

AGENCY AGREEMENT

November 13, 2003

ARIUS Research Inc.
55 York Street, 16th Floor
Toronto, ON M5J 1R7

Attention: Mr. Neil Nawaz Chief Financial Officer

Dear Sirs:

Canaccord Capital Corporation and Dlouhy Merchant Group Inc. (collectively, the "**Agents**") understand ARIUS Research Inc. (the "**Corporation**") proposes to create, issue and offer for sale, by way of a public offering, up to 3,333,333 units (the "**Units**") of the Corporation at a price of \$0.90 per Unit for proceeds of a minimum of \$1,200,000 and a maximum of \$3,000,000. Each Unit consists of one common share (a "**Common Share**") and one share purchase warrant (a "**Warrant**") in the capital of the Corporation. A term sheet describing the terms of the offering is attached as Schedule "A". The Agents have the right, upon 3 business days' notice to the Corporation and with the Corporation's consent, to increase the number of Units by up to 10% on the same terms, for a period of 60 days after the Closing. The Units offered are referred to collectively as the "**Offered Units**" under the terms of this Agreement.

Unless otherwise indicated or unless the context manifestly requires otherwise, capitalized terms used in this letter have the meanings ascribed to them below under the heading "**Definitions**".

The Agents hereby offer to act, and upon its acceptance hereof, the Corporation hereby appoints the Agents, as the Corporation's exclusive agents to assist the Corporation to offer the Offered Units for sale by way of offering on the Exchange, upon and subject to the terms and conditions set forth herein. The Agents will have the right to form a syndicate of investment dealers to assist the Corporation to sell the Offered Units, which investment dealers are hereinafter collectively included in the use of the term "Agents". The Corporation understands that the Agents are not obliged under any circumstances to purchase any of the Offered Units, but that the Agents may choose to do so in their sole discretion.

In consideration of the services to be rendered to the Corporation by the Agents pursuant to this Agreement, the Corporation will pay to the Agents, at the Closing Time, the Placement Fee as hereinafter defined.

1. **Defined Terms**

In this Agreement, the following capitalized terms have the following meanings:

"**Affiliate**" has the meaning specified in the Securities Act (Ontario);

"**Alternative Transaction**" means a transaction that is outside the normal course of business and is for value in excess of \$1,000,000 including but not limited to a merger, acquisition, reorganization, divestiture, spin off, significant licensing arrangement, asset sale, change of control (including a sale of intellectual property), or any sale of debt or equity securities;

"**business day**" means a day which is not a Saturday, a Sunday or a statutory or civic holiday in the City of Toronto;

"**Claim**" has the meaning specified in Section 15;

"**Closing Date**" means November 25, 2003, or such other date as the Corporation and the Agents may agree upon in writing, provided it is before December 31, 2003;

"**Closing Time**" means 10:00 a.m. (Toronto time) on the Closing Date or such other time on the Closing Date as the Corporation and the Agents agree upon in writing;

"**Common Shares**" means the Common Shares in the capital of the Corporation, of which an unlimited number of shares are authorized for issuance;

"**Corporation's Auditors**" means KPMG LLP, the auditors of the Corporation;

"**Compensation Option Agreement**" means the compensation option agreement between the Corporation and the Agents in the form appended hereto as Schedule "B";

"**Compensation Option**" means the Compensation Option described in Section 5;

"**Distribution Period**" means the period commencing on the date hereof and terminating on the date the Corporation receives notice from the Agents under Section 18(b);

"**distribution**" and "**distribution to the public**" shall have the respective meanings specified in the Securities Act (Ontario);

"**Exchange**" means the TSX Venture Exchange;

"**Material Contracts**" has the meaning specified in Section 3(i);

"**misrepresentation**", "**material fact**", "**material change**" and "**associate**" have the respective meanings specified in the Securities Act (Ontario);

"**Offered Units**" means the Units being created, issued and sold under the Offering;

"Offering" means the Units offered under this Agreement;

"Optioned Units" means, collectively, the additional Units issuable on each exercise by the Agents of any Compensation Option;

"Person" means an individual, partnership, corporation, trust, unincorporated association, joint venture, governmental entity or other entity, and, where the context so requires, pronouns have a similarly extended meaning;

"Preliminary Prospectus" means the preliminary prospectus of the Corporation, dated September 29, 2003, as approved, signed and certified in accordance with the Securities Laws, relating to the offering and distribution of the Offered Units to the public in the Qualifying Jurisdictions through the Agents;

"Prospectus" means the final prospectus of the Corporation, as approved, signed and certified in accordance with the Securities Laws, relating to the offering and distribution of the Offered Units to the public in the Qualifying Jurisdictions through the Agents;

"Qualifying Jurisdictions" means the Provinces of Ontario, Alberta and British Columbia;

"Securities Laws" means, collectively, the applicable securities laws, regulations, schedules, prescribed forms, published policy statements, notices, blanket rulings, rules and other similar instruments, of the Qualifying Jurisdictions;

"Securities Regulators" means the Ontario Securities Commission, Alberta Securities Commission and British Columbia Securities Commission;

"Supplementary Material" means, collectively, any amendment or supplement to the Preliminary Prospectus or the Prospectus or any other documents required to be filed by the Corporation under the Securities Laws in connection with the offering of the Offered Units;

"this Agreement" means this agreement, as amended, modified or supplemented from time to time in accordance with its terms;

"to the best of the knowledge, information and belief of" means (unless otherwise expressly stated) a statement of the declarant's knowledge of the facts or circumstances to which such phrase relates after having made due inquiries and investigations in connection with such facts and circumstances;

"Units" means the units of the Corporation offered under the Prospectus through the Agents, each Unit comprised of one Common Share and one Warrant; and

"Warrant" means a whole warrant of the Corporation, each exercisable at a price of \$1.15, subject to the adjustment in certain events, at any time on or before December 31, 2005. The Warrants may be redeemed by the Corporation for

\$0.01 per warrant upon 30 days' written notice following any date upon which the weighted average market price of the Common Shares over the period of 20 consecutive business days ending not more than five trading days prior to such date has equaled or exceeded \$2.50 per share, subject to adjustment in certain events;

2. **Sale of Units and Public Offering**

Subject to the terms and conditions of this Agreement, the Agents agree to sell on behalf of the Corporation, and the Corporation agrees to issue and sell to the public, the Offered Units for an aggregate consideration of a minimum of \$1,200,000 and a maximum of \$3,000,000. Payment of the purchase price for the Offered Units shall be made by or on behalf of the Agents to the Corporation, by bank draft or certified cheque in immediately available funds to or to the order of the Corporation at the Closing Time, against delivery to or to the order of the Agents of a certificate or certificates in definitive form representing the Common Shares and Warrants comprising the Offered Units validly allotted and issued and registered in such names as the Agents may direct the Corporation in writing not less than one business day prior to the Closing Date.

It is understood that the Agents intend to sell the Offered Units to the public in the Qualifying Jurisdictions on the terms set forth in the Prospectus. The Corporation covenants and agrees with the Agents to comply with the Securities Laws and this Agreement, and to execute all documents and instruments, take all necessary steps and proceedings, and use its best efforts, in each case as may be reasonably necessary or desirable, to fulfil, to the reasonable satisfaction of the Agents and their counsel, all legal requirements to enable the Agents to offer the Offered Units for sale to the public in the Qualifying Jurisdictions through qualified registrants in accordance with the requirements of the Securities Laws.

The Agents shall, in effecting such public offering, comply with the provisions of the Securities Laws and this Agreement in the purchase and sale of the Offered Units. The Agents represent and warrant that each hold, or will enter into appropriate banking or selling group arrangements with other persons holding all necessary registrations required in order to offer and sell the Offered Units to the public in the Qualifying Jurisdictions.

