This is a preliminary short form prospectus relating to these securities, a copy of which has been filed with the securities commissions or similar securities regulatory authorities in each of the provinces of Canada, but which has not yet become final for the purpose of a distribution to the public. Information contained herein is subject to completion or amendment. These securities may not be sold to, nor may offers to buy be accepted from, residents of such jurisdictions prior to the time a receipt for the final short form prospectus is obtained from the appropriate securities commission or other regulatory authority of such province.

Preliminary Short Form Prospectus dated January 29, 1998

This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities commission or any similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence. Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of Baton Broadcasting Incorporated at 9 Channel Nine Court, Scarborough, Ontario M1S 4B5, telephone number (416) 299-2000. For the purpose of the Province of Quebec, this short form prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Secretary of Baton Broadcasting Incorporated at the above-mentioned address and telephone number. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended, and, except in limited circumstances, will not be offered or sold within the United States. See "Plan of Distribution".

Additional Issue and Secondary Offering

BATON BROADCASTING INCORPORATED

$461,686,732

20,281,080 Common Shares

(of which 15,281,080 Common Shares
are evidenced by Instalment Receipts)

This short form prospectus qualifies the distribution of 20,281,080 common shares (the "Offered Shares") of Baton Broadcasting Incorporated (the "Company"), of which 5,000,000 common shares (the "Treasury Shares") are being sold by the Company and 15,281,080 common shares (the Instalment Shares") are being sold by 1274527 Ontario Inc., 1274528 Ontario Inc., 1274529 Ontario Inc. and 1274530 Ontario Inc. (collectively, the "Selling Shareholders") on an instalment basis and are evidenced by Instalment Receipts ("Instalment Receipts").

The Treasury Shares are offered hereby at a price of $22.35 per share. The Instalment Shares are offered hereby at a price of $22.90 per share which will be payable in two instalments. The first instalment of $12.50 per Instalment Share is payable at the closing of this offering (the "Closing") and the final instalment of $10.40 per Instalment Share is payable on or before the first anniversary of Closing. **If a registered holder of an Instalment Receipt does not pay the final instalment on or before the first anniversary of Closing, the Instalment Shares evidenced by the registered holder's Instalment Receipt may, upon compliance with applicable law, be reacquired by the Selling Shareholders in full satisfaction of the registered holder's obligations or may be liquidated with the registered holder remaining liable for any deficiency. See "Details of the Offering".**

A corporation wholly owned by the shareholders of the Selling Shareholders currently owns approximately 40.3% of the common shares of the Company. See "Selling Shareholders and Arrangements with Management." After giving effect to this offering, the Selling Shareholders and their affiliates will not own any common shares of the Company. The offering price for the Offered Shares has been determined by negotiation between the Selling Shareholders, the Company and Newcrest Capital Inc., RBC Dominion Securities Inc., CIBC Wood Gundy Securities Inc., Trilon Securities Corporation, Bunting Warburg Inc., Midland Walwyn Capital Inc., ScotiaMcLeod Inc. and Nesbitt Burns Inc. (collectively, the "Underwriters").

The outstanding common shares of the Company are listed and posted for trading on The Toronto Stock Exchange and the Montreal Exchange under the trading symbol "BNB". The closing price of the common shares of the Company on The Toronto Stock Exchange on January 26, 1998, the last trading day before the announcement of this offering, was $23.25. See "Price Range and Trading Volume of Common Shares".

Price: $22.90 per Instalment Share of which $12.50 is payable on Closing
$22.35 per Treasury Share

	Price to the Public	Underwriters' Fee	Net Proceeds to the Company (1)	Net Proceeds to the Selling Shareholders (1)
Per Instalment Share				
First Instalment (due on Closing)	$ 12.50	$ 0.916	—	$ 11.584
Final Instalment (due on the first anniversary of Closing)	10.40	—	—	10.40
Total per Instalment Share	$ 22.90	$ 0.916	—	$ 21.984
Per Treasury Share	$ 22.35	$ 0.894	$ 21.456	—
Total Offering	$461,686,732	$18,467,469	$107,280,000	$335,939,263

(1) Before deducting expenses of this offering, estimated at $ ● , of which $ ● is payable by the Company and $ ● is payable by the Selling Shareholders.

The Underwriters, as principals, conditionally offer the Offered Shares, subject to prior sale, if, as and when issued and delivered by the Company and delivered by the Selling Shareholders, in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Selling Shareholders and the Company by Osler, Hoskin & Harcourt, Toronto, and on behalf of the Underwriters by Goodman Phillips & Vineberg, Toronto.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the Closing will take place on February 19, 1998 but in any event not later than March 4, 1998, and that certificates representing the Treasury Shares and Instalment Receipts evidencing the Instalment Shares will be available for delivery at Closing. Registered holders of Instalment Receipts will receive certificates representing the Instalment Shares as soon as practicable after payment of the final instalment.

CIBC Wood Gundy Securities Inc. and ScotiaMcLeod Inc., two of the Underwriters, are each wholly-owned subsidiaries of Canadian chartered banks (collectively, the "Banks") which are lenders to the Company. A portion of the net proceeds to the Company from this offering will be applied to repay amounts owing to the Banks. Consequently, the Company may be considered to be a connected issuer of each of CIBC Wood Gundy Securities Inc. and ScotiaMcLeod Inc. for purposes of the securities regulations of certain Canadian provinces. See "Use of Proceeds" and "Plan of Distribution".

TABLE OF CONTENTS

	Page No.
SUMMARY OF THE OFFERING	3
DOCUMENTS INCORPORATED BY REFERENCE	5
THE COMPANY AND ITS BUSINESS	5
CHANGES IN CAPITALIZATION	6
DETAILS OF THE OFFERING	6
PLAN OF DISTRIBUTION	9
CANADIAN FEDERAL INCOME TAX CONSIDERATIONS	11
ELIGIBILITY FOR INVESTMENT	12
USE OF PROCEEDS	13
DESCRIPTION OF COMMON SHARES	13
SHAREHOLDER RIGHTS PLAN	13
SELLING SHAREHOLDERS AND ARRANGEMENTS WITH MANAGEMENT	15
LEGAL MATTERS	16
AUDITORS, TRANSFER AGENT AND REGISTRAR	16
STATUTORY RIGHTS OF WITHDRAWAL OR RESCISSION	16
CERTIFICATE OF THE COMPANY	17
CERTIFICATE OF THE UNDERWRITERS	18

SUMMARY OF THE OFFERING

This summary is qualified by, and should be read in conjunction with, the detailed information appearing elsewhere in this short form prospectus.

Offering: 20,281,080 common shares of the Company, of which 5,000,000 will be issued by the Company from treasury and 15,281,080 will be sold by the Selling Shareholders on an instalment basis and evidenced by Instalment Receipts.

Amount of Offering: $461,686,732

Price: $22.35 per Treasury Share.

