

Annual General Meeting of Shareholders

November 19, 2019



An Innovative Technology Company Providing Custom Energy and Emission Reduction Solutions

TSX-V: TMG | enq@thermalenergy.com | www.thermalenergy.com

Agenda

- Call to order
- Chairman's remarks
- Appointment of scrutineer
- Notice of meeting and quorum
- Voting procedure
- Election of Directors
- Appointment of auditors
- Close of formal proceedings
- Management presentation
- Question & answer



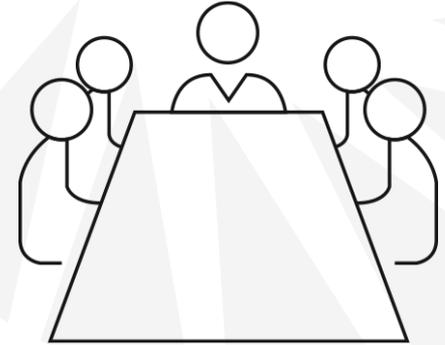
Directors and auditors

Nominated board members

- William Crossland
- John B. Kelly
- William Ollerhead
- Michael Williams
- David Spagnolo
- William B. White

Auditors

- KPMG LLP



Management Presentation

November 19, 2019



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Forward-looking statements

This presentation includes “forward-looking information”. For example, statements about the opportunities for repeat business; the possibility or expectation of additional orders; growth in existing markets; entry into new markets; order backlog; introduction of new products and services; establishment and growth of new distribution channels; growth opportunities and strategies; conversion of existing orders into revenues; are all forward looking information. Such forward looking information reflects Thermal Energy International’s (“TEI”) current expectations with respect to future events and are based on information currently available to management. Forward-looking information involves significant known and unknown risks, uncertainties and assumptions. For example, existing and new customers may not place orders for any number of reasons; 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 TEI’s control, which would result in anticipated revenues from such projects being delayed or in the most serious cases eliminated; TEI may not be successful in identifying and developing new products and our new or existing products may not result in new orders or gain acceptance in new geographical or industrial markets; we may not be successful in establishing new distribution channels or such new channels may not be successful; our growth strategies may not be successful or result in the anticipated growth and orders received by TEI may not turn into revenue in the time frame anticipated, or at all, due to many factors, some of which are outside of TEI’s control, including but not limited to TEI’s ability to deliver products on time and in accordance with specifications and the continuing financial viability of the customer. Readers are also referred to the risk factors outlined in our management’s discussion and analysis available at www.SEDAR.com. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking information prove incorrect, actual results, performance or achievements could vary materially from those expressed or implied by the forward-looking information contained in this presentation.

Readers should not place undue reliance on forward-looking information. The forward-looking information is made as of the date of this presentation and TEI does not assume any obligation to update or revise it to reflect new events or circumstances, except as required by law.

The term “EBITDAS” as used in this presentation is not a recognized measure under IFRS, does not have a standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other companies. This measure is provided as additional information to complement IFRS measures by providing further understanding of the Company’s results of operations from management’s perspective and should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. Please refer to our management’s discussion and analysis for the applicable period for a reconciliation of EBITDAS to Net income (loss), the closest IFRS measure.

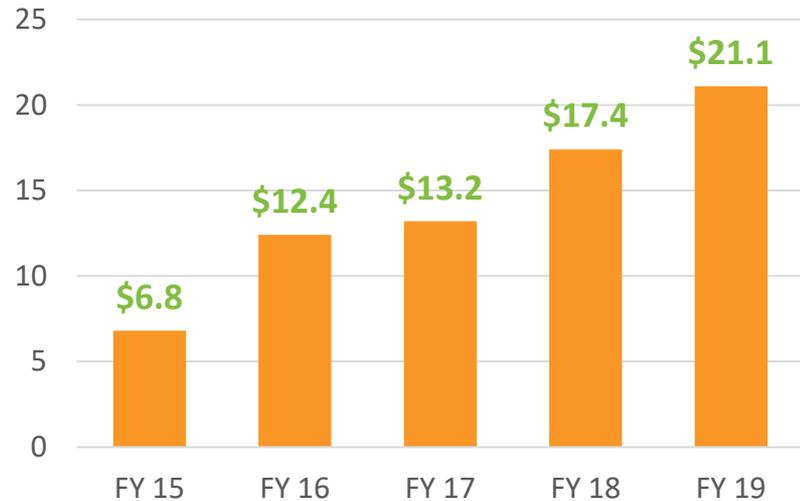
Year End Financial Results

Fiscal 2019

Revenue

Fiscal year 2019

(\$ millions)

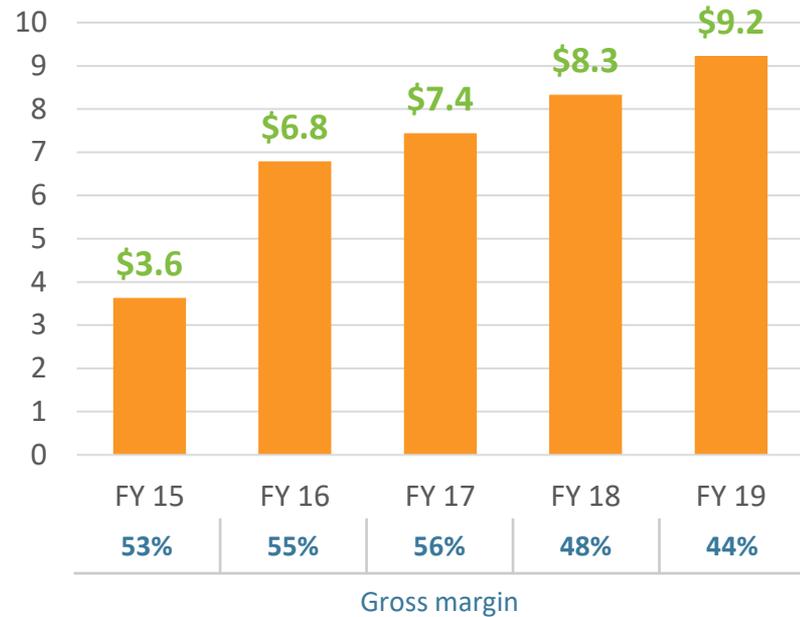


- \$21.1 million revenue is the strongest in the Company's history
- 21% increase over fiscal 2018's record revenue.
- 33% compound annual growth since 2015

