

UNDERWRITING AGREEMENT

March 4, 2002

Coolbrands International Inc.
8300 Woodbine Avenue
5th Floor
Markham, ON L3R 9Y7

Dear Sirs:

The undersigned, Sprott Securities Inc., Canaccord Capital Corporation, Standard Securities Capital Corporation and Thomson Kernaghan & Co. Limited (the "Underwriters" and each an "Underwriter"), understands that Coolbrands International Inc. (the "Company") proposes to create, issue and sell (the "Offering") 3,750,000 special warrants (the "Special Warrants") subject to the terms and conditions set out below.

Each Special Warrant is exercisable by the holders thereof for no additional consideration, into one class A subordinate voting share in the capital of the Company (a "Class A Share") at any time on or before 5:00 p.m. (Toronto time) on the Expiry Date. Special Warrants that have not been previously exercised shall be automatically exercised, by the Company on the holder's behalf, without further payment or action by the holder, into Common Shares on the earlier of: (i) the sixth business day following the Qualification Date; and (ii) 4:59 p.m. (Toronto time) on the Expiry Date.

Upon and subject to the terms and conditions set forth herein, each of the Underwriters hereby severally, agrees to purchase from the Company, in the respective percentages set out in paragraph 12 hereof, the 3,750,000 Special Warrants at a price of \$4.00 per Special Warrant (the "Purchase Price") for an aggregate purchase price of \$15,000,000 and agrees to act as underwriter to arrange for substituted purchasers for the Special Warrants resident in the Qualifying Provinces. The Underwriters acknowledge and agree that not more than 1,500,000 Special Warrants will be sold to persons who are resident in, or otherwise subject to, the securities laws of the Province of Quebec. The parties acknowledge that the Special Warrants and the Underlying Shares have not and will not be registered under the U.S. Securities Act (as hereinafter defined) and may not be offered or sold, or re-offered or re-sold by the Underwriters except pursuant to exemptions from the registration requirements of the U.S. Securities Act and the applicable laws of any state of the United States of America as specified in paragraph 1 hereof.

In consideration of the services to be rendered by the Underwriters in connection with such purchase, including assisting in the preparation of the Prospectus (as hereinafter defined) and all other matters in connection with the sale of the Special Warrants and the issue of the Underlying Shares, the Company shall pay to the Underwriters at Closing in cash a commission (the "Commission") equal to 5.5% of the gross proceeds realized by the Company in respect of the sale of the Special Warrants. The obligation of the Company 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.

The Special Warrants shall be duly and validly created and issued pursuant to, and governed by, the terms of a special warrant indenture (the "Special Warrant Indenture") to be entered into between the Company and Equity Transfer Services Inc., as warrant agent, and to be dated as of the Closing Date. The description of the Special Warrants herein is a summary only and is subject to the detailed provisions of the Special warrants to be set forth in the Special Warrant Indenture. In case of inconsistency between the description of the Special Warrants in this Agreement and the terms of the Special Warrants as set forth in the Special Warrant Indenture, the Special Warrant Indenture shall govern.

DEFINITIONS

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

"AIF" means the Company's revised annual information form dated January 16, 2002;

"Agreement" means the agreement resulting from the acceptance by the Company 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 Toronto, Canada;

"Canadian Securities Laws" means all applicable securities laws in each of the Qualifying Provinces and the respective regulations made thereunder, together with applicable published fee schedules, prescribed forms, orders, blanket rulings and other regulatory instruments of the securities regulatory authorities in such provinces;

"Closing" means the closing on the Closing Date of the transaction of purchase and sale in respect of the Special Warrants as contemplated by this Agreement and the Subscription Agreement;

"Closing Date" means March 4, 2002 or such other date as the Underwriters and the Company shall agree;

"Closing Time" means 8:00 a.m. (Toronto time) on the Closing Date or such other time on the Closing Date as the Company and the Underwriters may agree;

"Company's Auditors" means BDO Dunwoody LLP., Chartered Accountants, or such other firm of chartered accountants as the Company may have appointed or may from time to time appoint as auditors of the Company;

"Expiry Date" means that date which is four months and one day following the Closing Date in each jurisdiction;

"Final Prospectus" shall have the meaning ascribed thereto in subparagraph 2(b);

"Material Subsidiaries" means Integrated Brands Inc., Kayla Foods International (Barbados) Inc. and Eskimo Pie Corporation;

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

"OSC" means the Ontario Securities Commission;

"person" means any individual, corporation, partnership, joint venture, association, trust or other legal entity;

"Preliminary Prospectus" shall have the meaning ascribed thereto in subparagraph 2(a);

"Prospectus" shall mean the Preliminary Prospectus and the Final Prospectus;

"Purchasers" means the persons (which may include the Underwriters) who, as purchasers, acquire Special Warrants by duly completing, executing and delivering Subscription Agreements which are accepted by the Company and permitted assignees of such persons from time to time;

"Qualification Date" means the later of: (a) in the case of a Purchaser resident in a Qualifying Province, the date of the receipt for the Final Prospectus issued by or on behalf of the Securities Regulator in such Qualifying Province; and (b) the date of the receipt for the Final Prospectus issued by or on behalf of the OSC, qualifying the Underlying Shares; for greater certainty, the date of the Mutual Reliance Review System ("MRRS") Decision Document issued by the principal jurisdiction in accordance with National Instrument 43-201 will be deemed to be the date on which a receipt is issued by a Securities Regulator in a Qualifying Province or the OSC, as the case may be, unless the Securities Regulator has opted out;

"Qualification Deadline" means 5:00 pm (Toronto time) on the date that is 45 days from the Closing Date, subject to adjustment in accordance with paragraph 2 hereof;

"Qualification Period" means the period from the Closing Date to and including the Qualification Date;

"Qualifying Provinces" means the provinces of Alberta, Ontario, Quebec and Nova Scotia;

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

“Special Warrant Agent” means Equity Transfer Services Inc., in its capacity as special warrant agent pursuant to the Special Warrant Indenture, as the context may require;

“Special Warrant Indenture” means the special warrant indenture dated as of March 4, 2002 between the Company and the Special Warrant Agent, providing for the creation and issuance of the Special Warrants and in a form to be agreed upon by the Company and the Underwriters;

“Subscription Agreement” means a subscription agreement in the form agreed upon by the Underwriters and the Company pursuant to which Purchasers agree to subscribe for and purchase the Special Warrants herein contemplated and shall include, for greater certainty, all schedules thereto;

“subsidiary” shall have the meaning ascribed thereto in the *Securities Act (Ontario)*;

“Subsidiaries” means Integrated Brands Inc., Yogen Fruz Canada Inc., Yogenfruz Acquisitions Inc., Kayla Foods International (Barbados) Inc., Bresler’s Industries Inc., Kayla Foods Inc., Northern Lights Frozen Desserts, Eskimo Pie Corporation and I Can’t Believe its Yogurt Ltd.;

“Supplementary Material” shall have the meaning ascribed thereto in subparagraph 4(b);

“Time of Expiry” means 5:00 p.m. (Toronto time) on the earlier of (i) the Qualification Date; and (ii) the Expiry Date;

“TSE” means the Toronto Stock Exchange;

“Underlying Shares” means the Class A Shares of the Corporation issuable upon exercise of the Special Warrants;