3. **Representations and Warranties of the Corporation**

The Corporation represents and warrants to the Agents, and acknowledges that the Agents are relying on such representations, warranties and agreements in connection with its execution and delivery of this Agreement, as follows:

- (a) the Corporation was duly incorporated, formed or continued, as the case may be, and is validly existing under the laws of the jurisdiction where it was incorporated, formed or continued, has all requisite power and authority and is duly qualified to carry on its business as now conducted and to own its property and assets, and no steps or proceedings have been taken by any Person, voluntary or otherwise, requiring or authorizing its dissolution or winding up;

- (b) the authorized and issued capital of the Corporation is as described under the heading "Capitalization" in the Preliminary Prospectus;
- (c) Equity Transfer Services Inc. has been duly appointed as registrar and transfer agent for the Common Shares;
- (d) there are no outstanding rights, warrants or options to acquire, or instruments convertible into or exchangeable for, any securities in the capital of the Corporation which are not disclosed in the Preliminary Prospectus, and after the Closing Date, no holder of any outstanding securities in the capital of the Corporation will be entitled to any pre-emptive or any similar rights to subscribe for any Common Shares or other securities of the Corporation which are not disclosed in the Preliminary Prospectus;
- (e) the Corporation has the requisite corporate capacity to (i) enter into this Agreement; (ii) file the Preliminary Prospectus and the Prospectus in the Qualifying Jurisdictions and complete the Offering contemplated thereby; (iii) create, issue, sell and deliver the Common Shares and Warrants comprising the Offered Units, the Compensation Option and the Optioned Units in accordance with the provisions of this Agreement; and (iv) to carry out all the terms and provisions hereof;
- (f) the execution and delivery of this Agreement, and all other material contracts referred to under the heading "Material Contracts" in the Preliminary Prospectus (collectively, the "**Material Contracts**"), and the performance of the transactions contemplated thereby, have been, or will prior to Closing Time be, duly authorized by all necessary action on the part of the Corporation and at Closing Time, all Material Contracts will have been duly executed and delivered by the Corporation and will be valid and binding agreements of the Corporation enforceable against the Corporation in accordance with their respective terms, subject to bankruptcy and insolvency laws and other laws generally affecting the enforceability of creditors' rights and subject to the qualifications that equitable remedies may be granted in the discretion of a court of competent jurisdiction;
- (g) the execution and delivery of the Material Contracts, the issuance, offering and sale in the Qualifying Jurisdictions of the Offered Units, the granting to the Agents of the Compensation Option, the issuance, offering and sale of the Optioned Units, and the consummation of the transactions contemplated herein and therein, will not conflict with, or constitute a breach or default under, or result in the creation or imposition of any lien, charge or encumbrance on any property or assets of the Corporation pursuant to (i) any contract, indenture, trust deed, mortgage, loan agreement, note, lease or other agreement or instrument to which the Corporation is a party or by which any of them may be bound, or to which any of the property or assets of the Corporation is subject; (ii) the charter documents or by-laws of the Corporation, or any shareholders agreement, voting agreement or other similar agreement governing the Corporation which are in effect at the date hereof; or (iii) to the best of the knowledge, information and belief of the

Corporation any statute, or any judgement, decree, order, rule or regulation of any court, governmental authority or arbitrator applicable to the Corporation;

- (h) except as has been disclosed in writing to the Agents, no civil, criminal, administrative, regulatory or other legal or governmental proceedings are pending to which the Corporation is a party or to which the property of the Corporation is subject that would result, either individually or in the aggregate, in any material adverse change in the operation, business or condition of the Corporation, and no such proceedings have been threatened against or, to the best of the knowledge, information and belief of the Corporation, are contemplated with respect to the Corporation, or with respect to any of its properties, which would be material in the context of the Offering;
- (i) the execution and delivery of this Agreement by the Corporation, the issuance, offering and sale in the Qualifying Jurisdictions of the Offered Units, the granting and issuance to the Agents of the Compensation Option, the issuance, offering and sale of the Optioned Units, and the compliance by the Corporation with the other provisions of this Agreement do not require the consent, approval, authorization, registration or qualification of or with any governmental authority, stock exchange, Securities Regulator or other third party in the Qualifying Jurisdictions, except (i) such as have been obtained; and (ii) such as may be required (and shall be obtained as provided in this Agreement) under applicable Securities Laws;
- (j) the definitive forms of certificates for the Common Shares and the Warrants will comply with the requirements of the applicable legislation;
- (k) the Common Shares comprising the Offered Units and comprising the Optioned Units issuable upon the exercise of the Compensation Option have been authorized for issuance and, when certificates for such Common Shares are countersigned by the Corporation's transfer agent and registrar, issued and delivered for full consideration paid by the Agents, all in the manner contemplated by Section 5, the Common Shares comprising the Offered Units and the Common Shares issuable upon exercise of the Compensation Option will be validly issued as fully-paid and non-assessable shares in the capital of the Corporation;
- (l) the Warrants comprising the Offered Units and comprising the Optioned Units issuable upon the exercise of the Compensation Option have been authorized for issuance, and upon the due exercise in accordance with the terms of the Warrants, the Common Shares issued on exercise of the Warrants will be validly issued as fully-paid and non-assessable shares in the capital of the Corporation;
- (m) the Corporation 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;

- (n) the Corporation possesses all certificates, authority, permits or licenses issued by the appropriate regulatory agencies or bodies necessary to conduct its business as now operated, and the Corporation has not received any notice of proceedings relating to the revocation or modification of any such certificate, authority, permit or license which, by itself or in the aggregate, if the subject of an unfavourable decision, ruling or finding, would have a material adverse effect on the conduct of the business, operations, financial condition or income of the Corporation taken as a whole;
- (o) The Corporation owns or has all rights to the intellectual property that it uses in its business, the ownership interest in respect of all such intellectual property is in good standing, and the Corporation has paid all fees or amounts payable in respect of such intellectual property, including patent fees. There are no claims against the Corporation regarding its intellectual property;
- (p) no Securities Regulator has issued any order preventing or suspending the use of the Preliminary Prospectus or the Prospectus (collectively, the "**Prospectus**"), and the Prospectus (i) does not contain any misrepresentation or any untrue, false or misleading statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances in which they were made, not false or misleading; (ii) provides full, true and plain disclosure of all material facts relating to the Corporation, the Offered Units and the Compensation Option; and (iii) complies, in all material respects, with the requirements of the Securities Laws (provided, however, that the Corporation makes no representation or warranty with respect to information and statements contained in the Prospectus or omissions from the Prospectus which, in either case, relate solely to the Agents);
- (q) except as disclosed in the Prospectus, the Corporation does not have any contingent liabilities which are material to the Corporation or its business, operations, properties or assets;
- (r) the audited consolidated financial statements of the Corporation for the year ended November 30, 2002 have been prepared in accordance with generally accepted accounting principles of Canada and present fairly the results of its operations and the changes in its financial position for the period then ended;
- (s) except as referred to in and contemplated by the Preliminary Prospectus, subsequent to the respective dates as of which information is presented in the Preliminary Prospectus:
 - (i) there has not been any material change in the assets, liabilities or obligations (absolute, accrued, contingent or otherwise) of the Corporation;

- (ii) there has not been any material change in the capital or long-term debt of the Corporation; and
- (iii) there has not been any material change in the business, condition (financial or otherwise) or results of the operations of the Corporation;
- (t) except as provided herein, no Person has been engaged by the Corporation to act for the Corporation and no Person is entitled to any brokerage or finder's fee in connection with this Agreement or any of the transactions contemplated hereunder; and
- (u) the Corporation has filed in a timely manner all necessary tax returns and notices and has paid or made provision for all applicable taxes of whatever nature for all tax years to the date hereof to the extent such taxes have become due or have been alleged to be due, and the Corporation is not aware of any material tax deficiencies or material interest or penalties accrued or accruing, or alleged to be accrued or accruing, thereon with respect to itself which has not otherwise been provided for by the Corporation.

