August 13, 1998

EleTel Inc.
(formerly Carmel Capital Inc.)
2000 McGill College Ave
Suite 1600
Montreal, Québec
H3A 3H3

Dear Sirs:

Jones, Gable & Company Limited (the "Agent") understands that EleTel Inc. (the "Company") proposes to offer 18,500,000 Units of the Company at a price of $ 0.20 per Unit. Each Unit is composed of one Common Share and one common share purchase warrant (the "Offered Securities"). Each warrant entitles its holder to subscribe to one common share of the Company at a price of $ 0.35 for a period of 60 months following the date of the final prospectus, all as described in the prospectus dated August 13, 1998 (the "Prospectus").

The Agent further understands that the Company will grant to the Agent an option to acquire 200,000 Common Shares of the Company, at a price of $ 0.25 per common share for a period of twelve (12) months following the date of the final prospectus.

The Agent understands that the Offered Securities will be offered at a subscription price of $ 0.20 per Offered Security.

The Agent understands that the Company will use the proceeds from the sale of the Offered Securities in accordance with the disclosure make under "Use of Proceeds" in the Prospectus.

Based on the foregoing and upon and subject to the terms and conditions set out below, you hereby irrevocably appoint the undersigned as your sole and exclusive Agent to offer for sale the Offered Securities. Subject to your compliance with, and your fulfilment of, the terms and conditions hereinafter stipulated, the undersigned agrees to act as your Agent for such purpose (reserving the right to form a selling group consisting of other registered dealers and brokers upon such terms and conditions as the Agent may deem appropriate) and to use its best efforts to offer for sale the Offered Securities on your behalf in the Provinces of Québec and Ontario. It is understood and agreed by the Company and the Agent that the Agent shall act as agent only and shall not be under any obligation, express or implied, to purchase, offer or obtain any purchaser for all or any of the Offered Securities.

<u>Terms and Conditions</u>

1. The term "Closing" wherever used in this letter means 10:00 a.m., Montreal time, on August 31, 1998, or such other date and time, not later than September 18, 1998, as the Company and the Agent mutually agree in writing.

2. The Company shall, as soon as possible, fulfil to the satisfaction of the Agent's counsel, all legal requirements and the requirements established by the Québec Securities Commission and the Ontario

Securities Commission (the "Commissions") to be fulfilled by the Company to enable the Offered Securities to be lawfully offered for sale and sold to the public in Québec and Ontario (the “Qualifying Jurisdictions”) through the Agent or any other dealer or broker registered in the Qualifying Jurisdictions. Such requirements shall be fulfilled not later than August 18, 1998 or on such later date or dates as may be mutually agreed upon.

3. (a) The Company shall deliver to the Agent contemporaneously with the execution hereof a copy of the Prospectus duly executed as required by the *Securities Act* (Québec) (together, with the regulations thereunder and the published policies of the Commissions, referred to herein as the "Securities Acts"). The Company shall also deliver to the Agent copies of any other document required to be filed by the Company under the laws of Canada or Québec or by the Commissions and of any amendment to the Prospectus or other document required to be filed under paragraph 4 (collectively the "Supplementary Material"). The Prospectus and the Supplementary Material shall be in form and substance satisfactory to the Agent and its counsel. Such delivery shall constitute a representation and warranty by the Company to the Agent that all information and statements (except information and statements relating solely to the Agent) contained in the Prospectus and the Supplementary Material are true and correct at the time of delivery thereof and contain no misrepresentation and constitute full, true and plain disclosure of all material facts relating to the Company and the Offered Securities and that no material facts or information have been omitted therefrom and no other facts or information have been omitted therefrom (except facts or information relating solely to the Agent) which are required to be stated therein or are necessary to make the statements contained therein not misleading in light of the circumstances under which they were made. Such delivery shall also constitute the consent of the Company to the Agent's use of the Prospectus and the Supplementary Material for the offering and sale of the Offered Securities in the Qualifying Jurisdictions in compliance with the provisions of this agreement and the Securities Acts.

