



Thermal Energy Signs Agreement for Canadian Government Funding Support for Product Development in the Chinese Petrochemical Market

OTTAWA, ONTARIO – February 7, 2013 – Thermal Energy International Inc. ("Thermal Energy" or the "Company") (TSXV: TMG), is pleased to announce that it has signed a funding agreement with the Canadian government related to a previously announced offer of funding to support a product development project targeting the Chinese petrochemical market.

On February 8, 2012, Prime Minister Stephen Harper and Chinese Premier Wen Jiabao announced results of the third call for joint research and development projects under the Canada-China Framework Agreement for Cooperation on Science, Technology and Innovation. The bilateral R&D projects are jointly funded by ISTP Canada, a national organization mandated by the Government of Canada to develop and implement R&D collaboration programs under Science and Technology (S&T) cooperation agreements between Canada and key trade partners including China; and the Ministry of Science and Technology (MOST) of the People's Republic of China.

At that time Thermal Energy was pleased to announce that included in the list of projects receiving support, as announced by Prime Minister Harper and Premier Wen Jiabao, was a project it was developing with Cyheat Energy Technology Inc. ("Cyheat") and Liaoning Shihua University. The intent of this project is to develop a cost-effective waste heat recovery system for use in petrochemical re-heating furnaces. If successful this technology is expected to help refineries achieve greater energy efficiency, reduce emissions and save millions of dollars in fuel costs by reducing the refineries' fuel consumption by up to 15 percent and recovering up to 90 percent of the water vapor in the emissions for re-use.

The initial focus for the product is the Chinese market where more than 1,200 re-heating furnaces are in operation by the petrochemical industry, however if successful the technology is expected to have application globally and open up a significant new market for Thermal Energy.

"The petrochemical industry is a key strategic target for Thermal Energy and a significant energy consumer worldwide", said William Crossland, Chief Executive Officer of Thermal Energy. "Condensing heat recovery on a petrochemical re-heating furnace is a novel application of this technology and if successful, this project will open new doors for Thermal Energy as well as complement our existing FLU-ACE® heat recovery system and GEM® steam trap technologies already widely in use."

ISTP Canada has committed to cover 50% of Thermal Energy's eligible costs of the project to a maximum of approximately \$244,000. The project is expected to be completed over the next two to three years. Thermal Energy and Cyheat will jointly share any technology developed as a result of this project.

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. To find out more about Thermal Energy International Inc. (TSX-V: TMG), visit our website at <http://www.thermalenergy.com>.

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. 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. The Company disclaims any obligation to publicly update or revise any such statements.

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