



Strong Revenue Growth Continues to Drive Thermal Energy's Improved Financial Results in the Second Quarter

OTTAWA, ONTARIO – January 21, 2016 – 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, today announced its financial results for the three months (Q2) and six months (YTD) ended November 30, 2015. All figures are in Canadian dollars.

Highlights:

- Revenue increased 50% for Q2 and 78% YTD;
- Gross profit increased 59% for Q2 and 58% YTD;
- EBITDAS, net income and adjusted cash flow returned to positive in Q2 and losses narrowed YTD;
- \$5.7 million in orders received during Q2, including \$3.4 million from hospitals;
- \$586 thousand in orders received subsequent to Q2;
- Order backlog was approximately \$6.9 million as at January 20, 2016 compared to \$3.5 million a year ago.

“Stronger GEM™ and FLU-ACE® heat recovery sales contributed to our much improved financial results for the second quarter and year-to-date,” said William Crossland, CEO of Thermal Energy. “We had a good mix of orders from both new and existing customers, which included several large, multi-site companies. In addition to corporate accounts and other repeat business opportunities, our sales and marketing team is focused on executing sector-based strategies. One sector in particular that has been strong for us this year is hospitals, with revenue plus orders received being more than quadruple our revenue from hospitals in all of fiscal 2015. ”

Summary Financial Results:

In thousands except % data	3 months ended Nov. 30, 2015	3 months ended Nov. 30, 2014	6 months ended Nov. 30, 2015	6 months ended Nov. 30, 2014
Revenue	\$2,502	\$1,663	\$5,058	\$2,834
Gross profit	\$1,617	\$1,019	\$2,717	\$1,722
Gross margin	64.6%	61.3%	53.7%	60.8%
Operating expenses	\$1,596	\$1,599	\$3,163	\$3,059
EBITDAS	\$84	\$(487)	\$(317)	\$(1,145)
Net income (loss)	\$26	\$(491)	\$(427)	\$(1,160)
Adjusted cash flow	\$85	\$(338)	\$(251)	\$(811)

Q2 2016 Financial Review:

Revenue for the quarter increased 50% to \$2.5 million compared to \$1.7 million for the second quarter of last year. Sales of heat recovery systems increased 17%, while GEM sales were up 86% compared to the same quarter a year ago.

Heat recovery sales for the quarter included revenue from an equipment sale to a district heating co-operative, as announced July 15, 2015; the partial installation of a heat recovery system at a leading dairy supplier, as announced March 4, 2015; and an ongoing project at a leading Fortune 500 food and beverage company, as announced April 29, 2015.

GEM sales for the quarter included fulfilment of the first phase of the order from a healthcare company, as announced August 17, 2015; an order from a multinational wines and spirits company, as announced August 25, 2015; and the conversion of one site of a leading Fortune 500 food and beverage company.

Gross profit for the quarter increased 59% to \$1.6 million compared to \$1.0 million for the same quarter a year earlier. As a percentage of sales, gross profit for the quarter was 64.6% compared to 61.3% in the second quarter a year ago. The improved margin was a result of a higher percentage of revenues from GEM sales.

The Company returned to profitability in the quarter, with EBITDAS of \$84 thousand and net income of \$26 thousand, compared to negative EBITDAS of \$487 thousand and a net loss of \$491 thousand in the second quarter of last year. The improvements were attributable to higher sales and gross margin achieved while keeping operating expenses unchanged from a year ago.

Adjusted operating cash flow (defined as net income for the period, plus items not involving cash, plus lease payments received) for the quarter was \$85 thousand compared to negative \$338 thousand for the same period last year.

As at November 30, 2015, the Company had a net cash balance of \$1.2 million. With cash balances and unused borrowing capacity combining for a total of approximately \$1.4 million, management believes that it has sufficient capital resources to fund existing operations and anticipated capital requirements in fiscal 2016.

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.

Order Announcements and Backlog:

As previously announced, during the quarter, the Company:

- Received heat recovery orders from two hospitals totaling approximately \$1.9 million;
- Was engaged by a multi-site hospital group for a GEM and heat recovery project valued at approximately \$1.5 million; and,

- Was engaged by a leading animal feed supplier for a heat recovery project valued at \$641 thousand.

In addition, the Company received \$538 thousand in GEM orders for seven sites of a leading Fortune 500 food and beverage customer, including \$384 thousand during Q2 and \$154 thousand subsequent to quarter end. To date, the Company has sold its GEM steam traps to 18 of this customer's sites and installed its proprietary heat recovery systems at five of those sites.

Order backlog as at January 20, 2016 was approximately \$6.9 million compared to \$3.5 million a year ago. The Company includes in "order backlog" the value of projects in respect of which purchase orders have been received but have not yet been reflected as revenue in the Company's published quarterly financial statements.

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>.

William Crossland
President and CEO
Thermal Energy International Inc.
613-723-6776
bill.crossland@thermalenergy.com

Trevor Heisler
Investor Relations
Heisler Communications
416-500-8061
trevor@heislercommunications.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 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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