(b) The Company shall cause to be delivered to the Agent, without charge, as soon as possible and in any event within four business days of the delivery of this agreement, in Montreal, such numbers of commercial copies of the Prospectus as the Agent shall reasonably require. The Company shall similarly cause to be delivered commercial copies of the Supplementary Material.

4. From the date hereof to the completion of the distribution of the Offered Securities, the Company shall promptly notify the Agent in writing of any material change (actual, proposed or prospective) in any of the business, affairs, operations, property, interests, assets or liabilities (contingent or otherwise) or capital of the Company or in any of the business, affairs, operations, property, interests, assets or liabilities (contingent or otherwise) or capital of EleTel Inc. and of its subsidiary ToTel Inc., of any fact which has arisen and which would have been required to have been stated in the Prospectus had the facts arisen on or prior to the date of the Prospectus, or of any change in any fact contained in the Prospectus and Supplementary Material, which change is of such a nature as to render the Prospectus or Supplementary Material misleading or untrue or result in a misrepresentation therein; and the Company shall, to the satisfaction of the Agent's counsel, promptly comply with all applicable filings and other requirements under the Securities Acts as a result of such change. The Company shall in good faith

discuss with the Agent any change in circumstances (actual, proposed or prospective) which is of such a nature that there is reasonable doubt as to whether notice in writing need to be given to the Agent pursuant to this paragraph 4.

5. The Company shall deliver to the Agent at the date hereof a comfort letter from its auditors, Samson Bélair/Deloitte & Touche, Chartered Accountants (the "Auditors"), addressed to the Agents, its legal counsel and the directors of the Company in form and substance satisfactory to the Agent and its counsel, with respect to the financial and accounting information relating to the Company, EleTel Inc. and its subsidiary ToTel Inc. contained in the Prospectus, which letter shall be in addition to their auditors' report set forth in the Prospectus.

6. If at any time prior to the Closing:

(a) any order or ruling is issued, any inquiry, investigation or proceeding in relation to the Company is made, threatened or announced by any securities commission, stock exchange or other regulatory authority or any law or regulation is promulgated or changed which, in the sole opinion of the Agent, operates to prevent or restrict trading in or the distribution of the Offered Securities or materially and adversely affects or may materially and adversely affect the marketability of the Offered Securities;

(b) there should develop, occur or come into effect or existence any event, action, state or condition of national or international consequence which, in the Agent's sole opinion, would be materially adverse to the financial markets or the business of the Company, the business of EleTel Inc. and its subsidiary ToTel Inc., or any incident, governmental regulation or other occurrence, of any nature whatsoever, which in the Agent's sole opinion, would seriously adversely affect the financial markets or the business of the Company or the business of EleTel Inc. and its subsidiary ToTel Inc.;

(c) there shall have occurred or occur any material change (actual, proposed or prospective, whether factual or otherwise) in the business, affairs, operations, assets, liabilities (contingent or otherwise), prospects or capital of the Company or in EleTel Inc. and its subsidiary ToTel Inc. or there shall occur any material change or change in a material fact or new material fact shall arise such as is contemplated in paragraph 4 hereof which, in the sole opinion of the Agent, would be expected to have an adverse effect on the market price or value of the Offered Securities; or

(d) in the sole opinion of the Agent, it would be impracticable or unprofitable to offer or continue to offer the Offered Securities for sale;

the Agent shall be entitled, at its option, to terminate its obligations under this agreement, by notice to be served on the Company prior to the Closing, in which event, all monies paid by subscribers shall be returned promptly to them without interest or deduction. In the event of a termination by the Agent pursuant to this paragraph 6, there shall be no further liability on the part of the Company or the Agent, except with respect to any liability which has arisen or may thereafter arise under paragraphs 11 and 12 hereof.

7. In return for its services to the Company, namely assisting in the preparation of the Prospectus and the Supplementary Material, forming and managing the selling or other groups for the sale of the Offered Securities and distributing the Offered Securities to the public both directly and through other registered dealers and brokers, the Company agrees to pay to the Agent on Closing a commission equal to $0.002 for each Unit sold, representing an aggregate consideration of $30,000.

