



FOR IMMEDIATE RELEASE

Attention: business, energy, environment, process industry editors

Thermal Energy International (TSX-V:TMG) Completes Acquisition of U.K.-based Gardner Energy Management (GEM)

GEM seen to have multi-million dollar accretive revenue impact for FY 2009

OTTAWA, Canada – July 2, 2008 – Thermal Energy International Inc. (TSX-V:TMG) (www.thermalenergy.com) (the “Company” or “Thermal Energy”) announced today it has completed the acquisition of Gardner Energy Management Ltd. (“GEM”), of Bristol, U.K. (the “Transaction”).

As per the terms of the Transaction, announced on April 7, 2008, Thermal Energy made a base payment of £2.7 million (\$5.38 million CAD) upon closing July 1, 2008. Funds for this transaction were raised in the Company’s recently announced \$15 million private placement involving a number of the most recognized renewable energy and sustainability focused funds in Toronto, New York and London.

An additional payment of up to £1.3 million (approximately \$2.6 million CAD) may be made on an earn-out basis in a combination of cash and shares over a three-year period subject to defined future growth targets of the GEM® business unit..

“We are delighted to have been able to finalize this acquisition in such an accelerated time frame in accordance with our plan,” said Thermal Energy President and CEO Tim Angus. “Thermal Energy’s recent success in securing the capital to finance the Transaction from institutional investors is further validation of Thermal Energy’s business strategy and recognition of the excellent value GEM can deliver to the Company and its shareholders.

“I am pleased to welcome the GEM team to the Thermal Energy family. Together we are well-positioned to capitalize on current and future market opportunities and deliver even greater value to customers,” said Mr. Angus.

The Company is pleased to confirm that Tim Gardner, founder and Managing Director of GEM will remain with the company to assist Thermal Energy’s management team in overseeing a smooth and seamless integration into a single organization serving customers with an expanded solution offering.

“I am pleased and confident in the future growth prospects of the GEM® product line as a result of our joining the Thermal Energy team,” said Mr. Gardner. “I look forward to working together to advance the widespread acceptance and adoption of GEM®”

The Transaction is seen by management to have a significant positive and immediate impact on Thermal Energy’s revenues. On a trailing 12-month basis, GEM’s revenues were in excess of \$3.2 million. Historically GEM has experienced compounded annual growth of 25%. The Company anticipates continued strong growth prospects in the U.K. and plans to leverage the synergies of the acquisition to further increase overall GEM® product line revenues in FY 2009 and subsequent years. This includes anticipated growth from expanded sales activity in China, North America and other European markets.

In May 2008, GEM signed a preferred supplier agreement with a high-ranking Global 500 life sciences company, with operations in more than 110 countries. This global preferred supplier agreement is

expected to result in substantial growth for the GEM® business unit over the next five years and provide excellent cross selling opportunities for TEI's other energy and emission reduction solutions.

The Transaction provides a number of significant operational, strategic and market synergies, detailed in the April 7, 2008 press release which may be found at:

<http://media.integratir.com/v.tmg/PressReleases/GEM%20final%2004072008.pdf>.

Meetings have been scheduled at GEM's headquarters in Bristol, U.K. in mid-July to discuss sales growth and marketing strategies including the introduction of Thermal Energy's heat recovery and other energy and greenhouse gas reduction solutions to GEM's customer base which includes a number of Global 500 corporations.

NOTE: This press release may contain forward-looking statements relating to, and amongst other things, based on management's expectations, estimates and projections. Such statements including those about the Company's strategy for growth, product development, market position, expected expenditures and financial results are forward looking statements. These statements are not guarantees of future performance and involve a number of risks, uncertainties and assumptions. Many factors could cause results to differ materially from those stated. The Company disclaims any obligation to publicly update or revise any such statements.

About Thermal Energy

Thermal Energy International Inc. is an innovative technology company providing custom energy and emission reduction, and bioenergy solutions. Headquartered in Ottawa, Canada, TEI is a designer, design build developer, fabricator, owner, operator and supplier of proprietary and patented energy conservation, renewable energy and environmental technology solutions. Thermal Energy is a fully accredited professional engineering firm, and offers advanced process and applications engineering services. The Company is a proud member of the Chicago Climate Exchange (CCX). FLU-ACE™, DRY-REX™, THERMALONOX™ and THERMALOZOMAX™, THERMAL AUD™ and GEM® are trademarks of Thermal Energy International.

About Gardner Energy Management (GEM)

Gardner Energy Management Ltd. (GEM), (www.gemtrap.com) was established in the U.K. in 1995 to manufacture and market the GEM Venturi Orifice Steam Trap. The company won the UK Engineering Council's Environmental Award for Engineers in 1998 and the Institution of Chemical Engineers' Best New Product in 1999. To date, more than 50,000 GEM Steam Traps have been installed across Europe as a "no-fail" permanent replacement for traditional steam traps. The GEM traps have been demonstrated to provide significant reductions in the overall cost of steam production with a commensurate reduction in greenhouse gases and other emissions. More recently, GEM steam traps have been introduced into North America and China with positive results and these markets represent a significant untapped opportunity going forward. GEM was acquired by Thermal Energy International Inc. in July, 2008.

For more information about Thermal Energy International Inc. (TSX-V: TMG), visit our website at www.thermalenergy.com.

Contact:

Tim Angus
President and CEO
613-723-6776

Stuart McCarthy
Investor Relations and Communications
(613) 723-6776 x 220 or
(613) 762-4321 - cell
stuart.mccarthy@thermalenergy.com