	483,141	630,583	-23%
Amortization of intangible assets	349,269	349,269	0%
Total Cost of Sales and Services	$ 832,410	$ 979,852	-15%

Gross Margin

	Three months ended Mar 31, 2014	2013
Revenue	$ 806,425	$ 1,141,143
Cost of Sales and Services before amortization of intangible assets	483,141	630,583
Gross Margin before amortization of intangible assets	323,284	510,560
Gross Margin % before amortization of intangible assets	40.1%	44.7%
Amortization of intangible assets	349,269	349,269
Gross Margin after amortization of intangible assets	$ (25,985)	$ 161,291
Gross Margin % after amortization of intangible assets	-3.2%	14.1%

Cost of Sales and Services before the cost of amortization of intangible assets decreased 23% to $483,141 in 2014-Q1 over $630,583 posted in 2013 Q1. The most significant reduction in Cost of Sales was in the level of direct materials procured and installed in the period (49% decrease to $163,056 in 2014 Q1 over the same period in 2013).

Although the number of projects the company is contracting/negotiating is increasing significantly, until such time as work commences on these projects, the type of contracts and the nature of project activity that is being executed during any given quarter will have a significant impact on both the overall level of cost of sales reported in a period as well as the composition of the cost of sales (mix between labor and materials and equipment).

In 2013, management implemented stringent and effective project management methods with respect to project execution which has resulted in a more efficient use of labor. In-house labor costs recorded on projects have decreased materially and are consistently at or below targeted budget levels. Also in 2013, management undertook to invest more heavily in the development of internally funded R&D projects, and as such these costs are now reflected as a separate line item on the Statement of Comprehensive Loss (2014-Q1: $99,601; 2013-Q1; $17,393) .The investment tax credits recorded against Cost of Sales are related to external client funded projects that qualify for tax credits.

The Company continues to optimize its cost reduction strategies and actions as it gears up for expected higher business volumes commencing in 2014-Q2. As a result of these measures, the Company is better positioned, and has become more competitive, as the majority of these cost containment measures are permanent and as such will have a long term impact on the company's profitability. All manufacturing overhead costs are fully applied against Cost of Sales and Services.

The amortization of intangible assets of $349,269 in 2014 Q1 relates to the licenses and know-how purchased in 2011 from a company under common control. This expense is a non-cash item and the underlying asset will be fully amortized by the end of 2016.

Building on the improvement in gross margins (before amortization of intangible assets) since late 2012, 2014-Q1 posted a strong gross margin of 40.1%, which, once again, exceeded the Company's business plan for the period. Gross margin for 2014-Q1 before amortization of intangible assets was $323,284 (40.1% on revenues), versus a gross margin of $510,560 (44.7% on revenues) for 2013-Q1. This strong level of gross margin was achieved through an increased control over project management and technical resources as well as improved buying techniques although slightly offset by the delayed business volumes experienced in the quarter. As one might expect, fixed manufacturing costs, primarily the costs associated with the manufacturing facility, will always remain a part of cost of sales regardless of the business volume in any quarter.

With the increased focus on operations and project execution, PyroGenesis expects to continue to post favorable gross margins despite the fact that margins will naturally fluctuate quarter to quarter depending on the types of projects under execution and the completion stage of the projects.

Selling, General and Administrative Expenses

	Three months ended Mar 31, 2014	2013	% Change
Employee compensation	$ 519,671	$ 547,378	-5%
Professional fees	165,435	91,674	80%
Office and general	80,190	91,939	-13%
Travel	39,365	38,573	2%
Depreciation of property and equipment	41,907	48,333	-13%
Other expenses	50,350	39,085	29%
Sub-total before Share-based payments	896,918	856,982	5%
Share-based payments	50,000	145,840	-66%
Total selling, general and administrative	$ 946,918	$ 1,002,822	-6%

Selling, general and administrative ("SG&A") expenses decreased 6% to $946,918 in 2014-Q1 over $1,002,822, reported during the same period in 2013. SG&A before share-based payments associated with a stock option plan (a non-cash item), increased by 5% to $896,918 over $856,982 posted in 2013-Q1.

