

PyroGenesis Inc.
(formerly PyroGenesis Canada Inc.)

Condensed Consolidated Interim Financial Statements

**As at September 30, 2024 and for the three and nine-month periods ended September 30, 2024
and 2023**

(Unaudited)

The accompanying unaudited condensed consolidated financial statements of PyroGenesis 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 consolidated interim financial statements.

September 30, 2024.

PyroGenesis Inc.
Condensed Consolidated Interim Statements of Financial Position

(Unaudited)
(In Canadian dollars)

	Notes	September 30, 2024	December 31, 2023
		\$	\$
Assets			
<i>Current assets</i>			
Cash		38,716	1,802,616
Accounts receivable	6	9,258,330	9,265,665
Costs and profits in excess of billings on uncompleted contracts	7	700,284	648,813
Inventory	15	2,530,179	1,905,313
Investment tax credits receivable	8	210,694	352,530
Income taxes receivable		16,130	15,900
Current portion of deposits		767,692	638,739
Current portion of royalties receivable		705,187	684,651
Contract assets		505,674	615,527
Prepaid expenses		896,380	873,671
Total current assets		15,629,266	16,803,425
<i>Non-current assets</i>			
Deposits		99,238	46,045
Strategic investments	9	35,902	2,551,427
Property and equipment		2,570,128	2,855,226
Right-of-use assets		4,945,942	4,200,635
Royalties receivable		577,922	529,017
Intangible assets		1,513,110	1,449,576
Total assets		25,371,508	28,435,351
Liabilities			
<i>Current liabilities</i>			
Bank indebtedness		119,468	181,267
Accounts payable and accrued liabilities	10	10,433,472	9,345,134
Billings in excess of costs and profits on uncompleted contracts	11	8,778,941	10,992,126
Current portion of term loans	12	90,000	117,500
Current portion of lease liabilities		2,637,743	524,802
Current portion of balance due on business combination		1,818,915	1,726,510
Current portion of convertible debenture		1,039,193	923,805
Current portion of convertible loan		1,090,059	–
Total current liabilities		26,007,791	23,811,144
<i>Non-current liabilities</i>			
Lease liabilities		3,309,704	4,582,090
Term loans	12	213,127	286,579
Convertible debentures		986,940	1,636,416
Convertible loan		–	947,699
Total liabilities		30,517,562	31,263,928
Shareholders' equity			
Common shares	13	93,863,743	90,670,080
Warrants		889,096	421,016
Contributed surplus		28,506,511	27,586,626
Equity portion of the convertible debentures		217,663	217,663
Equity portion of the convertible loan		176,349	176,349
Accumulated other comprehensive loss		(90,314)	(11,279)
Deficit		(128,709,102)	(121,889,032)
Total shareholders' equity (deficiency)		(5,146,054)	(2,828,577)
Total liabilities and shareholders' equity (deficiency)		25,371,508	28,435,351

The accompanying notes form an integral part of the condensed consolidated interim financial statements.
Contingent liabilities, Note 20

PyroGenesis Inc.
Condensed Consolidated Interim Statements of Comprehensive Loss

(Unaudited)
(In Canadian dollars)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2024	2023	2024	2023
		\$	\$	\$	\$
Revenues	5	4,002,689	3,685,725	11,428,183	9,316,826
Cost of sales and services	15	2,330,052	2,586,333	7,874,558	6,579,046
Gross profit		1,672,637	1,099,392	3,553,625	2,737,780
Expenses					
Selling, general and administrative	15	4,956,832	7,589,674	9,731,568	21,557,511
Research and development, net		218,182	680,889	713,790	1,746,790
		5,175,014	8,270,563	10,445,358	23,304,301
Net loss from operations		(3,502,377)	(7,171,171)	(6,891,733)	(20,566,521)
Changes in fair value of strategic investments	9	5,129	1,158,156	(227,740)	218,885
Other income	15	–	–	1,180,335	–
Finance income (costs), net	16	(344,082)	(215,277)	(880,932)	1,631,999
Loss before income taxes		(3,841,330)	(6,228,292)	(6,820,070)	(18,715,637)
Net loss		(3,841,330)	(6,228,292)	(6,820,070)	(18,715,637)
Other comprehensive loss					
Items that will be reclassified subsequently to profit or loss					
Foreign currency translation gain (loss) on investments in foreign operations		(65,738)	(28,000)	(79,035)	(31,980)
Comprehensive loss		(3,907,068)	(6,256,292)	(6,899,105)	(18,747,617)
Loss per share					
Basic	17	(0.02)	(0.03)	(0.04)	(0.10)
Diluted	17	(0.02)	(0.03)	(0.04)	(0.10)

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

PyroGenesis Inc.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficiency)

(Unaudited)

(In Canadian dollars)

	Notes	Number of common shares	Common shares \$	Warrants \$	Contributed surplus \$	Equity portion of convertible debentures loan \$	Accumulated other comprehensive income (loss) \$	Deficit \$	Total \$
December 31, 2023		178,880,395	90,670,080	421,016	27,586,626	394,012	(11,279)	(121,889,032)	(2,828,577)
Shares issued upon exercise of stock options	13	100,000	84,643	–	(33,643)	–	–	–	51,000
Shares issued upon exercise of warrants	13	1,030,000	772,500	–	–	–	–	–	772,500
Private placement, net of issuance costs	13	3,505,750	2,336,520	468,080	–	–	–	–	2,804,600
Share-based payments	13	–	–	–	953,528	–	–	–	953,528
Other comprehensive loss for the period		–	–	–	–	–	(79,035)	–	(79,035)
Net loss		–	–	–	–	–	–	(6,820,070)	(6,820,070)
September 30, 2024		183,516,145	93,863,743	889,096	28,506,511	394,012	(90,314)	(128,709,102)	(5,146,054)
December 31, 2022		173,580,395	85,483,223	223,200	24,546,960	–	402	(93,384,858)	16,868,927
Shares issued upon exercise of stock options	13	300,000	153,000	–	–	–	–	–	153,000
Private placement, net of issuance costs	13	5,000,000	4,960,483	–	–	–	–	–	4,960,483
Convertible debentures - equity component		–	–	186,800	–	318,092	–	–	504,892
Share-based payments	13	–	73,374	–	2,309,630	–	–	–	2,383,004
Other comprehensive loss for the period		–	–	–	–	–	(31,980)	–	(31,980)
Net loss		–	–	–	–	–	–	(18,715,637)	(18,715,637)
September 30, 2023		178,880,395	90,670,080	410,000	26,856,590	318,092	(31,578)	(112,100,495)	6,122,689

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

PyroGenesis Inc.