8. The obligation of the subscribers (including the Agent) to take up and pay for any Offered Securities shall be subject to the conditions precedent that the Agent shall receive at the Closing:

(a) a favourable legal opinion, dated the day of Closing, from counsel for the Company, DeGrandpré Chaurette Lévesque, a general partnership, Montreal who shall be entitled to rely upon the opinions of local counsel where they and counsel for the Agent deem such reliance proper as to laws other than those of Canada and the Province of Québec, in respect of all such matters as the Agent or its counsel may reasonably request;

(b) a certificate, dated the day of Closing, from EleTel Inc. and ToTel Inc., in respect of all such matters as the Agent or its counsel may reasonably request;

(c) a favourable legal opinion, dated the date of Closing, from counsel for the Agent, Lafleur Brown, a general partnership, Montreal, who shall be entitled to rely upon the opinion of counsel for the Company to the extent they consider appropriate;

(d) a comfort letter, dated the day of Closing, from the Auditors, addressed to the Agent, in form and substance satisfactory to the Agent, similar to the comfort letter to be delivered to the Agent pursuant to paragraph 5, with such changes as may be necessary to bring the information therein forward to such later date;

(e) a certificate dated the day of Closing signed by the President and the executive Vice-President and Corporate Secretary of the Company certifying for and on behalf of the Company, to the best of their knowledge, information and belief, after due enquiry as to such matters as the Agent may reasonably request including, without limitation, that except as disclosed in the Prospectus or Supplementary Material:

    (i) the Prospectus and the Supplementary Material, at their respective dates, constitute full, true and plain disclosure of all material facts relating to the Company, EleTel Inc. and ToTel Inc. and the Offered Securities;

    (ii) each of the representations and warranties contained in paragraph 14 of this agreement and all other representations and warranties of the Company in this agreement are true and correct as of the day of Closing; each of the representations and warranties of EleTel Inc. and ToTel Inc. are true and correct, as of the date of Closing;

    (iii) since the date of the Prospectus, there has been no material change, financial or otherwise, in the condition of the Company or of EleTel Inc. and ToTel Inc. or in any material assets, liabilities (contingent or otherwise), businesses or operations of the Company or of EleTel Inc. and ToTel Inc., other than as previously disclosed in writing to the Agent, and no transactions of a nature material to the Company or of EleTel Inc. and ToTel Inc. has been entered into by the Company or EleTel Inc. and ToTel Inc. except in the ordinary course of business;

(iv) the Company or EleTel Inc. and ToTel Inc. does not have any contingent liabilities out of the ordinary course of business which are material to it;

(v) there are no actions, suits, proceedings or enquiries pending or threatened against or affecting the Company or EleTel Inc. and ToTel Inc. at law or in equity or before or by any federal, provincial, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, which may in any way materially and adversely affect the Company or EleTel Inc. and ToTel Inc. other than those disclosed in the prospectus;

(vi) no material default exists, or as a result of creation and issue of the Offered Securities will exist, under any instrument or agreement to which the Company is a party or by which it is bound;

(vii) all of the covenants and agreements of the Company to be performed at or prior to the Closing have been performed.

9. The purchase of the Offered Securities shall be completed at Closing at the offices of DeGranpré, Chaurette, Lévesque, Montreal or at such other place in Montreal as the Agent may reasonably require upon not less than 24 hours prior notice. At or prior to the Closing, the Company shall duly and validly allot and issue the Offered Securities subscribed for and purchased by the subscribers therefor (including the Agent) and shall give instructions to Montreal Trust Company to deliver, in the delays provided for in the Prospectus, the certificates representing all of the Offered Securities so subscribed for and purchased, against payment to or to the order of the Company of the purchase price therefor in lawful money of Canada by cheques payable at par in the City of Montreal. The Company shall contemporaneously pay to the Agent the commission for services rendered in connection with the issue and sale of the Offered Securities as provided in paragraph 7 and pay the other costs and expenses referred to in section 12 hereof.

