



Thermal Energy Reports 23% Revenue Growth and Significantly Improved Profitability for the Second Quarter of Fiscal 2017

OTTAWA, ONTARIO – January 23, 2017 – Thermal Energy International Inc. (“Thermal Energy” or the “Company”) (TSXV: [TMG](#)), a global provider of proprietary energy efficiency solutions to the industrial, commercial and institutional sectors, today announced its financial results for the three months (Q2) and six months (YTD) ended November 30, 2016. All figures are in Canadian dollars.

Highlights:

- Revenue grew 23% for Q2 and 3% YTD;
- Gross profit increased 19% for Q2 and 25% YTD;
- The Company was profitable for Q2 and the YTD, with strong improvements to EBITDAS, net income and adjusted cash flow;
- YTD EBITDAS, net income and adjusted cash flow increased \$606 thousand, \$522 thousand and \$446 thousand respectively;
- Working capital improved to \$1.3 million as at November 30, 2016, up \$284 thousand since May 31, 2016;
- Net cash position was \$1.5 million as at November 30, 2016, an increase of \$379 thousand since May 31, 2016
- Order backlog was \$7.1 million as at January 19, 2017 compared to \$6.9 million a year ago.

“We had a strong first half of fiscal 2017 and have a healthy order backlog,” said William Crossland, CEO of Thermal Energy. “Following the impressive gross profit increase we achieved in the first quarter, both our heat recovery and GEM™ sales were up in the second quarter and we continued to improve our profitability, with significant increases to gross profit, EBITDAS and our bottom line. Importantly, our market fundamentals are as strong as ever and we have only just begun to build our business in our key markets.”

Summary Financial Results:

In thousands except % data	3 months ended Nov. 30, 2016	3 months ended Nov. 30, 2015	6 months ended Nov. 30, 2016	6 months ended Nov. 30, 2015
Revenue	\$3,079	\$2,502	\$5,213	\$5,058
Gross profit	\$1,929	\$1,617	\$3,385	\$2,717
Gross margin	62.7%	64.6%	64.9%	53.7%
Operating expenses	\$1,687	\$1,596	\$3,178	\$3,163
EBITDAS	\$285	\$84	\$289	\$(317)
Net income (loss)	\$175	\$26	\$95	\$(427)
Adjusted cash flow	\$274	\$85	\$195	\$(251)

In thousands	As at Nov. 30, 2016	As at May 31, 2016
Working capital	\$1,260	\$976
Net cash position	\$1,522	\$1,143

Q2 2017 Financial Review:

Revenue for the quarter grew 23% to \$3.1 million compared to \$2.5 million for the second quarter of last year. Sales of heat recovery systems increased 7%, while GEM sales were up 34% compared to the same quarter a year ago.

Heat recovery sales for the quarter included revenues from a project for a leading food products business, as announced May 3, 2016, the partial installation of a heat recovery system at a global brewing company, as announced August 8, 2016, and the early stages of a heat recovery extension project at multi-site hospital group, as announced July 25, 2016.

GEM revenues in the quarter included the partial fulfilment of a hospital order, as announced September 14, 2016, as well as further orders from a leading performance materials company, as mentioned in the news release dated September 20, 2016.

Gross profit for the quarter increased 19% to \$1.9 million compared to \$1.6 million for the second quarter of last year. As a percentage of sales, gross profit for the quarter was 62.7% compared to 64.6% in the second quarter a year ago.

The Company achieved significant increases in EBITDAS and net income for the quarter. EBITDAS for the quarter was \$285 thousand compared to \$84 thousand a year earlier. Net income for the quarter improved to \$175 thousand from \$26 thousand in the second quarter of last year.

Adjusted operating cash flow (defined as net income for the period, plus items not involving cash, plus lease payments received) for the quarter was \$274 thousand compared to \$85 thousand for the same period last year.

As at November 30, 2016, the Company had a net cash balance of \$1.5 million. With cash balances and unused borrowing capacity combining for a total of approximately \$1.9 million, management believes that it has sufficient capital resources to fund existing operations and anticipated capital requirements for the remainder of fiscal 2017.

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.

Order and Backlog Summary

The Company had an order backlog of approximately \$7.1 million as at January 19, 2017, compared to \$6.9 million a year ago. The current order backlog is comprised of several heat recovery orders announced during the first half of fiscal 2017, including \$2.8 million remaining in orders from three hospital customers, \$1.7 million from a leading ethanol producer, \$644 thousand remaining from a

global brewing company, and \$150 thousand remaining from a global mining and materials company.

Previously announced GEM orders included in the current backlog are \$194 thousand remaining in orders from a leading performance materials company, and \$147 thousand from a hospital. The current backlog also includes a \$95 thousand GEM order from a Fortune 500 food and beverage leader, which was not previously announced.

The Company includes in “order backlog” the value of projects in respect of which purchase orders have been received but have not yet been reflected as revenue in the Company’s published quarterly financial statements.

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 can offer advanced process and applications engineering services.

By providing a unique mix of proprietary products together with process, energy, environmental, and financial expertise Thermal Energy is able to deliver unique and significant financial and environmental benefits to our customers.

Thermal Energy's products include; [GEM](#)[™] - 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, 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 news release contains forward-looking statements relating to, and amongst other things, based on management's expectations, estimates and projections, the anticipated effectiveness of the Company's products and services and the timing of revenues to be received by the Company. Statements relating to the expected installation and revenue recognition for projects, statements about the anticipated effectiveness and lifespan of the Company's products and statements about the expected environmental effects and cost savings associated with the Company's products are forward looking statements. 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. 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. Additional heat recovery and GEM™ steam trap projects being developed by the Company may not result in orders for the Company's products. The term "backlog" as used in this news release has the meaning given to it above and the Company's use of such term may not be comparable to "backlog" presented by other issuers who may define such term differently. Orders in the Company's backlog as described above may not turn into revenue due to many factors, some of which are outside of the Company's control, including but not limited to the Company's ability to deliver products on time and in accordance with specifications and the continuing financial viability of the customer. The Company disclaims any obligation to publicly update or revise any such statements except as required by law.

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