

AGENCY AGREEMENT

October 27, 2005

TIR Systems Ltd.
7700 Riverfront Gate
Burnaby, British Columbia
V5J 5M4

Attention: Leonard Hordyk,
President and Chief Executive Officer

Dear Sirs:

Re: Offering of 7% Secured Convertible Debentures and Share Purchase Warrants

We, Versant Partners Inc. and Octagon Capital Corporation (together, the “Agents”), understand that TIR Systems Ltd. (the “Company”) proposes to undertake a private placement of 7% Secured Convertible Debentures (the “Debentures”) in the aggregate principal amount of up to \$25,000,000 and an aggregate of up to 5,000,000 share purchase warrants of the Company (the “Warrants” and together with the Debentures, the “Offered Securities”) having the attributes specified in this agreement (the “Agency Agreement”). Subject to the terms and conditions set forth in this Agency Agreement, the Company hereby appoints the Agents to act as the Company’s exclusive agents in Canada for the period set forth in this Agency Agreement to use their reasonable best efforts to offer and sell the Offered Securities, and the Agents hereby agree to act as the Company’s agents to use their reasonable best efforts to offer and sell the Offered Securities on the Company’s behalf. The Agents are under no obligation to purchase any of the Offered Securities, although the Agents may subscribe for Offered Securities if they so desire.

The Agents also understand that concurrently with the Brokered Offering (as defined herein), the Company is also undertaking a private placement of Debentures in the aggregate principal amount of up to \$30,000,000 and an aggregate of up to 6,000,000 Warrants pursuant to a non-brokered private placement (the “Non-Brokered Offering”). The Agents acknowledge that the Company has appointed The Bellwether Group, LLC as its lead financial advisor in connection with the Non-Brokered Offering in the United States and in other offshore jurisdictions. The Agents further acknowledge that the Company is soliciting investors directly to participate in the Non-Brokered Offering. The Agents further acknowledge that any sales of Debentures and Warrants by the Company pursuant to the Non-Brokered Offering may, at the Company’s option, reduce the size of the Brokered Offering by the amount of the aggregate principal amount of such Debentures and the aggregate number of such Warrants sold pursuant to the Non-Brokered Offering.

1. Definitions

1.1 In this Agency Agreement, including any schedules forming a part of this Agency Agreement:

- (a) “Agents” means Versant Partners Inc. and Octagon Capital Corporation and “Agent” means any one of them;
- (b) “Agents’ Expenses” has the meaning given to that term in section 9.2;
- (c) “Agents’ Fee” has the meaning given to that term in section 9.1;
- (d) “Agency Agreement” means this agency agreement and includes all schedules attached hereto, in each case as they may be amended or supplemented from time to time;
- (e) “Applicable Securities Laws” means, in respect of each and every offer or sale of Offered Securities, the securities legislation having application and the rules, policies, notices and orders issued by applicable securities regulatory authorities having application;
- (f) “Brokered Offering” means the offering and sale of the Offered Securities pursuant to the terms and conditions of this Agency Agreement;
- (g) “Closing” means a closing of the issue and sale of the Offered Securities;
- (h) “Closing Date” means the Initial Closing Date and such other date or dates prior to the expiry of the Engagement Period as may be agreed to by the Company and the Agents on which Offered Securities are issued and sold to Purchasers;
- (i) “Closing Time” means 1:00 p.m. (Vancouver time) on a Closing Date or such other time on a Closing Date as may be agreed to by the Company and the Agents;
- (j) “Directed Selling Efforts” means “directed selling efforts” as defined in Regulation S under the U.S. Securities Act;
- (k) “Distribution” has the meaning given to that term under Applicable Securities Laws;
- (l) “Engagement Period” means the period from the date hereof until the earlier of (i) January 19, 2006 and (ii) the date of termination of this Agency Agreement;
- (m) “Exchange” means the Toronto Stock Exchange;
- (n) “Indemnified Persons” has the meaning given to that term in section 10.1;

- (o) “Initial Closing Date” means October 27, 2005 or such other date as may be agreed to by the Company and Versant;
- (p) “Material Adverse Effect” means a material adverse effect on the business, prospects, financial condition or results of operations of the Company;
- (q) “Material Change” has the meaning given to that term under Applicable Securities Laws;
- (r) “Material Contracts” has the meaning given to that term in section 3.1(i);
- (s) “Material Fact” has the meaning given to that term under Applicable Securities Laws;
- (t) “Misrepresentation” has the meaning given to that term under Applicable Securities Laws;
- (u) “Net Proceeds” has the meaning given to that term in section 8.2;
- (v) “Offered Securities” means the Debentures and the Warrants of the Company purchased under the Brokered Offering;
- (w) “Purchaser” means a person that subscribes for and purchases Offered Securities under the Brokered Offering and “Purchasers” means more than one Purchaser;
- (x) “Qualifying Jurisdictions” means the Provinces of British Columbia, Alberta, Ontario and Quebec, and such other jurisdictions as the Company and the Agents agree;
- (y) “Regulatory Authorities” means the securities regulatory authorities in each of the Qualifying Jurisdictions;
- (z) “Subscription Agreement” means the agreement between the Company and a Purchaser pursuant to which the Purchaser subscribes for Offered Securities, the form of which appears as Schedule “A” to this Agency Agreement, and includes all Schedules thereto, in each case as they may be amended or supplemented from time to time;
- (aa) “Subscription Proceeds” means the aggregate gross subscription proceeds paid by the Purchasers for the Offered Securities;
- (bb) “U.S. Person” means “U.S. person” as defined in Regulation S under the U.S. Securities Act;
- (cc) “U.S. Securities Act” means the United States Securities Act of 1933, as amended; and
- (dd) “Versant” means Versant Partners Inc.

