PyroGenesis Reports Q3, 2015 Financial Results
Excluding extraordinary items, year-to-date revenue up 19%, Order Backlog Confirmed at $16.0 million

MONTREAL, November 25th, 2015 /CNW Telbec/ - **PyroGenesis Canada Inc.** (http://pyrogenesis.com) (TSXV: PYR.V) (OTCQB: PYRNF), a TSX Venture 50® clean-tech company (the "Company" or "PyroGenesis") that designs, develops, manufactures and commercializes plasma waste-to-energy systems and plasma torch products, announced today its financial and operational results for the three and nine months ended September 30th, 2015.

Highlights

Revenue recorded in Q3, 2015 increased by 12% to $1.4M, compared with $1.2M in Q3, 2014.

Revenue recorded for the first 9 months of 2015 remains flat with prior year at $4.0M.

Excluding extraordinary revenue of $0.6M recorded during the first 9 months of 2014, revenue recorded during the first 9 months of 2015 increased by 19%.

The order backlog as at November 25th, 2015 is confirmed at $16.0M.

Financial Summary

Revenue

PyroGenesis recorded revenue of $1,363,077 for the third quarter of 2015, representing an increase of 12% compared to the $1,215,261 recorded in the same period of the previous year.

During the first nine months of 2015 the Company recorded revenue of $4,013,221, representing an increase of 1% over revenue of $3,980,220 recorded during the first nine months of 2014.

Revenue for the first nine months of 2014 benefitted from a one-time credit of $620,000 related to the termination of a project due to a customer’s breach of contract. This one-time credit was not repeated in the first nine months of 2015. Excluding this one-time credit, PyroGenesis recorded an adjusted revenue growth of $653,001, or 19%, for the first nine months of 2015.

Revenue recorded in the first nine months of 2015 was generated primarily from (i) work completed under PyroGenesis’ project to design, manufacture and supply ten plasma-based powder production systems for 3D printing to an Asian client, (ii) advances made on two R&D projects incorporating novel plasma based technologies in the oil and gas industrial sector, and (iii) progress made on various contracts in the defense sector, specifically work completed on the tactical mobile plasma system for destruction of chemical warfare agents under contract with an international military consortium, and support services related to PAWDS Marine systems supplied to the US Navy.

Backlog

Management has dedicated the Company's business development resources to high value niche markets, other than those within the US military, for more than 2 years. As a result, PyroGenesis has diversified into 3 additional business sectors (Additive Manufacturing, Oil & Gas, and Metals & Mining) operating in multiple geographical locations. The benefits of this strategic diversification have generated a backlog of signed contracts totalling $16.0 million that Management expects to be recorded as revenue prior to the end of fiscal 2016.

Cost of Sales and Services

In Q3, 2015 cost of sales and services before amortization of intangible assets amounted to $989,362, representing an increase of 37% over the $722,860 recorded in Q3, 2014. On a year-to-date basis, the cost of sales and services before amortization of intangible assets increased by 48% to $3,012,263 compared with $2,039,701 during the same period of the previous year.

Various factors, including, but not limited to, mix of long and short-term manufacturing projects, project complexity and scale, and R&D content, may significantly impact both the composition and overall level of cost of sales and services reported in a given period, as the mix of labour, materials and equipment may be significantly different.

During the first nine months of 2015 employee compensation, subcontracting costs, and the cost of direct materials increased to $1,386,330 (2014: $894,708), $265,139 (2014: $42,503) and $1,118,762 (2014: $769,171) respectively. The costs incurred in 2015 are directly attributable to the work completed under PyroGenesis' project to design, manufacture and supply ten plasma-based powder production systems for 3D printing to an Asian client, together with advances made on two R&D projects incorporating novel plasma based technologies in the oil and gas industrial sector, work completed on the tactical mobile plasma system for destruction of chemical warfare agents under contract with an international military consortium, and support services related to PAWDS Marine systems supplied to the US Navy.

Throughout the first nine months of 2015, many of PyroGenesis' engineering and R&D resources were concentrated on accelerating progress on the Company's revenue generating projects, as opposed to research and development activities. As a result, costs of goods sold for the year-to-date increased significantly and, whilst this has negatively impacted gross margins in fiscal 2015 thus far, Management believes that upon completion of these projects, gross margins will be in line with previous estimates. Furthermore, Management believes that the Company will gain significant future financial benefit from the additional intellectual property generated through the investment in this project acceleration programme, with the filing of:

- a provisional patent for a one step process using plasma for producing high purity silicon from silica, PUREVAP™, a proprietary process that uses a plasma arc within a vacuum furnace to produce high purity, metallurgical grade silicon (MG-Si), solar grade silicon (UMG Si) and polysilicon from quartz, and
- a provisional patent for a new Plasma Atomization Process ("PAP"), a new process enabling PyroGenesis to produce metallic powders at higher production rates whilst, at the same time, controlling powder size distribution. PyroGenesis expects to file a world-wide patent application for its PAP by the end of Q2, 2016.