10. (a) In addition to the fees, commissions and expenses payable to the Agent hereunder, the Company agrees, as further consideration for the services rendered by the Agent, that during the period commencing on the date of this agreement and ending on August 13, 1999, the Company will not, without the prior written consent of the Agent, enter into any agreement with any firm, person or corporation (except the Agent) pursuant to which the Company agrees to issue securities in the province of Québec or Ontario.

11. (a) The Company shall indemnify and save the Agent and each of its directors, officers and employees harmless against and from all liabilities, claims, losses, costs, damages and expenses to which any of them may be subject or may suffer, whether under the provisions of any statute or otherwise, in any way caused by, or arising directly or indirectly from, or in consequence of:

(i) any untrue statement of a material fact contained in the Preliminary Prospectus, Prospectus or Supplementary Material or an omission to state therein a material fact that is required to be stated or that is necessary to make a statement therein not misleading in the light of the circumstances in which it was made (except, in any such case, for facts or information or omissions relating solely to the Agent);

(ii) any order made by the Commissions or other competent authority that trading in, or distribution to the public of, the Offered Securities or any part thereof is to halt or cease (except in any such case, an order relating to the acts or omissions of the Agent);

(iii) the Company not complying with any requirement of applicable securities legislation in connection with the transaction herein contemplated; or

(iv) If any claim or action shall be asserted against the Agent with respect to which the Agent is entitled to be protected and indemnified by the Company according to the foregoing provisions, the Agent shall give the Company written notice setting out the nature and details of the claim. The Company, by assuming the defense of the Agent, shall be responsible to employ legal counsel acceptable to the Agent and to pay all the fees and expenses relating thereto. The Agent shall also have the right to employ separate counsel in any such suit and participate in the defense thereof. But, the fees and expenses of such counsel shall be borne by the Agent unless: (i) the employment of such counsel has been authorized in writing by the Company; or (ii) the Company fails to assume the defense of such suit or engage legal counsel on behalf of the Agent after a reasonable delay from the receipt of said written notice. With respect only to the circumstances described in (ii) of the present paragraph, the Agent shall not agree to any settlement of the action without the written consent of the Company, which cannot be withheld without due cause.

12. Whether or not the transactions herein contemplated shall be completed:

(a) the Company shall be responsible for all legal fees including the Agent’s legal fees, professional fees or costs associated with the creation, conceptualization, issuance and sale of the Offered Securities, preparation, printing or distribution of the Prospectus or Supplementary Material or any marketing documents or other marketing devices (including, without limitation, greensheets, slide presentations, videos and road shows, if any) and the Company shall so advise all contractors for such services;

(b) the Company shall also be responsible for all the Agent's reasonable expenses (including, without limitation, out-of-pocket expenses such as telephone charges, road show expenses, greensheets, travel and accommodation expenses) of or incidental to the creation, conceptualization, issuance and sale of the Offered Securities. The expenses incurred by the Agent in accordance with the terms hereof shall be promptly reimbursed by the Company upon presentation of a statement of account to the Company.

13. The Company agrees to use it best efforts to direct to the Agent all prospective purchasers of the Offered Securities.

14. The Company represents and warrants to the Agent and the subscribers that:

(a) the Company has been duly incorporated and organized and is validly subsisting under the laws of its jurisdiction of incorporation, and has all requisite power and authority to carry on its business as it is now conducted and as it is presently proposed to be conducted, to own, lease and operate its properties and assets and to carry out its obligations hereunder;

(b) the Company has conducted and is conducting its business in compliance in all material respects with all applicable laws, rules and regulations of each jurisdiction in which it is or may be deemed to be carrying on business and is duly licensed, registered or qualified in each such jurisdiction to enable its business assets to be owned, leased and operated and to enable its business to be carried on, and all such licenses, registrations or qualifications are valid and existing and in good standing and none of the same contains any burdensome term, provision, condition or limitation which has a material adverse effect on the operation of the business of the Company as now carried on or proposed to be carried on;

(c) the Shares issued at Closing will be duly authorized and validly issued and outstanding as fully paid and non-assessable;

