

Thermal Energy Reports Record Revenue First Half Revenue Growth of 76%

OTTAWA, ONTARIO – January 30, 2019 – Thermal Energy International Inc. (“Thermal Energy or the “Company”) (TSXV: TMG), an innovative cleantech company and provider of proprietary, energy efficiency and emissions reduction solutions to companies worldwide, has announced its financial results for the three-month (the “second quarter”) and six-month (the “first half” or “year-to-date”) periods ended November 30, 2018. All figures are in Canadian dollars.

Highlights:

- Revenue increased 39% to \$5.2 million for the second quarter and 76% to \$12.0 million for the first half of FY 2019;
- Gross profit increased 13% to \$2.1 million for the second quarter and 28% to \$4.3 million for year-to-date period;
- EBITDAS for the second quarter and first half were (\$67,995) and (\$118,731) respectively but would be \$75,505 and \$242,911 respectively if strategic investments in the future growth of the Company (expanding our team, capabilities and global presence) and the one-time acquisition related expenses (as described below) were excluded.
- The Company has an order book (confirmed orders with revenue yet to be recognized) of \$10.4 million as of January 29, 2019.

“Our year to date figures represent a continuation of our strong growth pattern with new record levels of both revenue and gross profit” said William Crossland, CEO of Thermal Energy.

“In line with our growth strategy to expand the business both organically and by acquisition, these results reflect the ongoing investments in the business we have made over the last few years and the positive impact these investments are having on the Company as a whole.”

“The acquisition of Boilerroom Equipment Inc. in June 2018 was a key part of our plan to grow via accretive acquisition. It has not only expanded our offering of complementary products but also given us direct access to new alternate sales channels as well as a strong United States base of operations. This diversification of product portfolio and sales and distribution networks strengthens our market reach and competitive position.”

Summary Financial Results

In thousands except % data	3 months ended Nov. 30, 2018	3 months ended Nov. 30, 2017	6 months ended Nov. 30, 2018	6 months ended Nov. 30, 2017
Revenue	\$5,194	\$3,729	\$11,994	\$6,827
Gross profit	\$2,102	\$1,853	\$4,312	\$3,371
Gross margin	40.5%	49.7%	35.9%	49.4%
Operating expenses	\$2,221	\$1,740	\$4,516	\$3,444
Net (loss) / income	\$(112)	\$71	\$(162)	\$(110)
EBITDAS	\$(68)	\$109	\$(119)	\$(78)
Order backlog as at January reporting date	\$10,400	\$17,500	\$10,400	\$17,500

Second Quarter and First Half Financial Review:

Revenue increased \$1.5 million or 39% in the second quarter this year compared to the same quarter last year while first half revenue was up \$5.2 million or 76% compared to the first half last year. Major contributors to the increased revenue for second quarter and first half were: the energy efficiency project with a pulp & paper company announced December 5, 2017; the heat recovery project with a teaching hospital announced March 26, 2018; the heat recovery project with a leading Fortune 500 food and beverage company announced June 5, 2018; and the addition of the Boilerroom Equipment business effective June 29, 2018.

The gross profit of \$2,102,510 in the quarter ended November 30, 2018 represented an increase of \$249,000, or 13.4%, compared to the quarter ended November 30, 2017 while first half gross profit was up \$941,088 or 28% compared to the same period last year. The increase was mainly the result of increased revenues. Gross profit expressed as a percentage of sales decreased due to the changes in the product split between heat recovery and steam traps.

Administration, selling, marketing and business development expenses (“Operating Expenses”) in the quarter ended November 30, 2018 totaled \$2,220,628, an increase of \$480,414, or 27.6% with the first half Operating Expenses up \$1.1 million or 31.1%. Other than the inclusion of Boilerroom Equipment Inc’s operating expenses into the consolidated results, the main increases related to on-going strategic investments in the future growth of the business and one-time expenses related to the acquisition of Boilerroom Equipment Inc. These strategic investments and one-time expenses which totalled \$143,500 for the quarter (and \$361,700 for the first half) included: \$107,000 (\$217,800 for the first half) for the addition of new sales and technical staff (12 new staff positions added over the past two years) plus additional investments in training, marketing and advertising activities; and \$36,500 (\$143,900 for the first half) in one-time costs related to the acquisition of Boilerroom Equipment Inc. In addition, the Company had \$77,200 (\$115,600 for the first half) in additional depreciation and amortization

expense on the intangibles and fixed assets acquired from Boilerroom Equipment Inc. Despite these increases, Operating Expenses as a percent of revenue still decreased and were 42.8% in the second quarter of FY 2019 and 37.7% for the first half compared to 46.7% and 50.4% in the same periods the previous year.

EBITDAS for the quarter was negative \$67,995 and for the first half was negative \$118,731. However, EBITDAS for the quarter and first half would have been positive \$75,505 and \$242,911 respectively if the strategic investments in growth and one-time expenses noted above were excluded.

Cash Resources and Working Capital

The Company had working capital of \$2.1 million as of November 30, 2018 compared to \$2.0 million as of May 31, 2018. Management is of the opinion that sufficient working capital will be obtained from future cash flows by achieving profitable operations through continuing to manage expenditures, concentrating on building upon revenue levels experienced in 2016, 2017 and 2018, and growing revenues at growth rates experienced in the years ended May 31, 2010 through May 31, 2018.

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

Business Update and Order Backlog Summary

The Company continues to have a strong order backlog which includes:

- Three heat and water recovery projects totaling \$4 million for the Food & Beverage sector announced between October 2018 and December 2018.
- An order to develop an innovative water and heat recovery solution for three proposed Canadian oil sand developments, as announced October 24, 2018
- A \$300k order to integrate a Flu-Ace heat recovery system with a solar thermal water heating system for a major food and beverage company, as announced November 26, 2018
- A \$960,000 order to design, manufacture and install a turnkey heat recovery project for leading speciality chemicals producer announced on November 19, 2018,
- A \$2.4 million order to install an innovative heat recovery system for a leading food ingredient company announced on January 29, 2019.

Many of these projects highlight the Company's strategic goal of expanding its products and capabilities beyond energy efficiency to include water recovery and the broader sustainability market.

In addition to these announced orders, the Company also received a \$270,000 order from a leading travel leisure company to implement steam traps and a \$275,000 order from a petrochemical company to implement a heat recovery system, as well as a large number of smaller GEM steam trap orders.

As of January 29, 2019, the Company had an order backlog of approximately \$10.4 million. This is compared to \$17.5 million when it reported second quarter results for FY 2018. However, the 2018 order book included an \$11 million energy efficiency project with the Pulp & Paper Customer announced December 5, 2017, which was approximately 94% complete as at November 30, 2018.

The Company defines Order Backlog as the value of projects for which purchase orders have been received, but have not yet been reflected as revenue in the Company's published quarterly financial statements.

Amended Unaudited Financial Statements for the quarter ended August 31, 2018

The Company has also amended and restated its unaudited condensed consolidated interim financial statements and accompanying notes for the three-month period ended August 31, 2018. These include adjustments to the fair value of the assets acquired and liabilities assumed in conjunction with the business's acquisition of Boilerroom Equipment Inc. No changes have been made to the content of Management Discussion and Analysis for the three-month period ended August 31, 2018.

As a result of the adjustments noted above, the Company recognized an increase of deferred tax liability by \$520,854, a decrease of inventory value by \$38,835 and an increase of goodwill value by \$559,689.

For more information on the products and service available from Thermal Energy International visit www.ThermalEnergy.com.

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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, Heat-Sponge 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 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. 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. 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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