TSX: PYR • OTCQX: PYRGF • FRA: 8PY1

PYROGENESIS INC.

MANAGEMENT’S DISCUSSION AND ANALYSIS

As at June 30, 2026 and for the three and six-month periods ended June 30, 2026 and 2025

www.pyrogenesis.com

This management's discussion and analysis ("MD&A") is intended to assist readers in understanding the business environment, strategies, performance and risk factors of PyroGenesis Canada Inc. ("PyroGenesis", or the "Company"). The MD&A provides the reader with a view and analysis, from the perspective of management, of the Company's financial results for the three and six-month periods ended June 30, 2026. The MD&A has been prepared in accordance with National Instrument 51-102, Continuous Disclosure Requirements, and should be read in conjunction with the audited consolidated financial statements and related notes thereto of the Company for the year ended December 31, 2025.

The condensed consolidated interim financial statements and MD&A have been reviewed by PyroGenesis' Audit Committee and were approved by its Board of Directors on August 6, 2026. The Board of Directors is responsible for ensuring that the Company fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the MD&A. The Board of Directors carries out this responsibility principally through its Audit Committee. The Audit Committee is appointed by the Board of Directors and is comprised of independent directors. The Audit Committee reports its findings to the Board of Directors for its consideration when it approves the MD&A and financial statements for issuance to shareholders.

The following information takes into account all material events that took place up until August 6, 2026, the date on which the Company's Board of Directors approved this MD&A. Unless otherwise indicated, all amounts are presented in Canadian dollars. The Company's functional and reporting currency is the Canadian dollar.

Additional information regarding PyroGenesis is available on the System for Electronic Document Analysis and Retrieval ("SEDAR+") at www.sedarplus.ca, the Electronic Data Gathering, Analysis, and Retrieval system ("EDGAR") at www.sec.gov (up until the NASDAQ voluntary delisting in November 2023) and on the Company's website at www.pyrogenesis.com.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements and forward-looking information (collectively, "forward-looking statements") within the meaning of applicable securities legislation. All statements other than statements of historical fact contained in this MD&A are forward-looking statements, including, without limitation, the Company's statements regarding its products and services; relations with suppliers and clients; future financial position; business strategies; potential acquisitions; potential business partnering; litigation; and plans and objectives. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" and similar words or the negative thereof. Although management of the Company believes that the expectations represented in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct.

In particular, this MD&A contains forward-looking statements that relate, but are not limited, to:

- the Company's business strategies, strategic objectives and growth strategy;
- the Company's current and future capital resources and the need for additional financing;
- the Company's ability to increase sales, including the results of the successful completion of the Company's current projects;
- management's expectation that the Company will achieve sustained annual growth and profitability, and that gross margins will increase resulting in a decrease in cost of sales as a percentage of revenue; and
- the Company's overall financial performance.

By their nature, forward-looking statements require assumptions and are subject to inherent risks and uncertainties including those discussed herein. In particular, forward-looking statements relating to future sales, growth and profitability are based on the assumption that current projects will be completed, and the Company will be awarded certain anticipated contracts pursuant to recent negotiations with, and statements made by, third parties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned to not place undue reliance on forward-looking statements made herein because a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements.

Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by forward-looking statements, including, without limitation, risks and uncertainties relating to: the strength of the Canadian, US, European and Asian economies; operational, funding, and liquidity risks; unforeseen engineering and environmental problems; delays or inability to obtain required financing and/or anticipated contracts; risks associated with licenses, permits and regulatory approvals; supply interruptions or labour disputes; foreign exchange fluctuations and collection risk; competition from other suppliers, or alternative, less capital intensive, energy solutions; and risk factors described elsewhere under the heading "Risk Factors" in the 2025 annual MD&A and the Annual Information Form of the Company dated March 31, 2026, (the "Annual Information Form") and elsewhere in this MD&A and other filings that the Company has made and may make in the future with applicable securities regulatory authorities. We caution that the foregoing list of factors is not exhaustive, and that, when relying on forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements.

Although the Company has attempted to identify significant factors that could cause actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Forward-looking statements are provided as of the date of this MD&A, and the Company assumes no obligation to update or revise such forward-looking statements to reflect new events or circumstances except as required under applicable securities laws.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this MD&A are made as of the date of this MD&A or such other date specified herein.

BASIS OF PRESENTATION

For reporting purposes, we prepared the 2025 consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The financial information contained in this MD&A was derived from the 2025 consolidated financial statements. Unless otherwise indicated, all references to "$" are to Canadian dollars. Unless otherwise indicated, all references to a specific "note" refer to the notes to the 2025 consolidated financial statements. Certain totals, subtotals and percentages throughout this MD&A may not reconcile due to rounding.

NON-IFRS MEASURES

This MD&A makes reference to certain non-IFRS measures. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS.

We use non-IFRS measures, including EBITDA and Modified EBITDA, both of which are not considered an alternative to income or loss from operations, or to net earnings or loss, in the context of measuring a company's performance. EBITDA is used by management in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation. Management believes that EBITDA is used by investors as it provides supplemental measures of operating performance and thus highlights trends in our business that may not otherwise be apparent when relying solely on IFRS measures, and to compare the results of our operations with entities that have similar structures. Management uses Modified EBITDA as it brings additional clarity to operating performance, eliminates variations in the fair value of strategic investments, among others, which may be beyond the control of the Company. Management believes that investors use Modified EBITDA for similar purposes and to evaluate performance while adjusting for non-cash discretionary expenses. Modified EBITDA allows a more appropriate comparison to companies whose earnings or loss is not adjusted by fair value adjustments from strategic investments. The Company also uses "Backlog" or "Backlog of signed and/or awarded contracts" interchangeably, as a non-IFRS measure. Backlog figures allow management of the Company to foresee and predict their future needs and resource planning. Management believes that "Backlog" is used by investors to evaluate the Company, its future performance and to better understand the production capacity.

EBITDA: We define EBITDA as net earnings before net financing costs, income taxes, depreciation and amortization. See "Results of Operations - Reconciliation of Non-IFRS measures (EBITDA and Modified EBITDA)".

Modified EBITDA: We define Modified EBITDA as EBITDA and adjust for non-cash items namely share-based payments expenses and changes in fair value of strategic investments. See "Results of Operations - Reconciliation of Non-IFRS measures (EBITDA and Modified EBITDA)".

Backlog or **Backlog of signed and/or awarded contracts:** This measure is defined as contracts with customers, firm purchase order and contracts agreed between us and the customer, whereby we can determine the proceeds and the obligations to perform.

OVERVIEW

PyroGenesis Inc. is a 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, additive manufacturing (including 3D printing), oil & gas, and environmental industries. With a team of experienced engineers, scientists and technicians working from our Montreal office and our local manufacturing facilities, 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, having been ISO certified since 1997. The Company's 100% owned subsidiary, Pyro Green-Gas Inc., offers technologies, equipment, and expertise in the area of biogas upgrading, and air pollution control. Our common shares are listed on the Toronto Stock Exchange (TSX) (Ticker Symbol: PYR) and tradeable through the OTCQX Best Market (Ticker Symbol: PYRGF) and the Frankfurt Stock Exchange (FSX) (Ticker symbol: 8PY1).

This MD&A includes the accounts of the Company, Pyro Green-Gas Inc (including the subsidiaries in Italy and India) as well as PyroGenesis International LLC ("PyroGenesis International). PyroGenesis International is owned, 100%, by the Company from the time it was acquired and renamed in July 2024. Prior to July 2024, it was known as Drosrite International and owned by a member of the Company's key management personnel and close family member of the Chief Executive Officer ("CEO") and controlling shareholder and deemed for the purposes of the consolidated financial statements to be controlled by the Company. Unless otherwise stated, reference to subsidiaries in the consolidated financial statements and this MD&A shall include PyroGenesis International and/or Pyro Green-Gas Inc. All transactions and balances between the Company and its subsidiaries have been eliminated upon consolidation.

INFORMATION FROM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS FOR THE QUARTERS ENDED JUNE 30

(expressed in dollars):

	Three months ended June 30		Variation	Six months ended June 30		Variation
	2026	2025	**2026 vs 2025**	**2026**	2025	**2026 vs 2025**
Revenues	**4,424,678**	3,007,647	1,417,031	**9,297,242**	5,995,182	3,302,060
Cost of sales and services	**3,027,760**	1,337,381	1,690,379	**6,331,032**	3,526,433	2,804,599
Gross profit	**1,396,918**	1,670,266	(273,348)	**2,966,210**	2,468,749	497,461
Expenses						
Selling, general and administrative	**3,103,884**	3,591,972	(488,088)	**5,342,479**	7,328,395	(1,985,916)
Research and development, net	**135,036**	424,786	(289,750)	**267,056**	734,157	(467,101)
Total expenses	**3,238,920**	4,016,758	(777,838)	**5,609,535**	8,062,552	(2,453,017)
Net loss from operations	**(1,842,002)**	(2,346,492)	504,490	**(2,643,325)**	(5,593,803)	2,950,478
Changes in fair market value of strategic investments and net financial expenses	**249,693**	569,020	(319,327)	**476,367**	1,583,698	(1,107,331)
Other income	**(960,711)**	—	(960,711)	**(960,711)**	—	(960,711)
Net loss	**(1,130,984)**	(2,915,512)	1,784,528	**(2,158,981)**	(7,177,501)	5,018,520
Foreign currency translation loss on investments in foreign operations	**(18,509)**	(194,952)	176,443	**(22,533)**	(300,440)	277,907
Comprehensive loss	**(1,149,493)**	(3,110,464)	1,960,971	**(2,181,514)**	(7,477,941)	5,296,427
Loss per share						
Basic	**(0.01)**	(0.02)	0.01	**(0.01)**	(0.04)	0.03
Diluted	**(0.01)**	(0.02)	0.01	**(0.01)**	(0.04)	0.03
Modified EBITDA[1]	**(494,811)**	(2,136,278)	1,641,467	**(822,615)**	(5,102,426)	4,279,811

[1]See "Non-IFRS Measures"

INFORMATION FROM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) FOR THE QUARTERS ENDED JUNE 30 (expressed in dollars)**:**

	Three months ended June 30			Six months ended June 30		
	2026	2025	2024	**2026**	2025	2024
Revenues	**4,424,678**	3,007,647	3,939,098	**9,297,242**	5,995,182	7,425,495
Cost of sales and services	**3,027,760**	1,337,381	2,814,455	**6,331,032**	3,526,433	5,544,507
Gross profit	**1,396,918**	1,670,266	1,124,643	**2,966,210**	2,468,749	1,880,988
Expenses						
Selling, general and administrative	**3,103,884**	3,591,972	236,257	**5,342,479**	7,328,395	4,774,735
Research and development, net	**135,036**	424,786	262,520	**267,056**	734,157	495,608
Total expenses	**3,238,920**	4,016,758	498,777	**5,609,535**	8,062,552	5,270,343
Net loss from operations	**(1,842,002)**	(2,346,492)	625,866	**(2,643,325)**	(5,593,803)	(3,389,355)
Changes in fair market value of strategic investments and net financial expenses	**249,693**	569,020	386,097	**476,367**	1,583,698	769,719
Other income	**(960,711)**	—	(1,180,335)	**(960,711)**	—	(1,180,335)
Net income (loss) from operations	**(1,130,984)**	(2,915,512)	1,420,104	**(2,158,981)**	(7,177,501)	(2,978,739)
Foreign currency translation gain (loss) on investments in foreign operations	**(18,509)**	(194,952)	(6,255)	**(22,533)**	(300,440)	(13,297)
Comprehensive income (loss)	**(1,149,493)**	(3,110,464)	1,413,849	**(2,181,514)**	(7,477,941)	(2,992,036)
Gain (loss) per share						
Basic	**(0.01)**	(0.02)	0.01	**(0.01)**	(0.04)	(0.02)
Diluted	**(0.01)**	(0.02)	0.01	**(0.01)**	(0.04)	(0.02)
Modified EBITDA[1]	**(494,811)**	(2,136,278)	(2,136,278)	**(822,615)**	(5,102,426)	(5,102,426)

SELECTED FINANCIAL INFORMATION (expressed in dollars)

	June 30, 2026	December 31, 2025	December 31, 2024
Current assets	**11,371,159**	10,735,579	19,351,220
Non-current assets	**4,787,389**	6,549,905	9,849,455
Total assets	**16,158,548**	17,285,484	29,200,675
Current liabilities	**18,507,254**	26,158,867	28,567,765
Non-current liabilities	**1,481,224**	1,555,535	4,096,298
Total liabilities	**19,988,478**	27,714,402	32,664,063
Shareholders' deficiency	**(3,829,930)**	(10,428,918)	(3,463,388)

FINANCIAL CONDITION (expressed in dollars)

	June 30, 2026	December 31, 2025	**Variation 2026 vs 2025**
Current Assets			
Cash	**1,310,328**	1,088,707	221,621
Accounts receivable	**4,043,263**	4,147,739	(104,476)
Costs and profits in excess of billings on uncompleted contracts	**932,391**	699,305	233,086
Inventory	**2,206,701**	2,376,148	(169,447)
Investment tax credits receivable	**163,762**	115,431	48,331
Income tax receivable	**3,002**	22,875	(19,873)
Current portion of deposits	**1,281,913**	945,849	336,064
Current portion of royalties receivable	**538,062**	509,660	28,402
Contract assets	**264,836**	436,763	(171,927)
Prepaid expenses	**626,901**	393,102	233,799
Total Current Assets	**11,371,159**	10,735,579	635,580
Non-Current assets			
Deposits	**60,435**	60,435	—
Strategic investments	**51,290**	46,161	5,129
Property and equipment	**1,884,181**	2,266,189	(382,008)
Right-of-use-assets	**1,192,779**	2,563,027	(1,370,248)
Royalties receivable	**560,903**	529,081	31,822
Intangible assets	**1,037,801**	1,085,012	(47,211)
Total Non-Current Assets	**4,787,389**	6,549,905	(1,762,516)
Current Liabilities			
Accounts payable and accrued liabilities	**11,596,277**	10,414,397	1,181,880
Billings in excess of costs and profits on uncompleted contracts	**4,915,517**	9,880,704	(4,965,187)
Current portion of term loans	**90,000**	90,000	—
Current portion of lease liabilities	**81,062**	2,348,963	(2,267,901)
Current portion of balance due on business combination	**771,120**	771,120	—
Current portion of convertible debentures	**101,000**	673,433	(572,433)
Current portion of secured loans	**952,278**	1,980,250	(1,027,972)
Total Current Liabilities	**18,507,254**	26,158,867	(7,651,613)
Non-current Liabilities			
Lease liabilities	**1,356,600**	1,397,941	(41,341)
Term loans	**124,624**	157,594	(32,970)
Total Non-Current Liabilities	**1,481,224**	1,555,535	(74,311)

As at June 30, 2026, the Company had current assets of $11.4 million and current liabilities of $18.5 million, resulting in a working capital deficit of $7.1 million. This compares with current assets of $10.7 million and current liabilities of $26.2 million as at December 31, 2025, resulting in a working capital deficit of $15.4 million.