Gross profit

Fiscal year 2019

(\$ millions)

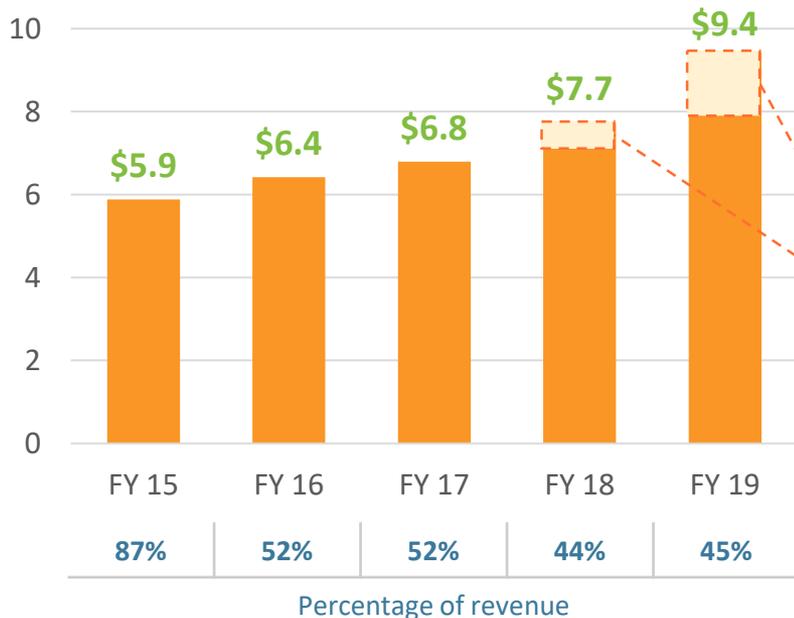


- Record Gross Profit
- Increase of 11% over FY 2018
- Gross margin impacted by project and product mix

Operating expenses

Fiscal year 2019

(\$ millions)



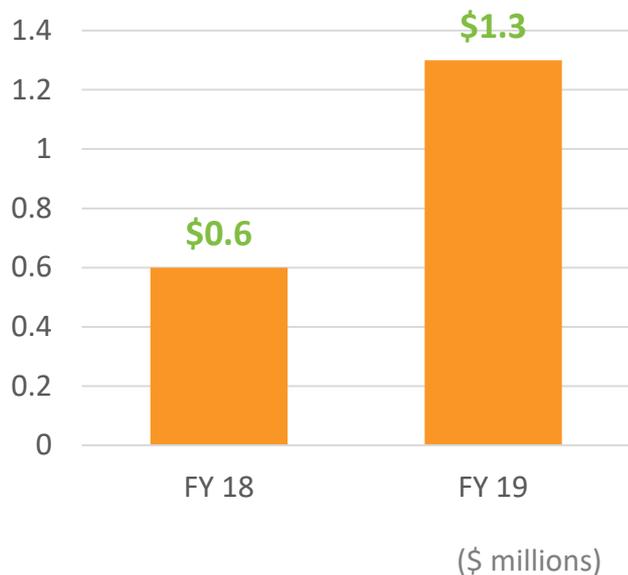
- Over the last two years we have made **\$1.3 million in annual additional strategic expenses** (\$600k in FY2018 and an additional \$700k in FY2019) to drive the future growth of the business
- Excluding these strategic investments, operating expenses would have been:
 - **FY2018: \$7.1 million or 41% of revenue**
 - **FY2019: \$8.7 million or 41% of revenue**
- With the majority of our short to medium term strategic growth initiatives now underway, the focus will be ensuring a solid return on these investments from increased revenue and profit.
- 2019 expenses also impacted by the integration of Boilerroom Equipment Inc's expenses including increased depreciation and amortization

Operating expenses exclude R&D expenses

Operating expenses

Growing the business

Growth Oriented Expenses

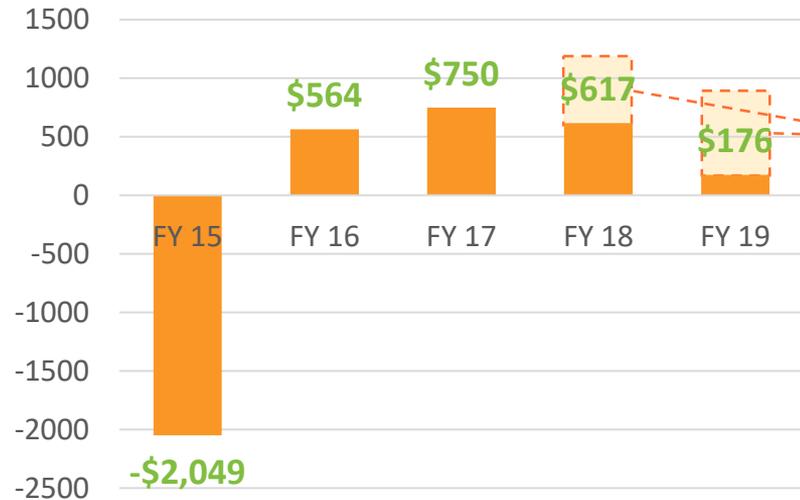


- \$1.3 million increase in expenses over the last two years due to growth oriented expenses
 - 3 engineers added
 - 5 sales resources added
 - \$500k in other expenses
 - Marketing costs
 - Training
 - One time acquisition cost BEI

EBITDAS

Fiscal year 2019

(\$ thousands)



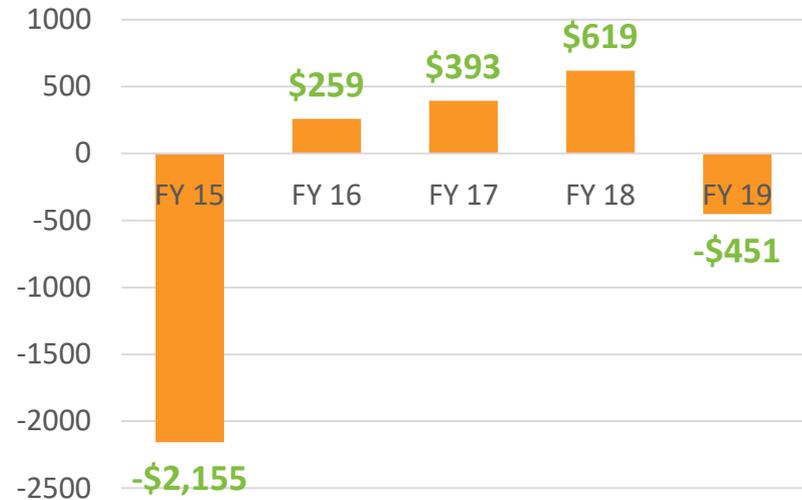
• Excluding the \$1.3 million in strategic investments made over the last two years in the future growth of the business, EBITDAS would have been:

