

This document is important and requires your immediate attention. If you are in any doubt as to how to deal with it, you should consult your investment dealer, stockbroker, bank manager, lawyer or other professional advisor. No securities commission or similar authority in Canada or the United States 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 Offer and Circular from documents filed with securities commissions or similar authorities in Canada (the permanent information record in Québec), copies of which may be obtained on request without charge from the Vice-President and Corporate Secretary of TELUS Corporation, 21st Floor, 3777 Kingsway, Burnaby, British Columbia V5H 3Z7, telephone (604) 432-4212. For the purposes of the Province of Québec, this exchange take-over bid circular contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Counsel of TELUS Corporation at the above-mentioned address and telephone number.



May 16, 2001

2003030 ONTARIO INC.

a direct wholly-owned subsidiary of

TELUS CORPORATION

OFFER TO PURCHASE

all of the Voting Common Shares of

DAEDALIAN eSOLUTIONS INC.

**for an ascribed value of \$0.17 for each Voting Common Share
to be comprised entirely of Non-Voting Shares of TELUS Corporation**

This offer (the "Offer") by 2003030 Ontario Inc. (the "Offeror"), a direct wholly-owned subsidiary of TELUS Corporation ("TELUS"), to purchase all of the outstanding voting common shares (the "Daedalian Shares") of Daedalian eSolutions Inc. ("Daedalian") for an ascribed value of \$0.17 per Daedalian Share to be comprised of non-voting shares of TELUS ("Non-Voting Shares"), where each of the outstanding Daedalian Shares will be exchanged for that portion of a Non-Voting Share equal to \$0.17 divided by the 20 day volume weighted average trading price of a Non-Voting Share on the TSE prior to announcement of the offer, being equal to 0.005341 of a Non-Voting Share for each Daedalian Share, (the "Exchange Ratio"), all in accordance with the terms and conditions specified herein, will be open for acceptance until 3:00 p.m. (Calgary time) on June 21, 2001 unless withdrawn or extended. The Offer is conditional upon, among other things, there being validly deposited under the Offer and not withdrawn, at least 66 2/3% of the Daedalian Shares. This condition and the other conditions to the Offer are described in Section 4 of the Offer, "Conditions of the Offer".

TELUS and Daedalian have entered into a Pre-Acquisition Agreement relating to the Offer. TELUS has assigned its rights under the Pre-Acquisition Agreement to the Offeror. The board of directors of Daedalian has determined unanimously that the Offer is fair to Shareholders and that it will recommend that holders of Daedalian Shares accept the Offer.

Holders of Daedalian Shares who wish to accept the Offer must properly complete and execute the accompanying Letter of Transmittal or a manually executed facsimile thereof and deposit it, together with the certificate or certificates representing their Daedalian Shares, at one of the offices of Computershare Trust Company of Canada (the "Depository") identified on the Letter of Transmittal and on the last page of this document, in accordance with the instructions in the Letter of Transmittal. Alternatively, holders of Daedalian Shares who desire to deposit such shares and whose certificate or certificates for such shares are not immediately available may deposit such certificate or certificates by completing the accompanying Notice of Guaranteed Delivery and following the procedures for guaranteed delivery set forth in the Notice of Guaranteed Delivery and Section 3 of the Offer, "Manner of Acceptance".

The Non-Voting Shares are listed for trading on The Toronto Stock Exchange (the "TSE") and the New York Stock Exchange (the "NYSE"). The TSE has conditionally approved the listing of the Non-Voting Shares issuable pursuant to the Offer, subject to TELUS fulfilling all of the requirements of such exchange. Application has been made to list the Non-Voting Shares issuable pursuant to the Offer on the NYSE. The Daedalian Shares are listed for trading on the Canadian Venture Exchange (the "CDNX"). On May 9, 2001, the last trading day prior to the public announcement by TELUS of the Offer, the closing trading price on the CDNX of the Daedalian Shares was \$0.16 and the closing trading price on the TSE of the Non-Voting Shares was \$31.05. Certain shareholders, directors and senior officers of Daedalian, who own, in the aggregate, approximately 75% of the outstanding Daedalian Shares, have agreed to deposit all of their Daedalian Shares to the Offer, and not to, directly or indirectly, make, solicit, initiate, facilitate, encourage or participate in any inquiries, proposals or offers from, or engage in any discussions or negotiations with, any other person other than TELUS relating to their Daedalian Shares.

