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FOR IMMEDIATE RELEASE

Thermal Energy Enters into Agreement with North Eastern US Paper Mill to Deliver Green Energy Supply Deal Valued Over \$20 Million

First phase of multi-mill initiative anticipated to offset the use of fuel oil by more than 105,000 barrels annually.

OTTAWA, ON – June 3, 2008 – Thermal Energy International Inc, (TSX-V:TMG) (www.thermalenergy.com) is pleased to announce it has entered into an agreement with a major North American integrated paper company for the development and delivery of a green energy supply program worth in excess of \$20 million, using recovered waste heat at one of its facilities in the North Eastern United States.

This represents the first phase of a multi-site agreement involving the deployment of Thermal Energy's heat recovery technologies across five sites.

The initial project is expected to be delivered using the THERMAL AUD™ (Alternate Utility Delivery) financing mechanism, where Thermal Energy installs the technology and acts as the owner and operator of the system, receiving regular fixed payments over the life of the contract, with a purchase or renewal option at the end of the contract term. Thermal Energy will also be proposing an alternate up-front capital purchase option upon completion of the detailed engineering phase which is expected to be completed over the next 30 days.

This proposed project, Thermal's largest to date, would use multiple FLU-ACE® heat recovery systems to capture waste heat produced by the mill and incorporate it into operations to offset the use of fossil fuel. The mill would then purchase the recovered waste heat from Thermal Energy at a discount to current energy prices, resulting in over \$40M in total fuel oil savings over the life of the eight-year contract term.

Initial estimates show the project would reduce fuel oil consumption by 105,000 barrels per year with commensurate annual emission reductions of 55,000 tons of CO₂, and 625 tons of SO₂ – equivalent to permanently removing more than 13,000 automobiles from the road.

“As the cost of fuel oil continues to rise north of \$100 per barrel, Thermal Energy’s suite of solutions is even more compelling to industrial clients seeking to achieve operational cost savings and emission reductions,” said Tim Angus, Thermal Energy President and CEO. “As a result, our typical solution size for our clients continues to grow, with this project being substantially larger than any in Thermal’s history.”

“We also continue to experience tremendous demand for our THERMAL AUD™ green energy supply program as it provides our clients the opportunity to achieve significant energy reductions and environment benefits without the requirement of any upfront capital expenditures,” said Anthony Pugliese, Thermal Energy Vice President, Sales. “This program further supports our corporate client sales strategy focused on multi-site accounts whereby we can demonstrate our technologies and roll them out in a streamlined approach across a customer’s entire portfolio.”

An earlier Letter of Intent had been released for this same client related to the development of a DRY-REX™ feasibility study. This project has been temporarily postponed as a result of the significant magnitude of savings that can be realized via deployment of heat recovery solutions applicable across the client’s portfolio of facilities. It is anticipated that this prior project will be revisited upon completion of the roll out of heat recovery projects. Thermal Energy has additional DRY-REX™ projects in development with clients in the North America, Europe and China.

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

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

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