PyroGenesis Announces Q3, 2019 Results:
Revenues $2.1MM, Gross Margin 45%,
Current Backlog $29.5MM

MONTREAL, QUEBEC (GlobeNewswire – November 27th, 2019) - PyroGenesis Canada Inc. (http://pyrogenesis.com) (TSX-V: PYR) (OTCQB: PYRNF) (FRA: 8PY), a high-tech company (the "Company", the “Corporation” or "PyroGenesis") that designs, develops, manufactures and commercializes plasma atomized metal powder, plasma waste-to-energy systems and plasma torch products, is pleased to announce today its financial and operational results for the third quarter ended September 30, 2019.

“The 492% increase in backlog to $29.5MM at the end of Q3, from $6MM at the end of Q2, signals the beginning of the long-awaited breakout that we have been anticipating,” said Mr. P. Peter Pascali, President and CEO of PyroGenesis. “Separately, the $13.5MM US Navy Contract has also gained momentum in the second half of 2019, which we expect will also be added to the backlog soon. Notwithstanding some minor delays, 2019 is turning out to be all that we had expected it to be.”

Q3, 2019 results reflected the following highlights:

- 91% increase in revenues to $2.1MM for the quarter over the same period in 2018,
- gross margin of 45% representing an increase of 22% over the same period in Q3 2018,
- 492% increase in backlog to $29.5MM over Q2 2019 ($6MM),
- a modified EBITDA loss of $614K compared to a Modified EBITDA loss of $1.6MM over the same period in Q3 2018,
- fair value of investments increased to $70,717, versus a decrease of $756,750 over the same period in Q3 2018 an increase of $827,467.

The following is an overview of PyroGenesis’ quarterly results.

Outlook

The second half of 2019 has seen the beginning of the long awaited breakout that we have been anticipating ever since the Company embarked on a strategy, in 2017 and 2018, to (i) develop two new business lines and partner with multi-billion-dollar corporations to effectively accelerate commercialization in these new segments, and (ii) focus on recurring revenue streams in all business lines.

In the second half of 2019, the Company successfully increased backlog of signed contracts by
approximately 500% to $29.5MM from $6MM at the end of Q2 2019. The cash flow from this increased backlog is expected within Q4 2019.

Separately, the long-anticipated US Navy contract for two PAWDS systems, with approx. $13.5MM in anticipated revenues over 18 months, has also gained momentum in the second half of 2019. After a period in which only the longest lead items were contracted for by the US Navy, PyroGenesis’ PAWDS system’s turn in the queue arrived. We are happy to report that, as of this writing, the Company recently completed the last formal steps before final procurement.

With this additional contract in hand, and the resultant backlog in excess of $40MM, the Company will be well positioned to then embark on previously announced projects specifically aimed at increasing shareholder value (up-listing, spin-offs, and stock buy-back initiatives), which could not have started in earnest until the stock reacted to the news of these contracts. Once the above-mentioned contracts have been successfully signed, with deposits received, the resultant effect on the Company’s valuation can be determined, as this will play a significant role in dictating the optimum strategy to execute.

Separately, the Company will now also focus on accelerating paying projects which had been delayed as a result of the Company’s decision to divert assets from such projects to those non-paying efforts which resulted in winning these breakout contracts.

In addition to the above developments, there are several smaller projects the Company is pursuing (for instance the Swedish torch transaction geared towards iron ore pelletization) which are very promising in their own right and should get traction over the next 12 months.

In short, 2019 is turning out to be all that it had been billed to be, and events are developing in such a way as to make 2019 the first of many years which will bear the fruit of strategic decisions made in the recent past.

**Financial Summary**

**Revenue**

PyroGenesis recorded revenue of $2,097,437 in the third quarter of 2019 (“Q3 2019”), representing an increase of 91% compared with $1,097,726 recorded in the third quarter of 2018 (“Q3 2018”). Revenues recorded in Q3 2019 were generated primarily from:

(i) PUREVAP™ related sales of $328,733 (2018 - $2,249,859),
(ii) torch related sales of $1,932,353 (2018 - $Nil),
(iii) the development and support related to systems supplied to the U.S. Military for $500,946 (2018 - $825,151).
Cost of Sales and Services and Gross Margins

Cost of sales and services before amortization of intangible assets was $1,145,080 in Q3 2019, representing an increase of 35% compared with $845,575 in Q3 2018.

In Q3 2019, employee compensation and subcontracting decreased to $514,203 compared to 746,054 in Q3 2018, while the cost of direct materials and manufacturing overhead & other increased to $731,319 (Q3, 2018 - $187,796).

The gross margin for Q3 2019, was $947,090, or 45% of revenue. This compares with a gross margin of $252,151 (23% of revenue) for Q3 2018.

As a result of the type of contracts being executed, the nature of the project activity had a significant impact on the gross margin and 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, materials and subcontracts may be significantly different.

The amortization of intangible assets of $5,267 in Q3 2019 and $Nil for Q3 2018 relates to patents and deferred development costs. Of note, these expenses are non-cash items and will be amortized over the duration of the patent lives.

Selling, General and Administrative Expenses

Included within Selling, General and Administrative expenses (“SG&A”) are costs associated with corporate administration, business development, project proposals, operations administration, investor relations and employee training.

SG&A expenses for Q3 2019 excluding the costs associated with share-based payments (a non-cash item in which options vest over a four-year period), were $1,485,803, representing a decrease of 12% compared with $1,696,158 reported for Q3 2018.

