

Viscount Systems Inc., (“Viscount”) (OTCQB:VSYS), a manufacturer of physical access control systems (“PACS” or “Freedom PACS”) and telephone entry products, which protect buildings from unauthorized access, announced its first quarter of year 2016 financial results.

First Quarter of 2016 Highlights:

Sales for the three months ended March 31, 2016 and 2015 were \$981,878 and \$1,054,480, respectively, reflecting a decrease of \$72,602 or 7%. Freedom sales for the three months ended March 31, 2016 and 2015 were \$329,707 and \$441,105, respectively, reflecting a decrease of \$111,398 or 25%, which was mostly due to lower freedom equipment sales during the three months ended March 31, 2016. The decrease in Freedom sales were partially offset by an increase of \$38,796 or 6% from Mesh/Enterphone sales for the three months ended March 31, 2016, compared to 2015. Mesh/Enterphone sales for the three months ended March 31, 2016 and 2015 were, \$652,171 and \$613,375, respectively.

Gross profit

Gross profit for the three months ended March 31, 2016 and 2015 was \$530,079 and \$490,817, respectively, an increase of \$39,262 or 8%. For the three months ended March 31, 2016 and 2015, cost of sales were \$451,799 and \$563,663 or, as a percentage of sales, was 46% and 53%, respectively. Included in cost of sales is a recovery of inventory obsolescence and shrinkage amounting to \$51,278 and \$0 for the three months ended March 31, 2016 and 2015, respectively.

Gross margin for the three months ended March 31, 2016 and 2015 was 54% and 47%, respectively. During the three months ended March 31, 2016, management has continued to focus on controlling costs by using multiple suppliers to ensure that the best and most cost effective raw materials are used in all of our products.

The gross margin percentage for three months ended March 31, 2016 of our product categories of Mesh/Enterphone and Freedom, were 47% and 67%, respectively. The gross margin percentage for the three months ended March 31, 2015 of product categories of MESH/Enterphone and Freedom were 28% and 73%, respectively.

Income from Discontinued Operations

Discontinued operations represent the Company’s servicing business, as a result of the Company’s decision to sell this line of business.

Income from discontinued operations is attributable to the net income related to the Service Division as a result of our decision in January 2016 to sell the Service Division. Income from discontinued operations of \$82,993 for the three months ended March 31, 2016 is comprised of sales revenues of \$222,965, cost of sales of \$89,061 and operating expenses of \$50,911. Income

from discontinued operations of \$96,728 for the three months ended March 31, 2015 is comprised of sales revenues of \$270,416, cost of sales of \$96,715 and operating expenses of \$76,973.

For more information please visit: www.viscount.com

Safe Harbor Statement

Forward looking statements: This press release and other statements by Viscount Systems Inc. may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act with respect to the outlook for earnings and revenues, other future financial or business performance, strategies and expectations. Forward-looking statements are typically identified by words or phrases such as "believe," "expect," "estimate," "position," "assume," "potential," "outlook," "continue," "remain," "maintain," and similar expressions, or future or conditional verbs such as "will," "would," "should," "could," or similar expressions.

VISCOUNT SYSTEMS, INC.
Condensed Consolidated Balance Sheets
(Expressed in Canadian dollars)

	March 31, 2016	December 31,
	(Unaudited)	2015
Assets		
Current Assets		
Cash	\$ 51,796	\$ 250,270
Short term investments	55,000	55,000
Trade accounts receivable, net	542,443	506,264
Prepaid expenses	40,724	31,791
Inventory	461,689	569,796
Current assets held for sale	37,135	59,317
Total Current Assets	1,188,787	1,472,438
Equipment - net	162,256	162,332
Deposits	8,391	8,391
Long-term assets held for sale	17,243	18,151

Total Assets	\$	1,376,677	\$	1,661,312
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Liabilities and Stockholders' Deficit

Current Liabilities

Accounts payable	\$	974,431	\$	900,211
Accrued liabilities		592,947		532,003
Capital lease obligation - current portion		16,687		16,348
Deferred revenue		28,978		47,780
Due to related parties		134,583		91,683
Loans payable		114,536		114,536
Interest payable - Convertible Debt		982,039		373,841
Notes liability - Convertible Debt		3,279,871		3,491,802
Derivative liabilities		3,635,121		4,383,668
Convertible redeemable preferred stock		269,880		269,880
Total Current Liabilities		10,029,073		10,221,752
Capital lease obligation - non-current		5,346		9,647
Total Liabilities		10,034,419		10,231,399

Commitments and contingencies

Convertible redeemable preferred stock - US\$0.001 par value;
20,000,000 shares authorized:

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Series A convertible redeemable preferred stock, stated value \$1,000;
132 and 130 shares outstanding at March 31, 2016 and December 31,
2015, respectively; aggregate liquidation preference of \$132,436 and
\$130,000 as of March 31, 2016 and December 31, 2015, respectively

Stockholders' Deficit

Series B Preferred Stock, par value \$0.001 per share. 50 shares issued
and outstanding at March 31, 2016 and December 31, 2015.

