



Thermal Energy Acquires Boilerroom Equipment Inc.

Complementary product offering and increased distribution network present significant cross-selling opportunities

OTTAWA, ONTARIO – June 29, 2018 – [Thermal Energy International Inc.](#) (“Thermal Energy” or the “Company”) (TSXV: [TMG](#)), a global provider of industrial and institutional energy efficiency solutions, today announced that it has acquired all of the outstanding shares of privately held Boilerroom Equipment Inc. (“BEI”) based just outside of Pittsburgh PA. This acquisition is part of the Company’s strategy to develop a broad portfolio of thermal energy efficiency solutions targeted at the industrial, institutional and commercial markets and become a unique one-stop-shop for all of its clients’ thermal energy efficiency and heat recovery needs, whether they need heat recovery for thermal, electrical, drying, cooling, or other process needs.

The purchase price is USD 2.25 million, plus earn-out consideration of up to USD 350 thousand if certain growth and performance targets are achieved over the next three years. Thermal Energy has received a term loan in the principal amount of USD 2.25 million from BDC Capital Inc., a wholly owned subsidiary of the Business Development Bank of Canada to fund the transaction.

Based in Export, Pennsylvania, BEI engineers and manufactures the HEATSPONGE® brand of best-in-class indirect contact heat recovery units for use in both commercial and industrial steam and hot water applications.

The acquisition of BEI is expected to provide Thermal Energy with the following immediate benefits:

- Expanded complementary product offering to include indirect contact heat exchangers
- Increased distribution network, providing access for all Thermal Energy’s current offerings to over 40 independent reps covering the U.S. as well as an established and direct boiler OEM sales channel
- Expansion into the much larger commercial buildings and hot water boilers markets
- Proprietary, scalable automated proposal development software, “BRUCE”
- Sales, marketing, engineering, and project management expertise and efficiencies with scalable operating platform
- Vertical integration of an ASME code fabrication facility in the United States allowing for the potential future [GEM™](#) finishing and stocking and the ability to build [FLU-ACE®](#) towers

“The addition of BEI supports our growth strategy by expanding our team, distribution and product offering,” said William Crossland, CEO of Thermal Energy. “This makes Thermal Energy the only known global supplier of direct and indirect contact heat recovery systems. In the past, these two options have competed against each other, but now Thermal Energy has brought them together. As the global market moves more towards sustainability, the effective use of waste heat becomes

paramount. Whether waste heat is used directly at the client site, or used to produce cooling or electricity at neighbouring sites, the market for waste energy is extensive. With this acquisition, we are uniquely positioned to take advantage of this existing trend. In this way, this transaction brings together two very complementary organizations and is expected to add shareholder value through increased sales and earnings. We also expect to benefit from BEI's strong United States distribution network and established boiler OEM relationships. Similarly, there is potential for further growth using Thermal Energy's global footprint to accelerate the deployment of BEI's technologies. We are already very familiar with, and impressed by, BEI's products, having integrated them into several of our projects over the years."

"I would also like to take this opportunity to welcome Vince Sands P.E., co-founder and current President of BEI, and his team to our company," added Mr. Crossland. "As a registered professional engineer with a Bachelor of Science in Naval Architecture and Marine Engineering from the United States Merchant Marine Academy, Master of Business Administration studies, and a former United States Navy and US Coast Guard licenced engineering officer, Vince brings over 25 years of related industry experience and expertise to the combined business. In addition to being responsible for all sales, engineering and product development at BEI, Vince developed the heat transfer algorithms and computer code for their unmatched BRUCE engineering software."

Mr. Sands commented: "We are extremely pleased to be a part of Thermal Energy International. While I am very proud of the company we founded and built, we recognized that for BEI to achieve everything it is capable of would require partnering with a larger organization that can provide the resources BEI needs. It is my strong opinion that our HEATSPONGE line of steam boiler economizers represents the most advanced technology available to the global heat recovery market. Our SIDEKICK and RAINMAKER technologies have the potential to reshape the hydronic boiler market unlike any product since the development of the condensing boiler. We have invested over three years seeking the ideal acquisition partner and could not be more pleased in becoming a part of Thermal Energy. There is a real synergy between their direct contact and our indirect contact approach to heat recovery. Having supplied heat exchangers to Thermal Energy for years will make integration much smoother because of the established relationships. Most importantly, they share my passion to establish HEATSPONGE as the global leader in indirect heat recovery, which is going to make the next few years very exciting."

The acquisition expands Thermal Energy's complementary product offering to include BEI's indirect contact heat recovery products, which are scalable and customizable with minimal additional engineering. In addition to large industrial and institutional applications, these products are well-suited for the commercial market as well as smaller industrial and institutional sites that are not currently cost-effective for Thermal Energy's FLU-ACE® heat recovery systems.