- **FY2018: \$1.2 million**
- **FY2019: \$0.9 million**

Net income

Fiscal year 2019

(\$ thousands)

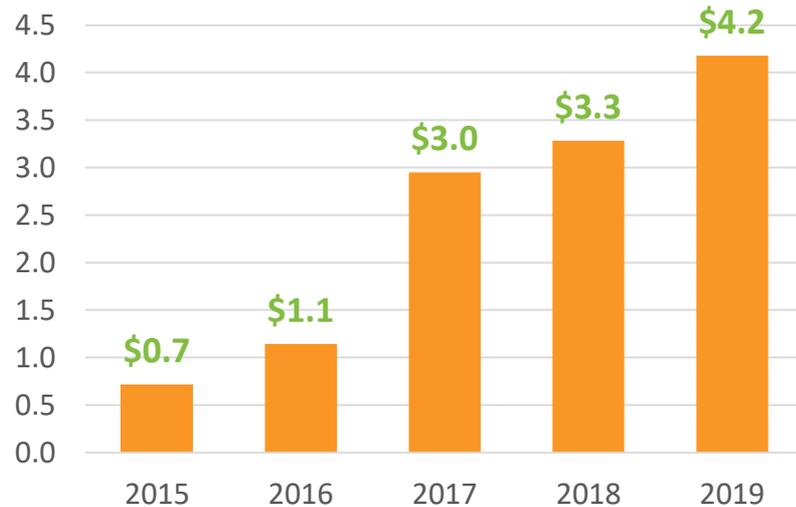


- Net income impacted by \$1.3 million in new strategic investments/expenses made over the last two years to drive future growth in the business

Year end cash position

May 31, 2015 – 2019

(\$ millions)

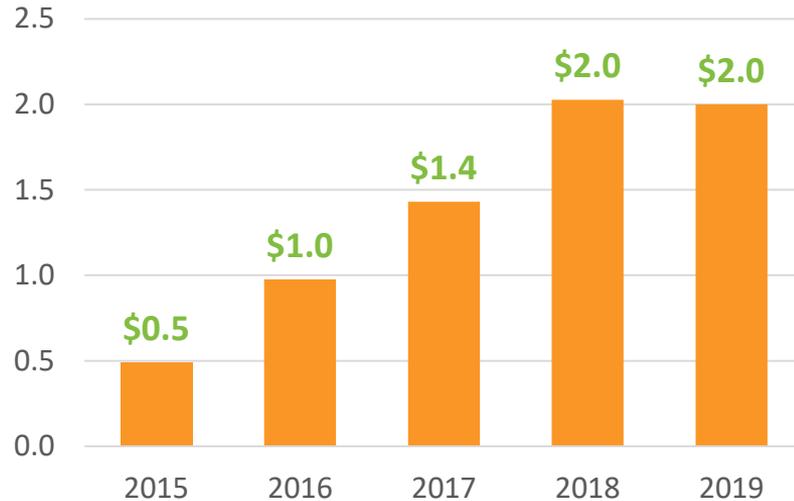


- Steady year over year increases
- Cash position up \$3.5 million since FY 2015

Year end working capital

May 31, 2015 – 2019

(\$ millions)

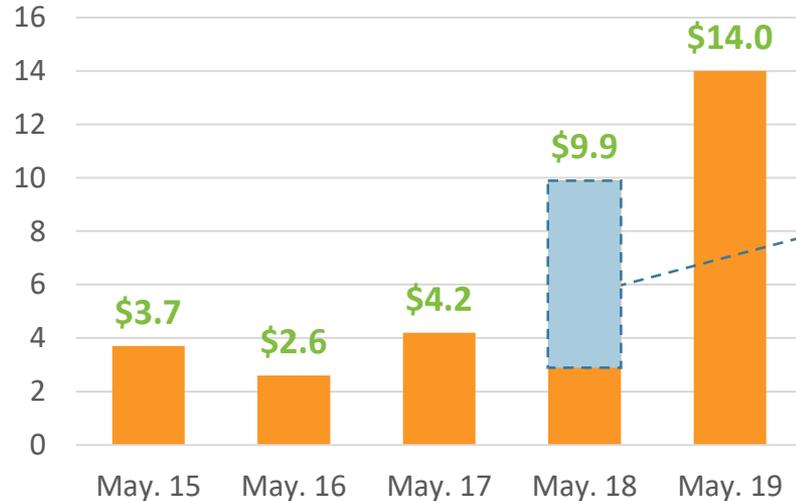


- Working capital remains strong
- Up \$1.5 million since 2015

Year end order backlog

Order backlog May 31, 2015 - 2019

(\$ millions)



- Order Backlog to begin the new financial year 41% higher than last year
- May 31, 2018 Order Backlog includes \$7 million from \$11.1 million Resolute “mega” order
- Order Backlog up 382% excluding the Resolute “mega” order

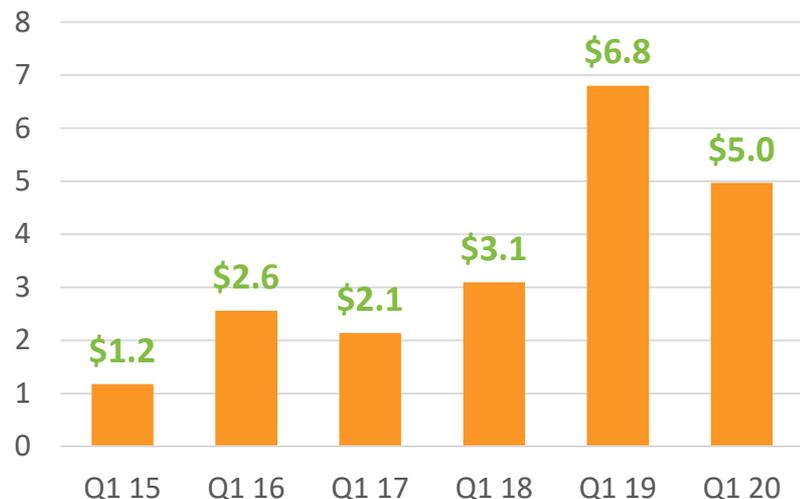
First Quarter Financial Results

Q1 2020

Revenue

First quarter

(\$ millions)

