UNDERWRITING AGREEMENT

December 7, 2004

Chartwell Technology Inc.
Suite 400, Chartwell House
750- 11th ST S.W.
Calgary, AB
T2P 3N7

Attention: Darold Parken, President and Chief Executive Officer

Dear Sirs:

The undersigned, Clarus Securities Inc. (the "Lead Underwriter") and Harris Partners Limited (together with the Lead Underwriter, the "Underwriters"), understand that Chartwell Technology Inc. (the "Corporation") proposes to issue and sell (the "Offering") common shares (the "Common Shares") of the Corporation subject to the terms and conditions set out below.

Upon and subject to the terms and conditions set forth herein, the Underwriters hereby agree to act as underwriters and purchase from the Corporation 2,365,592 Common Shares (the "Offered Shares"), or to arrange for substituted purchasers for the Offered Shares resident in the Qualifying Provinces (as hereinafter defined) and in those jurisdictions outside of Canada consented to by the Corporation where the Common Shares may be lawfully sold pursuant to the terms and conditions hereof, at a price of $4.65 per Offered Share (the "Purchase Price") for an aggregate purchase price of $11,000,002.80. The parties acknowledge that the Offered Shares have not been and will not be registered under the U.S. Securities Act (as hereinafter defined) and may not be offered or sold in the United States.

The Underwriters shall be entitled to appoint a soliciting dealer group consisting of other registered dealers acceptable to the Corporation for the purposes of arranging for substituted purchasers of the Offered Shares.

In consideration of the services to be rendered by the Underwriters in connection with their services hereunder and all other matters in connection with the issue and sale of the Offered Shares, the Corporation shall pay to the Underwriters at Closing (as hereinafter defined) a cash commission (the "Commission") equal to 6.0% of the gross proceeds realized by the Corporation in respect of the sale of the Offered Shares. The obligation of the Corporation to pay the Commission shall arise at the Closing Time (as hereinafter defined) and the Commission shall be fully earned by the Underwriters at that time. It is further understood that, as additional compensation for the services provided, the Corporation will grant to the Underwriters compensation options (the "Compensation Options") to purchase 141,936 Common Shares (the "Optioned Shares"), being that number of Common Shares as is equal to 6.0% of the number of Offered Shares sold under the Offering, subject to adjustment in certain events. The Compensation Options may be exercised, in whole or in part, during the currency thereof, at any time during the period commencing on the Closing Date and ending on the date that is 18 months from the Closing Date at an exercise price of $5.10 per Optioned Share.

At the Closing Time the Corporation shall execute and deliver to the Underwriters (or their agents, as the case may be) certificates evidencing the Compensation Options to which the Underwriters are entitled in a form to be agreed upon by the Underwriters and the Corporation, acting reasonably.

DEFINITIONS

In this Agreement, in addition to the terms defined above or elsewhere in this Agreement, the following terms shall have the following meanings:

"**Agreement**" means the agreement resulting from the acceptance by the Corporation of the offer made hereby;

"**Business Day**" means a day which is not a Saturday, Sunday or statutory or civic holiday in the City of Calgary, Alberta;

"**Claim**" shall have the meaning ascribed thereto in subparagraph 9(b);

"**Closing**" means the closing on the Closing Date of the transaction of purchase and sale in respect of the Offered Shares as contemplated by this Agreement and the Subscription Agreements;

"**Closing Date**" means December 7, 2004 or such other date as the Corporation and the Lead Underwriter may agree;

"**Closing Time**" means 11:00 a.m. (Toronto time) on the Closing Date or such other time on the Closing Date as the Corporation and the Lead Underwriter may agree;

"**Common Shares**" means the common shares of the Corporation that the Corporation is authorized to issue as constituted on the date hereof;

"Corporation's Auditors" means KPMG LLP, chartered accountants;

"**Disclosure Documents**" means all publicly available press releases, material change reports, information circulars, financial statements and other documents that have been disclosed by the Corporation to the public and filed with the securities regulatory authorities in the provinces of British Columbia, Alberta or pursuant to applicable Securities Laws or otherwise posted on SEDAR and such other disclosure as has been made to the Underwriters by the Corporation in connection with the Offering;

"Engagement Letter" means the letter agreement dated November 18, 2004 between the Corporation and the Underwriters relating to the Offering;

"**Indemnified Party**" shall have the meaning ascribed thereto in subparagraph 9(a);

"**Material Adverse Effect**" when used in connection with an entity means any change (including a decision to implement such a change made by the board of directors or by senior management who believe that confirmation of the decision by the board of directors is probable), event, violation, inaccuracy, circumstance or effect that is materially adverse to the business, assets (including intangible assets), liabilities, capitalization, ownership, financial condition or results of operations of the entity, after giving effect to the transactions contemplated by this Agreement;

"misrepresentation", "material fact", "material change", "affiliate", "associate" and **"distribution"** shall have the respective meanings ascribed thereto in the *Securities Act* (Ontario);

"**Multilateral Instrument**" means Multilateral Instrument 45-102 "Resale of Securities";

"Person" shall be broadly interpreted and shall include any individual, corporation, partnership, joint venture, association, trust or other legal entity;

"Purchasers" means the Persons (which may include the Underwriters) who, as purchasers, acquire Offered Shares by duly completing, executing and delivering the Subscription Agreements;

"**Qualifying Province**" means the province of Canada in which a Purchaser is resident and "**Qualifying Provinces**" means, collectively, all of the provinces in Canada in which Purchasers are resident;

"**Securities Laws**" means, unless the context otherwise requires, all applicable securities laws in each of the Qualifying Provinces and the respective regulations made thereunder, together with applicable published fee schedules, prescribed forms, policy statements, multilateral or national instruments, orders, blanket rulings and other regulatory instruments of the securities regulatory authorities in such jurisdictions;

"**Securities Regulators**" means, collectively, the securities regulators or other securities regulatory authorities in the Qualifying Provinces;

"Subscription Agreements" means, collectively, the subscription agreements in the form agreed upon by the Underwriters and the Corporation pursuant to which Purchasers agree to subscribe for and purchase the Offered Shares as contemplated therein and shall include, for greater certainty, all schedules and exhibits thereto;

"**subsidiary**" shall have the meaning ascribed thereto in the *Business Corporations Act* (Alberta);

"**Subsidiary**" means Chartwell Games Corp., a Belize corporation.;

"**TSX**" means the Toronto Stock Exchange;

"United States" means the Unites States of America as defined in Regulation S under the U.S. Securities Act;

"**U.S. Person**" means a U.S. person as that term is defined in Rule 902(k) of Regulation S under the U.S. Securities Act; and

"U.S. Securities Act" means the United States Securities Act of 1933, as amended.

TERMS AND CONDITIONS

1. (a) **Sale on Exempt Basis.** The Corporation understands that, although the offer to act as underwriters with respect to the Offered Shares is made hereunder by the Underwriters to the Corporation as Purchasers, the Underwriters shall use their respective commercially reasonable best efforts to arrange for substituted Purchasers for the Offered Shares resident in the Qualifying Provinces and in such other jurisdictions outside of Canada agreed to by the Corporation provided the sale of the Offered Shares to such Purchasers is exempt from any prospectus or offering memorandum filing or delivery requirement or similar requirement of applicable securities laws and is otherwise in compliance with all applicable Securities Laws and all applicable securities laws of such other jurisdictions. It is further understood that, subject to the termination rights provided in paragraph 6 hereof, the Underwriters agree to purchase or cause to be purchased the Offered Shares being issued by the Corporation and that this commitment is not subject to the Underwriters being able to arrange for substituted Purchasers. Each substituted Purchaser

shall purchase the Offered Shares at the Purchase Price and, to the extent that substituted Purchasers purchase the Offered Shares at the Closing Date, the obligations of the Underwriters to do so will be reduced by the number of Offered Shares purchased by the substituted Purchasers from the Corporation. For greater certainty, any reference in this Agreement hereafter to Purchasers shall be taken to be a reference to the Underwriters, as the initial committed purchasers, and to the substituted Purchasers, if any.