Working capital, (expressed as current assets less current liabilities) improved since December 31, 2025, by $8.3 million, mainly a result of:

- Cash increased by $0.2 million, reflecting net cash used in operating activities of $6.1 million and investing activities of $0.05 million, partially offset by $6.3 million of cash provided by financing activities,
- Costs and profits in excess of billings on uncompleted contracts increased by $0.2 million, primarily reflecting project advancement and the conversion of previously unbilled revenues into receivables,
- Inventory decreased by $0.2 million, primarily due to the discontinuation of surplus inventory items that are no longer expected to be used in the current version of the technology, resulting in the related amounts being expensed,

- Current portion of deposits increased by $0.3 million, primarily reflecting advance payments made to suppliers in support of ongoing project execution,
- Contract assets decreased by $0.2 million due to current project advancement and to the revaluation of certain project contract values,
- Prepaid expenses increased by $0.2 million, primarily due to the timing of payments for insurance and other operating expenditures,
- Accounts payable and accrued liabilities increased by $1.2 million, primarily due to increased procurement activity, the timing of supplier payments, and higher accrued expenses associated with project execution,
- Billings in excess of costs and profits on uncompleted contracts decreased by $5.0 million, primarily reflecting revenue recognized on contracts for which billings had previously exceeded the project advancement,
- Current portion of lease liabilities decreased by $2.3 million, primarily reflecting the settlement of a facility lease arrangement and the resulting adjustment to the related lease liability,
- Current portion of convertible debentures decreased by $0.6 million, reflecting contractual repayment terms, and,
- Current portion of secured loans decreased by $1.0 million, reflecting repayments of existing secured loans.

Non-current assets varied since December 31, 2025, by $1.8 million, mainly a result of:

- Property and equipment decreased by $0.4 million, primarily due to depreciation expense, and,
- Right-of-use assets decreased by $1.4 million, primarily reflecting recurring depreciation and the lease modification of the Turcot manufacturing facility, whereby the facility is no longer a long-term lease.

Non-current liabilities varied since December 31, 2025, by $0.7 million, mainly a result of:

- Lease liabilities decreased by $0.04 million, reflecting scheduled repayments, and,
- Term loans decreased by $0.03 million, reflecting contractual principal repayments.

RESULTS OF OPERATIONS

Revenues (expressed in dollars)

PyroGenesis recorded revenue of $4.4 million in the second quarter of 2026 ("Q2, 2026"), representing an increase of $1.4 million compared with $3.0 million recorded in the second quarter of 2025 ("Q2, 2025"). Revenue for the six-month period ended June 30, 2026, was $9.3 million, an increase of $3.3 million over revenue of $6.0 million in the same period of 2025.

Revenues recorded in the three and six-months ended June 30, 2026, were generated primarily from:

	Three months ended June 30		Variation	Six months ended June 30		Variation
	2026	2025	**2026 vs 2025**	**2026**	2025	**2026 vs 2025**
High purity metallurgical grade silicon & solar grade silicon from quartz (PUREVAP™)	**—**	136,275	(136,275)	**35,124**	296,104	(260,980)
Aluminium and zinc dross recovery (DROSRITE™)	**596,809**	125,234	471,575	**872,239**	293,974	578,265
Development and support related to systems supplied to the U.S. Navy	**411,927**	146,075	265,852	**695,198**	363,941	331,257
Torch-related sales	**1,591,437**	1,225,094	366,343	**3,695,428**	1,755,361	1,940,067
Refrigerant destruction (SPARC™)	**1,062,134**	333,124	729,010	**2,611,263**	609,908	2,001,355
Biogas upgrading and pollution controls	**592,416**	779,883	(187,467)	**1,121,956**	2,192,344	(1,070,388)
Other sales and services	**169,955**	261,962	(92,007)	**266,034**	483,550	(217,516)
Revenue	**4,424,678**	3,007,647	1,417,031	**9,297,242**	5,995,182	3,302,060

Q2, 2026 revenues increased by $1.4 million, mainly as a result of:

- DROSRITE™ related sales increased by $0.5 million, driven by increased spare parts orders from existing clients, the increase in storage revenue and the progression of contracts through project milestones,
- Development and support related to systems supplied for the US Navy increased by $0.3 million, reflecting increased development and support activities during the period.
- Torch-related products and services increased by $0.4 million, primarily driven by the advancement of fabrication, delivery, installation, commissioning, and onsite support activities on active contracts,

- SPARC™ related sales increased by $0.7 million, reflecting continued progress in commissioning activities, and onsite support activities, and,
- Biogas upgrading and pollution controls decreased by $0.2 million, primarily reflecting the timing of project milestones and revenue recognition compared with the prior-year period. This decrease was partially offset by a one-time adjustment related to a terminated project to recognize revenue for all milestones achieved.

During the six-month period ended June 30, 2026, revenues varied by $3.3 million, mainly as a result of:

- DROSRITE™ related sales increased by $0.6 million, driven by increased project activity and the progression of contracts through project milestones,
- Development and support related to systems supplied to the U.S Navy increased by $0.3 million, reflecting increased development and support activities during the period,
- Torch-related products and services increased by $1.9 million, primarily driven by the advancement of fabrication, delivery, installation, commissioning, and onsite support activities on active contracts,
- SPARC™ related sales increased by $2.0 million, reflecting significant progress in delivery, installation, commissioning, and onsite execution activities, and,
- Biogas upgrading and pollution controls related sales decreased by $1.1 million primarily reflecting the timing of project milestones and revenue recognition compared with the prior-year period.

Overall, revenue growth during the three and six months ended June 30, 2026, reflects continued execution across key product lines, particularly SPARC™, torch systems, DROSRITE™, and development and support activities related to systems supplied to the U.S. Navy. This growth was partially offset by lower contributions from biogas upgrading and pollution controls activities and the completion of development-stage activities within PUREVAP™. Consistent with prior periods, revenue variability remains closely linked to the timing of project milestones, fabrication progress, delivery, and onsite installation and commissioning activities.

As of August 6, 2026, revenue expected to be recognized in the future related to backlog of signed and/or awarded contracts is $40.0 million,[1] of which 88% is in US dollars. Revenue will be recognized as the Company satisfies its performance obligations under long-term contracts, which are expected to occur over a maximum period of approximately 3 years.

[1] This excludes the contract with Varennes Carbon Recycling following the March 21, 2025, announcement that the company managing the project filed for protection under the Companies Creditor Arrangement Act.

Cost of Sales and Services and Gross Profit (expressed in dollars)

	Three months ended June 30		Six months ended June 30	
	2026	2025	**2026**	2025
Revenues	**4,424,678**	3,007,647	**9,297,242**	5,995,182
Cost of Sales and Services	**3,027,760**	1,337,381	**6,331,032**	3,526,433
Gross Profit	**1,396,918**	1,670,266	**2,966,210**	2,468,749
Gross Margin %	**32%**	56%	**32%**	41%

During the three months ended June 30, 2026, cost of sales and services totaled $3.0 million, compared to $1.3 million in Q2 2025, representing an increase of $1.7 million.

The increase was primarily driven by higher subcontracting costs, which increased by $1.1 million, reflecting greater use of external resources to support project execution. The comparative period included a one-time adjustment that resulted in a negative subcontracting expense of $0.4 million. Manufacturing overhead and other costs increased by $0.4 million, consistent with higher production activity and the progression of projects through various stages of execution. Employee compensation increased by $0.1 million, reflecting increased labour requirements associated with project execution. These increases were partially offset by a $0.02 million decrease in direct material costs.

Gross profit for Q2 2026 was $1.4 million, or 32% of revenue, compared to $1.7 million, or 56% of revenue, in Q2 2025. The decrease in gross margin primarily reflects the higher proportion of subcontracting and manufacturing overhead costs incurred during the quarter, together with the impact of the one-time subcontracting adjustment recorded in the comparative period.

During the six months ended June 30, 2026, cost of sales and services totaled $6.3 million, compared to $3.5 million in the comparative period, representing an increase of $2.8 million.

The increase was primarily attributable to higher subcontracting costs, which increased by $1.4 million, reflecting greater use of external resources to support project execution, including the impact of the one-time negative subcontracting adjustment recorded in the comparative period. Manufacturing overhead and other costs increased by $0.6 million, while direct material costs increased by $0.6 million, reflecting increased project activity and material consumption as projects progressed through fabrication and execution. Employee compensation increased by $0.2 million, reflecting increased labour requirements associated with project execution. Changes in investment tax credits and amortization of intangible assets were not material to the overall variance.

Gross profit for the six months ended June 30, 2026, was $3.0 million, or 32% of revenue, compared to $2.5 million, or 41% of revenue, in the comparative period. The increase in gross profit was primarily attributable to higher revenue, partially offset by increased cost of sales and services. The decrease in gross margin percentage primarily reflects differences in project mix and stage of completion, including increased subcontracting and manufacturing overhead costs, as well as the impact of the one-time subcontracting adjustment recorded in the comparative period.

Overall, cost of sales and services for the three and six months ended June 30, 2026, reflects the level, mix, and stage of project execution during the periods. Given the nature of the Company's long-term, project-based contracts, the mix of labour, materials, subcontracting, and manufacturing overhead may vary significantly between periods, and increases in input costs may not always be fully recoverable where pricing was established at contract inception. Cost of sales and services for the periods was consistent with management's expectations and the nature and timing of revenue recognized.

Selling, General and Administrative Expenses (expressed in dollars)

	Three months ended June 30		Variation	Six months ended June 30		Variation
	2026	2025	**2026 vs 2025**	**2026**	2025	**2026 vs 2025**
Employee compensation	**1,853,752**	2,429,395	(575,643)	**3,550,717**	4,363,877	(813,160)
Share-based compensation expenses	**160,916**	140,120	20,796	**322,305**	152,787	169,518
Professional fees	**502,167**	432,019	70,148	**874,236**	889,113	(14,877)
Office and general	**222,271**	459,089	(236,818)	**442,963**	445,556	(2,593)
Travel	**125,449**	75,779	49,670	**218,660**	116,132	102,528
Depreciation of property and equipment	**196,080**	68,406	127,674	**392,258**	248,729	143,529
Depreciation of right-of-use assets	**30,222**	182,553	(152,331)	**101,376**	365,107	(263,731)
Government grants	**(200,941)**	(32,823)	(168,118)	**(223,067)**	(33,679)	(189,388)
Insurance and other expenses	**340,325**	397,789	(57,464)	**703,049**	839,953	(136,904)
Foreign exchange loss (gain)	**1,889**	168,302	(166,413)	**(30,373)**	113,477	(143,850)
Expected credit loss & bad debt	**(128,246)**	(728,657)	600,411	**(999,645)**	(172,657)	(826,988)
Total selling, general and administrative	**3,103,884**	3,591,972	(488,088)	**5,352,479**	7,328,395	(1,975,916)

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.

During the three months ended June 30, 2026, SG&A expenses totaled $3.1 million, compared to $3.6 million in Q2 2025, representing a decrease of $0.5 million.

The decrease was primarily attributable to lower employee compensation, which decreased by $0.6 million to $1.9 million, reflecting continued cost control measures and workforce optimization. Office and general expenses decreased by $0.2 million, while government grants increased by $0.2 million, reflecting higher grant recoveries during the period. Depreciation of right-of-use assets decreased by $0.2 million, primarily reflecting the impact of lease terminations and asset remeasurements. Insurance and other expenses decreased by $0.1 million.

These decreases were partially offset by a $0.1 million increase in depreciation of property and equipment, reflecting higher depreciation expense during the period, and a $0.1 million increase in professional fees, primarily related to legal, advisory, and other professional services. Travel expenses increased by $0.05 million, while share-based compensation expense increased by $0.02 million, reflecting the timing and vesting of equity-based options.

Expected credit loss and bad debt resulted in a recovery of $0.1 million in Q2 2026, compared to a recovery of $0.7 million in Q2 2025, representing an unfavorable variance of $0.6 million. The decrease in the recovery reflects the timing of changes in expected credit loss provisions and bad debt recoveries between the respective periods.

Foreign exchange resulted in a loss of less than $0.01 million in Q2 2026, compared to a loss of $0.2 million in Q2 2025, representing a favorable variance of $0.2 million, primarily due to fluctuations in foreign currency-denominated transactions.

During the six months ended June 30, 2026, SG&A expenses totaled $5.4 million, compared to $7.3 million in the comparative period, representing a decrease of $2.0 million.

The decrease was primarily attributable to lower employee compensation, which decreased by $0.8 million to $3.6 million, reflecting continued cost control measures and workforce optimization. Expected credit loss and bad debt resulted in a recovery of $1.0 million during the six months ended June 30, 2026, compared to a recovery of $0.2 million in the comparative period, representing a favorable variance of $0.8 million. Depreciation of right-of-use assets decreased by $0.3 million, primarily reflecting the impact of lease terminations and asset remeasurements. Insurance and other expenses decreased by $0.1 million, while foreign exchange resulted in a favorable variance of $0.1 million. Government grants increased by $0.2 million, reflecting higher grant recoveries during the period.

These decreases were partially offset by higher share-based compensation, which increased by $0.2 million to $0.3 million, reflecting the timing and vesting of equity-based awards. Depreciation of property and equipment increased by $0.1 million, while travel expenses increased by $0.1 million, reflecting higher activity during the period. Professional fees were substantially consistent with the comparative period.

Share-based compensation expenses are non-cash expenses and are directly impacted by the vesting structure of the stock option plan, whereby options may vest between 10% and 100% on the grant date and may therefore require immediate recognition of the related expense.

Overall, the decrease in SG&A expenses for the three and six months ended June 30, 2026, primarily reflects lower employee compensation, favorable expected credit loss and bad debt movements, lower depreciation of right-of-use assets, and lower insurance and other expenses. These decreases were partially offset by higher share-based compensation, depreciation of property and equipment, and travel expenses. SG&A expenses continue to reflect the Company's cost control measures and the level and timing of operational activity.

Research and Development ("R&D") Costs, net (expressed in dollars)

	Three months ended June 30		Variation	Six months ended June 30		Variation
	2026	2025	2026 vs 2025	**2026**	2025	**2026 vs 2025**
Employee compensation	**126,483**	162,219	(35,736)	**242,106**	346,204	(104,098)
Investment tax credits	**(27,615)**	(12,718)	(14,897)	**(29,475)**	(12,718)	(16,757)
Subcontracting	**5,112**	3,373	1,739	**11,263**	3,373	7,890
Materials and equipment	**24,014**	317,526	(293,512)	**28,545**	344,558	(316,013)
Other expenses	**7,042**	(45,614)	52,656	**14,617**	52,740	(38,123)
Total net R&D expenses, net	**135,036**	424,786	(289,750)	**267,056**	734,157	(467,101)

During the three months ended June 30, 2026, net research and development ("R&D") expenses totaled $0.1 million, compared to $0.4 million in Q2 2025, representing a decrease of $0.3 million.

