

SunSi Reports Fiscal Second Quarter 2012 Results

NEW YORK, Jan. 18, 2012 (GLOBE NEWSWIRE) -- SunSi Energies Inc. ("SunSi") (OTCQB:SSIE), a provider of the specialty chemical trichlorosilane ("TCS") to the solar industry, today announced its operating results for its second fiscal quarter and six months ended November 30, 2011. Revenue totaled approximately \$3.6 million and \$13.8 million for the three and six month periods ended November 30, 2011. SunSi did not record any revenue for the comparable periods in the prior fiscal year.

The loss from operations before income taxes and non-controlling interests was \$839,886 for the second quarter ended November 30, 2011, compared to a loss of \$231,713 for the second quarter ended November 30, 2010. The loss from operations before income taxes and non-controlling interests was \$495,648 for the six month period ended November 30, 2011, compared to a loss of \$390,109 for the corresponding six month period ended November 30, 2010.

EBITDA (Non-GAAP) was negative \$537,198 in the second quarter of 2011 versus a negative EBITDA of \$231,713 in the corresponding period last year. EBITDA for the six month period ended November 30, 2011 was \$104,596 versus a negative EBITDA of \$390,109 in the corresponding period last year.

Recent Company Highlights:

- Completed its planned expansion in production capacity at its Wendeng facility from 20,000 metric tons to 30,000 metric tons.
- Negotiated price decreases ranging from 10% to 15% with major suppliers for key raw materials necessary to produce TCS. These price reductions are expected to be effective at the end of February 2012 and should significantly reduce the Company's production costs of which 60% is comprised of raw materials.
- Entered into final discussions with a number of new potential TCS buyers outside of China to purchase the Company's high quality TCS.

TCS Market

During the fiscal quarter ended November 30, 2011, the polysilicon industry responsible for supplying the solar industry experienced a large downturn in global production due to an oversupply of polysilicon and subsequent price decline in solar modules. TCS, the specialty chemical produced by SunSi, is an essential raw material necessary to manufacture polysilicon. It represents on average approximately 20% of the cost of a kilogram of polysilicon. TCS prices and order volume remained relatively strong against declining polysilicon prices from January 2011 through August 2011. However, in the Company's second fiscal quarter ended November 30, 2011, a subsequent oversupply of polysilicon caused a continued decline in the price of polysilicon, forcing many polysilicon plants to temporarily shut down, which in turn, significantly effected TCS pricing and order volume.

As a result of these unexpected price declines and the reduced number of orders for TCS, a portion of which was cyclical, the Company experienced a significant sequential reduction in revenues compared to the previous six months. Management notes that since the start of the 2012 calendar year, the polysilicon market has shown some preliminary signs of stabilization.

Change of Fiscal Year-End, Guidance

Effective December 2011, SunSi formally changed its fiscal year-end from May 31 to December 31. The Company will file a transitional Form 10-K for the period ended December 31, 2011 and will begin to report earnings on a calendar quarter basis commencing with the quarter ending March 31, 2012.

As a result of the market conditions and change in its fiscal year described above, the Company has withdrawn its guidance previously issued on September 20, 2011 for the fiscal year ending May 31, 2012. As visibility further improves, SunSi plans to issue new guidance in April 2012, for calendar year 2012 which corresponds to its new year-end of December 31.

David Natan, SunSi Energies' Chief Executive Officer, said, "The current polysilicon market conditions have created a challenging environment for SunSi but we remain confident that we will achieve our long-term goals. We continue to work diligently to secure new orders, and manage our operations during this downturn. As the low cost producer and operator of one of the top TCS plants in China, we believe that we are well positioned to emerge as the "go-to" TCS provider as the market continues to stabilize. While our current production remains at lower than historic levels, we are encouraged that the price points for recent bid quotations are above the market lows we experienced from mid-October through December 2011. We expect both TCS pricing and the number of orders to increase by the end of February, with further improvement continuing into the second calendar quarter of 2012."