Notes to the Condensed Consolidated Interim Financial Statements

As at September 30, 2024 and for the periods ended September 30, 2024 and 2023

(Unaudited)

(In Canadian dollars)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2024	2023	2024	2023
		\$	\$	\$	\$
Cash flows provided by (used in)					
Operating activities					
Net loss		(3,841,330)	(6,228,292)	(6,820,070)	(18,715,637)
Adjustments for:					
Share-based payments	15	178,535	653,902	953,528	2,383,004
Depreciation of property and equipment	15	86,752	158,500	298,792	476,871
Depreciation of right-of-use assets	15	327,614	182,251	720,223	503,604
Amortization of intangible assets	15	16,323	221,752	119,635	665,256
Amortization of contract assets		120,196	23,088	155,809	50,866
Net finance costs (income)	16	344,082	215,277	880,932	(1,631,999)
Change in fair value of investments		(5,129)	(1,158,156)	227,740	(218,885)
Unrealized foreign exchange		(41,375)	(33,268)	(92,464)	(18,979)
		(2,814,332)	(5,964,946)	(3,555,875)	(16,505,899)
Net change to working capital items	14	(2,176,374)	2,691,828	(1,996,416)	5,780,930
		(4,990,706)	(3,273,118)	(5,552,291)	(10,724,969)
Investing activities					
Additions to property and equipment		(44,026)	(18,448)	(55,913)	(68,789)
Additions to right-of-use assets		–	–	–	(67,745)
Additions to intangible assets		(44,392)	(71,793)	(183,169)	(185,779)
Purchase of strategic investments	9	–	–	–	(559,460)
Disposal of property and equipment		–	–	42,219	–
Disposal of strategic investments		–	802,244	2,287,785	2,456,546
		(88,418)	712,003	2,090,922	1,574,773
Financing activities					
Increase (decrease) in bank indebtedness		(20,123)	(60,463)	(61,799)	(720,176)
Interest paid		(204,660)	(80,515)	(352,603)	(267,504)
Repayment of term loans		(22,500)	(19,994)	(95,000)	(35,185)
Repayment of lease liabilities		(308,724)	(141,897)	(625,677)	(299,455)
Repayment of balance due on business combination		–	–	–	(100,000)
Repayment of convertible debentures		(369,667)	–	(808,000)	–
Repayment of loan from controlling shareholder		(1,000,000)	–	(1,000,000)	–
Proceeds from issuance of convertible debentures		–	2,913,661	–	2,913,661
Proceeds from issuance of shares upon exercise of stock options		51,000	–	51,000	153,000
Proceeds from issuance of shares upon exercise of warrants		772,500	–	772,500	–
Proceeds from issuance of loan from controlling shareholder		–	–	1,000,000	–
Proceeds from private placement		2,804,600	–	2,804,600	4,960,483
Financing costs		–	(12,630)	–	(12,630)
		1,702,426	2,598,162	1,685,021	6,592,194
Effect of exchange rate changes on cash denominated in foreign currencies		(24,825)	6,868	12,448	(14,149)
Net increase (decrease) in cash		(3,401,523)	43,915	(1,763,900)	(2,572,151)
Cash - beginning of period		3,440,239	829,583	1,802,616	3,445,649
Cash - end of period		38,716	873,498	38,716	873,498
Supplemental cash flow disclosure					
Non-cash transactions:					
Addition to contract assets		(20,572)	(171,664)	(49,956)	(171,664)
Interest accretion on and revaluation of balance due on business combination		77,614	(19,131)	92,405	(2,118,745)
Interest accretion on royalties receivable		(24,004)	(35,763)	(69,441)	(120,437)
Interest accretion on term loan		8,487	8,646	(5,951)	25,414
Interest accretion on convertible debentures		34,654	62,218	171,266	62,218
Interest accretion on convertible loan		50,512	–	142,464	–

The accompanying notes form an integral part of the condensed consolidated interim financial statements

PyroGenesis Inc.

Notes to the Condensed Consolidated Interim Financial Statements

As at September 30, 2024 and for the periods ended September 30, 2024 and 2023

(Unaudited)

(In Canadian dollars)

1. Nature of operations

PyroGenesis Inc. and its subsidiaries (collectively, 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 sustainable solutions to reduce greenhouse gases. The Company is domiciled at its newly established headquarters, 1100 René-Lévesque Blvd. West, Suite 1825, Montreal, Quebec. The Company is publicly traded on the TSX Exchange under the Symbol “PYR”, on the OTCQX Best Market under the symbol “PYRGF” and on the Frankfurt Stock Exchange (FSX) under the symbol “8PY “. Prior to November 2023, the Company’s common shares were traded on NASDAQ, before being voluntarily delisted. Effective November 5, 2024, the Company changed its name from PyroGenesis Canada Inc. to PyroGenesis Inc., reflecting a strategic evolution aligned with the Company’s ongoing expansion and its commitment to serving a global market.

2. Going concern

These condensed consolidated interim financial statements have been prepared on the 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 \$128,709,102 as at September 30, 2024 (\$121,889,032 as at December 31, 2023). 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 September 30, 2024, the Company has working capital deficiency of \$10,378,525 (\$7,007,719 as at December 31, 2023) including cash of \$38,716 (\$1,802,616 as at December 31, 2023). The working capital is net of an allowance for credit losses amounting to \$6,413,000 (\$9,278,135 as at December 31, 2023) 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 2024, 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. In 2022, the Company successfully completed a private placement, raising \$1,318,980. In 2023, the Company achieved net proceeds of \$4,960,483 from another private placement and raised an additional \$4,280,000 through a brokered private placement of convertible debenture units. In 2024, the Company secured gross proceeds of \$2,804,600 from a further private placement. 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.

PyroGenesis Inc.

Notes to the Condensed Consolidated Interim Financial Statements

As at September 30, 2024 and for the periods ended September 30, 2024 and 2023

(Unaudited)

(In Canadian dollars)

3. Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 Interim Financial Statements, as issued by the International Accounting Standards Board ("IASB"). These condensed consolidated 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 financial statements for the year ended December 31, 2023.

These financial statements were approved and authorized for issuance by the Board of Directors on November 6, 2024.