The decrease was primarily attributable to lower materials and equipment costs, which decreased by $0.3 million to $0.02 million, reflecting lower project-related purchases and development activity during the quarter. Employee compensation decreased by $0.04 million, consistent with lower R&D activity. Investment tax credits increased the recovery by $0.01 million, while other R&D expenses increased by $0.05 million, primarily reflecting the timing of project support and other development-related activities.

During the six months ended June 30, 2026, net R&D expenses totaled $0.3 million, compared to $0.7 million in the comparative period, representing a decrease of $0.5 million.

The decrease was primarily attributable to lower materials and equipment costs, which decreased by $0.3 million to $0.03 million, and lower employee compensation, which decreased by $0.1 million, reflecting lower R&D activity during the period. Investment tax credits increased the recovery by $0.02 million, while other R&D expenses decreased by $0.04 million, primarily reflecting the timing of project support and other development-related activities.

Overall, the decrease in R&D expenses during the three and six months ended June 30, 2026, reflects the timing and progression of development initiatives and continued discipline in the allocation of resources across the Company's innovation programs. R&D expenditures may vary from period to period depending on the stage of development of the Company's technologies and the prioritization of internal and external resources.

In addition to internally funded R&D projects, the Company incurs R&D expenditures in connection with client-funded projects. These expenditures are eligible for Scientific Research and Experimental Development ("SR&ED") tax credits, which are applied against cost of sales and services when related to client-funded projects (see "Cost of Sales and Services" above).

Finance Expenses (income), net (expressed in dollars)

	Three months ended June 30		Variation	Six months ended June 30		Variation
	2026	2025	2026 vs 2025	**2026**	2025	**2026 vs 2025**
Financial expenses						
Interest on lease liabilities	**28,673**	61,540	(32,867)	**57,727**	124,803	(67,076)
Interest on convertible debentures	**6,818**	51,550	(44,732)	**21,547**	99,312	(77,765)
Interest on convertible loan	**—**	14,532	(14,532)	**—**	5,313	(5,313)
Interest on secured loans	**36,873**	16,349	20,524	**71,165**	16,349	54,816
Interest accretion of long-term loan	**5,808**	7,402	(1,594)	**12,031**	15,175	(3,144)
Interest accretion of convertible debentures	**12,397**	36,662	(24,265)	**33,707**	90,191	(56,484)
Interest accretion of convertible loan	**—**	—	—	**—**	30,908	(30,908)
Interest accretion of secured loans	**126,818**	36,331	90,487	**247,028**	36,331	210,697
Penalties and other interest	**73,282**	50,912	22,370	**98,516**	145,506	(46,990)
	290,669	275,278	15,391	**541,721**	563,888	(22,167)
Financial income						
Interest accretion on and revaluation of balance due on business combination	**—**	(1,035,892)	1,035,892	**—**	(1,016,151)	1,016,151
Interest accretion of royalties receivable	**(30,718)**	(23,051)	(7,667)	**(60,225)**	(45,192)	(15,033)
Financial expenses (income), net	**259,951**	(783,665)	1,043,616	**481,496**	(497,455)	978,951

During the three months ended June 30, 2026, net finance expenses totaled $0.3 million, compared to net finance income of $0.8 million in Q2 2025, representing an unfavorable variance of $1.1 million.

The unfavorable variance was primarily attributable to the non-recurrence of $1.0 million of finance income recognized in Q2 2025 from the accretion and revaluation of the balance due on a business combination. In addition, interest and accretion on secured loans increased by $0.1 million, reflecting the secured financing arrangements in place during the current period, while penalties and other interest increased by $0.02 million.

These increases were partially offset by lower interest and accretion on convertible debentures, which decreased by $0.07 million, reflecting lower outstanding balances and the progression toward maturity. Interest and accretion on the convertible loan decreased by $0.01 million, as no such expense was recorded in Q2 2026 following its settlement in 2025. Interest on lease liabilities decreased by $0.03 million, reflecting the reduction and amortization of lease obligations. Interest accretion on long-term loans decreased modestly.

Finance income from the accretion of royalties receivable increased by $0.01 million to $0.03 million, partially offsetting finance expenses.

During the six months ended June 30, 2026, net finance expenses totaled $0.5 million, compared to net finance income of $0.5 million in the comparative period, representing an unfavorable variance of $1.0 million.

The unfavorable variance was primarily attributable to the non-recurrence of $1.0 million of finance income recognized in the comparative period from the accretion and revaluation of the balance due on a business combination. Interest and accretion on secured loans increased by $0.2 million, reflecting secured financing arrangements entered into subsequent to the comparative period.

These increases were partially offset by lower interest and accretion on convertible debentures, which decreased by $0.1 million, and the absence of interest and accretion on the convertible loan following its settlement in 2025. Interest on lease liabilities decreased by $0.1 million, reflecting the reduction and amortization of lease obligations, while penalties and other interest decreased by $0.05 million.

Finance income from the accretion of royalties receivable increased by $0.02 million, partially offsetting total finance expenses.

Overall, the increase in net finance expenses during the three and six months ended June 30, 2026, primarily reflects the non-recurrence of the significant finance income recognized in the comparative periods from the accretion and revaluation of the balance due on a business combination, together with higher costs associated with secured financing. These increases were partially offset by lower costs associated with convertible instruments and lease liabilities. Finance costs continue to reflect the Company's capital structure and the mix of financing instruments in place during the respective periods.

Strategic Investments (expressed in dollars)

	Three months ended June 30		Variation	Six months ended June 30		Variation
	2026	2025	2026 vs 2025	**2026**	2025	**2026 vs 2025**
Changes to fair value of strategic investments	**(10,256)**	1,352,685	(1,362,941)	**(5,129)**	2,081,153	(2,086,282)

During the three and six months ended June 30, 2026, the change in fair value of strategic investments resulted in gains of $0.01 million and $0.005 million, respectively, compared to losses of $1.4 million and $2.1 million in the corresponding periods of 2025, representing unfavorable variances of $1.4 million and $2.1 million, respectively. The variances primarily reflect significant increases in the fair value of the Company's HPQ Silicon Inc. holdings recognized in the comparative periods. In 2026, changes in fair value related solely to the Company's investment in Beauce Gold Fields shares and were not significant.

Other Income

The Company occupies a manufacturing facility, since 2012, as part of a long-term lease agreement for which it had a purchase option at the end of the lease term. The option was exercised but was contested by the lessor. During the three-month period ended June 30, 2026, the Company signed an out-of-court settlement agreement whereby the lessor would sell the property to the Company. This resulted in a lease modification whereby the Company is no longer is a long-term lease agreement and has not yet acquired the facility. Consequently, this generated a gain of $880,711 related to the adjustment and derecognition of the right-of-use asset and lease liability associated with the facility, following the settlement of the arrangement.

Other Income also includes a gain of $80,000 resulting from the sale of equipment, representing the excess of proceeds over the carrying value of the asset disposed.

Comprehensive Loss (expressed in dollars)

	Three months ended June 30		Variation	Six months ended June 30		Variation
	2026	2025	**2026 vs 2025**	**2026**	2025	**2026 vs 2025**
Comprehensive loss	**(1,149,493)**	(3,110,464)	1,960,971	**(2,181,514)**	(7,477,941)	5,296,427

During the three months ended June 30, 2026, the Company reported a comprehensive loss of $1.1 million, compared to $3.1 million in Q2 2025, representing a favorable variance of $2.0 million. The improvement was primarily driven by higher revenue and gross profit, reflecting increased project activity across SPARC™, torch-related systems, DROSRITE™, and development and support activities related to systems supplied to the U.S. Navy. The improvement was further supported by a $0.5 million reduction in SG&A expenses, primarily due to lower employee compensation and other operating expenses, as well as gains recognized in Other Income related to the settlement of the lease arrangement for the Turcot facility and the disposal of property and equipment.

These favorable factors were partially offset by higher net finance expenses, primarily due to the non-recurrence of the significant financial income recognized in Q2 2025 from the accretion and revaluation of the balance due on a business combination. In addition, the gain on the fair value of strategic investments was significantly lower than in the comparative period.

During the six months ended June 30, 2026, the Company reported a comprehensive loss of $2.2 million, compared to $7.5 million in the comparative period, representing a favorable variance of $5.3 million. The improvement primarily reflects higher revenue and gross profit, together with a $2.0 million reduction in SG&A expenses, driven by lower employee compensation and favorable expected credit loss and bad debt movements. Gains recognized in Other Income, including those related to the settlement of the Turcot facility lease arrangement and the disposal of property and equipment, also contributed positively to the results.

These improvements were partially offset by higher net finance expenses, primarily due to the non-recurrence of the significant financial income recognized in the comparative period from the accretion and revaluation of the balance due on a business combination. The Company also recognized significantly lower gains on the fair value of strategic investments compared to the comparative period.

Overall, the reduction in comprehensive loss for both the three and six months ended June 30, 2026, reflects improved operating performance, lower SG&A expenses, and gains recognized in Other Income, partially offset by the non-recurrence of significant non-cash gains recognized in the comparative periods. The Company's results continue to be influenced by the timing of project execution and milestone recognition, as well as financing activities and market-driven valuation adjustments.

Reconciliation of Non-IFRS measures (EBITDA, and Modified EBITDA) (expressed in dollars)

	Three months ended June 30		Variation	Six months ended June 30		Variation
	2026	2025	2026 vs 2025	**2026**	2025	**2026 vs 2025**
Comprehensive loss	**(1,149,493)**	(3,110,464)	1,960,971	**(2,181,514)**	(7,477,941)	5,296,427
Depreciation of property and equipment	**196,080**	68,406	127,674	**392,258**	248,729	143,529
Depreciation of right-of-use assets	**30,222**	182,553	(152,331)	**101,376**	365,107	(263,731)
Amortization of intangible assets	**17,769**	14,087	3,682	**66,592**	25,194	41,398
Financial expenses (income), net	**259,951**	(783,665)	1,043,616	**481,497**	(497,455)	978,952
EBITDA[(1)]	**(645,471)**	(3,629,083)	2,983,612	**(1,139,791)**	(7,336,366)	6,196,575
Other non-cash items:						
Share-based compensation expenses	**160,916**	140,120	20,796	**322,305**	152,787	169,518
Change in fair value of investments	**(10,256)**	1,352,685	(1,362,941)	**(5,129)**	2,081,153	(2,086,282)
Modified EBITDA[(1)]	**(494,811)**	(2,136,278)	1,641,467	**(822,615)**	(5,102,426)	4,279,811

[1] See "Non-IFRS Measures"

EBITDA for the three months ended June 30, 2026, was a loss of $0.6 million, compared to a loss of $3.6 million in Q2 2025, representing a favorable variance of $3.0 million. The improvement primarily reflects higher revenue and gross profit, together with lower SG&A expenses. These favorable factors were partially offset by higher net finance expenses, primarily due to the non-recurrence of the significant financial income recognized in the comparative period from the accretion and revaluation of the balance due on a business combination.

Depreciation of property and equipment increased by $0.1 million, while depreciation of right-of-use assets decreased by $0.2 million, reflecting changes in the Company's facility lease arrangements. Amortization of intangible assets increased modestly by less than $0.01 million.

Modified EBITDA for the three months ended June 30, 2026, was a loss of $0.5 million, compared to a loss of $2.1 million in Q2 2025, representing a favorable variance of $1.6 million. The improvement primarily reflects the stronger EBITDA performance, partially offset by a $0.02 million increase in share-based compensation. The change in fair value of strategic investments resulted in a gain of $0.01 million in Q2 2026, compared to a gain of $1.4 million in the comparative period. As this item is excluded from Modified EBITDA, the lower fair value gain in the current period resulted in a smaller adjustment to EBITDA.

For the six months ended June 30, 2026, EBITDA was a loss of $1.1 million, compared to a loss of $7.3 million in the comparative period, representing a favorable variance of $6.2 million. The improvement primarily reflects higher revenue and gross profit and lower SG&A expenses, partially offset by higher net finance expenses resulting from the non-recurrence of the significant financial income recognized in the comparative period from the accretion and revaluation of the balance due on a business combination.

Depreciation of property and equipment increased by $0.1 million, while depreciation of right-of-use assets decreased by $0.3 million, reflecting changes in the Company's facility lease arrangements and the ongoing amortization of lease obligations. Amortization of intangible assets increased by $0.04 million.

Modified EBITDA for the six months ended June 30, 2026, was a loss of $0.8 million, compared to a loss of $5.1 million in the comparative period, representing a favorable variance of $4.3 million. The improvement primarily reflects the stronger EBITDA performance, partially offset by a $0.2 million increase in share-based compensation. The change in fair value of strategic investments resulted in a gain of $0.005 million in the current period, compared to a gain of $2.1 million in the comparative period. As this item is excluded from Modified EBITDA, the significantly lower fair value gain in 2026 resulted in a substantially smaller adjustment to EBITDA.

Overall, the improvement in EBITDA and Modified EBITDA for the three and six months ended June 30, 2026, primarily reflects stronger operating performance, higher revenue and gross profit, and lower SG&A expenses. These improvements were partially offset by the non-recurrence of significant non-cash financial income and fair value gains recognized in the comparative periods. As non-IFRS measures, EBITDA and Modified EBITDA should be considered in conjunction with, and not as a substitute for, measures prepared in accordance with IFRS.

SUMMARY OF QUARTERLY RESULTS (expressed in dollars)

	2026		2025				2024	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	**4,424,678**	4,872,563	3,327,482	3,249,540	3,007,647	2,987,535	4,224,138	4,002,689
Gross profit	**1,396,918**	1,569,291	556,881	774,346	1,670,266	798,483	1,745,562	1,672,637
Gross margin %	**32%**	32%	17%	24%	56%	27%	41%	42%
Comprehensive income (loss)	**(1,149,493)**	(1,032,021)	(4,880,181)	(2,486,846)	(3,110,464)	(4,367,477)	115,564	(3,907,068)
Earnings (loss) per share								
Basic	**(0.01)**	(0.01)	(0.03)	(0.01)	(0.02)	(0.02)	0.00	(0.02)
Diluted	**(0.01)**	(0.01)	(0.03)	(0.01)	(0.02)	(0.02)	0.00	(0.02)

The majority of PyroGenesis' revenue is recognised over the time of the contract and is dependent on the timing of project initiation and execution, including project engineering, manufacturing, and testing.