The amortization of intangible assets of $349,268 in Q3, 2015 (2014: $349,268) relates to 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.

Gross Margin

In Q3, 2015 the Company generated a gross margin before amortization of intangible assets of $373,715, representing 27.4% of revenue. This compares with a gross margin before amortization of intangible assets of $492,401, representing 40.5% of revenue, in Q3, 2014.

Year-to-date gross margin before amortization of intangible assets for 2015 and 2014 were $1,000,958 (24.9%) and $1,940,519 (48.8%) respectively. Included in the gross margin achieved in the first nine months of 2014 is the revenue recognition of $620,000 related to billings in excess of costs and profits on uncompleted contracts in respect of the termination of a project due to a customer's breach of contract. No costs were applicable against this one-time revenue benefit and the one-time benefit was not repeated in the first nine months of 2015. Excluding this one-time benefit, the gross margin achieved in the first nine months of 2014 was $1,320,519, or 39.8%.

Selling, General and Administrative Expenses

In Q3, 2015 selling, general and administrative expenses ("SG&A") totalled $1,121,932, representing an increase of 4% compared to $1,082,803 recorded in Q3, 2014. Excluding costs associated with share-based compensation (a non-cash item in which options vest over a four year period) SG&A increased by 2%, from $1,032,803 in Q3, 2014 to $1,048,876 in Q3, 2015.

Year-to-date SG&A totalled $3,421,520 in 2015, compared with $3,109,362 in the same period of 2014, representing an increase of 10%. Excluding the costs associated with share-based compensation, SG&A increased by 8%, from $2,930,862 in the first nine months of 2014 to $3,165,332 in the first nine months of 2015. The increase in year-to-date SG&A is attributable to the net effect of:

- a decrease of 11% in employee compensation, primarily due to the departure of two senior executives previously employed in administrative functions,
- an increase of 53% for professional fees, primarily due to increased levels of external investor relations services, business development, and accounting services,
- an increase of 41% in office and general costs, primarily due to an increase in rent and related taxes, together with increased communications expenses,
- Travel costs increased 34%, primarily due to increased Business Development activities in international markets,
- Government grants increased by 112% due to the improved volume of the Company's projects that are eligible for grants, and
- Other expenses decreased 6%, primarily due to lower insurance premiums.

Separately, share based payments increased 44% as a result of the vesting structure of the stock option plan and for new options that were issued throughout the first nine months of 2015.

Research and Development ("R&D") Costs

In Q3, 2015 the Company incurred $32,743 on internal R&D project costs, net of grants. This compares with $36,102 for Q3, 2014 and represents a decrease of 9%. For the nine months ended September 30th, 2015, net spending on internal R&D projects was $88,862 versus $164,802 during the same period of fiscal 2014, representing a decrease of 46%.

The decrease in both the third quarter and year-to-date R&D expenditure is, as previously noted, primarily attributable to the fact that many of the Company's resources were concentrated on accelerating progress on the Company's revenue generating projects, as opposed to research and development activities.

Financing Charges

Financing charges in Q3, 2015 totalled $137,907 compared with $19,970 for Q3, 2014. Year-to-date financing charges were $286,765 in the first nine months of 2015, compared with $197,274 in the same period of 2014.

The increase in year-to-date financing charges relates primarily to the quarterly interest payable on the convertible debenture, together with the accretion and amortisation of financing costs of the convertible debenture, since March 30th, 2015.

Financing charges would have decreased significantly in Q3, 2015 due to the conversion of $6,000,000 of debt to equity which took place in May 2014 (see note 15(i) of the 2014 Audited Financial Statements) but was offset by the interest, accretion and financing costs associated with the new convertible debentures issued on March 30th, 2015.

Total Comprehensive Loss

The comprehensive loss in Q3, 2015 totalled $1,267,748 compared with a comprehensive loss of $995,695 in Q3, 2014, representing an increase of 27%. The comprehensive loss for the first nine months of 2015 amounted to $3,842,948, compared with a loss of $2,577,576 for the first nine months of 2014, representing an increase of 49%.