In 2014-Q1, professional fees accrued have increased by 80% over 2013-Q1. The 2014-Q1 level reflects the increased spending on Investor Relations and Business Development.

Within SG&A are those costs associated with Corporate Administration, Business Development, Proposals, Operations Administration, Investor Relations and Employee Training.

Of note is that during 2013, management took the strategic decision to increase its commitment to business development, proposal structuring and the general management thereof. As one might expect there is a natural delay between the actual expense of such items and the related increase in Revenues derived therefrom. Management is happy to report that this commitment has already started to produce results as has been evidenced by the previously reported increased levels of new business volumes in new market segments.

Research and Development ("R&D") Costs

Given the fact that in 2013, management determined that internally funded R&D projects were going to be a critical component to further improve its product lines, and as such made the strategic decision to increase the level of such funding, the Company decided, going forward, to account and disclose the net costs incurred on internally funded R&D projects as a separate line item in the Statement of Comprehensive Loss thereby better reflecting the level of spending in what management believes will become an increasingly important area of its business. Prior to 2013, all of the Company's R&D work was done as part of their contract research services and with externally client funded projects some of which were R&D tax credit expenditure eligible.

Internal R&D Project Costs

	Three months ended Mar 31, 2014	2013	% Change
Employee compensation	$ 122,420	$ 44,978	172%
Subcontracting	8,500	10,583	-20%
Materials and equipment	15,686	974	1510%
Other expenses	1,062	157	576%
Sub-total before government grants	147,668	56,692	160%
Government grants	(48,067)	(39,299)	22%
Total net R&D costs	$ 99,601	$ 17,393	473%

During the 2014-Q1 fiscal year, the Company incurred $147,668 of costs on internal R&D projects, and received government grants totaling $48,067, for a net R&D spending of $99,601 for the period. In comparison, during 2013-Q1, the Company incurred $56,692 of R&D costs, and received government grants totaling $39,299, for a net R&D spending of $17,393.

In addition to internally funded R&D projects, the company incurred R&D eligible expenditures on the execution of external client funded projects. R&D tax credits on the external client funded projects are applied against Cost of Sales and Services (see below).

Research and Development Tax Credits

	Three months ended Mar 31, 2014	2013	% Change
Research tax credits	$ 18,156	$ 12,000	51%

Research and development ("R&D") tax credits of $18,156 were accrued in 2014-Q1 as compared to $12,000 in 2013-Q1. The decreased level of R&D tax credits in 2013 and 2014 is in line with the level of qualifying costs on external R&D projects.

Financing Charges

	Three months ended Mar 31, 2014	2013	% Change
Financing charges	$ **92,259**	$ 95,215	-3%

Financing charges for 2014-Q1 were $92,259 versus $95,215 for the same period the prior year. The financing charges relate solely to the interest component of the current portion of the long-term debt that came due during the period. Financing charges will continue to decrease as the long-term debt is paid-down.

The Company has no debt owing to unrelated parties. Please refer to the Subsequent Event section, which describes the conversion of the majority of the related party debt to equity in May 2014, which has significantly improved the Company's balance sheet.

Depreciation of Property and Equipment

	Three months ended Mar 31, 2014	2013	% Change
Amortization of property and equipment	$ **41,907**	$ 48,333	-13%

Depreciation of property and equipment decreased by 13% to $41,907 in 2014-Q1, versus $48,333 for 2013-Q1. This is primarily as a result of decreased investments in machinery and equipment in recent years from the level of investment in 2010 when major acquisitions were made.

Comprehensive loss

	Three months ended Mar 31, 2014	2013	% Change
Loss from operations	$ **(1,164,763)**	$ (954,139)	22%
Total comprehensive loss	$ **(1,164,728)**	$ (954,139)	22%

Loss from operations and total comprehensive loss for 2014-Q1 period was $1,164,763 and $1,164,728 as compared to $954,139 in 2013-Q1; an increase of 22%.