$22.90 per Instalment Share, of which $12.50 is payable on Closing and $10.40 is payable on or before the first anniversary of Closing.

Instalment Payment Arrangements: The purchase price for the Instalment Shares is payable on an instalment basis. Prior to receipt by the Selling Shareholders of the final instalment, beneficial ownership of the Instalment Shares will be evidenced by Instalment Receipts. The first instalment of $12.50 per Instalment Share is payable on Closing and the final instalment of $10.40 per Instalment Share is payable on or before the first anniversary of Closing (not later than 5:00 p.m. local time at the place of payment) by the registered holder of the Instalment Receipt evidencing such Instalment Share.

If a registered holder of an Instalment Receipt does not pay the final instalment on or before the first anniversary of Closing, the Instalment Shares evidenced by such Instalment Receipt may, at the Selling Shareholders' option, upon compliance with applicable law, be reacquired by the Selling Shareholders in full satisfaction of the registered holder's obligations in respect of such Instalment Shares or such Instalment Shares may be liquidated and the registered holder shall remain liable for any deficiency if the proceeds of such sale are insufficient to cover the amount of the final instalment and the costs of sale (such costs of sale not to exceed $0.50 per Instalment Share).

As soon as practicable after payment in full of the final instalment, the registered holder of an Instalment Receipt will receive a certificate representing the underlying Instalment Shares. Each Instalment Share represented by an Instalment Receipt will be subject to a security interest in favour of the Selling Shareholders to secure the obligation of the registered holder of the Instalment Receipt to pay the final instalment in respect of such Instalment Share.

See "Details of the Offering".

Rights of Instalment Receipt Holders: Registered holders of Instalment Receipts will be entitled, in the manner set forth in the Instalment Receipt Agreement described herein, unless they have defaulted on their obligations under the Instalment Receipt Agreement, to participate fully in dividends and other distributions paid on the Instalment Shares, to vote at meetings of the Company's shareholders in proportion to the number of Instalment Shares evidenced by such Instalment Receipts and to receive periodic reports and other materials in like manner as if they were the registered holders of the Instalment Shares evidenced by such Instalment Receipts.

Ownership of the Company by the Selling Shareholders: A corporation wholly owned by the shareholders of the Selling Shareholders currently owns 14,806,080 common shares of the Company, representing approximately 40.3% of the outstanding common shares of the Company, all of which will be sold by the Selling Shareholders to the public pursuant to this offering. Following the Closing, the Selling Shareholders and their affiliates

	will not own any shares of the Company. See "Selling Shareholders and Arrangements with Management".
Foreign Ownership	The Company holds licences issued by the Canadian Radio-television and Telecommunications Commission (the "CRTC"). Accordingly, the Company is required to comply with the Direction to the CRTC (Ineligibility of Non-Canadians) issued on April 8, 1997 (the "Direction"). Compliance with the Direction may impact the transfer of Treasury Shares, Instalment Shares and Instalment Receipts.
CRTC Approval	In Canada, authority for any change in the effective control of licensees requires approval from the CRTC. By correspondence dated January 23, 1998, the CRTC provided the necessary approval in connection with this offering. The acquisition of ownership interests through the purchase or transfer of Treasury Shares, Instalment Shares or Instalment Receipts may also require prior approval by the CRTC or notification after the fact. See "The Company and its Business".

DOCUMENTS INCORPORATED BY REFERENCE

The following documents, filed with the securities commissions or similar regulatory authorities in each of the provinces of Canada (known as the permanent information record in the Province of Quebec), are incorporated by reference into this short form prospectus:

(a) the Company's Annual Information Form dated December 16, 1997;

(b) Management's Discussion and Analysis contained in the Company's Annual Report for the fiscal year ended August 31, 1997 (the "1997 Annual Report");

(c) audited annual comparative consolidated financial statements of the Company for the year ended August 31, 1997, together with the auditors' report thereon and the notes thereto contained in the 1997 Annual Report;

(d) unaudited interim comparative consolidated financial statements of the Company for the three months ended November 30, 1997;

(e) the Company's Management Information Circular dated November 13, 1997 prepared in connection with the Company's annual meeting of shareholders held on December 17, 1997 other than those sections entitled "Executive Compensation — Composition of the Management Resource and Compensation Committee", "Executive Compensation — Report on Executive Compensation" and "Executive Compensation — Performance Graph"; and

(f) a material change report dated November 18, 1997 with respect to the Company's increasing its interest in CTV Television Network Ltd.

Any material change reports (except confidential material change reports), comparative consolidated interim financial statements (unaudited), comparative financial statements for the Company's most recently completed financial year, together with the accompanying report of the auditor, and information circular filed by the Company with securities commissions or similar authorities in the provinces of Canada, subsequent to the date of this short form prospectus and prior to the termination of this offering, shall be deemed to be incorporated by reference into this short form prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.

THE COMPANY AND ITS BUSINESS

Baton Broadcasting Incorporated was incorporated under the laws of Ontario in 1971. Its head office and principal place of business is located at 9 Channel Nine Court, Scarborough, Ontario M1S 4B5. In this short form prospectus, unless the context requires otherwise, the term "Company" refers to Baton Broadcasting Incorporated and its subsidiaries.

The Company is an integrated television broadcaster and content provider with 25 television stations in the Maritime provinces, Ontario, Saskatchewan, Alberta and British Columbia. The Company also owns ASN, the Atlantic Satellite Network, a satellite-to-cable service throughout Atlantic Canada. The Company's holdings include 100% ownership of the CTV Television Network, 100% ownership of N1, Canada's headline news channel, 100% of Talk TV, a specialty channel expected to launch no later than September, 1999 and interests in five additional specialty channels including 65.1% majority ownership of The Comedy Network, a 40% managing position in CTV Sports Net, a regional sports channel, a 33% managing position in Outdoor Life Network, a 12% interest in History Television and 60% control of a sports pay-per-view television licence with a launch expected in September, 1999. Through its production arm, the Company also has a growing intellectual property business in television production, music publishing and program distribution.

The television stations, the CTV Television Network and the specialty programming undertakings are operated pursuant to licences issued by the CRTC. These businesses are subject to the requirements of the *Broadcasting Act* (Canada), the relevant regulations enacted thereunder including the Television Broadcasting Regulations, 1987 and the Specialty Services Regulations, 1990, the policies and decisions of the CRTC as issued from time to time, and the conditions and expectations established in the licence for each undertaking. These licences are issued for a fixed term and prior to expiry, the Company will be required to seek a renewal of the licence from the CRTC. Renewals are typically granted to companies in compliance with their conditions of licence.

The various regulations governing the licensees of the Company contain provisions requiring CRTC approval or notification with respect to the transfer of ownership interests or control. For example, both the Television Broadcasting Regulations, 1987 and the Specialty Services Regulations, 1990 require prior approval of the CRTC for any change in effective control of an undertaking or any acquisition of 30% or more of the voting interests of the licensed undertaking or an entity in control of the licensee. Lower thresholds for acquisitions triggering the requirement for prior CRTC approval apply to persons carrying on certain other licensed undertakings. Reference should be made to the relevant regulations for further information and the applicability of such requirements to purchasers or transferees of the Treasury Shares, Instalment Shares or Instalment Receipts.

