

PyroGenesis Announces: Revenues Increase by 46%, Gross Margins Exceed 57%, Net Worth >\$3MM; Positive EBITDA (Adj.), Record Backlog exceeds 300% of 2013 Revenues; for Second Quarter 2014

MONTREAL, Aug. 29, 2014 /CNW Telbec/ - **PyroGenesis Canada Inc.** (<http://pyrogenesis.com>) (TSXV: PYR), a TSX Venture 50® company, a world leader in the design, development, manufacturing and commercialization of advanced plasma processes, today announced its financial and operational results for the second quarter of fiscal 2014, ending June 30, 2014 ("2014-Q2").

Second Quarter Highlights

During the second quarter of 2014, PyroGenesis has:

- Increased Revenues by 46% to \$1,958,534;
- Increased Backlog to a record level of 17.6MM or more than 300% of 2013 annual revenues;
- Increased Gross Margins to 57.4%;
- Posted positive EBITDA (adjusted) of \$138,262;
- Signed, and commenced work, on a \$12.5MM contract to design and manufacture 10 plasma-based powder production systems for 3D printing industry;
- Completed a private placement for gross proceeds of \$3.5MM, and completed a debt-to-equity conversion, with a related party, whereby \$6.0MM of debt was converted to equity at .80/share;
- Successfully repositioned the Company by supplying plasma processes to an expanded client base including the Oil and Gas, Mining and Metallurgical, and Advanced Materials (3-D Printing) industries.

PyroGenesis' strategic entree into new high-margin market niches is translating into significant orders for its plasma processes and engineering services as evidenced by the level of new business activity and historic backlog of signed contracts. These results validate management's strategic decision to reposition the Company by introducing its plasma processes into new high-margin markets and embarking on the largest business development push in the Company's history.

Financial Highlights

| | Three months ended June 30, | | % | Six months ended June 30, | | % |
|---|-----------------------------|---------------------|-------------|---------------------------|-----------------------|--------------------|
| | 2014 | 2013 | Change | 2014 | 2013 | Change |
| Revenue | \$ 1,958,534 | \$ 1,341,818 | 46% | \$ 2,764,959 | \$ 2,482,961 | 11% |
| Gross margin before amortization of intangible assets | 1,124,834 | 544,689 | | 1,448,118 | 1,055,249 | |
| Gross margin before amortization of intangible assets % | 57.4% | 40.6% | | 52.4% | 42.5% | |
| Gross margin | 775,566 | 195,421 | | 749,581 | 356,712 | |
| Gross margin % | 39.6% | 14.6% | | 27.1% | 14.4% | |
| Loss from operations | (418,219) | (976,894) | -57% | (1,582,982) | (1,931,033) | -18% |
| Comprehensive loss | \$ (417,153) | \$ (975,473) | -57% | \$ (1,581,881) | \$ (1,929,612) | -18% |
| Basic and diluted loss per share | \$ (0.01) | \$ (0.02) | | \$ (0.02) | \$ (0.03) | |
| EBIDTA (loss) ⁽¹⁾ | 59,762 | (490,604) | 112% | (621,531) | (951,926) | 35% ⁽²⁾ |
| Adjusted EBITDA (loss)⁽¹⁾ | \$ 138,262 | \$ (340,819) | 141% | \$ (493,031) | \$ (656,301) | 25% ⁽²⁾ |

| | June 30, 2014 | Dec 31, 2013 |
|-----------------------------------|---------------------|-----------------------|
| Total assets | \$ 6,926,507 | \$ 7,170,872 |
| Total Liabilities | \$ 3,899,205 | \$ 11,780,886 |
| Shareholders' equity (deficiency) | \$ 3,027,302 | \$ (4,610,014) |

(1) EBITDA and Adjusted EBITDA are non-IFRS financial measures. The Company defines EBITDA as earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA less share-based payments.

(2) Reductions in the EBITA and Adjusted EBITA between the periods are disclosed as positive changes as the EBITDA result improved during the periods.

Revenue

Revenues for 2014-Q2 were \$1,958,534, an increase of 46% over revenues of \$1,341,818 reported during the same period in fiscal 2013. On a year-to-date basis, revenues for fiscal year 2014 increased by 11% to \$2,764,959 (6 months 2013: \$2,482,961). Revenues in 2014-Q2 are positively impacted by progress achieved on (i) the plasma system being built for the US Navy, (ii) phase 1 of a tactical mobile plasma system for destruction of chemical warfare agents, (iii) on R&D projects using novel plasma based technologies in the oil and gas industrial sector, and (iv) commencement of work on the recently signed contract to manufacture ten plasma based powder production systems for 3D printing.

2014 and 2015 revenues are projected to increase significantly based on a strong backlog (\$17.6MM) of signed contracts combined with a significant pipeline of future projects identified and under discussion (approximately \$15MM of which are directly related with the continuation of contracts signed and in the current

backlog).

Cost of Sales and Services

Cost of Sales and Services before amortization of intangible assets for 2014-Q2 was \$833,700 (\$797,129: 2013-Q2), an increase of 5%. On a YTD basis, cost of sales before amortization of licenses decreased by 8% to \$1,316,841 as compared to \$1,427,712 for the same period the prior year.

Building on the improvements in gross margins (before amortization of intangible assets) started in late 2012, 2014-Q2 posted exceptionally strong gross margins of 57.4% (40.6%: 2013-Q2), which exceeded the Company's business plan for the period. Revenues and gross margins were both positively impacted in the quarter by an early termination of a contract. The Company is targeting gross margins more consistent with those it has realized in 2013 and 2014 Q1 of approximately 40%.

The strong level of gross margins in 2014-Q2 was achieved through controlled project management, tight control over technical resources employed on projects, and favorable pricing on equipment purchases.

Management is confident that with an increased focus on operations and project execution, PyroGenesis will continue to post strong gross margins on its projects notwithstanding the natural fluctuations that may occur from quarter to quarter.

Selling, General and Administrative Expenses

Selling, general and administrative expenses ("SG&A") increased 7% to \$1,079,641 (\$1,005,746: 2013-Q2) for 2014-Q2 primarily reflecting management's strategic decision to increase investment in business development; YTD SG&A increased 1% over that posted for the same period in 2013 (2014 Q2: \$2,026,559; 2013 Q2: \$2,008,568).

Net Loss

Loss from operations and Comprehensive loss for 2014-Q2 both decreased 57% to \$418,219 and \$417,153 respectively, as compared to a Loss from Operations and a Comprehensive Loss of \$976,894 and \$975,473 reported for the same period during 2013-Q2. On a YTD basis, Loss from operations and Comprehensive loss decreased by 18%.

The 57% decrease in the comprehensive loss in 2014-Q2 versus the comparable 2013 period, is primarily due to a 46% increase in revenues, a 16.8% basis points increase in gross margin to 57%, offset in part by a 7% increase in SG&A. 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

EBITDA (earnings from operations before interest, taxes, depreciation and amortization) for 2014-Q2 was \$59,762, an improvement of 112% over the negative EBITDA of \$490,604 reported during 2013-Q2. On a YTD basis, EBITDA for fiscal 2014 was negative \$621,531, a 35% improvement over the negative EBITDA of \$951,926 reported during the same period in fiscal 2013.

Adjusted EBITDA (adjusted for share-based payments) for 2014-Q2 was \$138,262, an improvement of 141% over the negative EBITDA (Adj.) of \$340,819 reported during 2013-Q2. On a YTD basis, EBITDA (Adj.) for fiscal 2014 was negative \$493,031, a 25% improvement over the negative EBITDA (Adj.) of \$656,301 reported during the same period in fiscal 2013.

Liquidity

At June 30, 2014, PyroGenesis had cash on hand of \$752,997 and negative working capital of \$396,547 (negative \$1,373,763 at December 31, 2013).

Of note, the Company has no bank debt, nor any debt owing to unrelated parties.

On May 22, 2014, the Company announced that it had completed a private placement 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.

Additionally on May 22, 2014, the Company announced that it had entered into an agreement with its related party creditor, Phoenix Haute Technology Inc. ("Phoenix"), whereby the Company and Phoenix completed a "debt-for-equity" conversion issuing 7,500,000 common shares at a deemed price of \$0.80 in payment of \$6 million owing by the Company to Phoenix. As a result of this debt-for-share conversion, the Company's has significantly strengthened its financial position.

Outlook

2014 continues to prove itself to be the "tipping point year" for PyroGenesis as the full effects of the Company's strategic plan to position itself in new high margin niche markets are being realized.

6 month Revenues-to-date, although only 11% higher than the same period last year, are supported by a record backlog of signed contracts which are already more than 300% of 2013 revenues (which already were a 175% increase over 2012 revenues) and which are all expected to be completed over the next 18 months. Despite recent delays associated with certain project commencements, management still expects to post strong year over year revenues while maintaining its historic strong gross margins.

This progress has largely been due to the Company's successful repositioning itself in answer to the fiscal crisis confronting its largest client at the time; 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 & Metallurgical and 3D Printing industries. In each case the Company has targeted high margin niche businesses with the potential for significant repeat orders. PyroGenesis' recent success within the 3D printing industry wherein the Company announced that they had signed a \$12.5 MM contract to provide 10 plasma based systems to produce the smallest, and most uniform spherical Titanium powders to the industry, is just one of the many successes of this repositioning strategy. The Company expects many more of such contracts to be signed over the near term.

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 professionals focusing exclusively on business development has increased from 1.5 employees 18 months ago to 7 today.

The Company continues to de-risk its business model by starting to require recurring revenue features within sales agreements. Management has targeted 2016-2017 as the time frame 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 repositioning of the Company's business, has proven to be a success and Management expects that this success will continue and be improved upon into the foreseeable future.

About PyroGenesis Canada Inc.

PyroGenesis Canada, a TSX Venture 500® company, is the world leader in the design, development, manufacturing 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 PyroClass™ engineers, scientists and technicians working out of our Montreal office and our 3,800 m2 production 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.V). 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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For further information:

PyroGenesis Canada Inc.
P. Peter Pascali Chief
Executive Officer
Phone: 514.937.0002
E-mail: ir@PyroGenesis.com

CO: PyroGenesis Canada Inc.

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