

**THERMAL ENERGY INTERNATIONAL INC.**

**NOTICE OF ANNUAL MEETING OF  
SHAREHOLDERS TO BE HELD ON NOVEMBER 29, 2007  
AND  
MANAGEMENT INFORMATION CIRCULAR**

October 25, 2007

## **THERMAL ENERGY INTERNATIONAL INC.**

### **NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

#### **TO THE SHAREHOLDERS**

NOTICE IS HEREBY GIVEN that an annual meeting (the "Meeting") of the holders of common shares ("Common Shares") of Thermal Energy International Inc. (the "Corporation") will be held at the Brookstreet Hotel in the Mulligan Room, 525 Legget Drive, Kanata, Ontario, K2K2W2 on Thursday, the 29<sup>th</sup> day of November, 2007 at 9:00 a.m. (Ottawa Time) for the following purposes:

1. to receive and consider the audited financial statements of the Corporation for the year ended May 31, 2007 and the Auditor's Report thereon;
2. to appoint Raymond Chabot Grant Thornton, Chartered Accountants, as Auditors for the Corporation for the ensuing year and to authorize the Directors to fix their remuneration;
3. to elect the Directors of the Corporation as described in the Management Information Circular dated October 25, 2007;
4. to transact such other business as may properly be brought before the Meeting or any adjournment or postponement thereof.

Shareholders are referred to the accompanying Management Information Circular dated October 25, 2007 for more detailed information with respect to the matters to be considered at the Meeting.

The Directors have fixed October 25, 2007 as the record date. Holders of Common Shares of record at the close of business on October 25, 2007 are entitled to notice of the Meeting and to vote thereat or at any adjournment thereof.

Dated at the City of Ottawa, in the Province of Ontario, this 25<sup>th</sup> day of October, 2007.

#### **BY ORDER OF THE BOARD OF DIRECTORS**

Tim K. Angus  
President and Chief Executive Officer

**Shareholders who are unable to attend the meeting in person are requested to date and sign the enclosed form of proxy and return it in the envelope provided. All proxies to be valid, must be received by the offices of Computershare Investor Services, Inc., 100 University Avenue, 9<sup>th</sup> floor, Toronto, Ontario, M5J 2Y1, Attention: Proxy Department at least 48 hours prior to the meeting or any adjournment thereof.**

**THERMAL ENERGY INTERNATIONAL INC.**  
**MANAGEMENT INFORMATION CIRCULAR**  
**for the Annual Meeting of Shareholders**  
**to be held on November 29, 2007**

**SOLICITATION OF PROXIES**

**This Information Circular is furnished in connection with the solicitation by the management of Thermal Energy International Inc. (the “Corporation”) of proxies from holders of common shares of the Corporation (“Common Shares”) for use at the annual meeting of the shareholders of the Corporation (the “Meeting”) to be held on November 29, 2007 at 9:00 a.m. (Ottawa time) at the Brookstreet Hotel in the Mulligan Room, 525 Legget Drive, Kanata, Ontario, K2K 2W2, and at any adjournment thereof, for the purposes set out in the accompanying notice of the Meeting (the “Notice of Meeting”).**

Although it is expected that solicitation will be primarily by mail, proxies may also be solicited by telephone or other means of communication, or in person by directors and officers of the Corporation (who will not be additionally compensated therefore). The cost of solicitation will be borne by the Corporation. The Corporation may also pay brokers or nominees holding Common Shares in their names or in the names of their principals for their reasonable expenses in sending solicitation material to Beneficial Holders.

**APPOINTMENT AND REVOCATION OF PROXIES**

**The persons named in the accompanying Form of Proxy are directors and/or officers of the Corporation. Shareholders desiring to appoint some other person (who is not required to be a shareholder of the Corporation) to represent him at the Meeting may do so either by inserting such person’s name in the blank space provided in the Form of Proxy and deleting the names printed thereon or by completing another proper Form of Proxy. Such shareholder should notify the nominee of his appointment, obtain his consent to act as proxy and should instruct him on how the shareholder’s shares are to be voted.**

A Proxy will not be valid for the Meeting or any adjournment thereof unless it is signed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, it must be executed under corporate seal or by a duly authorized officer or attorney of the corporation and delivered to the offices of Computershare Investor Services, Inc., 100 University Avenue, 9th floor, Toronto, Ontario, M5J 2Y1, Attention: Proxy Department at least 48 hours prior to the Meeting or any adjournment thereof.

A shareholder who has given a proxy may revoke it, in any manner permitted by law, including by instrument in writing, executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, executed by a duly authorized officer or attorney of such corporation and deposited with the Corporation, Attention: Tim K. Angus, President and CEO, 36 Bentley Avenue, 1st Floor, Ottawa, Ontario, K2E 6T8, any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof or with the chairman of the Meeting on the day of the Meeting or any adjournment thereof.

**ADVICE TO BENEFICIAL HOLDERS OF COMMON SHARES**

**The information set forth in this section is of significant importance to many shareholders of the Corporation, as a substantial number of shareholders do not hold shares in their own name. Beneficial Shareholders should note that only proxies deposited by shareholders whose names appear on the records of the Corporation as the registered holders of Common Shares can be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a shareholder by a broker, then in almost all cases, those Common Shares will not be registered in the shareholder’s name on the records of the Corporation. Such Common Shares will more likely be registered under the names of the shareholder’s broker or an agent of that broker. In Canada, the majority of such shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities, which acts as nominee for many Canadian brokerage firms). Shares held by brokers or their agents or nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from**

voting shares for the broker's clients. **Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their Common Shares are communicated to the appropriate person.**

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. The voting instruction form supplied to a Beneficial Shareholder by his broker (or the agent of the broker) is similar to the form of proxy provided to registered shareholders by the Corporation. However, its purpose is limited to instructing the registered shareholder (the broker or agent of the broker) on how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("Broadridge"). Broadridge typically asks Beneficial Shareholders to return the voting instruction forms to Broadridge. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. **A Beneficial Shareholder receiving a voting instruction form cannot use that form to vote Common Shares directly at the Meeting - the voting instruction form must be returned to Broadridge (or voting instruction communicated directly to Broadridge) well in advance of the Meeting in order to have the Common Shares voted.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for purposes of voting Common Shares registered in the name of his broker (or agent of the broker), a Beneficial Shareholder may attend the Meeting as proxyholder for the registered shareholder and vote the Common Shares in that capacity. **Beneficial Shareholders who desire to attend the Meeting and indirectly vote their Common Shares as proxyholder for the registered shareholder should enter their own names in the blank space on the instrument of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker (or agent), well in advance of the Meeting.**

#### **VOTING OF PROXIES**

All shares represented at the Meeting by a properly executed Form of Proxy will be voted on any ballot that may be called for and, where a choice with respect to any matter to be acted upon has been specified in the Form of Proxy, the shares represented by the Proxy will be voted in accordance with such instructions. **In the absence of any such specification or instruction, the persons whose names appear on the Form of Proxy, if named as proxies, will vote in favour of all of the matters set out in the Notice of Meeting.**

**The enclosed Form of Proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting and any other matters which may properly come before the Meeting.** As of the date hereof, Management is not aware of any amendments to, variations of or other matters to be presented for action at the Meeting. If, however, amendments, variations or other matters properly come before the Meeting, the persons designated in the Form of Proxy will vote thereon in accordance with their judgment pursuant to the discretionary authority conferred by such Proxy with respect to such matters.