(b) **Filings.** The Corporation undertakes to file or cause to be filed all forms or undertakings required to be filed by the Corporation in connection with the purchase and sale of the Offered Shares so that the distribution of the Offered Shares may lawfully occur without the necessity of filing a prospectus or an offering memorandum in Canada (but on terms that will permit the Offered Shares acquired by the Purchasers in the Qualifying Provinces to be sold by such Purchasers in the Qualifying Provinces subject to, and in compliance with, applicable Securities Laws), and the Underwriters undertake to cause Purchasers to complete any forms required by Securities Laws or other applicable securities laws and by the TSX. All fees payable in connection with such filings under all applicable securities laws shall be at the expense of the Corporation.

(c) **No Offering Memorandum.** Neither the Corporation nor the Underwriters shall provide to prospective Purchasers any document or other material that would constitute an offering memorandum within the meaning of Securities Laws.

2. **Covenants.** The Corporation hereby covenants to the Underwriters and to the Purchasers and their permitted assigns, and acknowledges that each of them is relying on such covenants in purchasing the Offered Shares, that the Corporation shall:

(i) allow the Underwriters and their legal counsel to conduct all due diligence regarding the Corporation and its subsidiaries which the Underwriters may reasonably require to be conducted prior to the Closing Date;

(ii) for a period of 18 months after the Closing Date, use its commercially reasonable best efforts to maintain its status as a "reporting issuer" under Securities Laws of the provinces of Alberta and Ontario, not in default of any material requirement of such Securities Laws;

(iii) duly execute and deliver the Subscription Agreements at the Closing Time and comply with and satisfy all terms, conditions and covenants therein contained to be complied with or satisfied by the Corporation. Notwithstanding the foregoing, the Underwriters acknowledge and agree that the Subscription Agreements are subject to rejection or allotment by the Corporation in whole or in part of any time;

(iv) use its commercially reasonable best efforts to fulfil or cause to be fulfilled, at or prior to the Closing Time, each of the conditions required to be fulfilled by it set out in paragraph 5;

(v) ensure that the Offered Shares shall be duly issued as fully paid and non-assessable shares in the capital of the Corporation on payment of the purchase price therefor;

(vi) ensure that the Compensation Options shall be validly created, and shall have attributes corresponding in all material respects to the description thereof set forth in this Agreement, and the Optioned Shares shall, upon issuance, be duly issued as fully paid and non-assessable shares in the capital of the Corporation on payment of the purchase price therefor;

(vii) ensure that at all times prior to the expiry thereof, sufficient Optioned Shares are allotted and reserved for issuance upon the due exercise of the Compensation Options in accordance with their terms;

(viii) use its commercially reasonable best efforts to ensure that the Offered Shares and Optioned Shares are, when issued, listed and posted for trading on the TSX upon their respective dates of issuance; and

(ix) use the net proceeds of the Offering for general corporate purposes.

3. (a) **Representations and Warranties of the Corporation.** The Corporation represents and warrants to the Underwriters and to the Purchasers, and acknowledges that each of them is relying upon such representations and warranties in purchasing the Offered Shares, that:

(i) the Corporation and the Subsidiary are corporations duly incorporated, continued or amalgamated and validly existing under the laws of the jurisdiction in which the were incorporated, continued or amalgamated, as the case may be, has all requisite corporate power and authority to carry on their respective businesses as now conducted and to own, lease or operate their properties and assets and no steps or proceedings have been taken by any person, voluntary or otherwise, requiring or authorizing their dissolution or winding up, and the Corporation has all requisite power and authority to enter into each of this Agreement and the Subscription Agreements and to carry out its obligations hereunder and thereunder;

(ii) the Corporation has no subsidiaries nor any investment or proposed investment in any person which is or would be material to the business and affairs of the Corporation on a consolidated basis other than the Subsidiary. All of the issued and outstanding shares of the Subsidiary have been issued as fully paid and non-assessable shares and are owned by the Corporation free and clear of all mortgages, liens, charges, pledges, security interests, encumbrances, claims or demands whatsoever and except as contemplated by this Agreement and as disclosed in the Disclosure Documents, no person, firm or corporation has any agreement, option, right or privilege (whether pre-emptive or contractual) capable of becoming an agreement, for the purchase from the Corporation or from the Subsidiary of any interest in any of the shares in the capital of the Subsidiary;

(iii) the Corporation and the Subsidiary hold all requisite licences, registrations, qualifications, permits and consents necessary or appropriate for carrying on their respective businesses as currently carried on and all such licences, registrations, qualifications, permits and consents are valid and subsisting and in good standing in all material respects except where the failure to hold such licences, registrations, qualifications, permits and consents would not have a Material Adverse Effect on the Corporation or its Subsidiary;

(iv) except as disclosed in the Disclosure Documents, the Corporation and the Subsidiary are the absolute legal and beneficial owners, and have good and marketable title to, all of the material property or assets thereof as described in the Disclosure Documents, and no other property or assets are necessary for the conduct of the business of the Corporation and the Subsidiary as currently conducted, neither the Corporation nor the Subsidiary know of any claim or the basis for any claim that might or could materially and adversely affect the right thereof to use, transfer or otherwise exploit such property or assets and, except as disclosed in the Disclosure Documents, neither the Corporation nor the Subsidiary have any responsibility or obligation to pay any material commission, royalty, licence fee or similar payment to any person with respect to the property and assets thereof;

(v) the Corporation is a reporting issuer under the Securities Laws of the provinces of British Columbia, Alberta and Ontario, is not in default of any requirement of such Securities Laws and the Corporation is not included on a list of defaulting reporting issuers maintained by the Securities Regulators of such provinces;

(vi) the Offered Shares will not be subject to a restricted period or to a statutory hold period under the Securities Laws or to any resale restriction under the policies of the TSX which extends beyond four months and one day after the Closing Date;

(vii) each of the execution and delivery of this Agreement and the Subscription Agreements, the performance by the Corporation of its obligations hereunder or thereunder, the issue and sale of the Offered Shares and Compensation Options hereunder and the consummation of the transactions contemplated in this Agreement, including the issuance and delivery of the Offered Shares and the issuance and delivery of the Optioned Shares upon exercise of the Compensation Options, respectively, do not and will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, (whether after notice or lapse of time or both), (A) any statute, rule or regulation applicable to the Corporation including, without limitation, the Securities Laws and the rules and regulations of the TSX; (B) the constating documents, by-laws or resolutions of the Corporation which are in effect at the date hereof; (C) any mortgage, note, indenture, contract, agreement, joint venture, partnership, instrument, lease or other document to which the Corporation is a party or by which it is bound; or (D) any judgment, decree or order binding the Corporation or the Subsidiary or the property or assets of the Corporation or the Subsidiary;

