Revised: PyroGenesis announces 2015-Q2 results: Revenues increased 37% over prior quarter, backlog at $15.7MM

Revised to update 2015-Q2 EBITDA

MONTREAL, Sept. 1, 2015 /CNW Telbec/ - **PyroGenesis Canada Inc.** (http://pyrogenesis.com) (TSXV: PYR.V), 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 six months ended June 30, 2015.

2015-Q2 Highlights

2015-Q2 revenues increased by 37%, from $1.1 million to $1.5 million, over the previous quarter, but are down 22% from the $2.0 million recorded in 2014-Q2.

Year-to-date revenues, at $2.7 million in the first 6 months of 2015, are broadly in line with the $2.8 million recorded in the first 6 months of 2014.

The current backlog as at August 28, 2015 stands at $15.7 million and represents approximately 2.6 x revenues recorded for the 2014 fiscal year.

Financial Summary

Revenues

The Company posted revenues of $1,533,667 for the second quarter of fiscal year 2015 ended June 30, 2015 ("2015-Q2"), a decrease of 22% as compared to the $1,958,534 reported in the same period of fiscal 2014. The revenues for 2015-Q2 resulted primarily from the Company's progress on (i) work completed under phase 1 and phase 2 of the tactical mobile plasma system for destruction of chemical warfare agents, (ii) the ongoing R&D projects incorporating novel plasma based technologies in the oil and gas industrial sector, and (iii) work completed on the Company's latest project to manufacture ten plasma based powder production systems for 3D printing.

Year-to-date revenues of $2,650,144 are down $114,815, or 4%, on revenues of $2,764,959 achieved in the same period of fiscal 2014. Year-to-date revenues were negatively impacted by the termination of a customer's Development Use and Commercialization Agreement related to PyroGenesis' SPARC™ Technology. As such, no revenue could be generated for this project.

The majority of revenues associated with signed backlog are expected to impact revenues in the second half of 2015 and first half of 2016.

Cost of Sales and Services

Cost of Sales and Services before amortization of intangible assets increased 45% to $1,208,578, in 2015-Q2 as compared to $833,700 posted in the same quarter of fiscal 2014. On a year-to-date basis, the cost of sales and services before amortization of intangible assets was $2,022,901 as compared to $1,316,841 for the same period in the prior year, an increase of 54%.

The type of contracts being executed and the nature of project activity during any given quarter has a significant impact on both the overall level of cost of sales and services reported in a period, as well as the composition of the cost of sales and services, as the mix between labour and materials and equipment may be significantly different.

A key development impacting gross margins in 2015-Q2 was again the utilization of many of the Company's engineering and research & development resources on accelerating the development and implementation of projects that would have otherwise been committed to advancing the implementation of current live projects. Although this has significantly increased Cost of Goods Sold in the first six months of fiscal 2015, management believes that these resources accelerated the progress of certain projects, and that gross margins upon completion of these projects will be in line with previous estimates, and will be more reflective of recent trends.

The number of projects/contracts the Company is currently executing, and has under development, has increased significantly. The Company has continued to invest in reducing fixed manufacturing costs and streamlining its operating procedures, and management firmly believes that the Company is well positioned to address this higher business volume. All manufacturing overhead costs are fully applied against Cost of Sales and Services.

The amortization of intangible assets of $349,269 in 2015-Q2 ($349,268 in 2014-Q2) 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.

Selling, General and Administrative Expenses

Selling, general and administrative expenses ("SG&A") for 2015-Q2 were $1,108,072, an increase of 3% as compared to $1,079,641 reported during the same quarter of fiscal 2014. The costs associated with share-based compensation (a non-cash item in which options vest over a four year period) commenced in the third quarter of 2011 when the stock option plan was put in place. SG&A before share based payments increased by 7% in 2015-Q2 as compared to the same quarter of the prior fiscal year and 12% on a year-to-date basis for the six months ended June 30, 2015.

Within SG&A are costs associated with corporate administration, business development, proposals, operations administration, investor relations and employee training.

Of note, during 2013, management decided to dedicate business development resources to other high value niche markets other than those within the US military. It is expected that there will be a natural lag between incurring business development related expenses and the resulting increase in revenues. This commitment resulted in record levels of signed backlog at fiscal year-end 2014.

Total SG&A expenses before share based payments increased 7% to $1,074,391 for 2015-Q2 as compared to $1,001,141 for the same period of fiscal 2014, and relate to the following:

- Employee compensation decreased 4%, due to the departure of two senior employees within the administrative function of the Company.