(b) Functional and presentation currency

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the functional currency of PyroGenesis, and Pyro Green-Gas Inc. The functional currency of Airscience Italia SRL is the euro whereas the functional currency of Airscience Technologies Private Limited is the Indian rupee, and Drosrite International LLC's functional currency is the US dollar.

(c) Basis of measurement

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for:

- (i) strategic investments which are accounted for at fair value,
- (ii) stock-based payment arrangements, which are measured at fair value on the grant date pursuant to IFRS 2, Share-based Payment; and
- (iii) lease liabilities, which are initially measured at the present value of minimum lease payments

(d) Basis of consolidation

For financial reporting purposes, subsidiaries are defined as entities controlled by the Company. The Company controls an entity when it has power over the investee; it is exposed to, or has rights to, variable returns from its involvement with the entity; and it has the ability to affect those returns through its power over the entity.

In instances where the Company does not hold a majority of the voting rights, further analysis is performed to determine whether or not the Company has control of the entity. The Company is deemed to have control when, according to the terms of the shareholder's and/or other agreements, it makes most of the decisions affecting relevant activities.

These condensed consolidated interim financial statements include the accounts of PyroGenesis and its subsidiaries, Drosrite International LLC and Pyro Green-Gas Inc. and its subsidiaries. Drosrite International LLC is owned by a member of the Company's key management personnel and close member of the Chief Executive Officer ("CEO") and controlling shareholder's family and is deemed to be controlled by the Company. In July 2024, the Company acquired Drosrite International LLC and renamed the entity to PyroGenesis International. All transactions and balances between the Company and its subsidiaries have been eliminated upon consolidation.

The accounting policies disclosed in the December 31, 2023, year-end consolidated financial statements have been applied consistently in the preparation of these condensed consolidated interim financial statements. Finance income (costs) and changes in fair value of strategic investments are excluded from the loss from operations in the consolidated statements of comprehensive loss.

4. Significant accounting judgments, estimates and assumptions

The significant judgments, estimates and assumptions applied by the Company in these condensed consolidated 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, 2023.

PyroGenesis Inc.

Notes to the Condensed Consolidated Interim Financial Statements

As at September 30, 2024 and for the periods ended September 30, 2024 and 2023

(Unaudited)

(In Canadian dollars)

5. Revenues

The following table is a summary of the Company's revenues from contracts by product line:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	\$	\$	\$	\$
High purity metallurgical grade silicon & solar grade silicon from quartz (PUREVAP™)	221,627	415,415	717,861	1,388,854
Aluminium and zinc dross recovery (DROSRITE™)	503,230	118,745	1,493,918	324,296
Development and support related to systems supplied to the U.S. Navy	344,540	1,003,592	1,626,149	2,168,820
Torch-related products and services	1,310,709	950,290	4,979,766	2,682,979
Refrigerant destruction (SPARC™)	705,027	104,784	956,918	360,075
Biogas upgrading and pollution controls	691,941	768,396	899,950	1,419,362
Other sales and services	225,615	324,503	753,621	972,440
	4,002,689	3,685,725	11,428,183	9,316,826

The following table is a summary of the Company's revenues by revenue recognition method:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Revenue from contracts with customers:				
Sales of goods under long-term contracts recognized over time	3,227,345	3,141,381	8,776,444	8,010,472
Sales of goods at a point of time	775,344	544,344	2,651,739	1,306,354
	4,002,689	3,685,725	11,428,183	9,316,826

See Note 22 for sales by geographic area.

Transaction price allocated to remaining performance obligations

As at September 30, 2024, revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially satisfied) at the reporting date is \$26,275,769 (\$27,527,124 as at December 31, 2023). Revenue will be recognized as the Company satisfies its performance obligations under long-term contracts, which is expected to occur over the next 3 years.

PyroGenesis Inc.

Notes to the Condensed Consolidated Interim Financial Statements

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(Unaudited)

(In Canadian dollars)

6. Accounts receivable

Details of accounts receivable based on past due terms were as follows:

	September 30, 2024	December 31, 2023
	\$	\$
Current	1,174,793	444,300
1 – 30 days	20,041	745,187
31 – 60 days	280,817	28,246
61 – 90 days	295,626	142,339
Greater than 90 days	12,158,648	14,738,199
Holdback receivable	390,215	706,667
Total trade accounts receivable	14,320,140	16,804,938
Allowance for expected credit loss	(5,786,500)	(8,597,635)
Other receivables	227,840	842,715
Sales tax receivable	496,850	215,647
	9,258,330	9,265,665

¹ Holdbacks are non-interest bearing, non-secured and represents an amount retained by the customers, based on milestones defined in the contract, and are not due until final acceptance of the contract, stage of the project or the final inspection of the delivered goods. These amounts are agreed in advance and the terms of payment may exceed the general terms of payment of the Company. The Company only recognizes an invoice when it can reasonably determine that these inspection and acceptance steps have been met.

As at September 30, 2024 the allowance for expected credit loss on trade accounts receivable is \$5,786,500 (\$8,597,635 as at December 31, 2023), whereby a net gain of \$2,811,135 was recognized during the nine-month period (loss of \$3,904,000 during fiscal 2023). The credit loss allowance on trade accounts receivable at September 30, 2024, includes \$4,650,000 attributable to one specific customer, whereby the carrying amount has been reduced from \$8,060,000 to \$3,410,000. The carrying value of all other trade receivables was reduced from \$6,260,140 to \$5,123,640. On the basis of the Company's expected credit loss policy, the allowance was determined generally by applying a loss rate of 1% on balances 1-30 days past the invoice date, 2% for 31-60 days, 3% for 61-90 days and a minimum of 10% for those beyond 90 days. Specific consideration was applied for situations where the receivable is a holdback on a contract, and also for customers that have exceeded normal payment terms.

The closing balance of the trade receivables credit loss allowance as at September 30, 2024 reconciles with the trade receivables credit loss allowance opening balance as follows:

	\$
Loss allowance at December 31, 2022	4,693,283
Loss recognized during the year	3,904,000
Foreign exchange	352
Loss allowance at December 31, 2023	8,597,635
Income recognized during nine-month period ¹	(2,811,135)
Loss allowance at September 30, 2024	5,786,500

¹ For the three-month period ended September 30, 2024, an expense of \$750,500 was recorded, whereas, for the nine-month period ended September 30, 2024, a gain of \$2,811,135 was recognized.

7. Costs and profits in excess of billings on uncompleted contracts

As at September 30, 2024, the Company had sixteen contracts with total billings of \$18,334,601 which were less than total costs incurred and had recognized cumulative revenue of \$19,661,385 since those projects began. This compares with thirteen contracts with total billings of \$18,850,084 which were less than total costs incurred and had recognized cumulative revenue of \$20,179,397 as at December 31, 2023.