#### **VOTING SHARES AND PRINCIPAL HOLDERS THEREOF**

The record date for the purpose of determining holders of Common Shares is October 25, 2007. Shareholders of record on that date are entitled to receive notice of and attend the Meeting and vote thereat on the basis of one vote for each Common Share held. Pursuant to the Ontario *Business Corporation Act*, the Corporation is required to prepare no later than ten days after the Record Date, an alphabetical list of shareholders entitled to vote as of the Record Date that shows the number of Common Shares held by each shareholder. A shareholder whose name appears on the list is entitled to vote the Common Shares shown opposite his name at the Meeting. The list of Shareholders is available for inspection during usual business hours at the Corporation's office, 36 Bentley Avenue, 1<sup>st</sup> Floor, Ottawa, Ontario K2E 6T8.

The Corporation's authorized share capital consists of an unlimited number of Common Shares, and an unlimited number of preference shares issuable in series. There are presently no preference shares issued and outstanding and 92,467,747 Common Shares issued and outstanding as fully paid and non-assessable.

To the knowledge of the directors and senior officers of the Corporation, there are no persons, firms or corporations that own of record, beneficially, directly or indirectly, or that exercise control or direction over 10% or more of the issued and outstanding Common Shares.

Name and Municipality	Type of Ownership	Number of Common Shares	Percentage of Shares Owned
CDS & Co., Toronto, Ontario <sup>(1)</sup>	Indirect	81,218,304	87.83

Notes: (1) The beneficial owners of common shares held by depositories are not known to the directors or executive officers of the Company.

## REMUNERATION OF DIRECTORS AND OFFICERS

### Summary Compensation Table

The table below sets out the compensation earned during the last three fiscal years by the Chief Executive Officer, the Chief Financial Officer and the other executive officer whose salary and bonus exceeded \$150,000. The Named Executive Officers received an aggregate of \$311,280 as salary during the fiscal year ending May 31, 2007.

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation			All Other Compensation (\$)
		Salary (\$)	Bonus/Commission (\$)	Other Non Cash Annual Compensation (\$)	Awards		Payouts	
					Securities Under Options Granted (#)	Restricted Shares or Restricted Share Units (\$)	LTIP Payouts (\$)	
Tim K. Angus President & CEO	2007	118,800	83,554	20,000	2,000,000	Nil	Nil	14,518 <sup>(3)</sup>
	2006	104,000	Nil	69,900 <sup>(1)</sup>	Nil	Nil	Nil	9,600 <sup>(3)</sup>
	2005	90,000	40,312	90,000 <sup>(1)</sup>	1,000,000	Nil	Nil	7,200 <sup>(3)</sup>
Denis Forget Vice President of Engineering	2007	96,000	22,950	25,815 <sup>(1)</sup>	500,000	Nil	Nil	5,400 <sup>(3)</sup>
	2006	96,000	9,315	82,270 <sup>(1)</sup>	Nil	Nil	Nil	5,400 <sup>(3)</sup>
	2005	71,500	7,854	89,625 <sup>(1)</sup>	500,000	Nil	Nil	4,950 <sup>(3)</sup>
Oliver Toffoli General Manager, Energy Solutions Projects, Treasurer & CFO	2007	96,480	16,564	Nil	500,000	Nil	Nil	Nil
	2006	86,980	5,098	8,000 <sup>(2)</sup>	Nil	Nil	Nil	Nil
	2005	65,583	5,392	6,000 <sup>(2)</sup>	493,000	Nil	Nil	Nil

Notes:

- (1) The amounts relate to compensation bonuses paid in Common Shares of the Company to new incoming managers.
- (2) The amounts relate to compensation in Common Shares of the Company in lieu of cash payment of debt owing.
- (3) The amounts relate to annual cash compensation for automobile usage (and repair costs associated with CEO).

Mr. Angus entered into a three year employment agreement with the Corporation on December 24, 2004 to commence work on February 1, 2005 that provided for initially a monthly remuneration of \$8,000 for salary and \$800 for automobile allowance. The contract automatically renewed for another two years after the first year of services unless the Corporation wished to modify the terms of the contract. In addition to base salary, automobile allowance and sales commissions, the remuneration package consisted of the following:

a) 1,500,000 common shares at a deemed price of \$0.10 per share as a signing bonus to be earned over a 1.5 year period, with 300,000 shares due upon commencement of duties, then at a subsequent rate of 200,000 shares for every 3 months of service to the Corporation.

b) Additionally, 1,000,000 options to purchase common shares at a price of \$0.10 per share with an earn out of 500,000 options upon commencement of duties and then the remaining earned out at a rate of 100,000 options per \$1,000,000 in secured sales of the Corporation. After earning the initial options, another 1,000,000 options was granted at a price of \$0.16 per share and earned at the rate of 100,000 options per \$1,000,000 in secured sales of the Corporation. Additionally, 1,000,000 options were granted as a bonus at a price of \$0.16 per share.

c) Mr. Angus' monthly remuneration was increased to \$9,900 for salary and \$900 in automobile allowance in April, 2006 and subsequently to \$14,500 in salary and \$1,000 in automobile allowance in July, 2007.

Mr. Forget entered into a three year employment agreement with the Corporation on 2005 to commence work on February 15, 2005 that provided for initially a monthly remuneration of \$7,000 for salary and \$450 for automobile allowance. The contract automatically renewed for another year after the first year of service unless the Corporation wished to modify the terms of the contract. In addition to base salary, automobile allowance and sales commission, the remuneration package consisted of the following:

a) 750,000 common shares at a deemed price of \$0.22 per share as a signing bonus to be earned over a 1.5 year period, with 300,000 shares due upon commencement of duties, then at a subsequent rate of 75,000 shares for every 3 months of service to the Corporation.

b) Additionally, 500,000 options to purchase common shares at a price of \$0.10 per share with an earn out of 250,000 options upon commencement of duties and then the remaining to be earned out at a rate of 50,000 options per \$1,000,000 on secured sales of the Corporation. After earning the initial options, another 500,000 options was granted on December 20, 2006 at the price of \$0.16 per share and earned at the rate of 50,000 options per \$1,000,000 in secured sales of the Corporation.

c) Subsequently, Mr. Forget's monthly remuneration was increased to \$8,000 for salary in July, 2005.