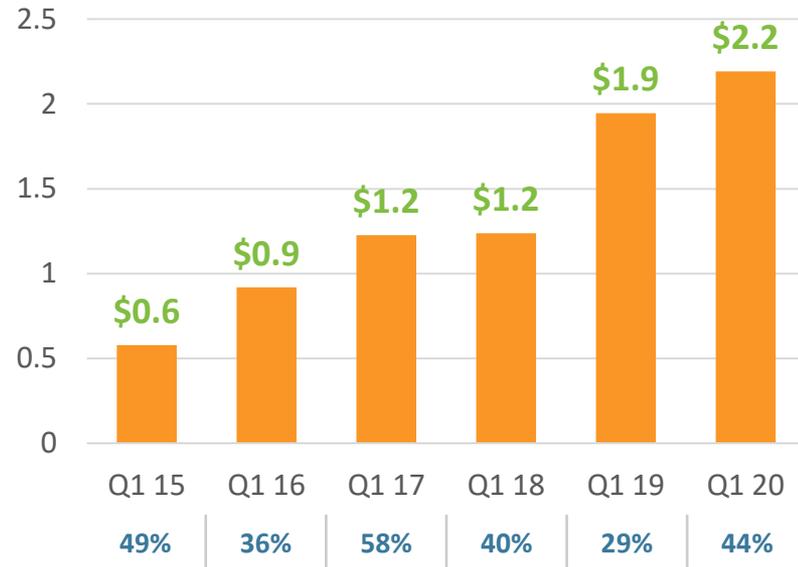


- Second strongest Q1 in Company history
- Q1 FY2019 includes \$4.3 million in revenue from the \$11.1 million Resolute mega project
- Q1 FY2020 revenue is up 100% compared to Q1 FY2019 when Resolute mega project revenue is excluded
- GEM steam trap revenue up 20% in Q1 2020 compare to Q1 2019
- Q1 2020 Revenue is well diversified by project, customer and geography

Gross profit

First quarter

(\$ millions)



Gross margin percentages

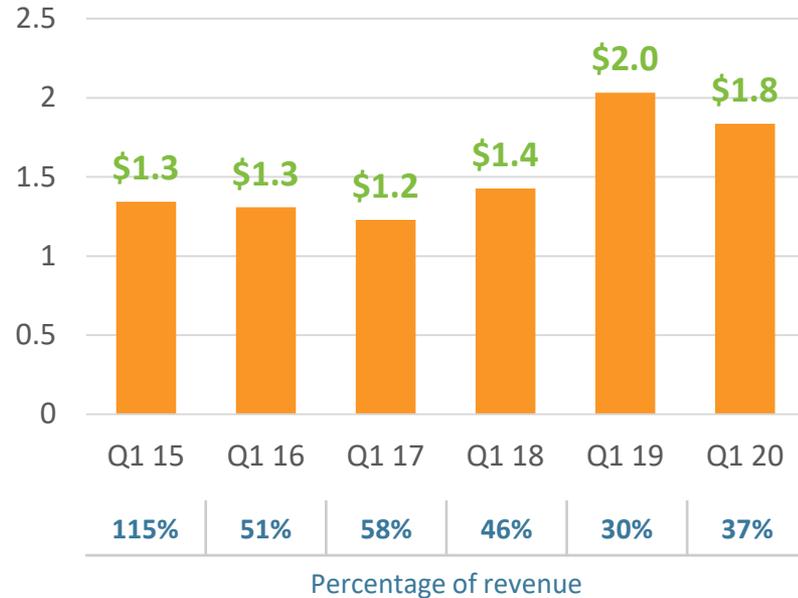
- Gross profit increased 13% to \$2.2 million
- Gross margin increased to 44% from 29% last year
- Last year gross margin impacted by Resolute mega project
- This year margin benefits from a more normal diversified product and project mix

Certain figures from prior periods have been adjusted to conform to the current period presentation

Operating expenses

First quarter

(\$ millions)



- Operating expenses decreased 10% in Q1 this year
- Excluding the impact of:
 - Foreign exchange
 - Transaction expenses related to the acquisition of Boilerroom Equipment;Operating Expenses were largely unchanged from last year
- Operating expenses largely flat from last year as the majority of our short to medium term expansionary growth investments are now complete

Operating expenses exclude R&D expenses

Certain figures from prior periods have been adjusted to conform to the current period presentation

EBITDAS

First quarter

(\$ thousands)



- Record Q1 EBITDA
- With the majority of our short to medium term expansionary growth investments now complete our focus is on maximizing the benefit of these investments to further grow revenues, strengthen profit margins and deliver ROI

Net income

First quarter

(\$ thousands)

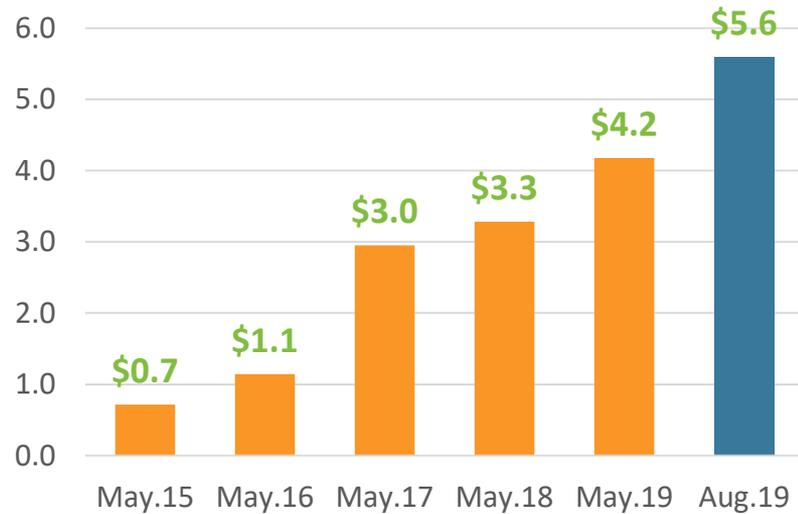


- \$241K net income for the quarter is a Q1 record
- This is the first time the company has been profitable in the typically slow Q1 period

Cash position

Fiscal year ends and most recent quarter

(\$ millions)