(d) the Company is not in default or breach of, and the execution and delivery of this agreement, the performance and compliance with the terms of this agreement and the sale of the Offered Securities as described in and contemplated by the Prospectus, will not result in any breach of, or be in conflict with or constitute a default under or create a state of facts which after notice or lapse of time or both would constitute a default under any term or provision of the constituting documents, by-laws or resolutions of the Company or any mortgage, note, indenture, contract, agreement (written or oral), instrument, lease or other document to which the Company is a party or any judgment, decree, order, statute, rule or regulation applicable to the Company;

(e) this agreement has been duly authorized, executed and delivered by the Company and constitutes a valid and binding obligation of the Company enforceable in accordance with its terms; and

(f) the Company has not paid or agreed to pay any commission, consulting fee or other amount to any person or Company (other than the Agent) in consideration for the sale of any Offered Securities.

15. EleTel Inc. and ToTel Inc., each represents and warrants to the Agent and the purchasers that:

(a) EleTel Inc. and ToTel Inc. have been duly incorporated and organized and are validly subsisting under the laws of their jurisdiction of incorporation, and have all requisite power and authority to carry on their business as it is now conducted and as it is presently proposed to be conducted, to own, lease and operate their properties and assets and to carry out their obligations hereunder;

(b) Each of EleTel Inc. and ToTel Inc., has conducted and is conducting its business in compliance in all material respects with all applicable laws, rules and regulations of each jurisdiction in which it is or may be deemed to be carrying on business and is duly licensed, registered or qualified in each such jurisdiction to enable its business assets to be owned, leased and operated and to enable its business to be carried on, and all such licenses, registrations or qualifications are valid and existing and in good standing and none of the same contains any burdensome term, provision, condition or limitation which has a material adverse effect on the operation of the business of EleTel Inc. and ToTel Inc. as now carried on or proposed to be carried on; and

(c) Each of EleTel Inc. and ToTel Inc. is not in default or breach of any agreement, understanding or any other agreement required for the operation of its activities, other than those disclosed in the Prospectus, which defaults will be cured at Closing.

16. Any notice to be given hereunder shall be in writing and may be given by telecopier or by personal delivery to an officer of the party to whom notice is given and shall:

(a) in the case of notice to the Company, be addressed and sent to:

EleTel Inc.
2000 McGill College Ave
Suite 1600
Montreal, Québec
H3A 3H3

Attention: Me Pierre Barnard

Telecopier No.: (514) 499-0469

(b) in the case of notice to the Agent, be addressed and sent to:

Jones, Gable & Company Limited
614 St-Jacques Street
Suite 100
Montreal, Québec
H3C 1E2

Attention: Mr. William Stanimir

Telecopier No.: (514) 875-2636

The Company and the Agent may change their respective addresses for notices by notice given in the manner aforesaid.

17. This agreement replaces any oral or written agreement that may have been entered into between the Agent and the Company with respect to the Offered Securities.

18. All terms and conditions of this agreement shall be construed as conditions, and any breach or failure by the Company to comply with any thereof shall entitle the Agent to terminate its obligations hereunder by written notice to that effect given to the Company prior to the Closing. It is understood that the Agent may waive, in whole or in part, or extend the time for compliance with, any of such terms and conditions without prejudice to its rights in respect of any other of such terms and conditions or any other or subsequent breach or non-compliance, provided that to be binding on the Agent any such waiver or extension must be in writing.

19. Time shall be of the essence of the agreement arising from this offer and its acceptance by the Company and such agreement shall be governed by and construed in accordance with the laws of the Province of Québec and the laws of Canada applicable therein. The representations, warranties, obligations and agreements herein contained shall survive the purchase by the subscribers (including the Agent) of the Offered Securities and shall continue in full force and effect unaffected by any subsequent disposition by the subscribers (including the Agent) of the Offered Securities.

If the foregoing is in accordance with your understanding and is agreed to by you, please signify your acceptance on the accompanying counterparts of this letter and return the same to us forthwith whereupon this letter as so accepted shall constitute an agreement between us in accordance with the foregoing.

Yours very truly,

JONES, GABLE & COMPANY LIMITED

(Signed) By : William Stanimir

The foregoing is accepted and agreed to this 13th day of August, 1998.

ELETEL INC.

(Signed) By: Pierre Barnard