Mr. Toffoli's monthly remuneration was increased to \$8,600 for salary and \$400 for automobile allowance in July, 2007. Additionally, 500,000 options were granted to him on December 20, 2006 to purchase common shares at a price of \$0.16 per share.

## STOCK OPTIONS

On June 11, 2007 one employee was granted 250,000 options to purchase Common Shares at \$0.37 per share.

On June 11, 2007 one consultant was granted 100,000 options to purchase Common Shares at \$0.37 per share.

On June 15, 2007 one employee was granted 300,000 options to purchase Common Shares at \$0.37 per share.

On July 20, 2007 one employee was granted 100,000 options to purchase Common Shares at \$0.425 per share.

The following table sets out the options granted to the Named Executive Officers during the most recently completed Financial Year.

**OPTION GRANTS DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR**

NAME	Securities Under Options Granted	Percentage of Total Options Granted to Employees [%]	Exercise Price [\$/share]	Market Value of Securities Underlying Options on the Date of Grant [\$/share]	Expiration Date
Tim K. Angus	2,000,000	51.94	0.16 <sup>(1)</sup>	0.14	Dec. 20/09
Denis Forget	500,000	12.98	0.16 <sup>(1)</sup>	0.14	Dec. 20/09
Oliver Toffoli	500,000	12.98	0.16 <sup>(1)</sup>	0.14	Dec. 20/09

Note (1): The market value on the date of grant was the closing price on the day prior to the grant.

The following table sets forth information concerning each exercise of options during the most recently completed financial year by each of the Named Executive Officers and the financial year-end value of unexercised options, on an aggregated basis.

*Aggregated Option Exercises During the Most Recently Completed Financial Year and Financial Year-End Option Values*

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at FY-06 Exercisable / Unexercisable	Value of Unexercised in-the-Money Options at FY-End (\$ Exercisable / Unexercisable)
Tim K. Angus	Nil	Nil	2,000,000 / 1,000,000	260,000 / 160,000
Denis Forget	Nil	Nil	1,000,000 / 500,000	140,000 / 80,000
Oliver Toffoli	50,000	7,500	993,000 / 0	163,300 / 0

**Compensation of Directors**

The Corporation initiated compensation of \$7,500 annually (and paid out quarterly) to each Independent Director (those who are not also officers of the Corporation) in January, 2007. Previously, Independent Directors were entitled to an honorarium by the Corporation of \$200 per day for each meeting of the Board of Directors which is attended in person, and a \$100 honorarium for each teleconference meeting of the Board of Directors but decided to waive this entitlement. They may also receive additional compensation for duties on the audit and compensation committees and have waived this compensation in this past fiscal year. All miscellaneous out-of-pocket expenses incurred in carrying out their duties as Directors of the Corporation are paid for by the Corporation. Non-independent Directors are not entitled to compensation for Board activities.

## STOCK OPTION PLAN

On February 1, 2005, the Directors of the Corporation adopted a new form of Stock Option Plan known as the 20% Fixed Plan (the "Plan") which was further ratified at the shareholder's meeting held on April 5, 2006.

All options granted under the Plan will be non-assignable and non-transferable and may only be issued to directors, employees, or consultants (as those terms are defined in Policy 1.1 of the TSX-V Corporate Finance Manual). Options granted to a director, employee or consultant will expire within ninety (90) days after the optionee ceases to qualify in at least one of those categories. Options granted to an optionee who is engaged in investor relations activities must expire within thirty (30) days after such optionee ceases to provide investor relations activities. In the event of death of an optionee, any option then held may be exercised by the optionee's personal representatives for a maximum period of one (1) year.

The number of Common Shares reserved for issuance under stock options granted to insiders of the Corporation pursuant to the Corporation's Stock Option Plan, together with all of the Corporation's previously established and outstanding stock option plans or grants is 14,133,472 Common Shares which represented 20% of the Corporation's outstanding Common Shares at the date the Plan was approved.

The aggregate number of Common Shares so reserved for issuance to any one optionee in a twelve (12) month period, shall not exceed 5% of the issued Common Shares (on a non-diluted basis).

Consultants and persons providing investor relations activities may be granted options to acquire up to a maximum of 2% of the number of issued and outstanding Common Shares. Options currently granted and outstanding shall remain valid and outstanding until expiration or exercise in accordance with the applicable option agreements and shall not be subject to a vesting schedule.

Once granted, options do not become available for re-issuance pursuant to the Plan upon exercise, but do become available for re-issuance upon expiry, termination or lapse, as the case may be.

Based on a total of 17,805,714 options issued and 3,995,000 options cancelled and a total of 2,367,714 options expired as at the date hereof, a maximum of 2,690,472 non-granted options to acquire additional Common Shares are available under the Plan.

Since the inception of the Plan, options to acquire an aggregate of 17,805,714 Common Shares were granted under the Plan as provided below:

**OPTIONS GRANTED UNDER THE PLAN**

<b>Options to Acquire an Aggregate of Common Shares[Quantity]</b>	<b>Exercise Price[\$/share]</b>	<b>Date of Expiry</b>
529,000	\$ 0.30	1-Oct-04
210,000	\$ 0.18	1-Oct-04
410,000	\$ 0.30	19-Oct-04
280,000	\$ 0.30	2-Apr-05
33,000	\$ 0.30	16-Apr-05
1,475,000	\$ 0.18	6-Jun-05
100,000	\$ 0.18	5-Aug-05
2,425,000	\$ 0.15	16-Jan-07
775,714	\$ 0.18	16-Jan-07
275,000	\$ 0.15	7-May-07
318,000	\$ 0.10	12-Jan-08
100,000	\$ 0.13	20-Jan-08
200,000	\$ 0.12	20-Jan-08
250,000	\$ 0.20	24-Jan-08
200,000	\$ 0.10	29-Jan-08
1,000,000	\$ 0.10	1-Feb-08
1,800,000	\$ 0.12	1-Feb-08
150,000	\$ 0.24	1-Mar-08
950,000	\$ 0.22	29-Apr-08
250,000	\$ 0.24	19-May-08
100,000	\$ 0.24	2-Jun-08
150,000	\$ 0.24	10-Jun-08
150,000	\$ 0.24	15-Aug-08
250,000	\$ 0.26	9-Sep-08
200,000	\$ 0.18	3-Jan-09
350,000	\$ 0.21	7-Sep-09
3,500,000	\$ 0.16	20-Dec-09
350,000	\$ 0.37	11-Jun-10
300,000	\$ 0.37	15-Jun-10
100,000	\$ 0.425	20-Jul-10
575,000	\$ 0.20	15-Mar-10
<b>Total: 17,805,714</b>		