(viii) in particular and without limiting the foregoing, since October 31, 2003, the Corporation has been in compliance with its timely and continuous disclosure obligations under the Securities Laws of the provinces of British Columbia and Alberta and the rules and regulations of any stock exchange on which the securities of the Corporation have been listed and, without limiting the generality of the foregoing, there has not occurred any material adverse change, financial or otherwise, in the assets, liabilities (contingent or otherwise), business, financial condition, capital or prospects of the Corporation since October 31, 2003, which has not been publicly disclosed on a non-confidential basis and all the statements set forth in the Disclosure Documents were true, correct, and complete in all material respects and did not contain any misrepresentation as of the date of such statements and the Corporation has not filed any confidential material change reports since the date of such statements which remain confidential as at the date hereof;

(ix) except as disclosed in the Disclosure Documents or as contemplated herein, neither the Corporation nor the Subsidiary has approved, has entered into any agreement in respect of, or has any knowledge of:

(A) the purchase of any property or assets or any interest therein or the sale, transfer or other disposition of any property or assets or any interest therein currently owned, directly or indirectly, by the Corporation or the Subsidiary whether by asset sale, transfer of shares or otherwise;

(B) the change of control (by sale or transfer of shares or sale of all or substantially all of the property and assets of the Corporation or the Subsidiary or otherwise) of the Corporation or the Subsidiary; or

(C) a proposed or planned disposition of shares by any shareholder who owns, directly or indirectly, 10% or more of the outstanding shares of the Corporation or the Subsidiary;

(x) the audited comparative consolidated financial statements of the Corporation as at and for the year ended October 31, 2003, as revised and restated (the "Audited Financial Statements"), have been prepared in accordance with generally accepted accounting principles in Canada and present fully, fairly and correctly in all material respects, the financial condition of the Corporation as at the dates thereof and the results of the operations and the changes in the financial position of the Corporation for the period then ended and contain and reflect adequate provisions or allowance for all reasonably anticipated liabilities, expenses and losses of the Corporation and there has been no change in accounting policies or practices of the Corporation since October 31, 2003, save as disclosed in subsequently filed interim financial statements of the Corporation;

(xi) except as disclosed in the Audited Financial Statements, all taxes (including income tax, capital tax, payroll taxes, employer health tax, workers' compensation payments, property taxes, custom and land transfer taxes), duties, royalties, levies, imposts, assessments, deductions, charges or withholdings and all liabilities with respect thereto including any penalty and interest payable with respect thereto (collectively, "Taxes") due and payable by the Corporation and the Subsidiary have been paid, except where the failure to pay such taxes would not constitute an adverse material fact in respect of the Corporation and/or the Subsidiary or have a Material Adverse Effect on the Corporation or the Subsidiary. All tax returns, declarations, remittances and filings required to be filed by the Corporation and the Subsidiary have been filed with all appropriate governmental authorities and all such returns, declarations, remittances and filings are complete and accurate and no material fact or facts have been omitted therefrom which would make any of them misleading, except where the failure to file such documents would not constitute an adverse material fact in respect of the Corporation and/or the Subsidiary or have a Material Adverse Effect on the Corporation or the Subsidiary. To the best of the knowledge of the Corporation, no examination of any tax return of the Corporation or the Subsidiary is currently in progress and there are no issues or disputes outstanding with any governmental authority respecting any taxes that have been paid, or may be payable, by the Corporation or the Subsidiary, in any case, except where such examinations, issues or disputes would not constitute an adverse material fact in respect of the Corporation and/or the Subsidiary or have a Material Adverse Effect on the Corporation or the Subsidiary;

(xii) the Corporation's Auditors, who audited the Audited Financial Statements and who provided their audit report thereon, are independent public accountants as required under applicable Securities Laws and there has never been a reportable disagreement (within the meaning of National Instrument 51-102) between the Corporation and the Corporation's Auditors;

(xiii) as at the Closing Date, except as contemplated by this Agreement and as disclosed in the Disclosure Documents, no holder of outstanding shares in the capital of the Corporation will be entitled to any pre-emptive or any similar rights to subscribe for any Common Shares or other securities of the Corporation and no rights, warrants or options to acquire, or instruments convertible into or exchangeable for, any shares in the capital of the Corporation are outstanding;

(xiv) except as disclosed in the Disclosure Documents, no legal or governmental proceedings or inquiries are pending to which the Corporation or the Subsidiary is a party or to which its property is subject that would result in the revocation or modification of any material certificate, authority, permit or licence necessary to conduct the business now owned or operated by the Corporation or the Subsidiary which, if the subject of an unfavourable decision, ruling or finding would have a Material Adverse Effect on the Corporation or the Subsidiary and, to the knowledge of the Corporation, no such legal or governmental proceedings or inquiries have been threatened against or are contemplated with respect to the Corporation or the Subsidiary or with respect to their property and assets;

(xv) neither the Corporation nor the Subsidiary is in violation of its constating documents or in default in the performance or observance of any material obligation, agreement, covenant or condition contained in any contract, indenture, trust deed, mortgage, loan agreement, note, lease or other agreement or instrument to which it is a party or by which it or its property or assets may be bound;

(xvi) except as disclosed in the Disclosure Documents, the Corporation and the Subsidiary have all licenses, leases, permits, authorizations and other approvals (collectively, "Licenses"); all proprietary rights provided in law and at equity to all patents and patent applications (respectively issued or filed throughout the world), as well as any re-examinations, extensions and reissues thereof and any divisionals, continuations, continuation-in-parts and any other applications or patents that claim priority from such patents and applications; all trademarks service marks, trade dresses, logos, designs and slogans, whether in word mark, stylized or design format, registered and unregistered, throughout the world; all copyrights, registered and unregistered, and all rights, claims and privileges pertaining thereto; software and documentation therefor, objective code, source code (including all programmers' notes), procedures, methods, works of authorship, and other documentation, data and information; inventions (whether or not patentable), formulas, processes, invention disclosures, technology, technical data or information, and all rights, claims and privileges pertaining thereto, all industrial designs, trade secrets, know-how, concepts, information and all other intellectual and industrial property and other proprietary rights information and other intellectual and industrial property (collectively, "Intellectual Property") necessary to permit the Corporation and the Subsidiary to conduct its business as currently conducted, except where the failure to do so would not have a Material Adverse Effect;

(xvii) except as disclosed in the Disclosure Documents, neither the Corporation nor the Subsidiary has received any notice nor is it aware of any material infringement of or conflict with asserted rights of others with respect to any Intellectual Property or of any facts or circumstances that would render any Intellectual Property invalid or inadequate to protect the interests of the Corporation or the Subsidiary therein and which infringement or conflict (if subject to an unfavourable decision, ruling or finding) or invalidity or inadequacy would have a Material Adverse Effect on the Corporation or the Subsidiary. Neither the Corporation nor the Subsidiary have received any notice of proceedings relating to the revocation or modification of any material certificate, authority, permit or license necessary to conduct the business now owned or operated by it which, if subject of an unfavourable decision, ruling or finding would have a Material Adverse Effect on the Corporation or the Subsidiary. To the knowledge of the Corporation, no employee of the Corporation or its Subsidiary is in violation of any terms of any non-disclosure, proprietary rights or similar agreements between such employee and the Corporation or the Subsidiary, as the case may be, or between such employee and any former employer. All material technical information developed by and/or belonging to the Corporation or the Subsidiary which has not been copyrighted or protected has been kept confidential;