The 22% increase in the comprehensive loss in 2014-Q1 versus the comparable 2013 period, is due primarily to a reduction in recognized revenue in the period due to the delays associated with the commencement and continuation of previously announced projects. The Company continues to maintain strong control over its spending while increasing resources allocated to business development, proposals, investor relations and research and development.

EBITDA

	Three months ended Mar 31, 2014		2013	% Change
Comprehensive loss	$	(1,164,728)	$ (954,139)	22%
Amortization of property and equipment		41,907	48,333	
Amortization of intellectual property		349,269	349,269	
Financing charges		92,259	95,215	
EBITDA (loss)	$	(681,293)	$ (461,322)	48%
Other non-cash items:				
Share-based payments		50,000	145,840	
EBITDA (loss) before share-based payments	$	(631,293)	$ (315,482)	100%

The Company reports on its EBITDA (Earnings from operations before interest, taxes, depreciation and amortization). EBITDA is not a performance measure defined under IFRS and is not considered an alternative to income (loss) from operations or net earnings (loss) in the context of measuring Company's performance. EBITDA does not have a standard meaning and is therefore not likely to be comparable with similar measures used by other publicly traded companies.

The EBITDA loss for 2014-Q1 was $681,293 versus $461,322 in 2013-Q1, an increase of 48%.

Another significant non-cash item which is excluded in computing EBITDA is the cost of share-based payments. For 2014-Q1, the share-based payments were valued at $50,000.

The increase in the EBITDA loss during 2014-Q1 over the same period in the prior year is a result of decreased revenues which is recorded based on % completion on projects.

During 2012, Management took several key steps to restructure and strengthen the Company's management, reduce fixed operating expenses, increase the focus on increasing revenues and improving the gross margins on projects. Maintaining this focus, with strong gross margins and controlled spending on SG&A, achieving break-even EBITDA is expected by year end.

SUMMARY OF QUARTERLY RESULTS

	2014	2013				2012		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues	**$ 806,425**	$ 1,878,793	$ 1,394,255	$ 1,341,818	$ 1,141,143	$ 1,221,501	$ 516,595	$ 777,197
Loss from operations	**(1,164,763)**	(561,696)	(916,604)	(976,894)	(954,139)	(840,167)	(1,742,758)	(1,358,294)
Total comprehensive loss	**(1,164,728)**	(1,143,309)	(915,156)	(975,473)	(954,139)	(840,142)	(1,742,581)	(1,358,249)
Net loss per share - basic	**(0.02)**	(0.02)	(0.01)	(0.02)	(0.02)	(0.01)	(0.03)	(0.02)

As illustrated above, although the revenues and losses from operations have varied from quarter to quarter, the trend has been to increased revenues, lower losses, and improved gross margins with results having become much more consistent since 2012-Q4. The decrease in revenues in 2014-Q1 is a temporary variation due to delays in commencement and continuation of previously reported projects. Revenues are recognized based on a percentage of completion basis, and is dependent project timing for project engineering, manufacturing, and testing.

LIQUIDITY AND CAPITAL RESSOURCES

During 2014-Q1, the primary sources of funding for PyroGenesis have been cash generated from projects. As well the Company has deferred payments related to the long-term debt from related parties.

At March 31, 2014, PyroGenesis had cash on hand of $52,253 and negative working capital of $2,058,709 (negative $1,373,763 at December 31, 2013). At March 31, 2014, included in current liabilities is a $250,000 advance installment for the May 2014 private placement received from the CEO (a related party), and in non-current liabilities under “loans from related parties” are payments which were deferred and relate to long-term debt from related parties totaling $956,17.

Since the end of 2012-Q1, there is no debt owing to unrelated third parties.

Since the Company went public in July 2011, the primary source of funding has been the issuance of shares via public offerings. The Company's ability to raise additional funds from the equity markets will largely depend upon general market conditions and the Company's ability to secure contracts.