During the previous fiscal years up to FY 2007 ending May 31, 2007, the following options as shown in the table below were cancelled:

<b>Number Cancelled</b>	<b>Exercise Price [\$/share]</b>
1,500,000	\$ 0.15
170,000	\$ 0.30
850,000	\$ 0.18
1,300,000	\$ 0.12
125,000	\$ 0.10
50,000	\$ 0.22
<b>Total: 3,995,000</b>	

During the previous fiscal years up to FY 2007 ending May 31, 2007, the following options to acquire an aggregate number of Common Shares expired:

- Options to acquire an aggregate of 1,082,000 Common Shares at a price of \$0.30 per Common Share and options to acquire an aggregate of 1,035,714 Common Shares at a price of \$0.18 per Common Share and options to acquire an aggregate of 350,000 Common Shares at a price of \$0.15 per Common Share.

During the three month period ended August 31, 2007, the following options to acquire an aggregate number of Common Shares were exercised:

- Options to acquire an aggregate of 125,000 Common Shares at a price of \$0.20 per Common Share; options to acquire an aggregate of 100,000 Common Shares at a price of \$0.15 per Common Shares and options to acquire an aggregate of 250,000 Common Shares at a price of \$0.10 per Common Shares.

**SECURITIES AUTHORIZED FOR ISSUANCE UNDER  
EQUITY COMPENSATION PLANS**

The following table sets forth as of May 31, 2007, information concerning securities for issuance under equity compensation.

<b>Plan Category</b>	<b>Number of Securities to be issued upon exercise of outstanding options</b>  <b>(a)</b>	<b>Weighted Average Exercise Price Outstanding Options</b>  <b>(b)</b>	<b>Number of Securities remaining available for future issuance under equity compensation plans {excluding securities reflected in column (a)}</b>  <b>(c)</b>
<b>Equity Compensation plans approved by security holders</b>	<b>8,368,000</b>	<b>\$0.136</b>	<b>3,540,472</b>
<b>Equity Compensation plans not approved by security holders</b>	n/a	n/a	n/a

## WARRANTS

Warrants to acquire an aggregate of 23,348,755 Common Shares were granted as provided in the Table below:

### WARRANTS GRANTED

Warrants to Acquire an Aggregate of Common Shares [Quantity]	Exercise Price [\$/share]	Date of Expiry 1 <sup>st</sup> yr	Exercise Price [\$/share]	Date of Expiry 2 <sup>nd</sup> yr
433,000	\$ 0.14	30-Dec-05		
695,000	\$ 0.14	12-Jan-06		
1,665,000	\$ 0.16	18-Mar-06		
3,783,335	\$ 0.10	4-Nov-05		
2,292,030	\$ 0.15 <sup>(1)</sup>	18-Jan-06	\$ 0.60 <sup>(1)</sup>	18-Jan-07
3,333,666	\$ 0.35	03-Jun-07		
3,867,895	\$ 0.30	22-Apr-08		
760,000	\$ 0.30	10-Oct-08		
260,000	\$ 0.30	2-Nov-08		
236,912	\$ 0.30	30-Nov-08		
324,000	\$ 0.30	6-Dec-08		
281,250	\$ 0.30	29-Dec-08		
4,166,667	\$ 0.40	23-May-09		
1,250,000	\$ 0.40	29-May-09		
<b>Total: 23,348,755</b>				

Note:

- (1) Warrants were exercisable at a price of \$0.15 per share in the first year and at a price of \$0.60 per share in the second year.

During the Third Quarter of the fiscal year ended May 31, 2007, the following warrants to acquire an aggregate number of Common Shares expired:

- Warrants to acquire an aggregate of 380,000 Common Shares at a price of \$0.60 per Common Share.

During the three month period ended August 31, 2007, First Quarter of FY 2008, the following warrants to acquire an aggregate number of Common Shares were exercised:

- Warrants to acquire an aggregate of 180,000 Common Shares at a price of \$0.35 per Common Share and warrants to acquire an aggregate of 125,000 Common Shares at a price of \$0.30 per Common Share.

During the three month period ended August 31, 2007, the following warrants to acquire an aggregate number of Common Shares expired.

- Warrants to acquire an aggregate of 3,153,666 Common Shares at a price of \$0.35 per Common Share.

During the three month period ended November 30, 2007, Second Quarter of FY 2008, the following warrants to acquire an aggregate number of Common Shares were exercised:

- Warrants to acquire an aggregate of 7,828 Common Shares at a price of \$0.30 per Common Share.

## INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS

### Aggregate Indebtedness

The following table sets out the aggregate indebtedness of all executive officers, directors, employees and former executive officers, directors and employees of the Corporation or any of its subsidiaries as at October 15, 2006.

AGGREGATE INDEBTEDNESS (\$)		
Purpose	To the Corporation or its Subsidiaries	To Another Entity
(a)	(b)	(c)
Share Purchases	46,970	nil
Other	0	nil

**Indebtedness of Directors and Executive Officers under (1) Securities Purchase Programs and (2) Other Programs**

The following table sets out the indebtedness of each director, executive officer, nominee for election as director and each associate of any such director, executive officer or proposed nominee, who is or at any time during the most recently completed financial year was indebted to the Corporation or any of its subsidiaries.

