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XENTEL REPORTS SECOND QUARTER JUNE 30, 2007 RESULTS

Table with 5 columns: Period ended June 30, Three months (2007, 2006), Six months (2007, 2006). Rows include Revenue, Gross Margin, Net (loss) earnings, EBITDA, EPS, fully diluted, and EBITDA, per share, fully diluted.

\*EBITDA – Net Earnings before income taxes, interest, depreciation and amortization. Since Gross Margin, 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 differs.

Calgary, Alberta, August 31, 2007: Xentel DM Incorporated (TSX Venture Exchange: XDM) a North American specialty entertainment and relationship marketing company, today reported its financial results for the three and six months ended June 30, 2007.

The results for the second quarter 2007 was a net loss of \$590 thousand compared to a net loss of \$62 thousand for the second quarter 2006. Revenues amounted to \$24,853 thousand compared to \$27,488 thousand for the second quarters 2007 and 2006 respectively.. EBITDA for the three months ended June 30, 2007 was negative \$142 thousand compared to \$1,566 thousand for the same period in 2006.

Year to date for the six months ended June 30, revenues for 2007 and 2006 were \$52,999 thousand and \$58,715 thousand respectively. For the six months ended June 30, 2007 the Company incurred a net loss of \$473 thousand compared to net earnings of \$119 thousand for the same period in 2006.

Consumer attitudes continues to be the most significant issue facing the Company. Profitability has been adversely affected by the revenue decline because certain fixed costs are not readily scalable. Management has taken action in this area and anticipates the effects will be reflected in future quarters.

David Winograd, President US operations observed, "We are taking advantage of changes in the marketplace associated with consumer attitudes by adapting our management approach and marketing techniques".

Added Michael Platz, Chairman, "Although this has been a tough year, our focus on cost and debt reduction over the past eighteen months has substantially improved our balance sheet and liquidity. The Company remains strong and continues to be a dominant player in our market niche".

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)

	<b>June 30,</b> <b>2007</b> <b>(unaudited)</b>	<b>June 30,</b> <b>2006</b> <b>(unaudited)</b>	<b>December 31,</b> <b>2006</b> <b>(audited)</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 365	\$ 199	\$ 795
Accounts receivable, net of allowances	6,459	7,800	8,956
Inventory	474	507	628
Work in process	6,157	6,617	6,421
Prepaid expenses	981	1,152	1,106
Due from related party	1,384	-	1,514
Income taxes receivable	283	-	-
Future income taxes	498	878	643
Other current assets	-	3	-
	<hr/>	<hr/>	<hr/>
	16,601	17,156	20,063
Deferred financing costs, net of amortization	-	275	210
Due from related party	-	1,451	-
Equipment	3,110	3,723	3,622
Future income taxes	2,606	3,310	2,843
Other intangible assets	2,153	3,891	3,207
Goodwill	1,079	1,130	1,180
	<hr/>	<hr/>	<hr/>
	\$ 25,549	\$ 30,936	\$ 31,125
	=====	=====	=====
<b>Liabilities</b>			
<b>Current liabilities</b>			
Bank indebtedness	\$ 457	\$ 1,694	\$ 1,259
Accounts payable and accrued liabilities	5,036	5,489	6,654
Income taxes payable	3	44	365
Current portion of long term liabilities	2,211	1,906	2,058
Future income taxes	1,016	1,061	1,016
	<hr/>	<hr/>	<hr/>
	8,723	10,194	11,352
Long term debt	61	2,421	1,542
Due to related parties	2,648	2,358	2,729
Future income taxes	1,488	2,838	1,628
Deferred tenant inducement	330	-	389
	<hr/>	<hr/>	<hr/>
	13,250	17,811	17,640
<b>Shareholders' equity</b>			
Share capital	9,280	9,291	9,280
Warrants	205	205	205
Contributed surplus	70	58	70
Accumulated other comprehensive income	(3,710)	(3,315)	(2,997)
Retained earnings	6,454	6,886	6,927
	<hr/>	<hr/>	<hr/>
	12,299	13,125	13,485
	<hr/>	<hr/>	<hr/>
	\$ 25,549	\$ 30,936	\$ 31,125
	=====	=====	=====

