



NEWS RELEASE

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For Immediate Release

Xentel Issues Claim against Schroder for Specific Performance and \$50 Million in Damages for Breach of Merger Agreement

Toronto, Ontario, June 17, 2003: Xentel DM Incorporated (TSX Venture Exchange: XDM) a North American specialty entertainment and relationship marketing company, announced today that it has issued a Statement of Claim in the Ontario Superior Court of Justice for specific performance and damages in the amount of \$50,000,000 for breach of a Merger Agreement between Xentel and Schroder Ventures US Fund L.P.1 and Schroder Ventures US Fund L.P.2, (collectively "SVUS"), among others.

Xentel is also seeking a declaration that the Merger Agreement was improperly terminated by SVUS and that SVUS is not entitled to the expense and termination fees as claimed in the Notice of Termination dated May 29, 2003.

The Merger Agreement was entered into on March 6, 2003. According to the terms of the Merger Agreement, SVUS was, in effect, to acquire indirect control of Xentel, the shareholders of Xentel were to receive \$2.00 in cash for each Xentel share held and Xentel was to cease to be a public company. The transactions contemplated by the Merger Agreement were scheduled to close on May 30, 2003.

An unexpected faxed Notice of Termination was sent by SVUS at approximately 4:40 p.m. eastern daylight time on May 29, 2003 purporting to terminate the Merger Agreement. According to such faxed Notice of Termination, the grounds for termination of the Merger Agreement are alleged to be the allegations of a lawsuit filed in the United States District Court for the Southern District of Florida on March 25, 2003.

The lawsuit, a complaint brought by a former employee, was disclosed to SVUS on May 23, 2003 in a draft supplemented and amended disclosure letter dated May 26, 2003, which provided updated disclosure of events which had occurred since March 6, 2003, the date of the original disclosure letter, which disclosure letter and which process underlying the negotiation of the Merger Agreement anticipated a supplemented disclosure letter. Xentel also provided SVUS with a copy of the complaint and an opportunity to discuss the allegations in the lawsuit with Xentel's regulatory and employment counsel both of whom advised SVUS that the risks associated with the lawsuit were minimal. Xentel also indicated that the allegations in the lawsuit were not material, as defined in the Merger Agreement. The lawsuit was settled on June 3, 2003.

In its Statement of Claim, Xentel claims that SVUS's purported termination of the Merger Agreement and reliance on the delivery of the supplemented and amended letter and, in particular, the Florida lawsuit as the basis for termination, constitutes a breach of the Merger Agreement and of SVUS's obligation to act reasonably and in good faith and to take all corporate steps and to do all such other acts and things as may be commercially reasonable in order to consummate and make effective the transactions contemplated by the Merger

Agreement.

Xentel claims that as a result of SVUS's wrongful conduct, Xentel, its shareholders, security holders and other stakeholders generally have suffered damages, among other things, for loss of share value, lost opportunity and wasted expenditures, including legal and other professional fees, the particulars of which will be provided at or before the trial of this matter.

XENTEL DM Incorporated is one of North America's leading relationship-marketing concerns and producers of cause related entertainment events. The Company's success is attributable to proprietary sales tools including technologically advanced teleservices and sophisticated customer databases. XENTEL DM Incorporated has over 300 clients and 1,800 employees in 22 offices across North America, has been profitable 23 years of its 24 year history, and is traded on the TSX Venture Exchange under the symbol XDM.

The TSX Venture Exchange has neither approved nor disapproved the contents of this announcement