



TSO₃ Reports Record Third Quarter 2017 Results

Quebec City, Canada and Myrtle Beach, United States, November 6, 2017 – TSO₃ Inc. (TSX: TOS), an innovator in sterilization technology for medical devices in healthcare settings, reported financial results for its third fiscal quarter 2017 ended September 30, 2017.

Third Quarter 2017 Financial Summary

- Revenue increased to \$5.1 million, an 11% sequential increase over the \$4.6 million recorded in the second quarter of 2017 and a 46% increase over the \$3.5 million recorded in the third quarter of 2016. The Company shipped 44 STERIZONE[®] VP4 Sterilizers to Getinge, its exclusive global distributor, in the third quarter of 2017.
- Gross profit was \$2.0 million, or 39% of revenue, which compares gross profit of \$1.7 million, or 38% of revenue, in the second quarter of 2017 and a gross profit of \$1.1 million, or 32% of revenue, in the third quarter of 2016. Gross margin in the third quarter of 2017 would have been 43% after excluding the effect of foreign currency exchange rate fluctuation as compared to the second quarter of 2017.
- Research and Development (R&D) expenses grew to \$1.6 million, as compared to \$1.5 million in the second quarter of 2017 and \$0.8 million in the year-ago quarter.
- Sales, General and Administrative (SG&A) expenses were \$2.1 million, as compared to \$2.4 million in the second quarter of 2017 and \$1.8 million in the third quarter of 2016.
- The Company's net loss was \$1.8 million or \$(0.02) per share in the third quarter of 2017 and compares to net losses of \$2.3 million or \$(0.02) per share in the second quarter of 2017 and \$1.5 million, or \$(0.02) per share, in the third quarter of 2016.
- The Company had \$16.1 million in cash, cash equivalents and investments and no debt as at September 30, 2017, as compared to \$16.7 million and no debt at the end of the second quarter of 2017.

Management Commentary

"We are pleased with our financial results in the third quarter, and our training and support efforts continue to positively impact the rate at which our distributor is winning new business," stated R. M. (Ric) Rumble, TSO₃'s President and CEO. "We are looking forward to a productive fourth quarter 2017 and fiscal year 2018. We are moving forward with plans for our new, higher capacity, US assembly facility, and we continue to have a positive dialogue with US regulators regarding our application to further enhance our sterilizers' claims to include duodenoscopes."

Q3-2017 Conference Call

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

Date: Tuesday, November 7, 2017

Time: 8:30 a.m. Eastern Standard Time

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: 1482596

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 Gilmartin Group at 1-610-368-6505.

Other interested parties may listen to the live webcast of the conference call at <http://event.on24.com/r.htm?e=1528844&s=1&k=1F38C510E7E63BE8C2A79B736CDC2790> which will be available for replay in the Investors section of the Company's website at www.tso3.com.

Quarterly Sequential Summary

\$000's				2016		2017	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Revenues	3,071	2,977	3,507	3,746	4,211	4,630	5,105
Cost of sales	1,961	2,143	2,368	2,716	2,641	2,871	3,102
Gross Profit	1,110	834	1,139	1,030	1,570	1,759	2,003
Gross Margin	36%	28%	32%	28%	37%	38%	39%
Expenses							
Research and Development	606	803	806	1,297	1,353	1,539	1,562
Selling, general and administration	1,385	1,529	1,841	1,774	2,209	2,396	2,131
Financial expenses (income)	(1,588)	-	(50)	(21)	(39)	49	48
Net Income (loss) before tax	707	(1,499)	(1,458)	(2,020)	(1,953)	(2,225)	(1,738)
Income taxes	58	(12)	15	48	27	29	33
Net Income (loss)	649	(1,487)	(1,473)	(2,068)	(1,980)	(2,254)	(1,771)
Basic and diluted net income (loss) per share	0.01	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)
Non-cash share based compensation	216	267	333	286	609	592	632
Cash, cash equivalents and investments	24,385	21,338	20,744	19,260	19,590	16,740	16,109