The exchange of Daedalian Shares for Non-Voting Shares, plus cash in lieu of any fractional Non-Voting Share, will not be a tax-deferred roll-over transaction. Canadian resident Shareholders who accept the Offer may realize a gain or loss, or other income, as a result of such an exchange. Non-Canadian resident Shareholders who accept the Offer will generally not be subject to tax in Canada as a result of such an exchange. See "Canadian Federal Income Tax Considerations" in the Circular.

Questions and requests for assistance may be directed to the Depositary, or your broker or other financial advisor, and additional copies of this document, the Letter of Transmittal and the Notice of Guaranteed Delivery, as well as documents incorporated by reference herein, may be obtained without charge on request from those persons at their respective offices shown on the Letter of Transmittal and on the last page of this document. Persons whose Daedalian Shares are registered in the name of a nominee should contact their stockbroker, investment dealer, bank, trust company or other nominee for assistance in depositing their Daedalian Shares.

REFERENCE TO CURRENCY

Unless the context otherwise requires, all references herein to currency are references to Canadian dollars. Investors should be aware that foreign exchange fluctuations are likely to occur from time to time and that TELUS does not make any representation with respect to currency values from time to time. Investors should consult their own advisors with respect to the potential risk of currency fluctuations. On May 15, 2001 the inverse of the noon buying rate in New York City for cable transfers in Canadian dollars as certified for customs purposes by the Federal Reserve Bank of New York was \$1.00 Canadian = \$0.6455 U.S.

FORWARD LOOKING STATEMENTS

This Offer and Circular and the Annual Information Form and the Management's Discussion and Analysis section of the TELUS Annual Report, which is incorporated by reference herein, contain statements about expected future events and financial and operating results of TELUS that are forward-looking and subject to risks and uncertainties. Accordingly, TELUS' actual results, performance or achievements could differ materially from those expressed or implied by such statements. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. These statements do not reflect the potential impact of any future acquisitions, mergers or divestitures. In addition to the factors discussed herein and in the documents incorporated by reference among the other factors that could cause actual results to differ materially are the following: general business and economic conditions in Canada and in TELUS' service territories in Canada; the outcome of debt refinancing terms including timing, amount and cost; competition in local and long distance services, wireless services, data and Internet services and within the Canadian telecommunications industry generally; corporate restructurings and successful integration of wireless operations; adverse regulatory action including Canadian Radio-television and Telecommunications Commission contribution decisions and appeals; the outcome of collective agreement negotiations; technological advances; the effect of health and safety concerns and the effect of certain strategic alliances. TELUS disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

This document does not constitute an offer or a solicitation to any person in any jurisdiction in which such offer or solicitation is unlawful. The Offer is not being made to, nor will deposits be accepted from or on behalf of, shareholders in any jurisdiction in which the making or acceptance thereof would not be in compliance with the laws of such jurisdiction. However, the Offeror or its agents may, in its sole discretion, take such action as it deems necessary to extend the Offer to shareholders in any such jurisdiction.

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DEFINITIONS

In the accompanying Summary, Offer and Circular, unless the subject matter or context is inconsistent therewith or such terms are otherwise defined in the Offer or the Circular, the following terms shall have the meanings set forth below:

"**affiliate**" has the meaning ascribed thereto in the *Securities Act* (Ontario), except as otherwise provided herein.

"**associate**" has the meaning ascribed thereto in the *Securities Act* (Ontario), except as otherwise provided herein.

"**business day**" means any day other than a Saturday, a Sunday or a day on which banking institutions in Toronto, Ontario are authorized or obligated by law to close.