In late November 2012, the Company announced that it had secured a $5.6 million reorder from Newport News Shipbuilding for a plasma waste destruction system to be installed in a new US Navy air craft carrier. This order provides the Company a solid foundation of backlog and workload throughout 2013 and into 2014. At March 31, 2014, the current backlog of signed contracts stands at $7,300,000 of which all is anticipated to be recognized as revenues in 2014.

Cash collections during 2014 have been strong with the exception of an outstanding receivable of $250,000 related to the invoiced deposit on contracted project.

Tight management of cash-flows was essential during 2014-Q1, due to the delay in the commencement and continuation of contracted projects.

Summary of Cash Flows

	Three months ended Mar 31, 2014	2013
Cash provided by (used in) operating activities	$ **(1,169,188)**	$ (1,576,507)
Cash provided by (used in) investing actiities	**(22,947)**	-
Cash provided by (used in) financing activities	**61,553**	(55,405)
Increase (decrease) in cash	**(1,130,582)**	(1,631,912)

For the three months ended March 31, 2014, cash flow from operating activities resulted in a net use of cash of $1,169,188 compared to a net use of cash from operating activities of $1,576,507 for the same period the prior year. The largest variance in the cash used in operating activities is a reduction in the change in non-cash operating working capital items which are disclosed in note 14(i) of the financial statements. During 2013-Q1, the Company paid down its accounts payables and accrued liabilities by $736,575.

Investing activities in 2014-Q1 resulted in use of cash of $22,947 and $Nil for the same period in 2013. Cash used for investment activities in 2013 was for property and equipment to make required upgrades to computer hardware and software used in the operations of the Company.

Financing activities in 2014-Q1 resulted in a source of funds of $61,553 as compared to a cash used in financing activities of $55,405 in 2013-Q1. The majority of the above source of funds in 2014-Q1 resulted from the voluntary deferral of payment of the balance of sale to a company under common control which resulted in the capitalization of the unpaid imputed interest of the loan.

On May 22, 2014 (subsequent to the 2014-Q1), the Company completed a private placement of new equity units for gross proceeds to the Company of $3,487,419. The net proceeds from the offering will be used for general corporate purposes, working capital and development projects relating to recent business development efforts (see Subsequent Events section).

As described in note 15 of the December 31, 2013 financial statements and in note 12 of the March 31, 2014 financial statements, the $40,000 monthly balance of sales payments were partially made. Various amendments were made to the balance of sale agreement to defer and reduce monthly installments as a means of providing funding to the Company.

On December 16, 2013, the Company signed an amending agreement to amend the terms and conditions of the balance of sale with a company under common control. Based on the new amendment, each installment for the period starting on October 1, 2013 and ending on May 1, 2014 will be completely deferred until April 1, 2015 except for a payment of $178,175 to be made on or before December 31, 2013 and for a payment of $30,000 to be made on or before January 31, 2014.

Under the above mentioned amending agreement, should the Company conclude a financing in excess of $3,000,000 before April 1, 2015, all deferred amounts will become immediately due and payable on the closing date of the financing. Additionally, in the event of any change within the Company that would be considered material by the holder of the balance of sale, such as a change in management, any and all amounts outstanding will become immediately due and payable on the date of the material change notwithstanding whether due or not at that date.

As a result of the private equity issuance concluded on May 22nd, 2014, the deferred past due amounts of $568,000 under the amendment to the balance of sale, and the amount payable to a trust beneficially owned by a shareholder of $388,000, is expected to be repaid from the funds raised in the issuance.

For the period ended March 31, 2014, the net cash position of the Company decreased by $1,130,582 as compared to a net decrease of $1,631,912 for the same period in the prior year.