“U.S. Securities Act” means the United States Securities Act of 1933, as amended;

TERMS AND CONDITIONS

1. (a) Sale on Exempt Basis. The Company understands that although the offer is presented on behalf of the Underwriters as purchasers, the Underwriters will endeavour to arrange for substituted Purchasers for the Special Warrants in the Qualifying Provinces and in such other jurisdictions agreed to by the Company and the Underwriters provided the sale of the Special Warrants to such Purchasers is exempt from any requirement to file a prospectus or offering memorandum under applicable securities laws and is otherwise in compliance with all applicable Canadian Securities Laws and all applicable securities laws of such other jurisdictions. The Underwriters shall notify the Company with respect to the identity and jurisdiction of residence of each such substituted Purchaser as soon as practicable. Nothing in this section 1(a) shall affect the obligations of the Underwriters, subject to the terms and condition hereof, to purchase all of the Special Warrants not purchased at the Closing by a substituted Purchaser. The Company is not obligated to accept Subscription Agreements from substituted Purchasers where the documents required under section 9(b)(iv) are not provided or

the sale of the Special Warrants to the substituted Purchaser would not be exempt from any prospectus or any offering memorandum filing or delivery requirements of applicable securities law.

(b) Filings. The Company undertakes to file or cause to be filed all forms or undertakings required to be filed by the Company in connection with the purchase and sale of the Special Warrants so that the distribution of the Special Warrants may lawfully occur without the necessity of filing a prospectus, a registration statement or an offering memorandum in Canada (but on terms that will permit Underlying Shares acquired by the Purchasers in the Qualifying Provinces to be sold by such Purchasers at any time in the Qualifying Provinces subject to, and in compliance with, applicable Canadian Securities Laws and the provisions of paragraph 3 of this Agreement), and the Underwriters undertake to use reasonable commercial efforts to cause Purchasers of Special Warrants to complete any forms required by Canadian Securities Laws or other applicable securities laws. All fees payable in connection with such filings under all applicable securities laws shall be at the expense of the Company.

(c) No Offering Memorandum. Neither the Company nor the Underwriters shall (i) provide to prospective purchasers any document or other material that would constitute an offering memorandum within the meaning of Canadian Securities Laws or applicable securities laws of the United States or any state or territory thereof; or (ii) engage in any form of general solicitation or general advertising in connection with the offer and sale of the Special Warrants, including but not limited to, causing the sale of the Special Warrants to be advertised in any newspaper, magazine, printed media or similar medium of general and regular paid circulation, broadcast over radio or television or conduct any seminar or meeting relating to the offer and sale of the Special Warrants or Underlying Shares whose attendees have been invited by general solicitation or advertising.

2. Closing; Adjustment of Qualification Period. The Closing of the issue and sale of the Special Warrants shall occur as soon as practicable following the satisfaction of all conditions set forth in section 11 hereof and in any event on or prior to March 4, 2002 or such later date as may be agreed by the Underwriters. In addition, the Underwriters may, in their sole and absolute discretion, extend the Closing Date to a date which is later than March 15, 2002 and, in the event that the Underwriters do so, the Qualification Deadline shall be deemed to be extended until the Qualification Date, whether or not the Qualification Date occurs within 45 days of the Closing Date.

3. (a) Preliminary Prospectus. As soon as practicable following the Closing, the Company shall under applicable Canadian Securities Laws of each of the Qualifying Provinces, use its reasonable commercial efforts to prepare, file (and use its reasonable commercial efforts to obtain a receipt for) a preliminary prospectus (the "Preliminary Prospectus") with the Securities Regulators in form and substance satisfactory to the Company and the Underwriters, acting reasonably, and other related documents relating to the proposed distribution of the Underlying Shares. The Company shall use its reasonable commercial efforts to satisfy as expeditiously as practicable any comments made by the Securities Regulators in respect of the Preliminary Prospectus.

(b) Final Prospectus. The Company shall, as soon as practicable after all comments of the Securities Regulators have been satisfied with respect to the Preliminary Prospectus, prepare and file (and use its best efforts to obtain a receipt for) under applicable Canadian Securities Laws, a (final) prospectus in form and substance satisfactory to the Company and the Underwriters (the “Final Prospectus”), each acting reasonably, and fulfil and comply with, to the satisfaction of the Underwriter’s counsel, acting reasonably, all applicable Canadian Securities Laws to be fulfilled or complied with by the Company to enable the Underlying Shares to be lawfully distributed to the public in the Qualifying Provinces in which Purchasers are resident in connection with the exercise of the Special Warrants. The Company shall use its best efforts to ensure that such requirements (including the issuance of a receipt by the Securities Regulators) shall be fulfilled as soon as possible after all regulatory comments and deficiencies have been resolved in connection with the Preliminary Prospectus.

4. Additional Rights and Protection to the Purchaser and the Underwriters. The Company recognizes that it is fundamental to Purchasers of the Special Warrants that the distribution of the Underlying Shares be qualified under a prospectus in the Qualifying Provinces so that the Underlying Shares will be freely tradeable in such Qualifying Provinces without the necessity of the holder thereof filing a prospectus or effecting the trade in a manner which falls within one of the various prospectus exemptions under applicable Canadian Securities Laws. The Company acknowledges that it is for this reason that the Company has agreed that the Preliminary Prospectus and the Final Prospectus are to be filed with the Securities Regulators in the Qualifying Provinces and receipts are to be obtained therefor within the time periods contemplated by this Agreement. Accordingly, it shall be a term of the Special Warrant Indenture pursuant to which the Special Warrants are to be issued that if a receipt for the Final Prospectus has not been issued by or on behalf of the Securities Regulator in a Qualifying Province where a Purchaser resides before the Qualification Deadline, then each outstanding Special Warrant held by a Purchaser resident in that Qualifying Province will thereafter be exercisable for 1.04 Class A Shares (in lieu of one Class A Share). In the event that the Final Prospectus has not been filed and a receipt issued therefor by or on behalf of each of the Securities Regulators in the Qualifying Provinces on or before the Qualification Deadline (a “Prospectus Default”), the Company will nevertheless continue to be obligated to use its best efforts to file and obtain receipts for the Final Prospectus as soon as possible in each of the Qualifying Provinces until the Time of Expiry.

5. (a) Deliveries at Time of Filing. The Company shall deliver to the Underwriters contemporaneously with or prior to the filing of the Preliminary Prospectus or the Final Prospectus, as the case may be, with the Securities Regulators:

- (i) an executed copy of the Preliminary Prospectus or the Final Prospectus, in the English language, and if the Province of Quebec is one of the Qualifying Provinces, in the French language;
- (ii) executed copies of any other document required to be filed by the Company at such time under the laws of each of the Qualifying Provinces that complies with the Canadian Securities Laws applicable therein;

- (iii) in the case of the Final Prospectus, a letter of the Company's Auditors dated the date of the Final Prospectus addressed to the Underwriters and the board of directors of the Company in form and substance satisfactory to the Underwriters, with respect to certain financial and accounting information relating to the Company in the Final Prospectus and which shall be based on a review by the Company's Auditors to a date not more than two business days prior to the date of the Final Prospectus and which letter shall be in addition to the Company's Auditors' report contained in the Final Prospectus;
- (iv) if the Province of Quebec is one of the Qualifying Provinces, an opinion of Steven Troster, Quebec counsel to the Company, addressed to the Underwriters and their counsel that the French language version of the Preliminary Prospectus and the Final Prospectus (other than the financial information included therein) is in all material respects an accurate and complete translation of the English language version of the Preliminary Prospectus and the Final Prospectus; and
- (v) an opinion of the Company's Auditors addressed to the Underwriters and their counsel, in form and substance satisfactory to the Underwriter, acting reasonably, to the effect that the French language version of the financial information contained in the Preliminary Prospectus and the Final Prospectus is, in all material respects, an accurate and complete translation of the financial information contained in the Preliminary Prospectus and the Final Prospectus, respectively.