The net amount of \$700,284 as at September 30, 2024 includes an expected credit loss allowance of \$626,500 (\$680,500 as at December 31, 2023). On the basis of the Company's expected credit loss policy, the allowance was determined

PyroGenesis Inc.

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generally, by applying a loss rate of 2% on all balances, and adjusting for specific situations, such as past due customers, whereby the loss rate varied from 25% to 50%, or greater, if needed.

Changes in costs and profits in excess of billings on uncompleted contracts during the nine-month period ended September 30, 2024, are explained by \$378,767 (\$1,041,422 as at December 31, 2023) recognized at the beginning of the year being transferred to accounts receivable, \$376,238 (\$989,438 as at December 31, 2023) resulting from changes in the measure of progress and the variation in expected credit loss allowance of \$54,000 (\$350,500 as at December 31, 2023).

8. Investment tax credits

Investment tax credits earned, for the three and nine-month periods ended September 30, 2024, amount to \$13,359, and \$27,598, respectively (\$55,817 and \$135,041) for the three and nine-month periods ended September 30, 2023, respectively.

In the nine-month period ended September 30, 2024, of the \$27,598 of investment tax credits earned \$6,150 was recorded against cost of sales and services, \$21,448 against research and development expenses and \$Nil against selling, general and administrative expenses. The 2022 investment tax credit received in the period was less than expected, therefore \$21,110 was recognized in selling, general and administrative expenses. During the nine-month period ended September 30, 2023, the Company earned \$135,041 of investment tax credits, whereby \$80,404 was recognized against cost of sales and services, \$32,137 against research and development expenses and \$22,500 against selling, general and administrative expenses.

9. Strategic investments

	September 30, 2024	December 31, 2023
	\$	\$
Beauce Gold Fields ("BGF") shares – level 1	35,903	35,903
HPQ Silicon Inc. ("HPQ") shares - level 1	–	2,515,524
	35,903	2,551,427

The change in the strategic investments is summarized as follows:

	("BGF") shares – level 1		("HPQ") shares - level 1		("HPQ") warrants – level 3		Total
	Quantity	\$	Quantity	\$	Quantity	\$	\$
Balance, December 31, 2022	1,025,794	56,419	22,105,100	5,415,749	16,394,600	770,466	6,242,634
Exercise of warrants	–	–	5,594,600	651,406	(5,594,600)	(91,946)	559,460
Disposed	–	–	(16,265,500)	(3,938,452)	–	–	(3,938,452)
Expired	–	–	–	–	(4,000,000)	–	–
Change in the fair value	–	(20,516)	–	386,821	–	(678,520)	(312,215)
Balance, December 31, 2023	1,025,794	35,903	11,434,200	2,515,524	6,800,000	–	2,551,427
Disposed	–	–	(11,434,200)	(2,287,784)	–	–	(2,287,784)
Expired	–	–	–	–	(6,800,000)	–	–
Change in the fair value	–	–	–	(227,740)	–	–	(227,740)
Balance, September 30, 2024	1,025,794	35,903	–	–	–	–	35,903

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At December 31, 2023, the fair value of the HPQ warrants was measured using the Black-Scholes option pricing model using the following assumptions:

	December 31, 2023
Number of warrants	6,800,000
Date of issuance	April 20, 2022
Exercise price (\$)	0.60
Assumptions under the Black-Scholes model:	
Fair value of the shares (\$)	0.22
Risk free interest rate (%)	3.94
Expected volatility (%)	58.02
Expected dividend yield	–
Contractual remaining life (in months)	4

Warrants were subject to a "Holder's Exercise Limitation" clause, whereby the Company shall not affect any exercise of warrants, nor have the right to exercise any portion of the warrants to the extent that after giving effect to such issuance after exercise, the Company would beneficially own in excess of 9.99% of the HPQ common shares.

As at September 30, 2024 and December 31, 2023, no gain from initial recognition of the warrants has been deferred off balance sheet until realized.

10. Accounts payable and accrued liabilities

	September 30, 2024	December 31, 2023
	\$	\$
Trade account payable	6,003,884	4,850,681
Accrued liabilities	3,258,238	2,897,663
Sale commissions payable ¹	693,266	920,012
Accounts payable to the controlling shareholder and CEO	478,084	676,778
	10,433,472	9,345,134

¹ Sale commissions payable relate to the costs to obtain long-term contracts with clients.

11. 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 for the nine-months ending September 30, 2024, amounted to \$31,411,657 (\$32,833,122 as at December 31, 2023). Payments to date received for the nine-months ending September 30, 2024, were \$40,190,598 on contracts in progress (\$44,216,248 as at December 31, 2023).

Changes in billings in excess of costs and profits on uncompleted contracts during the nine-month period ended September 30, 2024, is explained by \$4,442,278 recognized at the beginning of the period being recognized as revenue, and an increase of \$2,229,093 resulting from cash received, excluding amounts recognized as revenue. The variation in billings in excess of costs and profits on uncompleted contracts during the nine-month period ended September 30, 2023, is explained by \$3,916,485 recognized at the beginning of the period being recognized as revenue, and an increase of \$5,130,475 resulting from cash received, excluding amounts recognized as revenue.

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12. Term loans

	Economic Development Agency of Canada Loan ⁽¹⁾	Canada Emergency Business Account Loan ⁽²⁾	Total
	\$	\$	\$
Balance, December 31, 2023	354,079	50,000	404,079
Accretion	(5,952)	–	(5,952)
Payments	(45,000)	(50,000)	(95,000)
Balance, September 30, 2024	303,127	–	303,127
Less current portion	(90,000)	–	(90,000)
Balance, September 30, 2024	213,127	–	213,127

¹ Maturing in 2029, non-interest bearing, payable in equal instalments from April 2024 to March 2029.

² Loan bearing no interest and no minimum repayment.

13. Shareholders' equity

Common shares and warrants

Authorized:

The Company is authorized to issue an unlimited number of common shares without par value.

Issuance of units

On July 22, 2024, the Company completed a non-brokered private placement consisting of the issuance and sale of 3,505,750 units of the Company at a price of \$0.80 per unit, for net proceeds of \$2,804,600. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share at a price of \$1.20 until July 21, 2025. The total net proceeds were presented in shareholder's equity, whereby \$2,336,520 was allocated to common shares and \$468,080 as the portion attributable to warrants. The allocation is based on the fair market value of the common shares, the exercise price of the warrants, and the volatility of the underlying shares.

