



Thermal Energy Reports First Quarter Results Highlighted by Revenue Growth of 118%

OTTAWA, ONTARIO – October 22, 2015 – 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 world-wide, today announced its financial results for the three-month period ended August 31, 2015. All figures are in Canadian dollars.

Q1 2016 Highlights (Compared to Q1 2015):

- Revenue increased 118% to \$2.6 million;
- Gross profit increased 56.5% to \$1.1 million;
- Net loss narrowed to \$453 thousand;
- Adjusted operating cash flow was negative \$336 thousand compared to negative \$473 thousand a year ago;
- Net cash at the end of the quarter was \$659 thousand;
- The Company had an order backlog of approximately \$3.7 million as at October 22, 2015 compared to \$3.0 million a year earlier.

“Strong heat recovery sales led to our highest first quarter revenue and gross profit in five years,” said William Crossland, CEO of Thermal Energy. “We more than doubled our revenue and have a stronger order backlog compared to this time a year ago. During the quarter, we announced orders from new customers, including one in the wine and spirits industry and a district heating cooperative. We also announced repeat business from a Fortune 500 food and beverage leader and our largest GEM order to date, which was repeat business from a world-leading healthcare company. These orders were not included in our first quarter revenue, and are included in our backlog. As we look ahead to the rest of fiscal 2016, our team is working hard to win more business with large, multi-site customers and continuing to roll out our corporate accounts strategy.”

Summary Financial Results

In thousands except % data	3 months ended August 31, 2015	3 months ended August 31, 2014
Revenue	\$2,557	\$1,171
Gross profit	\$1,100	\$703
Gross margin	43%	60%
Operating expenses	\$1,567	\$1,460
EBITDAS	\$(401)	\$(658)
Net income (loss)	\$(453)	\$(668)
Adjusted operating cash flow	\$(336)	\$(473)

Q1 2016 Financial Review:

Revenue for the quarter was \$2.6 million, an increase of \$1.4 million compared to revenue of \$1.2 million in the first quarter of last year. Most of the revenue growth was the result of a 499% increase in heat recovery sales during the quarter, which included revenues from a project at a packaged food business, as announced December 1, 2014; an installation at a Fortune 500 food and beverage leader, as announced April 29, 2015; a project at a leading dairy supplier, as announced March 4, 2015; and an installation at a major hospital, as announced January 29, 2015. Sales of GEMTM Condensate return system sales increased 0.9% from a year ago, with the increase attributable to a general increase in sales in the U.S.

Gross profit for the quarter increased 56.5% to \$1.1 million compared to \$0.7 million for the first quarter of last year. This increase was the direct result of higher revenues. Gross profit as a percentage of sales was 43% for the quarter compared to 60% in the first quarter of last year. The decrease as a percentage of sales was attributable to the sales mix, with heat recovery systems sales accounting for a larger percentage of total revenue compared to the previous year.

Operating expenses for the quarter were nearly \$1.6 million compared to \$1.5 million for the first quarter a year earlier. The increase was mainly attributable to research and development costs, as well as higher sales commissions paid as a result of the higher revenue.

EBITDAS (defined as earnings before interest, taxation, depreciation, amortization, share-based compensation expense and net write down of lease) for the quarter was negative \$401 thousand compared to negative \$658 thousand in the first quarter a year ago.

The Company has a net loss for the quarter of \$453 thousand compared to a loss of \$668 thousand in the first quarter a year earlier.

Adjusted operating cash flow (defined as net income for the period, plus items not involving cash, plus lease payments received) for the quarter was negative \$336 thousand versus negative \$473 thousand for the same period a year ago.

Cash Resources and Working Capital

The Company's net cash position was \$659 thousand as at August 31, 2015, compared to \$715 thousand as at May 31, 2015. With cash balances and unused borrowing capacity totaling approximately \$835 thousand, management believes that it has sufficient capital resources to fund existing operations and anticipated capital requirements in fiscal 2016.

The Company's working capital as at August 31, 2015 was \$129 thousand compared to \$488 thousand as at May 31, 2015.

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.

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 worldwide. 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 press 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 Company disclaims any obligation to publicly update or revise any such statements except as required by law.

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