2. Nature of Transaction

2.1 The Company appoints the Agents as its exclusive agents in Canada and the Agents accept the appointment and agree to act as the agents of the Company to use their reasonable best efforts to find and introduce to the Company potential Purchasers to purchase, by way of private placement, the Offered Securities.

2.2 The Offered Securities will be offered for sale to Purchasers resident in the Qualifying Jurisdictions. The Agents shall not offer or sell any Offered Securities to any person in the United States, or any "U.S. Person". Notwithstanding this section 2.2, upon request of the Agents, the Company and the Agents will amend this Agency Agreement to set forth the circumstances under which the Offered Securities may be offered and sold by the Agents (acting through their U.S. registered broker-dealer affiliates) in the United States or to U.S. Persons at any time following the Initial Closing Date.

2.3 The sale of the Offered Securities to Purchasers is to be effected in a manner exempt from any prospectus or offering memorandum filing or delivery requirements of the Applicable Securities Laws of the Qualifying Jurisdictions and without the necessity of obtaining any order or ruling of the Regulatory Authorities. The Agents will notify the Company with respect to the identity and jurisdiction of residence of each Purchaser as soon as practicable and with a view to affording sufficient time to allow the Company to secure compliance with all Applicable Securities Laws of the Qualifying Jurisdictions in connection with the sale of the Offered Securities to the Purchasers.

2.4 The Agents will obtain from each Purchaser a properly completed and duly executed Subscription Agreement in the form attached as Schedule "A" to this Agency Agreement.

2.5 The terms and conditions of the Brokered Offering are more particularly set out in the Subscription Agreement, which is hereby incorporated by reference and forms part of this Agency Agreement. The Company is hereby deemed to repeat herein in favour of the Agents, and acknowledges that the Agents are entitled to rely upon, all of the representations and warranties given by the Company to, and all of the covenants made by the Company in favour of, any Purchaser of the Offered Securities in any Subscription Agreement, as if such representations and warranties and covenants were incorporated and set out herein in full in favour of the Agents, regardless of whether either Agent is a party to such Subscription Agreement. Unless otherwise defined herein, initially capitalized words and phrases shall have the meanings given in the Subscription Agreement.

2.6 If, in the opinion of the Agents, it is necessary, the Agents will form, manage and participate in a group of sub-agents to offer and sell the Offered Securities as provided for hereunder. Each sub-agent shall be appropriately registered under the Applicable Securities Laws of the Qualifying Jurisdiction in which such sub-agent offers and sells the Offered Securities so as to permit it to lawfully offer and sell the Offered Securities in such jurisdiction. In the event that a selling group is formed, the Agents will:

- (a) manage the selling group as and to the extent customary in the securities industry in Canada; and
- (b) require each member of the selling group to offer and sell the Offered Securities on the terms set forth in this Agency Agreement.

3. Representations and Warranties of the Company

3.1 The Company represents and warrants to the Agents (on their own behalf and on behalf of the Purchasers) that:

- (a) the Company has no subsidiaries;
- (b) the minute books of the Company contain all records of the meetings and proceedings of the Company's directors, shareholders and other committees, if any, since its incorporation;
- (c) the Company has good and marketable title to its assets free and clear of all mortgages, liens, charges, pledges, security interests, encumbrances, claims or demands of any kind whatsoever, except as is disclosed in the Information or which would otherwise not have a Material Adverse Effect;
- (d) except as described in the Information, the Company is not aware of any licensing or environmental legislation, regulation, by-law or lawful requirement presently in force or, to its knowledge, proposed to be brought into force which the Company anticipates that it will be unable to comply with, to the extent that compliance is necessary, which would reasonably be likely to result in a Material Adverse Effect;
- (e) CIBC Mellon Trust Company at its principal offices in the city of Vancouver has been duly appointed transfer agent and registrar for the common shares of the Company;
- (f) the Company is not in violation of its constating documents or in default in the performance or observance of any material obligation, agreement, covenant or condition contained in any contract, indenture, trust, deed, mortgage, loan agreement, note, lease or other agreement or instrument to which it is a party or by which it or its property may be bound, and there exists no state of facts which, after notice or lapse of time or both, or otherwise, would constitute a default under or breach of a material obligation, agreement, covenant of any such documents, in any such case, which default or breach would have a Material Adverse Effect;
- (g) except as disclosed in the Information, none of the holders of common shares of the Company or the directors or officers of the Company or any associate or affiliate of any of the foregoing had, has or to the knowledge of the Company intends to have, any material interest, direct or indirect, in any material transaction or any proposed material transaction with the Company which, as the

case may be, materially affects, is material to or will materially affect the Company;

- (h) except as described in the Information, there has been no Material Change (absolute, accrued or contingent, and whether financial or otherwise) in the business, prospects, financial condition or results of operations of the Company or the right or capacity of the Company to carry on its business or in the capital of the Company;
- (i) except as described in Schedule “B”, there are no contracts of the Company or its subsidiaries, if any, that can reasonably be regarded as material to a proposed Purchaser of the Offered Securities (the “Material Contracts”), apart from this Agency Agreement and contracts entered into in the ordinary course of business of the Company and all such existing Material Contracts are and will be at each Closing Time in good standing in all material respects and not in default in any material respect;
- (j) the execution and delivery of this Agency Agreement, the fulfilment of the terms hereof and thereof by the Company, and the issuance, sale and delivery of the Offered Securities at each Closing Time:
 - (i) do not require the consent, approval, authorization, registration or qualification of or with any governmental authority, stock exchange, securities commission or other third party, except:
 - (1) such as have been obtained or will be obtained prior to the applicable Closing Time; and
 - (2) such as may be required (and will be obtained as provided herein) under Applicable Securities Laws; and
 - (ii) do not and will not result in a breach of or default under, and do not and will not create a state of facts which, after notice or lapse of time or both, will result in a breach of or default under, and do not and will not conflict with:
 - (1) any of the terms, conditions or provisions of any Material Contract;
 - (2) any of the terms, conditions or provisions of the notice of articles or articles of the Company, or resolutions of the shareholders, directors, or any committee of directors of the Company, respectively, or any material indenture, agreement or instrument to which the Company is a party or by which either of them is contractually bound; or

