

**PyroGenesis Canada Inc.**

**Condensed  
Interim Financial Statements**

Three months ended March 31, 2017 and 2016

(Unaudited)

### **CONDENSED INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited financial statements of Pyrogenesis Canada Inc. have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these unaudited condensed interim financial statements for the period ended March 31, 2017.

# PyroGenesis Canada Inc.

## Condensed Interim Statements of Financial Position

(unaudited)

	March 31, 2017	December 31, 2016
	\$	\$
<b>Assets</b>		
<i>Current</i>		
Cash	1,278,447	385,257
Accounts receivable [note 5]	996,851	422,816
Sale taxes receivables	43,454	-
Costs and profits in excess of billings on uncompleted contracts [note 6]	8,739	475,994
Investment tax credits receivable	562,737	430,491
Prepaid expenses	318,231	254,405
<b>Total current assets</b>	<b>3,208,459</b>	<b>1,968,963</b>
<b>Non-current</b>		
Deposits and other assets	637,073	436,730
Property and equipment	1,236,075	843,238
<b>Total assets</b>	<b>5,081,607</b>	<b>3,248,931</b>
<b>Liabilities</b>		
<i>Current</i>		
Accounts payable and accrued liabilities [note 7]	1,528,032	1,446,728
Current portion of loans [note 9]	588,963	620,766
Billings in excess of costs and profits on uncompleted contracts [note 8]	3,415,598	1,980,822
Convertible debentures [note 10]	3,680,242	-
<b>Total current liabilities</b>	<b>9,212,835</b>	<b>4,048,316</b>
<b>Non-current</b>		
Loans [note 9]	16,656	-
Convertible debentures [note 10]	-	3,605,897
<b>Total liabilities</b>	<b>9,229,491</b>	<b>7,654,213</b>
<b>Shareholders' deficiency [note 11]</b>		
Common shares	26,098,620	25,442,906
Warrants reserve	663,354	901,211
Contributed surplus	5,817,731	5,679,580
Equity portion of convertible debentures [note 10]	572,582	572,582
Other equity	24,844	24,844
Deficit	(37,325,015)	(37,026,405)
<b>Total shareholders' deficiency</b>	<b>(4,147,884)</b>	<b>(4,405,282)</b>
<b>Total liabilities and shareholders' deficiency</b>	<b>5,081,607</b>	<b>3,248,931</b>

Going concern disclosure and related party transactions [notes 1, 14]

Approved on behalf of the Board:

[Signed by P. Peter Pascali] P. Peter Pascali

[Signed by Alan Curleigh] Alan Curleigh

# PyroGenesis Canada Inc.

## Condensed Interim Statements of Comprehensive Loss

(unaudited)

	Three months ended March 31,	
	2017	2016
	\$	\$
<b>Revenue [note 16]</b>	<b>1,696,138</b>	1,016,853
Cost of sales and services [note 13]	<b>820,264</b>	1,072,524
Gross profit	<b>875,874</b>	(55,671)
<b>Expenses (income)</b>		
Selling, general and administrative [note 13]	<b>1,148,916</b>	1,048,915
Research and development	<b>68,064</b>	42,877
Net finance costs (income) [note 13]	<b>(42,496)</b>	101,200
	<b>1,174,484</b>	1,192,992
<b>Net loss and comprehensive loss</b>	<b>(298,610)</b>	(1,248,663)
<b>Basic and diluted loss per share</b>	<b>(0.00)</b>	(0.01)
Weighted average number of common shares outstanding - basic and diluted	<b>102,494,466</b>	93,666,729

The accompanying notes form an integral part of the financial statements.

# PyroGenesis Canada Inc.

## Condensed Interim Statements of Changes in Shareholders' Deficiency

(unaudited)

	Number of Class A common shares	Class A common share capital	Warrants reserve	Contributed surplus	Equity portion of convertible debentures	Other Equity	Deficit	Total
		\$	\$	\$	\$	\$	\$	\$
Balance - December 31, 2016	101,858,434	25,442,906	901,211	5,679,580	572,582	24,844	(37,026,405)	(4,405,282)
Share issued upon exercise of warrants [note 11]	2,142,857	655,714	(237,857)	-	-	-	-	417,857
Share-based payments	-	-	-	138,151	-	-	-	138,151
Comprehensive loss during the period	-	-	-	-	-	-	(298,610)	(283,610)
Balance – March 31, 2017	104,001,291	26,098,620	663,354	5,817,731	572,582	24,844	(37,325,015)	(4,147,884)
Balance - December 31, 2015	93,666,729	24,044,772	734,004	5,313,555	572,582	24,844	(30,074,186)	615,571
Share-based payments	-	-	-	66,431	-	-	-	66,431
Comprehensive loss during the period	-	-	-	-	-	-	(1,248,663)	(1,248,663)
Balance – March 31, 2016	93,666,729	24,044,772	734,004	5,379,986	572,582	24,844	(31,322,849)	(566,661)

The accompanying notes form an integral part of the financial statement.