"**CDNX**" means the Canadian Venture Exchange.

"**CVMQ**" means the Commission des valeurs mobilières du Québec.

"**Circular**" means the take-over bid circular accompanying the Offer and forming part hereof.

"**Competition Act**" means the *Competition Act* (Canada), as amended.

"**Compulsory Acquisition**" means the compulsory acquisition of shares pursuant to the provisions of the OBCA, as described more fully under "Acquisition of Daedalian Shares Not Deposited – Compulsory Acquisition" in the Circular.

"**Daedalian**" means Daedalian eSolutions Inc., formerly Cherryhill Resources Inc., a corporation incorporated May 8, 1997 under the *Business Corporations Act* (Alberta) and continued under the *Business Corporations Act* (Ontario) on November 30, 2000.

"**Daedalian Shares**" means the voting common shares in the share capital of Daedalian.

"**Depositary**" means Computershare Trust Company of Canada at the offices identified in the Letter of Transmittal and on the last page of this document.

"**diluted basis**" means, with respect to the number of outstanding Daedalian Shares at any time, such number of outstanding Daedalian Shares plus the number of Daedalian Shares issuable upon the exercise of all outstanding options, warrants and other rights to purchase or obtain Daedalian Shares.

"**Eligible Institution**" means a Canadian chartered bank, a trust company in Canada or a member firm of the TSE or CDNX, a national securities exchange in the United States or the National Association of Securities Dealers, Inc., which is a member of the Securities Transfer Agents Medallion Program (STAMP).

"**Expiry Date**" means June 21, 2001, or such later date or dates as may be fixed by the Offeror from time to time pursuant to Section 5 of the Offer, "Extension and Variation of the Offer".

"**Expiry Time**" means 3 p.m. (Calgary time) on the Expiry Date, or such later time or times as may be fixed by the Offeror from time to time pursuant to Section 5 of the Offer, "Extension and Variation of the Offer".

"Letter of Transmittal" means, in respect of Daedalian Shares, a letter of transmittal in the form printed on blue paper accompanying this Offer and Circular.

"Lock Up Agreements" means the lock up agreements entered into between TELUS and certain of the shareholders, directors and officers of Daedalian who hold Daedalian Shares, where such holders have agreed to tender all of their Daedalian Shares to the Offer as described in the Circular under "Background to and Reasons for the Offer – Lock Up Agreements".

"Minimum Condition" has the meaning ascribed thereto in subsection (a) of Section 4 of the Offer, "Conditions of the Offer".

"Non-Voting Shares" means the Non-Voting Shares of TELUS as constituted on the date hereof.

"Notice of Guaranteed Delivery" means the notice of guaranteed delivery printed on yellow paper in the form accompanying the Offer and Circular.

"NYSE" means the New York Stock Exchange, Inc.

"OBCA" means the *Business Corporations Act* (Ontario), as amended.

"Offer" means the offer to purchase all of the issued and outstanding Daedalian Shares made hereby to the Shareholders.

"Offer Period" means the period commencing on the date hereof and ending at the Expiry Time.

"Offeror" means 2003030 Ontario Inc., a direct wholly-owned subsidiary of TELUS Corporation.

"OSC" means the Ontario Securities Commission.

"OSC Rule 61-501" means Rule 61-501 of the OSC, as the same may be amended.

"Person" includes an individual, body corporate, partnership, syndicate or other form of unincorporated entity.

"Policy Q-27" means Policy No. Q-27 of the CVMQ, as the same may be amended.

"Pre-Acquisition Agreement" means the Pre-Acquisition Agreement dated as of May 10, 2001 between TELUS and Daedalian relating to the Offer as described in the Circular under "Background to and Reasons for the Offer – Pre-Acquisition Agreement". TELUS has assigned its rights under the Pre-Acquisition Agreement to the Offeror.

"Shareholders" means the holders of Daedalian Shares.