On December 20, 2023, the Company completed a non-brokered private placement of a convertible loan for gross proceeds of \$1,250,000. The loan, bears an interest rate of 3% per annum, will be paid quarterly in arrears and will mature eighteen months following the closing date. As part of the loan, the Company also granted to the lender share purchase warrants to subscribe for up to 625,000 common shares at a purchase price of \$0.4098 per share (representing the current market price on the effective date of the loan). The warrants expire eighteen months following the closing date. At any time after March 1, 2024, the lender may require the prepayment of the entire outstanding balance of the loan amount. The Company's lender has agreed that no payment will be requested before 2025. The fair value of the debt liability component at inception of \$941,317 was determined using estimated future cash flows discounted using a market interest rate of 25%. The residual amount representing the value of the conversion option equity component and warrants totalling \$308,683 was classified in the shareholders' equity (deficiency) net of deferred taxes amounting to \$95,972. The amount was allocated between the two equity components based on their relative fair values.

On July 21, 2023, the Company completed a brokered private placement offering 3,030 unsecured convertible debenture units at a price of \$1,000 per debenture unit. Each convertible debenture unit consists of one 10.0% unsecured convertible debenture with a maturity of 36 months from the date of issuance and 1,000 common share purchase warrants. Each warrant shall entitle the holder therefore to acquire one common share at an exercise price of \$1.25 for a period of 24 months following the closing date. The total net proceeds were allocated to the liability and shareholders equity, whereby a total of \$504,892 is recognized as warrants and as the equity portion of the convertible debenture.

On March 8, 2023, the Company completed a non-brokered private placement consisting of the issuance and sale of 5,000,000 units of the Company at a price of \$1.00 per unit, for net proceeds of \$4,960,483 (gross proceeds of \$5,000,000).

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Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share at a price of \$1.25 until March 7, 2025. The entire amount is allocated to the common shares as the fair value of the common shares on March 8, 2023, was \$1.38.

Stock options

The Company has a stock option plan authorizing the Board of Directors to grant options to directors, officers, employees and consultants to acquire common shares of the Company at a price computed by reference to the closing market price of the shares of the Company on the business day before the Company notifies the stock exchanges of the grant of the option. The number of shares which may be granted to any one person shall not exceed 5% (2% for consultants) of total share capital over a twelve-month period.

The following table sets out the activity in stock options:

	Number of options	Weighted average exercise price
		\$
Balance – December 31, 2022	8,195,500	3.96
Granted	3,150,000	0.80
Exercised ¹	(300,000)	0.51
Forfeited	(183,000)	2.25
Balance, December 31, 2023	10,862,500	3.19
Granted	750,000	0.45
Exercised ¹	(100,000)	0.51
Forfeited	(102,500)	2.09
Balance, September 30, 2024	11,410,000	3.02

¹ The weighted fair market value of the share price for options exercised in 2024 was \$0.85, and for those exercised in 2023 was \$1.01.

Grants in 2024

In January 2024, the Company granted 50,000 stock options to the President and Chief Executive Officer of the Company, and 600,000 stock options to members of its Board of Directors. The stock options have an exercise price of \$0.43 per common share, vest immediately and are exercisable over a period of five (5) years. The Company accounted for an expense amounting to \$193,506 related to these options as the stock options granted related to the services in 2023 and there was a shared understanding of the terms and conditions related to such grant prior to the grant date.

In May 2024, the Company granted 100,000 stock options to a member of its Board of Directors. The stock options have an exercise price of \$0.56 per common share, The 100,000 options will vest as follows: 30 percent as of the day of the grant, 35 percent on May 1, 2025, and 35 percent on May 1, 2026, and are exercisable over a period of five (5) years.

Grants in 2023

In January 2023, the Company granted 150,000 stock options to the President and Chief Executive Officer of the Company, and 500,000 stock options to members of its Board of Directors. The stock options have an exercise price of \$1.03 per common share, vest immediately and are exercisable over a period of five years. The Company recorded an expense of \$453,204 related to these options in fiscal 2022 as the stock options granted related to the services rendered in 2022, for which there was a shared understanding of the terms and conditions related to such grant prior to the grant date.

Also, in January 2023, the Company also granted 975,000 stock options to employees of the Company. The stock options have an exercise price of \$1.03 per common share. The 975,000 options will vest as follows: 10 percent as of the day of the grant, 20 percent at the first anniversary of the date of the grant, 30 percent on the second anniversary of the date of the grant and 40 percent on the third anniversary of the date of the grant. All options mentioned above are exercisable over a period of five (5) years.

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In April 2023, the Company granted 100,000 stock options to an officer of the Company. The stock options have an exercise price of \$1.09 per common share. The 100,000 options will vest as follows: 10 percent as of the day of the grant, 20 percent on February 15, 2024, 30 percent on February 15, 2025, and 40 percent on February 15, 2026, and are exercisable over a period of five (5) years.

In September 2023, the Company granted 450,000 stock options to the President and Chief Executive Officer of the Company, and 975,000 stock options to members of its Board of Directors. The stock options have an exercise price of \$0.53 per common share, 50% vested immediately and 50% vest six months following the grant date and are exercisable over a period of five (5) years.

The weighted average fair value of stock options granted for the nine-month period ended September 30, 2024, was \$0.56 (\$0.80 for the nine-month period ended September 30, 2023). The weighted average fair value of each option granted was estimated at the grant date for purposes of determining share-based payment expense using the Black-Scholes option pricing model based on the following weighted-average assumptions:

	September 30, 2024		2023
Number of options granted	100,000	650,000	2,500,000
Exercise price (\$)	0.56	0.43	0.75
Fair value of each option under the Black-Scholes pricing model (\$)	0.39	0.30	0.51
Assumptions under the Black-Scholes model:			
Fair value of the shares (\$)	0.69	0.69	0.75
Risk-free interest rate (%)	3.77	3.14	3.59
Expected volatility (%)	87.91	86.47	85.16
Expected dividend yield	—	—	—
Expected life (number of months)	60	60	60

The underlying expected volatility was determined by reference to historical data of the Company's share price. No special features inherent to the stock options granted were incorporated into the measurement of fair value.