# PyroGenesis Canada Inc.

## Condensed Interim Statements of Cash Flows

(unaudited)

**Three months ended March 31,**

	<b>2017</b>	2016
	<b>\$</b>	\$
Cash flows provided by (used in)		
<b>Operating activities</b>		
Net loss	(298,610)	(1,248,663)
Adjustments for:		
Share-based payments	138,151	66,431
Depreciation on property plant and equipment	25,198	32,256
Amortization of intangibles	-	349,268
Finance costs	157,847	151,200
Change in fair value of investments	(200,343)	-
	(177,757)	(649,508)
Net change in non-cash operating working capital items [note 12]	1,169,774	(364,095)
Interest paid	(83,417)	(84,802)
	908,600	(1,098,405)
<b>Investing activities</b>		
Purchase of property and equipment	(392,514)	-
	(392,514)	-
<b>Financing activities</b>		
Repayment of loans	(40,000)	-
Repayment of capital lease obligations	(753)	-
Proceeds from issuance of shares upon exercise of warrants [note 11]	417,857	-
Proceeds from loans	-	556,600
	377,104	556,600
<b>Net increase (decrease) in cash</b>	<b>893,190</b>	<b>(541,805)</b>
Cash - beginning of period	385,257	767,368
<b>Cash - end of period</b>	<b>1,278,447</b>	<b>225,563</b>
<b>Supplemental cash flow disclosure</b>		
<b>Non-cash transactions:</b>		
Issuance of share upon exercise of warrants [note 11]	237,857	-
Purchase of equipment under capital lease obligations	25,521	-

The accompanying notes form an integral part of the financial statements.

# PyroGenesis Canada Inc.

## Notes to Condensed Interim Financial Statements

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September 30, 2016 (*unaudited*)

### 1. Nature of operations and going concern disclosure

#### (a) Nature of operations

PyroGenesis Canada Inc. (the "Company"), incorporated under the laws of the Canada Business Corporations Act, was formed on July 11, 2011. The Company owns patents of advanced waste treatment systems technology and designs, develops, manufactures and commercialises advanced plasma processes and systems. The Company is domiciled at 1744 William Street, Suite 200, Montreal, Quebec. The Company is publicly traded on the TSX Venture Exchange under the symbol "PYR", and on the OTCQB marketplace under the symbol "PYRNF".

#### (b) Going concern

These condensed interim financial statements have been prepared on the going concern basis, which presumes that the Company 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 a number of risks and uncertainty associated with the successful development of its products and with the financing requirements of its operations. The achievement of profitable operations is dependent upon future events, including successful development and introduction of new products to its family of products and obtaining adequate financing.

The Company has incurred, in the last several years, operating losses and negative cash flow from operations, resulting in an accumulated deficit of \$37,325,015 as at March 31, 2017. Furthermore, as at March 31, 2017, the Company's current liabilities and expected level of expenses for the next twelve months exceed cash on hand of \$1,278,447. The Company currently has no committed sources of financing available. The Company has relied upon external financings to fund its operations in the past, primarily through the issuance of equity, debt, and convertible debentures, as well as from investment tax credits.

The Company's business plan is dependent upon raising additional funds to finance operations within and beyond the next twelve months. While the Company has been successful in securing financing in the past, raising additional funds is dependent on a number of factors outside the Company's control, and as such there is no assurance that it will be able to do so in the future. If the Company is unable to obtain sufficient additional financing, it may have to curtail operations and development activities, any of which could harm the business, financial condition and results of operations.

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 and realise its assets and settle its liabilities and commitments in the normal course of business.

The condensed interim financial statements have been prepared on a going concern basis and do not include any adjustments to the amounts and 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 for these condensed interim financial statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the condensed interim statements of financial position classifications used. Such adjustments could be material.