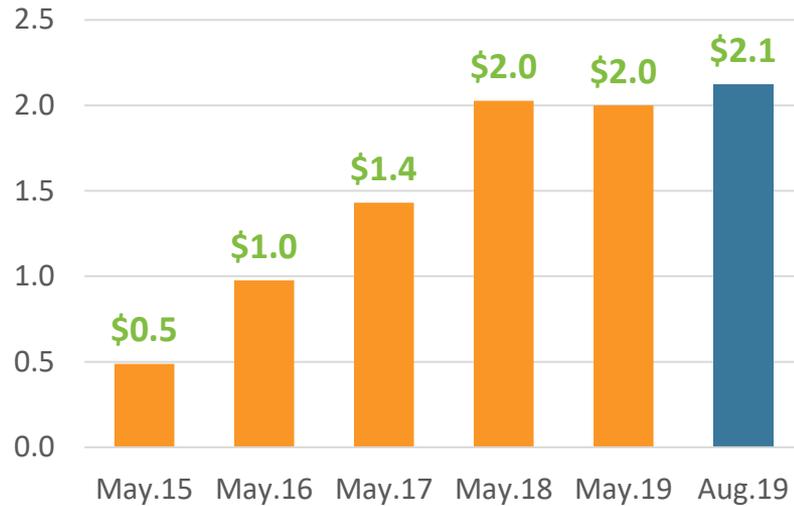


- Steady year over year increases
- Cash position up \$4.9 million since FY 2015

Working capital

Fiscal year ends and most recent quarter

(\$ millions)

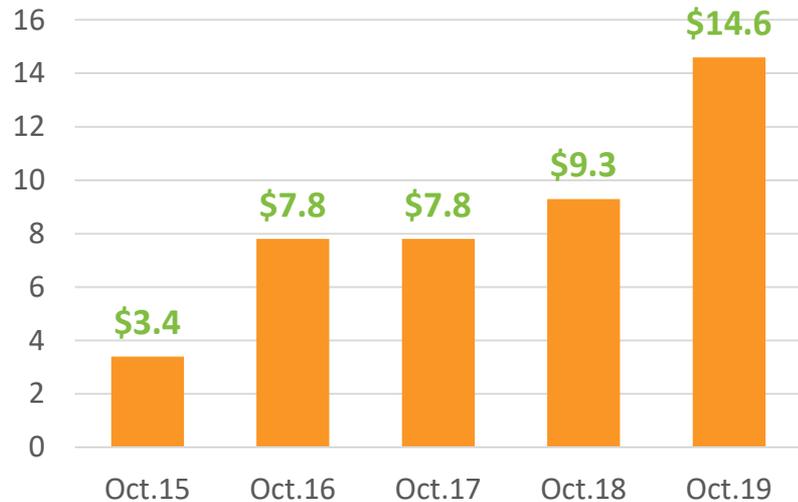


- Working capital remains strong

Strong order backlog

Order backlog as of reporting date

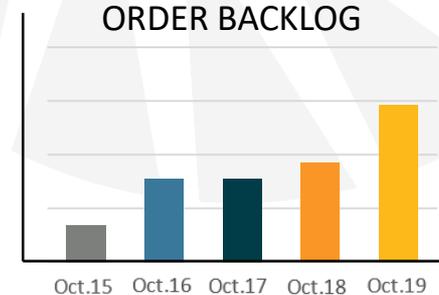
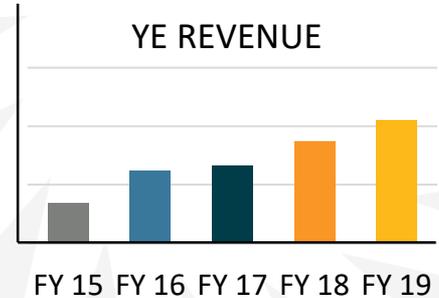
(\$ millions)



- Order backlog continues to grow
- October 2019 up \$5.3 million or 57% compared to October 2018.

Financial Summary

- Three record revenue years in a row,
- 33% Revenue CAGR since 2015
- Started FY2020 with order backlog 41% higher than last year
- Record profit for Q1 FY2020
- Strong cash and working capital positions
- Current order back log 57% higher than last year