(b) Supplementary Material. The Company shall also prepare and deliver promptly to the Underwriters duly signed copies of all amended or supplementary prospectuses or supplemental statements and related documents required to be filed by the Company under the securities laws of the Qualifying Provinces and of any amendment to the Preliminary Prospectus or the Final Prospectus or other document required to be filed under paragraph 7 of this Agreement (collectively, the "Supplementary Material"). The Prospectus and the Supplementary Material shall be in form and substance satisfactory to the Underwriter, acting reasonably.

(c) Copies. The Company shall cause copies of the Final Prospectus to be delivered to the Underwriters without charge, in such numbers and in such cities in the Qualifying Provinces as the Underwriters may reasonably request. Such delivery shall be effected as soon as practicable and, in any event, on or before a date two Business Days after the filing thereof with the Securities Regulators. The Company shall similarly cause to be delivered to the Underwriters one copy of all Supplementary Material and that number of copies of any Supplementary Material required to be delivered to Purchasers under applicable securities laws as the Underwriters may reasonably request. The Underwriters shall cause to be delivered to holders of Special Warrants copies of the Final Prospectus and any required Supplementary Materials.

6. Representation as to Prospectus and Supplementary Material. Delivery of the Prospectus and any Supplementary Material shall constitute a representation and warranty by the Company to the Underwriters, the Purchasers and their permitted assigns that all information and statements (except information and statements relating solely to or provided solely by the Underwriters in writing) contained in the Prospectus and any amended or supplementary

prospectuses are true and correct in all material respects at the time of delivery thereof and contain no misrepresentations and constitute full, true and plain disclosure of all material facts relating to the Company and the Underlying Shares and that no material fact or information has been omitted therefrom (except facts or information relating solely to the Underwriters) which is required to be stated therein or is necessary to make the statements or information contained therein not misleading in light of the circumstances under which they were made. Such delivery shall also constitute the Company's consent to the Underwriters' use of the Prospectus, any amended or supplementary prospectuses and any other public documents supplied to the Underwriters by the Company for the distribution of the Underlying Shares in the Qualifying Provinces in compliance with the provisions of this Agreement and Canadian Securities Laws.

7. (a) Covenants. The Company hereby covenants with each of the Underwriters and with the Purchasers and their permitted assigns and acknowledges that each of them is relying on such covenants in purchasing Special Warrants, that the Company shall:

- (i) for a period of one year after the issuance of a receipt for the Final Prospectus, use its reasonable commercial efforts to remain a reporting issuer under Canadian Securities Laws of the Qualifying Provinces not in default of any requirement of such Canadian Securities Laws;
- (ii) allow the Underwriters and their representatives to conduct all due diligence which they may reasonably require to be conducted prior to the date of the Final Prospectus in order to fulfil their obligations as Underwriters under Canadian Securities Laws and in order to enable the Underwriters responsibly to execute any certificate required to be executed by the Underwriters in connection with the Prospectus, and it shall be a condition precedent to the Underwriters' execution of any certificate in any Prospectus that it be satisfied, acting reasonably, as to the form and content of such Prospectus;
- (iii) duly execute and deliver the Special Warrant Indenture, the Special Warrants and 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 Company;
- (iv) use its reasonable commercial efforts to fulfil or cause to be fulfilled, at or prior to the Closing Date, each of the conditions set out in paragraph 11;
- (v) ensure that the Special Warrants shall be duly and validly created, authorized and issued on payment of the purchase price therefor, and shall have attributes corresponding in all material respects to the description thereof set forth in this Agreement and the Special Warrant Indenture;
- (vi) ensure that the Underlying Shares shall, upon issuance in accordance with the terms of the Special Warrant be duly issued as fully paid and non-assessable securities in the capital of the Company;

- (vii) ensure that at all times prior to the expiry thereof, sufficient Underlying Shares are allotted and reserved for issuance upon the due exercise of the Special Warrants;
- (viii) use its reasonable commercial efforts to ensure that the Underlying Shares are posted and listed for trading on the TSE; and
- (ix) for a period of 90 days from obtaining the Final Receipt, the Company shall not issue or announce the issuance of any additional securities without the prior written consent of all of the Underwriters, such consent not to be unreasonably withheld except in conjunction with: (i) this Agreement, (ii) the grant or exercise of stock options and other similar issuances pursuant to the existing share incentive plan of the Company and other existing share compensation arrangements, and (iii) outstanding warrants and other convertible securities, as set forth in Schedule "B" attached hereto.

(b) Underwriters' Obligation. The obligation of the Underwriters to execute any certificate or deliver any documents pertaining to the Prospectus shall be conditional upon compliance by the Company to the date of such execution and delivery with those of its covenants contained in this Agreement to be complied with prior to the filing of the Prospectus.

8. (a) Material Changes During Distribution. During the period from the date hereof to the completion of the distribution of the Underlying Shares, the Company shall promptly notify the Underwriters (and, if requested by the Underwriters, confirm such notification in writing) of:

- (i) any material change (actual, anticipated, contemplated or threatened, financial or otherwise) in the business, affairs, operations, assets, liabilities (contingent or otherwise) or capital of the Company and the Subsidiaries (taken as a whole);
- (ii) any material fact which has arisen and would have been required to have been stated in the Preliminary Prospectus or the Final Prospectus had the fact arisen on, or prior to, the date of the Preliminary Prospectus or Final Prospectus, as applicable; and
- (iii) any change in any material fact contained in the Preliminary Prospectus or Final Prospectus or the Supplementary Material or any amendments or supplements thereto which change is, or may be, of such a nature as to render any material statement in the Preliminary Prospectus, Final Prospectus or any Supplementary Material misleading or untrue or which would result in a misrepresentation in the Preliminary Prospectus, Final Prospectus or Supplementary Material or which would result in the Preliminary Prospectus, Final Prospectus or Supplementary Material not complying (to the extent that such compliance is required) with the Canadian Securities Laws in the Qualifying Provinces or which would reasonably be expected to have a significant effect on the market price or value of the Underlying Shares.

During the period from the date hereof to the completion of distribution of the Underlying Shares, the Company shall promptly, and in any event, within any applicable time limitation, comply with all applicable filing and other requirements under Canadian Securities Laws arising as a result of a circumstance identified in 8(a)(i), (ii) or (iii) above; provided that the Company shall not file any Supplementary Material or other document without first obtaining approval of the Underwriters, through consultation with the Underwriters with respect to the form and content thereof, which approval shall not be unreasonably withheld. The Company shall in good faith discuss with the Underwriters any fact or change in circumstances (actual, anticipated, contemplated or threatened, and financial or otherwise) which is of such a nature that there is reasonable doubt as to whether notice in writing need be given to the Underwriters pursuant to this section 8.