The acquisition also provides Thermal Energy with access to an engineered products distribution network of independent manufacturers' representatives in the United States, Canada and parts of South America, as well as an established direct sales channel to boiler equipment manufacturers.

The USD 2.25 million purchase price is subject to a holdback of USD 250 thousand (the "Holdback Amount") to be held for a period of 18 months following the closing of the acquisition in respect of certain indemnification obligations. Upon release, the balance of the Holdback Amount can be paid in cash or by the issuance of Thermal Energy shares, at the option of the vendors. In the event that

Thermal Energy opts to pay the earn-out consideration by the issuance of shares, those share will be issued at a price per share equal to the greater of the fifty-two week volume weighted average price of shares of the Company on the Exchange ending on the day prior to the day that the relevant earn-out payment is due to be paid and the Discounted Market Price (as such term is defined in the Exchange's Policy 1.1. In the event that the vendors opt to have the Holdback Amount satisfied by the issuance of shares, those share will be issued at a price per share equal to the greater of the five day volume weighted average price of shares of the Company on the Exchange ending on the day prior to the closing of the acquisition and the Discounted Market Price (as such term is defined in the Exchange's Policy 1.1

BEI's annual sales in each of the last two years was approximately USD 1.8 million while net income after adjusting for non-recurring expenses was \$248, thousand last year and \$201 thousand the year before.

BDC Capital's Growth and Transition team provided a USD \$2.25 million dollar loan to Thermal Energy in support of the BEI acquisition. The debt is secured by Thermal Energy International Inc. and each of its material subsidiaries, has a term of 84 months and a floating interest rate, The initial interest rate is 9.1%..

"We're proud to support Thermal Energy's continued growth in this key industry sector. By expanding its product suite and distribution network, we believe this acquisition will further solidify Thermal Energy as an energy efficiency and emissions reduction industry leader," says Sean Crouse, Director BDC Growth and Transition Capital for the Ottawa/Outaouais regions.

About BDC Capital

BDC Capital is the investment arm of BDC—Canada's only bank devoted exclusively to entrepreneurs. With \$3 billion under management, BDC Capital serves as a strategic partner to the country's most innovative firms. It offers a full spectrum of risk capital, from seed investments to transition capital, supporting Canadian entrepreneurs who wish to scale their businesses into global champions. Visit bdc.ca/capital.

About Boilerroom Equipment Inc.

Boilerroom Equipment Inc. ("BEI") was, prior to the acquisition, a privately held U.S. company based in Export, Pennsylvania, focused on the design, engineering and manufacturing of its proprietary HEATSPONGE™ indirect contact heat recovery systems. BEI was founded in 2005 by Barry Alberts and Vince Sands, P.E. with the vision of producing the most advanced technology for the commercial and industrial boiler industries supported by a new generation of automated design software. Easily maintainable and available in various metallurgies best suited to each individual application, the HeatSponge represents the state-of-the-art in global indirect contact boiler design. Condensing, multi-stage designs are resulting in efficiency gains greatly exceeding older heat recovery technology. The HeatSponge SIDEKICK and RAINMAKER reflect a first-to-market technology that enables existing conventional efficiency boilers to be retrofitted to high efficiency condensing at far lower cost. All of BEI's indirect contact heat exchangers are supported by "BRUCE", an automated software system that provides the majority of sales engineering and proposal support for the product line in real time. With potentially thousands of different permutations of the SIDEKICK and RAINMAKER alone, this

next generation of highly advanced heat exchangers could not be commercially viable without the support of the BRUCE design and optimization software.

About Thermal Energy International Inc.

Thermal Energy International Inc. is an established global supplier of proprietary, proven energy efficiency and emissions reduction solutions to the industrial 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](#)TM - Steam traps, [FLU-ACE](#)[®] - Direct contact condensing heat recovery, and [Dry-Rex](#)[®] - Low temperature biomass drying systems.

Thermal Energy International Inc. has offices in Ottawa, Canada as well as Bristol, U.K., United States, Germany, Italy and China. The Company'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, expected costs and benefits of the acquisition of BEI to the Company and its shareholders. These statements contain words such as "anticipate", "expect", "could", "should", "may", "plans", "will", or similar expressions that are based on and arise out of our experience, our perception of trends, current conditions and expected future developments as well as other factors. 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. The expected benefits of the acquisition of BEI may not materialize in the manner or timeframe expected, or at all. The Company may experience unexpected transition and integration costs and challenges that could impact on the Company's ability to realize the expected benefits. The Company disclaims any obligation to publicly update or revise any such statements except as required by law.

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