4. **Representations and Warranties of the Agents**

Each of the Agents hereby represents and warrants to the Corporation, and acknowledges that the Corporation is relying upon such representations and warranties, that:

- (a) it will comply with all Securities Laws;
- (b) upon the Corporation obtaining the necessary receipts for the Prospectus from the Securities Regulators in the Qualifying Jurisdictions, it will deliver one copy of the Prospectus to each person entitled to obtain Offered Units pursuant to the Prospectus;
- (c) it will use all reasonable efforts to complete the distribution of the Offered Units as soon as practicable after the filing of the Prospectus;
- (d) it will notify the Corporation when, in its opinion, the distribution of the Offered Units has ceased;
- (e) it will not make any representations or warranties with respect to the Corporation, or the Offered Units other than as set forth in the Prospectus or any Supplementary Material;
- (f) it will not offer or sell Offered Units in any jurisdiction other than the Qualifying Jurisdictions without the consent of the Corporation;
- (g) provided it is otherwise satisfied that it is responsible for it to do so, it will execute and deliver to the Corporation any certificate required to be executed by it under the Securities Laws in connection with the Prospectus and any Supplementary Material; and

- (h) it will include prospective purchasers for the Offered Units in the United States to the extent that available exemptions under United States securities laws are available to such purchasers and to the Agent, given the Agent is not registered in the United States to sell securities.

5. Agents' Fees and Compensation Option

In consideration for the Agents' services in (i) assisting in the preparation of the Prospectus and the Supplementary Material; (ii) forming (with the consent of the Corporation) and managing any banking, selling or other groups established by the Agents in their sole discretion in connection with the distribution of the Offered Units; (iii) distributing the Offered Units, both directly and through other registered dealers and brokers in the Qualifying Jurisdictions; (iv) arranging marketing and information meetings; and (v) all other matters in connection with the issue and sale of the Offered Units in the Qualifying Jurisdictions, the Corporation agrees to pay to the Agents, by certified cheque or bank draft, at the Closing Time in respect of the Offering, an aggregate fee (the "**Placement Fee**") equal to 7% of the aggregate gross proceeds from the offering of the Offered Units issued by the Corporation at the Closing Time.

As additional consideration for its services performed under this Agreement, the Corporation hereby grants to the Agents an irrevocable non-assignable compensation option (the "**Compensation Option**") issuable to the Agents at the Closing Time in the form attached as Schedule "B", entitling the Agents to purchase up to that number of Units equal to 10% of the Offered Units sold by the Agents to investors at a price per Optioned Unit equal to the price of the Offered Units for a period of 24 months following the Closing Date.

The Compensation Option may be exercised at any time in whole or from time to time in part prior to their expiry by the Agents upon delivering written notice to the Corporation together with a certified cheque or bank draft representing the subscription price for the applicable number of Optioned Units.

If the Corporation subdivides, consolidates or otherwise changes, reorganizes or reclassifies its Common Shares in any way, declares any stock dividend, or becomes subject to any amalgamation, arrangement, business combination, reorganization or other similar transaction prior to the expiry of the Compensation Option (each such event being a "capital reorganization event"), the Compensation Option shall be similarly subdivided, consolidated, reorganized, reclassified or changed such that the Agents receive, on any exercise of the Compensation Option subsequent to the effective date of such capital reorganization event, the same number and type of securities that it would have otherwise received had it fully exercised such Compensation Option prior to each such capital reorganization event. The exercise price shall be adjusted accordingly and notice shall be given to the Agents of such adjustment. If the Agents disagree with such adjustment the matter shall be determined conclusively by the Corporation's Auditors at the expense of the Corporation, excepting that if the Corporation's Auditors make a determination that the Corporation's adjustment was correct, then the expense shall be borne by the Agents. The Corporation shall at all times while the Compensation Option is in effect, reserve and keep available out of its authorized but unissued Common Shares, such number of Common Shares as shall from time to time be required to be issued on any exercise of

the Compensation Option (including such additional Common Shares and other securities as may be issuable as a result of each capital reorganization event). If any Common Shares or other securities required to be reserved for purposes of issuance upon any exercise of a Compensation Option require, in addition to such compliance with the Securities Laws as is contemplated by this Agreement, any additional registration with or approval of any authority under the Securities Laws, or listing on any securities exchange on which the Common Shares or other securities as may be issuable as a result of any capital reorganization event may then be listed, before they may be issued, the Corporation shall cause them to be duly registered, approved and listed forthwith following the exercise of such Compensation Option.

In addition to the foregoing compensation, the Corporation will pay to the Agents, on behalf of itself and other registered dealers, a solicitation fee (the "**Solicitation Fee**") equal to 3% of the proceeds received by the Corporation on the exercise of any of the Warrants convertible into common share of the Corporation from the Offering. The Solicitation Fee shall be payable by the Corporation to the Agents from the proceeds of the exercised Warrants.

6. Closing Procedures

- (a) The purchase of the Offered Units shall be completed at the Closing Time, at the offices of Blake, Cassels & Graydon LLP, or at such other place in Toronto as the Agents and the Corporation may agree. At the Closing Time the Corporation shall deliver to the Agents certificates in definitive form representing the Common Shares and Warrants for the Offered Units registered in the name of the Agents or in such other name or names as the Agents shall notify the Corporation in writing not less than one business day prior to the Closing Date, against payment by the Agents to the Corporation of the aggregate purchase price for the Offered Units in lawful money of Canada by certified cheque(s) or bank draft(s) at par in Toronto together with the Agents' receipt for such share certificates and warrants against delivery of the Corporation's receipt for such monies. The Corporation shall contemporaneously pay to the Agents the Placement Fee by certified cheque(s) or bank draft(s) at par in Toronto against delivery of the Agents' receipt therefor. Alternatively, in full satisfaction of the Agents' obligations in respect of the aggregate purchase price for the Offered Units and the Corporation's obligations in respect of the Placement Fee the Agents may deliver certified cheque(s) or bank draft(s) in the amount of such aggregate purchase price less such Placement Fee together with the Agents' receipt against delivery of the Corporation's receipt for the aggregate purchase price for the Offered Units.
- (b) The Corporation shall deliver the Compensation Option to the Agents in the form attached as Schedule "B".
- (c) Delivery of any Common Shares and Warrants comprising the Optioned Units shall be made at the offices of WeirFoulds LLP, The Exchange Tower, Suite 1600, 130 King Street West, Toronto, Ontario M5X 1J5, or at such other place in Toronto as the Agents and the Corporation may agree, in the case of each exercise of a Compensation Option, at such times (each an "Option Closing Time") and on such dates (each an "Option Closing Date") which may be the

same as the Closing Date but shall in no event be earlier than the Closing Date or later than five business days after delivery of a written Compensation Option exercise notice under Section 5 above. At each Option Closing Time on each Option Closing Date, the Corporation shall deliver to the Agents one definitive share certificate evidencing the number of Common Shares and one definitive warrant certificate evidencing the number of Warrants forming part of the Optioned Units to be purchased by the Agents, registered in its name or in such other name or names as the Agents shall notify the Corporation not less than one business day prior to such Option Closing Time. The Corporation shall make all necessary arrangements for the exchange of such definitive share certificate comprising the number of Optioned Shares purchased by the Agents at the principal office of Equity Transfer Services Inc. in the City of Toronto without cost to the Agents or to any member of its banking or selling group.

7. **Compliance with Securities Laws**

- (a) The Corporation shall, as soon as possible, fulfil all necessary requirements to obtain receipts for the Prospectus under the Securities Laws of the Qualifying Jurisdictions in order to qualify for distribution there the Offered Units and the grant of the Compensation Option.
- (b) The Agents covenant and agree that the Offered Units shall be offered for sale and sold by the Agents to the public in the Qualifying Jurisdictions in compliance with the Securities Laws and other applicable laws at the offering price per Offered Unit specified in the Prospectus. The Agents shall cause similar undertakings to be contained in any agreements among the members of any banking, selling or other groups formed for the distribution of such Offered Units.