(b) Press Releases. During the period from the date hereof to the completion of the distribution of the Underlying Shares, subject to applicable law the Company shall obtain prior approval of the Underwriters, such approval not to be unreasonably withheld, as to the content and form of any press release. In addition, any press release announcing or otherwise referring to this Offering shall include an appropriate legend on each page as follows: “Not for distribution to U.S. news wire services or dissemination in the United States.”

(c) Change in Canadian Securities Laws. If during the period of distribution to the public of the Underlying Shares there shall be any change in Canadian Securities Laws which in the opinion of counsel to the Company or counsel to the Underwriters requires the filing of Supplementary Material, the Company shall, to the satisfaction of its counsel and the Underwriter’s counsel, promptly prepare and file such Supplementary Material with the appropriate securities regulatory authority in each of the Qualifying Provinces where such filing is required.

9. (a) Representations and Warranties of the Company. The Company represents and warrants to each of the Underwriters and to the Purchasers, and acknowledges that each of them is relying upon such representations and warranties in purchasing Special Warrants, that:

- (i) the Company has been duly continued and is validly existing under the laws of the Province of Nova Scotia, has all requisite corporate power and authority and is duly qualified and holds all necessary permits, licences and authorizations necessary or required to carry on its business as now conducted and to own its properties and assets (except to the extent that the failure to be duly qualified or to hold such permits, licenses and authorizations would not have a material adverse effect upon the Company) and the Company has all requisite corporate power and authority to carry out its obligations under this Agreement and the Special Warrant Indenture;
- (ii) the Company has no material subsidiaries other than as listed in Schedule “A” attached hereto and the Company beneficially owns, directly or indirectly, the percentage indicated in Schedule “A” of the issued and outstanding shares in the capital of the Subsidiaries, free and clear of all mortgages, liens, charges, pledges, security interests, encumbrances, claims or demands of any kind whatsoever, all of such shares have been duly authorized and validly issued and are outstanding

as fully paid and non-assessable shares and no person has any right, agreement or option, present or future, contingent or absolute, or any right capable of becoming a right, agreement or option, for the purchase from the Company of any interest in any of such shares or for the issue or allotment of any unissued shares in the capital of any of the Subsidiaries or any other security convertible into or exchangeable for any such shares;

- (iii) at the Closing Time all consents, approvals, permits, authorizations or filings as may be required under Canadian Securities Laws necessary for the execution and delivery of this Agreement, the Special Warrants and the Special Warrant Indenture and the consummation of the transactions contemplated hereby, have been made or obtained, as applicable (other than the filing of reports required under applicable securities laws together with the payment of filing fees and the filing of standard documents with the TSE, which documents shall be filed as soon as possible after the Closing Time and, in any event, within 10 days of the Closing Date);
- (iv) each of the execution and delivery by the Company of this Agreement, the Subscription Agreements and the Special Warrant Indenture, the performance by the Company of its obligations hereunder or thereunder, the issue and sale of the Special Warrants hereunder and the consummation of the transactions by the Closing Time as contemplated in this Agreement, including the issuance and delivery of the Underlying Shares 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 Company including, without limitation, Canadian Securities Laws; (B) the constating documents, by-laws or resolutions of the Company which are in effect at the date hereof; (C) any material mortgage, note, indenture, joint venture, partnership arrangement, contract, agreement, instrument, lease or other document to which the Company or the Subsidiaries are a party or by which it is bound; or (D) any material judgment, decree or order binding the Company or the Subsidiaries or the property or assets of the Company or the Subsidiaries;
- (v) the audited consolidated financial statements of the Company as at and for the year ended August 31, 2001 and unaudited interim financial statements as at and for the three month period ended November 30, 2001 (collectively, the "Financial Statements") have been prepared in accordance with generally accepted accounting principles in Canada consistently applied throughout the period referred to therein and present fairly, in all material respects, the financial position (including the assets and liabilities, whether absolutely, contingent or otherwise) of the Company and the Subsidiaries (on a consolidated basis) as at such dates and results of operations of the Company and the Subsidiaries (on a consolidated basis) for the periods then ended and there has been no change in accounting policies or practices of the Company since August 31, 2001 except as publicly disclosed;

- (vi) there has been no adverse material change to the Company and the Subsidiaries (taken as a whole) (actual, proposed or prospective, whether financial or otherwise) in the business, affairs, operations, assets, liabilities (contingent or otherwise) or capital of the Company and the Subsidiaries (taken as a whole) since August 31, 2001, and the business of the Company has been carried on in the usual and ordinary course consistent with past practice since August 31, 2001 to the extent that such past practice is consistent with the current business direction of the Company;
- (vii) except as disclosed in the 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 Company and the Subsidiaries have been paid except for the failure to pay such taxes as would not constitute an adverse material fact of the Company and the Subsidiaries (taken as a whole) or result in an adverse material change to the Company and the Subsidiaries (taken as a whole). All tax returns, declarations, remittances and filings required to be filed by the Company and the Subsidiaries 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 of the Company and the Subsidiaries (taken as a whole) or result in an adverse material change to the Company and the Subsidiaries (taken as a whole). To the best of the knowledge of the Company, no examination of any tax return of the Company and the Subsidiaries 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 Company and the Subsidiaries, in any case, except where such examinations, issues or disputes would not constitute an adverse material fact of the Company and the Subsidiaries (taken as a whole) or result in an adverse material change to the Company and the Subsidiaries (taken as a whole);
- (viii) the auditors of the Company who audited the financial statements for the year ended August 31, 2001 and who provided their audit report thereon are independent public accountants as required under applicable Canadian Securities Laws;
- (ix) there has never been a reportable disagreement (within the meaning of National Policy No. 31) with the present or former auditors of the Company;
- (x) as at the Closing Date, except as set forth in Schedule "B" to this Agreement, no holder of outstanding shares in the capital of the Company will be entitled to any pre-emptive or any similar rights to subscribe for any of the Common Shares or

other securities of the Company and no rights, warrants or options to acquire, or instruments convertible into or exchangeable for, any shares in the capital of the Company are outstanding;

- (xi) no actions, suits, proceedings or inquiries are pending to which the Company is a party or to which its property is subject that would result individually or in the aggregate in any material adverse change in the operation, business or financial condition of the Company and the Subsidiaries (taken as a whole) and, to the knowledge of the Company, no such actions, suits, proceedings or inquiries have been threatened against or are contemplated with respect to the Company, the Subsidiaries or their respective properties or assets;
- (xii) each of the Company and the Subsidiaries has conducted and is conducting its business in compliance with all applicable laws and regulations of each jurisdiction in which it carries on business (including, without limitation, all applicable Canadian federal, provincial, municipal and local environmental anti-pollution and licensing laws, regulations and other lawful requirements of any governmental or regulatory body) except to the extent that non-compliance would not have an adverse material change to the Company and its Subsidiaries (taken as a whole), and has not received a notice of non-compliance, or knows of, or has reasonable grounds to know of, any facts that could give rise to a notice of non-compliance with any such laws or regulations which would have a material adverse effect on the Company and the Subsidiaries;
- (xiii) this Agreement has been duly authorized, executed and delivered by the Company and constitutes a valid and binding obligation of the Company enforceable against the Company 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;
- (xiv) at the Closing Time, each of this Agreement, the Subscription Agreements, the Special Warrant Indenture shall have been duly authorized and executed and delivered by the Company and upon such execution and delivery each shall constitute a valid and binding obligation of the Company and each shall be enforceable against the Company 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;
- (xv) at the Closing Time, all necessary corporate action will have been taken by the Company to allot and authorize the issuance of the Special Warrants upon

payment therefor, and the Underlying Shares upon the due exercise of Special Warrants, and upon due exercise of the Special Warrants, in accordance with the provisions thereof, such Underlying Shares will be validly issued as fully paid and non-assessable securities in the capital of the Company;