- (3) any laws of Canada or the Province of British Columbia or any judgement, order or decree of any governmental body, agency or court having jurisdiction over the Company; and
- (k) there is no person, firm or corporation acting or purporting to act for the Company entitled to any brokerage or finder's fee in connection with this Agency Agreement or any of the transactions contemplated hereunder; and
- (l) concurrently with the Brokered Offering, the Company is conducting the Non-Brokered Offering, pursuant to which The Bellwether Group, LLC may be entitled to receive a commission; and
- (m) the Company has not committed an act of bankruptcy and is not insolvent, has not proposed a compromise or arrangement to its creditors generally, has not had a petition or a receiving order in bankruptcy filed against it, has not made a voluntary assignment in bankruptcy, has not taken any proceedings with respect to a compromise or arrangement, has not taken any proceedings to have itself declared bankrupt or wound-up, has not taken any proceedings to have a receiver appointed for any of its property or has not had any execution or distress become enforceable or become levied upon any of its property;
- (n) the auditors of the Company who audited the financial statements of the Company most recently delivered to the securityholders of the Company and delivered their report with respect thereto are independent public accountants as required by applicable laws;
- (o) the Company currently has • patent applications that have not been laid open for public inspection; and
- (p) attached hereto as Schedule “C” is a list of all of the patents, the patent applications that have been opened for public inspection, trademarks and trademark applications which the Company owns, possess or has the right to employ.

3.2 The representations and warranties of the Company contained in this Agency Agreement and the Subscription Agreement shall be true at each Closing Time as though they were made at each Closing Time and they shall survive the completion of the transactions contemplated under this Agency Agreement and the Subscription Agreement.

4. Representations and Warranties of the Agents

4.1 The Agents represent and warrant to the Company that:

- (a) they have all licences and permits that are required for carrying on their business in the manner in which such business has been carried on;

- (b) they have good and sufficient right and authority to enter into this Agency Agreement and complete its transactions contemplated under this Agency Agreement on the terms and conditions set forth herein;
- (c) they are appropriately registered under the Applicable Securities Laws of the Qualifying Jurisdictions so as to permit them to lawfully fulfil its obligations hereunder; and
- (d) they are either members or participating organizations in good standing of the Exchange.

4.2 The representations and warranties of the Agents contained in this Agency Agreement shall be true at each Closing Time as though they were made at each Closing Time and they shall survive the completion of the transactions contemplated under this Agency Agreement.

5. Covenants of the Company

5.1 The Company covenants with the Agents (on their own behalf and on behalf of the Purchasers) that it will:

- (a) during the Engagement Period, make available the Company's senior management persons at reasonable times and places to meet with potential institutional investors if so requested by the Agents;
- (b) during the Engagement Period, make available to the Agents, the Agents' counsel and the Agents' other professional advisors all books and records of the Company necessary, in the Agents' opinion, for the Agents to complete a due diligence review of the Company and its business and affairs, financial or otherwise and, in furtherance thereof, the Agents, the Agents' counsel and the Agents' other professional advisors will have the right, acting reasonably and upon written request, to meet with the senior management and the auditors of the Company and visit, at the Agents' discretion, the Company's premises;
- (c) during the Engagement Period, not make any press release or public announcement of the Brokered Offering without the Agents' prior written approval, such approval not to be unreasonably withheld;
- (d) during the period prior to the completion of the Brokered Offering, promptly notify the Agents in writing of any Material Change (actual or proposed) in the business, affairs, operations, assets or liabilities (contingent or otherwise) or capital of the Company and promptly, and in any event within any applicable time limitation, comply with all filing and other requirements under the Applicable Securities Laws of the Qualifying Jurisdictions, and with the rules of the Exchange, applicable to the Company as a result of any such change, and, in addition to the foregoing, the Company will, in good faith, discuss with the Agents any change in circumstances (actual or proposed) which is of such a

nature that there is or ought to be consideration given by the Company as to whether notice in writing of such change need be given to the Agents pursuant to this section 5.1(d);

- (e) deliver to the Agents and to their legal counsel:
- (i) a copy of all letters, submissions and other materials filed with the Regulatory Authorities or the Exchange, or any one of them, at the same time that the materials are filed with the Regulatory Authorities or the Exchange, as the case may be;
 - (ii) at each Closing Time, such favourable legal opinions of the Company's various legal counsel, addressed to the Agents, their legal counsel, and the Purchasers purchasing Offered Securities at each such Closing Time and dated as such Closing Time, in form and content acceptable to the Agents', acting reasonably, with respect to the following matters:
 - (1) the Company exists as a company under the *Business Corporations Act* (British Columbia), and is in good standing at the office of the Registrar of Companies of British Columbia with respect to filing annual returns;
 - (2) the Company has the corporate power and capacity to carry on its business as now conducted;
 - (3) the Company is duly registered or licensed to carry on business in British Columbia;
 - (4) the Company has the corporate power and capacity to enter into each of the Agreements and to perform its obligations set out therein, and that each Agreement has been duly authorized, executed and delivered by the Company and constitutes (subject to usual qualifications including due execution and delivery to the other party of each Agreement, laws relating to creditors' rights generally, limitations on availability of equitable remedies and limitations on indemnity and contribution provisions) a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms;
 - (5) the execution and delivery of each Agreement and the fulfilment of the terms thereof by the Company, and the performance of and compliance with the terms thereof by the Company do not and will not result in a breach of, or constitute a default under, and do not and will not create a state of facts which, after notice or lapse of time or both, will result in a breach of or constitute a default under, any term or provision of the constating documents of the Company or any of the Material Contracts;