# PyroGenesis Canada Inc.

## Notes to Condensed Interim Financial Statements

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March 31, 2017 (unaudited)

### 2. Basis of preparation

(a) Statement of compliance:

These condensed interim financial statements of the Company have been prepared in accordance with International Accounting Standard ("IAS") 34 – *Interim Financial Reporting*. These condensed interim financial statements do not include all of the necessary information required for full annual financial statements in accordance with International Financial Reporting Standards ("IFRS") and should be read in conjunction with the Company's audited annual financial statements for the year ended December 31, 2016.

These condensed interim financial statements were approved and authorized for issuance by the Board of Directors on May 30, 2017.

(b) Functional and Presentation Currency

These condensed interim financial statements are presented in Canadian dollars, which is the Company's functional currency.

(c) Basis of measurement

These condensed interim financial statements have been prepared on the historical cost basis except for investments which are accounted for at fair value.

### 3. Significant accounting policies

The accounting policies applied by the Company in these condensed interim financial statements are the same as those applied by the Company in its audited annual financial statements as at and for the year ended December 31, 2016 except for the following accounting policies:

IAS 7 Statement of cash flows

In January 1, 2017, the Company apply the Amendments to IAS 7 issued in January 2016 by the IASB. In accordance with these amendments, the Company provided disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

### 4. Significant accounting judgments, estimates and assumptions

The accounting judgments, estimates and assumptions applied by the Company in these condensed interim financial statements are the same as those applied by the Company in its audited annual financial statements as at and for the year ended December 31, 2016.



# PyroGenesis Canada Inc.

## Notes to Condensed Interim Financial Statements

March 31, 2017 (unaudited)

### 5. Accounts receivable

Details of accounts receivable were as follows:

	March 31, 2017	December 31, 2016
	\$	\$
1 – 30 days	987,183	324,371
30 – 60 days	9,668	38,307
61 – 90 days		-
Greater than 90 days		-
Total		362,678
Other receivable		60,138
	996,851	422,816

There is no allowance for doubtful accounts recorded as at March 31, 2017 and December 31, 2016.

### 6. Costs and profits in excess of billings on uncompleted contracts

As at March 31, 2017, the Company had two contracts with total billings of Nil which were less than total costs incurred and had recognized cumulative revenue of \$8,739 since those projects began. This compares with three contracts with total billings of \$1,179,034 which were less than total costs incurred and had recognized cumulative revenue of \$1,655,028 from three contracts as at December 31, 2016.

### 7. Accounts payable and accrued liabilities

	March 31, 2017	December 31, 2016
	\$	\$
Accounts payable trade	771,873	734,785
Accrued liabilities	596,246	545,018
Accounts payable - shareholder	116,740	126,237
Accounts payable - trust beneficially owned by a shareholder	43,173	40,688
	1,528,032	1,446,728

### 8. Billings in excess of costs and profits on uncompleted contracts

The amount to date of costs incurred and recognized profits less recognized losses for construction projects in progress amounted to \$4,098,379 (March 31, 2016 - \$2,034,520).

Payments received on contracts in progress were \$7,463,973 (March 31, 2016 - \$2,287,105 in cash and \$50,000 of other assets) in cash for 2017.

# PyroGenesis Canada Inc.

## Notes to Condensed Interim Financial Statements

March 31, 2017 (unaudited)

### 9. Loans

	March 31, 2017	December 31, 2016
	\$	\$
Balance of sale - company under common control (i)	392,166	432,166
Term loans (ii)	188,600	188,600
Capital lease obligations	24,853	
	605,619	620,766
Current portion of loans	588,963	620,766
Long-term portion of loans	16,656	-

- (i) Balance of sale – company under common control (“Balance of Sale”) arose from the purchase of the intangible assets in March 2011. Under the purchase agreement, the consideration is to be payable in monthly instalments of \$100,000 from October 1, 2017. The balance of sale does not carry any interest.

Following the purchase agreement, in the event of any change within the Company that would be considered material by the holder of the Balance of Sale, such as a significant financial development, any and all amounts outstanding will become immediately due and payable on the date of the material change.

Although instalment payments were to begin in October 2017, the Company made instalment payments during 2016 for a total amount of \$40,000 (2015 - \$440,000).

The unpaid amount of interest for the twelve months ended December 31, 2016 was added to the Balance of Sale in the amount of Nil (2015 - \$12,841).