Pursuant to the Direction to the CRTC (Ineligibility of Non-Canadians) issued on April 8, 1997 (the "Direction"), each licensee under the *Broadcasting Act* is required to be a Canadian-owned and controlled corporation incorporated or continued under the laws of Canada or a province thereof. Pursuant to the Direction, a licensee is deemed to be Canadian-owned and controlled as long as: (a) the chief executive officer is a Canadian; (b) not less than 80% of its directors are Canadians; (c) at least 80% of the issued and outstanding voting shares and 80% of the votes attached to such shares are beneficially owned and controlled by Canadians; and (d) it is not otherwise controlled in fact by persons who are not Canadians. In order for a parent company controlling a licensee to be considered Canadian, not less than 66⅔% of the issued and outstanding voting shares and 66⅔% of the votes attached to the shares of such parent company must be beneficially owned and controlled by Canadians and the parent company or any affiliate must not exercise control or influence over any programming decisions of its licensed subsidiary. The Company is not a licensee but controls subsidiary licensees as a parent company.

In order to ensure that the Company and its licensed subsidiaries comply with the requirements of the Direction, the Company has provisions in its articles which, among other things, empower the Board of Directors of the Company to refuse to issue any share of the Company or to permit the registration of any transfer of any share of the Company that would, in the opinion of the Board of Directors, jeopardize or adversely affect the right of the Company or any of its subsidiaries to obtain, amend or renew a CRTC licence. Similar provisions will be incorporated in the Instalment Receipt Agreement.

CHANGES IN CAPITALIZATION

The only changes in the capitalization of the Company which occurred subsequent to the fiscal year ended August 31, 1997 resulted from the issuance of an aggregate of 326,000 common shares of the Company, for an aggregate consideration of $2,524,500, upon the exercise of options previously granted pursuant to the Company's Employee Stock Option Plan.

DETAILS OF THE OFFERING

The offering consists of 20,281,080 common shares of the Company, of which 5,000,000 will be issued by the Company from treasury and 15,281,080 will be sold by the Selling Shareholders on an instalment basis. Prior to payment in full therefor, beneficial ownership of the Instalment Shares will be evidenced by Instalment Receipts. Upon due payment of the final instalment pursuant to the Instalment Receipt Agreement, registered holders of Instalment Receipts will become registered holders of the Instalment Shares.

Instalment Receipts

The following is a summary of the material attributes and characteristics of the Instalment Receipts and the rights and obligations of holders thereof, which does not purport to be complete. Reference is made to the instalment receipt and pledge agreement (the "Instalment Receipt Agreement") among the Selling Shareholders, the Company, the Underwriters, CIBC Mellon Trust Company (the "Custodian") and Mellon Bank Canada (the "Security Agent"), to be dated as of the date of Closing. For the purposes of this description of the material attributes and characteristics of the Instalment Receipts, a "Holder" means a person who is shown on the register of holders of Instalment Receipts maintained under the Instalment Receipt Agreement. Copies of the Instalment Receipt Agreement will be available for inspection in draft form until three days prior to Closing, and in definitive form thereafter, at the principal offices of the Custodian in Toronto and Montreal.

The first instalment of $12.50 per Instalment Share is payable on Closing which is expected to occur on or about February 19, 1998 (but not later than March 4, 1998), and the final instalment of $10.40 per Instalment Share is payable on or before the first anniversary of Closing (the "Final Instalment Date").

Holders of Instalment Receipts will be bound by the terms of the Instalment Receipt Agreement. The Instalment Receipt Agreement will provide that the Custodian will be the registered holder of the Instalment Shares and beneficial title to such shares will be evidenced by the Instalment Receipts, following payment of the first instalment pursuant to the Underwriting Agreement (described under "Plan of Distribution") and until the final instalment has been fully paid to the Custodian on behalf of the Selling Shareholders on or prior to the Final Instalment Date. The Instalment Shares offered hereby will be pledged to the Selling Shareholders by the Underwriters at Closing and will be held by the Security Agent subject to the terms of the Instalment Receipt Agreement.

The Instalment Receipts will, among other things, evidence the fact that the first instalment has been paid in respect of the number of Instalment Shares specified therein and the right of a Holder thereof, subject to compliance with the provisions of the Instalment Receipt Agreement, to become the registered holder of such Instalment Shares upon payment in full of the final instalment with respect to such Instalment Shares. By becoming a Holder of an Instalment Receipt, such person is deemed to have assumed the obligation to pay the final instalment and to have acquired the Instalment Shares represented by the Instalment Receipt subject to the pledge of such Instalment Shares which secures such obligation. A Holder is further deemed to agree that the foregoing pledge will remain in effect and be binding and effective notwithstanding any transfer of or other dealings with the Instalment Receipts and the rights evidenced or arising thereby.

The Instalment Receipt Agreement will require the Custodian to mail to the Holders of Instalment Receipts, as determined on a date being not more than 14 days before the date of mailing, a notice of the Final Instalment Date and the amount of the instalment not less than 30 days prior to the Final Instalment Date. Payment of the final instalment is required when due whether or not a Holder receives a notice of the Final Instalment Date from the Custodian. Subject to compliance with the provisions of the Instalment Receipt Agreement, as soon as practicable after timely payment of the final instalment and presentation and surrender of the relevant Instalment Receipt, the Instalment Shares will be registered in the name of, and a certificate evidencing Instalment Shares will be forwarded to, the Holder of the Instalment Receipt without additional charge.

A Holder of an Instalment Receipt will be entitled to make payment, in accordance with the provisions of the Instalment Receipt Agreement, of the final instalment at any time prior to the Final Instalment Date, with respect to any Instalment Shares evidenced thereby and to thereby become the registered holder of such Instalment Shares.

Rights and Privileges

Under the Instalment Receipt Agreement, Holders of Instalment Receipts will have the same rights and privileges, and be subject to the same limitations, as registered holders of common shares of the Company, except for certain rights and privileges which are limited under the Instalment Receipt Agreement in order to protect the value of the collateral secured by the pledge to the Selling Shareholders of the Instalment Shares represented by the Instalment Receipts or except where the exercise of such rights and privileges would not be practicable. In particular, a Holder of Instalment Receipts will be entitled under arrangements through the Custodian, in the manner set forth in the Instalment Receipt Agreement, unless the Holder has defaulted on its obligation thereunder, to fully participate in dividends, to exercise the votes attached to the Instalment Shares represented by such Instalment Receipts and to receive periodic reports and other materials in like manner as if the Holder were the registered holder of the Instalment Shares.