(xviii) except as disclosed in the Disclosure Documents, any and all of the agreements and other documents and instruments pursuant to which the Corporation or the Subsidiary hold the property and assets thereof (including any interest in, or right to earn an interest in, any Intellectual Property) are valid and subsisting agreements, documents or instruments in full force and effect, enforceable in accordance with terms thereof, neither the Corporation nor the Subsidiary is in default of any of the material provisions of any such agreements, documents or instruments nor has any such default been alleged and such properties and assets are in good standing under the applicable statutes and regulations of the jurisdictions in which they are situated, all leases, licences and other agreements pursuant to which the Corporation or the Subsidiary derives the interests thereof in such property and assets are in good standing and there has been no material default under any such lease, licence or agreement. None of the properties (or any interest in, or right to earn an interest in, any property) of the Corporation or the Subsidiary is subject to any right of first refusal or purchase or acquisition right;

(xix) at the Closing Time, each of this Agreement and those Subscription Agreements accepted by the Corporation shall have been duly authorized and executed and delivered by the Corporation and upon such execution and delivery each shall constitute a valid and binding obligation of the Corporation and each shall be enforceable against the Corporation in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws relating to or affecting the rights of creditors generally and except as limited by the application of equitable principles when equitable remedies are sought, and by the fact that rights to indemnity, contribution and waiver, and the ability to sever unenforceable terms, may be limited by applicable law;

(xx) at the Closing Time, all necessary corporate action will have been taken by the Corporation to allot and authorize the issuance of the Offered Shares and, upon the due exercise of the Compensation Options in accordance with the provisions thereof, the Optioned Shares will be validly issued as fully paid and non-assessable shares in the capital of the Corporation;

(xxi) the Common Shares are listed and posted for trading on the TSX and all necessary notices and filings have been made with and all necessary consents, approvals and authorizations obtained by the Corporation from the TSX to ensure that, subject to fulfilling the conditions contained in the letter from the TSX dated November 24, 2004 in connection with the conditional acceptance of the Offering, the Offered Shares and the Optioned Shares will be listed and posted for trading on the TSX upon their issuance;

(xxii) no order, ruling or determination having the effect of suspending the sale or ceasing the trading in any securities of the Corporation has been issued by any regulatory authority and is continuing in effect and no proceedings for that purpose have been instituted or, to the knowledge of the Corporation, are pending, contemplated or threatened by any regulatory authority;

(xxiii) the authorized capital of the Corporation consists of 100,000,000 Common Shares, of which, as at the close of business on December 6, 2004, 16,062,566 Common Shares were issued and outstanding as fully paid and non-assessable shares of the Corporation;

(xxiv) except as disclosed in the Disclosure Documents, the Corporation has not made any loans to or guaranteed the obligations of any person other than the Subsidiary;

(xxv) with respect to each premises of the Corporation and the Subsidiary which is material to the Corporation or the Subsidiary and which the Corporation or the Subsidiary, as the case may be, occupies as tenant (the "Leased Premises"), the Corporation or the Subsidiary occupies the Leased Premises and has the exclusive right to occupy and use the Leased Premises and each of the leases pursuant to which the Corporation or the subsidiary occupies the Leased Premises is in good standing and in full force and effect;

(xxvi) the Corporation and the Subsidiary are in compliance with all laws respecting employment and employment practices, terms and conditions of employment, pay equity and wages, except where non-compliance with such laws could not reasonably be expected to have a Material Adverse Effect on the Corporation or the Subsidiary, and has not and is not engaged in any unfair labour practice;

(xxvii) there has not been in the last two years and there is not currently any labour disruption or conflict which could reasonably be expected to have a Material Adverse Effect on the Corporation or the Subsidiary;

(xxviii) other than as disclosed in the Disclosure Documents, none of the directors, officers or employees of the Corporation or any associate or affiliate of any of the foregoing had or has any material interest, direct or indirect, in any material transaction or any proposed material transaction with the Corporation or the Subsidiary which, as the case may be, materially affects, is material to or will materially affect the Corporation or the Subsidiary;

(xxix) the assets of the Corporation and the Subsidiary and their respective businesses and operations are insured against loss or damage with responsible insurers on a basis consistent with insurance obtained by reasonably prudent participants in comparable businesses, and such coverage is in full force and effect, and the Corporation has not failed to promptly give any notice of any material claim thereunder;

(xxx) Computershare Trust Company of Canada, at its office in the City of Calgary has been duly appointed as registrar and transfer agent for the Common Shares;

(xxxi) the minute books and records of the Corporation and the Subsidiary made available to counsel for the Underwriters in connection with its due diligence investigation of the Corporation for the periods from their respective dates of incorporation to the date hereof are all of the minute books and records of the Corporation and the Subsidiary, and contain copies of all material proceedings (or certified copies thereof or drafts thereof pending approval) of the shareholders, the directors and all committees of directors of the Corporation and the Subsidiary to the date of review of such corporate records and minute books and there have been no other meetings, resolutions or proceedings of the shareholders, directors or any committees of the directors of the Corporation and the Subsidiary to the date hereof not reflected in such minute books and other records, other than those which have been disclosed to the Underwriters or which are not material in the context of the Corporation or the Subsidiary;

(xxxii) other than as disclosed in the Disclosure Documents and to the best of the Corporation's knowledge, neither the Corporation nor the Subsidiary have been in material violation of, in connection with the ownership, use, maintenance or operation of its property and assets, any applicable federal, provincial, state, municipal or local laws, by-laws, regulations, orders, policies, permits, licences, certificates or approvals having the force of law, domestic or foreign, relating to environmental, health or safety matters (collectively the "Environmental Laws") which would have a Material Adverse Effect on the Corporation or the Subsidiary;

(xxxiii) without limiting the generality of paragraph (xxxii) immediately above, other than as disclosed in the Disclosure Documents, the Corporation and the Subsidiary, do not have any knowledge of, and have not received any notice of, any material claim, judicial or administrative proceeding, pending or threatened against, or which may affect, either the Corporation or the Subsidiary or any of the property, assets or operations thereof, relating to, or alleging any violation of any Environmental Laws, the Corporation is not aware of any facts which could give rise to any such claim or judicial or administrative proceeding and neither the Corporation nor the Subsidiary nor any of the property, assets or operations thereof is the subject of any investigation, evaluation, audit or review by any Governmental Authority (which term means and includes, without limitation, any national, federal government, province, state, municipality or other political subdivision of any of the foregoing, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any corporation or other entity owned or controlled (through stock or capital ownership or otherwise) by any of the foregoing) to determine whether any violation of any Environmental Laws has occurred or is occurring or whether any remedial action is needed in connection with a release of any contaminant into the environment, except for compliance investigations conducted in the normal course by any Governmental Authority, in each case which could reasonably be expected to have a Material Adverse Effect on the Corporation or the Subsidiary;

(xxxiv) there are no orders, rulings or directives issued, pending or, to the best of the Corporation's knowledge, threatened against the Corporation or the Subsidiary under or pursuant to any Environmental Laws requiring any work, repairs, construction or capital expenditures with respect to the property or assets of the Corporation or the Subsidiary which would have a Material Adverse Effect on the Corporation or the Subsidiary; and

(xxxv) other than the Underwriters, there is no person acting or purporting to act at the request or on behalf of the Corporation that is entitled to any brokerage or finder's fee in connection with the transactions contemplated by this Agreement.