- (xvi) the authorized capital of the Company consists of 200,000,000 subordinate voting shares and 200,000,000 multiple voting shares of which 39,767,103 subordinate voting shares and 6,236,339 multiple voting shares are issued and outstanding as fully paid and non-assessable;
- (xvii) all disclosure and filings required to be made by the Company pursuant to the Canadian Securities Laws (the "Company's Securities Documents") have been made and such disclosure and filings contained no misrepresentation and no material fact or facts have been omitted therefrom which would make such information misleading as at the respective dates thereof and the Company has not filed any confidential material change reports;
- (xviii) the AIF is in the proper form as required by Form 44-101F1 and as prescribed by National Instrument 44-101-Short Form Prospectus Distributions;
- (xix) the Company is in material compliance with all laws respecting employment and employment practices, terms and conditions of employment, pay equity and wages, except where such non-compliance would not constitute an adverse material fact of the Company or result in an adverse material change to the Company, and has not and is not engaged in any unfair labour practice;
- (xx) except as disclosed in the Company's Securities Documents neither the Company nor any of the Subsidiaries have made any loans to or guaranteed the obligations of, any person in an amount in excess of \$1,000,000 which are currently outstanding;
- (xxi) the assets of the Company and its business and operations are insured against loss or damage with responsible insurers on a basis consistent with insurance obtained by prudent participants in comparable businesses, and such coverage is in full force and effect, and the Company has not failed to promptly give any notice or present any material claim thereunder;
- (xxii) the Special Warrant Agent, at its principal office in the City of Toronto, has been duly appointed as special warrant agent in respect of the Special Warrants;
- (xxiii) other than the Underwriters there is no person acting or purporting to act at the request or on behalf of the Company, that is entitled to any brokerage or finder's fee in connection with the transactions contemplated by this Agreement;
- (xxiv) the Company and the Subsidiaries are in compliance with each license held by them and are not in violation of, or in default in any material respect under, the applicable statutes, ordinances, rules, regulations, orders or decrees (including, without limitation, "Environmental Laws" as defined below) of any governmental

entities, regulatory agencies or bodies having asserting or claiming jurisdiction over it or over any part of its respective operations or assets, except for such violations and defaults which, singly or in the aggregate, would not have a material adverse effect on the assets or properties, business, results of operations, prospects or condition (financial or otherwise) of the Company and the Subsidiaries, taken as a whole; and

- (xxv) the Company and the Subsidiaries (i) are in compliance with any and all applicable foreign, federal, provincial, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants (“Environmental Laws”), (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (iii) are in compliance with all terms and conditions of any such permit, license or approval, except where such non-compliance with Environmental Laws, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or approvals would not, singly or in the aggregate, have a material adverse effect on the Corporation and the Subsidiaries, taken as a whole.

(b) Representations, Warranties and Covenants of the Underwriters. Each Underwriter hereby severally represents, warrants and covenants to the Company and acknowledges that the Company is relying upon such representations and warranties, that:

- (i) in respect of the offer and sale of the Special Warrants, the Underwriter, its agents and representatives will comply with all Canadian Securities Laws and all applicable laws of the jurisdictions outside Canada in which it offers Special Warrants;
- (ii) the Underwriters and their 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 Special Warrants or the Underlying Shares in any newspaper, magazine, printed media of general and regular paid circulation or any similar medium, or broadcast over radio or television or otherwise or conducted any seminar or meeting concerning the offer or sale of the Special Warrants or the Underlying 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 Special Warrants so as to require the filing of a prospectus or offering memorandum 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 of America or any state thereof;
- (iv) the Underwriters shall deliver to the Company as soon as possible and, in any event, no later than noon (Toronto time) on the day which is two days before the Closing Date the following:

- (1) all Subscription Agreements, duly completed and executed, by substituted Purchasers;
 - (2) Private Placement Questionnaire and Undertaking in the form prescribed by the TSE, duly completed and executed by each substituted Purchaser; and
 - (3) if the Subscriber or beneficial purchaser, if any, for whom the Subscriber is acting as trustee or agent, is resident of Ontario or the sale or the sale of the Special Warrants is otherwise subject to the securities laws of Ontario, a completed and duly executed Accredited Investor Certificate in the form attached to the Subscription Agreement by each such person.
- (v) the Underwriters will, subject to compliance by the Company with its obligations hereunder and provided that it shall otherwise be responsible for the Underwriters to do so, execute and deliver to the Company any certificate required to be executed by it under Canadian Securities Laws in connection with the Prospectus and any Supplementary Material.

10. Special Warrant Closing Deliveries. The purchase and sale of the Special Warrants shall be completed at the Closing Time at the offices of Stikeman Elliott, Toronto, or at such other place as the Underwriters and the Company may agree upon. At or prior to the Closing Time, the Company shall duly and validly deliver to the Underwriters certificates in definitive form representing Special Warrants registered in the names of such Purchasers or as indicated on their respective Subscription Agreements, or as otherwise directed by the Underwriters against payment at the direction of the Company of the subscription price therefor, in lawful money of Canada by certified cheque or bank draft payable at par in the City of Toronto. The Underwriters and the Company may discharge their payment obligations under this paragraph 10 by delivery of certified cheques or bank drafts from the Underwriters to the Company equal to the aggregate purchase price for the Special Warrants less: (i) the Underwriter's Commission; and (ii) the reasonable out-of-pocket costs and expenses of the Underwriters, and the reasonable fees and disbursements of counsel to the Underwriters to a maximum amount of \$50,000 not including disbursements and GST.

