



Thermal Energy Records a 92% Increase in Revenue for Third Quarter

OTTAWA, ONTARIO – April 30, 2012 – Thermal Energy International Inc. (TSXV: TMG), a leading provider of custom energy and emission reduction technologies for energy intensive industries worldwide, today announced its Third quarter (Q3) financial results for the three-month and nine-month periods ended February 29, 2012.

Highlights

- Q3 2012 revenue of \$3.6 million, compared to \$1.9 million in Q3 2011 (**up 92%**)
- Nine-month revenue of \$9.7 million compared to \$7.8 million last year (**up 24%**)
- Q3 2012 net loss of \$31,854 for 2012, compared to \$53,611 for Q3 2011
- Nine-month income of \$111,072 this year compared to a net loss of \$86,254 last year (**up \$197,326**)
- Nine-month operating cash flow of \$686,962 compared to \$500,740 last year (**up 37%**)
- Working capital of \$2.4 million (**up \$522,143 or 28% since the beginning of the year**).
- Order backlog of \$2.9 million compared to \$1.6 million at the same time last year.
- During the quarter, the Company received purchase orders totalling approximately \$832,000 from a major UK food manufacturer for heat recovery systems at two different locations.
- Subsequent to quarter end, Thermal Energy received purchase orders totalling approximately \$726,000 for heat recovery systems at two different NHS hospitals in the UK.

"The growth in our revenue and our strong backlog of orders clearly demonstrate that our sales and marketing efforts across North America and Europe are paying off," said William Crossland, the President and CEO of Thermal Energy. "Our current focus is to drive sales from existing product lines, and we have recruited additional sales and marketing resources to facilitate this growth. The market place and our clients are recognizing the energy saving and emission reducing benefit our products offer and this is resonating into increased sales to new and existing customers."

Financial Highlights

Revenue

Revenue was \$3.6 million for the three-month period ended February 29, 2012, compared to \$1.9 million for the corresponding period in 2011. During the quarter revenue generated from heat recovery systems increased by \$2.1 million (352.8%), while sales of GEM® condensate return systems decreased by \$421,725 (33.6%). The increase in revenue from waste energy recovery systems was as a result of revenues generated from the Fibrek and St. Georges projects which were previously announced. The decrease in GEM® condensate return systems was largely due to the timing of some large orders from two of the Company's UK based key corporate accounts. Last year the quarter included \$317,925 in sales related to \$1.3 million in orders from a major UK based food manufacturer announced in December 2010 and February 2011, compared to nil this year. The balance of the decrease was due to the timing of orders from the NHS in the UK. In North America GEM® Condensate return systems sales for the quarter, excluding sales to a major pharmaceutical company, were up 99% over last year.

Revenue was \$9.7 million for the nine-month period ended February 29, 2012, compared to \$7.8 million for the corresponding period in 2011. Heat recovery sales increased \$2.4 million primarily due to the Fibrek and St. Georges projects. GEM® Condensate return systems sales decreased \$0.5 million primarily due to reduced sales to a major pharmaceutical company in both Europe and North America and a continued difficult economic environment in Europe. Excluding sales to this major pharmaceutical company North American GEM® Condensate return systems sales for the nine-month period ended February 29, 2012 are up 64% over last year.

The strong Q3 and year-to-date sales of the GEM® Condensate return systems in the North American market indicates the roll out of this product is proceeding as expected. Similarly the strong increase in HR sales and orders in both North America and the UK indicates the Company's targeted cross selling to existing customers, and focused sector specific sales and marketing strategies, implemented over the last two years is starting to pay off.

Gross Profit

Gross profit was \$1.4 million for the three-month period ended February 29, 2012, compared to \$1.1 million for the corresponding period in 2011. Gross profit expressed as a percentage of revenue was 39.4% during the quarter compared to 61.1% for the corresponding quarter in 2011. The decrease in gross profit is due to product mix with a lower proportion of revenue generated from the GEM® product during the quarter.