(b) **Representations, Warranties and Covenants of the Underwriters.** Each of the Underwriters hereby represents, warrants and covenants severally and not jointly to the Corporation, and acknowledges that the Corporation is relying upon such representations and warranties, that:

(i) in respect of the offer and sale of the Offered Shares, the Underwriters and their respective agents and representatives will comply with all Securities Laws and all applicable laws of the jurisdictions outside Canada in which they offer Offered Shares;

(ii) the Underwriters and their respective agents and representatives have not engaged in or authorized, and will not engage in or authorize, any form of general solicitation or general advertising in connection with or in respect of the Offered Shares in any newspaper, magazine, printed media of general and regular paid circulation or any similar medium, or broadcast over radio or television or by means of the Internet or otherwise or conducted any seminar or meeting concerning the offer or sale of the Offered Shares whose attendees have been invited by any general solicitation or general advertising;

(iii) the Underwriters have not and will not solicit offers to purchase or sell the Offered Shares so as to require the filing of a prospectus or offering memorandum or similar document with respect thereto or the provision of a contractual right of action (as defined in Ontario Securities Commission Rule 14-501) under the laws of any jurisdiction, including without limitation, the United States; and

(iv) the Underwriters shall, and shall use their commercially reasonable best efforts to ensure that their respective agents and representatives, keep all information relating to the Corporation and the Subsidiary, save and except for the information contained in the Disclosure Documents (the "Confidential Information"), strictly confidential and shall not disclose such Confidential Information to any Person, either before, during or after the term of this Agreement in any manner whatsoever; provided, that the Underwriters obligations pursuant to this subparagraph 3(b)(iv) shall terminate or be inoperative with respect to such portions of the Confidential Information to the extent that those portions: (A) were generally available to and known by the public (other than as a result of disclosure by or through the Underwriters and/or their respective agents and representatives); (B) were available to the Underwriters and/or their respective agents and representatives on a non-confidential basis from any source other than the Corporation, provided that such source is not bound by a confidentiality or other similar agreement with the Corporation, or by any other legal, contractual or fiduciary obligation which prohibits the disclosure of such Confidential Information; or (C) are required by law to be made available to the Underwriters and/or their respective agents and representatives on a non-confidential basis and are therefore generally disclosed.

4. **Closing Deliveries.** The purchase and sale of the Offered Shares shall be completed at the Closing Time at the offices of Fasken Martineau DuMoulin LLP, Calgary, Alberta, or at such other place as the Lead Underwriter and the Corporation may agree. At or prior to the Closing Time, the Corporation shall duly and validly deliver to the Underwriters certificates in definitive form representing the Offered Shares and the Compensation Options, registered as directed by the Underwriters in writing, against payment at the direction of the Corporation, in lawful money of Canada by certified cheque, banker's draft or wire transfer payable at par in the City of Calgary, of an amount equal to the aggregate purchase price for the Offered Shares being issued and sold hereunder less the Commission and all of the estimated out-of-pocket expenses of the Underwriters payable by the Corporation to the Underwriters in accordance with Section 11 hereof.

5. **Closing Conditions.** Each Purchaser's obligation to purchase the Offered Shares at the Closing Time shall be conditional upon the fulfilment at or before the Closing Time of the following conditions:

(a) the Underwriters shall have received a certificate, dated as of the Closing Date, signed by the Chief Executive Officer and Chief Financial Officer of the Corporation, or such other officers of the Corporation as the Lead Underwriter may agree, certifying for and on behalf of the Corporation, to the best of the knowledge, information and belief of the persons so signing, that:

(i) no order, ruling or determination having the effect of suspending the sale or ceasing the trading in any securities of the Corporation or prohibiting the issue and sale of the Offered Shares or any of the Corporation's issued securities has been issued by any regulatory authority and is continuing in effect and no proceedings for that purpose have been instituted or are pending or, to the knowledge of such officers, contemplated or threatened by any regulatory authority;

(ii) since October 31, 2003, (A) there has been no material adverse change (actual, proposed or prospective, whether financial or otherwise) in the business, business prospects, affairs, operations, assets, liabilities (contingent or otherwise) or capital of the Corporation or its subsidiaries as of the date of this Agreement that has not been generally disclosed, and (B) no transactions have been entered into by the Corporation or any of its subsidiaries other than in the ordinary course of business, except as has been disclosed in the Disclosure Documents;

(iii) the Corporation has duly complied with all the terms, covenants and conditions of this Agreement on its part to be complied with up to the Closing Time; and

(iv) the representations and warranties of the Corporation contained in this Agreement are true and correct as of the Closing Time with the same force and effect as if made at and as of the Closing Time after giving effect to the transactions contemplated by this Agreement;

(b) the Underwriters shall have received a certificate, dated as of the Closing Date, signed by an appropriate officer or officers of the Corporation addressed to the Underwriters and their counsel, with respect to the articles and by-laws of the Corporation, all resolutions of the Corporation's board of directors relating to this Agreement and the Subscription Agreements and the transactions contemplated hereby and thereby, the incumbency and specimen signatures of signing officers and such other matters as the Underwriters may reasonably request;

(c) the Underwriters shall have received evidence that all requisite regulatory approvals, including the approval of the TSX, have been obtained by the Corporation in order to complete the Offering;

(d) the Offered Shares and the Optioned Shares issuable upon exercise of the Compensation Options shall have been conditionally approved for listing on the TSX;

(e) the Subscription Agreements and the certificates representing the Offered Shares and the Compensation Options shall have been executed and delivered by the parties thereto in form and substance satisfactory to the Underwriters and their counsel, acting reasonably;

(f) the Underwriters shall have received a certificate from Computershare Trust Company of Canada as to the number of Common Shares issued and outstanding as at a date no more than two Business Days prior to the Closing Date;

(g) the Underwriters shall have received favourable legal opinions addressed to the Underwriters and the Purchasers, in form and substance satisfactory to the Underwriters, acting reasonably, dated as of the Closing Date, from Fasken Martineau DuMoulin LLP, counsel for the Corporation, and where appropriate, counsel in the other Qualifying Provinces and other local counsel of the Corporation, which counsel in turn may rely, as to matters of fact, on certificates of auditors, public officials and officers of the Corporation, as appropriate, with respect to the following matters:

(i) as to the incorporation and valid existence of the Corporation under the laws of the Province of Alberta and as to the corporate power of the Corporation to carry out its obligations under this Agreement and the Subscription Agreements and to issue the Offered Shares, the Compensation Options and the Optioned Shares;

(ii) the Corporation is a reporting issuer not on the list of defaulting reporting issuers maintained pursuant to the applicable Securities Laws of the provinces of British Columbia, Alberta and Ontario;

(iii) as to the authorized capital of the Corporation;

(iv) the Corporation has all requisite corporate power and authority under the laws of the Province of Alberta to carry on its business as presently carried on and to own, lease and operate its properties and assets;

(v) none of the execution and delivery of this Agreement and the Subscription Agreements, the performance by the Corporation of its obligations hereunder and thereunder or the sale or issuance of the Offered Shares or the issuance of the Compensation Options or the Optioned Shares will conflict with or result in any breach of the constating documents or by-laws of the Corporation;

(vi) each of this Agreement, the Subscription Agreements and the certificates representing the Compensation Options has been duly authorized and executed and delivered by the Corporation, and constitutes a valid and legally binding agreement of the Corporation enforceable against it in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, liquidation, reorganization, moratorium or similar laws affecting the rights of creditors generally and except as limited by the application of equitable principals when equitable remedies are sought, and the qualification that the enforceability of rights of indemnity, contribution and waiver and the ability to sever unenforceable terms may be limited by applicable law;

(vii) upon the payment therefor, the Offered Shares will have been validly issued as fully paid and non-assessable shares in the capital of the Corporation;

(viii) the Optioned Shares have been authorized and allotted for issuance and, upon the due exercise of the Compensation Options in accordance with the provisions thereof, the Optioned Shares will be validly issued as fully paid and non-assessable shares in the capital of the Corporation;