SUMMARY OF CASH FLOWS (expressed in dollars)

	Three months ended June 30		**Six months ended June 30**	
	2026	2025	**2026**	2025
Cash provided by (used in) operating activities	**(4,206,387)**	(2,350,726)	**(6,089,170)**	(4,378,735)
Cash provided by (used in) investing activities	**62,462**	1,688,034	**50,369**	1,571,625
Cash provided by (used in) financing activities	**4,924,965**	1,659,568	**6,249,585**	1,053,631
Effect of exchange rate changes on cash denominated in foreign currency	**3,068**	(25,595)	**10,837**	(26,529)
Increase (decrease) in cash	**784,108**	971,281	**221,621**	(1,780,008)
Cash - end of period	**1,310,328**	1,195,453	**1,310,328**	1,195,453

During the three-month period ended June 30, 2026, cash used in operating activities was $4.2 million, compared to $2.4 million in Q2 2025. The higher cash outflow reflects the timing of operating cash requirements during the quarter, including changes in working capital, despite the lower comprehensive loss recorded in the current period. Operating cash flow was also affected by non-cash items and changes in working capital associated with the timing of project execution, collections, supplier payments, and contract-related balances.

Investing activities generated $0.06 million in Q2 2026, compared to cash provided by investing activities of $1.7 million in Q2 2025. The current-period investing cash outflow primarily reflects capital expenditures and disposal of equipment, while the comparative period benefited from proceeds from disposals of strategic investments.

Financing activities generated $4.9 million in Q2 2026, compared to $1.7 million in Q2 2025. The increase primarily reflects financing proceeds received during the current period, partially offset by repayments of secured loans and other financing obligations.

Foreign exchange movements resulted in a $0.003 million increase in cash during Q2 2026, compared to a $0.03 million decrease in Q2 2025. As a result, cash increased by $0.8 million during the quarter, compared to a increase of $1.0 million in the same period of the prior year. The Company ended the quarter with cash of $1.3 million, compared to $1.2 million at June 30, 2025.

During the six-month period ended June 30, 2026, cash used in operating activities was $6.1 million, compared to $4.4 million during the six months ended June 30, 2025. The higher operating cash outflow reflects the timing of operating cash requirements and changes in working capital, partially offset by the lower comprehensive loss recorded during the current period and other non-cash adjustments.

Investing activities generated $0.05 million during the six months ended June 30, 2026, compared to cash provided by investing activities of $1.6 million during the comparative period. The current-period investing cash outflow primarily reflects capital expenditures and proceeds from the disposal of equipment, while the comparative period benefited from proceeds from the disposal of strategic investments.

Financing activities generated $6.3 million during the six months ended June 30, 2026, compared to $1.1 million during the six months ended June 30, 2025. The increase primarily reflects higher proceeds from financing activities during the current period, partially offset by repayments of secured loans and other financing obligations.

Foreign exchange movements resulted in a $0.01 million increase in cash during the six months ended June 30, 2026, compared to a $0.03 million decrease during the comparative period. Consequently, cash increased by $0.2 million during the six-month period, compared to a decrease of $1.8 million during the six months ended June 30, 2025. The Company ended the six-month period with cash of $1.3 million, compared to $1.2 million at June 30, 2025.

USE OF PROCEEDS FROM FINANCINGS

Description of intended use of funds from financings in the past 12 months	**Proposed use of proceeds from financings completed in the past 12 months**	**Use of funds to date**
May 12, 2025: Private Placement for total gross proceeds of $2,385,000	Proceeds were intended and used for working capital and general corporate purposes	$ 2,385,000
October 24, 2025: Private Placement for total gross proceeds of $3,500,000	Proceeds were intended and used for working capital and general corporate purposes	$ 3,500,000
November 10, 2025: Private Placement for total gross proceeds of $822,000	Proceeds were intended and used for working capital and general corporate purposes	$ 822,000
December 1, 2025: Private Placement for total gross proceeds of $904,083	Proceeds were intended and used for working capital and general corporate purposes	$ 904,083
March 26, 2026: Private Placement for total gross proceeds of $1,973,449	Proceeds were intended and used for working capital and general corporate purposes	$ 1,973,449
June 3, 2026: Equity financing for total gross proceeds of $4,255,058	Proceeds were intended and used for working capital and general corporate purposes	$ 4,255,058
June 4, 2026: Private Placement for total gross proceeds of $2,000,000	Proceeds were intended and used for working capital and general corporate purposes	$ 2,000,000

CAPITAL STOCK INFORMATION

The authorized share capital of the Company consists of an unlimited number of common shares. As at August 6, 2026, PyroGenesis had 226,363,329 Common Shares, 40,429,738 share purchase warrants, 18,238,500 outstanding stock options issued, and 11,586,000 exercisable options issued. In addition, the Company issued and closed a private placement in July 2024 (refer to notes 21 of the 2025 consolidated financial statements) and a private placement in May 2025, in October 2025 (refer to note 20 and 21 of the 2025 consolidated financial statements), in March and June 2026, whereby warrants were issued in these offerings. The exercise of stock options and/or other exchangeable securities, as well as any new equity financing, represents dilution factors for present and future shareholders.

FINANCIAL RISKS

Foreign Currency Risk

The Company enters into transactions denominated in US dollars and Euros, for which the related revenues, expenses, accounts receivable and accounts payable and accrued liabilities balances are subject to exchange rate fluctuations.

As at June 30, 2026, and December 31, 2025, the Company's exposure to foreign exchange risk for amounts denominated in US dollars and Euros is as follows, as expressed in Canadian dollars:

	June 30, 2026		December 31, 2025	
	US	**Euro**	US	Euro
	$	**$**	$	$
Cash	**242,557**	**40,530**	860,174	—
Accounts receivable	**3,573,963**	**251,405**	3,318,106	912,512
Accounts payable and accrued liabilities	**(2,154,386)**	**(1,453,752)**	(1,928,905)	(15,313)
Total	**1,662,134**	**(1,161,817)**	2,249,375	897,199

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Sensitivity analysis

At June 30, 2026, if the US dollar and Euro had changes by 10% against the Canadian dollar with all other variables held constant, the impact on pre-tax gain or loss and equity for the three-month period ended June 30, 2026, would have been $166,213 and ($116,182), respectively (December 31, 2025 - $224,938 and $89,720, respectively).

Credit concentration

During the three-month period ended June 30, 2026, four customers accounted for 63%, (Three-month period ended June 30, 2025 – three customers for 55%) of revenues from operations.

During the six-month period ended June 30, 2026, two customers accounted for 40%, (Six-month period ended June 30, 2025 – three customers for 51%) of revenues from operations.

Two customers accounted for 54% and 19%, respectively (December 31, 2025 – two customers for 37% and 12%, respectively) of the total trade accounts receivable before expected credit loss allowance representing the Company's major credit risk exposure. Credit concentration is determined based on customers representing 10% or more of total revenues and/or total accounts receivable.

Credit Risk

Cash is held with major reputable financial institutions.

Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's payment and delivery terms and conditions are offered. The Company's review could include reviewing external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references. The Company's exposure to credit risk is mainly influenced by the individual characteristics of each customer. In monitoring customer credit risk, customers are identified according to their characteristics such as their geographic location, industry, trading history with the Company and existence of previous financial difficulties.

The Company does not generally require collateral or other security from customers on accounts receivable, however, the contract terms may include the possibility of recourse in the event of late payment. The Company believes that there is no unusual exposure associated with the collection of these receivables.

The credit risk associated with costs and profits in excess of billings on uncompleted contracts is similar to that of accounts receivable, as these amounts are accumulated and converted to accounts receivable as invoicing milestones are reached.

The royalties receivable are due from a company in which the Company had a strategic investment until the entirety of the shares were disposed in April 2025. The Company does not have collateral or other security associated with the collection of this receivable. The carrying amount of the royalties receivable have been discounted to reflect the time value of money and credit risk of the counterparty.
The deposits are payments made to suppliers and entities from which the Company leases property. The Company does not have collateral or other security associated with the collection of these deposits. As at June 30, 2026 and 2025, no loss allowance has been recognized in connection with these deposits and the maximum exposure is the carrying amount of these deposits.

During the three and six-month period ended June 30, 2026, and year-end December 31, 2025, provisions for expected credit losses were recorded, however, the accounts provisioned by the loss are still subject to enforcement activity in order to collect the balances due.

Liquidity and Capital Resources

As at June 30, 2026, the Company had cash of $1.3 million, included in the net working capital deficiency of $7.1 million. Certain working capital items such as billings in excess of costs and profits on uncompleted contracts do not represent a direct outflow of cash. The Company expects that with its cash, liquidity position, the proceeds available from the strategic investment and its access to capital markets it will be able to finance its operations for the foreseeable future.

The Company's term loan balance at June 30, 2026, was $214,624 and decreased by $32,970 since December 31, 2025, due to the net accretion and monthly payments on the Economic Development Agency of Canada ("EDC") loan. The EDC loan is interest free and will remain so, until the balance is paid over the 60-month period ending March 2029.

In February 2026, the Company entered into a secured loan agreement with the President and CEO whereby the Company borrowed $800,000, bearing interest at 5%, and was reimbursed prior to June 30, 2026.

In March 2026, the Company raised $1,973,449 from a non-brokered private placement consisting of 3,654,537 units. Each unit includes one common share and one-half common share purchase warrant.

In June 2026, the Company completed a "bought deal" equity financing, pursuant to which the Company issued 12,514,875 units for aggregate gross proceeds of $4,255,057.50 at a price per unit of $0.34. Each unit includes one common share and one common share purchase warrant.

Also in June 2026, the Company announced the completion of a non-brokered private placement which was solely and entirely subscribed by the Company's President and CEO, for 5,882,352 units at a price per unit of $0.34, for gross proceeds of $2,000,000. Each unit includes one common share and one common share purchase warrant.

The Company's convertible debenture will come to maturity in July 2026, whereby one monthly payment remains. The average interest rate on the term loans, secured loans and convertible debenture at June 30, 2026, is approximately 13%. The Company does not expect changes to the structure of term loans, secured loans and convertible debenture in the next twelve-month period, other than those expiring in the year.

A commercial bank issued a standby letter of credit on behalf of the Company to a customer in the amount $0.3 million (expiration in November 2026) on advance guarantees secured by Export Development Canada.

	Carrying Value	Total contractual amount	Less than one year	2-3 years	4-5 years	Over 5 years
	$	$	$	$	$	$
Accounts payable and accrued liabilities[1]	10,229,134	10,229,134	10,229,134	—	—	—
Term loans	214,624	247,500	90,000	157,500	—	—
Balance due on business combination	771,120	771,120	771,120	—	—	—
Lease liabilities	1,437,662	2,102,493	191,784	408,130	401,580	1,100,999
Convertible debentures	101,000	101,561	101,561	—	—	—
Secured loan	952,278	1,609,797	217,800	1,391,997	—	—
	13,705,818	**15,061,605**	**11,601,399**	**1,957,627**	**401,580**	**1,100,999**

1 Accounts payable and accrued liabilities exclude amounts which are not financial liabilities.

GOING CONCERN

These condensed consolidated interim financial statements have been prepared on a going concern basis, which presumes that the Company will be able to continue its operations for the foreseeable and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company is subject to certain risks and uncertainty associated with the achievement of profitable operations such as the successful signing and delivery of contracts and access to adequate financing.

The Company has incurred, in the last years, operating losses and negative cash flows from operations, and as a result, the Company has an accumulated deficit of $145.5 million as at June 30, 2026 ($143.3 million as at December 31, 2025). Furthermore, there have been unexpected delays in the collection of certain accounts receivable from contracts closed in a prior year. This has resulted in a shortfall in cash flows from operating activities that would be used in funding the Company's operations.

As at June 30, 2026, the Company has working capital deficiency of $7.1 million (working capital deficiency of $15.4 million as at December 31, 2025) including cash of $1.3 million ($1.1 million as at December 31, 2025). The working capital is net of an allowance for credit losses amounting to $1.0 million ($2.0 million as at December 31, 2025) as further described in Notes 6 and 7. The Company's business plan is dependent upon the successful completion of contracts and also the receipt of payments from certain contracts closed in a prior year and expects these payments to be made during fiscal 2026, as well as the achievement of profitable operations through the signing, completion and delivery of additional contracts or a reduction in certain operating expenses. In the absence of this, the Company is dependent upon raising additional funds to finance operations within and beyond the next twelve months. The Company has been successful in securing financing in the past and has relied upon external financing to fund its operations, primarily through the issuance of equity, debt and convertible debentures. The Company completed multiple private placements in the past. Namely, in July 2024, the Company secured gross proceeds of $2,804,600 from the completion of non-brokered private placement. In May 2025, the Company completed a non-brokered secured loan for gross proceeds of $2,385,000. Additionally, in 2025, the Company completed multiple non-brokered private placements, for gross proceeds of $3,500,000 in October 2025, $822,000 in November 2025, and $904,083 in December 2025. In March and June 2026, the Company completed a non-brokered private placement for gross proceeds of $1,973,449, and an equity financing for aggregate gross proceeds of $4,255,058 and concurrently, a non-brokered private placement for gross proceeds of $2,000,000, respectively. While the Company has been successful in securing financing, raising additional funds is dependent on a number of factors, some of which are outside the Company's control, and therefore there is no assurance that it will be able to do so in the future or that these sources will be available to the Company or that they will be available on terms which are acceptable to the Company. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue operating as a going concern.

The condensed consolidated interim financial statements have been prepared on a going concern basis and do not include any adjustments to the amounts and to classifications of the assets and liabilities that might be necessary should the Company be unable to achieve its plan and continue in business. If the going concern assumption were not appropriate, adjustments, which could be material, would be necessary to the carrying value of assets and liabilities, the reported expenses, and the classification of items on the condensed consolidated interim statement of financial position.

RELATED PARTY TRANSACTIONS

During the three and six-month period ended June 30, 2026, the Company concluded the following transactions with related parties:

A balance due to the controlling shareholder and CEO of the Company amounted to $332,692 at June 30, 2026, ($122,503 at December 31, 2025) and is included in accounts payable and accrued liabilities.

In June 2026, the President and CEO, participated in a non-brokered private placement for gross proceeds of $2,000,000.

In March 2026, the President and CEO, participated in a non-brokered private placement for gross proceeds of $397,000. Two officers of the Company also participated for a total amount of $68,800.

In February 2026, the President and CEO, participated in a non-brokered secured loan for gross proceeds of $800,000.

In May 2025, the President and CEO, participated in a non-brokered secured loan for gross proceeds of $2,385,000.

In 2025, the President and CEO, along with close family members, participated in a non-brokered private placement for gross proceeds of $3,500,000 and $290,000, respectively. Four directors of the Company also participated for a total of $207,500.