11. Special Warrant Closing Conditions. Each Purchaser's obligation to purchase the Special Warrants 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 the Chief Financial Officer of the Company, or such other officers of the Company as the Underwriters may agree, certifying for and on behalf of the Company, 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 Company (including the Special Warrants, and the Underlying Shares) 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) the Company 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
 - (iii) the representations and warranties of the Company 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 at the Closing Time certificates dated the Closing Date, signed by appropriate officers of the Company addressed to the Underwriters and their counsel, with respect to the articles and by-laws of the Company, all resolutions of the Company's board of directors relating to this Agreement and the Special Warrant Indenture, and the transactions contemplated hereby and thereby, the incumbency and specimen signatures of signing officers, the constating documents of the Company and such other matters as the Underwriters may reasonably request;
- (c) the Underwriters shall have received at the Closing Time, evidence that all requisite approvals, consents and acceptances of the appropriate regulatory authorities (including the Quebec Order) and the TSE required to be made or obtained by the Company in order to complete the Offering.
- (d) the Special Warrant Indenture, and the certificates representing the Special Warrants and the Subscription Agreements shall have been executed and delivered by the parties thereto in form and substance satisfactory to the Underwriters and their counsel, acting reasonably;
- (e) the Company shall be a "qualifying issuer" at the Closing Time (as such term is defined in Multilateral Instrument 45-102 – Resale of Securities ("Rule 45-102"));
- (f) the Company, if required, shall have taken all reasonable steps, including obtaining the Quebec Order, to ensure that purchasers of Special Warrants in Quebec will not be subject to different resale restrictions in respect of the Special Warrants and Underlying Shares than purchasers resident in other Qualifying Provinces;
- (g) the Underlying Shares shall have been conditionally approved for listing and posting on the TSE;
- (h) the Underwriters shall have received favourable legal opinions addressed to the Underwriters, the Purchaser and the Underwriters' counsel in form and substance

satisfactory to the Underwriter's counsel, acting reasonably, dated the Closing Date, from Stikeman Elliott, counsel for the Company and where appropriate, counsel in the other Qualifying Provinces, which counsel in turn may rely, as to matters of fact, on certificates of auditors, public officials and officers of the Company, with respect to the following matters:

- (i) the Company is a body corporate continued and existing under the laws of Nova Scotia and has the corporate power to carry out its obligations under this Agreement, the Subscription Agreements and the Special Warrant Indenture and to issue the Special Warrants and the Underlying Shares;
- (ii) as to the authorized capital of the Company;
- (iii) the Company has all requisite corporate power and authority to carry on its business as presently carried on as described in the Offeror's certificate and to own its properties and assets;
- (iv) none of the execution and delivery of this Agreement, the Subscription Agreements and the Special Warrant Indenture, the performance by the Company of its obligations hereunder and thereunder, or the sale or issuance of the Special Warrants or the Underlying Shares, will conflict with or result in any breach of the constating documents of the Company;
- (v) each of this Agreement, the Subscription Agreements, the Special Warrant Indenture, and the Special Warrant certificates have been duly authorized and, executed and delivered by the Company, and constitute, valid and legally binding obligations of the Company, enforceable against it in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, liquidation, reorganization, moratorium or similar 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 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;
- (vi) the Underlying Shares have been authorized and allotted for issuance to the holders of the Special Warrants and the Underwriters (as the case may be) and, upon the due exercise of the Special Warrants, in accordance with the provisions thereof the Underlying Shares will be validly issued as fully paid and non-assessable securities in the capital of the Company;
- (vii) the Special Warrants have been validly created, executed and issued by the Company;
- (viii) the issuance and sale by the Company of the Special Warrants to the Purchasers are exempt from the prospectus and registration requirements of applicable Canadian Securities Laws and no documents are required to be filed (other than

specified forms accompanied by requisite filing fees), proceedings taken or approvals, permits, consents or authorizations obtained under the applicable Canadian Securities Laws to permit such issuance and sale; and the issuance of the Underlying Shares upon the exercise of the Special Warrants in accordance with the terms thereof, is exempt from the prospectus and registration requirements of applicable Canadian Securities Laws subject to certain provisos and specified resale restrictions;

- (ix) upon (1) the filing of the Prospectus and any required amendment thereto in accordance with the applicable securities laws which qualifies the distribution of the Underlying Shares upon the exercise of the Special Warrants, (2) the issuance of receipts therefor under applicable Canadian Securities Laws, (3) delivery of copies of the Prospectus to holders of Special Warrants, in the Qualifying Provinces prior to the exercise of the Special Warrants, (4) the Underlying Shares being issued to Purchasers resident in Qualifying Provinces in accordance with the terms of the Special Warrant Indenture, all legal requirements will have been fulfilled by the Company under the Canadian Securities Laws to qualify, without resort to the prospectus exemption provisions of such applicable laws, the distribution in each of the Qualifying Provinces of the Underlying Shares (excluding those issued prior to the filing and receipt of the Prospectus) issuable upon the exercise of the Special Warrants, and the issuance of such Underlying Shares by the Company upon such exercise will be exempt from the registration requirements of such applicable laws subject to certain provisos and will not be subject to any statutory hold period and no other documents will be required to be filed, proceedings taken, or approvals, permits, consents, or authorizations obtained under the Canadian Securities Laws to permit the trading in the Qualifying Provinces of such Underlying Shares through registrants registered under applicable laws who have complied with such applicable laws or in circumstances in which there is an exemption from the registration requirements of such applicable laws, subject to usual exceptions;
- (x) in the event that the Special Warrants are exercised prior to the issuance of receipts for the Final Prospectus, no other documents will be required to be filed, proceedings, taken or approvals, permits, consents or authorizations obtained under the applicable Canadian Securities Laws in connection with the first trade of the Underlying Shares provided such securities have been held for the period of four months and a day following the Closing Date except in Quebec, in which case such securities have been held for a period of twelve months and a day following the Closing Date unless the Quebec Order has been obtained, then for the period set out in the order and a day following the Closing Date, subject to the normal and usual qualifications.
- (xi) the Special Warrant Agent has been duly appointed by the Company as special warrant agent in respect of the Special Warrants;
- (xii) the Company is a “qualifying issuer” as defined in Rule 45-102;

- (xiii) the Underlying Shares have been conditionally approved for listing on the TSE;
- (xiv) such other matters as the Underwriters' legal counsel may reasonably request prior to the Closing Time;
- (i) the Underwriters shall have received favourable legal opinions addressed to the Underwriters, the Purchaser and the Underwriters' counsel in form and substance satisfactory to the Underwriters' counsel, acting reasonably, dated the Closing Date from counsel to the Company in New Jersey and the Barbados as to the incorporation and subsistence of each of the material Subsidiaries, the corporate power and authority of each of the Material Subsidiaries to carry on its business as presently carried on and to own its assets and as to the registered ownership of the issued and outstanding shares of the Material Subsidiaries;
- (j) the Underwriters shall have received certificates of status or similar certificates with respect to the jurisdiction in which the Company is continued;
- (k) the Company shall have received shareholder approval of the Offering in accordance with the requirements of the Toronto Stock Exchange; and
- (l) the Underwriters shall have received such additional documents and the Company shall have taken such actions as the Underwriters may have requested, acting reasonably, as conditions to the completion of the transactions contemplated hereby.

12. Underwriting Percentages.

- (a) The obligations of the Underwriters to purchase the Special Warrants at the Closing Time shall be several and shall be limited to the percentages of the aggregate number of Special Warrants set forth opposite the name of the Underwriters set forth below:

Sprott Securities Inc.	- 30%
Canaccord Capital Corporation	- 30%
Standard Securities Capital Corporation	- 30%
Thomson Kernaghan & Co. Limited	- 10%

- (b) In the event that an Underwriter shall fail to purchase its applicable percentage of the Special Warrants at the Closing Time, the other Underwriters shall have the right, but shall not be obligated, to purchase all of the percentage of the Special Warrants that would otherwise have been purchased by the Underwriter that is in default. In the event that such right is not exercised, the Underwriters that are not in default shall be relieved of all obligations to the Company and there shall be no further liability on the part of such Underwriters to the Company. Nothing in this section shall oblige the Company to sell to the Underwriters less than all of the Special Warrants or relieve an Underwriter that is in default from any liability to the Company. In the event of the termination by the Company of its obligations under this Agreement under this subsection, there shall be no

further liability on the part of the Company to the Underwriters except in respect of any liability which may have arisen or may thereafter arise under paragraphs 14 and 16.

