

XENTEL REPORTS THIRD QUARTER 2005 RESULTS

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Three months ended September 30	2005	2004
<i>(\$ 000's, except per share amounts)</i>		
Revenue	\$ 29,560	\$ 29,111
Gross Margin	7,658	6,643
Net (loss) earnings	179	(904)
EBITDA	1,422	(329)
EPS, fully diluted	\$ 0.01	\$ (0.04)
EBITDA, per share, fully diluted	\$ 0.05	\$ (0.01)

Nine months ended September 30	2005	2004
<i>(\$ 000's, except per share amounts)</i>		
Revenue	\$ 94,976	\$ 96,407
Gross Margin	24,710	25,136
Net (loss) earnings	1,495	(671)
EBITDA	6,265	3,041
EPS, fully diluted	\$ 0.06	\$ (0.03)
EBITDA, per share, fully diluted	\$ 0.25	\$ 0.12

*EBITDA – Net Earnings before income taxes, interest, depreciation and amortization. Since EBITDA and diluted EBITDA per share have no standardized GAAP meaning, the comparability of these amounts to other enterprises may not be possible if the basis of calculation of EBITDA differs.

Calgary, Alberta, November 16, 2005: Xentel DM Incorporated (TSX Venture Exchange: XDM) a North American specialty entertainment and relationship marketing company, today reported its third quarter financial results for the three and nine months ended September 30, 2005.

The Company's earnings for the third quarter 2005 are a significant improvement over comparable results for the third quarter 2004. For the three months ending September 30, 2005 compared to the same period earnings increased \$1,083 thousand from a loss of \$904 thousand to earnings of \$179 thousand. Similarly for the nine months ending September 30 2005 and 2004 earnings increased \$2,166 thousand from a loss of \$671 thousand to earnings of \$1,495 thousand.

On an earnings per share basis, the three and nine months ended September 30, 2005 generated \$0.01 and \$0.06 per share respectively compared to a loss of \$0.04 and \$0.03 per share for the three and nine months ended September 30, 2004.

Year to date 2005, the Canadian operations contributed \$1,119 thousand of net earnings and the US operations contributed \$376 thousand of net earnings.

The Canadian operations continue to be stable with reasonable growth and continuing earnings improvement. Part of the improvement in the Canadian operational results is the expansion of the Legends hockey tournament from one game in 2004 to a five city tour in 2005.

In the US, there has been a program initiated to realign the client mix towards a more profitable client portfolio; however, as part of that initiative there has been a reduction of revenues from selected clients. Notwithstanding, revenues in US dollars have moderately increased between the respective periods in 2004 and 2005, although the comparative results, particularly as they relate to revenue, between 2005 and 2004 have been adversely impacted by the changes in the Canadian US exchange rates.

It is too early to assess the full impact of the hurricanes in the US; however, our three South Florida call centers were out of operation for almost two weeks during Hurricanes Rita and Wilma and sales slowed during September and October 2005. Fulfillment rates may also be adversely affected.

Business highlights to this date;

- Completed the reorganization of its lending arrangements and is no longer in default
- Restructured the purchase debt incurred in the 2003 acquisition which will positively affect in the fourth quarter 2005 earnings before taxes by \$2,357 thousand and reduce long term debt by \$1,248 thousand. The effect on earnings will reflect an adjustment to future taxes but there are no immediate taxes payable.
- Added two new members to the board of directors, Craig Copland and Barry Sattell. John Burns, Director resigned after providing support and guidance to the company for many years.
- One of the officers from the 2003 acquisition has resigned and transferred his Xentel ownership to David Winograd, the other officer from the 2003 acquisition, who is also President of US operations. Details of this transaction can be viewed in the press release dated November 1, 2005.
- This transaction establishes David Winograd as a significant shareholder with Messrs. Platz and Pickering.
- Geoff Pickering, President, Co-CEO and Director has resigned. This is a first step in the development of a succession plan for Xentel DM Incorporated. Mr. Pickering will continue with similar duties for the company on a consulting basis.

“The third quarter continued to produce positive results and with the restructuring of the Company debt and lending arrangements we have a much stronger balance sheet and working capital position as we go forward for the balance of 2005 and into 2006”, noted Michael Platz, Chairman.

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 450 clients and 3,000 employees in over 30 offices across North America.

Certain statements in this press release may constitute “forward looking statements” and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any performance or achievement expressed or implied by such “forward looking statements”.