The Key Management Personnel of the Company, in accordance with IAS 24, are the members of the Board of Directors and certain officers. Total compensation to key management consisted of the following:

	Three months ended June 30		Variation	Six months ended June 30		Variation
	2026	2025	2026 vs 2025	**2026**	2025	**2026 vs 2025**
Salaries - key management	**322,880**	758,211	(435,331)	**603,799**	1,201,902	(598,103)
Pension contributions	**5,607**	13,825	(8,218)	**10,305**	21,967	(11,662)
Fees - Board of Directors	**38,700**	75,900	(37,200)	**76,000**	116,500	(40,500)
Share-based compensation - officers	**40,575**	98,166	(57,591)	**152,737**	219,631	(66,894)
Share-based compensation - Board of Directors	**16,144**	32,406	(16,262)	**32,123**	80,408	(48,285)
Other benefits - key management	**94,127**	176,134	(82,007)	**135,871**	329,126	(193,255)
Total compensation	**518,033**	1,154,642	(636,609)	**1,010,835**	1,969,534	(958,699)

CORPORATE HIGHLIGHTS

On January 6, 2026, the Company announced it had signed an agreement with the national security and defense division of a U.S. multinational engineering infrastructure corporation, to jointly pursue contracts for the safe destruction of chemical weapons in Syria.

On January 22, 2026, the Company announced an additional contract for one tonne of titanium powder under the signed powder supply agreement with a U.S. minerals and metal technology company. The powder was produced by PyroGenesis' NexGen™ plasma atomization process. This order is the second received since the signing of the agreement in Q4 2025.

On January 27, 2026, the Company successfully delivered a 4.5 MW plasma torch to its client, a U.S. aeronautics and defense client.

On February 3, 2026, the Company announced receipt by the Company of additional independent verification of its most recent test results for fumed silica produced by the fumed silica reactor (FSR). Confirming that the material produced during Test #7 meets established commercial benchmarks for fumed silica with a specific surface area (under BET analysis) of approximately 150 m^2/g, while, more importantly, achieving the required viscosity for that commercial grade at the same time.

On February 12, 2026, the Company announced that its client HPQ Silicon Inc., through its wholly owned subsidiary, HPQ Silica Polvere Inc., and an industrial Joint Venture partner, had signed a non-binding memorandum of understanding to form a joint venture company. The purpose of the JV is to operate a 1,000 tonne per year fumed silica production plant.

On February 19, 2026, the Company confirmed receipt of successful results from a US-based independent testing lab. The lab confirmed that the fumed silica produced by the Company's fumed silica reactor met the fundamental characteristic needed to advance. The test was a first-step validation required by an MOU recently disclosed. Additional testing will be conducted by the potential joint venture partner to confirm expectations regarding specific product behaviour.

On February 23, 2026, the Company announced the signing of a contract with a Scientific Aerospace Research Organization for the supply of titanium metal powder produced by PyroGenesis' NexGen™ plasma atomization process.

On February 26, 2026, the Company announced the successful results of a primary testing campaign with a leading battery recycler.

On March 6, 2026, the Company announced that it had completed the manufacturing of the plasma torch system for its client Constellium, one of the world's largest aluminum transformation and recycling companies. Delivery of the various system components to one of Constellium's European facilities is underway.

On March 19, 2026, the Company announced that Rio Tinto and Alcoa at the annual conference of The Minerals, Metals & Materials Society, provided data that confirmed that PyroGenesis' patented plasma torches provide significant reductions and/or cost savings in key operational metrics when compared to natural gas burners. The data is derived from a live furnace trial conducted by PyroGenesis and its clients Rio Tinto and Alcoa. Overall, the results show that plasma improves furnace thermal performance, leading to significant energy savings and shorter melting times, and reduces dross generation (i.e. aluminum loss), all without compromising metal quality.

On March 23, 2026, the Company announced that its plasma-based SPARC™ system was unveiled during the official launch of New Zealand's National Refrigerant Destruction Facility, on Friday March 20, 2026. The facility is the first of its type in the Southern Hemisphere and will use PyroGenesis' patented all-electric steam plasma arc system to safely destroy up to 100,000 kg/yr of hazardous end-of-life synthetic refrigerants, such as CFCs, HFCs, and HCFCs. These gases have a combined Global Warming Potential of 220 million kilograms of carbon dioxide equivalent (CO_2e). Their destruction ends the potential for harm.

On March 26, 2026, the Company announced it had closed the previously announced non-brokered private placement. The Private Placement was oversubscribed and sold 3,654,537 units at a price of $0.54 per Unit, for gross proceeds of $1,973,450.

On April 9, 2026, the Company announced a contract with a company based in Asia, for titanium powder produced by PyroGenesis' NexGen™ plasma atomization process. The initial contract is for the supply of three "cut" sizes, ranging from fine to coarse. The customer is a materials company supplying the Asian electronics market (specifically cell phone parts).

On April 21, 2026, the Company announced the successful production of battery-grade carbon black and hydrogen from a proprietary PyroGenesis plasma torch system. The result was achieved with both a natural gas- and a methane-powered plasma torch as the primary hydrocarbon feedstock, which is then directly converted into carbon black and H_2 without the need for a secondary raw material feedstock and additives.

On April 23, 2026, the Company announced further to its press release dated April 21, 2026, the successful production of high-quality battery-grade graphite from carbon black, using a proprietary plasma process.

On April 28, 2026, the Company announced the appointment of Jean Mayer as Vice-President, Legal Affairs and Corporate Secretary.

On May 14, 2026, the Company announced that an agreement had been signed in an out-of-court settlement of its action in the Superior Court of Quebec to order the owner of the property located at 5655 Philippe-Turcot, Montréal, Québec (the "Turcot Facility"), one of the Company's manufacturing facilities, to convey title of the property under PyroGenesis' contractual option to purchase. The settlement agreement allowed PyroGenesis to acquire the Turcot Facility for a purchase price of $3.1 million, with all parties to the proceedings providing full and final releases as per a signed agreement which was homologated in the Superior Court of Quebec.

On June 3, 2026, the Company announced the completion of the "bought deal" offering, pursuant to which the Company issued 12,514,875 units of the Company for aggregate gross proceeds $4,255,057.50 at a price per unit of $0.34.

On June 4, 2026, the Company announced the completion of non-brokered private placement which was solely and entirely subscribed by Mr. P. Peter Pascali, the Company's President and CEO, for 5,882,352 units at a price per unit of $0.34, for gross proceeds to the Company of $2,000,000.

On June 17, 2026, the Company announced the collaborative project to convert contaminated biomass into syngas with its client Innofibre – Centre d'innovation des produits cellulosiques, a CCTT at the Cégep de Trois-Rivières. The CCTT is focused on the paper and biorefining industry in Quebec.

CRITICAL ACCOUNTING ESTIMATES, NEW AND FUTURE ACCOUNTING POLICIES AND FINANCIAL INSTRUMENTS

For a discussion of significant accounting policies, judgements, estimates assumptions and financial instruments, please refer to notes 4, 5 and 27 of the 2025 consolidated financial statements.

CONTROLS AND PROCEDURES

The Company's shares are listed on the Toronto Stock Exchange ("TSX") since November 2020. Prior to November 2020, the Company's shares traded on the TSX Venture Exchange ("TSXV"), and all requirements of the TSXV were attained by the Company. The Company acknowledged that being listed on the TSX, would require more stringent disclosure controls and began implementing such improvements.

As a result of the graduation to the TSX, the Company became subject to additional requirements under applicable securities laws relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. Such requirements also include the assessment and evaluation of both DC&P and ICFR, which was not required while the Company was listed on the TSXV. Consequently, the Company continues to take ongoing actions to improve its DC&P and ICFR, in accordance with the thresholds provided by the regulators. The Company implemented measures designed to improve its ICFR environment and remediate the control deficiencies that led to the material weaknesses identified below, prior to December 31, 2025.

In accordance with the provisions of National Instrument 52 109 – Issuers' annual and interim filings ("NI 52 109") adopted by Canadian securities regulators, the Company has filed certificates signed by the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") that report on, among other items, i) their responsibility for establishing and maintaining DC&P and ICFR for the Company, ii) the design of DC&P and the design of ICFR, and the effectiveness of DC&P and ICFR.

Disclosure controls and procedures

The Company under the supervision of the CEO and CFO, have designed DC&P (as defined in NI 52-109), in order to provide reasonable assurance that:

- material information relating to the Company is made known to the CEO and CFO by others; and
- information required to be disclosed by the Company in its filings, under applicable securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

As of December 31, 2025, an evaluation was carried out under the supervision of the CEO and CFO, of the design and operating effectiveness of the Company's DC&P. Based on this evaluation, the CEO and CFO concluded that due to the improvements in internal controls in 2025 and prior, the material weaknesses did not exist at December 31, 2025, and the DC&P were effective. The Company recognizes that material weaknesses in ICFR existed for a portion of fiscal 2025, as described in the Company's 2026 Annual MD&A in the section Management's Annual Report on Internal Controls over Financial Reporting.

Management's Annual Report on Internal Controls over Financial Reporting

The Company under the supervision of the CEO and CFO, are responsible to design ICFR (as defined in NI 52-109) in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS as issued by the IASB.

As of December 31, 2025, an evaluation was carried out, under the supervision of the CEO and the CFO, of the effectiveness of the Company's ICFR. Based on this evaluation, the CEO and the CFO concluded that material weaknesses existed for a portion of fiscal 2025, as described below, however due to the remediation in the year, the Company's ICFR is effective as of December 31, 2025. The control framework used to design and evaluate effectiveness of the Company's ICFR is established under the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) on Internal Control – Integrated Framework (2013 framework). A material weakness is a deficiency, or combination of deficiencies, in ICFR, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim consolidated financial statements will not be prevented or detected on a timely basis. The control deficiencies in connection with the Company's evaluation of ICFR, that were considered to be a material weaknesses in prior quarters and in prior years, and any remediation that occurred up to December 31, 2025, could be found in the Company's 2026 Annual MD&A in the section Management's Annual Report on Internal Controls over Financial Reporting,

As a consequence, the Company had effective control activities related to the design, implementation and operation of process-level and management review control activities related to order-to-cash (including revenue trade receivables, and billings in excess of cost/cost in excess of billings), procure-to-pay (including operating expenses, prepaid expenses, accounts payable, and accrued liabilities), hire-to-pay (including compensation expense and accrued liabilities), long-lived assets, significant unusual transactions, related party transactions and other financial reporting processes for the six-month period ended June 30, 2026.

Management has concluded that the Company's consolidated financial statements as at and for the period ended June 30, 2026, present fairly, in all material respects, the Company's financial position, results of operations, changes in shareholders' equity and cash flows in accordance with IFRS as issued by the IASB. There were no material adjustments to the Company's consolidated financial statements for the period ended June 30, 2026, and there were no changes to previously released financial results. However, because the deficiencies and material weaknesses prior to December 31, 2025, create a reasonable possibility that a material misstatement to our consolidated financial statements would not be prevented or detected on a timely basis, the CEO and CFO concluded that as of June 30, 2026, the Company's design and operation of ICFR and DC&P were effective, although not effective for all of 2025.

Management's Ongoing Remediation Measures

During the six-month period ended June 30, 2026, and going forward, management continues to strengthen internal controls. Management has performed an initial risk assessment using a top-down, risk-based approach with respect to the risks of material misstatement of the consolidated financial statements. Compensating controls continue to be applied to the areas where the risks of material misstatement are considered moderate to high, throughout the various accounting cycles. The Company may to rely on the use outside resources to strengthen the business process documentation and help with management's self-assessment and testing of internal controls. In 2026, the Company's management, with oversight of the Audit Committee, continues to document, test, and refine internal controls, while adding additional automated and IT controls,

Although the Company can give no assurance that additional material weaknesses in our ICFR will not be identified in the future, management believes the foregoing efforts strengthen our ICFR and DC&P and effectively remediate the identified material weaknesses.

Management continues to take remedial actions as necessary as they evaluate and improve the Company's ICFR environment.

Changes in internal controls over financial reporting

During the three-month period ended June 30, 2026, management ensured that there were no material changes in the Corporation's procedures that have materially affected, or are reasonably likely to materially affect, the Company's ICFR since December 31, 2025.

Limitations on Effectiveness of Disclosure Controls and Procedures and Internal Control over Financial Reporting

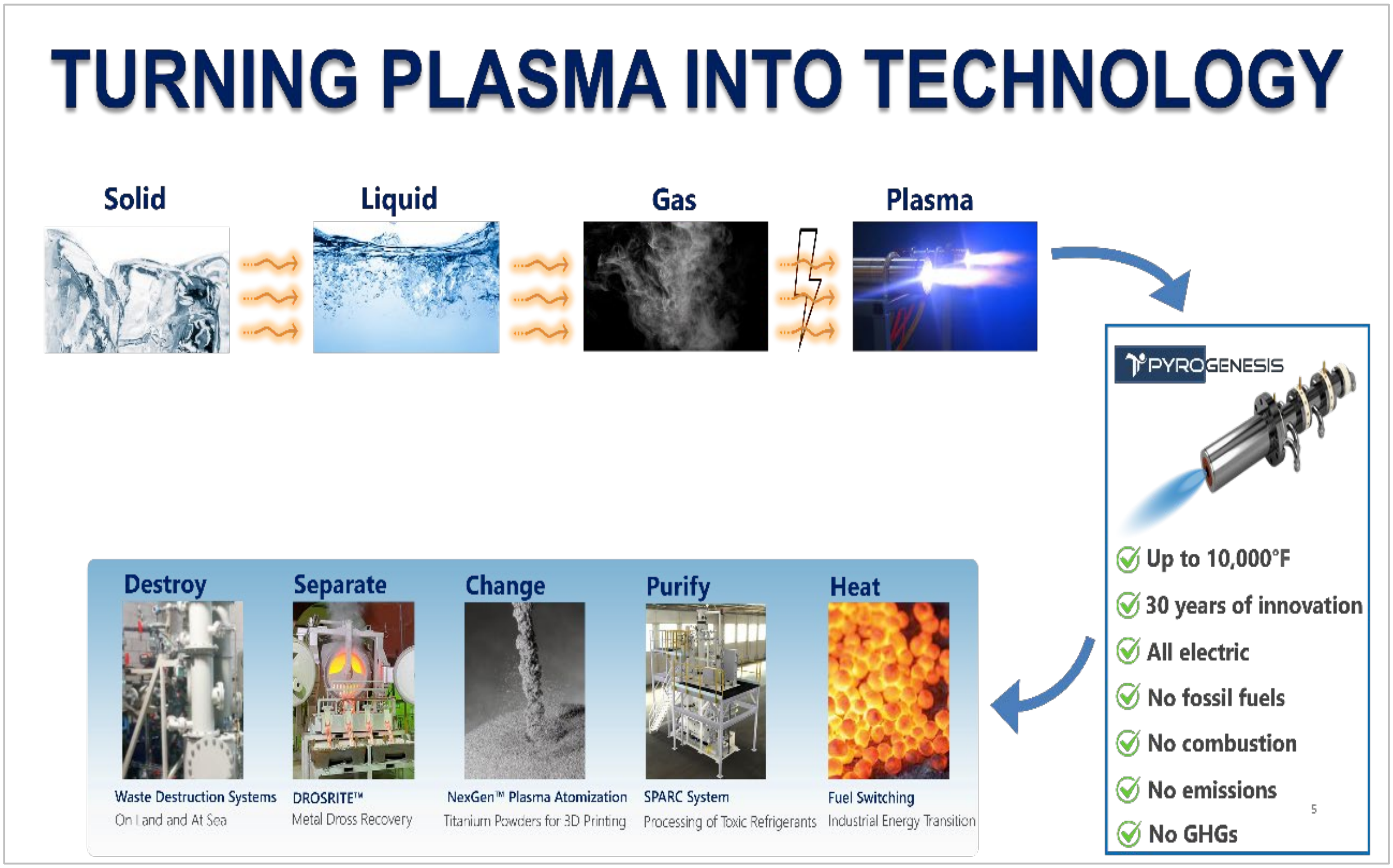
The Company's management recognizes that any DC&P and ICFR, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives. Because of their inherent limitations, DC&P and ICFR may not prevent or detect all errors or misstatements on a timely basis.