In particular, the Instalment Receipt Agreement will contain the following provisions:

(a) Dividends on Instalment Shares which are declared to be payable in cash (other than Excess Dividends, as defined below) shall, subject to withholding tax requirements, be remitted to persons who, on the applicable dividend record date in respect of such dividend, are Holders of the Instalment Receipts representing such Instalment Shares. "Excess Dividends" means the amount, if any, by which the aggregate of all cash dividends declared and Proceeds (as defined below) paid in respect of each Instalment Share after the Closing and on or before the Final Instalment Date exceeds $0.25;

(b) If the Company declares and pays Excess Dividends payable in cash, such Excess Dividends will not be distributed by the Custodian to the Holders of Instalment Receipts but will be remitted to the Selling Shareholders and applied first in reduction *pro rata* of the final instalment payable on the Instalment Shares by all Holders. Any balance remaining, subject to withholding tax requirements, shall be remitted to the Holders.

(c) If the Company issues to all, or substantially all of the holders of common shares of the Company dividends payable in additional common shares of the Company ("Stock Dividends"), such Stock Dividends shall be registered in the name of the Custodian and held by the Security Agent as security for the obligation of the Holders of Instalment Receipts to pay the final instalment, and upon payment of the final instalment, shall be distributed to the Holders of the Instalment Receipts together with the Instalment Shares to which such distribution relates, net of any applicable withholding taxes.

(d) If the Company issues (including on liquidation, dissolution or winding up), to all, or substantially all of the holders of common shares of the Company, options, rights or warrants to purchase any securities whether of the Company or of any other corporation, or evidences of indebtedness or assets (excluding cash dividends and Stock Dividends) (collectively, the "Distributed Property"), the Custodian will, as promptly as commercially reasonable, sell the Distributed Property attributable to the Instalment Shares held by the Custodian. The Custodian shall remit *pro rata* to the Holders of the Instalment Receipts the net proceeds ("Proceeds") from such sale, subject to withholding tax requirements, unless such Proceeds exceed the threshold of an Excess Dividend, in which case such excess shall be remitted by the Custodian to the Selling Shareholders and applied in reduction *pro rata* to the final instalment payable on the Instalment Shares by all Holders. Any amount by which such excess amount net of any applicable withholding taxes exceeds the amount of the final instalment will be paid to the Holders of the Instalment Receipts *pro rata*.

(e) Upon any subdivision or consolidation of the common shares of the Company, the number of shares to be registered in the name of a Holder of an Instalment Receipt on payment of the final instalment will be adjusted proportionately and the adjusted number of such shares shall be registered in the name of the Custodian and held by the Security Agent as security for the performance of the obligations of the Holder.

(f) Upon any change or reclassification of the common shares of the Company or any amalgamation, merger, reorganization, transfer of all or substantially all of the assets or other similar transaction affecting the Company, the appropriate kind and number of shares or other securities or property resulting from such event will be substituted for the Instalment Shares represented by an Instalment Receipt and will be registered in the name of the Custodian and held by the Security Agent as security for the performance of the obligations of the Holder of such Instalment Receipt.

Transfers of Instalment Receipts

Transfers of Instalment Receipts will be registerable at the principal offices of the Custodian in Toronto and Montreal. Upon registration of the transfer of an Instalment Receipt, the transferee will acquire the rights, including the beneficial ownership of the Instalment Shares represented thereby, subject to the pledge, and become subject to the obligations of a Holder under the Instalment Receipt Agreement, including the assumption by the transferee of the obligation to pay the final instalment. The person requesting registration of the transfer of an Instalment Receipt is deemed to warrant its authority to do so on behalf of the transferee. Upon registration of such transfer, the transferor will cease to have any further rights or obligations thereunder. No transfer of an Instalment Receipt tendered for registration after the Final Instalment Date will be accepted for registration (subject to certain exceptions applicable to intermediaries holding Instalment Receipts on behalf of non-registered holders). The Instalment Receipt Agreement provides that no transfer of an Instalment Receipt shall be permitted which may jeopardize or adversely affect the right of the Company to obtain, amend or renew a CRTC licence or otherwise affect the compliance of the Company's licensed undertakings with all Canadian law regarding Canadian ownership and control of these licensees.

Liability of Instalment Receipt Holders

In the Instalment Receipt Agreement, the Underwriters will pledge the Instalment Shares purchased on an instalment basis to secure payment of the final instalment. The Instalment Receipt Agreement will provide that (except as set out below) if payment of the final instalment is not duly received by the Custodian from a Holder of Instalment Receipts when due, any Instalment Shares then remaining pledged under the Instalment Receipt Agreement may, at the option of the Selling Shareholders, subject to complying with applicable law, be retained by the Selling Shareholders in full satisfaction of the obligations of such Holders of Instalment Receipts secured thereby. The Instalment Receipt Agreement will further provide that the Selling Shareholders may direct the Security Agent to sell the Instalment Shares and any substituted securities in respect of which payment of the final instalment was not duly received, in accordance with the requirements of applicable law and of the Instalment Receipt Agreement, and remit to the Holder of the relevant Instalment Receipt the Holder's *pro rata* portion of the proceeds of such sale after deducting therefrom the amount of the remaining instalments together with a liquidation cost amount of $0.50 per Instalment Share. **The Instalment Receipt Agreement will provide that unless the Selling Shareholders shall have retained the Instalment Shares in full satisfaction of the obligation of a Holder, the forgoing shall not limit any other remedies available to the Selling Shareholders against such Holder of the Instalment Receipts in the event the proceeds of such sale are insufficient to cover the amount of the final instalment and the liquidation cost amount and, accordingly, such Holder shall in such circumstances remain liable to the Selling Shareholders for any such deficiency.**

Holders of Instalment Receipts who are non-residents of Canada will be liable to pay the cost of all withholding taxes payable in respect of any cash dividends, Excess Dividends, Stock Dividends or Distributed Property. Any such withholding tax will be payable on such distributions even if the payment thereof is directed to the Selling Shareholders on account of the non-resident Holder's unpaid instalments and even if there is not sufficient cash in the distribution to pay such withholding tax. Provision for the payment of this tax by non-resident Holders is set out in the Instalment Receipt Agreement.

General

The Custodian may require Holders of Instalment Receipts from time to time to furnish such information and documents as may be necessary or appropriate to comply with any fiscal or other laws or regulations relating to Instalment Shares or to rights and obligations evidenced by Instalment Receipts. The Custodian and the Security Agent shall not be responsible for any taxes, duties, governmental charges or expenses which are or may become payable in respect of the Instalment Shares or Instalment Receipts. In this regard, the Custodian and the Security Agent shall be entitled to deduct or withhold from any payment or other distribution required or contemplated by the Instalment Receipt Agreement such money or property in respect of any taxes, duties or other governmental charges or expenses required by applicable law to be withheld or paid, and to withhold delivery of certificates representing the Instalment Shares until satisfactory provision for payment of such amounts is made.