The decrease in SG&A expenses in Q3 2019 over the same period in 2018 is mainly attributable to the net effect of:

- a decrease of 14% in employee compensation,
- a decrease of 21% for professional fees, primarily due to a decrease in consulting fees,
- a decrease of 63% in office and general expenses, is primarily due to the reclassification of rent expense to depreciation right of use assets,
- travel costs increased by 107%, due to an increase in travel abroad,
- depreciation on property and equipment increased by 4% due to higher amounts of property and equipment being depreciated,
- depreciation on right of use assets increased by 100% due to reclassification of rent expense to depreciation right of use assets,
investment tax credits increased by 100% due to the investment tax credits being recorded against the respective expenses in cost of goods sold, selling and general expenses and research and development expenses versus all of the investment tax credits of Q3 2018 being recorded against cost of goods sold only.

- government grants decreased by 16% due to lower level of activities supported by such grants and,
- other expenses decreased by 38%, primarily due to a decrease in costs of freight and shipping.

Separately, share based payments decreased by 93% in Q3 2019 over the same period in 2018 as a result of the vesting structure of the stock option plan including the stock options granted in 2018.

Research and Development (“R&D”) Costs

The Company incurred $236,535 of R&D costs in Q3 2019, compared with $177,405 in Q3 2018, representing an increase of 33%. The increase in Q3 2019 is related to torch development and plasma atomization related expenses.

In addition to internally funded R&D projects, the Company also incurred R&D expenditures during the execution of client funded projects. These expenses are eligible for Scientific Research and Experimental Development (“SR&ED”) tax credits. SR&ED tax credits on client funded projects are applied against cost of sales and services (see “Cost of Sales” above).

Net Comprehensive Loss

The net comprehensive loss for Q3 2019 of 965,032 compared to a loss of $2,758,835 in Q3 2018, represents a decrease of 65% year-over-year. The increase of $1,793,803 in the comprehensive loss in Q3 2019 is primarily attributable to the factors described above, which have been summarized as follows:

(i) an increase in product and service-related revenue of $999,711 arising in Q3 2019,
(ii) an increase in cost of sales and services totaling $304,772, primarily due to an increase in direct materials and manufacturing overhead and other,
(iii) a decrease of SG&A expenses of $399,590 arising in Q3 2019 is primarily due to a decrease in office and general, other expenses, professional fees and employee compensation,
(iv) an increase in R&D expenses of $59,130 primarily due to an increase in materials and equipment and subcontracting,
(v) a decrease in net finance costs of $758,404 in Q3 2019, primarily due to the fair value adjustment of investments.

EBITDA

The EBITDA loss in Q3 2019 was $556,963 compared with an EBITDA loss of $2,538,215 for Q3
2018, representing a decrease of 78% year-over-year. The $1,981,252 decrease in the EBITDA loss in Q3 2019, compared with Q3 2018, is due to the decrease in comprehensive loss of $1,793,803, an increase in depreciation on property and equipment of $1,627, an increase in depreciation of right of use assets of $111,492, an increase in amortization of intangible assets of $5,267 and an increase in finance charges of $69,063.

Adjusted EBITDA loss in Q3 2019 was $542,814 compared with an Adjusted EBITDA loss of $2,334,831 for Q3 2018. The decrease of $1,792,017 in the Adjusted EBITDA loss in Q3 2019 is attributable to a decrease in EBITDA loss of $1,981,252 and a decrease of $189,235 in share-based payments.

Modified EBITDA loss in Q3 2019 was $613,531 compared with a Modified EBITDA loss of $1,578,081 for Q3 2018, representing a decrease of 61%. The decrease in the Modified EBITDA loss in Q3 2019 is attributable to the decrease as mentioned above in the Adjusted EBITDA loss of $1,792,017 and a decrease in the change of fair value of investments of $827,467.

**Liquidity**

The Company has incurred, in the last several years, operating losses and negative cash flows from operations, resulting in an accumulated deficit of $55,163,886 and a negative working capital of $8,509,212 as at September 30, 2019 (December 31, 2018 - $51,066,540 and $4,101,428 respectively). Furthermore, as at September 30, 2019, the Company’s current liabilities and expected level of expenses for the next twelve months exceed cash on hand of $276,067 (December 31, 2018 - $644,981). The Company has relied upon external financings to fund its operations in the past, primarily through the issuance of equity, debt, and convertible debentures, as well as from investment tax credits.

Revenue generated from active projects does not yet produce sufficient positive cash flow to fund operations. However, based on current backlog of $29.5MM at November 27, 2019, together with the pipeline of prospective new projects, cash flow from operations are expected to become positive in the very near future.

**About PyroGenesis Canada Inc.**

PyroGenesis Canada Inc., a high-tech company, is the world leader in the design, development, manufacture and commercialization of advanced plasma processes and products. 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 9001:2015 and AS9100D certified, and have been since 1997. PyroGenesis is a publicly traded Canadian Corporation on the TSX Venture Exchange (Ticker Symbol: PYR) and on the OTCQB Marketplace. 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 Corporation'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 Corporation with respect to future events and are subject to certain risks and uncertainties and other risks detailed from time-to-time in the Corporation'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 Corporation 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. Neither the TSX Venture Exchange, its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) nor the OTCQB accepts responsibility for the adequacy or accuracy of this press release.

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