



Strong Revenue Growth and Contract Wins Highlight Thermal Energy International's First Quarter of Fiscal 2014

Cross Selling Initiatives Prove Successful During and Subsequent to Quarter End

OTTAWA, ONTARIO – October 28, 2013 – 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 month period ended August 31, 2013. All figures are in Canadian dollars.

Q1 2014 Highlights:

- Revenue and gross profit increased 76.5% and 84.8% respectively, compared to the first quarter a year ago
- Received \$3.7 million in heat recovery and GEM® orders from pulp and paper companies
- Awarded \$0.8 million in heat recovery and GEM® orders from a major hospital
- Received GEM® order totalling nearly \$0.5 million from major multinational food and beverage company

Highlights Subsequent to Quarter End:

- Awarded approximately \$0.8 million in heat recovery and GEM® orders from another major hospital
- Received approximately \$1.9 million in heat recovery and GEM® orders from a leading Fortune 500 food and beverage company
- The Company had an order backlog of approximately \$8.7 million as at October 28, 2013. \$0.5 million of the order backlog is related to long term contracts that are not expected to be reflected in revenue within the next 12 months. 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.

“We had a strong start to fiscal 2014 underscored by repeat business and growth in both our heat recovery and GEM® businesses,” said William Crossland, CEO of Thermal Energy. “We have been successful in cross selling GEM® steam trap systems to existing heat recovery customers. In the pulp and paper industry in particular, we received one heat recovery and eight GEM® orders from six customers totalling approximately \$3.7 million so far in fiscal 2014, all of which was repeat business. We have a healthy project pipeline and a record high order backlog.”

Q1 2014 Financial Review:

Revenue for the quarter was \$1.5 million, representing an increase of 76.5% compared to the first quarter a year earlier. Heat recovery systems revenue increased by \$0.3 million, or 225.1%, and included the partial fulfillment of the \$3.6 million order from a major pulp and paper company announced June 3, 2013 and the completion of a project for a major hospital announced in December 2012. GEM® Condensate

return systems revenue increased by more than \$0.3 million, or 47.5%, and included the partial fulfillment of an order from a major food and beverage company announced July 3, 2013 and sales to a major publicly owned hospital announced June 13, 2013.

Gross profit for the quarter was approximately \$1.0 million, representing an increase of 84.8% compared to the first quarter a year ago. As a percentage of sales, gross profit improved to 63.7% compared to 60.9% in the first quarter of fiscal 2013. The increase as a percentage of sales was attributable to a higher proportion of revenues coming from direct sales of GEM® Condensate return systems.

Operating expenses for the quarter were \$1.4 million, decreasing by 10% compared to the same period a year ago. Operating expenses in the prior period included enhanced staff and distributor training events, recruitment costs relating to staff additions, and audit fees relating to the transition to International Financial Reporting Standards. Within operating expenses research and development expenses are up due to increased activity on the ISTP project and the development of ancillary products within the GEM® product line.

Net loss for the quarter narrowed to less than \$0.4 million compared to a net loss of \$0.8 million for the corresponding period 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 negative \$0.2 million compared to negative \$0.7 million for the first quarter of fiscal 2013.

As at August 31, 2013, the Company's net cash position amounted to \$1.1 million, compared to \$1.3 million as at May 31, 2013. The Company also had an estimated \$0.3 million of unused borrowing capacity under its bank loans. With cash balances and unused borrowing capacity of approximately \$1.4 million, management believes that it has sufficient capital resources to fund existing operations and anticipated capital requirements in the remainder of FY 2014.

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.

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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, statements about the Company's backlog 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. Orders in the Company's backlog as described above may not turn into revenue due to many factors, some of which are outside of the Company's control, including but not limited to the Company's ability to deliver products on time and in accordance with specifications and the continuing financial viability of the customer. 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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