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As at September 30, 2024, 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:

Issuance date	Number of stock options				September 30, 2024	Number of stock options vested ¹	Exercise price per option	Expiry date
	December 31, 2023	Granted	Exercised	Forfeitures				
September 29, 2019	100,000	–	(100,000)	–	–	–	0.51	September 29, 2024
January 2, 2020	100,000	–	–	–	100,000	100,000	0.45	January 2, 2025
July 16, 2020	2,167,500	–	–	(27,500)	2,140,000	2,140,000	4.41	July 16, 2025
October 26, 2020	50,000	–	–	–	50,000	50,000	4.00	October 26, 2025
April 6, 2021	550,000	–	–	–	550,000	550,000	8.47	April 6, 2026
June 1, 2021	200,000	–	–	–	200,000	200,000	6.59	June 1, 2026
June 14, 2021	100,000	–	–	–	100,000	100,000	6.70	June 14, 2026
October 14, 2021	100,000	–	–	–	100,000	60,000	5.04	October 14, 2026
December 17, 2021	1,920,000	–	–	–	1,920,000	1,920,000	3.13	December 17, 2026
December 31, 2021	100,000	–	–	–	100,000	60,000	3.61	December 31, 2026
January 3, 2022	450,000	–	–	–	450,000	450,000	3.36	January 3, 2027
April 5, 2022	400,000	–	–	–	400,000	400,000	2.96	April 5, 2027
June 2, 2022	1,500,000	–	–	–	1,500,000	1,125,000	3.88	June 2, 2027
July 13, 2022	25,000	–	–	(25,000)	–	–	2.14	July 13, 2027
January 2, 2023	1,575,000	–	–	(50,000)	1,525,000	912,500	1.03	January 2, 2028
April 11, 2023	100,000	–	–	–	100,000	30,000	1.09	April 11, 2028
September 29, 2023	1,425,000	–	–	–	1,425,000	1,425,000	0.53	September 29, 2028
January 1, 2024	–	650,000	–	–	650,000	650,000	0.43	January 1, 2029
May 1, 2024	–	100,000	–	–	100,000	30,000	0.56	May 1, 2029
	10,862,500	750,000	(100,000)	(102,500)	11,410,000	10,202,500	3.02	

¹ At September 30, 2024, the weighted average exercise price for options outstanding which are exercisable was \$3.13.

For the three-month and nine-month periods ended September 30, 2024, a stock-based compensation expense of \$178,535 and \$953,528, respectively, was recorded in Selling, general and administrative expenses in the condensed consolidated statements of comprehensive income, (\$653,902 and \$2,383,004 for the three-month and nine-month periods ended September 30, 2023).

At September 30, 2024, an amount of \$447,105 (\$1,341,001 at December 31, 2023) remains to be amortized until January 2029 related to the grant of stock options.

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Share purchase warrants

The following table reflects the activity in warrants during the period ended September 30, 2024, and the number of issued and outstanding share purchase warrants at September 30, 2024:

	Number of warrants		Exercised	Number of warrants		Exercise price per warrant ⁽²⁾	Expiry date
	December 31, 2023	Issued		September 30, 2024			
Issuance of warrants – October 19, 2022	317,100	—	—	317,100	1.75	October 19, 2024	
Issuance of warrants – March 8, 2023	2,619,650	—	—	2,619,650	1.25	March 7, 2025	
Issuance of warrants – July 21, 2023	2,000,000	—	—	2,000,000	1.25	July 20, 2025	
Issuance of warrants – October 19, 2022	697,500	—	(200,000)	497,500	0.75	October 19, 2024	
Issuance of warrants – March 8, 2023	2,380,350	—	(480,000)	1,900,350	0.75	March 7, 2025	
Issuance of warrants – July 21, 2023	1,030,000	—	(350,000)	680,000	0.75	July 20, 2025	
Issuance of broker warrants – July 21, 2023 ⁽¹⁾	51,243	—	—	51,243	1.25	July 20, 2025	
Issuance of warrants – December 20, 2023	625,000	—	—	625,000	0.41	June 20, 2025	
Issuance of warrants – July 22, 2024	—	3,505,750	—	3,505,750	1.20	July 22, 2025	
	9,720,843	3,505,750	(1,030,000)	12,196,593			

(1) As part of the issuance of convertible debentures, 51,243 broker warrants were issued with an exercise price of \$1.25 and expiring 24 months following the closing date.

(2) In July 2024, the exercise price of 4,107,850 common share purchase warrants was amended to \$0.75. Of the 4,107,850 warrants, (i) 697,500 warrants had an initial exercise price of \$1.75 and expire on October 19, 2024, (ii) 2,380,350 warrants had an initial exercise price of \$1.25 and expire on March 7, 2025, and (iii) 1,030,000 warrants had an initial exercise price of \$1.25 and expire on July 21, 2025.

14. Supplemental disclosure of cash flow information

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Accounts receivable	92,562	(744,667)	7,335	6,122,943
Costs and profits in excess of billings on uncompleted contracts	(40,009)	210,070	(51,471)	61,753
Inventory	(4,118)	(36,538)	(624,866)	19,625
Investment tax credits receivable	(13,359)	(55,816)	141,836	(28,070)
Deposits	(145,233)	47,100	(182,146)	(61,025)
Contract assets & other assets	(20,572)	(171,664)	(45,956)	(171,664)
Prepaid expenses	380,547	650,441	(22,708)	(783,859)
Accounts payable and accrued liabilities	(1,852,544)	(351,176)	994,745	(592,763)
Billings in excess of costs and profits on uncompleted contracts	(573,648)	3,144,078	(2,213,185)	1,213,990
	(2,176,374)	2,691,828	(1,996,416)	5,780,930

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15. Supplemental disclosure on statements of comprehensive loss

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Cost of Sales and Services:				
Amortization and write-off of intangible assets	16,323	221,752	119,635	665,256
Inventories recognized in cost of sales	36,298	140,005	196,640	354,096
Selling, General and Administrative Expenses:				
Employee compensation and benefits	2,385,612	3,295,722	7,198,463	10,650,161
Share-based payments	178,535	653,902	953,528	2,383,004
Government grants	206,228	35,723	131,272	310,688
Depreciation of property and equipment	86,752	158,500	298,792	476,871
Depreciation of right-of-use assets	327,614	182,251	720,223	503,604

Gain on settlement of legal proceedings

In May 2024, the Company announced that its wholly owned subsidiary, Pyro Green-Gas settled legal proceedings for damages and unpaid invoices from the defendant, who was also a client of the Company. As a result, Pyro Green-Gas received \$1.5 million from the defendant. The proceeds were recognized as a gain of \$1,180,335, included in Other Income in the Statements of Comprehensive Loss and the remainder as a reduction of accounts receivable.

