

Thermal Energy International Reports Strong Fourth Quarter Results and Record Year End Revenue

Company also announces record order backlog to begin new year

OTTAWA, ONTARIO – September 30, 2019 – Thermal Energy International Inc. (“Thermal Energy or the “Company”) (TSXV: TMG), an innovative cleantech company and global provider of proprietary, energy efficiency and emissions reduction solutions, has announced its financial results for the fiscal year ended May 31, 2019. All figures are in Canadian dollars.

Highlights:

- Strong fourth quarter as evidenced by record GEM™ Steam Trap revenue, \$3.5 million gross profit and \$1.0 million EBITDAS
- Robust growth for the year with a 21% increase in revenue (33% CAGR since 2015) and \$9.2 million gross profit
- Year end cash balance of \$4.2 million
- Record \$14.0 million order backlog as at May 31, 2019 to begin the new year (41% higher than last year) which has since grown to \$18.2 million

“These figures from our latest quarter and fiscal year are a significant marker of the positive impact our strategic growth plan is having on the business.” said William Crossland, CEO of Thermal Energy.

“Both revenue and gross profit are at all time highs, up 21% and 11% respectively compared to last year. The final quarter of 2019 also proved to be our most successful to date in terms of GEM™ Steam Trap revenue, as well as generating record levels of quarterly gross profit and EBITDAS. All of which is reflective of a successful growth strategy that has contributed to the Company’s revenue more than tripling since 2015, equivalent to a compound annual growth rate of 33%.”

“We began the new financial year with a record \$14.0 million’s worth of confirmed orders with revenue yet to be recognized – 41% higher than the previous year. Now, in September, we have already increased our order backlog by another 30% to \$18.2 million.”

“This growing order backlog is a particularly useful measure of future revenue trajectory. Considering that 70% of last year’s order backlog was represented by the single Resolute Forest Products “mega” order (announced December 2017), the Company’s ability to not only maintain but actually grow revenue levels beyond the one-time Resolute order showcases the robust nature of our strategy.”

"Over the last 24 months we have been investing aggressively in all areas of the business including sales, engineering, operations and marketing. We have also been proactive in expanding our geographical footprint to include key markets such as Germany, Poland, Texas and the US Gulf Coast. Furthermore, in June 2018 we acquired Boilerroom Equipment Inc. (BEI). This acquisition not only added new distribution channels but is also an integral part of our objective to become a single point of contact for all our clients' thermal energy efficiency and heat recovery needs."

"Investing heavily in the future growth of the business over the last two years has added approximately \$1.3 million to operating expenses, which has in turn had a short-term impact on profitability. However, this investment strategy is already delivering results, as evidenced by our growing revenue and order backlog with a diverse range of clients, sectors and territories."

"Now, with much of our short to medium term strategic growth initiatives already underway, over the next financial year we'll be seeking to fully optimize the significant investment we have made, maximizing its benefit to further grow revenues, strengthen profit margins and deliver a solid ROI."

Summary Financial Results:

In thousands except % data	3 months ended May 31, 2019	3 months ended May 31, 2018	12 months ended May 31, 2019	12 months ended May 31, 2018
Revenue	\$5,975	\$7,353	\$21,083	\$17,408
Gross profit	\$3,473	\$3,363	\$9,233	\$8,334
Gross margin	58.1%	45.7%	43.8%	47.9%
Operating expenses	\$2,636	\$2,530	\$9,439	\$7,732
Net profit (loss)	\$600	\$888	\$(451)	\$619
EBITDAS	\$1,029	\$850	\$176	\$617
Order backlog as at:				
May 31	\$14,000	\$9,900	\$14,000	\$9,900

For additional details see our Fourth Quarter and Fiscal 2019 Financial Summary presentation here: <http://www.thermalenergy.com/presentations.html>

Fourth Quarter and Fiscal Year 2019 Financial Review:

The fourth quarter generated the strongest quarterly GEM™ stem trap revenue in the Company's history. It was also the second strongest quarter for total revenue since the Company began, surpassed only by the final quarter of 2018 when more than half of the Company's total revenue for the quarter was represented by the single Resolute 'mega' order.

Yearly revenue was \$21.1 million a 21% increase compared to the same period last year. The

decrease in gross margin for the full year was the result of a change in product and project mix, the inclusion of the BEI results and lower than anticipated GEM™ steam trap revenue for the year. However, the final quarter delivered an increase in gross margin to 58% as a result of strong GEM steam trap revenues.

With the majority of our short to medium term strategic growth initiatives already commenced Operating Expenses for the fourth quarter were largely unchanged from the previous year. Operating Expenses for the year totaled \$9,439,498. This is compared to \$7,732,044 for year prior and is an increase of \$ 1,707,454, or 22%. The main increases in Operating Expenses relate to:

1. Strategic growth-oriented investments in the business to enhance capabilities throughout sales, engineering, operations, marketing and business development
2. Expanding the business's geographical footprint in Europe and North America
3. The inclusion of Boilerroom Equipment Inc. ("BEI") operating expenses into consolidated results
4. Additional depreciation, amortization and other non-cash charges in part due to the acquisition of BEI

Business Outlook and Order Backlog Summary

The Company ended the year with an order backlog of \$14.0 compared to \$9.9 million last year. This means Thermal Energy is starting the new fiscal year 2020 with an order backlog 41% better than last year. By September 30, 2019, the order backlog had increased to a record \$18.2 million compared to only \$12.7 million at the same time last year.