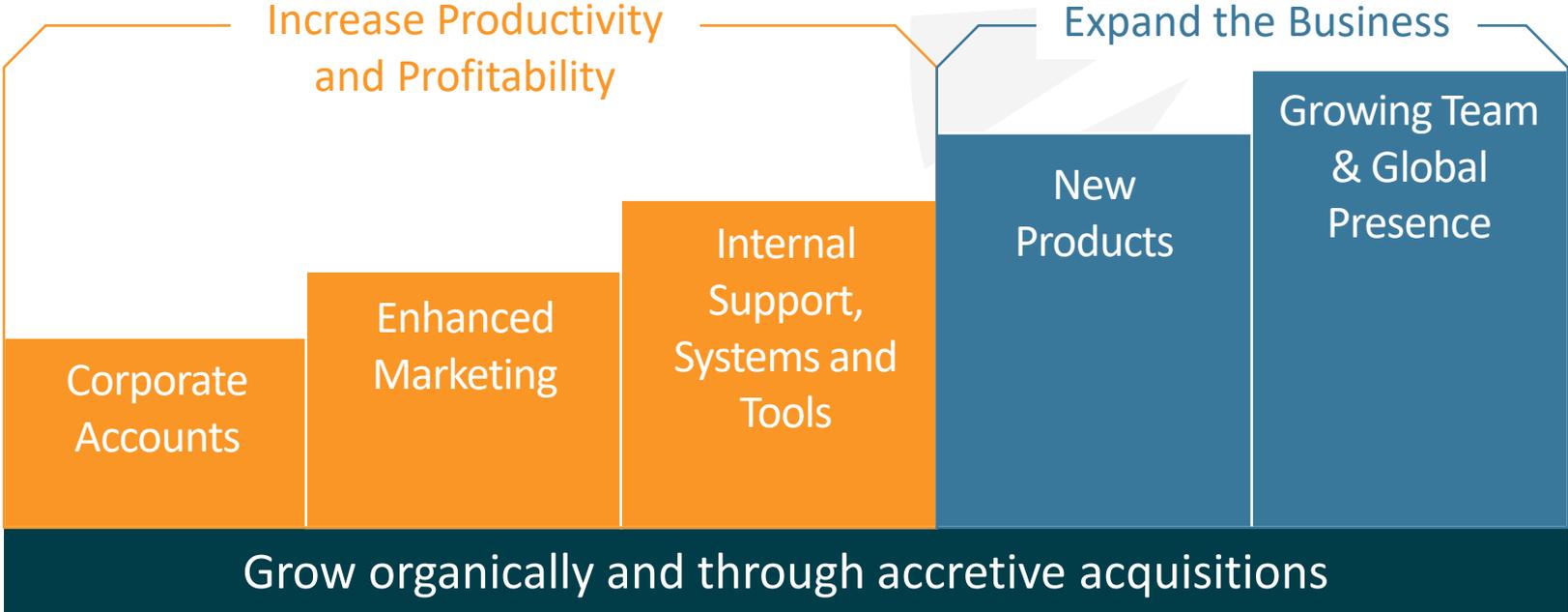


Strategic Plan, Phase 1

Growing the business

Strategic Plan – Phase 1

Growing the business



Corporate Accounts

Leveraging trusted global relationships to create efficient repeatable sales



Quantity increased

The number of active Corporate Accounts is still steadily growing. 2 more added so far this FY



Sales team fully engaged

Experienced sales people now manage multiple Corporate Accounts. Newer sales people making good headway



Healthy spread across sectors

Corporate Account effort remains well spread, now spanning 11 different industry sectors



Growing pipeline

Pipeline of open Corporate Account opportunities has increased in value by almost 90% over the last 24 months



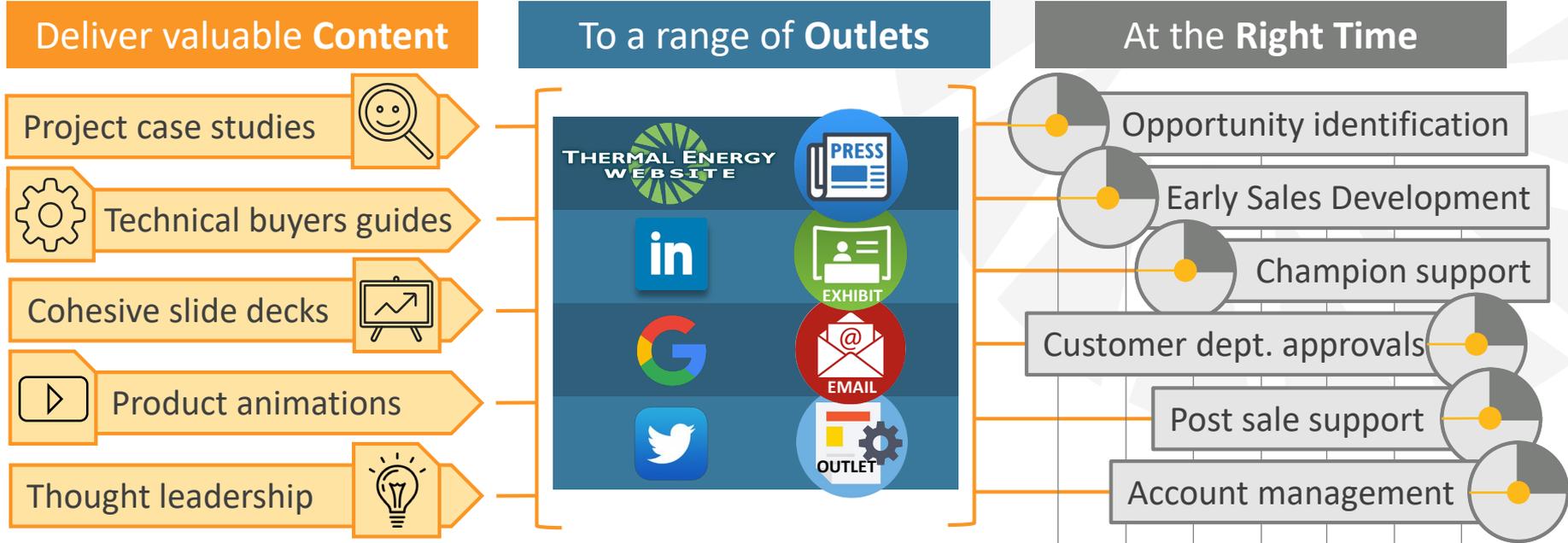
Revenue increasing

Orders from Corporate Accounts more than doubled in the last 12 months compared to previous

Enhanced Marketing

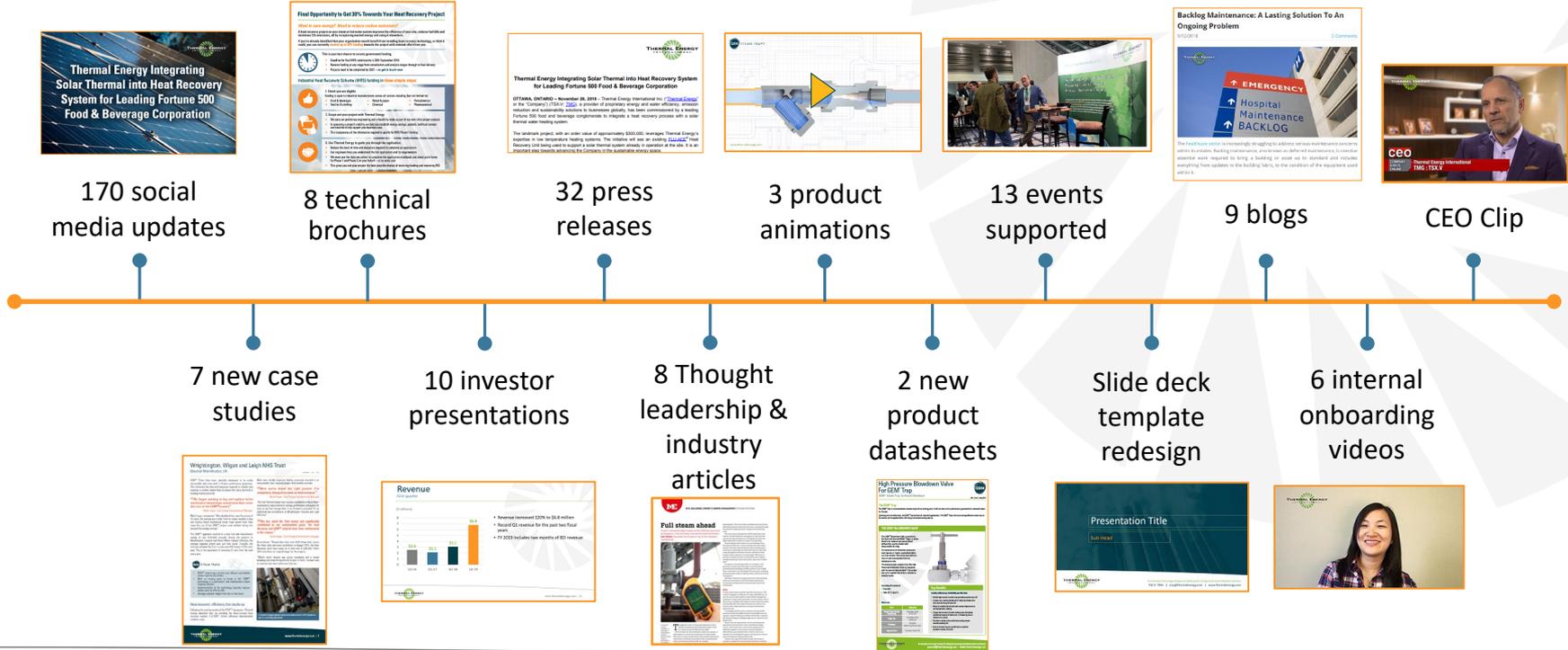
Supporting the sales journey and leveraging sales effort