16. Net finance costs (income)

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Financial expenses				
Interest on term loans	–	62	–	591
Interest on lease liabilities	68,764	80,515	197,645	267,504
Interest on convertible debentures	60,600	60,600	188,365	60,600
Interest on convertible loan	9,583	–	28,541	–
Interest accretion on term loans	8,487	8,646	(5,951)	25,414
Interest accretion on convertible debentures	34,654	62,218	171,266	62,218
Interest accretion on convertible loan	50,512	–	142,464	–
Penalties and other interest expenses	57,872	58,130	135,638	190,856
	290,472	270,171	857,968	607,183
Financial income				
Interest accretion on and revaluation of balance due on business combination ¹	77,614	(19,131)	92,405	(2,118,745)
Interest accretion on royalty receivable	(24,004)	(35,763)	(69,441)	(120,437)
Net finance costs (income)	344,082	215,277	880,932	(1,631,999)

¹ During the three-month period ended June 30, 2023, the Company determined that a milestone related to the business combination would not be achieved and therefore, a reversal of the liability was recorded. For the three-month period ended March 31, 2023, the Company's Italian subsidiary and a customer agreed on the final acceptance of a contract, prior to final completion. As a result, the contract did not attain the agreed milestone in connection with the balance due on business combination, and a reversal of the liability was recorded.

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17. Loss per share

The following table provides a reconciliation between the number of basic and fully diluted shares outstanding for the three and nine-month periods ended September 30:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Weighted average number of common shares outstanding	182,266,905	178,880,395	182,379,102	179,472,660
Weighted average number of diluted shares outstanding	182,266,905	178,880,395	182,379,102	179,472,660
Number of anti-dilutive stock options, warrants, convertible debentures and convertible loan excluded from fully diluted earnings per share calculation	28,056,786	19,685,100	28,056,786	19,685,100

18. Related party transactions

During the three and nine-month periods ended September 30, 2024, the Company concluded the following transactions with related parties:

In 2024, no amount for rent and property taxes were charged by a trust whose beneficiary is the controlling shareholder and CEO of the Company (\$101,244 and \$251,477, for the three and nine-month period ended September 30, 2023).

A balance due to the controlling shareholder and CEO of the Company amounted to \$478,084 at September 30, 2024, (\$676,778 at December 31, 2023) and is included in accounts payable and accrued liabilities.

In March 2023, the President and CEO, along with a close family member, participated in a non-brokered private placement for gross proceeds of \$2,500,000 and \$99,650, respectively. A director of the Company also participated for an amount of \$20,000.

In July and December 2023, the President and CEO, participated in a brokered private placement for 2,000 unsecured convertible debenture units for gross proceeds of \$2,000,000 and a non-brokered private placement of a convertible loan in the amount of \$1,250,000.

In May 2024, the President and CEO provided a \$1,000,000 loan to the Company, bearing interest at 10%, with a maximum term of twelve months. The borrower agreed to waive the interest expense if the loan is repaid within sixty days from the loan date. The loan was repaid in July 2024.

In July 2024, the President and CEO, along with close family members, participated in a non-brokered private placement for gross proceeds of \$1,160,000, combined. Two directors of the Company also participated for a total amount of \$45,200.

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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 September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Salaries – key management	560,204	357,396	1,220,970	1,019,867
Pension contributions	9,666	6,613	19,991	18,933
Fees – Board of Directors	39,300	40,700	126,400	140,552
Share-based compensation – officers	81,229	1,041,988	384,062	2,083,975
Share-based compensation – Board of Directors	49,068	402,046	411,806	804,092
Other benefits – key management	6,511	–	239,014	157,135
Total compensation	745,978	1,848,743	2,402,243	4,224,554

19. 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 September 30, 2024 and December 31, 2023 the Company's exposure to foreign exchange risk for amounts denominated in US dollars is as follows:

	September 30, 2024	December 31, 2023
	\$	\$
Cash	158,566	818,337
Accounts receivable	4,702,939	1,730,014
Accounts payable and accrued liabilities	(2,032,985)	(1,318,652)
Total	2,828,520	1,229,699

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 September 30, 2024, if the US dollar had changed 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 September 30, 2024 would have been \$282,852.

Credit concentration

During the three-month period ended September 30, 2024, two customers accounted for 34%, (Three-month period ended September 30, 2023 – three customers for 55%) of revenues from operations.

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During the nine-month period ended September 30, 2024, three customers accounted for 43%, (Nine-month period ended September 30, 2023 – two customers for 46%) of revenues from operations.

	Three months ended September 30, 2024		Nine months ended September 30, 2024	
	Revenues	% of total	Revenues	% of total
	\$	%	\$	%
Customer 1	705,027	18	1,885,636	17
Customer 2	635,695	16	1,744,757	15
Customer 3	–	–	1,198,672	11
Total	1,340,722	34	4,829,065	43

Two customers accounted for 56% and 29%, respectively (December 31, 2023 – two customers for 64% and 21%, respectively) of the total trade accounts receivable with amounts owing to the Company of \$12,181,336 (2023 - \$13,966,701), 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

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The maximum credit risk to which the Company is exposed as at September 30, 2024 represents the carrying amount of cash, accounts receivable (except sales tax receivable), costs and profits in excess of billings on uncompleted contracts, deposits and royalties receivable.

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 investments, until the entirety of the shares were disposed in April 2024. 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 September 30, 2024 and December 31, 2023, no loss allowance has been recognized in connection with these deposits and the maximum exposure is the carrying amount of these deposits.

During the nine-month period ended September 30, 2024, and the year-end December 31, 2023, 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.

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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 term loans as those financial instruments bear interest at fixed rates and to cash flow risk from the variable interest rate of the bank indebtedness.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument 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 the price risk for the Company arises from its investments in shares and warrants of public companies quoted on the TSX Venture Exchange. If equity prices had increased or decreased by 25% as at September 30, 2024, with all other variables held constant, the Company's investments would have increased or decreased respectively, by approximately \$8,975 (\$638,000 as at December 31, 2023).

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 manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities.