Holders of Instalment Receipts will not be liable for charges and expenses of the Custodian and the Security Agent except for any taxes, duties and other governmental charges which may be payable as described above.

Apart from changes which do not materially prejudice the Holders of Instalment Receipts as a group (which may be made without consent of such Holders), the Instalment Receipt Agreement may not be amended without the affirmative vote of the Holders of Instalment Receipts entitled to not less than two-thirds of the Instalment Shares evidenced by Instalment Receipts which are represented and voting at a meeting duly called for that purpose. The procedure for such meetings will be substantially similar to that governing meetings of holders of the common shares of the Company.

PLAN OF DISTRIBUTION

Pursuant to an agreement dated January 29, 1998 (the "Underwriting Agreement") among the Company, the Selling Shareholders and Newcrest Capital Inc., RBC Dominion Securities Inc., CIBC Wood Gundy Securities Inc., Trilon Securities Corporation, Bunting Warburg Inc., Midland Walwyn Capital Inc., ScotiaMcLeod Inc. and Nesbitt Burns Inc., as underwriters (the "Underwriters"), the Selling Shareholders have agreed to sell the Instalment Shares and the Company has agreed to issue and sell the Treasury Shares and the Underwriters have severally agreed to purchase the Offered Shares, on February 19, 1998 or on such other date as may be agreed but in any event not later than March 4, 1998, subject to the terms and conditions therein, at a price of $22.90 per

Instalment Share payable to the Selling Shareholders as to \$12.50 per share at Closing against delivery of Instalment Receipts and as to \$10.40 per share by the registered holders of Instalment Receipts on or before the Final Instalment Date and at a price of \$22.35 per Treasury Share payable in cash to the Company at Closing against delivery of certificates evidencing the Treasury Shares. The Selling Shareholders and the Company have agreed to pay the Underwriters at Closing fees of \$0.916 per Instalment Share and \$0.894 per Treasury Share, respectively, for aggregate fees of \$18,467,469 for their services in connection with this offering.

The obligations of the Underwriters under the Underwriting Agreement are several and may be terminated upon the occurrence of certain stated events. The Underwriters, however, shall take up and pay for all of the Offered Shares if any are purchased under the Underwriting Agreement. The Company has agreed with the Underwriters that it will not, for the period ending 90 days after the Closing, offer, authorize, issue or sell, grant any option for, or otherwise dispose of any equity securities of the Company, except the grant of officers', directors' and employees' stock options and the issuance of common shares on the exercise of such options, without the prior consent of Newcrest Capital Inc., such consent not to be unreasonably withheld. The Selling Shareholders and the Company have severally agreed to indemnify the Underwriters and their directors, officers, employees, shareholders and agents against certain liabilities.

Pursuant to policy statements of the Ontario Securities Commission and the Commission des valeurs mobilières du Québec, the Underwriters may not, throughout the period of distribution under this short form prospectus, bid for or purchase common shares of the Company. The foregoing restriction is subject to certain exceptions, including a bid or purchase permitted under the by-laws and rules of The Toronto Stock Exchange and the Montreal Exchange relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution, provided that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the common shares of the Company. Pursuant to the first-mentioned exception, in connection with this offering, the Underwriters may overallot or effect transactions which stabilize or maintain the market price of the common shares of the Company at levels above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Treasury Shares, the Instalment Receipts and the Instalment Shares underlying the Instalment Receipts have not been and will not be registered under the *United States Securities Act of 1933*, as amended (the "U.S. Securities Act") and may not be offered or sold within the United States except in transactions exempt from the registration requirements of the U.S. Securities Act. In addition, until 40 days after the commencement of this offering, an offer or sale of any Treasury Shares, Instalment Receipts or Instalment Shares underlying the Instalment Receipts within the United States by any dealer (whether or not participating in this offering) may violate the registration requirements of the U.S. Securities Act.

The distribution of this prospectus and the offering and sale of any Treasury Shares, Instalment Receipts and Instalment Shares represented by Instalment Receipts are subject to certain restrictions under the laws of certain jurisdictions outside of Canada and the United States. Each Underwriter has agreed that it will not offer for sale or sell or deliver the Treasury Shares, Instalment Receipts or the Instalment Shares represented by Instalment Receipts in any jurisdiction except in accordance with the laws thereof.

The sale or transfer of the Treasury Shares, Instalment Receipts and the Instalment Shares represented by the Instalment Receipts must also be in the accordance with all requirements under Canadian law, including the Direction, with respect to the Canadian ownership and control of the operations of the Company licensed by the CRTC. See the discussion of foreign ownership constraints in "The Company and its Business".

CIBC Wood Gundy Securities Inc. and ScotiaMcLeod Inc., two of the Underwriters, are each wholly-owned subsidiaries of Canadian chartered banks (collectively, the "Banks"). The Banks are the lenders to the Company under two credit facilities (the "Credit Facilities"). The Credit Facilities consist of a \$365 million revolving term credit line made available by the Banks and other lenders and a \$15 million operating credit line made available by one of the Banks. As at January 28, 1998 an aggregate of approximately \$363 million was outstanding under the Credit Facilities. Amounts outstanding under the Credit Facilities bear interest at a floating rate which is dependant on the type of borrowing and varies with the Company's total debt to operating cash flow ratio. The Credit Facilities are secured by a general security interest in real and personal property, a pledge of the shares of certain subsidiaries of the Company and an assignment of insurance policies. The Company is and has been in compliance with the terms of the Credit Facilities.

The Company will use a portion of the net proceeds of this offering to repay indebtedness to the Banks on the basis of each Bank's rateable portion of the Credit Facilities. Consequently, the Company may be considered a connected issuer of each of CIBC Wood Gundy Securities Inc. and ScotiaMcLeod Inc. for purposes of the securities regulations of certain Canadian provinces. The decision of CIBC Wood Gundy Securities Inc. and ScotiaMcLeod Inc. to underwrite the Offered Shares was made independently of the Banks and the Banks have had no influence as to the determination of the terms of the distribution. CIBC Wood Gundy Securities Inc. and ScotiaMcLeod Inc. will not receive any benefit in connection with this offering other than a portion of the Underwriters' commission payable by the Company and the Selling Shareholders.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Osler, Hoskin & Harcourt, counsel for the Company and the Selling Shareholders, and Goodman Phillips & Vineberg, counsel for the Underwriters, the following summary describes the principal Canadian federal income tax considerations generally applicable to a Holder who acquires Offered Shares pursuant to this offering and who, for the purposes of the *Income Tax Act* (Canada) (the "Tax Act"), is a resident of Canada, holds such shares as capital property and deals at arm's length with the Company, the Selling Shareholders, and the Underwriters. Generally, Offered Shares will be considered capital property to a Holder provided that such Holder does not hold the Offered Shares in the course of carrying on a business and has not acquired them in a transaction or transactions considered to be an adventure in the nature of trade. Certain Holders whose Offered Shares might not otherwise qualify as capital property may be entitled to obtain such qualification in certain circumstances by making the election permitted by subsection 39(4) of the Tax Act. This summary is not addressed to Holders that are "financial institutions" for purposes of the "mark-to-market" rules contained in the Tax Act.