<b>Indebtedness of Directors and Executive Officers under (1) Securities Purchase Programs and (2) Other Programs</b>						
Name and Principal Position	Involvement of Corporation or Subsidiary	Largest Amount Outstanding During Fiscal Year Ended May 31, 2007	Amount Outstanding as at <b>October 15, 2007</b>	Financially Assisted Securities Purchases During Fiscal Year Ended May 31, 2007	Security for Indebtedness	Amount Forgiven During Fiscal Year Ended May 31, 2007
(a)	(b)	(c)	(d)	(e)	(f)	(g)
Securities Purchase Programs						
<b>Tim Angus</b>	Lender	60,000	46,970	nil	nil	nil
<b>Oliver Toffoli</b>	Lender	7,500	0	50,000	nil	nil
Other Programs						
<b>Tim Angus</b>	Lender	37,000	0	-	-	nil

Mr. Angus received a shareholder loan of \$60,000 to purchase shares of the Corporation in fiscal year 2006. In addition Mr. Angus received cash loans amounting to \$37,000 in fiscal year 2006. These loans are due upon demand and bear no interest and have no fixed repayment terms. Mr. Angus repaid a portion of the cash loan in the amount of \$20,000 in January, 2007 and the balance in the amount of \$17,000 in May, 2007. Mr. Toffoli received a shareholder loan of \$7,500 to purchase shares of the Corporation in fiscal year 2007 and repaid it in full in October, 2007. The fair value of loans receivable, all of which have been granted to directors and officers, has not been determined because such transactions have been conducted to maintain business relationships and do not necessarily reflect terms and conditions which would have been negotiated with arm's length parties.

**INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

No informed person (as such person is defined in National Instrument 51-102), proposed nominee for election as a director, or any of their associates or affiliates have or have had a material interest, direct or indirect, in

any material transaction since the commencement of the Corporation's last financial year which has materially affected or would materially affect the Corporation.

## **INTEREST OF CERTAIN PERSONS AND COMPANIES IN MATTERS TO BE ACTED ON**

There is no material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, by any director or senior officer of the Corporation or proposed nominee for election as a director of the Corporation, or any associate or affiliate of such persons, in any matter to be acted on other than the election of directors at the Meeting.

## **ADDITIONAL INFORMATION**

Additional information relating to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com). Additional financial information is contained in the Corporation's financial statements and MD&A for the most recently completed financial year ended May 31, 2007. Copies of additional information and the corporation's financial statements and MD&A may be obtained upon written request made to the Corporation at its principal office at 36 Bentley Avenue, First Floor, Ottawa, Ontario, K2E 6T8, by facsimile to the Corporation at (613) 723-7286 or by e-mail to [tim.angus@thermalenergy.com](mailto:tim.angus@thermalenergy.com). The Corporation may require payment of a reasonable charge if the request for information is made by a person or company that is not a security holder of the Corporation.

## ***BUSINESS OF THE MEETING***

### **FINANCIAL STATEMENTS AND AUDITOR'S REPORT**

The consolidated financial statements of the Corporation for the year ended May 31, 2007 and the Report of the Auditors thereon will be placed before the Meeting. Additional copies may be obtained from the Corporation upon request or from [www.sedar.com](http://www.sedar.com) and will also be made available at the Meeting.

### **APPOINTMENT OF AUDITORS**

Pursuant to National Instrument 52-110, the Corporation's audit committee has recommended to the Board that Raymond Chabot Grant Thornton, Chartered Accountants, General Partnership be nominated as the Corporation's auditor and the amount of compensation to be paid to the Corporation's auditor.

Shareholders passed a resolution at the Corporation's last annual general and special meeting held on February 1, 2007 to appoint Raymond Chabot Grant Thornton, Chartered Accountants, General Partnership, as the Auditors of the Corporation. It is proposed that Raymond Chabot Grant Thornton, Chartered Accountants, General Partnership be reappointed as the Auditors of the Corporation for the ensuing year at a remuneration to be fixed by the Directors. **The persons designated in the enclosed form of Proxy intend to vote FOR the appointment of Raymond Chabot Grant Thornton, Chartered Accountants, as Auditors of the Corporation, unless instructed otherwise.**

## ELECTION OF DIRECTORS

Management proposes that the number of directors for the ensuing year be fixed at seven (7). The seven (7) persons listed in the following table are nominated for election at the Meeting. Each Director elected shall hold office until the close of the next annual meeting of shareholders or until his successor is duly elected or appointed.

The following table provides information about each of the nominees for election as Directors, including the number of voting shares and options of the Corporation beneficially owned, directly or indirectly, or over which control or direction is exercised.

Name, Municipality of Residence and Position with the Corporation	Present Occupation	Director Since	Number of Common Shares and Stock Options
Tim K. Angus Ottawa, Ontario President and CEO and Director	President and CEO of the Corporation	February 1, 2005	1,554,992 Common Shares 2,750,000 options
John B. Kelly Ottawa, Ontario Director	Chairman of NexInnovations Inc.	April 19, 2005	112,500 Common Shares 250,000 options
R. James Ansell <sup>(1)</sup> Saddlebrooke, Arizona Director	Director WindForce Holdings Inc.	September 12, 2005	250,000 options
John R. Parker <sup>(1)(2)</sup> Sylvania, Ohio Chairman	Vice President of ADP Consulting	December 15, 2003	7,500 Common Shares 250,000 options
Clint Sharples <sup>(1)(2)</sup> Toronto, Ontario Director	President & CEO of Paramount Pallet, Inc.	December 15, 2003	7,500 Common Shares
Michael Williams, CFA <sup>(1)</sup> Waterloo, Ontario Director	Associate Portfolio Manager with Independent Accountants' Investment Counsel Inc.	February 1, 2005	107,500 Common Shares 250,000 options
Bill Crossland <sup>(2)</sup> Toronto, Ontario Director	Consultant <sup>(3)</sup>	May 29, 2007	400,000 Common Shares 250,000 options

Notes:

- (1) Denotes a member of the Corporation's Audit Committee.
- (2) Denotes a member of the Corporation's Ethics, Governance and Compliance Committee.
- (3) Mr. Crossland is an accomplished corporate finance professional with over 20 years experience assisting companies successfully execute their domestic and cross-border financing plans. He spent 18 years in total with National Bank of Canada's Corporate and Investment Banking Group, most recently over the last six years as Managing Director, Investment Banking.

**Unless authority to do so is expressly withheld, it is the intention of the persons named in the enclosed form of proxy to vote such proxy for the election as Directors of the proposed nominees listed above.** Management does not contemplate that any of the nominees will be unable to serve as Directors, but if that should occur for any reason prior to the Meeting, the persons named in the enclosed form of proxy shall have the right to vote for another nominee in their discretion.

**Form of Resolution**

“BE IT RESOLVED THAT:

1. Tim K. Angus, Michael Williams, John B. Kelly, John R. Parker, Clint Sharples, R. James Ansell and Bill Crossland, all be elected as the seven (7) directors of the Corporation to hold office until the close of the next annual meeting of shareholders or until their successors are duly elected or appointed”.