Richard St-Julien, SunSi Energies' Chairman of the Board, stated, "We remain focused on our business plan and upon the expansion of our Wendeng facility from 30,000 metric tons to 75,000 metric tons. We believe the polysilicon market is showing signs of stabilizing and we are positioned well as we emerge from this downturn. Our management on the ground in China and our entire U.S. management team believe strongly that polysilicon and TCS pricing will begin to increase during the second quarter of 2012 and return to more normalized levels. Our highly effective processes at our Wendeng facility allow us to produce at very

low cost and generate gross margin even in this downturn, which we believe is not the case with many of our competitors. We are in final discussions with a number of foreign potential TCS buyers to place TCS orders with us which will further our goal of diversifying our customer base. Our demonstrated ability to secure TCS buyers outside of China, helps differentiate us from other competitors in China and positions us well for the future."

Financial Results and Non-GAAP Measures

SUNSI ENERGIES INC.

Consolidated Statements of Operations and Comprehensive Income (Loss)

	Three Months Ended November 30,		Six Months Ended November 30,	
	2011	2010	2011	2010
Sales	\$3,564,430	\$ --	\$13,831,221	\$ --
Cost of goods sold	<u>3,457,055</u>	<u>--</u>	<u>11,687,449</u>	<u>--</u>
Gross margin	107,375	--	2,143,772	--
Operating expenses:				
Professional fees	186,819	205,741	413,886	322,978
General and administrative	<u>760,442</u>	<u>25,972</u>	<u>2,225,534</u>	<u>67,131</u>
Total operating expenses	<u>947,261</u>	<u>231,713</u>	<u>2,639,420</u>	<u>390,109</u>
Loss from operations before income taxes	(839,886)	(231,713)	(495,648)	(390,109)
Provision for income taxes (benefit)	<u>(154,171)</u>	<u>--</u>	<u>(7,423)</u>	<u>--</u>
Net loss	(685,715)	(231,713)	(488,225)	(390,109)
Less: Net income (loss) attributable to noncontrolling interests	<u>(146,721)</u>	<u>--</u>	<u>85,569</u>	<u>--</u>
Net loss attributable to SunSi Energies Inc. common shareholders	<u>(\$538,994)</u>	<u>(\$231,713)</u>	<u>(\$573,794)</u>	<u>(\$390,109)</u>
Basic and diluted loss per share	<u>(\$0.02)</u>	<u>(\$0.01)</u>	<u>(\$0.02)</u>	<u>(\$0.01)</u>
Weighted-average number of common shares outstanding:				
Basic and diluted	<u>29,969,628</u>	<u>27,483,665</u>	<u>29,816,545</u>	<u>27,546,180</u>
Comprehensive loss:				
Net loss	(\$685,715)	(\$231,713)	(\$488,225)	(\$390,109)
Foreign currency translation adjustment	<u>(3,717)</u>	<u>--</u>	<u>165,922</u>	<u>--</u>
Comprehensive loss	(689,432)	(231,713)	(322,303)	(390,109)
Comprehensive income (loss) attributable to noncontrolling interests	<u>(148,196)</u>	<u>--</u>	<u>138,886</u>	<u>--</u>
Comprehensive loss attributable to SunSi Energies Inc.	<u>(\$541,236)</u>	<u>(\$231,713)</u>	<u>(\$461,189)</u>	<u>(\$390,109)</u>