RISK FACTORS

Please refer to the Company's 2025 annual Management Discussion and Analysis for a summary of risk factors.

RECENT DEVELOPMENTS AND OUTLOOK

The Company develops technology to transform high temperature processes for heavy industry and defense, which can result in improved operational efficiencies, higher product quality, increased output, lower cost, lower emissions, simplified logistics, reduced carbon footprint, and safer working/living environments. Most of the technologies stem from the Company's core expertise in plasma.



The Company's technology solutions are categorized across three business segments:

1. *Energy Transition*
   - Plasma-based fuel switching solutions to help heavy industry electrify their high-temperature processes, improve processing efficiencies, modify their energy mix by lowering their reliance on fossil fuels, and lower emissions.

2. *Materials Production*
   - Development of chemical-free material production systems, and the production of in-demand materials, for manufacturers.

3. *Waste Processing*
   - Safe, emission-free destruction, remediation, and valorization of industrial, chemical, agricultural, biomass, and municipal solid waste, on land and at sea.

Within each business vertical the Company offers a wide array of technology solutions at different stages of commercialization:

Energy Transition

Plasma-based fuel switching solutions to help heavy industry electrify their high-temperature processes, modify their energy mix, and lower emissions.

- Plasma burners for:
  - industrial furnaces
  - melting/holding tanks
  - numerous other industrial process heating steps
- Plasma torches for high-temperature energy and aerospace research.

Materials Production

Development of chemical-free materials production systems, and the emission-free production of in-demand materials, for manufacturers.

- Titanium powder
- Fumed silica
- Carbon black
- Battery grade nano-silicon
- Silica additive for greener cement production
- Other silica-based products in development.

Waste Processing

Safe, emission-free destruction, remediation, and valorization of chemical, industrial, agricultural, biomass, and municipal solid waste, on land and at sea.

- Waste solutions for:
  - Refrigerants & chemicals
  - Shipboard waste
  - Metal dross and residues
  - Landfill
  - Chemical warfare agents
  - Desulphurization, pollution control
  - Coke oven gas purification
  - Spent pot linings and electrolytic bath
  - PFAS ("forever chemicals")

* The above lists of technologies/solutions within each vertical are not comprehensive. Other technologies are in use and/or in different stages of research and development.

Q2 2026 PRODUCTION AND SALES HIGHLIGHTS

Materials Production

- **In April** [news release dated April 9, 2026], the Company announced a contract toward a titanium powder supply and distribution agreement with an Asian Materials Company. The initial contract is for the supply of three "cut" sizes, ranging from fine to coarse. The customer supplies the Asian electronics market (specifically cell phone parts), and the titanium will be used in the additive manufacturing of electronics components. The contract allows the Client to perform final testing and analysis of titanium powder Ti64 across three different particle sizes: 20-63µm, 53-106µm, and 53-150µm. Once this process is complete, and assuming all regulatory and trade agreements are certified, the Client has indicated it will require multiple tonnes of PyroGenesis' titanium powder per year, with final volumes to be determined. Separately, the client is negotiating to be the official supplier of PyroGenesis' titanium powder to the Asian Electronics, Medical, and Aerospace industries. This client is one of those who had been indicated in the outlook section of PyroGenesis' Q4 2025 earnings report (press release dated March 30, 2026) that had expressed interest in titanium powders.

- **In April** [news release dated April 21, 2026], the Company announced the successful production of battery-grade carbon black and hydrogen ("H_2") from a proprietary PyroGenesis plasma torch system. The result was achieved with both a natural gas- and a methane-powered plasma torch as the primary hydrocarbon feedstock, which is then directly converted into carbon black and H_2 without the need for a secondary raw material feedstock and additives, the first to do so. The process is combustion free, emission free, additive-free, and secondary feedstock-free. The resulting carbon black met quality levels well above battery grade requirements, as determined by an independent testing lab. The system was designed by PyroGenesis on behalf of its client, a Canadian company exploring alternative use of carbons for commercial applications. The project was previously announced (press release dated September 3, 2024) when the project began with a first phase contract valued at $1 million for the design and delivery of a customized pilot-scale plasma reactor and associated testing infrastructure.

- **In April** [news release dated April 23, 2026], further to the April 21, 2026 news release, the Company announced the successful production of high-quality battery-grade graphite from carbon black, using a proprietary plasma process. As per the April 21, 2026 news release, the carbon black used to produce the graphite was itself produced by PyroGenesis in a first-ever achievement. The second step converts the carbon black directly to graphite under high temperature provided by a plasma torch using an inert gas in an inert atmosphere. The resulting graphite surpassed 96% graphitization, as confirmed by an independent testing lab. The full 2-step system was designed by PyroGenesis on behalf of its client, a Canadian company exploring alternative use of carbons for commercial applications and effectively produces graphite from a plasma torch with no additional feedstock or additives beyond the methane or natural gas used to create the plasma. PyroGenesis has a 10% royalty on future gross revenues generated from the client's initial commercial graphite production plant, and a 5% royalty on any subsequent plants. In addition, PyroGenesis is the exclusive plasma supplier and engineering service provider for the construction of any such plants.

- **In April** [news release dated April 29, 2026], the Company announced a corporate update on its NexGen™ titanium metal powder strategy. As stated in this release, the company has been positioning the additive division over recent years for the next level of growth, which would be an operational scale-up several times larger than what's currently in place, along with a goal to attract capital to finance the operational scale-up. The positioning for this growth is being executed within the context of continuous improvement of production processes, reducing operational costs, building critical mass across the product range by developing repeat customers, expanding the customer base across key segments, developing additional products from existing production runs, and de-risking product offerings by expanding powder suitability across three applications (laser bed powder fusion, electron beam melting, direct energy deposition). The Company outlined momentum included being approached by a corporation interested in securing distribution and/or production for the Middle East region, potentially as a joint venture; the Company signing a contract towards a supply agreement in Asia; and several recent contract announcements including repeat orders from the same customers.

Waste Processing

- **In June** [news release dated June 17, 2026], the Company announced the delivery of a new technology to convert contaminated biomass to syngas. The successful treatment of contaminated biomass increases the overall amount of biomass feedstock available for syngas production. Contaminated biomass can contain paint, solvents, and a variety of other chemicals and materials such as melamine that can get mixed into biomass in landfills or were added to wood products during manufacturing and prior to being recycled. PyroGenesis' high temperature waste-to-energy gasification technology allows for the treatment of contaminants in the produced syngas. The syngas can be used to generate electricity or in the production of a variety of products, including chemicals and fertilizers, methanol, ammonia, synthetic fuels such as renewable diesel and gasoline, and others. The project is a collaboration with its client Innofibre – Centre d'innovation des produits cellulosiques, a CCTT ("College Centre for the Transfer of Technologies") at the Cégep de Trois-Rivières. The CCTT is focused on the paper and biorefining industry in Quebec. PyroGenesis' technology was included during the launch of Innofibre's new $14 million pilot and pre-commercial facility. The centre is the only one of its kind in North America equipped to operate under conditions mimicking those of industrial production.

Q2 2026 Financial Highlights

- **In May** [news release dated May 7, 2026], the Company announced 2026 Q1 results: quarterly revenue of $4.9 million, up 63% year-over-year, representing the best overall revenue quarter since 2022 and the Company's second best Q1 in its history; quarterly net loss of $1.0 million compared to a loss of $4.26 million in the same period a year prior; backlog of $43.1 million.

- **In May** [news release dated May 19, 2026], the Company announced a bought deal offering under the Limited Issuers Financing Exemption (LIFE) framework, with a concurrent CEO private placement of up to $2.0 million.

- **Subsequently, in May** [news release dated May 20, 2026], the Company announced an upsize of the bought deal offering to $3.7 million. Combined, the Offering and the Concurrent Private Placement are expected to provide gross proceeds of up to $6,255,057.50 to the Company.

- **Subsequently, in June** [news release dated June 3, 2026], the Company announced the closing of the previously announced bought deal, and an expectation that the concurrent CEO private placement would close the following day, for aggregate gross proceeds to the Company of $6.26 million.

- **Subsequently, in June** [news release dated June 4, 2026], the Company announced the final closing of the previously announced concurrent CEO private placement for $2 million, which combined with the bought deal offering that closed the previous day, provided aggregate gross proceeds to the Company of $6.26 million.

Q2 Operational Highlights

- **In April** [news release dated April 28, 2026], the Company announced the appointment of Jean Mayer as Vice-President, Legal Affairs and Corporate Secretary.

- **In May** [news release dated May 14, 2026], the Company announced a binding signed contract to acquire its Turcot Manufacturing Facility, after an agreement had been signed in an out-of-court settlement of its action in the Superior Court of Quebec to order the owner of the property located at 5655 Philippe-Turcot, Montréal, Québec to convey title of the property under PyroGenesis' contractual option to purchase. The settlement agreement allows PyroGenesis to acquire the Turcot Facility for a purchase price of $3.1 million, with all parties to the proceedings providing full and final releases as per a signed agreement. The Company believes the current market value of the property is significantly higher than the agreed upon purchase price and is assessing all options for its future use.

OUTLOOK

Consistent with the Company's past practice, and in view of the early stage of market adoption of our core lines of business, the Company is not providing specific revenue or net income (loss) guidance for 2026.

The following is an outline of the many factors that impact the Company's strategy and future success, plus key developments that are expected to impact subsequent quarters.

Overall Strategy

The Company develops technology to transform high temperature processes for heavy industry and defense, which can result in improved operational efficiencies, higher product quality, increased output, lower cost, lower emissions, simplified logistics, reduced carbon footprint, and safer working/living environments. Most of the technologies stem from the Company's core expertise in plasma.

The Company has evolved from its early beginnings as a specialty-engineering firm to being a provider of a robust technology eco-system.

The Company believes its strategy to be timely, as multiple heavy industries are committing to major electrification initiatives, carbon reduction measures, and waste reduction programs at the same time as many governments are increasingly supportive – from both a policy and financial perspective – of these types of technologies and infrastructure projects. Additionally, both industry and government are developing strategies to ensure the availability of critical minerals – especially within North America and Europe – during the coming decades of increased output demand.

While there can be no guarantees, the Company believes the evolution of its strategy beyond greenhouse gas emission reduction, to an expanded focus that encapsulates the key segments listed at the start of the Recent Developments and Outlook section, both (i) improves the Company's chances for success while (ii) also providing a clearer picture of how the Company's wide array of offerings work in tandem to support client goals.

PyroGenesis' heavy industry target market opportunity is significant, as major industries such as aluminum, steelmaking, manufacturing, cement, chemicals, aeronautics, and government seek factory-ready, technology-based solutions to help steer through the challenging landscape of increasing demand, tightening regulations, and material availability – areas where the Company's technologies can be beneficial.

Additionally, over the past few years, interest in the Company's technologies from the defense and military industries has increased considerably, to the point where identifying these industries as unique target markets is justified. Their interest encompasses an array of the Company's offerings, including opportunities across waste destruction (especially chemical warfare agents), high temperature propulsion and protection, airframe materials testing, and titanium metal powders.

As more of the Company's offerings reach full commercialization, PyroGenesis will remain focused on attracting influential customers in broad markets while at the same time ensuring that operating expenses are controlled to achieve profitable growth.

Key Performance Indicators

The Company uses key performance indicators (KPIs) to monitor, analyze, and optimize organizational output and performance, with KPIs specific to different parts of its production and manufacturing (such as cycle time, capacity utilization, yield, changeover time, and scrap), plus a different set of KPIs designed to evaluate the broader corporate results and uptake, identify trends affecting the business, and make strategic decisions. This latter category of KPIs includes:

<u>Industry Depth</u>: number of customers within an industry and/or amount and % of revenue from that industry. To date, the Company's greatest depth has been with the aluminum, military, and government industries.

<u>New Industry Engagement</u>: as the energy transition and carbon/GHG-reduction trends grow, more industries are realizing the benefit of using PyroGenesis' technology. Over the past five years the Company has begun to penetrate the mining and metal, iron ore, aerospace, automotive, general parts manufacturing, steel, materials (especially silica and silicon), chemical, and cement industries, among others.

<u>Customer Depth</u>: the number of projects with a single customer and/or amount of revenue from that customer. The Company treats most customer identities as confidential unless otherwise approved or suggested by the customer.

<u>New Customer Engagement</u>: as a relatively small company with technology that is potentially of interest across thousands of companies in many different industries, the Company takes a cautious approach when engaging with new customers. Primarily, the Company evaluates the potential customer's access to capital, operational history, and reputation when weighing engagement. With regard to net new technology ideas or start-up customers, PyroGenesis considers the long-term commercialization potential of the idea, the possibility

of revenue sharing or royalties, and access to capital. Aligning to the Company's three tier business model is imperative, though exceptions can be made.

Studies Undertaken: scientific and engineering studies have been a key part of new customer acquisition for much of the Company's history. A study such as a computational fluid dynamics (CFD) study is often the first phase requirement for a potential customer in investigating the potential future use of the Company's technology. Since transitioning from a legacy fossil fuel-based system to the Company's all-electric plasma can be a transformative and often expensive proposition, a study allows a potential new client to better understand the future technological fit and prospective budgetary requirements, while also gaining an understanding of the high-quality working relationship with the Company. The wide array of different specs, uses, industries, and in-factory customization of furnace, heating, and melting machinery, mandates ground-up studies for most new initiatives. The Company's experience conducting studies and its exposure to more and different types of systems, especially over the last 5 years, has allowed the Company to further streamline and perfect its study process as a route to new business. The number, type, and duration of studies undertaken during each quarter varies.