The summary is based upon the current provisions of the Tax Act and the regulations thereunder (the "Regulations") in force as of the date hereof, all specific proposals to amend the Tax Act and Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "Proposed Amendments") and counsel's understanding of the current administrative and assessing policies of Revenue Canada. This summary is not exhaustive of all possible Canadian federal income tax consequences and, except for the Proposed Amendments, does not anticipate any changes in the law whether by legislative, governmental or judicial decision or action, nor does it take into account provincial or local tax laws or the tax laws of jurisdictions outside Canada, which may differ significantly from those discussed herein. A reference herein to an "Offered Share" includes both a Treasury Share and an Instalment Share represented by an Instalment Receipt.

Holders that are trusts governed by a registered retirement savings plan, registered retirement income fund or a deferred profit sharing plan are referred to the additional Canadian federal income tax considerations relevant to such holders under "Eligibility for Investment".

The summary is of a general nature only and is not intended to be legal or tax advice to any particular Holder. Consequently, Holders should consult their own tax advisors with respect to their individual circumstances.

Taxation of Dividends

Dividends received or deemed to be received on an Offered Share, including Excess Dividends and the amount of any Stock Dividends, will be included in a Holder's income as taxable dividends received from a taxable Canadian corporation. Normal gross-up and dividend tax credit rules will generally apply to dividends received by an individual, and dividends received by a corporation will normally be deductible in computing its taxable income. Certain corporations (including a "private corporation" as defined in the Tax Act) may be liable to pay a refundable tax under Part IV of the Tax Act on such dividends.

Disposition of Offered Shares

Upon the disposition or deemed disposition of an Offered Share, a Holder will realize a capital gain (or a capital loss) to the extent that the proceeds of disposition are greater (or less) than the aggregate of the adjusted cost base to the Holder of the Offered Share and any reasonable costs of disposition. In this regard, the adjusted cost base to a Holder of an Offered Share will include the aggregate of all amounts paid or payable by the Holder for such Offered Share, including the amount of the final instalment in the case of an Instalment Share. For purposes of determining the adjusted cost base of such Offered Share, the adjusted cost base of the Offered Share will be averaged with the adjusted cost base of all other common shares of the Company then owned by the Holder as capital property (other than common shares of the Company owned or deemed to have been owned on December 31, 1971 for purposes of the Income Tax Application Rules). The proceeds of disposition to a Holder who disposes or is deemed to dispose of an Instalment Share will include the amount of any unpaid final instalment.

Three-quarters of any capital gain realized by a Holder will be required to be included in computing the Holder's income as a taxable capital gain. Three-quarters of any capital loss realized by a Holder may normally be deducted by the Holder against taxable capital gains realized by the Holder in the year of disposition, in any of the three preceding taxation years, or in any subsequent taxation year, subject to detailed rules contained in the Tax Act in this regard.

In the case of a Holder that is a corporation, the amount of any capital loss otherwise determined resulting from the disposition or deemed disposition of an Offered Share may be reduced by the amount of dividends previously received or deemed to have been received thereon in accordance with detailed rules contained in the Tax Act in this regard. Analogous rules apply where a corporation is a member of a partnership or a beneficiary of a trust that owns Offered Shares or where such partnership or trust itself is a member of a partnership or beneficiary of a trust that owns Offered Shares.

A "Canadian-controlled private corporation" (as defined in the Tax Act) may also be liable to pay a 6⅔% refundable tax on certain investment income, including taxable capital gains (but not including taxable dividends that are deductible in calculating taxable income).

Where an Instalment Share is reacquired by the Selling Shareholders in full satisfaction of the obligations of a Holder as a consequence of the Holder's failure to pay the final instalment, the Holder will be subject to special rules in the Tax Act relating to the repossession by a seller of property previously sold.

ELIGIBILITY FOR INVESTMENT

In the opinion of Osler, Hoskin & Harcourt, Toronto, counsel for the Company and the Selling Shareholders, and Goodman Phillips & Vineberg, Toronto, counsel for the Underwriters, at Closing, the Treasury Shares and the Instalment Shares represented by Instalment Receipts offered by this prospectus will be eligible investments, without resort to the so-called "basket" provisions, and in certain cases subject to prudent investment requirements and to additional requirements relating to investment or lending policies or goals, under the following statutes:

Insurance Companies Act (Canada)
Pension Benefits Standards Act, 1985 (Canada)
Trust and Loan Companies Act (Canada)
Alberta Heritage Savings Trust Fund Act (Alberta)
Employment Pension Plans Act (Alberta)
Insurance Act (Alberta)
Loan and Trust Corporations Act (Alberta)
Financial Institutions Act (British Columbia)
The Insurance Act (Manitoba)
The Pension Benefits Act (Manitoba)
The Trustee Act (Manitoba)
Insurance Act (New Brunswick)
Loan and Trust Companies Act (New Brunswick)
Trustees Act (New Brunswick)
Insurance Companies Act (Newfoundland)
Pension Benefits Act (Newfoundland)
Pension Benefits Act (Nova Scotia)
Trust and Loan Companies Act (Nova Scotia)
Trustee Act (Nova Scotia)
Insurance Act (Ontario)
Loan and Trust Corporations Act (Ontario)
Pension Benefits Act (Ontario)
An Act respecting insurance (Quebec) (in respect of insurers other than guarantee fund corporations, mutual associations and professional orders)
An Act respecting trust companies and savings companies (Quebec) (for a trust company investing its own funds and deposits it receives and a savings company investing its funds)
Supplemental Pension Plans Act (Quebec)
The Pension Benefits Act, 1992 (Saskatchewan)

In addition, in the opinion of such counsel, the Treasury Shares and the Instalment Shares represented by Instalment Receipts will, at Closing, be qualified investments under the Income Tax Act (Canada) for trusts governed by a registered retirement savings plan, registered retirement income fund or a deferred profit sharing plan.

USE OF PROCEEDS

The estimated net proceeds to the Company from this offering, after deducting the fee payable to the Underwriters and estimated expenses of the offering payable by the Company, will be approximately $ ● . The Company intends to use the net proceeds of this offering to reduce bank indebtedness and finance other commitments.

CIBC Wood Gundy Securities Inc. and ScotiaMcLeod Inc., two of the Underwriters, are each wholly-owned subsidiaries of Canadian chartered banks which are lenders to the Company. As indicated above, a portion of the net proceeds to the Company from this offering will be applied to repay amounts owing to such lenders. See "Plan of Distribution".

DESCRIPTION OF COMMON SHARES

The holders of common shares of the Company are entitled to one vote per common share at all meetings of shareholders of the Company, to receive dividends as and when declared by the directors, and to receive a *pro rata* share of the remaining property and assets of the Company in the event of liquidation, dissolution or winding up of the Company. The common shares of the Company have no pre-emptive, redemption, purchase or conversion rights.