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Common stock, par value US\$0.001 per share, 300,000,000 shares authorized, 130,297,236 shares issued, 126,047,236 shares outstanding at March 31, 2016 and December 31, 2015	130,297	130,297
Additional paid-in capital	7,610,096	7,558,416
Accumulated deficit	(16,398,136)	(16,258,801)
Total Stockholders' Deficit	(8,657,742)	(8,570,087)
Total Liabilities and Stockholders' Deficit	\$ 1,376,677	\$ 1,661,312

VISCOUNT SYSTEMS, INC.

Condensed Consolidated Statements of Operations
(Expressed in Canadian dollars)
For the three months ended March 31, 2016 and 2015
(Unaudited)

	Three months ended	
	March 31	
	2016	2015
Sales	\$ 981,878	\$ 1,054,480
Cost of sales	451,799	563,663
Gross profit	530,079	490,817
Operating expenses:		
Selling, general and administrative	849,554	879,860
Research and development	236,502	189,215
Total operating expenses	1,086,056	1,069,075
Operating loss	(555,977)	(578,258)
Other income (expense):		
Interest income	3	10
Interest expense	(635,460)	-

Foreign exchange gain on revaluation of notes liability	211,930	-
Change in fair value of derivative liabilities	757,176	621,373
	<u>333,649</u>	<u>621,383</u>
(Loss) income from continuing operations	(222,328)	43,125
Income from discontinued operations of servicing business, net of tax	82,993	96,728
Net (loss) income	<u>(139,335)</u>	<u>139,853</u>
Preferred stock:		
Series A convertible - contractual dividends	(3,131)	(18,696)
Net (loss) income attributable to common stockholders	<u>\$ (142,466)</u>	<u>\$ 121,157</u>
Per share data:		
Continuing operations	\$ (0.00)	\$ 0.00
Discontinued operations	\$ 0.00	\$ 0.00
Net (loss) income attributable to common stockholders – basic and diluted	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Weighted average number of shares of common stock outstanding:		
Basic and diluted	<u>126,047,236</u>	<u>126,026,928</u>

VISCOUNT SYSTEMS, INC.

Condensed Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

For the Three Months Ended March 31, 2016 and 2015

(Unaudited)

For the three months ended

	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Cash Flows from Operating Activities		

Net (loss) income	\$	(139,335)	\$	139,853
Adjustments to reconcile net (loss) income to net cash used in operating activities:				
Income from discontinued operations		(82,993)		(96,728)
Depreciation and amortization		9,678		10,685
Recovery of uncollectible receivables		(3,782)		(66,607)
Recovery of inventory obsolescence		(51,488)		-
Change in fair value of derivative liabilities		(757,176)		(621,373)
Stock based compensation		54,811		908
Foreign exchange gain on revaluation of notes liability		(211,931)		
Fair value of warrants issued		5,498		-
Changes in operating assets and liabilities:				
Accounts receivable		(32,397)		(80,092)
Inventory		159,595		(21,866)
Prepaid expenses		(8,933)		-
Accounts payable & accrued liabilities		135,164		361,296
Notes interest payable		608,198		-
Deferred revenue		(18,802)		(7,723)
Due to related parties		42,900		12,640
Net Cash used in operating activities from continuing operations		(290,993)		(369,007)
Net Cash provided by operating activities from discontinued operations		106,083		124,310
Net Cash used in Operating Activities		(184,910)		(244,697)
Cash Flows from Investing Activities				
Purchases of property and equipment		(9,602)		(1,371)
Net cash used in investing activities		(9,602)		(1,371)
Cash Flows from Financing Activities				
Capital lease payments		(3,962)		(2,490)
Proceeds from sale of common stock and warrants		-		3,050

Proceeds from sale of preferred stock	-	234,000
Net cash (used in) provided by financing activities	(3,962)	234,560
Decrease in cash	(198,474)	(11,508)
Cash, beginning of period	250,270	135,308
Cash, end of period	\$ 51,796	\$ 123,800

Supplementary Information:

Interest paid	\$ 4,572	\$ -
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Non-cash investing and financing activities:

Fair value of preferred shares issued as dividends	\$ 3,131	\$ 18,696
Fair value of warrants issued	\$ 5,498	\$ -
Fair value of embedded conversion option from Series A shares	\$ -	\$ 184,835

Results of discontinued servicing business operations:

	Three Months Ended March 31,	
	2016	2015
Sales	\$ 222,965	\$ 270,416
Cost of sales	89,061	96,715
Operating expenses	50,911	76,973
Income from discontinued operations, net of tax	\$ 82,993	\$ 96,728
Income per share from discontinued operations, basic and diluted	\$ 0.00	\$ 0.00
Weighted average shares outstanding, basic and diluted	126,047,236	126,026,928

Assets and liabilities of discontinued operations:

	March 31, 2016		December 31, 2015
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Accounts receivable	\$ 37,135	\$	59,317
Equipment, net	\$ 17,243	\$	18,151