



Thermal Energy Reports Nine Month Revenues in Excess of Fiscal 2013 Annual Revenue

OTTAWA, ONTARIO – April 23, 2014 – Thermal Energy International Inc. (“Thermal Energy” or the “Company”) (TSXV: TMG), a global provider of energy efficiency and emission reduction solutions, today announced its financial results for the three months ended February 28, 2014. All figures are in Canadian dollars.

Highlights:

- For the nine months ending February 28, 2014, revenue of \$8.4 million (including \$2.9 million for the quarter) surpassed annual revenue for all of fiscal 2013;
- With net income of \$57 thousand for the quarter, year-to-date net loss narrowed to \$63 thousand compared to a net loss of \$162 thousand for the same period last year;
- Operating cash flow of \$341 thousand for the year-to-date (including \$62 thousand for the quarter) represented an increase of \$1.4 million compared to the first nine months of fiscal 2013;
- Net cash position totalled \$2.6 million, compared to \$1.3 million as at May 31, 2013 and \$701 thousand at the same time last year;
- The Company had an order backlog of approximately \$5.3 million as at April 23, 2014. The Company includes in order “backlog” any purchase orders that have been received by the Company but have not yet been reflected as revenue in the Company’s published financial statements.

“Our strong performance year-to-date is largely attributable to the investment we made in our sales and distribution capabilities in early fiscal 2013,” said William Crossland, CEO of Thermal Energy. “Thus far in fiscal 2014, we have been successful at cross selling and winning other repeat business from a growing list of multinational customers across a growing number of industries. During the quarter we received initial GEM[®] orders in the amounts of \$160 thousand from one of the world’s largest beer companies and \$161 thousand from a global diversified healthcare company. We also received an initial \$200 thousand heat recovery order from a global mining and materials company, with mining being a new sector for our energy efficiency solutions. Each of these orders was from customers that have a number of additional sites, representing potential for repeat business.”

Summary Financial Results

In thousands except % data	3 months ended Feb. 28, 2014	3 months ended Feb. 28, 2013	9 months ended Feb. 28, 2014	9 months ended Feb. 28, 2013
Revenue	\$2,898	\$4,209	\$8,434	\$6,331
Gross profit	\$1,391	\$2,906	\$4,236	\$4,231
Gross margin	48.0%	69.1%	50.2%	66.8%
Operating expenses	\$1,325	\$1,450	\$4,328	\$4,519
Net income (loss)	\$57	\$1,472	\$(63)	\$(162)
Operating cash flow	\$62	\$185	\$341	\$(1,020)

Q3 2014 Financial Review:

Revenue for the third quarter was \$2.9 million compared to \$4.2 million a year ago. Revenue for the third quarter of last year included \$1.6 million resulting from the extension of the Greenpower Purchase Agreement with Fortress Specialty Cellulose, as announced November 29, 2012. Sales of GEM[®] Condensate return systems increased by \$94 thousand, or 9.2%, and included the partial fulfillment of orders received from a major food and beverage manufacturer, as announced July 3, 2013 and a global premium beer company, as announced February 10, 2014. Sales of heat recovery systems decreased by \$1.4 million, or 44%, compared to the third quarter of last year. Heat recovery sales for the quarter included revenues from projects at two sites of a major Fortune 500 food and beverage company, as announced September 16, 2013; the installation at a major pulp and paper company as announced June 3, 2013; and the commencement of projects at two major hospitals, as announced September 10, 2013 and November 14, 2013 respectively. In addition to the \$1.6 million extension of the Greenpower Purchase Agreement mentioned above, heat recovery systems sales for the third quarter of last year also included \$1 million from the sale of a heat recovery system to a publicly owned hospital.

Gross profit for the quarter was \$1.4 million compared to \$2.9 million for the same quarter last year. The decrease of \$1.5 million, or 52%, was almost entirely the result of the Greenpower Purchase Agreement extension in the previous year, which served to increase revenues with minimal additional cost. As a percentage of sales, gross profit for the quarter was 48% compared with 69% in the third quarter of last year (51% excluding the impact of the Greenpower Purchase Agreement extension).

Operating expenses for the quarter were \$1.3 million, down from \$1.5 million in the prior period. Higher staff costs in the quarter resulting from two additional sales staff were offset by reductions in commissions payable and amortization of intangible assets, which were fully amortized in July 2013, as well as foreign exchange gains arising from the strengthening of Sterling against the Canadian Dollar.

Net income for the quarter was \$57 thousand compared to \$1.5 million for the same quarter a year ago.

Operating cash flow (defined as net loss for the period, plus items not involving cash, plus lease payments received) for the quarter was \$62 thousand compared to \$185 thousand for the same period last year.

YTD 2014 Financial Review:

Revenue for the nine months ended February 28, 2014 increased 33% to \$8.4 million compared to \$6.3 million a year ago. Gross profit was largely unchanged at \$4.2 million this year and last year. Net loss for the nine months ended February 28, 2014 was \$63 thousand compared to \$162 thousand for the same period last year. However last year's revenue, gross profit and net income were all positively impacted by the extension of the Greenpower Purchase Agreement with Fortress Specialty Cellulose. Excluding the impact of the \$1.6 million extension of the Greenpower Purchase Agreement, revenue increased 77%, gross profit increased \$1.6 million, or 58%, and net income increased \$1.7 million.

Operating cash flow improved by \$1.4 million with \$341 thousand generated during the nine months ended February 28, 2014, compared to a negative \$1,020 thousand for the same period last year.

Cash Resources and Working Capital

As at February 28, 2014, the Company's net cash position amounted to \$2.6 million, compared to \$1.3 million as at May 31, 2013. The Company also had an estimated \$248 thousand of unused borrowing capacity under its bank loans. With cash balances and unused borrowing capacity of approximately \$2.9 million, management believes that it has sufficient capital resources to fund existing operations and anticipated capital requirements in the remainder of fiscal 2014 and into fiscal 2015.

Working capital as at February 28, 2014 was \$1.8 million compared to \$1.5 million as at May 31, 2013.

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 innovative cleantech company providing a variety of proprietary and proven energy efficiency, emission reduction, water efficiency, and bioenergy products and solutions to the industrial, commercial and institutional markets worldwide. 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 significant financial and environmental benefits to its customers.

Thermal Energy's products include; **GEM**[®] - Steam traps and condensate return systems, **FLU-ACE**[®] - Direct contact condensing heat recovery, and **Dry Rex**[™] - Low temperature biomass drying systems. These award winning products are effective in a wide variety of industries and application and have an excellent track record of longevity, proven reliability and performance providing significant energy savings, reduced GHG emissions, improved water efficiency, lower maintenance costs, improved product quality and increased production efficiency. Thermal Energy International Inc. has offices in Ottawa, Canada as well as Bristol, UK, United States, Italy and China.

For more information, visit our website at www.thermalenergy.com and follow [@GoThermalEnergy](https://twitter.com/GoThermalEnergy) on Twitter.

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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 potential for repeat business with existing customers, statements about the company's backlog, and the ability of existing working capital to fund operations for a period of time 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. Unexpected issues could arise that would deplete the Company's working capital faster than currently anticipated. 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. *Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*