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

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<b>Revenue</b>	\$ 24,853	\$ 27,488	\$ 52,999	\$ 58,715
<b>Cost of revenue</b>	20,119	20,960	41,795	44,309
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Gross margin</b>	4,734	6,528	11,204	14,406
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Corporate expenses</b>				
Branch overhead and corporate administration	4,876	4,972	9,849	11,239
Interest expense	214	320	454	575
Amortization of equipment	216	453	616	1,004
Amortization of intangible assets	405	419	836	846
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	5,711	6,164	11,755	13,664
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Earnings (loss) before undernoted items</b>	(977)	364	(551)	742
Loss on disposal of other investments	-	191	-	191
Expenses related to 2003 privatization lawsuit	43	225	137	228
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Earnings (loss) before income taxes	(1,020)	(52)	(688)	323
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Income tax expense (recovery)</b>				
Current income tax expense (recovery)	(312)	78	(313)	1
Future income tax expense (recovery)	(118)	(68)	98	203
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	(430)	10	(215)	204
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net earnings (loss)</b>	(590)	(62)	(473)	119
<b>Retained earnings, beginning of period</b>	7,044	6,948	6,927	6,767
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Retained earnings, end of period</b>	\$ 6,454	\$ 6,886	\$ 6,454	\$ 6,886
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Basic and diluted net earnings (loss) per share	\$ (0.02)	\$ (0.00)	\$ (0.02)	\$ 0.01
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Basic and diluted weighted average number of shares outstanding	26,195	26,205	26,195	26,205
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**Xentel DM Incorporated**  
**Consolidated Statements of Contributed Surplus**  
('000s, unaudited)

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Balance, beginning of period	\$ 70	\$ 58	\$ 70	\$ 58
Balance, end of period	\$ <u>70</u>	\$ <u>58</u>	\$ <u>70</u>	\$ <u>58</u>
	=====	=====	=====	=====

See accompanying notes to the financial statements

**Xentel DM Incorporated**  
**Consolidated Statements of Comprehensive Income**  
('000s, unaudited)

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Net earnings (loss) for the period	\$ (590)	\$ (62)	\$ (473)	\$ 119
Foreign currency translation adjustment from self sustaining foreign operations	(631)	(331)	(713)	(321)
Comprehensive (loss)	\$ <u>(1,221)</u>	\$ <u>(393)</u>	\$ <u>(1,186)</u>	\$ <u>(202)</u>
	=====	=====	=====	=====

See accompanying notes to the financial statements

**Xentel DM Incorporated**  
**Consolidated Statements of Accumulated Other Comprehensive Income**  
('000s, unaudited)

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Transition adjustment – January 1, 2006	-	\$ (2,995)	-	\$ (2,995)
Foreign currency translation adjustment from self sustaining foreign operations	(631)	(331)	(713)	(320)
Balance at beginning of period	(3,079)	11	(2,997)	-
Balance at end of period	\$ <u>(3,710)</u>	\$ <u>(3,315)</u>	\$ <u>(3,710)</u>	\$ <u>(3,315)</u>
	=====	=====	=====	=====

See accompanying notes to the financial statements

**Xentel DM Incorporated**  
**Consolidated Statements of Cash Flows**  
('000s, unaudited)

	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<b>Cash flows from (used in) operating activities</b>				
Net earnings (loss) for the period	\$ (590)	\$ (62)	\$ (473)	\$ 119
<i>Non cash transactions reflected in net earnings</i>				
Amortization	620	872	1452	1,850
Future income tax expense (recovery)	(117)	(68)	98	202
Adjustment for non cash interest	96	102	198	130
	<u>9</u>	<u>844</u>	<u>1,275</u>	<u>2,301</u>
<i>Net change in non cash working capital items</i>				
Accounts Receivable	1540	1,123	2,174	1,324
Inventory and work in process	59	126	99	(557)
Prepaid expenses	98	(527)	73	(672)
Other current assets	-	194	(2)	178
Income taxes payable	(416)	(548)	(645)	(679)
Accounts payable and accrued liabilities	(467)	(691)	(1,417)	(1,257)
	<u>814</u>	<u>(323)</u>	<u>282</u>	<u>(1,663)</u>
Net change in non cash working capital items	823	521	1,557	638
<b>Cash flows from (used in) financing activities</b>				
Bank indebtedness	(37)	(7)	(761)	454
Long term debt	(506)	(547)	(1,020)	(804)
	<u>(543)</u>	<u>(554)</u>	<u>(1,781)</u>	<u>(350)</u>
<b>Cash flow (used in) investing activities</b>				
Investment in capital assets, net	(99)	(110)	(227)	(562)
	<u>(99)</u>	<u>(110)</u>	<u>(227)</u>	<u>(562)</u>
<b>Effect of exchange rate fluctuations on cash balances</b>				
	23	17	21	21
	<u>23</u>	<u>17</u>	<u>21</u>	<u>21</u>
Net increase (decrease) in cash and cash equivalents	204	(126)	(430)	(253)
<b>Cash and cash equivalents, beginning of period</b>	161	325	795	452
	<u>161</u>	<u>325</u>	<u>795</u>	<u>452</u>
<b>Cash and cash equivalents, end of period</b>	\$ 365	\$ 199	\$ 365	\$ 199
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

See accompanying notes to the financial statements.