SUNSI ENERGIES INC.
Consolidated Balance Sheets

	November 30, 2011	May 31, 2011
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$822,256	\$640,880
Accounts receivable, net	3,250,961	4,669,490
Notes receivable	802,716	941,314
Inventory	1,412,884	563,579
Prepaid expenses and other current assets	105,280	399,086
Total current assets	6,394,097	7,214,349
Property, plant and equipment	7,802,499	7,559,369
Goodwill	3,411,608	3,357,277
Intangible assets, net	3,148,958	3,025,489
Related party receivables	298,686	1,177,204
Other assets	21,451	248,879
Total assets	\$21,077,299	\$22,582,567
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$3,543,031	\$5,320,381
Accrued liabilities	234,216	256,444
Related party payables	5,635,546	5,535,149
Income taxes payable	910,228	1,561,112
Total current liabilities	10,323,021	12,673,086
Long term debt	100,000	--
Total liabilities	10,423,021	12,673,086
Commitments and contingencies	--	--
Redeemable common stock and capital in excess of \$0.001 par value. Zero and 1,349,628 shares, included in issued and outstanding below, respectively	--	2,707,488
Equity:		
SunSi Energies Inc. stockholders' equity:		
Preferred stock, \$0.001 par value. 25,000,000 shares authorized; zero shares issued and outstanding	--	--
Common stock, \$0.001 par value. 75,000,000 shares authorized; 29,999,628 and 29,436,928 shares issued and outstanding as of November 30, 2011 and May 31, 2011, respectively	30,000	29,437
Additional paid-in capital	8,831,277	5,057,252
Accumulated deficit	(1,827,138)	(1,253,344)
Accumulated other comprehensive income	213,501	100,896
Total SunSi Energies Inc. stockholders' equity	7,247,640	3,934,241

Noncontrolling interests		<u>3,406,638</u>	<u>3,267,752</u>
Total equity		<u>10,654,278</u>	<u>7,201,993</u>
Total liabilities and equity		<u>\$21,077,299</u>	<u>\$22,582,567</u>

SUNSI ENERGIES INC.

Non-GAAP Measure - Consolidated Earnings Before Depreciation, Amortization, Interest and Taxes ("EBITDA")

	Three Months Ended November 30,		Six Months Ended November 30,	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Net income (loss)	(685,715)	(231,713)	(488,225)	(390,109)
Depreciation	160,095	--	317,354	--
Amortization	141,843	--	282,140	--
Interest	750	--	750	--
Taxes	<u>(154,171)</u>	<u>--</u>	<u>(7,423)</u>	<u>--</u>
EBITDA	(537,198)	(231,713)	104,596	(390,109)
Less: EBITDA attributable to noncontrolling interests	<u>(131,253)</u>	<u>--</u>	<u>210,790</u>	<u>--</u>
EBITDA attributable to SunSi Energies Inc. stockholders	<u>(405,945)</u>	<u>(231,713)</u>	<u>(106,194)</u>	<u>(390,109)</u>

SUNSI ENERGIES INC.

Reconciliation of GAAP Earnings to Non-GAAP Earnings

	Three Months Ended November 30,		Six Months Ended November 30,	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Net income (loss) attributable to SunSi Energies Inc. common stockholders	(\$538,994)	(\$231,713)	(\$573,794)	(\$390,109)
Earnings (loss) per share, basic and diluted	<u>(\$0.02)</u>	<u>(\$0.01)</u>	<u>(\$0.02)</u>	<u>(\$0.01)</u>
Add: Amortization of intangibles assets identified in Wendeng acquisition	134,804	--	265,148	--
Less: Effect of income taxes	(33,701)	--	(66,287)	--
Less: Effect of noncontrolling interests	<u>(40,441)</u>	<u>--</u>	<u>(79,544)</u>	<u>--</u>
Non-GAAP earnings attributable to SunSi Energies Inc. common stockholders	<u>(\$478,332)</u>	<u>(\$231,713)</u>	<u>(\$454,477)</u>	<u>(\$390,109)</u>
Non-GAAP earnings (loss) per share, basic and diluted	<u>(\$0.02)</u>	<u>(\$0.01)</u>	<u>(\$0.02)</u>	<u>(\$0.01)</u>
Weighted-average number of common shares outstanding:				
Basic and diluted	<u>29,969,628</u>	<u>27,483,665</u>	<u>29,816,545</u>	<u>27,546,180</u>

About SunSi Energies Inc.