"Subsequent Acquisition Transaction" means any amalgamation, statutory arrangement or other transaction involving the Offeror and/or an affiliate of the Offeror and Daedalian and/or Shareholders for the purposes of Daedalian becoming, directly or indirectly, a wholly-owned subsidiary of the Offeror or affecting an amalgamation or merger of Daedalian's business and assets with or into the Offeror and/or an affiliate of the Offeror.

"subsidiary" has the meaning ascribed thereto in the OBCA.

"Tax Act" means the *Income Tax Act* (Canada), as amended.

"TELUS" means TELUS Corporation, a corporation duly incorporated under and governed by the laws of British Columbia and having its head and principal office in the City of Burnaby, in the Province of British Columbia.

"TSE" means The Toronto Stock Exchange.

SUMMARY

The following is a summary only of the attached Offer and Circular, including the Appendix hereto, the Letter of Transmittal and the Notice of Guaranteed Delivery and is qualified in its entirety by the more detailed information and provisions contained therein. Shareholders are urged to read the Offer and Circular in their entirety. Capitalized terms used in this Summary, where not otherwise defined herein, are defined in the Offer and Circular, including the accompanying Definitions. The information concerning Daedalian contained herein and in the Offer and Circular has been extracted from or is based upon publicly available documents or records on file with Canadian securities regulatory authorities and other public sources.

The Offer

The Offeror is offering, upon the terms and subject to the conditions of the Offer, to purchase all of the issued and outstanding Daedalian Shares. The Offer is open for acceptance until, but not later than, the Expiry Time unless withdrawn or extended by the Offeror.

The Offer is made only for the Daedalian Shares and is not made for any options, warrants or rights to purchase Daedalian Shares. Pursuant to the terms of the Pre-Acquisition Agreement, Daedalian has agreed to cause all stock options, warrants, rights or other securities convertible into Daedalian Shares to be exercised, cancelled or otherwise cease to exist or to represent a liability or obligation of Daedalian.

The obligation of the Offeror to take up and pay for Daedalian Shares pursuant to the Offer is subject to certain conditions. See Section 4 of the Offer, "Conditions of the Offer".

The Offer is not being made to, nor will deposits be accepted from or on behalf of, Shareholders in any jurisdiction in which the making or acceptance thereof would not be in compliance with the laws of such jurisdiction. However, the Offeror may, in its sole discretion, take such action as it may deem necessary to extend the Offer to Shareholders in any such jurisdiction.

Basis of the Offer

The Offer is being made on the basis of an ascribed value of \$0.17 per Daedalian Share to be comprised of Non-Voting Shares, where each of the outstanding Daedalian Shares will be exchanged for that portion of a Non-Voting Share equal to \$0.17 divided by the 20 day volume weighted average trading price of a Non-Voting Share on the TSE prior to announcement of the Offer, being equal to 0.005341 of a Non-Voting Share for each Daedalian Share, (the "Exchange Ratio"). No fractional Non-Voting Shares will be issued. Any Shareholder who would otherwise be entitled to receive a fractional Non-Voting Share will be entitled to receive a cash amount obtained by multiplying such fraction by \$31.83. See Section 1 of the Offer, "The Offer".

Recommendation of the Board of Directors of Daedalian

The board of directors of Daedalian has determined unanimously that the Offer is fair to Shareholders and that it will recommend that Shareholders accept the Offer.

Background to and Reasons for the Offer

On March 19, 2001 TELUS and Daedalian entered into a Confidentiality Agreement pursuant to which each party agreed to keep confidential any confidential information provided to it by the other party in connection with the evaluation of a transaction involving the two companies. Following the execution of the confidentiality agreement TELUS and Daedalian started exchanging information and negotiations commenced.

On May 10, 2001 TELUS and Daedalian entered into the Pre-Acquisition Agreement under which TELUS agreed to make an offer to the Shareholders to purchase all of the issued and outstanding Daedalian Shares, on and subject to the terms and conditions of the Pre-Acquisition Agreement. TELUS has assigned its rights under the Pre-Acquisition Agreement to the Offeror.