- (ii) Term loans are financing in the form of loans with respect to the Company’s scientific research and experimental development tax credit (“SR&ED Tax Credits”) The principal of the loans are subject to holdback to be disbursed upon reception of notice of assessment, with terms from 9 months and 12 months, bearing interest at 18% per annum and a one-time management fee of 5%. Pursuant to the financing, the Company granted R&D Capital Inc. a security interest and movable hypothec on its assets, with a first rank claim on the refundable portion of its SR&ED Tax Credits for each of the fiscal years ending December 31, 2014, 2015 and 2016.

### 10. Convertible debentures

At the issuance date the convertible debentures were recorded as follows:

	\$
Debt component, net of transactions cost of \$242,905	3,140,222
Conversion option recognized in equity, net of transaction cost of \$44,291	572,582
Net proceeds	3,712,804

The debt component is being accreted using the effective interest rate method:

	March 31, 2017
	\$
Balance, beginning of period	3,605,897
Effective interest accretion	74,345

# PyroGenesis Canada Inc.

## Notes to Condensed Interim Financial Statements

March 31, 2017 (unaudited)

**Balance, end of period** 3,680,242

### 11. Shareholders' equity

#### Issuance of shares

During the three-month ended March 31, 2017, the Company issued 2,142,857 common shares upon the exercise of warrants for a net proceeds of \$417,857. The fair value of the warrants of \$237,857 which was accounted for as contributed surplus has been reclassified as capital shares.

#### Stock option plan

As at March 31, 2017, an amount of \$288,931 remains to be amortized in future periods (until October 2019) related to the grant of stock options.

As at March 31, 2017, the outstanding options, as issued under the stock option plan to directors, officers, employees and consultants for the purchases of one common share per option, are as follows:

Issue date	Number of options	Exercise price	Number of exercisable options (1)	Expiry date
		\$		
September 19, 2012	100,000	0.15	100,000	September 19, 2017
September 19, 2012	550,000	0.175	550,000	September 19, 2017
November 19, 2012	1,901,000	0.21	1,901,000	November 19, 2017
May 30, 2013	100,000	0.22	100,000	May 30, 2018
February 12, 2015	2,570,000	0.30	1,854,000	February 12, 2020
September 25, 2016	4,350,000	0.18	3,225,000	September 25, 2021
October 25, 2016	80,000	0.18	8,000	October 25, 2021
October 20, 2016	100,000	0.19	10,000	October 20, 2021
	9,751,000	0.22	7,748,000	

(1) At March 31, 2017, the weighted average price of the exercisable options was \$0.22.

#### Share purchase warrants

The following table reflects the activity in warrants during the three months ended March 31, 2017 and the number of issued and outstanding share purchase warrants at March 31, 2017:

	Number of warrants December 31, 2016	Issued (exercise)	Number of warrants March 31, 2017	Price per warrant	Expiry date
				\$	
Private placement – November 26, 2014	2,142,857	(2,142,857)	-	-	-
Broker warrants – March 30, 2015	270,417	(270,417)	-	-	-
Private placement – December 11, 2015	4,417,500	-	4,417,500	0.50	December 11, 2017
Broker warrants– December 11, 2015	45,500	-	45,500	0.50	December 11, 2017
Private placement – July 26, 2016	3,065,790	-	3,065,790	0.35	January 26, 2018
Broker warrants– July 26, 2016	42,000	-	42,000	0.35	January 26, 2018

# PyroGenesis Canada Inc.

## Notes to Condensed Interim Financial Statements

March 31, 2017 *(unaudited)*

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9,984,064	(2,413,274)	7,570,790	0.44
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# PyroGenesis Canada Inc.

## Notes to Condensed Interim Financial Statements

March 31, 2017 (unaudited)

### 12. Supplemental disclosure of cash flow information

*Net changes in non-cash components of operating working capital*

	<u>Three months ended March 31,</u>	
	<b>2017</b>	2016
	<b>\$</b>	<b>\$</b>
<b>Decrease (increase) in:</b>		
Accounts receivable	(574,035)	171,698
Sale taxes receivables	(43,454)	167,360
Costs and profits in excess of billings on uncompleted contracts	467,255	(280,117)
Investment tax credits receivable	(132,246)	(108,815)
Prepaid expenses	(63,826)	25,229
<b>Increase (decrease) in:</b>		
Accounts payable and accrued liabilities	81,304	6,010
Billings in excess of costs and profits on uncompleted contracts	1,434,776	(345,460)
	<b>1,169,774</b>	<b>(364,095)</b>

### 13. Other information

The aggregate amortization of intangible assets expense for the three months ended March 31, 2017 was \$Nil (2016 - \$349,268), and is recorded in cost of sales and services.