Gross profit was \$4.3 million for the nine-month period ended February 29, 2012, compared to \$3.6 million for the corresponding period in 2011. Gross profit expressed as a percentage of revenue was 44.8% for the nine-month period compared to 46.5% for the corresponding quarter in 2011.

Operating Expenses

Operating expenses were \$1.5 million for the three-month period ended February 29, 2012, compared to \$1.1 million for the corresponding period in 2011. The increase in operating expenses is primarily the result of additional commission payable on the increased revenues, increased staff costs including salaries for additional sales, marketing and finance staff, and increased training costs relating to development of our distributor network in North America. In addition audit and legal fees increased in the quarter due primarily to the timing of receipt of audit fee invoices, the transition to IFRS reporting, and activities related to the statement of claim filed against the Company by a past president. Despite the increase in operating expenses in the quarter, as a percent of sales, operating expenses continued to decrease and were 41% of sales for the three-month period ended February 29, 2012 vs. 61% for the same period last year.

Operating expenses were \$4.1 million for the nine-month period ended February 29, 2012, compared to \$3.7 million for the corresponding period in 2011. While operating expenses for the nine-month period ended February 29, 2012 have increased compared to the same period last year, as a percent of sales operating expenses have decreased to 43% of sales compared to 48% last year.

The Company's staff count in August 2009 was approximately 40 people and revenue per person was approximately \$100,000. After two years of cost containment and tight cash conservation, during which time operating expenses have decreased from 140% of sales in fiscal 2009 to 91% in fiscal 2010 to 49% in fiscal 2011, to 43% for this year to date, the Company believes it is now in a strong position to begin investing for future growth. As a result since last year at this time the Company has added 5 new staff including 4 in sales and marketing. With these staff additions the Company is now back to a staff complement similar to August 2009. However since August 2009 annualized sales have more than tripled

indicating the current annual revenue per employee has increased from approximately \$100,000 per person to approximately \$300,000 per person. In addition it usually takes approximately 1 year for an employee to begin contributing in a meaningful way and since all of these staff additions occurred less than 12 months ago many of these new employees are not yet contributing at expected levels of productivity.

Net Income/Loss

Net loss was \$31,854 for the three-month period ended February 29, 2012, compared to \$53,611 for the corresponding period in 2011.

Net income was \$111,072 for the nine-month period ended February 29, 2012, compared to net loss of \$86,254 for the corresponding period in 2011, an increase of \$197,326.

Cash and Working Capital

Cash flow from operations (defined as net income (loss), plus items not involving cash, plus lease payments received) for the quarter ended February 29, 2012 was \$236,363, a 54% increase from \$153,435 last year. For the nine months ended February 29, 2012 cash flow from operations was \$686,962, up 37% from \$500,740 last year.

As at February 29, 2012, the Company's net cash position (Cash and cash equivalents less Bank loans) amounted to \$1.9 million, an increase of \$911,839 compared to \$972,163 at the beginning of the year. In addition to its net cash balances the Company also had an estimated \$200,000 of unused borrowing capacity under its bank loans indicating a net cash and unused borrowing capacity of approximately \$2.1 million.

As at February 29, 2012, the Company had net working capital of \$2.4 million, an increase of \$0.5 million compared to \$1.9 million on May 31, 2011.

Business Overview and Update

- On January 4 and January 6, 2012, the Company received orders from a major food manufacturer in the UK for heat recovery solutions at two of its sites. The orders total approximately \$832,000 and are both expected to be substantially completed this fiscal year.
- In April 2012, the Company received purchase orders totalling approximately \$726,000 for heat recovery systems at two different NHS hospitals in the UK.
- The Company's order backlog as at February 29, 2012 was approximately \$2.9 million compared to \$1.6 million at the same time last year. As at April 30, 2012 the Company had approximately \$4.4 million in purchase orders that had not yet been reflected as revenue in the Company's published quarterly financial statements.

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

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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 with respect to the anticipated receipt of funding based on ISTP approval, results and timing of research, the anticipated effectiveness of the Company's products and services and the revenues to be received by the Company from the project described. 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. The Company disclaims any obligation to publicly update or revise any such statements.

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