The acquisition of Daedalian is consistent with TELUS' objective of pursuing faster, more efficient, customized and convergent solutions for its customers that integrate data, IP and wireless technologies. The acquisition will significantly enhance TELUS Enterprise Solutions' national presence in the high margin e-business applications and professional services space.

TELUS believes that the acquisition of Daedalian serves as an opportunity to secure strong Internet services delivery expertise while expediting time-to-market. Daedalian's established relationships with large corporate clients based in Eastern Canada is fully complementary to TELUS' previously declared strategy of growth outside Western Canada.

TELUS also believes that significant operational and administrative efficiencies can be achieved through the addition of Daedalian and its Eastern sales force to the TELUS Enterprise Solutions group. This will contribute to TELUS' strong track record of achieving synergies through effective mergers and acquisitions. In addition, TELUS' name recognition and national presence is expected to generate additional revenue opportunities that would not otherwise have been achievable by Daedalian on its own.

Purpose of the Offer and Plans for Daedalian

The purpose of the Offer is to enable TELUS to acquire control of or to own, directly or indirectly, all of the outstanding Daedalian Shares.

If the Offeror takes up and pays for Daedalian Shares validly deposited pursuant to the Offer, it intends to acquire the remaining Daedalian Shares through the Compulsory Acquisition provisions of the OBCA or, if the Offeror's right of Compulsory Acquisition is not available thereunder, then pursuant to a Subsequent Acquisition Transaction. See Section 12 of the Offer and "Acquisition of Daedalian Shares Not Deposited" in the Circular.

If the Offer is successful, it is expected that certain changes will be made to the composition of the board of directors of Daedalian to allow nominees of TELUS to become members of such board. In addition, Daedalian's operations will become part of TELUS Enterprise Solutions, the e-business division of TELUS' major customer business unit, TELUS Client Solutions.

If permitted by applicable law, subsequent to the completion of the Offer and any Compulsory Acquisition or Subsequent Acquisition Transaction, the Offeror intends to delist the Daedalian Shares from the CDNX, and to cause Daedalian to cease to be a reporting issuer under the securities laws of each province of Canada. The effect of these actions will be that Daedalian will no longer be required to publicly file or provide to security holders financial information or timely disclosure in Canada with respect to its affairs. See "Purpose of the Offer and Plans for Daedalian" in the Circular.

Pre-Acquisition Agreement

On May 10, 2001 TELUS and Daedalian entered into the Pre-Acquisition Agreement relating to the Offer. The Pre-Acquisition Agreement contains, among other things, covenants of TELUS relating to the making of the Offer, covenants of Daedalian relating to steps to be taken to support the Offer, covenants of Daedalian relating to the conduct of Daedalian's business pending completion of the Offer, covenants of Daedalian not to solicit any other offers, representations and warranties of Daedalian and

TELUS and provisions relating to the payment of a fee to TELUS in certain circumstances. TELUS assigned its rights under the Pre-Acquisition Agreement to the Offeror. See "Background to and Reasons for the Offer – Pre-Acquisition Agreement" in the Circular.

Lock Up Agreements

Certain shareholders, directors and officers of Daedalian who hold Daedalian Shares have entered into the Lock Up Agreements pursuant to which they have agreed to deposit all of their Daedalian Shares to the Offer, and not to, directly or indirectly, make, solicit, initiate, propose, assist or participate in any solicitation of shareholders of Daedalian in opposition to the Offer, and not to, directly or indirectly, solicit, initiate or encourage any inquiries, proposals or offers from, or engage in any discussions or negotiations with, other than TELUS relating to their Daedalian Shares. See "Background to and Reasons for the Offer - Lock Up Agreements".

The Offeror

The Offeror is a direct wholly-owned subsidiary of TELUS and was specifically incorporated for the purpose of making the Offer.

TELUS

TELUS is a leading Canadian telecommunications provider whose subsidiaries provide a full range of communication products and services. Following the acquisition of Clearnet Communications Inc. ("Clearnet") in October 2000 and an internal review of alternative operating structures, TELUS reorganized its operations on January 1, 2001, to enhance its ability to proactively deliver services to its customers on a timely, coordinated and integrated basis. TELUS provides its communications services through two business segments, TELUS Mobility and TELUS Communications.