- (6) all necessary corporate action has been taken by the Company to authorize and issue the Offered Securities to Purchasers, and upon the issuance of such Offered Securities, such Offered Securities will be validly issued as fully paid and non-assessable and upon the issuance of the Debenture Shares upon the due conversion of the Debentures and the Warrant Shares upon the due exercise of the Warrants, such Debenture Shares and such Warrant Shares, as the case may be, will be validly issued as fully paid and non-assessable common shares in the capital of the Company;
- (7) the form and terms of the definitive certificates representing the Debentures and the Warrants have been approved by the directors of the Company;
- (8) the distribution by the Company of the Offered Securities to the Purchasers resident in the Qualifying Jurisdictions is exempt from the prospectus and registration requirements of the Securities Laws in such Qualifying Jurisdictions, and no documents are required to be filed (other than the filing, within the prescribed time period, of reports in the prescribed form prepared and executed in accordance with the Applicable Securities Laws in the Qualifying Jurisdictions, together with the payment of the prescribed filing fees in respect thereof, and in the case of British Columbia a fee checklist), and no proceedings are required to be taken and no approvals, permits, consents or authorizations are required to be obtained under the Applicable Securities Laws of such Provinces to permit the distribution of the Offered Securities to the Purchasers in the Qualifying Jurisdictions;
- (9) the first trade of the Purchased Securities, the Debenture Shares and the Warrant Shares is exempt from the prospectus and registration requirements of the Securities Laws in the Qualifying Jurisdictions;
- (10) the Exchange has conditionally approved the listing and posting for trading of all of the Debenture Shares and the Warrant Shares;
- (11) to the best of such counsel's knowledge, other than as disclosed in writing to the Agents, there is no action, proceeding or investigation in respect of the Company, pending or threatened against or affecting the Company at law or in equity or before any federal, provincial, state, municipal government, court or other governmental department, commission, board or agency, domestic or foreign, which in any way would materially and adversely affect the Company;

- (12) as to the issued capital of the Company; and
- (13) as to all other legal matters, as the Agents' counsel may reasonably request.

It is understood that the Company's counsel may rely on certificates of officers of the Company, the registrar and transfer agent for the Company's common shares, and public officials but only as to relevant matters of fact, and on opinions of other counsel to the Company acceptable to Agents' counsel, as to matters governed by the laws of jurisdiction other than the jurisdiction in which the Company's counsel are qualified to practice and that the opinion may be subject to the usual qualifications and assumptions. Where the opinion states a matter is "to counsel's knowledge" it shall mean those lawyers in the firm who have given substantive legal services to the Company have no knowledge and received no information which cause them to believe that the statements qualified by that expression are not correct, but does not include constructive knowledge of matters or information;

- (iii) at each Closing Time, such certificates of officers of the Company, addressed to the Agents and to their legal counsel and dated as of such applicable Closing Date, in form and content acceptable to the Agents, acting reasonably relating to the offer and sale of the Offered Securities issued on such Closing Time and such other matters as the Agents may reasonably require; and
- (iv) at each Closing Time, such other materials as the Agents may reasonably require, addressed to the Agents and to such parties as the Agents may direct and as of such applicable Closing Date or such other date as the Agents may reasonably require;
- (f) within the required time, file with the applicable Regulatory Authorities any reports, in the required form, required to be filed by Applicable Securities Laws of the Qualifying Jurisdictions in connection with the Brokered Offering, together with any applicable filing fees and other materials;
- (g) not, from the date of this Agency Agreement until 120 days from the last Closing Date, without the prior written consent of Versant (such consent not to be unreasonably withheld) at least five business days in advance, issue, or enter into any agreement to issue, any additional common shares or financial instruments convertible or exchangeable into common shares of the Company or any subsidiary of the Company, other than: (a) for purposes of employee stock option or stock purchase plans or the shareholder rights plan agreement dated as of January 11, 2005 between the Company and CIBC Mellon Trust Company; (b) in connection with the exercise of previously issued stock options, warrants of other convertible securities; (c) in conjunction with an arm's length corporate alliance,

merger and/or acquisition or co-marketing agreement; or (d) in connection with the Non-Brokered Offering;

- (h) in connection each closing date relating to the Non-Brokered Offering, provide Versant with at least five business days' written notice of such closing date; and
- (i) from and including the date of this Agency Agreement through to and including the end of the Engagement Period, not do any such act or thing that would render any representation or warranty of the Company contained in this Agency Agreement and the Subscription Agreement or any certificates or documents delivered by it to this Agency Agreement or the Subscription Agreement untrue or incorrect.