8. **Deliveries upon Filing of Prospectus**

- (a) The Corporation shall deliver to the Agents, without charge, in Toronto, Ontario, contemporaneously with or prior to the filing of the following with the Securities Regulators:
 - (i) a copy of the Preliminary Prospectus signed as required by the Securities Laws;
 - (ii) a copy of the Prospectus signed as required by the Securities Laws; and
 - (iii) a copy of any Supplementary Material required to be filed by the Corporation under the Securities Laws.
- (b) The Corporation shall deliver to the Agents, without charge, as soon as possible and in any event within five business days of the date that the Prospectus is filed with the Securities Regulators, commercial copies of the Prospectus, if any, at such locations and in such number as the Agents reasonably request provided that they have given the Corporation reasonable advance notice of such request by oral instructions. The Corporation shall also deliver to the Agents commercial copies

of any Supplementary Material required to be delivered to the Agents or to purchasers or prospective purchasers of the Offered Units under the Securities Laws in the Qualifying Jurisdictions.

9. **Notice of Material Change**

During the Distribution Period, the Corporation shall promptly notify the Agents in writing of:

- (a) any material change (actual, proposed or threatened) in any or all of the business, affairs, operations, assets, liabilities (contingent or otherwise) or capital of the Corporation; and
- (b) any change in a material fact contained in the Prospectus or any Supplementary Material, or the existence of a new material fact, which, in either case, is of such a nature as to render the Prospectus or any Supplementary Material untrue or misleading in any material respect or otherwise not in compliance with the Securities Laws or to result in either the Prospectus or the Supplementary Material containing a misrepresentation.

In any such case, the Corporation shall promptly and, in any event within applicable time limitations required by the Securities Laws, comply with all legal requirements necessary in order to comply with such Securities Laws in order to allow for the continued distribution of the Offered Units in the Qualifying Jurisdictions as contemplated in Section 7 hereof. If the Corporation is not certain as to whether such a material change or change in a material fact has occurred, the Corporation shall promptly inform the Agents of the full particulars of the event giving rise to the uncertainty and shall consult with the Agents as to whether such event constitutes a material change or change in a material fact.

10. **Representations and Warranties Regarding Prospectus and Supplementary Material**

The delivery to the Agents of the Prospectus and any Supplementary Material shall constitute the representation and warranty of the Corporation to the Agents that, at the time of such delivery, the information and statements contained therein (except information and statements relating solely to, or provided by, the Agents):

- (a) is true and correct in all material respects;
- (b) constitutes full, true and plain disclosure of all material facts relating to the Corporation and the Offered Units; and
- (c) contains no misrepresentations.

Such delivery shall also constitute the Corporation's consent to the use of the Prospectus and the Supplementary Material by the Agents for the purpose of offering and selling the Offered Units in the Qualifying Jurisdictions in accordance with the Securities Laws as contemplated by this Agreement. The Agents covenant and agree not to make any representation

or warranty as to the Corporation or the Offered Units other than as set forth in the Prospectus or any Supplementary Material.

11. **Covenants of the Corporation**

The Corporation covenants and agrees with the Agents that the Corporation will:

- (a) advise the Agents, promptly after receiving notice thereof, of the time when the Prospectus, or any Supplementary Material, has been filed and receipts therefor have been obtained, and provide evidence satisfactory to the Agents of each such filing and issuance of receipts;
- (b) advise the Agents, promptly after receiving notice or obtaining knowledge thereof, of (i) the issuance by any Securities Regulator of any order suspending or preventing the use of the Prospectus or any Supplementary Material; (ii) the imposition of any cease trading or similar order affecting the Offered Units in any of the Qualifying Jurisdictions; (iii) the institution, threatening or contemplation of any proceeding for any such purpose; or (iv) any request made by any Securities Regulator to amend or supplement the Prospectus or any Supplementary Material;
- (c) use its reasonable best efforts to prevent the issuance of any order issued under paragraph (b) above, or, if any such order is issued, obtain its withdrawal as quickly as possible; and
- (d) apply the net proceeds from the sale of the Offered Units as set forth under the heading "Use of Proceeds" in the Prospectus.

12. **Expenses**

The Corporation shall forthwith pay all costs, fees, and expenses incidental to the performance of the obligations set forth under this Agreement, whether or not the transactions contemplated herein are consummated, including, without limitation, all costs and expenses incidental to:

- (a) the printing or other publication of all documents contemplated hereby, including all costs of printing the Prospectus and Supplementary Material, if any;
- (b) all arrangements relating to the delivery to the Agents of draft, final and commercial copies of the foregoing documents;
- (c) the organizing and holding of the various information meetings with respect to the sale of the Offering;
- (d) the fees and disbursements of the Corporation's counsel, the Corporation's Auditors and any other experts or advisors retained by the Corporation;

- (e) preparation, issuance and delivery to the Agents of certificates evidencing the Common Shares and Warrants including all transfer agent's, sub-transfer agent's, registrar's and sub-registrar's fees;
- (f) the qualification of all of the Offered Units under the Securities Laws, and Compensation units issuable upon the exercise of the Compensation Option; and
- (g) all reasonable fees and expenses of the Agents relating to the Offering, including all reasonable fees and disbursements of their legal counsel, expenses related to information meetings with respect to the sale of the Offering and related marketing activities and any travel in connection therewith, all other reasonable out-of-pocket expenses relating to this transaction and the cost of the syndicate advertisement relating to the completion of the subject Offering, not to exceed \$20,000 without prior approval of the Corporation. These expenses will be payable by the Corporation immediately upon receiving an invoice from the Agents in respect of such expenses. The Agents' legal counsel fees may not exceed \$50,000 (before disbursements and taxes) except with the prior approval of the Corporation.

13. **Conditions of the Corporation's Obligations**

The obligations of the Corporation to complete the Offering is subject to the performance by the Agents of their covenants and agreements under this Agreement and the satisfaction of the following condition unless otherwise waived in writing by the Corporation:

- (a) the Agents raising at least \$1,200,000 from the sale of at least 1,333,333 Units at a price of \$0.90 per Unit, unless otherwise agreed to in writing by the Corporation.

In the event that the Agents and the Corporation fail to reach an agreement on an acceptable price for the Offering within 360 days of the initial submission of the Preliminary Prospectus, this Agreement shall, at the option of the Corporation, be terminated. In the event of such termination, the provisions of this Agreement survive as stipulated herein, including without limiting the generality of the foregoing, the provisions concerning Expenses in Section 12 and concerning Indemnity and Contribution in Section 15.