For the three months ended March 31, 2017, depreciation on property and equipment expensed as general and administrative amounted to \$25,198 (2016 - \$32,256), employee benefits totaled \$722,542 (2016 - \$1,123,064) and share-based compensation expense was \$138,151 (2016 - \$66,431).

Financing income and finance costs include the following items:

	<u>Three months ended March 31,</u>	
	<b>2017</b>	2016
	<b>\$</b>	<b>\$</b>
<b>Finance income</b>		
Adjustment to the fair value of investments	200,343	50,000
		-
<b>Finance costs</b>		
Interest on balance of sale –company under common control		
Interest on convertible debentures	75,015	75,000
Accretion of convertible debentures	74,345	66,398
Interest on loans	8,487	9,802
	<b>157,847</b>	<b>151,200</b>

# PyroGenesis Canada Inc.

## Notes to Condensed Interim Financial Statements

March 31, 2017 (unaudited)

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Net finance (income) and finance expenses	(42,496)	101,200
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### 14. Related party transactions

During the three months ended March 31, 2017, the company concluded the following transactions with related parties:

Rent was charged by a trust beneficially owned by a shareholder of the Company in the amount of \$43,452 (2016 - \$47,560). A balance due of \$43,173 (December 31, 2016 - \$40,688) is included in accounts payable and accrued liabilities.

The balance of interest on balance of sale charged by a company under common control that has not been paid of \$317,319 (December 31, 2016 - \$317,319) is included in loans.

Interest on the convertible debentures was charged by a shareholder of the Company in the amount of \$14,171 (2016 - \$14,156)

Fees of \$23,000 were charged for services rendered by the independent directors who are members of the Company's Board of Directors (2016 - \$31,000). A balance of \$50,000 (December 31, 2016 - \$Nil) is included in accounts payable and accrued liabilities.

Fees of Nil were charged for professional services rendered by a company controlled by a director of the Company (2016 - 30,000).

The key management personnel of the Company are the members of the Board of Directors and certain executive officers. During the three months ended March 31, 2017, total compensation to key management consisted of the following:

	<b>Three months ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Salaries	<b>121,954</b>	175,173
Pension contributions	<b>1,979</b>	1,914
Other benefits	<b>10,350</b>	10,717
Total compensation	<b>134,283</b>	187,804

A balance of \$195,015 of key management compensation is included in accounts payable and accrued liabilities as at March 31, 2017 (December 31, 2016 - \$145,571) [note 7].

# PyroGenesis Canada Inc.

## Notes to Condensed Interim Financial Statements

March 31, 2017 (unaudited)

### 15. Financial instruments

As part of its operations, the Company carries a number of financial instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed. The Company's overall risk management program focuses on the unpredictability of the financial market and seeks to minimize potential adverse effects on the Company's financial performance. The Company does not use derivative financial instruments to hedge these risks.

#### Foreign currency risk

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

As at March 31, 2017, the following items are denominated in foreign currencies:

	US	CDN
	\$	\$
Cash	764,298	1,019,436
Accounts receivable	740,000	988,549
Accounts payable and accrued liabilities	133,010	176,792
<b>Total</b>	<b>1,637,308</b>	<b>2,184,777</b>

As at December 31, 2016, the following items are denominated in foreign currencies:

	US	CDN
	\$	\$
Cash	61,842	83,035
Accounts receivable	223,292	299,791
Accounts payable and accrued liabilities	(137,135)	(182,649)
<b>Total</b>	<b>147,999</b>	<b>200,177</b>

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. Management has implemented a policy to manage foreign exchange risk by using its purchases in US dollars as a natural hedge against its revenue stream. Therefore, the Company does not hold derivative financial instruments to manage the fluctuation of exchange rate risk.

#### Sensitivity analysis

At March 31, 2017, if the US Dollar changes by 10% against the Canadian dollar with all other variables held constant, the impact on after-tax gain for the three months ended March 31, 2017 would have been \$218,500 (December 31, 2016 – \$20,000).

# PyroGenesis Canada Inc.

## Notes to Condensed Interim Financial Statements

March 31, 2017 (unaudited)

### 15. Financial instruments (continued)

#### *Credit concentration*

As at March 31, 2017, three customers accounted for 65% (March 31, 2017 – four customers for 85%) of revenues from operations.