The Company defines its order book as the value of projects for which purchase orders have been received, but have not yet been fully reflected as revenue in the Company's published quarterly financial statements. These include:

- Four separate heat recovery projects within the food and beverage industry, the value of which totals over \$7.7 million, announced between December 2018 and August 2019
- A \$2.3 million order to improve energy efficiency for a leading multinational animal nutrition and agricultural products company, announced March 2019
- A \$1.8 million order to implement an extensive HeatSponge heat recovery project for a US dairy group, announced March 2019
- A \$1.3 million order to implement a water recovery system as part of an ongoing sustainability drive for a leading Fortune 500 food and beverage company, announced October 2018
- A \$960,000 order to design and implement a company-wide resource productivity and sustainability initiative for a leading speciality chemicals producer, announced November 19, 2018

- A \$850,000 order to supply a heat recovery system to a top 10 global tissue company, announced April 1, 2019

In addition to these announced commissions, the Company also received a number of GEM™ trap orders. These include two from a leading Petrochemical company totalling \$251,000 and one from a textile and fabric mill of over 200 traps with a value of over \$176,400.

Full financial results including Management's Discussion and Analysis and accompanying notes to the financial results, are available on www.SEDAR.com and www.thermalenergy.com/financial-reports.html.

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Notes to editors:

About Thermal Energy International Inc.

Thermal Energy International Inc. is an established global supplier of proprietary and proven energy efficiency, emissions reduction and sustainability solutions to the industrial, commercial and institutional sectors. We save our customers money and improve their bottom line by reducing their fuel use and cutting their carbon emissions. Our customers include a large number of Fortune 500 and other leading multinational companies across a wide range of industry sectors.

Thermal Energy is also a fully accredited professional engineering firm and by providing a unique mix of proprietary products together with process, energy and, environmental engineering expertise, Thermal Energy is able to deliver unique turnkey projects with significant financial and environmental benefits for our customers.

Thermal Energy's proprietary products include; **GEM**™ - Steam Traps, **FLU-ACE**® - Direct contact condensing heat recovery, HeatSponge SIDEKICK and RAINMAKER – Indirect contact condensing heat recovery systems, and **Dry-Rex**® - Low temperature biomass drying systems.

Thermal Energy has offices in Ottawa, Canada, Pittsburgh, USA, as well as Bristol, U.K., Germany, Poland, Italy and China. TEI's common shares are traded on the TSX Venture Exchange (TSX-V) under the symbol TMG.

For more information, visit our website at www.thermalenergy.com and follow us on Twitter at <http://twitter.com/GoThermalEnergy>.

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This press release contains forward-looking statements relating to, and amongst other things, based on management's expectations, backlog, estimates and projections, the anticipated effectiveness of the Company's products and services, the timing of revenues to be received by the Company, the benefits to be received by the Company in the future from its acquisition of Boilerroom Equipment Inc. and the Company's future cash flows and potential profitability. Information as to the amount of water savings, heat recovered, energy savings and payback period associated with Thermal Energy International's products are based on the Company's own testing and average customer results to date. Statements relating to the expected installation and revenue recognition for projects, statements about the anticipated effectiveness and lifespan of the Company's products, statements about the expected environmental effects and cost savings associated with the Company's products and statements about the Company's ability to cross-sell its products and sell to more sites are forward looking statements. Statements about the Company's future cash flows and potential profitability are based on management's own estimates and assumptions, which are subject to many risks and unknowns. These statements are not guarantees of future performance and involve a number of risks, uncertainties and assumptions. Many factors, some of which are outside of the Company's control, could cause events and results to differ materially from those stated. Backlog may not convert to revenue, fulfilment of orders, installation of product and activation of product could all be delayed for a number of reasons, some of which are outside of the Company's control, which would result in anticipated revenues from such projects being delayed or in the most serious cases eliminated. Actions taken by the Company's customers and factors inherent in the customer's facilities but not anticipated by the Company can have a negative impact on the expected effectiveness and lifespan of the Company's products and on the expected environmental effects and cost savings expected from the Company's products. Any customer's willingness to purchase additional products from the Company is dependent on many factors, some of which are outside of the Company's control, including but not limited to the customer's perceived needs and the continuing financial viability of the customer. The assumptions underlying management's expectations about future cash flows and profitability may turn out to be incorrect and many other factors could cause cash flows to be worse than anticipated or could prevent the Company from achieving profitability in the time frame anticipated, or at all. The anticipated benefits to be received by the Company resulting from its acquisition of Boilerroom Equipment Inc. are generally subject to the same risks that the Company's business is subject to. Readers are referred to the

risk factors associated with the Company's business as described in the Company's most recent Management's Discussion and Analysis available at www.SEDAR.com. The Company disclaims any obligation to publicly update or revise any such statements except as required by law.

EBITDAS and backlog are non-IFRS financial measures, do not have a standardized meaning prescribed by International Financial Reporting Standards and therefore may not be comparable to similar measures presented by other companies. Please refer to the Company's most recent Management's Discussion and Analysis available at www.SEDAR.com for more details about these non-IFRS financial measures.

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