



TSO₃ Reports Record Second Quarter 2017 Results

Quebec City, Canada and Myrtle Beach, United States, August 1, 2017 – TSO₃ Inc. (TSX: TOS), an innovator in sterilization technology for medical devices in healthcare settings, reported financial results for its second fiscal quarter 2017 ended June 30, 2017.

Second Quarter 2017 Financial Summary

- Revenue increased to \$4.6 million, a 10% sequential increase over the \$4.2 million recorded in the first quarter of 2017 and a 53% increase over the \$3.0 million recorded in the second quarter of 2016. The Company shipped 40 STERIZONE[®] VP4 Sterilizers to Getinge Infection Control, its exclusive global distributor, in the second quarter of 2017.
- Gross profit was \$1.7 million, or 38% of revenue, which compares gross profit of \$1.6 million, or 37% of revenue, in the first quarter of 2017 and a gross profit of \$0.8 million, or 28% of revenue, in the second quarter of 2016.
- Research and Development (R&D) expense grew to \$1.5 million, as compared to \$1.4 million in the first quarter of 2017 and \$0.8 million in the year-ago quarter.
- Sales, General and Administrative (SG&A) expense was \$2.4 million, as compared to \$2.2 million in the first quarter of 2017 and \$1.5 million in the second quarter of 2016.
- The Company's net loss was \$(2.3) million or \$(0.02) per share in the second quarter of 2017 and compares to net losses of \$(2.0) million or \$(0.02) per share in the first quarter of 2017 and \$(1.5) million, or \$(0.02) per share, in the second quarter of 2016.
- The Company had \$16.7 million in cash, cash equivalents and investments and no debt as at June 30, 2017, as compared to \$19.6 million and no debt at the end of the first quarter of 2017.

Management Commentary

“We are pleased with our continued operating performance in the second quarter of 2017 as we supported Getinge to market and sell our STERIZONE[®] VP4 Sterilizers in hospitals in North America and Europe,” stated R. M. (Ric) Rumble, TSO₃'s President and CEO. “We made significant progress during the quarter toward our duodenoscope regulatory claim strategy, enhancing our products and improving our production and service methods. We are looking forward to the months to come.”

Q2-2017 Conference Call

TSO₃ President and CEO R.M. (Ric) Rumble and CFO Glen Kayll, will host the conference call, followed by a question and answer period.

Date: Wednesday, August 2, 2017

Time: 8:30 a.m. Eastern Daylight Time (5:30 a.m. PDT)

Toll-free dial-in number: 1-888-231-8191

International dial-in number: 1-514-807-9895 (Montreal); 1-647-427-7450 (Toronto)

Conference ID: 1472312

Analysts and institutional investors are invited to participate on the call. Please call the conference telephone number 5-10 minutes prior to the start time. An operator will register your name and organization. If you have any difficulty connecting with the conference call, please contact CMA at 1-949-432-7566.

Other interested parties may listen to the live webcast of the conference call at <http://event.on24.com/r.htm?e=1472312&s=1&k=ED81A2C58567EF69CD449BC9A08BBE24> which will be available for replay in the Investors section of the Company's website at www.tso3.com.

Summary of Results

Periods ended June 30, 2017 and 2016 (Unaudited, IFRS Basis, in thousands of US dollars, except per share amounts)

	Second Quarter		Six months	
	2017	2016	2017	2016
	\$	\$	\$	\$
Revenues	4,630	2,977	8,841	6,048
Cost of sales	2,871	2,143	5,511	4,104
Gross profit	1,759	834	3,330	1,944
Expenses				
Research and development	1,539	804	2,894	1,410
Selling, general and administrative	2,396	1,529	4,604	2,914
Financial expenses (income)	49	-	10	(1,588)
Total Expenses	3,984	2,333	7,508	2,736
Net loss before income taxes	(2,225)	(1,499)	(4,178)	(792)
Income taxes	29	(12)	56	46
Net loss and total comprehensive loss	(2,254)	(1,487)	(4,234)	(838)
Basic and diluted net loss per share	(0.02)	(0.02)	(0.05)	(0.01)
Basic and diluted net comprehensive loss per share	(0.02)	(0.02)	(0.05)	(0.01)

Consolidated Statements of Financial Position
(Unaudited in thousands of US dollars)