**The foregoing ordinary resolution must be approved by majority of the votes cast by all shareholders entitled to vote at the meeting. The persons designated in the enclosed Form of Proxy, unless instructed otherwise, intend to vote FOR the foregoing resolution.**

**OTHER BUSINESS**

Management is not aware of any other business to come before the Meeting other than the matters referred to in the Notice of Meeting. However, if any other matter properly comes before the Meeting, the accompanying Form of Proxy confers discretionary authority to vote with respect to amendments or variations to matters identified in the Notice of Meeting and with respect to other matters that properly may come before the Meeting.

**APPROVAL BY THE BOARD OF DIRECTORS**

The contents of this Management Information Circular and the mailing thereof have been approved by the Board of Directors of the Corporation. Where information contained in this Management Information Circular rests peculiarly within the knowledge of a person other than the Corporation, the Corporation has relied upon information furnished by such person. The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

DATED at Ottawa, Ontario, this 25<sup>th</sup> day of October, 2007.



Signed: "*Tim K. Angus*"

**TIM K. ANGUS**

President & Chief Executive Officer



Signed: "*Oliver Toffoli*"

**OLIVER TOFFOLI**

General Manager & Chief Financial Officer  
Treasurer



Signed: "*Gustav Pliva*"

**GUSTAV PLIVA**

Manager of Corporate Development and Human  
Resources and Corporate Secretary

**APPENDIX "1"**

**FORM 52-110F2**

**DISCLOSURE BY VENTURE ISSUERS**

**1. Audit Committee of the Board of Directors of Thermal Energy International Inc.**

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**CHARTER**

*(As amended On January 29, 2006)*

**PURPOSE**

*The Audit Committee (the "Committee") is appointed by the Board of Directors (the "Board") of Thermal Energy International, Inc. (the "Corporation" or the "Company"). The primary function of the Committee is to assist the Board in fulfilling its oversight responsibilities, primarily through:*

- 1. overseeing management's conduct of the Corporation's financial reporting process and systems of internal accounting and financial controls;*
- 2. monitoring the independence and performance of the Corporation's outside auditors; and*
- 3. providing an avenue of communication among the outside auditors, management and the Board.*

**COMPOSITION**

- 1. The Committee shall have at least three (3) members at all times, the majority (2 or more) of whom must be independent of management, as well the Corporation. A member of the Committee shall be considered independent if:
  - a. In the sole discretion of the Board, it is determined that he or she has no relationship that may interfere with the exercise of his or her independent judgment; and*
  - b. He or she meets the applicable stock exchange or other regulatory requirements regarding the independence of audit committee members.**
- 2. If any member of the Committee develops a "conflict of interest" (as that term is defined in an applicable stock exchange or other regulatory requirement), that member shall have an affirmative obligation to promptly disclose such relationship to the Board.*
- 3. All members of the Committee shall have a practical knowledge of finance and accounting and be able to read and understand fundamental financial statements or be able to do so within a reasonable period of time after appointment to the Committee.*
- 4. At least one member of the Committee shall have accounting or related financial management expertise, as the Board interprets such qualification in its business judgment.*
- 5. Each member of the Committee shall be appointed by the Board and shall serve until the earlier to occur of the date on which he or she shall be replaced by the Board, resigns from the Committee or resigns from the Board.*

## **MEETINGS**

1. *The Committee shall meet as frequently as circumstances dictate, but no less than one time annually for review of audited statements with the auditor, and three times via teleconference to review the un-audited quarterly financial statements with the Chief Financial Officer (CFO). The Board of Directors shall name a chairperson of the Committee, who shall prepare and/or approve an agenda with the assistance of the Chairman of the Board of Directors in advance of each meeting. A majority of the members of the Committee shall constitute a quorum. The Committee shall maintain minutes or other records of meetings and activities of the Committee.*
2. *The Committee shall, through its chairperson, report regularly to the Board following the meetings of the Committee, addressing such matters as the quality of the Company's financial statements, the performance and independence of the outside auditors, or other matters related to the Committee's functions and responsibilities.*

## **RESPONSIBILITIES AND DUTIES**

*The Committee's principal responsibility is one of oversight. The Company's management is responsible for preparing the Company's financial statements and the outside auditors are responsible for auditing and/or reviewing those financial statements.*

*While the Committee has the powers and responsibilities set forth in this charter, it is not the responsibility of the Committee to plan or conduct audits or to determine that the Company's financial statements present fairly the financial position, the results of operations and the cash flows of the Company, in conformity with Canadian generally accepted accounting standard. This is the responsibility of the management and the outside auditors. In carrying out these oversight responsibilities, the Committee is not providing any expert or special assurance as to the Company's financial statements or any professional certification as to the outside auditors' work.*

*The Committee's specific responsibilities are as follows:*

### **General**

1. *The Committee shall, with the assistance of management, the outside auditors and legal counsel, as the Committee deems appropriate, review and evaluate at least annually, the Committee's:*
  - a. *Charter;*
  - b. *Powers and responsibilities; and*
  - c. *Performance*
2. *The Committee shall report and make recommendations to the Board with respect to the foregoing, as appropriate.*
3. *The Committee shall ensure inclusion of its then-current charter in the proxy statement for the Company's annual meetings of shareholders, in accordance with the regulations of the applicable stock exchange or other regulatory requirements.*
4. *The Committee shall prepare annual Committee reports for inclusion in the proxy statements for the Company's annual meetings, as required by the applicable stock exchange or other regulatory requirements.*
5. *The Committee shall, in addition to the performance of the duties described in this charter, undertake such additional duties as from time to time may be:*
  - a. *delegated to it by the Board;*
  - b. *required by law, a stock exchange or other regulatory authority; or*

- c. *deemed desirable, as is recommended by the Committee's and approved by the board, in connection with its functions described in this charter.*

#### ***Internal Controls and Risk Assessment***

1. *The Committee shall review annually, with management and the outside auditors, if deemed appropriate by the Committee, the effectiveness of or weaknesses in the Company's internal controls, including computerized information system controls and security, the overall control environment and accounting and financial records.*
2. *The Committee shall obtain from the outside auditors their recommendations regarding internal controls and other matters relating to the accounting procedures and the books and records of the Company.*
3. *The Committee shall establish procedures for:*
  - a. *The receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and*
  - b. *The confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters.*
4. *An audit committee must review and approve the issuer's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the issuer.*