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

Xentel DM Incorporated
Consolidated Balance Sheets
('000s)

	September 30, 2005 (unaudited)	September 30, 2004 (unaudited)	December 31, 2004 (audited)
Assets			
Current assets			
Cash and cash equivalents	\$ 12	\$ 738	\$ 280
Accounts receivable, net of allowances	9,367	8,875	8,512
Inventory	572	534	536
Work in process	6,602	7,366	6,703
Prepaid expenses	991	1,448	651
Future income taxes	368	1,275	73
Other current assets	176	87	120
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	18,088	20,323	16,875
Deferred financing costs, net of amortization	321	429	385
Equipment	4,056	5,462	5,176
Future income taxes	4,986	3,344	5,917
Other intangible assets	6,510	9,011	8,060
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	\$ 33,961	\$ 38,569	\$ 36,413
	=====	=====	=====
Liabilities			
Current liabilities			
Bank indebtedness	\$ 1,124	\$ 2,439	\$ 2,756
Accounts payable and accrued liabilities	6,499	6,668	7,050
Income and other taxes payable	839	593	109
Current portion of long term debt	4,111	6,460	5,732
Future income taxes	903	1,068	1,066
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	13,476	17,228	16,713
Long term debt	4,971	5,119	4,930
Future income taxes	3,032	2,275	3,298
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	21,479	24,622	24,941
Shareholders' equity			
Share capital	8,728	8,728	8,728
Warrants	185	185	185
Contributed surplus	95	-	-
Cumulative translation adjustment	(3,252)	(2,308)	(2,672)
Retained earnings	6,726	7,342	5,231
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	12,482	13,947	11,472
	-----	-----	-----
	\$ 33,961	\$ 38,569	\$ 36,413
	=====	=====	=====
Contingencies			

Xentel DM Incorporated
Consolidated Statements of Operations and Retained Earnings
('000s, except per share amount, unaudited)

	Three Months Ending		Nine Months Ending	
	September 30		September 30	
	2005	2004	2005	2004
Revenue	\$ 29,560	\$ 29,111	\$ 94,976	\$ 96,407
Cost of revenue	21,902	22,468	70,266	71,271
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Gross margin	7,658	6,643	24,710	25,136
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Corporate expenses				
Branch overhead and corporate administration	6,236	6,972	18,445	22,095
Interest expense	271	301	845	940
Amortization	853	987	2,888	3,340
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	7,360	8,260	22,178	26,375
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Earnings (loss) before income taxes	298	(1,617)	2,532	(1,239)
Income tax expense (recovery)				
Current income tax expense	370	357	713	779
Future income tax expense (recovery)	(251)	(1,070)	324	(1,347)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	119	(713)	1,037	(568)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net earnings (loss)	179	(904)	1,495	(671)
Retained earnings, beginning of period	6,547	8,246	5,231	8,013
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Retained earnings, end of period	\$ 6,726	\$ 7,342	\$ 6,726	\$ 7,342
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	=====	=====	=====	=====
Basic and diluted net earnings (loss) per share	\$ 0.01	\$ (0.04)	\$ 0.06	\$ (0.03)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	=====	=====	=====	=====
Basic and diluted weighted average number of shares outstanding	24,814	24,814	24,814	24,814
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	=====	=====	=====	=====
Consolidated Statements of Contributed Surplus				
Balance at beginning of period	\$ 22	\$ -	\$ -	\$ -
Stock based compensation on issuance of options	73	-	95	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at end of period	\$ 95	-	\$ 95	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
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Xentel DM Incorporated
Consolidated Statements of Cash Flows
('000s, unaudited)

	Three Months Ending		Nine Months Ending	
	September 30		September 30	
	2005	2004	2005	2004
Cash flows from (used in) operating activities				
Net earnings (loss) for the period	\$ 179	\$ (904)	\$ 1,495	\$ (671)
Non cash transactions reflected in net earnings				
Amortization	853	987	2,888	3,340
Future income tax expense(recovery)	(251)	(1,070)	324	(1,347)
Stock based compensation	73	-	95	-
Adjustment for debt accretion charges	83	34	255	268
	<u>937</u>	<u>(953)</u>	<u>5,057</u>	<u>1,590</u>
Net change in non cash working capital items				
Accounts Receivable	(1,330)	(161)	(940)	(1,326)
Inventory and work in process	214	1,132	(102)	(522)
Prepaid expenses	(135)	(234)	(364)	(194)
Other current assets	(30)	1	(56)	62
Income and other taxes payable	381	65	556	1,158
Accounts payable and accrued liabilities	632	(787)	(473)	(1,592)
	<u>(268)</u>	<u>16</u>	<u>(1,379)</u>	<u>(2,414)</u>
Net change in non cash working capital items	<u>669</u>	<u>(937)</u>	<u>3,678</u>	<u>(824)</u>
Cash flows from (used in) financing activities				
Bank indebtedness	119	1,116	(1,614)	2,102
Long term debt	(667)	(871)	(1,538)	(747)
	<u>(548)</u>	<u>245</u>	<u>(3,152)</u>	<u>1,355</u>
Cash flow (used in) investing activities				
Investment in capital assets, net	(314)	(218)	(422)	(1,159)
Effect of exchange rate fluctuations on cash balances				
	<u>26</u>	<u>353</u>	<u>(372)</u>	<u>(423)</u>
Net increase (decrease) in cash and cash equivalents	(167)	(557)	(268)	(1,051)
Cash and cash equivalents, beginning of period	<u>179</u>	<u>1,295</u>	<u>280</u>	<u>1,789</u>
Cash and cash equivalents, end of period	<u>\$ 12</u>	<u>\$ 738</u>	<u>\$ 12</u>	<u>\$ 738</u>