Monthly Recurring Revenue: ongoing, repeating revenue is a major goal for the Company. To date, after-sale parts and components (such as those related to consumable aspects of plasma torches) have represented the largest revenue and growth potential on a recurring basis. As the energy transition trend grows and more plasma systems are sold, recurring revenue is expected to represent a much larger percentage of overall revenue. Other areas targeted for recurring revenue include sales of titanium metal powders, revenue from tolling contracts in areas such as aluminum dross treatment and metal recovery, and co-venture/royalty agreements such as those related to waste remediation.

Revenue Mix: PyroGenesis has established a technology eco-system comprised of a number of inter-related solutions, often referred to in previous Company communications as a "multi legged stool". This type of diversification offers a measure of protection to the Company in both difficult and rapidly changing economic environments. As such, the Company targets a wide versus a narrow mix of revenue sources.

Growth Mix: new revenue is currently driven by existing customers. A key goal for the Company is to develop an optimal mix of existing and new customers.

Cost Controls and Efficiencies

PyroGenesis has been, and continues to, scrutinize both potential and existing projects to ensure that the utilization of labour and financial resources are optimized. The Company continues to only engage in projects that reflect significant benefits to PyroGenesis and the risks of which are defined. The Company intends to intensify its focus on project and budgetary clarity during this period of elevated inflationary pressures, by identifying alternative suppliers while constantly adjusting project resources. The early-stage project assessment process has also been refined to allow for faster "go / no-go" decisions on project viability. Through an ongoing Cost Optimization Program, the Company has further identified areas to reduce costs and expenses in 2026.

Continuing the Cost Optimization Program began in fiscal 2024, which resulted in over $3 million in savings. In 2025, the Company identified savings in patent expenses, insurance and optimization of the workforce, for a net benefit of $2 million. These are recurring cost savings which will benefit the Company on a recurring annual basis.

Enhanced Sales and Marketing

Against the backdrop of its strategy, the Company continues to focus on sales, marketing, and R&D efforts in-line with – and in some cases ahead of – the growth curve for industrial change related to energy transition, electrification, protection of the critical mineral supply chain, and greenhouse gas reduction efforts.

Macroeconomic Conditions

With some continued uncertainty in the macroeconomic environment, including ambiguity in the banking sector with regard to interest rate adjustments, the continued inflationary pressures causing shifting demand dynamics across various industries at different times, and the possibility of recessionary conditions, it may be difficult to assess the future impact these events and conditions will have on our customer base, the end markets we serve, and the resulting effect on our business and operations, both in the short term and in the long term.

Despite these uncertainties, we continue to believe there is a strong need for PyroGenesis' solutions in the industries we serve as heavy industry continues to transition and/or electrify their energy sources, decarbonize, manufacture utilizing both lighter metals (such as aluminum) and additive manufacturing, and deal with tighter hazardous waste regulations.

While we expect these uncertainties and other macroeconomic conditions to continue to impact the variability in our quarter-to-quarter revenue, we believe our diversity in both customer base and solution set will continue to be a strong mitigating factor to these challenges.

Additionally, the Company's ongoing efforts to reduce costs through various measures including the sourcing of more high quality, cost competitive suppliers, further bolsters the Company against cost fluctuations.

The various military conflicts in the Middle East and Eastern Europe continue to create some level of global economic uncertainty, as well as supply chain disruptions that can change at any time. However, it's important to note that the Company does not have any operations, customers or supplier relationships in Russia, Belarus, Ukraine, or Iran, and as such are not directly impacted at a customer level in these countries. The Company does have customer relationships and projects in Poland and Saudi Arabia and will continue to monitor the situation in the region regarding challenges to the completion of current projects, which at this time are not inhibited.

The conflict in Iran, which began in late February 2026, has impacted international business by causing one of the largest oil supply disruptions in history. In general, this has increased freight costs, disrupted global supply chains and aviation, led to higher petroleum prices, higher air travel fares, and put additional inflationary pressures on various goods including energy.

While higher operational costs and even economic slowdowns are being seen across some regions, the long-term effects are unknown. So far, the Company cannot point to any specific client project decisions that have been attributed to this situation. As the Company's projects are, on average, 18 months in duration, the immediate impact is mitigated to an extent by the extended project periods. Longer term project impacts are unknown.

Generally, the Company believes that broad-based threats to global supply chains increase awareness and interest in the many solutions the Company offers. This is particularly true within the minerals and metals industries, as manufacturers seek alternatives to offshore suppliers as well as technologies that could optimize output or recycle critical materials from by-products or waste – solutions that the Company currently offers.

BUSINESS LINE DEVELOPMENTS

The upcoming milestones which are expected to confirm the validity of our strategies are outlined below. Please note that these timelines are estimates based on information provided to us by the clients/potential clients, and while we do our best to be accurate, timelines can and will shift, due to protracted negotiations, client technical and resource challenges, or other unexpected situations beyond our or the clients' control:

Business Line Developments: Near Term (0 – 3 months)

Financial:

Payments for Outstanding Major Receivables:
Regarding the outstanding receivable under the Company's existing $25 million+ Drosrite™ contract, and as previously announced, PyroGenesis had agreed to a strategic extension of the payment plan, by the customer and its end-customer, geared to better align the pressures on the end-user's operating cash flows created by increased business opportunities. During the 4th quarter of 2025, the Company received a payment representing a third of the remaining balance. The next payment(s) to PyroGenesis are expected in the near term

Energy Transition:

Alumina Calcination:
As reported in the Q4 Outlook, the Company is in advanced discussions with one of the largest mining companies in the world, to study the use of plasma torches in the calcination of alumina. The project would simulate the replacement of natural gas burners by plasma torches in a flash calciner furnace for producing smelter-grade alumina. During Q2 the Company and this client continued discussions. An announcement may be expected in the near term

Super High-Powered Plasma Torch for Aluminum Producer:
As reported in the Q4 Outlook, the Company has been in discussions with one of the largest aluminum companies globally, toward the eventual purchase of a 5MW plasma torch. Initial discussions were centred around engineering support to develop a feasibility study in conjunction with the client, with a possible torch purchase in 2026. Discussions and activity advanced during Q4 2025. A feasibility study was prepared, and a formal proposal was submitted to the client, for the potential purchase of two 2MW plasma torch systems (in place of the previous potential purchase of one 5MW torch), for use in large molten aluminum furnaces. During Q1, the client requested a larger feasibility study for a full-scale conversion (to plasma torches) of an entire aluminum casthouse containing multiple furnaces. During Q2 the PyroGenesis submitted plans and estimates for this study, and a decision may be expected in the near term.

Advanced Cement Research:
The Company is in discussions with a university research centre in North Africa for the use of a plasma furnace in research into advanced cement production and calcination.

Plasma Torch for Metallurgy:
The company is in discussions with a European research institute for multiple plasma torches for use in advanced metallurgy research.

Materials Production:

Semi-Conductor Research:
The Company is in discussions with a government research centre in North Africa for the use of plasma in raw material production related to semi-conductor research.

Fumed Silica Reactor ("FSR") Project:
It has been noted in previous Outlooks (and various news releases) that PyroGenesis has been designing, engineering, and constructing the fumed silica reactor pilot plant to convert quartz into fumed silica in a single and eco-friendly step, for HPQ Polvere ("Polvere"), a wholly owned subsidiary of HPQ Silicon Inc. ("HPQ"). The plant is operational and undergoing various tests to replicate the lab-scale test at pilot plant scale. It has also been stated that modifications to the system and continued testing to improve the fumed silica are ongoing, with more announcements expected in the near term, including for potential customers.

During Q1, [news release dated January 22, 2026] the Company announced the signing of a memorandum of understanding ("MOU") toward a joint venture for the development of a commercial scale fumed silica plant. Specifically, that its client HPQ, through Polvere, and an industrial Joint Venture partner, have signed a non-binding MOU to form a joint venture company (the "JV"), for the purpose of operating a 1,000 tonne per year fumed silica production plant. PyroGenesis, under an exclusive manufacturing arrangement, would build the fumed silica reactor for US$20.0 million (approximately CA$27.3 million).

As stated in the January 22, 2026, news release, the formation of the JV will be contingent upon the successful negotiation and execution of one or more definitive agreements pertaining to the JV and related obligations by the parties thereto. As stated previously, these documents are expected to be completed and signed no later than the end of Q2 2026. Negotiations continued throughout Q2 2026 and remain ongoing.

Separately, the Company has started discussions with other major entities for potential joint ventures related to fumed silica production plants.

Titanium Metal Powder:
It was previously announced the Company was in discussions with various companies for potential titanium powder orders, including with various potential clients in Europe:

During Q4 2025 [news release dated December 15, 2025], the Company announced the delivery of 3.5 tonnes of titanium powder under a new powder supply agreement with a U.S. minerals and metal technology company, for "off-cut" titanium powder, it was noted that PyroGenesis will supply the client on a recurring as-needed basis. During Q1 2026, [news release dated January 22, 2026] the Company announced an additional contract for one tonne of titanium powder under the powder supply agreement. Additional orders from this client may be expected in the near term.

During Q2, in April [news release dated April 9, 2026], the Company announced a contract toward a titanium powder supply and distribution agreement with an Asian materials company. The initial contract is for the supply of three "cut" sizes, ranging from fine to coarse. The customer is a materials company supplying the Asian electronics market (specifically cell phone parts). The contract will allow the Client to perform final testing and analysis of titanium powder across three different particle sizes: 20-63µm, 53-106µm, and 53-150µm. Once this process is complete, and assuming all regulatory and trade agreements are certified, the Client has indicated it will require multiple tonnes of PyroGenesis' titanium powder per year, with final volumes to be determined. Separately, the Client is negotiating to be the official supplier of PyroGenesis' titanium powder to the Asian Electronics, Medical, and Aerospace industries. A further announcement regarding this client may be expected in the near term, as the company resolves standard delays related to securing export permits.

The company is currently in discussions with several other companies for titanium powder orders, including:

- A European company who has previously purchased powder from PyroGenesis.
- A European company who previously tested PyroGenesis powder samples, for the potential annual purchase of very fine titanium powder.
- A European company also considering the purchase of very fine cut titanium powder.
- A French materials company considering the purchase of fine cut powder.
- A previous US-based customer, for a monthly powder supply agreement of up to 1 tonne per month.
- A US-based materials broker, for a month power supply agreement for up to 500 kg per month.
- A major US university, for use in research and course work.
- A Canadian contract manufacturer specializing in additive manufacturing.
- A global materials company.
- A US-based technology provider to the additive manufacturing industry.

Other Metal (Non-Titanium) Powders:
The Company recently started discussions with a major US aerospace firm, for a large, long-term metal powder supply agreement.

The Company recently started discussions with a Middle Eastern firm who is seeking a partner to produce aluminum and stainless-steel powders.

Agricultural Material Development:
The Company is in discussions with company to use plasma in the production of various chemicals and materials used in the agricultural industry.

Waste Processing:

Plastic Waste:
The company is in discussions with a North American company for the use of plasma in plastic waste conversion.

Drosrite:
The company continues to in advanced discussions with a European company for the sale of Drosrite systems, with announcements potentially in the near term.

Plasma-Based Glass Valorization:
It was stated in previous Outlook's that the Company is in final negotiations with an entity in Canada, for a plasma-based furnace for use in the melting and valorization of recycled glass, with an estimated contract value of approximately $2 million, and that this potential client is currently assembling funds from a consortium of international contributors, across government and private entities, with the amount secured determining a potential start and/or the scope of the project. It was also stated that the project scope has risen to between $3-$5 million, and an announcement was expected in the near term. As of Q2 this continues to be the case, as the client finalizes its funding array, with an announcement expected in the near term.

SPARC Refrigerant Waste Destruction System:
It was announced previously that the Company is in negotiations with a Middle Eastern customer regarding PyroGenesis' SPARC system for the safe destruction of hazardous end-of-life refrigerants such as CFCs, HCFCs, and HFCs. The customer has access to a very large existing stockpile of these hazardous materials. Discussions continue as a possible co-venture, whereby PyroGenesis would receive revenue on a profit-sharing basis. PyroGenesis is conducting due diligence on key elements related to the potential business model, and a contract is currently being finalized. As of Q2 2026 the negotiation process continues.

Business Line Developments: Mid Term (3 – 6 months)

Energy Transition:

Ore Pelletization Torch Trials:
CLIENT B:
As mentioned in previous Outlooks, plasma torch tests within an iron ore pelletization furnace of a client previously identified as Client B, a major international iron ore producer, were underway. The client has conducted live furnace tests using four 1 MW PyroGenesis plasma torch systems, with the possibility of replacing fossil fuel burners across multiple pelletization furnace systems. Live trials using PyroGenesis plasma torches will continue at the client's discretion until they determine they have sufficient performance data, with no estimated timeline.

CLIENT C:
Client C, a global market-leading client and a significant player in both the iron ore pelletization and steel industries, has been working with PyroGenesis over the past few years on various potential initiatives related to using plasma for decarbonization. PyroGenesis was previously awarded official supplier status to Client C as part of an impending initiative that was subsequently announced during Q4 2024 [news release dated November 19, 2024], for a contract to assess the applicability of PyroGenesis' fully electric plasma torches for use in part of the customer's electric arc furnace (EAF) steelmaking and casting process. The initial project was completed during Q2 2025 as anticipated. A comprehensive report was assembled and submitted to the client in early Q3 2025. The client is assessing potential next steps, with no estimated timeline.

Plasma Systems for Aerospace Testing:
The Company is in discussions with a US university for a plasma torch to test materials in atmospheric re-entry conditions.

Plasma Systems for Aerospace Testing:
The Company is in discussions with a second US university (not related to the above) for a plasma torch for advanced aerospace applications.

Steel Production:
The company is in discussions with a North Africa entity for the use of plasma in the steel production process.

Materials Production:

Mineral Extraction:
The Company is in discussions with a North American mining company to test plasma to help extract critical minerals such as alkali metals from silicates. A proposal is being developed, and an announcement may be expected in the mid or near term.

Plasma Systems for Hydrogen Production:
The Company is in discussions with a North American gas distributor to use plasma in the large-scale production of hydrogen.

Plastic Pyrolysis to Produce Hydrogen and Carbon Black:
The Company previously announced it is in discussions with a North American clean-tech company as part of a project to produce hydrogen and carbon black from plastic. Negotiations with the client continues.

Carbon Black from Pyrolysis of Fossil Fuel Derivatives:
The Company is in discussions with a large European oil company interested in using plasma for high temperature pyrolysis of a fossil fuel derivative to produce syngas and carbon black. PyroGenesis conducted initial tests with this client in December 2024, and new discussions are underway. In Q1 the Company developed a proof-of-concept lab test, and discussions are underway for next phase. In Q2 the Company submitted a detailed report and are awaiting next steps.