#### ***Outside Auditors: Their Performance and Independence***

1. *The outside auditors are ultimately accountable to the Board and the Committee, as the representatives of the shareholders of the Company. The Committee shall evaluate and recommend to the Board the selection and, where appropriate, the replacement of the outside auditors. The Committee shall recommend to the Board the outside auditors to be proposed for shareholder approval in any proxy statement.*
2. *The Committee shall:*
  - a. *Confer with the outside auditors concerning the scope of their examinations of the books and records of the Company and its subsidiaries;*
  - b. *Review the scope, plan and procedures to be used on the annual audit, as recommended by the outside auditors;*
  - c. *Review the results of the annual audits including:*
    - i. *The outside auditors' audit of the Company's annual financial statements, accompanying footnotes and its report thereon;*
    - ii. *Any significant changes required in the outside auditors' audit plans or scope;*
    - iii. *Any material differences or disputes with management encountered during the course of the audit (the Committee to be responsible for overseeing the resolution of such differences and disputes);*
    - iv. *Any material management letter comments and management's responses to recommendations made by the outside auditors in connection with the audit;*
    - v. *Matters required to be discussed by Statement on Auditing Standards No. 61, as amended (Communications with Audit Committees) relating to the conduct of the audit;*



- c. *Major changes to the Company's accounting principles and practices, including those required by professional or regulatory pronouncements and actions, as brought to its attention by management and/or the outside auditors; and*
  - d. *Material questions of choice with respect to the appropriate accounting principles and practices to be used in the preparation of the Company's financial statements, as brought to its attention by management and/or the outside auditors.*
3. *The Committee shall review and discuss the Company's disclosure under "Management's Discussion and Analysis" included in any annual; or quarterly report, or other report or filing filed with an applicable stock exchange or other regulatory authority.*
  4. *The Committee shall discuss with the outside auditors any item not reported as contingent liability or loss in the Company's financial statements as a result of a determination that such item does not satisfy a materiality threshold. The Committee shall review with the outside auditors the quantitative and qualitative analysis applied in connection with such assessment of materiality, including, without limitation, the consistency of such assessment with the requirements.*
  5. *The Committee shall review and consider other matters in relation to the financial affairs of the Company and its accounts, and in relation to the internal and external audit of the Company as the Committee may, in its discretion, determine to be advisable.*
  6. *The Committee shall meet at least annually with management, and the outside auditors in separate executive sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately.*

**Compliance with Laws, Regulations and Policies**

1. *The Committee shall review with management actions taken to ensure compliance with any code or standards of conduct for the Corporation, which may be established by the Board.*
2. *The Committee shall review with the Corporation's legal counsel any legal compliance matters, including securities trading practices and any other legal matters that could have a significant, adverse impact on the Company's financial statements.*
3. *The Committee shall review with the Corporation's counsel and other any federal, tax or regulatory matters that may have a material impact on the Corporation's operations and the financial statements, related Corporation compliance programs and policies and programs and reports received from regulators, and shall monitor the results of the Corporation's compliance efforts.*
4. *The Committee shall periodically review the rules promulgated by the applicable stock exchange or other regulatory authority relating to the qualifications, activities, responsibilities and duties of audit Committees and shall take, or recommend that the Board take, appropriate action to comply with such rules.*

**2. Composition of the Audit Committee**

In the most recently completed financial year, the Audit Committee consisted of: Mike Williams, John R.Parker , Clint Sharples and R. James Ansell. All members are "independent" and all members are "financially literate" (as such terms are defined in Multilateral Instrument 52-110 - *Audit Committees* ("MI 52-110")).

John R. Parker – B.A.Sc. Geological Engineering & M.A.Sc Geological Engineering.

Experience: Mr. Parker worked for 25 years in the fields of environmental engineering, pollution control, environmental risk management and energy conservation. Currently is employed as a VP of ADP Consulting, which focuses on “green” and sustainable facility programs that promote energy conservation and savings. Mr. Parker has gained on the job experience from sitting on the Board of

Directors of the Corporation for the last three years and through meetings with the Corporation's auditors to inform himself of the accounting principles used in the preparation of the financial statements and of the internal controls and procedures required for financial reporting.

Michael Williams - B.A.Sc.,P.Eng.,MBA, Post Graduate MBA (PCAM), Master of Taxation, CFA

Experience: Mr. Williams has worked 9 years in energy retrofit sales with Honeywell; 2 years risk management energy conservation with Johnson Controls; 4 years as Portfolio Manager. Mr. Williams has gained on the job experience from sitting on the Board of Directors of the Corporation for the last three years and through meetings with the Corporation's auditors to inform himself of the accounting principles used in the preparation of the financial statements and of the internal controls and procedures required for financial reporting. Additionally as a Portfolio Manager, Mr. Williams is required to review several business plans with accompanying financial proforma statements and it is this knowledge that serves him well to chair this important committee.

R. James Ansell – BS Mechanical Engineering, MBA

Experience: Mr. Ansell has more than 35 years of business leadership experience in major utilities, power generation systems/equipment manufacturing, energy consulting/services, and energy project development. He has a proven track record in business development, joint ventures and strategic alliances in the US and international markets. Mr. Ansell's brings his other public company experience by sitting on the Board of Wind Force Holdings Inc. to assist him in the performance of his duties on the Audit Committee of this Corporation.

Clint Sharples – Business Administration

Experience: Mr. Sharples is the President and Chief Executive Officer of Paramount Pallet Inc. Prior to purchasing Paramount Pallet Inc. from IFCO Systems, Mr. Sharples served as President for IFCO Systems Canada since January, 2002. Before becoming President, Mr. Sharples served as Vice President in various departments beginning in 1995. Prior to working at IFCO Systems, Mr. Sharples worked in various roles in finance in the Transportation Industry after first obtaining a diploma in Business Administration. In addition to his role as President & CEO of Paramount Pallet Inc., Mr. Sharples is a partner and co-founder of a private venture capital company. Mr. Sharples sits on various boards including the Canadian Pallet Council, Thermal Energy International Inc., Journey Resources, Infinity Alliance Ventures, The Kelowna Food Bank, Alma Resources and Modu-Loc Fence Rentals which together have enhanced his financial literacy to competently serve on the Audit Committee of this Corporation.

### **3. Audit Committee Oversight**

Since the commencement of the Corporation's most recently completed financial year, no recommendation of the Audit Committee to nominate or compensate an external auditor was not adopted by the Board of Directors of the Corporation.

### **4. Reliance on Certain Exemptions**

Since the commencement of the Corporation's most recently completed financial year, it has not relied on the exemptions in section 2.4 (*De Minimum Non-audit Services*) or an exemption granted under Part 8 (*Exemptions*).

### **5. Pre-Approval Policies and Procedures**

The following is the pre-approval process:

- (a) Annually, the Audit Committee will be provided with a list of the audit-related and non-audit services that management anticipates will be provided by the external auditor during the year for pre-approval. The Audit Committee reviews the services with the external auditor and management to determine whether the provision of the service is compatible with the auditor's independence; and
- (b) A review of all audit and non-audit services and fees rendered to the Corporation and its subsidiaries by the external auditor will be reviewed annually by the Audit Committee.