	Revenues	% of total revenues	Revenues	% of total revenues
	Three months ended		Three months ended	
	March 31, 2017		March 31, 2016	
	\$	%	\$	%
Customer 1	266,385	16	227,448	22
Customer 2	333,113	20	114,642	11
Customer 3	496,412	29	372,442	37
Customer 4	-	-	154,158	15
Total	1,095,910	65	868,690	85

Three customers accounted for 75% (December 31, 2016 – Four customers for 93%) of the accounts receivable, 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. The Company believes that there is no unusual exposure associated with the collection of these receivables. The Company manages its credit risk by performing credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable. The Company does not generally require collateral or other security from customers on accounts receivable.

#### *Fair value of financial instruments*

Financial instruments are comprised of cash, accounts receivable, investments, accounts payables and accrued liabilities, loans and convertible debentures. There are three levels of fair value that reflect the significance of inputs used in determining fair values of financial instruments:

Level 1 — quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 — inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 — inputs for the asset or liability that are not based on observable market data.

The fair values of cash, accounts receivable, accounts payable and accrued liabilities, and loans approximate their carrying amounts due to their short-term maturities. Investments are valued at fair value and classified as Level 1.

As of March 31, 2017 and December 31, 2016, the fair value the convertible debentures approximate its carrying value since there was no significant change in the interest rate from the issuance of the convertible debentures compared to the current interest rate.

#### *Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk, and on the fair value of investments or liabilities, known as price risks. The Company is exposed to a risk of fair value on the convertible debentures as those financial instruments bear interest at fixed rates.



# PyroGenesis Canada Inc.

## Notes to Condensed Interim Financial Statements

March 31, 2017 (unaudited)

### 15. Financial instruments (continued)

#### Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in market price (other than those arising from foreign currency risk and interest risk), whether those changes are caused by factors specific to the individual financial instrument or its issuers or factors affecting all similar financial instruments traded in the market. The most significant exposure to other price risk for the Company arises from the investments. If equity prices had increased or decreased by 5% as at March 31, 2017, with all other variables held constant, the Company's investments would have increased or decreased respectively, by approximately \$29,000 (December 31, 2016 - \$19,000).

#### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivery of cash or another financial asset. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity and / or debt issuances and to generate positive cash flows from operations (see note 1 b). The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

The following table summarizes the contractual maturities of financial liabilities as at March 31, 2017:

	Total	6 months or less	6 to 12 months	1-2 year	2-3 year
	\$	\$	\$		\$
Accounts payable and accrued liabilities	1,528,032	1,528,032	-	-	-
Capital lease obligations	26,372	4,521	4,521	9,042	8,288
Loans	607,060	607,060	-	-	-
Convertible debentures	4,300,000	-	4,300,000	-	-
	<b>6,461,464</b>	<b>2,139,613</b>	<b>4,304,521</b>	<b>9,042</b>	<b>8,288</b>

# PyroGenesis Canada Inc.

## Notes to Condensed Interim Financial Statements

March 31, 2017 (unaudited)

### 16. Segment information

The Company operates in one segment, based on financial information that is available and evaluated by the Company's Board of Directors.

The Company's head office is located in Montreal, Quebec. The operation of the Company is located in one geographic area: Canada. The following is a summary of the Company's geographic information:

	<u>Three months ended</u> <u>March 31,</u>	
	<u>2017</u>	<u>2016</u>
	<u>\$</u>	<u>\$</u>
Revenue from external customers		
Canada	165,068	192,439
United States	1,454,498	544,977
Europe	-	7,119
Asia	28,255	272,318
Middle East	48,317	-
	<u>1,696,138</u>	<u>1,016,853</u>

The following is a summary of the Company's revenue by product line:

	<u>Three months ended</u> <u>March 31,</u>	
	<u>2017</u>	<u>2016</u>
	<u>\$</u>	<u>\$</u>
Sales of goods under long-term contracts	1,014,932	230,712
Services	681,206	786,141
	<u>1,696,138</u>	<u>1,016,853</u>

### 17. Subsequent event

In April 2017, PyroGenesis received an aggregate amount of \$175,000 from the exercise of a series of warrants which were previously issued by the Company in connection with a private placement offering completed on July 26, 2016. As a result of such exercise, the Company issued 500,000 Common Shares in its share capital.