To deliver best value, we align marketing strategy to our sales and customer journey



Enhanced Marketing

Supporting the sales journey and leveraging sales effort



Enhanced Marketing

Supporting the sales journey and leveraging sales effort

FY20 Focus: Deliver Integrated Content & Scale Distribution

1. Continued integrated content creation focussed on:

- > **New technologies** due to BEI acquisition and expansion of product range and services
- > **Sector-specific collections** of case studies, testimonials, product collections, buyers guides and thought leadership pieces
- > **Post sales support documentation** overhauled to reinforce long term relationship with customer enhancing product cross selling

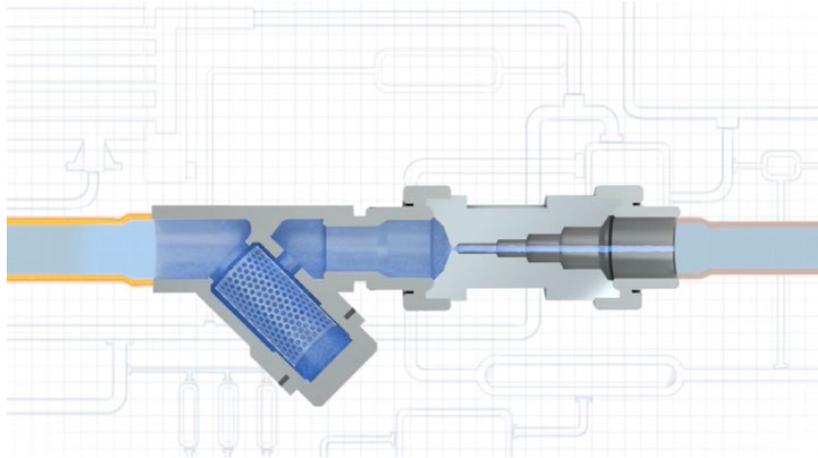
2. Continue to push marketing collateral via:

- > **Touchpoint approach** from prospect/customer, extended to post sale engagement
- > **Vertical market** distribution
- > **Distribution network** support with training and market information
- > **Direct sales force** delivery of new content and product knowledge



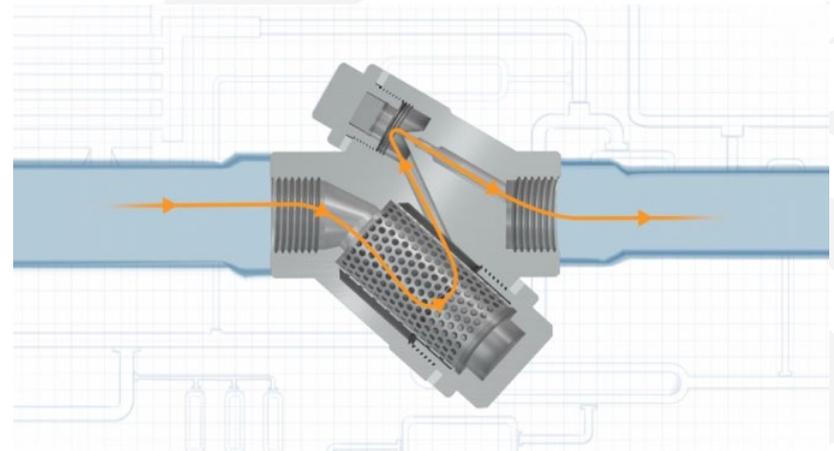
GEM™ Product Animations

GEM variable loads animation



[Video link](#)

GEM multi-stage filtration animation



[Video link](#)

Internal Support, Systems and Tools

Investment in people, training and sales focussed management

CRM engagement

Monthly training on CRM system for direct sales team

- CRM system usage more than tripled in the last 12 months
- Number of opportunities logged on CRM more than doubled in last 12 months

Quotation & Payback program

Quotation & Payback training to enhance customer project presentation

- Training of balance of 24 internal staff to be completed in December
- 10 key agents & distributors trained on platform, captures pipeline where previously there was no visibility

Cross-office engineering resource exchange program

‘On the job’ product cross-training provides flexible resourcing

- Second exchange underway
- Cross territory, multi-experienced project teams now as standard
- Structured global engineering status meetings, regular smaller project team meetings

New Products

Product Line	Product	Status
	<p>HEATSPONGE® indirect contact water and heat recovery</p> <p>SIDEKICK indirect hydronic boiler water and heat recovery</p>	<ul style="list-style-type: none">• Integration in progress• Marketing material prepared• Sales team trained (Heatsponge and Sidekick)

New Products

Product Line	Product	Status
	Product line extended – Diamond Trap First new GEM trap in 10 years Targetted at German and Petrochem markets	<ul style="list-style-type: none">• Use of cutting-edge technology to demonstrate superiority of GEM Trap• 2 Further patents pending• Service support package offering