(ix) the offering, issue, sale and delivery of the Offered Shares to the Purchasers in accordance with the Subscription Agreements and the granting, issue and delivery of the Compensation Options to the Underwriters are exempt from the prospectus and registration requirements of applicable Securities Laws and no prospectus will be required to be filed, no other document will be required to be filed, no proceeding taken and no approval, permit, consent or authorization of the Securities Regulators will be required to be obtained under applicable Securities Laws to permit the offering, issue, sale and delivery of the Offered Shares to the Purchasers and the granting, issue and delivery of the Compensation Options to the Underwriters;

(x) other than a trade that is otherwise exempt from the prospectus and registration requirements of the Securities Laws, the first trade by the Purchasers in the Qualifying Provinces of the Offered Shares is a distribution unless at the time of such trade:

(a) the Corporation is and has been a reporting issuer in a jurisdiction of Canada for the four months immediately preceding the trade;

(b) at least four months have elapsed from the "distribution date" (as defined under the Multilateral Instrument) of the Offered Shares;

(c) at the distribution date of the Offered Shares the certificates representing the Offered Shares carried a legend stating "Unless permitted under securities legislation, the holder of this security must not trade the security before April 8, 2005";

(d) such trade is not a "control distribution" (as defined in the Multilateral Instrument);

(e) no unusual effort is made to prepare the market or to create a demand for the securities that are the subject of such trade;

(f) no extraordinary commission or consideration is paid to a person or company in respect of such trade; and

(g) if the selling securityholder is an insider or officer of the Corporation, the selling securityholder has no reasonable grounds to believe that the Corporation is in default of "securities legislation" (as defined in National Instrument 14-101 – *Definitions and Interpretation*);

(xi) the issue by the Corporation of the Optioned Shares upon exercise of the Compensation Options in accordance with the terms and conditions thereof will be exempt from the prospectus and registration requirements of the Securities Laws and no document will be required to be filed, no proceeding will be required to be taken and no approval, permit, consent or authorization of the Securities Regulators or any other regulatory authority required to be obtained under the Securities Laws to permit such issue and delivery of the Optioned Shares in accordance with the terms of the Compensation Options, provided that no commission or other remuneration is paid or given to others in respect of such trade except for administrative or professional services or for services performed by a dealer properly registered under such Securities Laws;

(xii) other than a trade that is otherwise exempt from the prospectus and registration requirements of the Securities Laws, the first trade by the Underwriters of the Optioned Shares is a distribution unless at the time of such trade:

(a) the Corporation is and has been a reporting issuer in a jurisdiction of Canada for the four months immediately preceding the trade;

(b) at least four months have elapsed from the "distribution date" (as defined under the Multilateral Instrument) of the Compensation Options;

(c) at the distribution date of the Compensation Options the certificates representing the Compensation Options carried a legend, and if the Optioned Shares are issued prior to April 8, 2005, the certificates representing the Optioned Shares carry a legend, stating "Unless permitted under securities legislation, the holder of this security must not trade the security before April 8, 2005";

(d) such trade is not a "control distribution" (as defined in the Multilateral Instrument);

(e) no unusual effort is made to prepare the market or to create a demand for the securities that are the subject of such trade;

(f) no extraordinary commission or consideration is paid to a person or company in respect of such trade; and

(g) if the selling securityholder is an insider or officer of the Corporation, the selling securityholder has no reasonable grounds to believe that the Corporation is in default of "securities legislation" (as defined in National Instrument 14-101 – *Definitions and Interpretation*); and

(xiii) the TSX has conditionally accepted the listing of the Offered Shares and the Optioned Shares, subject to compliance with its conditions outlined in such conditional acceptance.

(h) the Underwriters shall have received a certificate of status or similar certificate with respect to the jurisdiction in which the Corporation is incorporated and a reporting issuer certificate or letter for the Corporation for each of the provinces of British Columbia, Alberta and Ontario; and

(i) the Underwriters shall have received a favourable legal opinion addressed to the Underwriters, in form and substance satisfactory to the Underwriters, acting reasonably, dated as of the Closing Date, from counsel to the Subsidiary, which counsel in turn may rely, as to matters of fact, on certificates of auditors, public officials and officers of the Subsidiary, as appropriate, with respect to the following matters:

(A) the Subsidiary is a corporation existing under the laws of the jurisdiction in which it was incorporated, amalgamated or continued, as the case may be, and has all requisite corporate power to carry on its business as now conducted and to own, lease and operate its property and assets; and

(B) all of the issued and outstanding shares of the Subsidiary are registered, directly or indirectly, in the name of the Corporation.

6. **Termination Events.** Each Underwriter shall be entitled to terminate its obligation to purchase the Offered Shares by written notice to that effect given to the Corporation at or prior to the Closing Time if:

(i) there should be discovered any material fact which existed as of the date hereof but which has not been publicly disclosed which, in the sole opinion of the Underwriter, has or would be expected to have a Material Adverse Effect on the market price or value of the securities of the Corporation;

(ii) there is, in the sole opinion of the Underwriter, a material change or a change in any material fact or new material fact shall arise which would be expected to have a Material Adverse Effect on the business, affairs, or profitability of the Corporation or its subsidiaries or on the market price or the value of the securities of the Corporation;

(iii) there should develop, occur or come into effect any event of any nature, including without limitation, terrorism, accident, or new or change in governmental law or regulation or other condition or financial occurrence of national or international consequence, which, in the sole opinion of the Underwriter, acting reasonably, has or would be expected to have a Material Adverse Effect on the financial markets generally or the business, affairs, operations or profitability of the Corporation or its subsidiaries or the market price or value of the securities of the Corporation;

(iv) any inquiry, action, suit, proceeding or investigation (whether formal or informal) (including matters of regulatory transgression or unlawful conduct), is commenced, announced or threatened in relation to the Corporation or any one of the officers or directors of the Corporation or any of its principal shareholders which, in the sole opinion of the Underwriter, acting reasonably, has or would be expected to have a Material Adverse Effect on the market price or value of the securities of the Corporation;

(v) any order to cease trading in securities of the Corporation is made or threatened by a securities regulatory authority; or

(vi) the Corporation is in breach of any material term, condition or covenant of the Engagement Letter or this Agreement or any material representation or warranty given by the Corporation in this Agreement becomes or is false.

7. **Exercise of Termination Right.** If this Agreement is terminated by any of the Underwriters pursuant to paragraph 6, there shall be no further liability on the part of such Underwriter or of the Corporation to such Underwriter, except in respect of any liability that may have arisen or may thereafter arise under paragraphs 9, 10 and 11. The right of the Underwriters or any one of them to terminate their respective obligation under this Agreement is in addition to such other remedies as they may have in respect of any default, act or failure to act of the Corporation in respect of any of the matters contemplated by this Agreement. A notice of termination given by one Underwriter under paragraph 6 shall not be binding upon the other Underwriters.

8. **Survival of Representations and Warranties.** All terms, warranties, representations, covenants and agreements herein contained or contained in any documents delivered pursuant to this Agreement and in connection with the transactions herein contemplated shall survive the purchase and sale of the Offered Shares and continue in full force and effect for the benefit of the Underwriters, the Purchasers and/or the Corporation, as the case may be, regardless of the Closing of the Offering and regardless of any investigations which may be carried out by the Underwriters or on their behalf and shall not be limited or prejudiced by any investigation made by or on behalf of the Underwriters in connection with the purchase and sale of the Offered Shares. In this regard, the Underwriters shall act as trustee for the Purchasers and accept these trusts and shall hold and enforce such rights on behalf of the Purchasers.