6. Covenants of the Agents

6.1 Each Agent covenants with the Company that:

- (a) all solicitation, offering and other selling efforts carried out by the Agents in connection with the offer and sale of the Offered Securities will be made, and all purchases of Offered Securities will be made in a manner such that no prospectus or offering memorandum need be prepared and filed or delivered by the Company in connection with the offer and sale of the Offered Securities;
- (b) no delivery has been or will be made by it to any prospective purchaser or Purchaser of any document which, individually or together with any other document, would constitute an offering memorandum;
- (c) it will not conduct any general solicitation or general advertising, in connection with the offer and sale of the Offered Securities, including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over radio or television, except for customary tombstone advertising after completion of the Brokered Offering; and
- (d) it has not offered and will not offer any Offered Securities to any person in the United States or any U.S. Person, and has not engaged and will not engage in any Directed Selling Efforts with respect to any Offered Securities.

6.2 Notwithstanding any other term of this Agency Agreement, the Agents will be entitled to provide to each prospective purchaser or Purchaser the following:

- (a) the Information;
- (b) the Term Sheet; and
- (c) the Company's generally available advertising, marketing and other materials concerning the business of the Company.

The Company acknowledges that the foregoing materials do not, individually or collectively, constitute an offering memorandum.

6.3 The Agents' obligations under this Agency Agreement to use their reasonable best efforts to find and introduce potential Purchasers in connection with the Brokered Offering shall be several (and not joint or joint and several) and shall be as to the following percentages of the Offered Securities that may be sold:

Name of Agent	Percentage
Versant Partners Inc.	75%
Octagon Capital Corporation	25%

7. Conditions Precedent

7.1 The obligations of the Agents to complete the transactions contemplated in this Agency Agreement and to deliver executed Subscription Agreements and Subscriptions Proceeds is subject to the following conditions for the benefit of the Agents which must be fulfilled at or prior to each Closing Time, unless waived in writing by the Agents:

- (a) all actions required to be taken by or on behalf of the Company, including the passing of all requisite resolutions of directors of the Company, will have been taken so as to validly create, issue, offer, sell, and deliver the Offered Securities issued at such Closing Time to the Purchasers thereof;
- (b) the Offered Securities issued at the applicable Closing Time will have been conditionally accepted for listing on the Exchange;
- (c) the Company will have delivered the required legal opinions, officers' certificates and other closing materials provided for in this Agency Agreement and the Subscription Agreement;
- (d) no order ceasing or suspending trading in any securities of the Company, or ceasing or suspending trading by the directors, officers or promoters of the Company, or any one of them, or prohibiting the offer, sale, issuance or delivery of the Offered Securities, will have been issued and no proceedings for such purpose, to the knowledge of the Company, will be pending or threatened;
- (e) the Company will have complied with all of its covenants and agreements contained in this Agency Agreement and the Subscription Agreement; and
- (f) the representations and warranties of the Company contained in this Agency Agreement and the Subscription Agreement will be true and correct as of each Closing Time as if such representations and warranties had been made as of such applicable Closing Time.

8. Closing

8.1 The closing of the transactions contemplated under this Agency Agreement at each Closing Time will be completed pursuant to the terms of the Subscription Agreement.

8.2 At each Closing, Versant (on behalf of the Agents and on behalf of the Purchasers) will deliver, or cause to be delivered to the Company, one or more certified cheques or bank drafts made payable on the applicable Closing Date to the Company or by electronic funds transfer to the Company's account an amount (the "Net Proceeds") equal to the Subscription Proceeds payable in respect of the Offered Securities issued on such Closing Date, less an amount equal to the amount of the Agents' Fee payable in respect of such Offered Securities issued on such Closing Date and the estimate of the unpaid Agents' Expenses incurred to such Closing Date.

8.3 At each Closing, upon payment of the applicable Net Proceeds to the Company, the Company will deliver or cause to be delivered to the Agents, the following:

- (a) a direction authorizing the Agents to retain from the Subscription Proceeds an amount equal to the estimate of the unpaid Agents' Fee incurred in respect of the Offered Securities issued on the applicable Closing Date and the unpaid Agents' Expenses incurred to such Closing Date;
- (b) definitive certificates representing the Debentures and the Warrants issued at such Closing, as directed by the Agents; and
- (c) the requisite legal opinions, officer's certificates and other closing materials provided for in this Agency Agreement and the Subscription Agreement.

8.4 The Company will, if required by Applicable Securities Laws, endorse each of the certificates for the Offered Securities, with the legend describing the applicable hold period and resale restrictions set forth in the Subscription Agreement.

9. Agents' Fee and Expenses

9.1 In consideration of the services to be rendered by the Agents to the Company hereunder, the Company agrees to pay to the Agents, at the time and in the manner specified herein, a fee (the "Agents' Fee") equal to 7.0% of the Subscription Proceeds realized from the sale of Offered Securities, if any, by the Agents. For greater certainty, the Agents are not entitled to receive the Agents' Fee in connection with:

- (a) all Subscription Agreements (which term, for the purposes of this section 9.1, includes any subscription agreement delivered directly to the Company in connection with the Non-Brokered Offering) and proceeds from such Subscription Agreements received directly by the Company where the Purchaser has marked any of items (10), (11) or (12) on his or her Accredited Investor Status Certificate, or would have marked any of items (10), (11) or (12) but for the fact that such Purchaser is acquiring securities through a holding company, family

trust or similar entity and has marked item (20) on the Accredited Investor Status Certificate, and in each case, has not specified that the certificates representing his, her or its Debentures and Warrants be delivered to a registered dealer or broker;

- (b) all Subscription Agreements and proceeds from such Subscription Agreements received directly by the Company or through The Bellwether Group, LLC from non-Canadian Purchasers;
- (c) any Subscription Agreement and proceeds from such Subscription Agreement executed and delivered by B.C. Advantage Funds or any fund in that group of funds; and
- (d) any Subscription Agreement and proceeds from such Subscription Agreement delivered directly to the Company on the Initial Closing Date.