14. **Conditions of the Agents' Obligations**

The obligations of the Agents to arrange for the purchase of the Offered Units shall be subject to the performance by the Corporation of its covenants and agreements under this Agreement and the satisfaction of the following conditions:

- (a) at the Closing Time, the Agents shall receive favourable legal opinions from counsel for the Corporation, Blake, Cassels & Graydon LLP, dated the Closing Date, with respect to the following matters:

- (i) the Corporation is a corporation duly incorporated and has not been dissolved;
- (ii) the Corporation has all necessary corporate capacity and power to own, lease and operate its properties and assets and to conduct its business as currently conducted;
- (iii) all necessary corporate action has been taken by the Corporation to validly authorize the issue of the Offered Units, and the Common Shares and Warrants comprising the Offered Units have been validly issued, and such Common Shares are outstanding as fully paid and non-assessable shares of the Corporation;
- (iv) the Compensation Option has been validly created and granted and upon the Agents duly exercising the Compensation Option in accordance with its terms and taking up the Optioned Units, the Common Shares and Warrants comprising the Optioned Units will have been validly issued, and such Common Shares will be outstanding as fully paid and non-assessable securities of the Corporation;
- (v) the Common Shares issuable upon the due exercise of the Warrants in accordance with the terms of the Warrants will be issued and outstanding as fully paid and non-assessable securities of the Corporation;
- (vi) the form and terms of the definitive certificates representing the Common Shares and Warrants have been approved and adopted by the directors of the Corporation and comply with all legal requirements relating thereto including the requirements of applicable laws;
- (vii) the authorized capital of the Corporation consists of an unlimited number of Common Shares, of which, prior to giving effect to the offering, 4,891,008 Common Shares have been issued and are outstanding as of the date hereof;
- (viii) this Agreement has been duly authorized by all necessary corporate action on the part of the Corporation, has been duly executed and delivered by and on behalf of the Corporation and constitutes a legal, valid and binding obligation of the Corporation enforceable in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency and other similar laws affecting the enforcement of creditors' rights generally and subject to the qualifications that equitable remedies may be granted in the discretion of a court of competent jurisdiction, that no opinion is given as to enforceability of indemnification and contribution provisions and other reasonable qualifications as to enforceability as may be agreed to by counsel;
- (ix) the execution and delivery of this Agreement, the fulfilment of the terms hereof, the issuance and sale of the Offered Units by the Corporation, the

granting of the Compensation Option to the Agent and the issuance and sale of the Optioned Units on the exercise of the Compensation Option do not and will not conflict with and do not and will not result in a breach of, 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, and do not and will not conflict with, any of the terms, conditions or provisions of the constating documents or by-laws of the Corporation;

- (x) Equity Transfer Services Inc. at its principal office in the City of Toronto has been duly appointed the transfer agent and registrar for the Common Shares;
- (xi) the attributes of the Offered Units are, in all material respects, as set forth in the Prospectus;
- (xii) all necessary documents have been filed, all requisite proceedings have been taken and all other legal requirements have been fulfilled under the laws of the Qualifying Jurisdictions to qualify the issuance and sale of the Common Shares and Warrants comprising the Offered Units for distribution or distribution to the public in the Qualifying Jurisdictions through registrants registered under the applicable legislation in the Qualifying Jurisdictions who comply with the relevant provisions of such applicable legislation; and
- (xiii) as to such other legal matters as counsel to the Agent may reasonably request;

and in giving its opinions, Blake, Cassels & Graydon LLP, counsel to the Corporation shall be entitled to rely, with respect to matters of fact, after due enquiry, on certificates of officers of the Corporation and of the Corporation's Auditors and on certificates of public officials;

- (b) the Agents shall have received a certificate, or certificates, dated the Closing Date and executed by any one officer of the Corporation and the Chief Financial Officer of the Corporation, to the effect that, to the best of their knowledge, information and belief, after due enquiry:
 - (i) the representations and warranties of the Corporation contained in this Agreement remain true and correct as if made on and as of the Closing Date; and the Corporation has performed all covenants and agreements and satisfied all conditions on its part to be performed or satisfied at or prior to the Closing Date;
 - (ii) receipts have been issued by the appropriate Securities Regulators for the Prospectus and no order suspending or preventing the use of the Prospectus or any amendment thereto or cease trading the Offered Units has been issued, and no proceedings for that purpose have been instituted or threatened, or are contemplated, by any Securities Regulator;

- (iii) each such officer has carefully examined the Prospectus and, since the respective dates as of which information is given in the Prospectus, (a) the Corporation has not incurred any material liabilities or obligations (absolute, accrued, contingent or otherwise) or entered into any transaction not in the ordinary course of business; (b) there has been no material change in the assets, financial position, business or results of operations of the Corporation; and, (c) to the best of their knowledge and information, there has occurred no event and exists no state of facts that, under the Securities Laws and the terms of this Agreement, is required to be set forth in an amendment to the Prospectus that has not been so set forth;
 - (iv) the charter documents and by-laws of the Corporation attached to the certificate are full, true and correct copies and in effect on the date thereof;
 - (v) the minutes or other records of various proceedings and actions of the Corporation's Board of Directors attached to the certificate relating to the Offered Units, the Prospectus and the financial statements included in the Prospectus are full, true and correct copies thereof and have not been modified or rescinded as of the date thereof;
 - (vi) subsequent to the respective dates as of which information is given in the Prospectus, there has not occurred any material adverse change, or any development which could reasonably be seen to result in a prospective material adverse change during the Distribution Period, in the condition (financial or otherwise), results or operations of the Corporation;
 - (vii) subsequent to the respective dates as of which information is given in the Prospectus, no transaction out of the ordinary course of business, material to the Corporation, has been entered into by the Corporation or has been approved by its management;
 - (viii) confirming the issued and outstanding share capital of the Corporation (including the Offered Units, the Common Shares, the Warrants and Optioned Units issuable on the exercise of the Compensation Option); and
 - (ix) as to all other matters in connection with the Offering as the Agents or their counsel shall reasonably request;
- (c) the Corporation shall have received, and provided a copy to the Agents, of conditional approval for the listing of the Common Shares and Warrants comprising Offered Units from the Exchange; and
- (d) the Agents shall have received such other certificates, statutory declarations, opinions, agreements or materials in form and substance satisfactory to the Agents as the Agents may reasonably request.

15. **Indemnification and Contribution**

- (a) The Corporation shall indemnify and save harmless each of the Agents and its respective directors, officers, employees, partners and agents (each an "Indemnified Party") against all losses (other than loss of profits), claims, damages, liabilities, costs or expenses (collectively, a "Claim") caused or incurred by reason of:
- (i) any untrue statement made by the Corporation in Sections 3 or 10 hereof or in any certificate delivered to the Agents pursuant to this Agreement;
 - (ii) any statement or information contained in or omission or alleged omission from the Prospectus, any amendment to the Prospectus or in any Supplementary Material (other than any statement, information or omission relating solely to the Agents) resulting in the Prospectus or such Supplementary Material containing or being alleged to contain a misrepresentation (for the purposes of Securities Laws or any of them) or being alleged to be untrue, false or misleading;
 - (iii) the Corporation not complying with any requirement of Securities Laws relating to or in any way arising in connection with the Offering; or
 - (iv) any order made or inquiry, investigation or proceeding (formal or informal) commenced or threatened by any officer or official of any Securities Regulator based on the circumstances described in clauses 15(a)(ii) above which operates to prevent or restrict trading in or distribution of the Offered Units in the Qualifying Jurisdictions.
- (b) If any matter or thing contemplated by this Section 15 shall be asserted against any Indemnified Party in respect of which indemnification is or might reasonably be considered to be provided, such Indemnified Party shall notify the Corporation as soon as possible of the nature of any Claim, but the omission to so notify the Corporation will not relieve the Corporation from any liability which it may have to any Indemnified Party under this Section 15, except to the extent that such delay prejudices the Corporation's ability to contest such Claim, and, on such notice, the Corporation shall be entitled (but not required) to assume the defence of any suit brought to enforce such Claim; provided, however, that the defence shall be through legal counsel acceptable to the Indemnified Party, acting reasonably, that the Corporation shall bear the fees, costs and expenses of such defence, and that no settlement may be made by the Corporation or the Indemnified Party without the prior written consent of the other parties, which consent shall not be unreasonably withheld or delayed.
- (c) With respect to any Claim, the Indemnified Party shall have the right to retain separate counsel to act on his, her or its behalf, provided the fees and disbursements of such separate counsel shall be paid by the Indemnified Party, unless:

- (i) the Corporation and the Indemnified Party shall have mutually agreed to the retention of the separate counsel; or
 - (ii) the named parties to any Claim (including any added, third or impleaded parties) include both the Indemnified Party, on the one hand, and the Corporation or, on the other hand, and the Indemnified Party has been advised by his, her or its counsel that representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them.
- (d) In the event that the Corporation does not assume the defence of a Claim within thirty (30) days after receiving notice thereof, the Indemnified Party shall have the right to retain his, her or its own legal counsel and the Corporation shall bear the reasonable fees, costs and expenses of such counsel.
- (e) Notwithstanding the provisions of clauses (c) and (d), in no event shall the Corporation be required to pay the fees and expenses of more than one set of counsel for all of the Indemnified Parties in respect of any particular Claim or related set of Claims.
- (f) The rights of indemnity contained in this Section 15 shall not enure to the benefit of the Agents or any other Indemnified Party if the Corporation has complied with the provisions of Sections 3, 9 and 11 (a) and (b) hereof and the person asserting any Claim contemplated by this Section 15 was not provided with a copy of any Prospectus or Supplementary Material which corrects any untrue statement or information, misrepresentation (for the purposes of Securities Laws or any of them) or omission which is the basis of such Claim and which is required under Securities Laws to be delivered to such person by the Agents or members of its banking or selling group (if any).
- (g) The Corporation hereby waives its right to recover contribution from the Agents or any other Indemnified Party with respect to any liability of the Corporation by reason of or arising out of any misrepresentation (for the purposes of Securities Laws or any of them) contained in the Prospectus or in any Supplementary Material; provided, however, that such waiver shall not apply in respect of liability caused or incurred by reason of or arising out of:
- (i) any misrepresentation (for the purposes of Securities Laws or any of them) which is based on or results from a statement or information relating solely to the Agents contained in such documents and which statement or information was provided by the Agents for inclusion in such document; or
 - (ii) any failure by the Agents or members of its banking or selling group (if any) to provide to prospective purchasers of the Offered Units any document which the Corporation is required to provide to such prospective

purchasers and which it has provided to the Agents to forward to such prospective purchasers.

- (h) With respect to any Indemnified Party who is not a party to this Agreement, the Agents shall obtain and hold the rights and benefits of this Section 15 in trust for and on behalf of such Indemnified Party.
- (i) If for any reason the indemnification provided for in this Section 15 is unavailable, in whole or in part, to an Indemnified Party in respect of any Claim (or claims in respect thereof) referred to in this Section 15, and subject to the restrictions and limitations referred to herein, each of the Corporation on the one hand and the Agents on the other hand, shall contribute the amount paid or payable (or, if such indemnity is available only in respect of a portion of the amount so paid or payable, such portion of the amount so paid or payable) by such Indemnified Party as a result of such losses (except for loss of profits), or Claims (or claims in respect thereof):
 - (i) in such proportion as is appropriate to reflect the relative benefits received by the Corporation on the one hand and the Agents on the other hand from the distribution of the Offered Units; or
 - (ii) if the allocation provided by paragraph 15(i)(i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in such paragraph above but also the relative fault of the Corporation on the one hand and the Agents on the other hand in connection with the statement, information, misrepresentation, omission, order, inquiry, investigation, proceeding or other matter or thing referred to in this Section 15 which resulted in such losses, claims, damages, liabilities, costs or expenses (or claims, actions, suits or proceedings in respect thereof), as well as any other relevant equitable considerations.

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

- (j) The relative benefits received by the Corporation on the one hand and the Agents on the other hand shall be deemed to be in the same proportion as the total proceeds from the distribution of the Offered Units (net of the Placement Fee payable to the Agents but before deducting expenses) received by the Corporation is to the Placement Fee received by the Agents as set forth in the table on the first page of the Prospectus. The relative fault of the Corporation on the one hand and the Agents on the other hand shall be determined by reference to, among other things, whether the statement, information, misrepresentation, omission, order, inquiry, investigation, proceeding or other matter or thing referred to in this Section 15 which resulted in such Claim (or Claims 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, information, misrepresentation, omission, order, inquiry, investigation, proceeding or other matter or thing referred to in this Section 15. The amount paid or payable by an Indemnified Party as a result of such Claim (or Claims in respect thereof) referred to above shall be deemed to include any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such Claim (or Claims in respect thereof), whether or not resulting in any such Claim.

- (k) If any provision of this Section 15 is determined to be void, voidable or unenforceable, in whole or in part, such determination shall not affect or impair or be deemed to affect or impair the validity of any other provision of this Agreement and such void, voidable or unenforceable provision shall be severable from this Agreement.

16. **Survival**

The respective representations, warranties, agreements, covenants, indemnities and contribution obligations of the Corporation and the Agents set forth in this Agreement shall survive the Closing Date and remain in full force and effect until the date which is the third anniversary date of the Closing Date, regardless of (i) any investigation made by or on behalf of the Corporation, the Agents or any of their respective officers or directors; (ii) delivery of and payment for the Offered Units; and (iii) any subsequent disposition by the Agents of the Offered Units.

17. **Termination**

In addition to any other remedies which may be available to the Agents, the Agents shall be entitled, without liability, at the Agents' sole discretion, to terminate and cancel their obligations under this Agreement by notice to the Corporation given prior to the Closing Date in the event that if, at or prior to the Closing Date:

- (i) any inquiry, investigation or proceeding, whether formal or informal in relation to the Corporation, or any of the Corporation's directors or officers, is commenced or threatened by any officer or official of any regulatory authority having jurisdiction over them or by any officer or official of any other regulatory authority which, in the reasonable opinion of the Agents, operates to prevent or restrict trading in or distribution of the Offered Units or which materially and adversely impacts the marketability of the Offered Units;
- (ii) should there develop, occur or come into effect any catastrophe of national or international consequence or any accident, governmental action, law, regulation or inquiry or other occurrence of any nature whatsoever which, in the reasonable opinion of the Agents, materially and adversely affects or will or may reasonably materially and adversely affect the financial markets or the business of the Corporation;

- (iii) the state of the Canadian financial markets or other relevant financial markets become such that the Offered Units cannot, in the reasonable opinion of the Agents, be marketed at the agreed upon price per Share;
- (iv) should there occur any material change, or should there occur a change in any material fact such as is contemplated in Section 9, which results in or, in the reasonable opinion of the Agents, could reasonably be expected to result in, the purchasers of a material number of the Offered Units exercising their right under the Securities Laws to withdraw from or rescind their purchase thereof or sue for damages in respect thereof or which has or could reasonably be expected to have a significant adverse effect on the market price or value of the Offered Units; or
- (v) the Corporation should fail, for any reason, to comply with all of the conditions precedent to the Closing Time of the Offering set forth in Section 13 hereof and such conditions shall not have been waived, in writing, by the Agents.

The rights of termination contained in this Section 17 may be exercised by the Agents and are in addition to any other rights or remedies the Agents may have in respect of any default, act or failure to act or non-compliance by the Corporation in respect of any of the matters contemplated by this Agreement or otherwise.

18. **Post Closing Covenants of the Agents**

The Agents shall after the Closing Time (a) use its best efforts to terminate, and to cause the members of any banking, selling or other group to terminate, distribution to the public of the Offered Units as promptly as possible; (b) give prompt written notice to the Corporation, when, in the opinion of the Agents, they and the members of such groups have ceased distribution to the public of the Offered Units and of the total proceeds realized from such distribution in the Qualifying Jurisdictions in which such information is or may be required by the appropriate Securities Regulators; and (c) use its best efforts to ensure efficient distribution of the Offered Units to enable the listing of the Common Shares and Warrants underlying them on the Exchange.

19. **Post Closing Covenants of the Corporation**

Provided the Corporation receives proceeds of at least \$1,200,000 from the sale of 1,333,333 Units under the offering, the Corporation agrees that after the Closing Time it will not issue any Common Shares (or securities convertible into Common Shares) except in the normal course relating to employee options or securities already outstanding, for a period of 180 days following the Closing Date, without the consent of the Agents.