GOING CONCERN

Cash generated from projects has historically not been sufficient to meet the overall cash requirements to cover operating costs. For the Company to generate sufficient positive cash-flow from projects and meet current cash requirements, the level of business must exceed that recorded to date. Management expects that the benefits of previously announced steps to reduce fixed operating expenses, increase revenues and improve gross margins, will continue to be evidenced, and as a result the recent surge in backlog will continue. Management fully expects that the Company will be break-even EBITDA by year's end.

In the future, it may be necessary for the Company to raise additional capital to fund its operations and the continued development and introduction of new lines to its family of products. To date, the Company has raised financing through successive issuances of equity. There is no certainty that the Company will continue to be able to raise additional financing or expand is sales to fund its operations.

The March 31, 2014 financial statements have been prepared using International Financial Reporting Standards (“IFRS”) applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due.

RELATED PARTY TRANSACTION

Details of related party transactions are disclosed in note 16 of the financial statements for the period ended March 31, 2014.

There are no material changes during the quarter ended March 31, 2014 in the nature or extent of the related party transactions from those conducted in the 2013 business year, and these transactions are in the normal course of business.

SUBSEQUENT EVENTS

On May 22, 2014, the Company completed a brokered, and concurrent non-brokered, private placement at a price of $0.60 per unit for total gross proceeds of $3,487,419. Each unit is comprised of one common share and one-half of one common share purchase warrant. Each common share will be subject to a hold period of four months and one day from the closing date. Each full warrant entitles the holder to purchase one common share at the price of $0.85. The warrants will expire 18 months following the closing date and will be subject to accelerated expiry provisions, such that if at any time after the completion of the hold period, the closing price of the common shares on the TSX Venture is at least $1.20 per common share for a period of 20 consecutive trading days, the Company may accelerate the expiry date of the warrants, in which event it will expire upon the date which is 20 days following the date the Company provides written notice of the accelerated expiry to holders.

In consideration for its services with the offering, the agent will receive a cash commission equal to 7% of the gross proceed of the brokered offering. The agent will also received 325,198 compensation options. Each compensation option is exercisable for one unit at the issue price of $0.60 for a period of 18 months from closing of the offering.

Also on May 22, 2014, the Company announced that it has entered into an agreement with its related party creditor, Phoenix Haute Technology Inc. ("Phoenix"), whereby the Company has requested and Phoenix has agreed to the Company issuing 7,500,000 common shares at a deemed price of $0.80 in payment of $6 million owing by the

Company to Phoenix. The completion of this transaction is subject to the final approval of the TSX Venture Exchange.

The above subsequent events were press released by the Company on May 22, 2014, and May 23, 2014.

OUTLOOK

2014 is proving to be a tipping point year for PyroGenesis as the full effects of its strategic plan are being realized.

Revenues-to-date and backlog already exceed last year's revenues by more than 40%, and given contracts under discussion Management expects to increase year over year revenues by more than 100% while maintaining strong gross margins.

This progress has been largely due to the Company's successful de-risking of itself in answer to the fiscal crisis confronting its largest client; the US military. Under the direction of the Board, the Company has successfully transitioned from being a company predominately supplying waste management plasma processes to the US military to one that is supplying plasma processes to not only the military but also to the Oil and Gas as well as the Mining and Metallurgical industries. In each case the Company has targeted high margin niche business with the potential for significant repeat orders. The recently announced success within the 3D printing industry wherein PyroGenesis has a proven, and commercially available, technology platform which can produce the most spherical Titanium powders highly sought after in 3D printing is just one of the many successes of this de-risking strategy.

The Company continues to implement measures to strengthen and focus its business development department, which includes, amongst other measures, hiring additional strategically focused professionals.

The Company continues to de-risk its business model by starting to require recurring revenue features within sales agreements. Management has targeted 2016 as the year in which the Company will be profitable from recurring revenues alone.

In conclusion, Management is confident that the strategic plan adopted by the Board which has given effect to the realignment and de-risking of the Company's business, has proved a success and Management expects that this success will continue and be improved upon into the foreseeable future.

ADDITIONAL INFORMATION

Additional information regarding the Company can be found on SEDAR at www.sedar.com.