



Attention: Energy, Environment, Business and Financial Editors

Thermal Energy Reports Record Financial Results for the Fiscal Quarter and Six Months Ended November 30, 2011

OTTAWA, Canada – January 30, 2012 – Thermal Energy International Inc. (TSX-V: TMG) (www.thermalenergy.com) (the “Company” or “Thermal Energy”) today announced its financial results for the fiscal quarter and six months ended November 30, 2011.

“Thermal Energy continues to build on the solid growth of the last two years generating record levels of revenue, profit and cash flow this quarter” commented William Crossland, President and CEO, adding “I am very proud of the results the Company has achieved to date and encouraged by the continued strength of our order backlog”.

Sales for the quarter ended November 30, 2011 were a record \$4,676,322, an increase of 59% or \$1,738,191 compared to the same quarter last year. Sales of GEM[®] condensate return systems decreased by \$285,322 over the same period in the previous year, while sales of waste energy recovery systems increased by \$2,023,513. The decrease in GEM[®] Condensate return systems sales resulted from reduced sales to a major pharmaceutical company. The increase in sales of waste energy recovery systems is as a result of revenues from the Fibrek and St. Georges projects previously announced. For the six months ended November 30, 2011, revenues were \$6,108,008 compared to \$5,923,798 for the same period of the previous year.

Gross profit for the quarter ended November 30, 2011 was a record \$2,123,687 an increase of \$847,843 compared to the same period last year. Gross margin (gross profit expressed as a percentage of sales) for the period was 45% this year vs. 43% last year. For the six months ending November 30, 2011 gross profit was \$2,926,699, an increase of \$447,195 compared to last year while gross margin for the six months was 48% compared to 42% last year. Gross margin can vary from quarter to quarter depending on sales volume and product mix.

Operating expenses (Administration; Selling, Marketing and Business Development; and Research and development expenses) in the quarter ended November 30, 2011 totalled \$1,532,776 an increase of \$244,559 compared with the same period last year. For the six months ended November 2011, Operating expenses totalled \$2,683,049, an increase of \$99,526

compared with the same period last year. The increase in Operating expenses year over year is primarily related to increased staff costs (three additional sales people, one sales and marketing co-ordinator and one finance and accounting person), as well as increased commissions and incentives related to the higher sales level, and increased training costs to support the Company's growing agent and distributor network. In the quarter ending November 30, 2011 Operating expenses also included a \$54,748 non-cash write down of finance lease receivable as a result of the customer undertaking a planned plant shutdown and taking advantage of a negotiated provision in the contract whereby they are permitted to shut down the plant without payment or penalty for an aggregate maximum of 45 days throughout the term of the lease agreement. The plant is now back up and the lease continues to generate positive cash flow for the Company. Other than the write down of finance lease receivable, the increase in Operating expenses largely represents an investment in the future growth of the company through additional sales and other staff and training of distributors. Excluding the non-cash write down of finance lease receivable, operating expenses as percent of sales for the quarter ending November 30, 2011 was 33% compared to 45% for the same period last year and for the six months ending November 30, 2011 was 43% compared to 44% for the same period last year. As a result, despite the increased staffing levels operating expenses as a percent of sales has decreased.

Net income for quarter ended November 30, 2011 was a record \$458,455, an increase of \$462,007 compared to a loss of \$3,552 in the same quarter of the previous year. Net income for the six months ended November 30, 2011 was \$142,926, an increase of \$175,569 compared to a loss of \$32,643 for the same period last year.

Liquidity and Solvency: As at November 30, 2011 the Company's working capital was \$2,302,350, an increase of \$431,416 from the \$1,870,934 as at May 31, 2011 and its net cash position (Cash and cash equivalents less Bank loans) was \$1,325,695, an increase of \$353,532 compared to a net cash position of \$972,163 as at May 31, 2011. In addition to its net cash balance the Company also had an estimated \$123,000 of unused borrowing capacity under its bank loans resulting in total cash balances and unused borrowing capacity of approximately \$1,448,695.

Cash flow from operations (defined as net income (loss) for the period, plus items not involving cash, plus finance lease payments received) for the quarter ended November 30, 2011 was

\$609,587 an increase of \$411,491 from the \$198,096 generated during the same period last year. For the six months ended November 30, 2011 cash flow from operations was \$450,599, an increase of \$103,294 from the \$347,305 generated during the same period last year

Business Update:

1. On May 6, 2011 the Company received a purchase order for approximately £208 thousand (approximately \$334 thousand) from Frimley Park Hospital NHS Trust in the UK to provide GEM® condensate return products and a heat recovery solution for use on its heating and hot water system. This project was substantially completed over the last two quarters.
2. On June 16, 2011 the Company announced it had signed a contract valued at approximately \$5.8 million with Fibrek to provide a waste energy recovery solution for its pulp mill located in Saint-Félicien, Québec. This project is now underway and is expected to be substantially completed this fiscal year.
3. On July 21, 2011 the Company received a purchase order for approximately \$340 thousand from a major multi-national bakery company to provide a waste energy recovery solution for one of its United States based manufacturing facilities. This project is now underway and is expected to be substantially completed over the next two quarters.
4. On August 5, 2011 the Company announced it had received a purchase order for approximately £1.29 million (approximately CDN \$2.06 million) from St Georges Healthcare NHS Trust, a major hospital in London, UK to provide a waste energy recovery solution for use on its heating and hot water system. This project is now underway and is expected to be substantially completed this fiscal year.
5. During January 2012, the Company received orders from a major food manufacturer in the U.K. for waste energy recovery solutions at two of its sites. The orders total approximately \$832,000 and are both expected to be substantially completed this fiscal year.

6. The Company's order backlog, meaning purchase orders received but not yet fulfilled, as at November 30, 2011 was approximately \$4.8 million compared to \$822 thousand at the same time last year. As at January 30, 2012 the Company had approximately \$6.2 million in purchase orders that had not yet been reflected as revenue in the Company's published quarterly financial statements, indicating that revenue earned for the six months ended November 30, 2011 plus additional purchase orders in hand total approximately \$12.3 million.

All figures are in Canadian dollars. 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

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 our 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, and China. To find out more about Thermal Energy International Inc. (TSX-V: TMG), visit our website at <http://www.thermalenergy.com>.

Contact:

William Crossland
President and CEO
613-723-6776

NOTE: This press release contains forward-looking statements relating to, and amongst other things, based on management's expectations, estimates and projections with respect to, timing of installation and implementation, and the revenues to be received by the Company from the projects and purchase orders described. These statements are not guarantees of future performance but, rather, reflect the Company's current expectations regarding future events. These forward looking statements are subject to 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. The Company disclaims any obligation to publicly update or revise any such statements except as required by law.

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