13. Rights of Termination

(a) **Due Diligence Out.** In the event that the due diligence investigations performed by an Underwriters and/or their representatives reveals any information or fact not generally known to the public which might, in an Underwriter's sole opinion, acting reasonably, affect the market price of the Company's Common Shares, quality of the investment or marketability of the Offering, such Underwriter shall be entitled, at its sole option and in accordance with subparagraph 11(g) of this Agreement, to terminate its obligations under this Agreement (and the obligations of the Purchasers arranged by it to purchase Special Warrants) by notice to that effect given to the Company any time prior to the Closing Time.

(b) **Litigation.** If any inquiry, action, suit, proceeding or investigation whether formal or informal in relation to the Company or any of the officers and directors of the Company or any of its principal shareholders other than an inquiry, action, suit, proceeding or investigation based solely on the activities or alleged activities of any Underwriter is commenced, announced, or threatened any Underwriter shall be entitled, at its sole option and in accordance with subparagraph 13(g) of this Agreement, to terminate its obligations under this Agreement (and the obligations of the Purchasers arranged by it to purchase Special Warrants) by notice to that effect given to the Company any time prior to the Closing Time.

(c) **Disaster Out.** In the event that prior to the Closing Time, there should develop, occur or come into effect any occurrence or any event, action, condition, law, governmental regulation or other occurrence of any nature whatsoever including without limitation, terrorism, accident, a new or change in any governmental law or regulation or other condition or major financial occurrence of national or international consequence or a new or change in any governmental law or regulation which, in the reasonable opinion of an Underwriter, seriously adversely affects the financial markets or the business, operations or affairs of the Company and its Subsidiaries taken as a whole, such Underwriter shall be entitled at its sole option, in accordance with subparagraph 13(g) of this Agreement, to terminate its obligations under this Agreement (and the obligations of the Purchasers arranged by it to purchase Special Warrants) by written notice to that effect given to the Company prior to the Closing Time.

(d) **Change in Material Fact.** In the event that prior to the Closing Time there should occur a material change or a change in any material fact or a new material fact shall arise in respect of the business, operations or affairs of the Company which, in the reasonable opinion of an Underwriter, may reasonably be expected to have a significant adverse effect on the market price, or value of the Special Warrants or the Underlying Shares, such Underwriter shall be entitled, at its sole option, in accordance with subparagraph 13(g), to terminate its obligations under this Agreement (and the obligations of the Purchasers arranged by it to purchase Special Warrants) by written notice to that effect given to the Company prior to the Closing Time.

(e) **Non-Compliance With Conditions.** The Company agrees that all terms, conditions and covenants in this Agreement shall be construed as conditions and complied with so far as the

same relate to acts to be performed or caused to be performed by the Company, that it will use its best efforts (or all reasonable commercial efforts, as applicable) to cause such conditions to be complied with, and any breach or failure by the Company to comply with any of such conditions or in the event that any representation or warranty given by the Company becomes false, shall entitle an Underwriter at its option in accordance with subparagraph 13(g), to terminate its obligations under this Agreement (and the obligations of the Purchasers arranged by it to purchase Special Warrants) by notice to that effect given to the Company at or prior to the Closing Time. The Underwriters may waive, in whole or in part, or extend the time for compliance with, any terms and conditions without prejudice to their rights in respect of any other of such terms and conditions or any other or subsequent breach or non-compliance, provided that any such waiver or extension shall be binding upon an Underwriter only if the same is in writing and signed by them.

(f) Cease Trade Order. In the event that any order cease trading securities of the Company is made or threatened by a securities regulatory authority, an Underwriter shall be entitled, at its option, in accordance with subparagraph 13(g) of this Agreement, to terminate its obligations under this Agreement (and the obligations of the Purchasers arranged by it to purchase Special Warrants) by written notice to that effect given to the Company prior to the Closing Time.

(g) Exercise of Termination Rights. The rights of termination contained in subparagraphs 13(a), (b), (c), (d), (e) and (f) may be exercised by an Underwriter and are in addition to any other rights or remedies the Underwriters may have in respect of any default, act or failure to act or non-compliance by the Company in respect of any of the matters contemplated by this Agreement or otherwise. In the event of any such termination by an Underwriter, there shall be no further liability on the part of the Underwriters to the Company or on the part of the Company to the Underwriters except in respect of any liability which may have arisen or may arise after such termination in respect of acts or omissions prior to such termination under paragraphs 14 and 16.

14. Expenses. If the sale of the Special Warrants shall be completed, the Company will 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 Special Warrants; the fees and expenses of the Company's counsel; all costs incurred in connection with the preparation of documents relating to the Offering and the Prospectus; and all expenses and fees incurred by the Underwriters and the reasonable fees and disbursements of the Underwriters' counsel to a maximum amount of \$50,000, including disbursements and GST. All fees and expenses incurred by the Underwriters or on their behalf shall be payable by the Company immediately upon receiving an invoice therefor from the Underwriters.

15. Survival of Representations and Warranties. All terms, warranties, representations, covenants and agreements herein contained or contained in any documents submitted pursuant to this Agreement and in connection with the transaction herein contemplated shall survive the purchase and sale of the Special Warrants and the exchange of such Special Warrants for the Underlying Shares by the Purchasers and continue in full force and effect for the benefit of the Underwriters and Purchasers for a period of two years after the Closing Date 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 Special Warrants or the preparation of the Prospectus or otherwise.

16. (a) Indemnity. The Company hereby agrees to indemnify and hold each Underwriter and/or any of its affiliates (the "Affiliates") and each of the directors, officers, employees, shareholders and agents of an Underwriter and/or Affiliates (hereinafter collectively referred to as the "Personnel") harmless from and against any and all expenses, losses (other than loss of profits), claims, actions, damages or liabilities, whether joint or several (including the aggregate amount paid in reasonable settlement of any actions, suits, proceedings or claims), and the reasonable fees and expenses of their counsel that may be incurred in advising with respect to and/or defending any claim that may be made against an Underwriter and/or Affiliates, to which the Underwriter and/or Affiliates and/or the Personnel may become subject or otherwise involved in any capacity under any statute or common law or otherwise insofar as such expenses, losses, claims, damages, liabilities or actions arise out of or are based, directly or indirectly, upon the performance of professional services rendered to the Company by the Underwriters and/or Affiliates and the Personnel hereunder or otherwise in connection with the matters referred to in the agreement to which this is attached other than in respect of any statement or information relating solely to the Underwriters for inclusion in the Prospectus, provided, however, that this indemnity shall not apply to the extent that a court of competent jurisdiction in a final judgment that has become non-appealable shall determine that:

- (i) the Underwriters and/or Affiliates or the Personnel have been negligent or dishonest or have committed any fraudulent act in the course of such performance;
- (ii) the expenses, losses, claims, damages or liabilities, as to which indemnification is claimed, were directly caused by the negligence, dishonesty or fraud referred to in (i).