- Professional fees increased 41% due to increased levels of external investor relations services and business development services.
- Travel costs increased 62%, due to increased Business Development activities in international markets.
- Government grants increased by 127% due to progress made on a long-term development project that is supported by the Industrial Research Assistance Program of the National Research Council Canada.
- Other expenses decreased 21%.

Separately, share based payments decreased 57% as a result of the vesting structure of the stock option plan. New options were issued in 2015-Q2, of which $12,969 has been expensed when options were granted.

Research and Development ("R&D") Costs

In 2013, management made the strategic decision to increase the level of R&D funding, and to account and disclose the net costs incurred on these projects as a separate line item in the Statement of Comprehensive Loss. Management believes that internally funded R&D projects will become a significant source of new business opportunities, and as such, this new reporting reflects management's commitment to such. Prior to 2013, all of the Company's R&D work was done as part of contract research services as well as with externally client funded projects, some of which were R&D tax credit expenditure eligible. However, during the first six months of 2015, many of our R&D resources that would customarily work on internal R&D projects were engaged with the delivery of certain customer orders as the Company deals with record levels of current backlog.

During 2015-Q2, the Company incurred $26,995 in costs, net of grants, on internal R&D projects as compared to $29,099 for the same quarter of fiscal 2014, a decrease of 7% year-over-year. For the six months ended June 30, 2015, net spending on internal R&D projects was $56,119 versus $128,700 during the same period of fiscal 2014, a decrease of 56%.

Financing Charges

Financing charges for 2015-Q2 were $137,334 as compared to $85,045 for the same period of the prior fiscal year, an increase of 61% year-over-year.

Financing charges relate to:

- the interest component of the Company's debt, due to a related party, that was paid during the period;
- the interest component of the convertible debenture that was paid during the period; and
- the accretion and amortization of financing costs of the convertible debenture.

Financing charges would have decreased significantly in 2015-Q2 due to the conversion of $6,000,000 of debt to equity which took place in May 2014 but was offset by the interest, accretion and financing costs associated with the new convertible debentures issued end of March 2015.

Total Loss and Total Comprehensive Loss

The Loss from operations for 2015-Q2 was $1,296,581 as compared to a Loss of $418,219 in the same quarter of fiscal 2014, an increase of 210% year-over-year. Year-to-date, Loss from operations was $2,575,859 as compared to comparable losses of $1,582,982 for the same period in 2014, an increase of 63%.

The total Comprehensive loss for 2015-Q2 was $1,296,111 as compared to a Comprehensive loss of $417,153 in the same period of fiscal 2014, an increase of 211% year-over-year. Year-to-date, Comprehensive loss was $2,575,200 as compared to comparable losses of $1,581,881 for the same period in 2014, an increase of 63%.

The increase in the Comprehensive loss in 2015-Q2 as compared to 2014-Q2 is primarily a result of: (i) acceleration of project development in the quarter which resulted in significant increases in Cost of Goods Sold; (ii) increase in professional services costs within SG&A as a result of additional investor relations activities, together with investments in our internal and external reporting structure; and (iii) an increase in travel expenses associated to increased sales and marketing activities.

EBITDA

EBITDA (earnings from operations before interest, taxes, depreciation and amortization) loss for 2015-Q2 was $768,193 as compared to an EBITDA of $59,762 for the same period of fiscal 2014. Year-to-date, EBITDA loss was $1,646,404 as compared to comparable losses of $621,531 for the same period in 2014. The increase in the EBITDA (loss) in the quarter is due primarily to lower gross margins resulting from the utilization of many of the Company's engineering and research & development resources on accelerating the development and implementation of projects that would have otherwise been committed to advancing the implementation of current live projects, as previously explained. EBITDA in 2015-Q2 was also negatively impacted by the increased investment in investor relations activities, and additional spend on business development with the goal to increase backlog and future revenues.

Liquidity

During the first six 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 June 30, 2015, the Company had cash on hand of $1,208,904 and positive working capital of $2,219,657 (cash balance of $362,183 and positive working capital of $1,502,802 at December 31, 2014).

Although the Company has significantly increased its backlog of new projects, this will not impact cash flow until the 2nd half of 2015; the active projects in 2015-Q2 were not producing sufficient positive cash flow to fund operations. Based on current backlog and known pipeline of prospective new projects, cash flows from operations are expected to be positive in the near future.

Separately, on March 30, 2015, the Company raised an additional $4 million through an issuance of convertible debentures which mature in three (3) years from the date of issuance and bear interest at 7.5% per annum, paid quarterly. As part of this offering, $755,000 of existing debt was converted to 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 m^2 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). 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. 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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