The following table summarizes the contractual amounts payable and maturities of financial liabilities and other liabilities at September 30, 2024:

	Carrying value	Total contractual amount	Less than one year	2-3 years	4-5 years	Over 5 years
	\$	\$	\$	\$	\$	\$
Bank indebtedness	119,468	119,468	119,468	–	–	–
Accounts payable and accrued liabilities ¹	8,827,596	8,827,596	8,827,596	–	–	–
Term loans	303,127	405,000	90,000	180,000	135,000	–
Balance due on business combination	1,818,915	1,860,020	1,860,020	–	–	–
Lease liabilities	5,947,447	7,598,679	2,886,508	902,318	434,502	3,375,351
Convertible debentures	2,026,133	2,570,562	1,389,479	1,181,083	–	–
Convertible loan	1,090,059	1,278,438	1,278,438	–	–	–
	20,132,745	22,659,763	16,451,509	2,263,401	569,502	3,375,351

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

The Company's Canadian subsidiary benefits from a line of credit of \$500,000, of which \$119,468 (\$181,267 as at December 31, 2023) was drawn on this facility. The Italian subsidiary benefited from a 400,000 Euro line of credit which was paid in full and extinguished in June 2023. The Canadian facility bears interest at a variable rate which is the bank's prime rate plus 2%, therefore, 8.45% (8.2% for the Canadian facility as at December 31, 2023). There are no imposed financial covenants on the credit facilities.

Fair value of financial instruments

The fair value represents the amount that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date. The fair value estimates are calculated at a specific date taking into consideration assumptions regarding the amounts, the timing of estimated future cash flows and discount rates. Accordingly, due to its approximate and subjective nature, the fair value must not be interpreted as being realizable in an immediate settlement of the financial instruments.

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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, trade accounts receivable, other receivables, deposits, bank indebtedness, accounts payable and accrued liabilities approximate their carrying amounts due to their short-term maturities.

Investments in BGF and HPQ shares are valued at quoted market prices and are classified as Level 1.

Royalties receivable are discounted according to their corresponding agreements and are classified as Level 2.

Investments in HPQ warrants are valued using the Black-Scholes pricing model and are classified as Level 3 (Note 9).

The fair value of the term loans and the balance due on business combination as at September 30, 2024 is determined using the discounted future cash flows method and management's estimates for market interest rates for similar issuances. Accordingly, as a result, their fair market values correspond to their carrying amount. The term loans are classified as level 2 and the balance due on business combination as level 3.

The following table presents the variation of the balance due on business combination:

	\$
Balance due on business combination at December 31, 2022 - Current and Non-Current	3,907,775
Disbursement	(100,000)
Interest accretion on and revaluation of balance due on business combination	(2,081,265)
Balance due on business combination at December 31, 2023 - Current and Non-Current	1,726,510
Interest accretion on and revaluation of balance due on business combination	92,405
Balance due on business combination at September 30, 2024 - Current and Non-Current	1,818,915

20. Contingent liabilities

The Company is currently a party to various legal proceedings. If management believes that a loss arising from these proceedings is probable and can reasonably be estimated, that amount of the loss is recorded. As additional information becomes available, any potential liability related to these proceedings is assessed and the estimates are revised, if necessary. Based on currently available information, management believes that the ultimate outcome of these proceedings, individually and in aggregate, will not have a material adverse effect on the Company's financial position or overall trends in results of operations.

The Company had received a government grant in prior years of approximately \$800,000 to assist with the development of a new system of advanced waste treatment systems technology. The grant is potentially repayable at the rate of 3% of any consideration received as a result of the project, for which funding has been received, to a maximum of the actual grant received. This repayment provision will remain in effect until May 30, 2024. The Company abandoned the project in 2011 and accordingly, no amount is expected to be repaid.

In August 2023, the Autorité des marchés financiers (the "AMF") initiated administrative proceedings against Mr. P. Peter Pascali, President and CEO, Mr. Alan Curleigh, Chair of the Board of Directors, and the Company with the Tribunal administratif des marchés financiers. The allegations largely relate to a series of connected transactions that occurred in 2018. The administrative penalty sought by the AMF and attributable to the Company is \$550,000. The Company is currently

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assessing the merits of the AMF's allegations and therefore it is not possible to determine at this time an amount, if any, for the administrative penalty sought by the AMF, and accordingly, no provision has been recorded in this respect.

21. Capital management

The Company's objectives in managing capital are:

- a) To ensure sufficient liquidity to support its current operations and execute its business plan; and
- b) To provide adequate return to the shareholders

The Company's primary objectives when managing capital is to ensure the Company continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders.

The Company currently funds these requirements from cash flows from operations and with financing arrangements with third parties and shareholders. The Company is not subject to any externally imposed capital requirements.

The Company monitors its working capital in order to meet its financial obligations. On September 30, 2024, the Company's working capital deficiency was \$10,378,525 (\$7,007,719 at December 31, 2023).

The management of capital includes shareholders' deficiency for a total amount of \$5,146,054 and term loans of \$303,127 (\$2,828,577 and \$404,079 respectively at December 31, 2023), as well as cash amounting to \$38,716 (\$1,802,616 at December 31, 2023).

There were no significant changes in the Company's approach during the current three-month and nine-month periods and preceding fiscal year, however, in order to maintain or adjust the capital structure, the Company may issue new shares, sell portions of its strategic investment and periodically purchase its own shares on the open market.

22. 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 operations of the Company are located in three geographic areas: Canada, Italy and India.

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The following is a summary of the Company's revenue from external customers, by geography:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Brazil	–	3,085	5,465	17,745
Canada	680,581	1,503,245	2,251,821	4,926,808
France	5,826	93,935	89,302	146,774
Greece	32,081	–	32,081	–
India	105,241	135,916	97,426	412,414
Israel	–	(67,853)	–	(69,415)
Italy ¹	–	(6,421)	–	(381,286)
Japan	37,234	–	55,517	–
Mexico	85,155	(186)	412,491	58,680
Netherlands	9,117	34,542	22,130	65,777
New Zealand	705,027	104,784	956,918	360,075
Poland	127,963	4,736	306,808	30,356
Saudi Arabia	380,034	118,931	1,043,386	265,616
Spain	12,180	–	29,485	–
United States of America	1,822,250	1,760,620	6,125,353	3,475,314
Vietnam	–	–	–	7,574
Other	–	391	–	394
	4,002,689	3,685,725	11,428,183	9,316,826

¹ The Q1 2023 revenue attributable to Italy was reduced following the agreement between the Company's Italian subsidiary and their customer to deliver a project prior to final completion, which resulted in an adjustment to revenue and to costs and profits in excess of billings on uncompleted contracts.

Revenue by product line and revenues recognized by revenue recognition method are presented in Note 5.