9. (a) **Indemnity.** The Corporation shall indemnify and save harmless the Underwriters and/or any of their affiliates (the "Affiliates") and each of the directors, officers, employees, shareholders and agents of the Underwriters and/or the Affiliates (collectively, the "Indemnified Parties" and each, an "Indemnified Party") from and against all liabilities, claims, actions, suits, proceedings, losses (other than loss of profits), costs, damages and expenses to which such Indemnified Party may become subject to or suffer in any way caused by, or arising directly or indirectly from, or in consequence of:

(i) any breach of any representation or warranty of the Corporation contained herein or the failure of the Corporation to comply with its obligations hereunder;

(ii) any information or statement (except any information or statement relating solely to the Indemnified Party) contained in any certificate of the Corporation delivered under this Agreement or pursuant to this Agreement which at the time and in the light of the circumstances under which it was made contains or is alleged to contain a misrepresentation;

(iii) any omission or alleged omission to state in any certificate of the Corporation delivered under this Agreement or pursuant to this Agreement any fact (except facts relating solely to the Indemnified Party), required to be stated in such document or necessary to make any statement in such document not misleading in light of the circumstances under which it was made;

(iv) any order made or enquiry, investigation or proceedings commenced or threatened by any securities regulator or other competent authority based upon any untrue statement or omission or alleged untrue statement or alleged omission or any misrepresentation or alleged misrepresentation (except a statement or omission or alleged statement or omission relating solely to the Indemnified Party) based upon any failure to comply with the Securities Laws (other than any failure or alleged failure to comply by the Indemnified Party), preventing or restricting the trading in or the sale or distribution of the Offered Shares in the Qualifying Provinces; or

(v) the non-compliance or alleged non-compliance by the Corporation with the Securities Laws in connection with the Offering,

provided that, in the event and to the extent that a court of competent jurisdiction in a final judgment from which no appeal can be made or a regulatory authority in a final ruling from which no appeal can be made shall determine that the liabilities, claims, actions, suits, proceedings, losses, costs, damages or expenses resulted from the negligence, fraud or wilful misconduct of an Indemnified Party claiming indemnity, this indemnity shall not apply.

The Corporation agrees that in case any legal proceeding shall be brought against the Corporation and/or an Indemnified Party by any governmental commission or regulatory authority or any stock exchange or other entity having regulatory authority, either domestic or foreign, or such entity shall investigate the Corporation and/or an Indemnified Party and any Indemnified Party shall be required to testify in connection therewith or shall be required to respond to procedures designed to discover information regarding, in connection with, or by reason of the performance of professional services rendered to the Corporation by the Underwriters and/or the Affiliates under this Agreement, and the reasonable costs (including an amount to reimburse the Underwriters and/or the Affiliates for time spent by the Indemnified Party in connection therewith) and out-of-pocket expenses incurred at competitive rates by the Indemnified Party in connection therewith shall be paid by the Corporation as they occur.

(b) **Notification of Claims.** If any matter or thing contemplated by this paragraph 9 (any such matter or thing being referred to as a "Claim") is asserted against an Indemnified Party, such Indemnified Party will notify the Corporation as soon as possible of the nature of such Claim and the Corporation shall be entitled (but not required) to assume the defence of any suit brought to enforce such Claim; provided, however, that the defence shall be conducted through legal counsel acceptable to the Indemnified Party, acting reasonably, and that no settlement of any such Claim may be made by the Corporation or the Indemnified Party without the prior written consent of the other party, such consent not to be unreasonably withheld or delayed, and the Corporation shall not be liable for any settlement of any such Claim unless it has consented in writing to such settlement.

(c) **Right of Indemnity in Favour of Others**. With respect to any Indemnified Party who is not a party to this Agreement, the Underwriters shall obtain and hold the rights and benefits of this paragraph 9 and paragraph 10 in trust for and on behalf of such Indemnified Party.

(d) **Retaining Counsel.** In any such Claim, the Indemnified Party shall have the right to retain other counsel to act on his or its behalf and to participate in the defence thereof, provided that the fees and disbursements of such counsel shall be paid by the Indemnified Party unless: (i) the Corporation and the Indemnified Party shall have mutually agreed to the retention of the other counsel; (ii) the Corporation fails to assume the defence of such Claim on behalf of the Indemnified Party within a reasonable time of receiving written notice to assume the defence of such Claim; or (iii) the named parties to any such Claim (including any added third party) include both the Indemnified Party and the Corporation and the Indemnified Party shall have been advised by counsel that representation of the Indemnified Party by counsel for the Corporation is inappropriate as a result of potential or actual differing interests of those represented; in each of which cases the Corporation shall not have the right to assume the defence of such Claim on behalf of the Indemnified Party but the Corporation shall be liable to pay the reasonable fees and disbursements of counsel to the Indemnified Party.

10. (a) **Contribution.** In order to provide for a just and equitable contribution in circumstances in which the indemnity provided in paragraph 9 would otherwise be available in accordance with its terms but is, for any reason, held to be unavailable to or unenforceable by the Underwriters or enforceable otherwise than in accordance with its terms, the Corporation and the Underwriters shall contribute to the aggregate of all claims, expenses, costs and liabilities (including any legal expenses reasonably incurred by the Indemnified Party in connection with any claim which is the subject of this section) and all losses (other than loss of profits) of a nature contemplated in paragraph 9 in such proportions so that the Underwriters are responsible for the portion represented by the percentage that the aggregate fee payable by the Corporation to the Underwriters bears to the aggregate purchase price of the Offered Shares and the Corporation is responsible for the balance. The Underwriters shall not in any event be liable to contribute, in the aggregate, any amounts in excess of such aggregate fee or any portion of such fee actually received. However, no party who has engaged in any fraud, fraudulent misrepresentation, wilful misconduct or negligence shall be entitled to claim contribution from any person who has not engaged in such fraud, fraudulent misrepresentation, wilful misconduct or negligence.

(b) **Right of Contribution in Addition to Other Rights.** The rights to contribution provided in this paragraph 10 shall be in addition to and not in derogation of any other right to contribution which the Underwriters may have by statute or otherwise at law.

(c) **Calculation of Contribution.** In the event that the Corporation may be held to be entitled to contribution from the Underwriters under the provisions of any statute or at law, the Corporation shall be limited to contribution in an amount not exceeding the lesser of:

(i) the portion of the full amount of the loss or liability giving rise to such contribution for which the Underwriters are responsible, as determined in subparagraph 10(a) above; and

(ii) the amount of the aggregate fee actually received by the Underwriters from the Corporation under this Agreement.

(d) **Notice.** If the Underwriters have reason to believe that a claim for contribution may arise, it shall give the Corporation notice of such claim in writing, as soon as reasonably possible, but failure to notify the Corporation shall not relieve the Corporation of any obligation which it may have to the Underwriters under this paragraph.

11. **Expenses.** The Corporation shall pay all expenses and fees in connection with the Offering, including, without limitation, all expenses of or incidental to the creation, issue, sale or distribution of the Offered Shares; the fees and expenses of the Corporation's counsel; all costs incurred in connection with the preparation of documents or certificates relating to the Offering and all reasonable expenses and fees incurred by the Underwriters and the reasonable fees of the Underwriters' counsel, whether or not the Offering is completed.