SHAREHOLDER RIGHTS PLAN

On January 27, 1998 (the "Effective Date"), the board of directors of the Company unanimously approved the adoption of a shareholder rights plan (the "Rights Plan"). The full text of the Rights Plan is contained in an agreement entered into with CIBC Mellon Trust Company. The purpose of the Rights Plan is to provide the shareholders of the Company (the "Shareholders") with enough time to assess the merits of any unsolicited take-over bid for the Company. It is also intended to give the board of directors of the Company (the "Board of Directors") sufficient time to consider the bid, to explore other options in attempting to ensure that the Shareholders obtain full and fair value for their shares and to permit other bids to come forward. The following is a summary of the principal terms of the Rights Plan which is qualified in its entirety by reference to the text of the Rights Plan.

Issue of Rights

On the Effective Date, one right (a "Right") was issued and attached to each common share of the Company outstanding and will attach to each common share subsequently issued.

Rights Exercise Privilege

The Rights will separate from the common shares of the Company and will be exercisable eight trading days (the "Separation Time") after a person has acquired, or commences a takeover bid to acquire, 25% or more of the common shares, other than by an acquisition pursuant to a takeover bid permitted by the Rights Plan (a "Permitted Bid") or the acquisitions contemplated by the Reorganization described under "Selling Shareholders and Arrangements with Management". The acquisition by any person (an "Acquiring Person") of 25% or more of the common shares of the Company, other than by way of a Permitted Bid, is referred to as a "Flip-in Event". Any Rights held by an Acquiring Person will become void upon the occurrence of a Flip-in Event. Eight trading days after the occurrence of the Flip-in Event, each Right (other than those held by the Acquiring Person), will permit the purchase of $200 worth of common shares of the Company for $100 (i.e. at a 50% discount).

The issue of the Rights is not initially dilutive. However, upon a Flip-in Event occurring and the Rights separating from the common shares of the Company, reported earnings per share on a fully diluted or non-diluted basis may be affected. Holders of Rights not exercising their Rights upon the occurrence of a Flip-in Event may suffer substantial dilution.

Certificates and Transferability

Prior to the Separation Time, the Rights will be evidenced by a legend imprinted on certificates for common shares of the Company issued from and after the Effective Date and will not be transferable separately from the common shares. From and after the Separation Time, the Rights will be evidenced by Rights certificates which will be transferable and traded separately from the common shares of the Company.

Permitted Bid Requirements

The requirements for a Permitted Bid include the following:

(a) the takeover bid must be made by way of a takeover bid circular;

(b) the takeover bid must be made to all Shareholders;

(c) the takeover bid must be outstanding for a minimum period of 60 days and common shares of the Company tendered pursuant to the takeover bid may not be taken up prior to the expiry of the 60 day period and only if at such time more than 50% of the common shares held by Shareholders other than the bidder, its affiliates and persons acting jointly or in concert (the "Independent Shareholders") have been tendered to the takeover bid and not withdrawn; and

(d) if more than 50% of the common shares of the Company held by Independent Shareholders are tendered to the takeover bid within the 60 day period, the bidder must make a public announcement of that fact and the takeover bid must remain open for deposits of common shares for an additional 10 business days from the date of such public announcement.

The Rights Plan allows for a competing Permitted Bid (a "Competing Permitted Bid") to be made while a Permitted Bid is in existence. A Competing Permitted Bid must satisfy all the requirements of a Permitted Bid except that it may expire on the same date as the Permitted Bid, subject to the statutory requirement that it be outstanding for a minimum period of 21 days.

Waiver and Redemption

The Board of Directors may, prior to a Flip-in Event, waive the dilutive effects of the Rights Plan in respect of a particular Flip-in Event resulting from a takeover bid made by way of a takeover bid circular to all holders of common shares of the Company, in which event such waiver would be deemed also to be a waiver in respect of any other Flip-in Event occurring under a takeover bid made by way of takeover bid circular to all holders of common shares. The Board of Directors may also waive the Rights Plan in respect of a particular Flip-in Event that has occurred through inadvertence, provided that the Acquiring Person that inadvertently triggered such Flip-in Event reduces its beneficial holdings to less than 25% of the outstanding voting shares of the Company within 14 days or such other period as may be specified by the Board of Directors. With the majority consent of Shareholders or Rights holders at any time prior to the occurrence of a Flip-in Event, the Board of Directors may at its option redeem all, but not less than all, of the outstanding Rights at a price of $0.001 each.

Exemptions for Investment Advisors

Investment managers (for client accounts), trust companies (acting in their capacities as trustees and administrators), statutory bodies (managing investment funds for employee benefit plans, pension plans, insurance plans or various public bodies), administrators and trustees of pension funds and crown agents, any of whom acquire greater than 25% of the common shares of the Company, are exempted from triggering a Flip-in Event provided that they are not making, or are not part of a group making, a takeover bid.

Supplements and Amendments

The Company is authorized to make amendments to the Rights Plan to correct any clerical or typographical error, or subject to subsequent ratification by Shareholders or Rights holders, to maintain the validity of the Rights Plan as a result of changes in law or regulation.

Shareholder Approval

The Rights Plan became effective January 27, 1998 and will continue in effect until the Company's annual meeting in 2001 unless the Shareholders do not ratify the adoption of the Rights Plan at the next meeting of the shareholders of the Company. At such meeting, the Shareholders will be asked to consider and, if deemed advisable, to approve, by a simple majority of votes cast at the meeting, a resolution ratifying the adoption of the Rights Plan.

SELLING SHAREHOLDERS AND ARRANGEMENTS WITH MANAGEMENT

Set out in the following table is information relating to the number and percentage of common shares of the Company to be held by the Selling Shareholders immediately before and after the offering pursuant to this short form prospectus:

Name	Shares Held Before Offering	Percentage	Shares Offered	Shares Held After Offering
1274527 Ontario Inc.	3,820,270	10.5%	3,820,270	Nil
1274528 Ontario Inc.	3,820,270	10.5%	3,820,270	Nil
1274529 Ontario Inc.	3,820,270	10.5%	3,820,270	Nil
1274530 Ontario Inc.	3,820,270	10.5%	3,820,270	Nil

An aggregate of 14,806,080 of the common shares of the Company to be sold by the Selling Shareholders under this short form prospectus will be acquired prior to the Closing pursuant to a corporate reorganization (the "Reorganization") involving the Selling Shareholders, Eaton's of Canada Limited ("EOCL"), Telegram Corporation Limited ("Telegram") and the Company, as a result of which the Company will be the successor to EOCL and Telegram. At present, Telegram, a wholly-owned subsidiary of EOCL, holds 40.3% of the outstanding common shares of the Company. The outstanding shares of EOCL are owned as to 25% by each of John Craig Eaton, Fredrik Stefan Eaton, O.C., Thor Edgar Eaton and George Ross Eaton (the "Eaton Family") who own all the outstanding shares of 1274527 Ontario Inc., 1274528 Ontario Inc., 1274530 Ontario Inc. and 1274529 Ontario Inc., respectively. The Selling Shareholders have agreed to reimburse the Company for all of the costs of the Reorganization and to indemnify the Company from any liabilities which it may incur in connection with the Reorganization. The obligations of the Selling Shareholders under this indemnity will be secured by $75,000,000. Upon completion of the Reorganization (which is a condition to the Closing of this offering), the Selling Shareholders, collectively, will hold in the aggregate the same number of common shares of the Company as are presently held by Telegram.