9.2 The Company shall pay all reasonable costs and expenses incurred in connection with the Brokered Offering and the Non-Brokered Offering, including costs and expenses related to marketing the Brokered Offering and the Non-Brokered Offering, the reasonable fees and expenses of the Agents, all expenses in relation to the Brokered Offering and the Non-Brokered Offering, and transfer agent and filing fees. The Company shall also pay the reasonable fees (to a maximum of \$20,000) and disbursements and taxes of the Agents' counsel. The expenses of the Agents (the "Agents Expenses") shall be payable at each of the Closing Dates and payable whether or not the Brokered Offering is completed.

9.3 The Agents may, from time to time, render, or cause to be rendered, to the Company, accounts for its Agents' Expenses and, subject to section 9.2, the Company will pay those accounts on or before the dates set out therein.

10. Indemnity

10.1 The Company will indemnify and save harmless the Agents, their respective directors, officers, employees, agents and advisors, and each sub-agent (collectively the "Indemnified Persons") from and against all losses, claims, damages, expenses or liabilities caused by or arising directly or indirectly from:

- (a) the failure by the Company to obtain the requisite Regulatory Approvals for the Brokered Offering (except as such failure is as a result of the activities of the Agents or the failure of a Purchaser to provide a duly completed Subscription Agreement (and all applicable appendices and schedules thereto) or the failure of the Exchange to approve the participation of any particular Purchaser in the Brokered Offering);
- (b) a determination made by any Regulatory Authority or other competent authority setting aside the offer, sale, issuance or delivery of any of the Offered Securities by the Company;

- (c) any statement made by the Company in this Agency Agreement or in any certificate delivered to the Agents pursuant to this Agency Agreement which at the time and in light of the circumstances under which it was made is or is alleged to be untrue;
- (d) any statement or information contained in the Information that are or may be filed on behalf of the Company under the Applicable Securities Laws (other than any statement or information relating solely to the Agents and provided by the Agents for inclusion in such documents) which at the time and in light of the circumstances under which it was made contains or is alleged to contain a Misrepresentation or is or is alleged to be untrue, false or misleading;
- (e) the omission or alleged omission to state in any Information any Material Fact (other than a Material Fact relating solely to a third party and provided by such third party for inclusion in such documents) required to be stated therein or necessary to make any statement therein not false or misleading in the light of the circumstances under which it was made;
- (f) the Company not complying with any requirements of Applicable Securities Laws other than in respect of any matter or thing contemplated by or included in sections 10.1(d), (e), (f), (h) and (i);
- (g) any order made or inquiry, investigation or proceeding (formal or informal) commenced or threatened by any officer or official of any of the Regulatory Authorities or any other securities regulatory authority or by any other competent authority based upon the circumstances described in sections 10.1(e) or (f) above which operates to prevent or restrict trading in or issue and sale of the Offered Securities in any of the Qualifying Jurisdictions;
- (h) any breach of any representations, warranties, covenants or agreements of the Company contained in this Agency Agreement or given pursuant to this Agency Agreement; or
- (i) any person, firm or corporation acting or purporting to act for the Company becoming entitled at law to any fee from the Agents, other than as contemplated pursuant to this Agency Agreement.

10.2 The indemnification contained in this section 10 does not and will not apply to the extent that a court of competent jurisdiction in a final judgement that has become non-appealable will determine that:

- (a) the Indemnified Person has been negligent or dishonest or has committed any fraudulent act in the course of their performance of their obligations pursuant to this Agency Agreement; and
- (b) the claim, as to which indemnification is claimed, was directly caused by the negligence, dishonesty or fraud referred to in section 10.2(a).

10.3 No admission of liability and no settlement of any claim in respect of which indemnification may be sought hereunder will be made without the consent of the Indemnified Person, such consent not to be unreasonably withheld. No admission of liability will be made by the Indemnified Person without the consent of the Company and the Company will not be liable for any settlement of any claim made without its consent, such consent not to be unreasonably withheld.

10.4 Promptly after receipt by an Indemnified Person of notice of the commencement of any claim in respect of which it may be entitled to indemnity by the Company hereunder, such Indemnified Person will notify the Company thereof; but the omission to so notify the Company will not relieve the Company from any liability which they may have to any Indemnified Person under this section 10.

10.5 In case any such claim is made against any Indemnified Person, and the Indemnified Person notifies the Company thereof, the Company will assume the defence thereof, including the employment of counsel and the payment of all expenses and throughout the course thereof, the Company will provide copies of all relevant documentation to the Indemnified Person, will keep the Indemnified Person advised of the progress thereof and will discuss with the Indemnified Person all significant actions proposed unless precluded from doing so by law or court order.

10.6 The Indemnified Person will have the right to elect to employ its own separate counsel in any such action or investigation and participate in the defence thereof but the fees and expenses of such counsel will be at the Indemnified Person's expenses unless:

- (a) the employment thereof has been specifically authorized by the Company in writing;
- (b) the Company has failed within a reasonable time after receipt of such written notice to assume the defence of such action or investigation on behalf of the Indemnified Person and employ counsel therefore; or
- (c) in the reasonable belief of the Indemnified Person there are defences available to the Indemnified Person which are required to be advanced by separate counsel because of an actual or potential conflict of interest or any similar reason.