The increase of $1,265,372 in the comprehensive loss for the first nine months of fiscal 2015 is primarily attributable to:

- a one-time benefit of $620,000 in 2014 in respect of the termination of a project due to a customer's breach of contract, which increased revenue at 100% gross margin,
- a reduction in gross margin of $319,561 arising from increased costs of goods sold, which is partly attributable to the mix of projects under construction, but also due to the fact that many of the Company's engineering and R&D resources were concentrated on accelerating progress on the Company's revenue generating projects, as opposed to research and development activities.
- an increase in SG&A expenses of $312,158, primarily related to increased professional fees, increased travel expenses and an increase in office and general costs, partly offset by decreases in employee compensation and higher government grants,
- a decrease in R&D expense $75,940, primarily due to the fact that many of the Company's engineering and R&D resources were concentrated on accelerating progress on the Company's revenue generating projects, as opposed to research and development activities.
- an increase in financing charges of $89,491 that is primarily due to interest payable and an accretion expense in respect of the convertible debenture financing of March 2015, partly offset by reduced interest due to the conversion of $6,000,000 of debt to equity in May 2014.

Adjusted EBITDA

The Adjusted EBITDA loss for Q3, 2015 was $666,314 compared with an Adjusted EBITDA loss of $531,629 for Q3, 2014. The Adjusted EBITDA loss for the first nine months of 2015 was $2,129,586 compared with an Adjusted EBITDA loss of $1,024,660 for the first nine months of 2014.

The increase of $1,104,926 in the Adjusted EBITDA loss for the first nine months of fiscal 2015 attributable to the increase in comprehensive loss of $1,265,372 for the period, as previously described, plus the reduction for the depreciation on property and equipment of $6,733 less both the increased financing charges of $89,491 and the increased cost of other non-cash items, specifically share-based payments, of $77,688.

Liquidity

During the first nine months of 2015, the primary sources of funding for the Company have been cash generated from projects and private placements. In March 2015, the Company completed a private placement which resulted in the net proceeds (gross proceeds minus cash commissions and convertible debentures issue costs) of $2,957,804. The proceeds from these offerings have been used to fund operations and strengthen the Company's working capital position.

At September 30th, 2015, the Company had cash on hand of $268,704 and positive working capital of $1,005,977 compared with a cash balance of $362,183 and positive working capital of $1,502,802 at December 31st, 2014.

Although the Company has significantly increased its backlog of new projects, this is not expected to have a positive impact on cash flow until the end of 2015 or early 2016; the active projects during the first nine months of 2015 have not produced sufficient positive cash flow to fund operations. Based upon the current backlog, together with the pipeline of prospective new projects, cash flows from operations are expected to be positive in the near future.

On March 30th, 2015, the Company completed a financing and raised $4 million through an issuance of convertible debentures, which mature 3 years from the date of issuance and bear interest, paid quarterly, at 7.5% per annum. As part of this offering, $755,000 of existing debt was converted into convertible debentures, thereby further strengthening the balance sheet.

About PyroGenesis Canada Inc.

PyroGenesis Canada Inc., a TSX Venture 50® clean-tech company, is the world leader in the design, development, manufacture and commercialization of advanced plasma processes. We provide engineering and manufacturing expertise, cutting-edge contract research, as well as turnkey process equipment packages to the defense, metallurgical, mining, advanced materials (including 3D printing), oil & gas, and environmental industries. With a team of experienced engineers, scientists and technicians working out of our Montreal office and our 3,800 m2 manufacturing facility, PyroGenesis maintains its competitive advantage by remaining at the forefront of technology development and commercialization. Our core competencies allow PyroGenesis to lead the way in providing innovative plasma torches, plasma waste processes, high-temperature metallurgical processes, and engineering services to the global marketplace. Our 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) and on the OTCQB Marketplace (Ticker Symbol: PYRNF). For more information, please visit www.pyrogenesis.com.

This press release contains certain forward-looking statements, including, without limitation, statements containing the words "may", "plan", "will", "estimate", "continue", "anticipate", "intend", "expect", "in the process" and other similar expressions which constitute "forward-looking information" within the meaning of applicable securities laws. Forward-looking statements reflect the Company's current expectation and assumptions, and are subject to a number of risks and uncertainties that could cause actual results to differ materially from those anticipated. These forward-looking statements involve risks and uncertainties including, but not limited to, our expectations regarding the acceptance of our products by the market, our strategy to develop new products and enhance the capabilities of existing products, our strategy with respect to research and development, the impact of competitive products and pricing, new product development, and uncertainties related to the regulatory approval process. Such statements reflect the current views of the Company with respect to future events and are subject to certain risks and uncertainties and other risks detailed from time-to-time in the Company's ongoing filings with the securities regulatory authorities, which filings can be found at www.sedar.com, or at www.otcmarkets.com. Actual results, events, and performance may differ materially. Readers are cautioned not to place undue reliance on these forward-looking statements. The Company undertakes no obligation to publicly update or revise any forward-looking statements either as a result of new information, future events or otherwise, except as required by applicable securities laws.

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