If for any reason (other than the occurrence of any of the events itemized in (i) and (ii) above), the foregoing indemnification is unavailable to an Underwriter and/or Affiliates, or insufficient to hold them harmless, then the Company shall contribute to the amount paid or payable by the Underwriter and/or Affiliates as a result of such expense, loss, claim, damage or liability in such proportion as is appropriate to reflect not only the relative benefits received by the Company on the one hand and the Underwriter and/or Affiliates on the other hand but also the relative fault of the Company and the Underwriter and/or Affiliates, as well as any relevant equitable considerations; provided that the Company shall, in any event, contribute to the amount paid or payable by the Underwrites and/or Affiliates as a result of such expense, loss, claim, damage or liability, any excess of such amount over the amount of the fees received by the Underwriter and/or Affiliates hereunder pursuant to this Agreement.

The Company agrees that in case any legal proceeding shall be brought against the Company and/or an Underwriter and/or Affiliates 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 Company and/or the Underwriter and/or Affiliates and any Personnel 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 Company by the Underwriter and/or Affiliates under this Agreement, the Underwriter and/or Affiliates shall have the right to employ their own counsel in connection therewith, and the reasonable fees and expenses of such counsel as well as the reasonable costs (including an amount to reimburse the Underwriter and/or Affiliates for time spent by their Personnel in connection therewith) and out-of-pocket expenses incurred by their Personnel in connection therewith shall be paid by the Company as they occur. Provided that, notwithstanding the foregoing, the Underwriter and/or Affiliates and the Personnel shall utilize the Company's counsel unless in the opinion of the Underwriter and/or Affiliates, based on counsel, there is an actual, potential or apparent conflict between the interests of such parties and the interests of the Company such that joint representation would be inappropriate.

Promptly after receipt of notice of the commencement of any legal proceeding against the Underwriter and/or Affiliates or any of the Personnel or after receipt of notice of the commencement of any investigation, which is based, directly or indirectly, upon any matter in respect of which indemnification may be sought from the Company, the Underwriter and/or Affiliates (or any one of them) will notify the Company in writing of the commencement thereof and, throughout the course thereof, will provide copies of all relevant documentation to the Company, will keep the Company advised of the progress thereof and will discuss with the Company all significant actions proposed.

The indemnity and contribution obligations of the Company shall be in addition to any liability which the Company may otherwise have, shall extend upon the same terms and conditions to those of the Underwriter and/or Affiliates and the Personnel who are not signatories hereto and shall be binding upon and enure to the benefit of any successors, assigns, heirs and personal representatives of the Company, the Underwriter and/or Affiliates and any of the Personnel of the Underwriter and/or Affiliates. The foregoing provisions shall survive the completion of professional services rendered under this Agreement.

(b) Right of Indemnity in Favour of Others. With respect to any party who may be indemnified by subparagraph 16(a) above and is not a party to this Agreement, the Underwriter shall obtain and hold the rights and benefits of this paragraph and in trust for and on behalf of such Indemnified Party.

17. Authority of Sprott Securities Inc. Sprott Securities Inc. ("Sprott") is hereby authorized by the Underwriters to act on their behalf. The Company shall be entitled to and shall act on any notice given in accordance with section 16 or agreement entered into by or on behalf of the Underwriters by Sprott, which represents and warrants that it has irrevocable authority to bind the Underwriters, except in respect of any consent to a settlement pursuant to section 16 which consent shall be given by the Indemnified Party or other parties, a notice of termination pursuant to section 13 which notice may be given by any Underwriter, or any waiver pursuant to section 13 which waiver must be signed by all of the Underwriters. Sprott shall consult with the other Underwriters concerning any matter in respect of which it acts as representative of the Underwriters.

18. Advertisements. The Company acknowledges that the Underwriters shall have the right after the Closing Time, subject always to clauses 1(a) and (c) of this Agreement, at their own expense, to place such advertisement or advertisements relating to the sale of the Special Warrants or the Underlying Shares contemplated herein as the Underwriters may consider desirable or appropriate and as may be permitted by applicable law. The Company and the Underwriters each agree that they will not make or publish any advertisement in any media whatsoever relating to, or otherwise publicise, the transaction provided for herein so as to result in any exemption from the prospectus and registration requirements of applicable securities legislation in any of the provinces of Canada or any other jurisdiction in which the Special Warrants or Underlying Shares shall be offered or sold being unavailable in respect of the sale of the Special Warrants to prospective purchasers.

19. Contractual Right of Action for Rescission. As part of the Subscription Agreements, the Company has delivered, and shall be deemed to have delivered, to the Purchasers (including the Underwriter) the contractual rights of action for rescission required pursuant to applicable securities laws at the Closing Time or subsequent thereto.

20. 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 Company, to it at:

Coolbrands International Inc.
8300 Woodbine Avenue
5th Floor
Markham, ON L3R 9Y7

Attention: Michael Serruya, Co-Chairman
Telecopier: (905) 479-5235

with a copy (which shall not constitute notice) to:

Stikeman, Elliott
199 Bay Street
5300 Commerce Court West
Toronto, ON M5L 1B9

Attention: Brian Pukier
Telecopier: (416) 947-0866

and to:
Integrated Brands Inc.
4175 Veterans Highway
Ronkonkoma, NY 11777

Attention: David Stein
Telecopier: (631) 737-9792

(b) If to the Underwriters, to:

c/o Sprott Securities Inc.
Royal Bank Plaza, South Tower
Suite 3450, P.O. Box 63
Toronto, ON
M5J 2J2

Attention:
Telecopier:

with a copy (which shall not constitute notice) to:

Cassels Brock & Blackwell LLP
Suite 2100, Scotia Plaza
40 King Street West
Toronto, ON M5H 3C2

Attention: John Vettese
Telecopier: (416) 350-6930

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.

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

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

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

24. 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.

25. 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 dated January 22, 2002. This Agreement may be amended or modified in any respect by written instrument only.

26. 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.

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

28. Successors and Assigns. The terms and provisions of this Agreement shall be binding upon and enure to the benefit of the Company, 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.

29. 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.

30. 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.

31. Counterparts. This Agreement may be executed in any number of counterparts, which taken together shall form one and the same agreement.

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

Yours very truly,

SPROTT SECURITIES INC.

Per: (signed) "Jeff Kennedy"
 Authorized Signing Officer

CANACCORD CAPITAL CORPORATION

Per: (signed) "Peter Marrone"
Authorized Signing Officer

STANDARD SECURITIES CAPITAL CORPORATION

Per: (signed) "Brad Griffiths"
Authorized Signing Officer

THOMSON KERNAGHAN & CO. LIMITED

Per: (signed) "James Lorimer"
Authorized Signing Officer

The foregoing is hereby accepted on the terms and conditions therein set forth.

DATED as of March 4, 2002.

COOLBRANDS INTERNATIONAL INC.

Per: (signed) "Michael Serruya"
Authorized Signing Officer

SCHEDULE "A"

Name of Subsidiary	Number and Class of Outstanding Shares	Owner and Percentage Held
Kayla Foods Int'l (Barbados) Inc.	700,000 Common	Yogen Fruz (Canada) Inc. 100%
Integrated Brands Inc.		Coolbrands International Inc. 100%
Eskimo Pie Corporation		Integrated Brands Inc. 100%

SCHEDULE "B"

DETAILS OF OUTSTANDING CONVERTIBLE SECURITIES