10.7 In the event the Indemnified Person exercises its right to employ its own counsel and either sections 10.6(a), (b) or (c), above applies, the reasonable fees and expenses of such counsel as well as the reasonable costs and out-of-pocket expenses incurred by the Indemnified Person in connection therewith will be paid by the Company as they occur.

10.8 The Company hereby constitutes each Agent as trustee for the directors, officers, employees, partners and agents of such Agent for the covenants of the Company contained in this section 10 with respect to the directors, officers, employees, partners and agents of such Agent and the Agent agrees to accept such trust and to hold it and such covenants on behalf of such persons.

11. Contribution

11.1 If for any reason (other than the occurrence of any of the events in sections 10.2(a) and (b)) the indemnification provided for in section 10 is unavailable, in whole or in part, to an Indemnified Person, or insufficient to hold it harmless, in respect of any losses, claims, damages, liabilities, costs or expenses referred to in section 10 or claims, actions, suits or proceedings in respect thereof, and subject to the restrictions and limitation referred to therein, the Company will contribute to the amount paid or payable as a result of such losses, claims, damages, liabilities, costs or expenses in such proportion as is appropriate to reflect not only the relative benefits received by the Company on the one hand and the Agents on the other hand but also the relative fault of the Company and the Agents, as well as any relevant equitable considerations provided that the Company will in any event contribute to the amount paid or payable by the Agents as a result of such losses, claims, damages, liabilities, costs or expenses, any excess of such amount over the amount of the fees received by the Agents pursuant to this Agency Agreement.

11.2 The relative benefits received by the Company on the one hand and the Agents on the other hand will be deemed to be in the same proportion as the total proceeds from the issue and sale of the Offered Securities (net of the Agents' Fee payable but before deducting the Agents' Expenses) received by the Company is to the fee received by the Agents. The relative fault of the Company on the one hand and the Agents on the other hand will be determined by reference to, among other things, whether the statement, misrepresentation, omission, order, inquiry, investigation, proceeding or other matter or thing referred to in section 10 which resulted in such losses, claims, damages, liabilities, costs or expenses or claims, actions, suits or proceedings in respect thereof relates to information supplied by or steps or actions taken or done by or on behalf of the Agents and the relative intent, knowledge, access to information and opportunity to correct or prevent such statement, misrepresentation, omission, order, inquiry, investigation, proceeding or other matter or thing referred to in section 10. The amount paid or payable by an Indemnified Person as a result of such losses, claims, damages, liabilities, costs or expenses or claims, actions, suits or proceedings in respect thereof referred to above will be deemed to include any legal or other out of pocket expenses reasonably incurred by such Indemnified Person in connection with investigating or defending any such losses, claims, damages, liabilities, costs or expenses or claims, actions, suits or proceedings in respect thereof, whether or not resulting in any such action, suit, proceeding or claim.

11.3 The rights and remedies of the Agents set forth in this section 11 are, to the fullest extent possible in law, mutually exclusive and are cumulative and not alternative and the election by the Agents to exercise any such right or remedy will not be, and will not be deemed to be, a waiver of any of such other rights and remedies.

11.4 If any provision of this section 11 is determined to be void, voidable or unenforceable, in whole or in part, such determination will not affect or impair or be deemed to affect or impair the validity of any other provisions of this Agency Agreement and such void, voidable or unenforceable provision will be severable from this Agency Agreement.

11.5 Notwithstanding any other provision of this section 11, no person guilty of fraudulent misrepresentation or negligence will be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation or negligence.

11.6 The rights to contribution provided herein will be in addition to and not in derogation of any other right to contribution which the Agents may have by statute or otherwise at law.

11.7 If the Agents have reason to believe that a claim for contribution may arise, they will give the Company notice thereof in writing as soon as reasonably possible, but failure to notify the Company will not relieve the Company of any obligation they may have to the Agents under this section 11.

11.8 The parties hereto covenant and agree that to the extent that any Indemnified Person is not a signatory hereto, the Agents will be entitled to hold the benefit of the indemnity and contribution rights contained herein for and on behalf of such Indemnified Person and will be entitled to enforce such rights on their behalf as if each such Indemnified Person were a signatory hereto.

11.9 With respect to this section 11, the Company acknowledges and agrees that each Agent is contracting on its own behalf and as agent for its directors, officers, employees and agents.

11.10 The indemnity provided by this Agency Agreement will remain in full force and effect until all possible liability of the Agents arising out of the transactions contemplated by this Agency Agreement is extinguished by the operation of law and will not be limited to or affected by any other indemnity obtained by the Agents from any other person.

12. Termination of Agents' Obligations

12.1 The Agents, or either one of them, may terminate the Agents' obligations hereunder, by written notice to the Company, in the event that after the date hereof and at or prior to the end of the Engagement Period:

- (a) any order to cease or suspend trading in any securities of the Company, or prohibiting or restricting the distribution of the Offered Securities is made, or any proceeding is announced or commenced for the making of any such order, by a Regulatory Authority, or by any other competent authority, and has not been rescinded, revoked or withdrawn;
- (b) any inquiry, action suit, investigation (whether formal or informal) or other proceeding, in relation to the Company, its subsidiaries, if any, or any of its directors or senior officers is announced, commenced or threatened or any order is issued by a Regulatory Authority or any other regulatory or government authority of any jurisdiction which, in the reasonable opinion of the Agents, operates to prevent or restrict the trading or distribution of the Offered Securities or materially adversely affects or could reasonably be expected to materially

adversely affect, the value or market price of the Offered Securities or the investment quality or marketability of the Offered Securities;