20. **Right of First Refusal**

Provided the Corporation receives proceeds of at least \$1,200,000 from the sale of 1,333,333 Units under the Offering, the Corporation hereby grants to the Agents a right of first refusal, for a period of 12 months following the Closing Date of the Offering, to lead

manage or participate in the Corporation's subsequent securities issues, and to act as advisor to the Corporation on any advisory assignments related to capital market matters. The Agents will have 14 business days to exercise their right of first refusal following receipt of written notification from the Corporation of the definitive terms of such subsequent offering, or of an advisory assignment.

21. **Alternative Transaction**

If at any time prior to the completion of the Offering contemplated by this Agreement, the Corporation enters into an Alternative Transaction, outside of the normal course of business, the Corporation shall pay the Agents a fee in accordance with the following:

- (a) in the event that an Alternative Transaction occurs after the filing of the Preliminary Prospectus, but prior to November 17, 2003, the Corporation shall pay the Agents a fee equal to 5% of the value of such Alternative Transaction; and
- (b) in the event that an Alternative Transaction occurs after November 17, 2003, the Corporation shall pay the Agents a fee equal to 7% of the value of such Alternative Transaction.

22. **Confidentiality**

The Agents acknowledge that in connection with acting as Agents on behalf of the Corporation for the Offering, it will require certain oral and written information concerning the Corporation, including its business, operating, financial, corporate, technical, creative and other information, data, records and documents (collectively, the "**Evaluation Material**"). The Agents acknowledge that the Evaluation Material shall be furnished by the Corporation to the Agents solely for the purpose of assisting the Agents in performing their due diligence obligations and in reviewing, analyzing, preparing and facilitating the completion of the Offering, including the preparation of any marketing material. Each of the Agents, its officers, directors, employees and consultants, agree not to use the Evaluation Material directly or indirectly for any purpose other than the aforementioned, including, but not limited to, any purpose which is in any way detrimental or disadvantageous to or competitive with the interests of the Corporation. However, neither this section, nor any other wording in this Agreement, shall in any way prevent the Agents from performing their duties as an investment dealer acting on behalf of the Corporation in completing the Offering. Further, the Corporation acknowledges that each Agent is an investment dealer that from time to time may be engaged by other entities to provide services similar to those offered hereby and that this Agreement shall in no way limit, restrict or otherwise prevent such Agent from accepting such engagement or providing any such services (whether or not such entity is in the same or similar business as the Corporation) provided that such Agent complies with its obligations as herein provided.

23. **Notices**

Any notice under this Agreement shall be given in writing and either delivered or telecopied to the party to receive such notice at the address or telecopy numbers indicated below:

to the Corporation:

ARIUS Research Inc.
55 York Street, 16th Floor
Toronto, ON M5J 1R7

Attention: Dr. David S. Young, President and Chief Scientific Officer
Fax: (416) 862-9696

with copy to:

Blake, Cassels & Graydon LLP
Barristers and Solicitors
199 Bay Street, 28th Floor
POB 25, Commerce Court West
Toronto, Ontario
M5L 1A9

Attention: Mr. Robert A. Bondy
Fax: (416) 863-2653

to the Agents or any Indemnified Party:

c/o Canaccord Capital Corporation
320 Bay Street, Suite 1210
Toronto, Ontario
M5H 4A6

Attention: Mr. Doug Doiron
Fax: (416) 869-7356

with a copy to:

WeirFoulds LLP
Barristers and Solicitors
The Exchange Tower
Suite 1600, P.O. Box 480
130 King Street West
Toronto, Ontario
M5X 1J5

Attention: Mr. Wayne T. Egan
Fax: (416) 365-1876

or such other address or telecopy number as such party may hereafter designate by notice in writing to the other party. If a notice is delivered, it shall be effective from the date of delivery and if such notice is telecopied (with receipt confirmed), it shall be effective on the Business Day following the date such notice is telecopied.

24. **Time of the Essence**

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

25. **Canadian Dollars**

All references herein to dollar amounts are to lawful money of Canada unless otherwise stipulated.

26. **Headings**

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

27. **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.

28. **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. For greater certainty, this Agreement supersedes and replaces that letter agreement made July 24, 2003 between the Corporation and Canaccord Capital Corporation. This Agreement may be amended or modified in any respect by written instrument only.

29. **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.

30. **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.

31. **Successors and Assigns**

The terms and provisions of this Agreement shall be binding upon and enure to the benefit of the Corporation and the Agents and their respective successors and permitted

assigns; provided that, except as provided herein, this Agreement shall not be assignable by any party without the written consent of the others.

32. **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.

33. **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.

34. **Counterparts**

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

If the Corporation is in agreement with the foregoing terms and conditions, please so indicate by executing a copy of this letter where indicated below and delivering 3 copies of the same to Canaccord Capital Corporation.

Yours very truly,

CANACCORD CAPITAL CORPORATION

DLOUHY MERCHANT GROUP INC.

Per: (Signed) "Doug Doiron"

Per: (Signed) "William Murray"

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

DATED as of the 13th day of November, 2003.

ARIUS RESEARCH INC.

Per: (Signed) "Neil Nawaz"

SCHEDULE "A"**Provisions Attaching To Units****ARIUS RESEARCH INC.
TERM SHEET**

Issuer:	ARIUS Research Inc. (the "Company")
Offering:	Prospectus Offering on an agency basis of units comprised of common shares and warrants.
Price:	\$0.90 per Unit.
Amount:	Minimum of \$1,200,000 and a maximum \$3,000,000. In the event the minimum is not raised, all funds received for closing the Offering will be returned to purchasers without interest.
Over-Allotment Option:	The Agents reserve the right to increase the size of the Offering by up to 10% with the consent of the Company. The Agents must provide three (3) business days notice to the Company, on or prior to 60 days after Closing, of its intention to exercise this option.
Use of Proceeds:	Proceeds will be used for general corporate purposes.
Offering Jurisdictions:	Ontario, Alberta and British Columbia, and other jurisdictions as mutually agreed upon by the Agents and the Company.
Commissions:	Commission equal to 7% of the gross proceeds of the Offering. The Commission is payable by certified cheque on Closing.
Compensation Warrants:	At Closing, the Agents will receive Compensation Warrants that will have a term to expiry of 24 months from Closing. The Compensation Warrants will allow the Agent to purchase Units identical to those offered, in an amount equal to 10% of the aggregate Units sold under the Offering at an exercise price equal to the Offering Price of the Units and subject to anti-dilution adjustments in certain circumstances.
Solicitation Fee:	The Company will pay to the Agents, on behalf of the particular Agent and other registered dealers, the Solicitation Fee being equal to 3% of the proceeds received by the Company on the exercise of any of the warrants convertible into common share of the Company from the Offering. The Company shall pay the particular Agent the Solicitation Fee from the proceeds of the exercised warrants.

- Right of First Refusal:** Upon Closing of the Offering, the Agents will have a right of first refusal to lead manage or participate in the Company's subsequent securities issues for 12-months following Closing. The Agents will have fourteen (14) days to exercise its right of first refusal following written notification from the Company.
- Expenses:** Whether or not Closing takes place, the Company will be responsible for all expenses related to the Offering, including reasonable expenses of the Agents and reasonable fees for the Agents' legal counsel. Expenses of the Agents (exclusive of legal fees) are not to exceed \$20,000. In the event that the Agents' expenses do exceed the aforementioned amount, the Agents will seek the prior approval of the Company before incurring any additional expenses. Legal expenses for the Agents are not to exceed \$50,000 in legal fees by the Agents' counsel, before all disbursements and applicable taxes. In the event that legal expenses do exceed the aforementioned amount, the Agents will seek the prior approval of the Company before incurring any additional legal expenses. All expenses and fees will be payable by the Company immediately upon receiving an invoice therefore.
- Closing:** Closing expected to occur on November 25, 2003 or such alternate date as may be agreed upon, provided it is on or before December 31, 2003.
- Agents:** Canaccord Capital Corporation and Dlouhy Merchant Group Inc.