**6. External Auditor Service Fees**

The fees paid to the Corporation's external auditor in each of the last two fiscal years are as follows:

<u>Year Ended May 31st</u>	<u>Audit Fees</u>	<u>Audit-Related Fees</u>	<u>Tax Fees</u>	<u>All Other Fees</u>
2007	\$46,500	\$15,000	\$8,500	\$7,500
2006	\$38,197	\$15,000	\$10,700	\$4,900

**7. External Auditor Services Fees (By Category)**

- (a) Audit Fees:
  - To prepare and present the audit plan to the Audit Committee;
  - To perform audit work on year-end account;
  - To deliver a final report, corporate tax returns and advisory service and management letter.
- (b) Audit-Related Fees:
  - Additional time spent at the request of the Audit Committee on Flow-Through Shares and Part XII Tax.
  - Additional time spent to review minutes of the Board of Directors meetings;
  - Discussion of tax treatment of stock option and T4 slip preparation.
- (c) Tax Fees:
  - To give advice on tax compliance, tax advice and tax planning.
- (d) All Other Fees:
  - Quarterly Financial Statement review.

**8. Exemption**

The Corporation is a “venture issuer” as defined in MI 52-110 and is relying upon the exemption contained in Section 6.1 of MI 52-110 which exempts from the requirements of Part 3 (Composition of Audit Committee) and Part 5 (Reporting Obligations) of MI 52-110.

APPENDIX "2"

FORM 58-101F2

**CORPORATE GOVERNANCE DISCLOSURE BY VENTURE ISSUERS**

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**1. Board of Directors of Thermal Energy International Inc.**

The Board of Directors facilitates its exercise of independent supervision of management by ensuring that a majority of the members of the Board of Directors are independent and that all of the members of the Audit Committee and the Ethics, Governance and Compliance Committee are independent. The Board has appointed an independent Chairman and separated the roles of Chairman and Chief Executive Officer. In addition, in every quarter the independent Directors meet alone to discuss the performance of the CEO and CFO.

Each of the following directors is independent within the meaning of National Instrument 58-101, John R. Parker, John B. Kelly, Clint Sharples, Michael Williams, R. James Ansell and Bill Crossland.

Tim K. Angus is not an independent director because he is the President and Chief Executive Officer of the Corporation.

**2. Directorships**

The following directors of the Corporation are directors of other reporting issuers in other jurisdiction:

- R. James Ansell is also a director of Wind Force Holdings Inc. (an Arizona Business Corporation);
- Clint Sharples is also a director of Journey Resources, Infinity Alliance Ventures and Alma Resources., all which are presently on the TSX Venture Exchange.
- John B. Kelly is also a director of Burnsand Inc. a company on the TSX Venture Exchange.

**3. Orientation and Continuing Education**

The directors approved two officers of the Corporation in the persons of the Chief Financial Officer and the Corporate Secretary to undertake a two day workshop course provided by the TSX Venture Exchange on how to "Manage A Public Company" and to provide information of any TSX Venture Exchange policy updates to the directors.

It has been a policy of the Chairman of the Board that every director is given a written material describing directors' duties and obligations in respect of corporate governance in order to upgrade their knowledge of the requirements and obligations of managing a public company. In addition a policy binder from the TSX Venture Exchange is also given to directors as part of their continuing education process.

#### **4. Ethical Business Conduct**

The Board of Directors established an Ethics and Governance Committee (EGC) and meets monthly to:

- review the ethical conduct of management;
- monitor proper reporting on SEDI;
- monitor any violations of imposed “blackouts” during the time of news releases

The Board also established a Corporate Governance Policy and has provided a Handbook describing its policies to all employees.

#### **5. Nominations of Directors**

Any member of the Board of Directors of the Corporation can identify potential new candidates for nomination to the Ethics, Governance & Compliance Committee (EGC) for their review. The EGC has a list of core competency domains that it refers to in determining suitability of a potential candidate for a directorship to the Board. The list is as follows:

- Accounting, finance and taxation;
- Banking, lending and insurance;
- Governance and Compliance;
- Business judgment;
- Management experience;
- Crisis response;
- Industry knowledge;
- International markets;
- Leadership qualifications;
- Strategic planning and vision;
- OSC and TSX Regulatory Issues;
- Investor relations.

#### **6. Compensation**

The EGC meets with the CEO and CFO to discuss compensation matters on an annual basis. Annual compensation for directors is proposed by the CEO and CFO to the EGC who then make their recommendations known to the full Board for their approval. The EGC alone determines increases to the annual compensation of the CEO based on various performance parameters such as profitability, share price, increase in sales, etc. and then submits to the full Board for their approval.

#### **7. Other Board Committees**

Other than the Ethics, Governance & Compliance Committee and the Audit Committee, the Board has also created the Shareholder Value Task Force.

The members of the Shareholder Value Task Force are R. James Ansell, John B. Kelly, Clint Sharples, Tim Angus, Stuart McCarthy, and Denis Forget.. The Shareholder Value Task Force is chaired by James R. Ansell and works

directly and indirectly with shareholders of the Corporation to deal with any issues that may arise and is responsible for raising shareholder awareness to maintain proper share holder value.

## **8. Assessments**

The followings steps, procedures and processes are conducted by the Thermal Energy Board on a routine and scheduled basis in order to ensure that the Board of Directors, its Committees and individual members are performing effectively:

- a) conduct formal monthly Board of Directors meetings/calls; preparation for each call includes detailed agendas, minutes and other documentation needed by the Board of Directors to make informed decisions;
- b) Each of the three (3) committees have charters and meet once quarterly; each Committee Chairman reports to the Board of Directors monthly; each member of the Board of Directors is required to participate on at least one (1) committee.
- c) The Board of Directors hosts an "in camera" session quarterly, whereby only Independent Directors are invited to openly discuss the activities of the CEO and CFO;
- d) Through additional communications (phone calls, email) the Board of Directors actively manage all types of risks through review of financial reports, IR reports, etc.
- e) The Board of Director also conducts a yearly self-assessment to ensure that the Charters, Bylaws and Articles are being followed by the Board of Directors as well as each of the Committees. The EGC Committee also monitors the make-up of the Board of Directors to ensure that the members have the necessary educational background and work experience to provide the required guidance to Thermal senior management.
- f) The Board of Directors has appointed a TEI Shareholder representative to participate on the EGC Committee.