- (c) the state of the financial markets or of the industry or markets in which the Company operates is or becomes such that the Offered Securities cannot, in the sole opinion of the Agents, be successfully or profitably marketed;
- (d) there shall have occurred any material adverse change (whether actual, proposed or prospective) in the capital, business, operations, condition (financial or otherwise) or prospects of the Company or any of its assets, liabilities or obligations (absolute, accrued, contingent or otherwise, taken as a whole);
- (e) there has developed, occurred or come into effect or existence any event, action state, condition or major financial occurrence, or any catastrophe, of national or international consequence, any law or regulation or act of terrorism, or any other occurrence of any nature whatsoever which, in the sole opinion of the Agents, seriously affects or may seriously affect the financial markets, the Company's business, operations, or affairs, the distribution of the Offered Securities or the market price or value of the Offered Securities;
- (f) the Company shall be in breach of, default under or non-compliance with any representation, warranty, covenant, term or condition of this Agency Agreement or any Subscription Agreement; or
- (g) the Agent is not satisfied in its sole discretion with the results of its due diligence review and investigation of the Company and its subsidiaries, if any.

12.2 Notwithstanding the termination by the Agents of their obligations hereunder, the Agents' Expenses agreed to be paid by the Company shall be paid by the Company herein provided and the obligations of the Company under sections 9, 10, 11 and 13.10 hereof shall survive.

13. General

13.1 Time and each of the terms and conditions of this Agency Agreement shall be of the essence of this Agency Agreement and any waiver by the parties of this section or any failure by them to exercise any of their rights under this Agency Agreement shall be limited to the particular instance and shall not extend to any other instance or matter in this Agency Agreement or otherwise affect any of their rights or remedies under this Agency Agreement.

13.2 The Schedules to this Agency Agreement are incorporated by reference and the recitals to this Agency Agreement constitute a part of this Agency Agreement.

13.3 This Agency Agreement constitutes the entire Agreement between the parties hereto in respect of the matters referred to herein and there are no representations, warranties, covenants or agreements, expressed or implied, collateral hereto other than as expressly set forth or referred to herein and the Subscription Agreement.

13.4 The headings in this Agency Agreement are for reference only and do not constitute terms of this Agency Agreement.

13.5 The provisions contained in this Agency Agreement which, by their terms, require performance by a party to this Agency Agreement subsequent to any Closing Date of this Agency Agreement, shall survive any such Closing Date.

13.6 No alteration, amendment, modification or interpretation of this Agency Agreement or any provision of this Agency Agreement shall be valid and binding upon the parties hereto unless such alteration, amendment, modification or interpretation is in written form executed by the parties directly affected by such alteration, amendment, modification or interpretation.

13.7 Whenever the singular or masculine is used in this Agency Agreement the same shall be deemed to include the plural or the feminine or the body corporate as the context may require.

13.8 The parties hereto shall execute and deliver all such further documents and instruments and do all such acts and things as any party may, either before or after each Closing Date, reasonably require in order to carry out the full intent and meaning of this Agency Agreement.

13.9 This Agency Agreement may not be assigned by any party hereto without the prior written consent of all of the parties hereto.

13.10 The Agents and Company agree that they will not disclose any confidential information received from the other party to others except with the written permission of the other party or as such disclosure may be required by law or regulatory authority.

13.11 This Agency Agreement shall be subject to, governed by, and construed in accordance with the laws of the Province of British Columbia.

13.12 This Agency Agreement may be signed by the parties in as many counterparts as may be deemed necessary, each of which so signed shall be deemed to be an original, and all such counterparts together shall constitute one and the same instrument.

13.13 Any notice to be given hereunder will be in writing and may be given by telecopier or by hand delivery and will be, in the case of the Company, addressed and telecopied or delivered to:

TIR Systems Ltd.
7700 Riverfront Gate
Burnaby, British Columbia
V5J 5M4

Fax: (604) 294-3733

Attention: Leonard Hordyk

with a copy to:

Farris, Vaughan, Wills & Murphy LLP
25th Floor, 700 West Georgia Street
Vancouver, B.C., V7Y 1B3

Fax: 604-661-9349

Attention: Hector MacKay-Dunn

and in the case of the Agents, be addressed and telecopied or delivered to:

Versant Partners Inc.
12th Floor, 1350 Sherbrooke Street West
Montreal, Quebec H3G 1J1

Fax: 514-845-4437

Attention: William Murray

Octagon Capital Corporation
Suite 400, 181 University Avenue
Toronto, Ontario
M5H 3M7

Fax: 416-368-3811

Attention: Josh Kingsmill

with a copy to:

Blake Cassels & Graydon LLP
Suite 2600, 595 Burrard Street
Vancouver, BC V7X 1L3

Fax: 604 –631-3309

Attention: Peter Kalbfleisch

The Company and the Agents may change their respective addresses for notice by notice given in the manner referred to above.

If the foregoing is in accordance with your understanding and agreed to by you, please signify your acceptance on the accompanying counterparts of this letter and return same to the Agents whereupon this letter as so accepted will constitute an agreement between the Company and the Agents enforceable in accordance with its terms.

Yours truly,

VERSANT PARTNERS INC.

By: (Signed)_____

OCTAGON CAPITAL CORPORATION

By: (Signed)_____

The foregoing is accepted and agreed to on the 27th day of October, 2005, effective as of the date appearing on the first page of this Agency Agreement.

TIR SYSTEMS LTD.

Per: (Signed)_____
Leonard Hordyk, President and Chief
Executive Officer

SCHEDULE “A”
FORM OF SUBSCRIPTION AGREEMENT

SCHEDULE "B"
MATERIAL CONTRACTS

SCHEDULE “C”
INTELLECTUAL PROPERTY