	June 30, 2017 \$	December 31, 2016 \$
Current Assets		
Cash and Cash Equivalents	6,280	2,698
Short-term Investments	10,460	15,064
Accounts Receivable	615	2,318
Inventories	2,467	1,703
Prepaid Expenses	180	102
	20,002	21,885
Non-current Assets		
Long-term Investments	-	1,498
Property, Plant and Equipment	2,941	2,357
Intangible Assets	1,897	1,836
	4,838	5,691
	24,840	27,576
Current Liabilities		
Accounts Payable and Accrued Liabilities	2,200	2,272
Warranty Provision	898	575
Deferred Revenues	1,025	1,004
	4,123	3,851
Non-current Liabilities		
Deferred Income Tax Liabilities	165	109
Deferred Revenues	5,509	5,945
	9,797	9,905
Equity		
Share Capital	111,023	110,406
Reserve – Share-based Compensation	5,698	4,709
Deficit	(99,966)	(95,732)
Accumulated Other Comprehensive Loss	(1,712)	(1,712)
	15,043	17,671
	24,840	27,576

Consolidated Statements of Cash Flows

As of June 30, 2017 and 2016 (Unaudited, IFRS Basis, in thousands of US dollars)

	Six months	
	2017	2016
	\$	\$
Cash flows from operating activities		
Net loss	(4,234)	(838)
Adjustments for:		
Depreciation and amortization	389	180
Deferred income tax liabilities	56	-
Share-based compensation	1,201	484
Investment income	(91)	(66)
	(2,679)	(240)
Changes in non-cash operating working capital items	723	(3,416)
Interest received	103	48
Cash flows used in operating activities	(1,853)	(3,608)
Cash flows from investing activities		
Acquisition of investments	(2,909)	(12,121)
Disposal of investments	8,999	2,457
Acquisition of property, plant and equipment	(909)	(328)
Acquisition of intangible assets	(151)	(142)
Cash flows generated by investing activities	5,030	(10,134)
Cash flows from financing activities		
Options exercised	405	142
Warrants exercised	-	10,145
Cash flows generated by financing activities	405	10,287
Increase in cash and cash equivalents	3,582	(3,455)
Cash and cash equivalents at the beginning	2,698	12,654
Cash and cash equivalents at the end	6,280	9,199

About the STERIZONE[®] VP4 Sterilizer

The STERIZONE[®] VP4 Sterilizer is a low-temperature sterilization system that utilizes the dual-sterilants of vaporized hydrogen peroxide (H₂O₂) and ozone (O₃) to achieve terminal sterilization of heat and moisture sensitive medical devices. Its single pre-programmed cycle can sterilize a large number and wide range of compatible devices, creating a cost-effective sterilization process with error free cycle selection. The device's unique *Dynamic Sterilant Delivery System*[™] automatically adjusts the quantity of injected sterilant based on the load composition, weight and temperature. This capability removes the guesswork and potential for human error, as there is no need to sort instruments and choose the appropriate cycles as with other machines.

The STERIZONE[®] VP4 Sterilizer is the only terminal sterilization method that is FDA cleared to sterilize multi-channeled flexible endoscopes (with a maximum of four channels) of up to 3.5 meters in length, such as video colonoscopes and gastroscopes - an industry first for any medical device sterilization process.

The STERIZONE[®] VP4 Sterilizer is also the only cleared low temperature sterilizer that can process a mixed load consisting of general instruments, single channel flexible endoscopes, and single or double channel rigid endoscopes in the same cycle with load weights of up to 75 lb. The ability to run mixed loads significantly reduces labor costs by minimizing the amount of instrument sorting required, while maximizing the device turns (more productivity from increased throughput capacity).

More information about the STERIZONE[®] VP4 Sterilizer is available through TSO₃'s website, under the Products section at <http://www.tso3.com/en/products/sterizone-vp4/>.

About TSO₃

Founded in 1998, TSO₃'s activities encompass the sale, production, maintenance, research, development and licensing of sterilization processes, related consumable supplies and accessories for heat-sensitive medical devices. The Company designs products for sterile processing areas in the hospital environment that offer an advantageous replacement solution to other low temperature sterilization processes currently used in hospitals. TSO₃ also offers services related to the maintenance of sterilization equipment and compatibility testing of medical devices with such processes.

For more information about TSO₃, visit the Company's website at www.tso3.com.

The statements in this release and oral statements made by representatives of TSO₃ relating to matters that are not historical facts (including, without limitation, those regarding the timing or outcome of TSO₃'s regulatory filings, revenue, business or operations) are forward-looking statements that involve certain risks, uncertainties and hypotheses, including, but not limited to, the ability of the Company to obtain the required regulatory clearances to market its products, general business and economic conditions, the condition of the financial markets, the ability of TSO₃ to obtain financing on favourable terms and other risks and uncertainties. Although TSO₃ believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. The complete versions of the cautionary note regarding forward-looking statements as well as a description of the relevant assumptions and risk factors likely to affect TSO₃'s actual or projected results are included in the Management's Discussion and Analysis for the year ended December 31, 2016, which is available on the Company's website. The forward-looking statements contained in this press release are made as of the date hereof and TSO₃ does not assume any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise unless expressly required by applicable securities laws.

This press release shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful.

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Source: TSO₃ Inc.

For further information

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