Summary of Results

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

	Third Quarter		Nine months	
	2017	2016	2017	2016
	\$	\$	\$	\$
Revenues	5,105	3,507	13,946	9,555
Cost of sales	3,102	2,368	8,613	6,472
Gross profit	2,003	1,139	5,333	3,083
Expenses				
Research and development	1,562	806	4,456	2,215
Selling, general and administrative	2,131	1,841	6,735	4,755
Financial expenses (income)	48	(50)	58	(1,637)
Net loss before income taxes	(1,738)	(1,458)	(5,916)	(2,250)
Income taxes	33	15	89	62
Net loss and total comprehensive loss	(1,771)	(1,473)	(6,005)	(2,312)
Basic and diluted net loss per share	(0.02)	(0.02)	(0.07)	(0.03)

Consolidated Statements of Financial Position

(Unaudited in thousands of US dollars)

	September 30, 2017	December 31, 2016
	\$	\$
Current Assets		
Cash and Cash Equivalents	7,642	2,698
Short-term Investments	8,467	15,064
Accounts Receivable	613	2,318
Inventories	2,595	1,703
Prepaid Expenses	165	102
	19,482	21,885
Non-current Assets		
Long-term Investments	-	1,498
Property, Plant and Equipment	2,944	2,357
Intangible Assets	1,885	1,836
	4,829	5,691
	24,311	27,576
Current Liabilities		
Accounts Payable and Accrued Liabilities	2,664	2,272
Warranty Provision	1,103	575
Deferred Revenues	1,103	1,004
	4,870	3,851
Non-current Liabilities		
Deferred Income Tax Liabilities	198	109
Deferred Revenues	5,204	5,945
	10,272	9,905
Equity		
Share Capital	111,215	110,406
Reserve – Share-based Compensation	6,273	4,709
Deficit	(101,737)	(95,732)
Accumulated Other Comprehensive Loss	(1,712)	(1,712)
	14,039	17,671
	24,311	27,576

Consolidated Statements of Cash Flows

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

	Nine months	
	2017	2016
	\$	\$
Cash flows from operating activities		
Net loss	(6,005)	(2,312)
Adjustments for:		
Depreciation and amortization	715	328
Loss on write-down of PP&E	39	-
Deferred income tax liabilities	89	-
Share-based compensation	1,833	817
Investment income	(138)	(131)
	(3,467)	(1,298)
Changes in non-cash operating working capital items	883	(3,134)
Interest received	127	95
Cash flows used in operating activities	(2,457)	(4,337)
Cash flows from investing activities		
Acquisition of investments	(2,909)	(22,917)
Disposal of investments	11,015	8,845
Acquisition of property, plant and equipment	(1,057)	(635)
Acquisition of intangible assets	(190)	(248)
Proceed from disposal of property, plant and equipment	2	-
Cash flows generated by investing activities	6,861	(14,955)
Cash flows from financing activities		
Options exercised	540	672
Warrants exercised	-	10,145
Cash flows generated by financing activities	540	10,817
Increase (decrease) in cash and cash equivalents	4,944	(8,475)
Cash and cash equivalents at the beginning	2,698	12,654
Cash and cash equivalents at the end	7,642	4,179

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 75lbs. 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.

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Source: TSO₃ Inc.

For further information

Company Contacts:

R.M. (Ric) Rumble, President and CEO, Tel: 418 651-0003, Email: info@tso3.com

Glen Kayll, CFO, Tel: 418 651-0003, Email: info@tso3.com

Investor Relations:

Gilmartin Group, Greg Chodaczek, Tel: 610-368-6505, Email: Greg@gilmartinir.com

Renmark Financial Communications Inc., Barry Mire, Tel: 416 644-2020 or 514 939-3989, Email: bmire@renmarkfinancial.com