

The Depository Trust Company

IMPORTANT

B#: 3007R

DATE: March 05, 2002

TO: All Participants

CATEGORY: Dividends

FROM: Nilesh Desai, Supervisor, Dividend Department

ATTENTION: Dividend Managers, Cashiers and Reorganization Managers

SUBJECT: Rights: Thermal Energy International Inc.
Common CUSIP#: 88346B103 R/D: 2/11/02
Expires: 3/27/02 (4:00 p.m. Toronto time)
Rate: one right for each share of common stock held

*****WARNING TIME CRITICAL*****

Thermal Energy International Inc. (the "Company") is issuing to the shareholders ("Shareholders") of its common shares (the "Common Shares") of record as at the close of business on February 11, 2002 (the "Record Date"), rights (the "Rights") to subscribe for and purchase from the Company an aggregate of approximately 4,100,000 Common Shares issued on a flow-through basis ("Flow-Through Shares") at a price (the "Subscription Price") of \$0.40 (Canadian funds) per Flow-Through Share. Each Shareholder on the Record Date will receive one Right for each Common Share held. Four (4) Rights entitle the holder to acquire one Flow-Through Share upon payment of the Subscription Price. The Flow -Through Shares issuable on the exercise of the Rights will be listed on the Canadian Venture Exchange ("CDNX").

NOTE:

THIS RIGHTS OFFERING IS ONLY OPEN IN CANADA, IN THE PROVINCES OF BRITISH COLUMBIA, ALBERTA, MANITOBA AND ONTARIO.

No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered and any representation to the contrary is an offence. This offering is made in each of the provinces and territories of Canada. The securities to which this offering relates have not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold within the United States of America or to any resident thereof.

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NON-PARTICIPATING SHAREHOLDERS

The Rights are **not** qualified for sale under the securities laws of any jurisdiction **other than British Columbia, Alberta, Manitoba, Ontario and those jurisdictions where it is not unlawful to do so**. Further, the Rights may not be exercised by or on behalf of a holder resident in a non-qualifying jurisdiction.

Computershare Trust Company of Canada (the “Subscription Agent”) did not deliver Rights to registered Common Shareholders who are residents of jurisdictions other than the Qualified Provinces (“Non-Qualified Shareholders”).

Participants with eligible holders wishing to have the Rights released to them, must submit written instructions to the Depository Trust Company ("DTC") no later than 10:00 a.m. New York City time on 03/20/02. Participants must fax their instructions to the attention of Ms. Susan Alvino at (212) 855-4545 and call (212) 855-4532 for confirmation of receipt. The instructions will be processed only after acceptance by the Subscription Agent.

If instructions are not received, the Subscription Agent will attempt to sell the Rights on DTC's behalf on a best effort basis.

THE DIVIDEND POSITION AND ALLOCATION HISTORY (DPAL) OPTION, ACCESSED VIA THE PTS DIVIDEND ANNOUNCEMENTS INQUIRY (DIVA) FUNCTION, SHOULD BE USED TO CONFIRM YOUR RECORD DATE POSITION HISTORY.

If participants have any questions regarding this Important Notice, please contact Mr. John McCarthy or Ms. Susan Alvino of DTC's Stock Dividend Department at (212) 855-4521/4532.

If participants have any questions regarding the Right Offering, they may contact Computershare Trust Company of Canada, (“Subscription Agent”) at 1-800-663-9097.