12. **Underwriters' Obligations.** The Underwriters' obligations under this Agreement shall be several and not joint, and the Underwriters' respective obligations and rights and benefits hereunder shall be as to the following percentages:

Clarus Securities Inc.	[redacted]%
Harris Partners Limited	[redacted]%

If an Underwriter (a "Refusing Underwriter") shall not complete the purchase and sale of the Offered Shares which such Underwriter has agreed to purchase hereunder for any reason whatsoever, the other Underwriter (the "Continuing Underwriter") shall be entitled, at its option, to purchase all but not less than all of the Offered Shares which would otherwise have been purchased by the Refusing Underwriter. If the Continuing Underwriter does not elect to purchase the balance of the Offered Shares pursuant to the foregoing:

(i) the Continuing Underwriter shall not be obliged to purchase any of the Offered Shares that the Refusing Underwriter is obligated to purchase; and

(ii) the Corporation shall not be obliged to sell less than all of the Offered Shares,

and the Corporation shall be entitled to terminate its obligations under this Agreement arising from its acceptance of this offer, in which event there shall be no further liability on the part of the Corporation or the Continuing Underwriter, except pursuant to the provisions of paragraphs 9 and 11 hereof.

13. **Underwriters' Authority.** The Corporation shall be entitled to and shall act on any notice, request, direction, consent, waiver, extension and other communication given or agreement entered into by or on behalf of the Underwriters by the Lead Underwriter who shall represent the Underwriters and have authority to bind the Underwriters hereunder. In all cases, the Lead Underwriter shall use its best efforts to consult with the other Underwriter prior to taking any action contemplated herein.

14. **Notices.** Unless otherwise expressly provided in this Agreement, any notice or other communication to be given under this Agreement (a "notice") shall be in writing addressed as follows:

(a) If to the Corporation, to:

Chartwell Technology Inc.
Suite 400, Chartwell House
750- 11th Street S.W.
Calgary, Alberta
T2P 3N7

Fax: (403) 237-5816
Attention: President and Chief Executive Officer

with a copy to:

Fasken Martineau DuMoulin LLP
3400 First Canadian Centre
350-7th Avenue S.W.
Calgary, Alberta
T2P 3N9

Fax: (403) 261-5351
Attention: Roderick A. Ferguson

(b) If to the Underwriters, to:

Clarus Securities Ltd.
Exchange Tower, 130 King Street West
Suite 3640, P.O. Box 38
Toronto, Ontario
M5X 1A9

Fax: (416) 343-2798
Attention: J. Alexander Wylie

Harris Partners Limited
145 King Street West
Suite 700
Toronto, Ontario
M5H 1J8

Fax: (416) 642-1910
Attention: Paul Rajchgod

with a copy to:

Wildeboer Dellelce LLP
Suite 810, Box 4
1 First Canadian Place
Toronto, Ontario
M5X 1A9

Fax: (416) 361-1790

Attention: Derek Sigel

or to such other address as any of the parties may designate by notice given to the others.

Each notice shall be personally delivered to the addressee or sent by facsimile transmission to the addressee and: (i) a notice which is personally delivered shall, if delivered on a Business Day, be deemed to be given and received on that day and, in any other case, be deemed to be given and received on the first Business Day following the day on which it is delivered; and (ii) a notice which is sent by facsimile transmission shall be deemed to be given and received on the first Business Day following the day on which it is sent.

15. **Time of the Essence.** Time shall, in all respects, be of the essence hereof.

16. **Canadian Dollars.** All references herein to dollar amounts are to lawful money of Canada.

17. **Headings.** The headings contained herein are for convenience only and shall not affect the meaning or interpretation hereof.

18. **Singular and Plural, etc.** Where the context so requires, words importing the singular number include the plural and vice versa, and words importing gender shall include the masculine, feminine and neuter genders.

19. **Entire Agreement.** This Agreement constitutes the only agreement between the parties with respect to the subject matter hereof and shall supersede any and all prior negotiations and understandings, including, without limitation, the Engagement Letter. This Agreement may be amended or modified in any respect by written instrument only.

20. **Severability.** The invalidity or unenforceability of any particular provision of this Agreement shall not affect or limit the validity or enforceability of the remaining provisions of this Agreement.

21. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein.

22. **Successors and Assigns.** The terms and provisions of this Agreement shall be binding upon and enure to the benefit of the Corporation, the Underwriters and the Purchasers and their respective executors, heirs, successors and permitted assigns; provided that, except as provided herein or in the Subscription Agreements, this Agreement shall not be assignable by any party without the written consent of the others.

23. **Further Assurances.** Each of the parties hereto shall do or cause to be done all such acts and things and shall execute or cause to be executed all such documents, agreements and other instruments as may reasonably be necessary or desirable for the purpose of carrying out the provisions and intent of this Agreement.

24. **Effective Date.** This Agreement is intended to and shall take effect as of the date first set forth above, notwithstanding its actual date of execution or delivery.

25. **Language.** The parties hereby acknowledge that they have expressly required this Agreement and all notices, statements of account and other documents required or permitted to be given or entered into pursuant hereto to be drawn up in the English language only. Les parties reconnaissent avoir expressment demandées que la présente convention ainsi que tout avis, tout état de compte et tout autre

document a être ou pouvant etre donné ou conclu en vertu des dispositions des présentes, soient rédigés en langue anglaise seulement.

26. **Counterparts and Facsimile Copies.** This Agreement may be executed in any number of counterparts and by facsimile, which taken together shall form one and the same agreement.

[INTENTIONALLY LEFT BLANK]

If the Corporation is in agreement with the foregoing terms and conditions, please so indicate by executing a copy of this Agreement where indicated below and delivering the same to the Underwriters.

Yours very truly,

CLARUS SECURITIES INC.

Per: ______________________________
Authorized Signing Officer

HARRIS PARTNERS LIMITED

Per: ______________________________
Authorized Signing Officer

The foregoing is hereby accepted and agreed to by the undersigned as of the date first written above.

CHARTWELL TECHNOLOGY INC.

Per: ______________________________
Authorized Signing Officer

If the Corporation is in agreement with the foregoing terms and conditions, please so indicate by executing a copy of this Agreement where indicated below and delivering the same to the Underwriters.

Yours very truly,

CLARUS SECURITIES INC.

Per: ______________________
Authorized Signing Officer

HARRIS PARTNERS LIMITED

Per: ______________________
Authorized Signing Officer

The foregoing is hereby accepted and agreed to by the undersigned as of the date first written above.

CHARTWELL TECHNOLOGY INC.

Per: ______________________
Authorized Signing Officer

If the Corporation is in agreement with the foregoing terms and conditions, please so indicate by executing a copy of this Agreement where indicated below and delivering the same to the Underwriters.

Yours very truly,

CLARUS SECURITIES INC.

Per: ______________________________
Authorized Signing Officer

HARRIS PARTNERS LIMITED

Per: ______________________________
Authorized Signing Officer
PAUL RASCHGOD, SENIOR VICE-PRESIDENT

The foregoing is hereby accepted and agreed to by the undersigned as of the date first written above.

CHARTWELL TECHNOLOGY INC.

Per: ______________________________
Authorized Signing Officer

If the Corporation is in agreement with the foregoing terms and conditions, please so indicate by executing a copy of this Agreement where indicated below and delivering the same to the Underwriters.

Yours very truly,

CLARUS SECURITIES INC.

Per: ______________________________
Authorized Signing Officer

HARRIS PARTNERS LIMITED

Per: ______________________________
Authorized Signing Officer
PAUL RESCHKE, SENIOR VICE PRESIDENT

The foregoing is hereby accepted and agreed to by the undersigned as of the date first written above.

CHARTWELL TECHNOLOGY INC.

Per: ______________________________
Authorized Signing Officer