Battery Materials
The Company is in discussions with a major US university for the use of plasma in the development of battery materials.

Methane and Plasma:
The Company is in discussions with a major US university (not related to the above) for the use of plasma in applications related to methane.

Agricultural Material:
The Company is in discussions with US company who develops material for use in the agricultural industry, for both low-powered (up to 40 kW) and hyper-high powered (6 MW) plasma torches.

Fumed Silica:
The Company is in discussions with a Middle Eastern company for the potential purchase of fumed silica reactors to product fumed silica for the Middle Eastern region.

Metal Powder Qualifications:
The Company has started the process to qualify its metal powder with an Asian 3D printing and scientific instruments OEM. Once qualified, the client could use the Company's powder for internal operations and recommend it to their customers.

NexGen System Sales:
The Company has started discussions with an Asian industrial equipment firm interested in a purchase or licensing agreement for the Company's Nexgen plasma atomization system. While the Company has not previously considered requests for system sales, the scale of the potential deal indicated a potential benefit, so very preliminary discussions have started.

Titanium Metal Powder:
The Company continues to be in discussion with companies who have expressed interested in titanium metal powders.

Carbon Black and Hydrogen:
The Company is in discussions with company for plastic pyrolysis for hydrogen and carbon production, using plasma.

Waste Processing:

Drosrite Systems:
In the Q4 2025 Outlook, it was stated that the Company is in advanced discussions with a North American metal casting company for the purchase of a Drosrite aluminum dross processing system to process high density aluminum beverage can scrap, with an approximate value of $800-$1million. In the Q1 2026 Outlook, it was stated that client representatives visited PyroGenesis' Montreal facilities for additional discussions and that an announcement may be expected in the near term. Further discussions in Q2 have identified a specific need for the potential use of Drosrite to produce calcium aluminate instead of melting aluminum scrap. This update has been moved to a mid term potential to allow for further investigation of this newly defined usage.

The Company is also in discussions with a global mining firm for a Drosrite system which would likely start with a testing campaign on-site at the miner’s factory.

Chemical Weapons Destruction (PACWADS):

In Q1, [news release dated January 6, 2026], it was announced that the Company has signed an agreement with the national security and defense division of a U.S. multinational engineering infrastructure corporation, to jointly pursue contracts that are expected to be tendered during 2026, for the safe destruction of chemical weapons in Syria. The Company and the client have been engaged in document preparation and meetings with various parties throughout Q1 2026. Announcements may be expected throughout 2026 if, and as, the contract tenders come to fruition. This project has been moved to mid-term potential to reflect the opaqueness of the RFQ process and related timelines.

Separately, the Company recently responded to a request for information about chemical warfare destruction technologies, issued by a major military unit.

Drosrite:
The Company is in discussions with a Canadian company for projects related to aluminum dross processing.

Plasma Torch System for Pyrolysis:
In the Q4 Outlook, it was stated that the negotiations had continued with a European entity for the sale of a plasma torch system and/or plasma reactor system, which the customer would utilize in their production of carbon black and hydrogen for use in batteries and graphite production, and that a project quote had been submitted with a potential project value of approximately $2 million. It was further stated that a potential project scope has been developed across multiple phases, and that an announcement is expected in the near term. As of end of Q2, negotiations with this client continue, with a potential announcement in the mid-term.

Drosrite Systems:
The Company is in various stages of discussions with aluminum manufacturers to purchase Drosrite aluminum dross processing systems, including with two Middle Eastern aluminum companies for the purchase of multiple 5,000+ tonnes or 10,000+ tonnes per year Drosrite furnaces, including for an existing client.

Drosrite Systems:
It was stated in the Q1 2026 Outlook that the company had recently begun discussions with a major aluminum company in India, for the potential sale of Drosrite systems. As of Q2 PyroGenesis is providing technical material to the client team for plant evaluation over the next few months.

Hazardous Aerosol Treatment:
The Company continues early-stage discussions with a large waste collection firm to help in the treatment of aerosol released during garbage collection and compacting. An initial project may be forthcoming for engineering of a solution toward the potential use of a plasma torch or reactor. The client has requested the preparation of quotes for various systems. In Q2 2026, the discussions moved to include PyroGenesis’ subsidiary Pyro Green-Gas.

Radioactive Waste Destruction:
A design phase contract was signed during Q4 2025 [news release dated December 17, 2025] with a major European entity for the use of plasma in the destruction of low-level radioactive waste, to help define the technical specifications, sizing, and design parameters, for a potential subsequent engineering and build phase for a plasma-equipped furnace (and the related peripheral components), required as part of the potential construction of a radioactive waste vitrification and treatment plant in Europe. During Q1 2026, the Company designed a custom system for potential use by the client. This design was submitted and the client is reviewing the design for eventual submission to their government’s nuclear agency. Next phase may be detailed design leading to procurement and construction. If selected for this competitive project, total project cost may be approximately $6-8 million. Recent document exchange during Q2 2026 included technical standards for the development of additional designs, with a Q4 2026 likelihood for next steps.

Business Line Developments: Long Term (> 6 months)

Energy Transition:

Cement Production Calcination:
As mentioned in the Q4 2025 Outlook, the Company is in discussions with a European company within the cement industry, for the sale of an additional 1MW plasma torch system to replace gas burners in the limestone calcination process. As of Q2 2026 the potential customer continues to secure financing.

Wind Tunnel Applications:
The Company is in discussions to develop a plasma wind tunnel application, in conjunction with an aerospace sector entity.

Plasma Torches for Metallurgy R&D:
The Company is in initial discussions with a European university conducting advanced metallurgy R&D, for the purchase of a plasma torch system. There has no movement on this file so will be removed from future Outlooks.

20 MW Plasma Torches for Aeronautics and Defense Client:
A contract for a 20MW plasma torch was signed in Q4 2024 [news release dated October 21, 2024], by a client who is a prime contractor for the U.S. government as well as for public and private customers in the aeronautics and defense industries. PyroGenesis previously designed and built a 4.5MW plasma torch to this same client, which was delivered in Q1 2026.

A plasma torch at the 20MW power level, based on PyroGenesis' own research, represents one of the most powerful plasma torches ever produced commercially. The project has an approximate duration of 3 years. The project is progressing and is in the engineering and electrical design phase.

Plasma Torches for Cement Industry Calcination:
The Company is in discussions with a global leader in providing technology and services for mining, aggregates, recycling, and metal refining industries, primarily for potential sale of hyper-high temperature (10 MW and above) plasma torches for use in calcination furnaces as part of the cement production process. Negotiations on this potential project are likely to take an extended period, so the project has been moved to the long-term category.

Plasma-Based Glass Recycling:
As stated in previously Outlooks, the Company signed an R&D / testing contract with a global leader in glass recycling, to investigate plasma as part of the customer's energy transition initiatives. The project is related to the spheronization of recycled glass using plasma, to help establish proof of concept. The contract involves multiple tests to optimize parameters and produce high-quality spherical glass particles for use in glass bed applications. Testing commenced during Q2 as planned, with early results being very promising. The full roster of tests and modifications originally scheduled for completion in Q3 2025 was extended into Q4 2025 and Q1 2026 and are ongoing. The longer-term commercial potential is for building a reactor-based system on-site at the customer's facility. For budgetary reasons on the client side, this potential project has been moved to a longer horizon. As of Q2 2026 the client was acquired by a venture capital firm and the state of future projects are currently unknown.

Plasma Torches for Metal Manufacturing:
During Q4 2024 and Q1 2025, the Company conducted first round tests for one of the world's largest producers of metal products to design and develop a plasma-based solution for use in improving precision in the manufacturing process, using a low wattage plasma torch. Next steps were identified to conduct additional tests using progressively larger torches during Q2 and Q3 2025. Testing per this approach met and even surpassed expectations. In the Q2 2025 Outlook it was stated that a first-round project may commence in the near term, with a potential value of $100-200K, with long-term potential at an enterprise-wide level for this customer has a potential approximate value of $10 million. Additional tests at an even higher temperature were identified as beneficial, as well as a CFD study. For budgetary reasons on the client side, this potential project has been moved to a longer horizon.

Plasma Torches for Steel Manufacturing Process Steps:
The Company is in initial discussions with a European steel construction conglomerate for the use of plasma torches in various high temperature process steps.

Plasma Torches for Brick:
The Company is in initial discussions with a European company for the use of plasma torches in high temperature brickmaking process steps, including brickmaking refractory furnace. This is a multi-torch application, potentially requiring 15-20 60kw-150kw torches per line. In Q2 the Company provided a quote for a plasma torch system, but future project timelines are currently unknown.

Plasma Torches for Steelmaking:
The Company is in initial discussions with a major global engineering firm that works extensively in the steel industry, for the use of plasma torches in high temperature steelmaking furnaces, in Japanese steel plants. At this time the project is not likely to proceed; this will be removed from future Outlooks.

Plasma Torches for Global Chemical Firm:
In previous Outlooks, the Company stated that it is in discussions with an American entity for the potential sale of plasma torches to aid in the production of carbon black and potentially other materials carbon and silica-based, with a potential initial value of $2-3 million and additional longer-term potential. In late Q2 and early Q3, the customer visited PyroGenesis' Montreal facilities for a site tour and for more in-depth discussions. The customer has started construction of their own pilot plant, and discussions continue sporadically regarding potential integration of plasma torches into that facility. There were on further discussions in Q2 2026, as the client focuses on internal projects.

Materials Production:

Lithium Battery Material Recovery:
In Q1 [news release dated February 26, 2026] the Company announced achieving successful results from the primary testing campaign of PyroGenesis' plasma technology for superheating materials as part of the process to recover certain cathode or anode materials from end-of-life batteries. The client is a North American battery material recycler. It was stated that there may be a subsequent testing phase required which would be expected to occur before the end of Q2 2026, and that the client's ultimate goal would be to purchase an initial 1 MW plasma torch system, followed by a subsequent purchase of 5 x 1 MW plasma torch systems or 1 x 5 MW plasma torch systems. The client has indicated a potential need for multiple 5 MW plasma torch systems. New tests continued during Q1 2026. The client is now anticipating a Q1-Q2 2027 restart to the project due to the client's internal factors.

Green Cement Additive:
PozPyro is a cement additive material produced by PyroGenesis' as a collaboration with its client Progressive Planet. The proprietary plasma process converts widely available, high-grade crystalline silica into amorphous silica that can be used to enhance the strength of concrete as a replacement for fly ash which is in diminishing supply. Previous announcements [news release dated May 2, 2024] showed compressive strength tests for PozPyro of up to 99.5% above standards for similar material such as fly ash, while surpassing even the full-strength value of the Portland Cement control by up to 49.67%. A potential contract for a future pilot plant has an estimated value of $15-20 million. Previously the Company developed and delivered an advanced feasibility and technical study towards the construction of a pilot plant. As of Q2 2026, the Company is waiting on go-forward decisions from the client.

Silicon, Nano-Silicon, and Silica Production:

As stated in previous Outlooks, the Company is in discussions at quotation stage with several potential customers who have expressed interest in PyroGenesis' advanced methods for producing silicon, nano-silicon, and silica. While no further developments were achieved in Q2 2026, longer term communication remains planned. The potential customers include:

- a major global automaker (whose interest lies in both nano-silicon and silicon oxide [SiOX] for EV batteries) who is considering a lab scale production system (approximate value of $500,000) with a long-term potential pilot plant with an estimated contract value of $10-15 million.
- a US battery manufacturer considering a lab-scale production system for SiOX anode material; negotiations have advanced and further cost and scope development meetings are underway.
- a raw material supplier to the construction materials industry who is considering a lab-scale production system (approximate value of $150,000) with a long-term potential pilot plant with an estimated contract value of $10-15 million. Discussions continue with potentially more discussions on the horizon.
- a raw material producer and manufacturer in South Asia is considering a production system for silicon-based material with an estimated contract value of $10-15 million. Discussions continue, regarding scope of work.
- a producer of silicon carbide.
- A national research institute examining the use of plasma in nano silicon materials.

Waste Processing:

Waste-to-Chemicals Demonstration Plant:
The Company is in early-stage discussions with European academic research consortium to build a facility to convert municipal solid waste to chemicals, using a rotary kiln and steam plasma applications.

Plasma Torch for Hazardous Waste Destruction:
The Company is in early-stage discussions with an operator of a large North American hazardous waste facility for the sale of a plasma torch system. The facility destroys a variety of hazardous waste, including PFAS "forever chemicals", currently using an incineration process. The client has indicated a 2027 project start is more likely, with an estimated $500,000 small plasma system being the current proposed technology.

Municipal Waste Destruction and Gasification System:
The Company is in negotiations with a company in India for a large waste destruction and biogas upgrading system. The financing capabilities and timeline with this potential client are unknown so the project has been moved to the long-term category.

Plasma Waste-to-Energy System / Resource Recovery System (PRRS):
The Company previously announced the signing of a 2-stage contract for a land-based plasma waste-to-energy system with a European consortium. The first stage consists of a conceptual and preliminary design phase for approximately $2 million, which commenced in Q3 2025 and was scheduled to last no more than one year. The design of the Plasma Waste-to-Energy System is based on the Company's Plasma Resource Recovery System (PRRS), a waste-to-energy technology that eliminates toxic compounds while transforming waste into reusable products such as syngas and chemicals such as methanol. This project is currently on hold as the client lost its first stage

financing. The client is looking for alternate funds. Until such time as those funds have been secured and the project restarted, $2 million was removed from the Company's reported backlog during Q4 2024. There was no movement in Q2 2026.

Plasma Torches for 3rd Party Waste-to-Energy Systems:
The Company has been in discussions over several years with a European entity, to act as a potential supplier of plasma torches for the entity's waste-to-energy initiative; the entity has at times, listed PyroGenesis as their torch supplier in various publications online. In Q3 2024, this entity announced having entered into an agreement with a German multi-Billion-dollar leading technology company to accelerate green energy transition through waste-to-energy technology. The entity announced that it aims to establish 300 plants producing 1 million tons of hydrogen over the next several years. There was no movement in Q2 2026.

**** Please note that projects or potential projects previously announced, or listed in previous Outlooks, that do not appear in the above summary updates, should not be considered as at risk. Noteworthy developments can occur at any time based on project stages, and the information presented above reflects information on hand. Projects not mentioned may have simply not concluded or not passed milestones worthy of discussion. ****

FURTHER INFORMATION

Additional information relating to Company and its business, including the 2025 consolidated financial statements, the Annual Information Form and other filings that the Company has made and may make in the future with applicable securities authorities, may be found on or through SEDAR+ at www.sedarplus.ca, or the Company's website at www.pyrogenesis.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, is also contained in the Company's most recent management information circular for the most recent annual meeting of shareholders of the Company.