Prior to the Closing, common shares to be issued to Ivan Fecan, the President and Chief Executive Officer of the Company, upon the exercise of 475,000 options to purchase common shares of the Company ("Share Options") held by him will be sold to the Selling Shareholders and will be included in the Instalment Shares. This transfer by Mr. Fecan is in furtherance of a commitment to him by Telegram to facilitate the sale by him of any common shares of the Company owned by him at the time of a sale by Telegram. Prior to Closing, Mr. Fecan intends to exercise options to purchase a further 50,000 common shares of the Company which he plans to hold as an investment in the Company.

On January 26, 1998, the Company entered into an amended employment agreement with Mr. Fecan, effective upon the Closing. The agreement has an initial term of three years commencing on the Closing, and is renewable at the option of the Company for two successive three-year renewal terms commencing on the third and sixth anniversaries of the Closing and for an additional, indefinite renewal term commencing on the ninth anniversary of the Closing and ending on the date Mr. Fecan reaches the age of 65. The agreement provides that the Company will grant 650,000 share options to Mr. Fecan under the Company's Employee Share Option Plan, the grant of 250,000 of which will be subject to shareholder approval at the next meeting of shareholders of the Company. One third of such Share Options will vest on the day immediately prior to each of the third, sixth and ninth anniversaries of the Closing. The agreement also provides that Mr. Fecan is entitled to a lump-sum payment equal to three times his annual base salary plus three times the average of the annual bonuses paid or payable by the Company during the two preceding full fiscal years and to the immediate acceleration and vesting of all Share Options then held by him and his interests in the Company's incentive and other profit participation plans in certain circumstances including: (a) Mr. Fecan's employment is terminated at any time by the Company for any reason other than for cause or retirement at the age of 65; (b) the agreement is not renewed by the Company as set forth above; or (c) Mr. Fecan terminates the agreement within one year following a change of control of the Company.

The Company has also entered into agreements with nine other executives pursuant to which each executive will be entitled to a lump-sum payment equal to an amount not exceeding 24 months salary and certain benefits (30 months in one case) plus certain amounts with respect to the executive's entitlement under the Company's pension and incentive plans in the event of the termination of the executive's employment within two years following a change of control of the Company.

Mr. Douglas G. Bassett, the Vice-Chairman of the Company, holds options to purchase 350,000 common shares of the Company and Mr. Allan Beattie, Chairman of the Company, holds options to purchase 75,000 common shares of the Company. The terms of these options provide that they become available for exercise following Closing.

LEGAL MATTERS

Certain legal matters in connection with this offering will be passed upon on behalf of the Company and the Selling Shareholders by Osler, Hoskin & Harcourt, Toronto, and on behalf of the Underwriters by Goodman Phillips & Vineberg, Toronto.

As of the date of this short form prospectus, the partners and associates as a group of each of Osler, Hoskin & Harcourt and Goodman Phillips & Vineberg beneficially own, directly or indirectly, less than 1% of any class of security of the Company.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Company are Ernst & Young, Toronto.

The transfer agent and registrar for the common shares of the Company is CIBC Mellon Trust Company at its principal offices in Toronto and Montreal.

STATUTORY RIGHTS OF WITHDRAWAL OR RESCISSION

Securities legislation in several of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

CERTIFICATE OF THE COMPANY

Dated January 29, 1998

The foregoing, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities laws of the provinces of Canada. For the purpose of the Province of Quebec, this short form prospectus, as supplemented by the permanent information record, contains no misrepresentation likely to affect the value or the market price of the securities to be distributed.

(Signed) Ivan Fecan
President and
Chief Executive Officer

(Signed) Robin Fillingham
Executive Vice-President,
Chief Financial Officer and Secretary

On behalf of the Board of Directors

(Signed) Allan L. Beattie
Director

(Signed) James D. Wallace
Director

CERTIFICATE OF THE UNDERWRITERS

Dated January 29, 1998

To the best of our knowledge, information and belief, the foregoing, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities laws of the provinces of Canada. For the purpose of the Province of Quebec, to our knowledge, this short form prospectus as supplemented by the permanent information record, contains no misrepresentation likely to affect the value or the market price of the securities to be distributed.

NEWCREST CAPITAL INC.

By: (Signed) James D. Hinds

RBC DOMINION SECURITIES INC.

By: (Signed) Bruce M. Rothney

CIBC WOOD GUNDY SECURITIES INC.

By: (Signed) Blake R.C. Corbet

TRILON SECURITIES CORPORATION

By: (Signed) Trevor D. Kerr

BUNTING WARBURG INC.

By: (Signed) Ann E. Watson

MIDLAND WALWYN CAPITAL INC.

By: (Signed) Kenneth MacKinnon

SCOTIAMCLEOD INC.

By: (Signed) Sandra L. Schumacher

NESBITT BURNS INC.

By: (Signed) Tom Pippy

The following includes the name of every person or company having an interest, either directly or indirectly, to the extent of not less than 5% in the capital of:

NEWCREST CAPITAL INC.: Alain Boileau, Paul Brehl, David Davidson, Douglas Dawson, Robert Dorrance, Doug Gordon, Jean-Luc Gravel, Peter Grosskopf, James Hinds, Scott MacNicol, Jacques Massicotte, David McCracken, John O'Sullivan, Lee Pettigrew, Robert Price, Robbie Pryde, Benoit Robert, Sanwa Holdings Canada Inc., Marla Schwartz and Glynn Williams;

RBC DOMINION SECURITIES INC.: RBC Dominion Securities Inc, a majority-owned subsidiary of a Canadian chartered bank;

CIBC WOOD GUNDY SECURITIES INC.: a wholly-owned subsidiary of a Canadian chartered bank;

TRILON SECURITIES CORPORATION: a wholly-owned subsidiary of Trilon Financial Corporation;

BUNTING WARBURG INC.: a wholly-owned subsidiary of Bunting Warburg Limited;

MIDLAND WALWYN CAPITAL INC.: a wholly-owned subsidiary of Midland Walwyn Inc.;

SCOTIAMCLEOD INC. a wholly-owned subsidiary of a Canadian chartered bank; and

NESBITT BURNS INC.: a wholly-owned subsidiary of The Nesbitt Burns Corporation Limited, a majority-owned subsidiary of a Canadian chartered bank.