New Products

Product Line	Product	Status
 CoGeneration <i>Combined Heat and Power</i>	Super-Efficient Cogeneration™ heat recovery system	<ul style="list-style-type: none">• \$1.5M revenue to date• One completed project• Two paid studies and prelim engineering
 Dry-Rex™ <i>LOW TEMP BIOMASS DRYING</i>	Dry-Rex™ low temperature biomass drying system	<ul style="list-style-type: none">• Paid study with multinational food ingredient company• Through first round for NRC-IRAP funding• Designing demonstration unit

New Products

Product Line	Product	Status
 <p data-bbox="278 363 548 459">Sustainability Products</p>	<p data-bbox="641 334 1155 423">Developing Flu-Ace for water recovery</p> <p data-bbox="641 452 1058 541">Turnkey water recovery projects</p> <p data-bbox="641 570 1136 659">Integrating TEI products into renewable energy</p>	<ul data-bbox="1248 334 1785 423" style="list-style-type: none"><li data-bbox="1248 334 1785 423">• One order already received in each area

Expanding our team & Global Presence

Added

- Latin America sales person (Apr 2016)
- Ontario / CoGen sales person (May 2016)
- CoGen Engineer (Jul 2016)
- Junior Engineer (Nov 2016)
- South Germany sales person (Jan 2017)
- NA Marketing Manager (May 2017)
- EU Sales Director (July 2017)
- Senior engineer (Oct 2017)
- Operational Systems Manager (Jan 2018)
- EU marketing manager (Apr 2018)
- Texas sales person (Feb 2018)
- North Germany sales person (Apr 2018)
- Poland sales person (July 2018)
- EU to NA Cross training engineer (Sep 2018)
- Dry Rex engineer contract extended (Dec 2018)
- NA to EU Cross training engineer (Sep 2019)

Boilerroom Equipment Inc

Transition from Acquisition to Integration and Growth with TEI



Leveraging the TEI and BEI Sales Channels

- TEI Sales team engaging and training BEI reps in their areas of TEI products
- TEI Sales team trained on HeatSponge and Sidekick
- BEI training TEI agents and distributors (especially Europe and Rest of World)
- Expanding BEI products into turnkey solutions (\$1.8 project for major dairy company)

Integration of BEI as a subcontractor of TEI systems

- Successfully assembled first Flu-Ace tower for a North American installation
- Successfully shipped first Rainmaker for integration into a European Flu-Ace system
- Working with TEI UK staff to finalize design of a HeatSponge for integration into large Food and Beverage project
- Currently fabricating first set of GEM Traps for a North American installation

New Fabrication Center

- BEI has identified and is in negotiation with two potential buildings to serve as new manufacturing plant for move in 2020
- Additional floor space required to:
 - Assemble future Flu-Ace towers due to size relative to BEI products
 - Fabricate, finish and assemble an increased throughput of GEM Trap work orders

Strategic Plan, Phase 1: Results to date

Revenue growth, Strong order backlog, Sector and geographic diversity

Revenue growth

One of Canada's Fastest growing companies

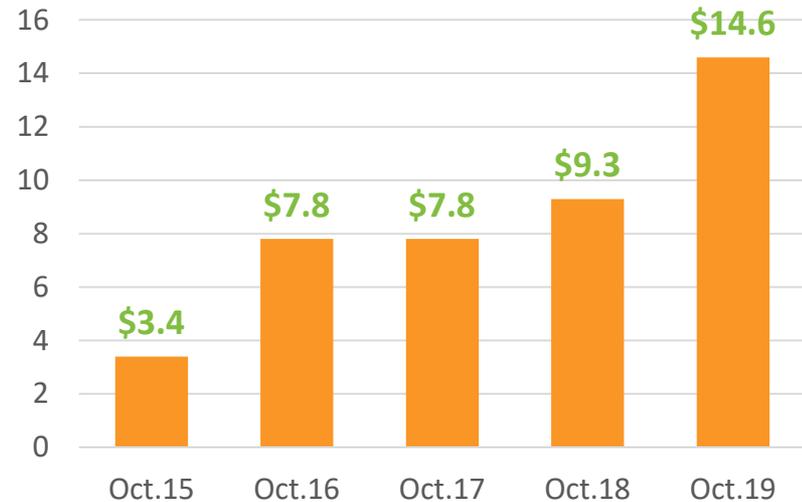


- Named one of Canada's Top Growing Companies, in the Globe and Mail, Report on Business's inaugural ranking of Canadian companies
- Based on our three-year revenue growth of 156% from 2015 to 2018
- Record revenue up 21% over last year
- Strongest first quarter FY2020 profit in the company's history
- Order backlog up 56%

Strong order backlog

Order backlog as of Q1 reporting date

(\$ millions)



- Order backlog continues to grow
- October 2019 up \$5.3 million or 57% compared to October 2018.
- European order backlog up \$5 million compared to same time last year
- Germany and Poland order backlog \$1 million compared to \$12k last year.

Sector and geographic diversity

Customers include leading global companies across many sectors

SECTOR	VALUE	LOCATION
 Tire Manufacturing	\$482K	EU 
 Meat Processing	\$738K	EU 
 Specialty Nutrition	\$1.4M	EU 
 Brewing	\$650K	EU 
 Snack Food Production	\$1.5M	NA 

(NA – North America)

Sector and geographic diversity

Customers include leading global companies across many sectors

SECTOR	VALUE	LOCATION
 Tissue Production	\$850K	NA 
 Animal Nutrition	\$2.3M	EU 
 Milk Processing	\$1.8M	NA 
 Food Ingredients	\$2.4M	NA 
 Beverage Bottling	\$2.4M	NA 

(NA – North America)

Strategic Plan - Phase 2

Investor Awareness and Outreach

Investor Awareness & Outreach

Getting the story out

- **Investor Conference Attendance**
 - Globe Capital 2019
 - AlphaNorth Capital Conference
 - Attending two more in FY2020
- **Thermal Energy featured on the BNN Bloomberg Channel**
90 sec CEO Clip and 15 sec advert, aired on BNN
- **Investor relations external support**
Evaluating three companies reviewing service offerings and cost
- **Undertaking NCIB**
 - Market price for the common shares does not reflect the underlying value
 - Permits the purchase of up to approximately 8 million common shares; approximately 5.0% of the outstanding common shares



[Video link](#)

Investment Highlights

Investment highlights

1. Enormous, fast-growing market
2. Experienced and established North American and European sales platforms
3. Proprietary products sold to leading companies in many sectors and geographies
4. Growing team, global presence and product offerings
5. Poised to continue strong track record of growth



A great growth story, that is waiting to be told!

Thank you



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