SCHEDULE "B"**COMPENSATION OPTION CERTIFICATE**

ARIUS RESEARCH INC.
(the "Corporation")

THIS IS TO CERTIFY THAT

[Canaccord Capital Corporation] [Dlouhy Merchant Group Inc.] (hereinafter referred to as the "Holder") is the owner of _____ compensation options ("**Compensation Options**") in respect of which the Holder is entitled to acquire at any time and from time to time until 5 p.m. (Toronto time) on the day that is 24 months following the date hereof (the "**Expiry Time**"), _____ Optioned Units of the Corporation, each Optioned Unit comprised of _____ common shares of the Corporation (the "**Common Shares**") and _____ common share purchase warrants (the "**Warrants**"). Each Compensation Option shall entitle the Holder (subject to the provisions hereof) to acquire one Optioned Unit upon the payment of \$0.90 per Unit to the Corporation at any time until the Expiry Time.

Unless otherwise defined, capitalized terms used in this Compensation Option Certificate shall have the same meaning herein as in the agency agreement made as November 13, 2003, and as may be amended from time to time, between the Corporation and the Holder (the "**Agency Agreement**").

The right to acquire Optioned Units may be exercised by the Holder within the time set forth above by:

- (a) duly completing and executing the Exercise Form attached hereto; and
- (b) surrendering this Compensation Option Certificate, including the Exercise Form and the Exercise Price in respect of each Optioned Unit subscribed for, by cash or certified bank cheque, bank draft or money order in lawful money of Canada, payable to the Corporation at the principal office of the Corporation in Toronto.

This Compensation Option Certificate, the Exercise Form attached hereto and the Exercise Price shall be deemed to be surrendered only upon personal delivery hereof or, if sent by mail or other means of transmission, upon actual receipt thereof by the Corporation at the office referred to above.

Upon surrender as aforesaid, the person or persons in whose name or names the Common Shares and Warrants issuable upon exercise of the Compensation Options are to be issued shall be deemed for all purposes to be the holder or holders of record of such Common Shares and

Warrants and the Corporation shall cause certificates representing such Common Shares and Warrants to be delivered or mailed to the person or persons at the address or addresses specified in the Exercise Form within five (5) business days.

The Holder may acquire any lesser number of Optioned Units than the number of Optioned Units which may be acquired for the Compensation Options represented hereby. In such event, the Holder shall be entitled to receive a new Compensation Option Certificate for the balance of the Optioned Units which may be acquired. No fractional Optioned Units will be issued.

The rights of the Holder, including the number of Optioned Units issuable upon exercise of a Compensation Option and the Exercise Price, shall be subject to adjustment as set forth in the Appendix attached hereto.

At the Expiry Time, the right of a Holder to acquire Common Shares represented hereby will be deemed to have expired and the Compensation Options will be void and of no further effect.

The holding of the Compensation Options evidenced by this Compensation Option Certificate shall not constitute the Holder hereof a shareholder of the Corporation or entitle the Holder to any right or interest in respect thereof except as expressly provided in this Compensation Option Certificate.

Time shall be of the essence hereof.

IN WITNESS WHEREOF the Corporation has caused this Compensation Option Certificate to be signed by its duly authorized officers as of November _____, 2003.

ARIUS RESEARCH INC.

By:

Name:

Title:

APPENDIX**ADJUSTMENTS**

1. In the event of any subdivision or change of the Common Shares into a greater number of Common Shares at any time prior to the exercise in whole or in part of the Compensation Options, the Corporation shall deliver, in connection with any exercised of Compensation Options occurring after the record date of the subdivision or change, such additional number of Common Shares as would have resulted from such subdivision or change in such exercise of Compensation Options had been prior to the record date of such subdivision or change, and the Exercise Price per Common Share and Warrant shall be decreased proportionately.
2. In the event of any consolidation or change of the Common Shares into a lesser number of Common Shares at any time prior to the exercise in whole or in part of the Compensation Options, the number of Common Shares and Warrants delivered by the Corporation on any exercise thereafter of the Compensation Options shall be reduced to such number of Common Shares and Warrants as would have resulted from such consolidation or change if such exercise of the Compensation Options hereby granted had been prior to the record date of such consolidation or change, and the Exercise Price per Common Share and Warrant shall be increased proportionately.
3. In the event of any reclassification of the shares of the Corporation at any time prior to the exercise in whole or in part of the Compensation Options, the number and class of shares deliverable by the Corporation on any exercise thereafter of the Compensation Options shall be the number and class of shares as would have resulted from such reclassification if the Compensation Options had been exercised prior to the date of such reclassification.
4. If the Corporation shall at any time prior to the exercise in whole or in part of the Compensation Options, pay any dividend or make any distribution to all or substantially all of the holders of its Common Shares (payable in cash or in shares or other securities of the Corporation), or make any payment by way of return on capital on or in respect of the Common Shares of the Corporation, the Holder shall be entitled to receive upon any exercise thereafter of the Compensation Options (in addition to the number of Common Shares that the Holder otherwise would have been entitled to on the exercise of the Compensation Options) such additional number of shares or other securities of the appropriate class of the corporation or such cash dividend or capital payment as would have been payable on the Common Shares that would have been issuable on such exercise of the Compensation Options if they had been outstanding on the record date for payment of such dividend or distribution or capital payment. The Corporation covenants and agrees that in the event of repayment of any dividend or distribution payable in any shares or other securities, the Corporation will reserve and set aside a sufficient number of the appropriate class in which any such dividend or distribution shall be payable to enable it to fulfill its obligations hereunder.
5. In the event that the Corporation proposes any reorganization, merger, dissolution or sale of all or substantially all its assets or to amalgamate with one or more other corporations, it will

give notice thereof to the Holder in sufficient time to enable the Holder to exercise the Compensation Options to the extent that the Holder is entitled to exercise the Compensation Options as at the date of such reorganization, merger, dissolution, sale or amalgamation. In addition, in the event the Compensation Options are not exercised pursuant to any such foregoing reorganization, merger, dissolution, sale or amalgamation, upon any such reorganization, merger or amalgamation with one or more other corporation, the Corporation shall ensure that the Compensation Options shall be exercisable into the same number and class of securities of the reorganized, merged or amalgamated corporation that would have been issued had the Compensation Options been exercised prior to the reorganization, merger or amalgamation. The Exercise Price per Common Share shall be adjusted proportionately as required to reflect any of the foregoing adjustments.

6. If the Corporation shall:

- A. declare any dividend upon the Common Shares;
- B. offer for subscription pro rata to the holders of its Common Shares any additional shares of any class or other rights;
- C. effect any capital reorganization or reclassification of the capital stock of the Corporation, or consolidation, amalgamation or merger of the Corporation with, or sale of all or substantially all of its assets to, another corporation; or
- D. effect a voluntary or involuntary dissolution, liquidation or winding-up of the Corporation,

then in any one or more such cases, the Corporation shall give to the Holder at least 21 days written notice of the record date or effective date as the case may be of any of the foregoing events.

7. The adjustments provided for in this Appendix are cumulative and will apply (without duplication) to successive subdivisions, consolidations, distributions or other events resulting in any adjustment under the provisions of this Appendix.

EXERCISE FORM**TO: ARIUS RESEARCH INC.**

The undersigned hereby exercises its right to acquire Common Shares and Warrants of ARIUS Research Inc. in accordance with and subject to the provisions of the attached Compensation Option Certificate, and encloses herewith a certified cheque or bank draft in the amount of \$ in respect of the aggregate exercise price therefor.

The undersigned hereby irrevocably directs that the above securities be issued, registered and delivered as follows:

<u>Name(s)</u>	<u>Address(s)</u>	<u>Number of Common Shares</u>	<u>Number of Warrants</u>
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DATED this _____ day of _____, 2003.

[AGENT]

By:
Name:
Title: