PyroGenesis Announces 2016 Q1 Results:
Revenues of $1.0MM; Current Backlog $10.6MM

MONTREAL, QUEBEC--(Marketwired – May 27, 2016) - PyroGenesis Canada Inc. (http://pyrogenesis.com) (TSX-V: PYR) (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 first quarter of fiscal year 2016.

First Quarter Highlights

In Q1 of Fiscal 2016,

- Revenues decreased 9%, over the same period in 2015;
- Gross margins before amortization of intangible assets increased 6.6% to 2.9%, over the same period in 2015;
- Current backlog of $10.6MM at March 31, 2016.

Financial Summary

Revenues

PyroGenesis recorded revenues of $1,016,853 in the first quarter of 2016 ("Q1, 2016"), representing a decrease of 9% compared with $1,116,477 recorded in the first quarter of 2015 ("Q1, 2015").

Revenue recorded in Q1, 2016 was generated primarily from (i) advances made on two R&D projects incorporating novel plasma based technologies in the oil and gas industrial sector; (ii) the manufacture and supply of PyroGenesis' first DROSRITE™ Furnace System to a North American automobile parts manufacturer; (iii) work completed on the second, and final, phase to design, manufacture and deliver a fully automated plasma torch system comprised of eight air plasma torches to be used for waste gasification for a client in Asia; and (iv) progress made on various contracts in the defense sector, specifically, the design, manufacture and preliminary field testing of Tactical PACWADS, the first 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, including training sailors in the operation and maintenance of the system.

PyroGenesis has pursued a strategic program to reduce dependency upon long-cycle projects within the defense and environmental industries and to diversify into shorter sales cycle opportunities within 3 additional industries; Additive Manufacturing, Oil & Gas, and Metals & Mining. Management plans to maintain this strategic program and, as a result, expects the diversity of its client base to continue to expand.

Cost of Sales and Services

Cost of sales and services before amortization of intangible assets was $723,256 in Q1, 2016,

representing a decrease of 11% compared with $814,323 in Q1, 2015.
Various factors, including, but not limited to, the mix of long and short-term manufacturing projects, project complexity and scale, and project 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.

The amortization of intangible assets of $349,268 in Q1, 2016 ($349,268 in Q1, 2015) 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 December 31, 2016.
In Q1, 2016, the gross margin before amortization of intangible assets was $293,597, which represents 28.9% of revenue. This compares with a gross margin before amortization of intangible assets of $302,154 (27.1% of revenue) for Q1, 2015.
It should be noted that although management continues to target gross margins of 40% (before consideration of amortization), various factors such as those previously mentioned, together with the innovative nature of the Company's projects, as well as various one-time events, may positively or negatively impact gross margins in any given period.
Investment tax credits recorded against cost of sales are primarily related to client funded projects that qualify for tax credits from the provincial government of Quebec. Qualifying tax credits increased to $108,815 in Q1, 2016, compared with $56,434 in Q1, 2015, primarily as a result of the increased R&D activities within projects under construction for clients. This represents an increase of 93% year-over-year and is in line with the increased level of qualifying costs on external R&D projects. The Company continues to make investments in research and development projects incorporating the involvement of strategic partners and government bodies.

Selling, General and Administrative Expenses

Selling, general and administrative expenses ("SG&A") incorporate costs associated with corporate administration, business development, project proposals, operations administration, investor relations and employee training.
SG&A for Q1, 2016 were $1,048,915, representing a decrease of 12% compared with $1,191,327 reported for Q1, 2015. Excluding the costs associated with share-based compensation (a non-cash item in which options vest over a four year period) SG&A expenses decreased by 6% in Q1, 2016 compared with Q1, 2015.

The decrease in SG&A expenses is attributable to the net effect of:

- an increase of 23% in employee compensation, primarily due to the continuous commitment in business development activities including additional employees in this area,
- a decrease of 37% for professional fees, primarily due to decreased levels of external investor relations services, business development and accounting services,
- travel costs decreased by 20%, due to better allocation of resources to travel,
- depreciation on property and equipment decreased by 20% due to a reduced level of investments in machinery and equipment since 2010, when major acquisitions were made,
- government grants increased by 22% due to improved volume of the Company's projects that are eligible for grants, and

- other expenses decreased by 13%, primarily due to the reduced cost of advertising.

Separately, share based payments decreased by 56% as a result of the vesting structure of the stock option plan and no new options were issued in Q1, 2016 which was not the case in Q1, 2015 (options were issued).

Net Loss and Comprehensive loss

The net loss and comprehensive loss for Q1, 2016 was $1,248,663 compared to a loss of $1,279,089 in Q1, 2015, representing a decrease of 2% year-over-year.

EBITDA

EBITDA (earnings from operations before interest, taxes, depreciation and amortization) in Q1, 2016 was $715,939 compared with an EBITDA loss of $878,211 for the same period last year, representing a decrease of 18%. The decrease of $162,272 in the EBITDA loss in Q1, 2016 compared with Q1, 2015 is primarily attributable to the decrease in net loss and comprehensive loss of $30,426, plus the reduction for the depreciation on property and equipment of $7,830 and less the increased finance costs of $139,676.
The Adjusted EBITDA loss in Q1, 2016 was $649,508 compared with an Adjusted EBITDA loss of $728,760 for the same period last year, representing a decrease of 11%. The decrease of $79,252 in the Adjusted EBITDA loss for Q1, 2016 is attributable to the decrease in EBITDA loss of $162,272 for the period, as previously described, less increased cost of other non-cash items, specifically share-based payments of $83,020.

Liquidity

In Fiscal 2015, the primary sources of funding for the Company was cash generated from projects and from private placements. In March 2015, the Company completed a private placement for gross proceeds of $4 million, which resulted in net cash proceeds (gross proceeds minus cash commissions, convertible debentures issue costs and the conversion of $755,000 of debt into convertible debentures) of $2,957,804.
In December 2015, the Company completed a private placement which resulted in gross and net proceeds of $1,767,000 and $1,747,516 respectively. The proceeds from these offerings have been used to fund operations and strengthen the Company's working capital position.
As at March 31, 2016, the Company had cash on hand of $225,563 and negative working capital of $817,833 compared with a cash balance of $767,368 and positive working capital of $166,095 as at December 31, 2015.
As at March 31, 2016, the Company has a backlog from signed contracts totalling $10.6 million. Management expects the majority of the contracted backlog to be recorded as revenue prior to the end of fiscal 2016. However, depending on the outcome of management's negotiations with the Asian customer for the additional 9 systems, $9.6 million of current backlog would be at risk.

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

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For further information: P. Peter Pascali, Chief Executive Officer, Phone: (514) 937-0002, E-mail: ir@pyrogenesis.com