SunSi Energies' goal is to become one of the world's largest producers of trichlorosilane ("TCS"). The Company plans to achieve this objective by acquiring and developing a portfolio of high-quality, scalable, strategically located TCS production facilities that possess a potential for future growth and expansion. U.S. based SunSi controls approximately 55,000 metric tons of TCS production in China. TCS is a chemical primarily used in the production of polysilicon, which is an essential raw material in the production of solar cells for PV panels that convert sunlight to electricity. TCS is considered to be the first product in the solar PV value chain before polysilicon, and is also the principal source of ultrapure silicon in the semiconductor industry. For further information, please visit the company's website at <http://www.sunsienergies.com>.

Non-GAAP Financial Measures

From time to time, SunSi management may publicly disclose certain "non-GAAP financial measures" in the course of its financial presentations, earnings releases, earnings conference calls, and otherwise. For these purposes, the SEC defines a "non-GAAP financial measure" as a numerical measure of historical or future financial performance, financial positions, or cash flows that excludes amounts, or is subject to adjustments that effectively exclude amounts, included in the most directly comparable measure calculated and presented in accordance with GAAP in financial statements, and vice versa for measures that include amounts, or is subject to adjustments that effectively include amounts, that are excluded from the most directly comparable measure so calculated and presented. For these purposes, "GAAP" refers to generally accepted accounting principles in the United States. Non-GAAP financial measures disclosed by management are provided as additional information to investors in order to provide them with an alternative method for assessing our financial condition and operating results. These measures are not in accordance with, or a substitute for, GAAP, and may be different from or inconsistent with non-GAAP financial measures used by other companies. Pursuant to the requirements of Regulation G, whenever the Company refers to a non-GAAP financial measure, the Company will also generally present, the most directly comparable financial measure calculated and presented in accordance with GAAP, along with a reconciliation of the differences between the non-GAAP financial measure it references with such comparable GAAP financial measure.

Forward-Looking Statements

This news release contains forward-looking statements related to the future financial condition and results of SunSi's operations. Forward looking statements are based on SunSi's current expectations and estimates regarding: TCS markets and industry in which we operate being the most profitable segment of the solar energy value chain and management's beliefs and assumptions regarding these markets, NASDAQ approval for a listing of our common stock on the NASDAQ Capital Market, increasing the trading volume and price of SunSi's stock, future earnings and revenue projections, receiving new TCS orders, the price of TCS, the level of orders, completion of our Wendeng expansion plan, obtaining new customers outside of China, achieving our overall expansion plan, and other TCS related acquisition transactions. These statements are subject to important risks and uncertainties, which are difficult to predict, and assumptions which may prove to be inaccurate. Some of the factors that could cause results or events to differ materially from current expectations include, but are not limited to: general economic conditions, market or business conditions; general stock market performance; the performance of the solar energy industry in general and the price of polysilicon; changing competitive environment; changing regulatory conditions or requirements; changing technology; raising sufficient capital to fund the expansion of Wendeng to 75,000 MT; the price of TCS sold within China and outside of China; the level of production by the Wendeng factory; our joint venture Baokai's success in attaining new clients under its TCS distribution agreement; the decision by the NASDAQ to reject the Company's application for listing; the decision by companies located outside of China to purchase TCS and success in implementing productivity initiatives. Some of these factors are largely beyond the control of SunSi. Should any factor impact SunSi in an unexpected manner, or should assumptions underlying the forward-looking statements prove incorrect, the actual results or events may differ materially from the results or events predicted. All of the forward looking statements made in this document are qualified by these cautionary statements, therefore, there can be no assurance that the results or developments anticipated by SunSi will be realized or, even if substantially realized, that they will have the expected consequences for SunSi. Readers should not place undue reliance on any forward-looking statements. Furthermore, SunSi disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or any other occurrence.

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