The Non-Voting Shares are listed and posted for trading on the TSE under the symbol "T.A" and on the NYSE under the symbol "TU". See "TELUS" in the Circular.

Daedalian

Daedalian, through its subsidiaries, provides professional services that design, build, implement and enhance e-business solutions. E-business solutions combine the reach and efficiency of the Internet with both emerging and existing technologies with the objective of strengthening relationships with customers and business partners, creating new revenue opportunities, and improving operating methodologies and efficiencies. Daedalian's e-business solutions are designed to rapidly improve its clients' competitive position. Developing an e-business solution involves business process analysis and consulting, design of architecture and user interface, technical development, and implementation and maintenance.

The Daedalian Shares are listed and posted for trading on the CDNX under the symbol "DAE".

See "Daedalian" in the Circular.

Risk Factors

Certain major risk factors could affect TELUS business results going forward. See "Risk Factors" in the Circular.

Selected Financial and Operating Information

TELUS CORPORATION (in millions except for per share amounts and operating statistics)

Financial

	Three Months Ended March 31, 2001	Year Ended Dec. 31, 2000
Operating Revenues	\$ 1,794	\$ 6,433
Earnings before Interest, Taxes, Depreciation and Amortization	656	2,465
Operating Income	289	1,277
Income (Loss) before Goodwill Amortization	(100)	485
Goodwill Amortization	41	24
Common and Non-Voting Share Income (Loss)	(143)	456
Earnings (Loss) per Common and Non-Voting Share (\$)		
Income before acquired intangible assets amortization, non-recurring refinancing charges, restructuring costs, revaluation of future tax assets and goodwill amortization	0.26	2.31
Income (Loss) before restructuring costs and goodwill amortization	(0.02)	1.94
Common and Non-Voting Share Income (Loss)	(0.50)	1.85
Total Assets	18,287	17,878
Total Debt	8,796	8,081
Shareholders' Equity	6,291	6,418
Capital Expenditures	819	1,441

Operating Statistics

TELUS Mobility (National – Proforma) (Note)		
Wireless subscribers (000's), end of period	2,257	2,156
Net additions (000's)	101	474
Average Monthly Revenue per subscriber (ARPU) (\$)	57	59
Other		
Network Access Lines in service (000's)	4,951	4,944
Internet customers, end of period (000's)	540	497

Note: Includes TELUS Mobility, Clearnet and TELUS Mobilité pro forma on a consolidated basis for 2000.

Conditions of the Offer

The Offeror reserves the right to withdraw the Offer and not take up and pay for any Daedalian Shares deposited under the Offer unless the conditions described in Section 4 of the Offer, "Conditions of the Offer", are satisfied or waived prior to the Expiry Time by the Offeror. The Offer is conditional upon, among other things, there being validly deposited under the Offer and not withdrawn prior to the Expiry Time and at the time the Offeror first takes up and pays for Daedalian Shares under the Offer at least 66 2/3% of the Daedalian Shares.

For a complete description of the conditions of the Offer, see Section 4 of the Offer, "Conditions of the Offer".

Time for Acceptance

The Offer is open for acceptance until the Expiry Time, unless extended or withdrawn in accordance with the terms of the Offer. See Section 4 of the Offer, "Conditions of the Offer" and Section 5 of the Offer, "Extension and Variation of the Offer".

Manner of Acceptance

A Shareholder wishing to accept the Offer must, not later than the Expiry Time, deposit the certificate or certificates representing the Daedalian Shares, together with a properly completed Letter of Transmittal or a manually executed facsimile thereof and all other documents required by the Letter of Transmittal, at any one of the offices of the Depository specified in the Letter of Transmittal. Instructions are contained in the Letter of Transmittal which accompanies this Offer and Circular. Shareholders whose Daedalian Shares are registered in the name of a nominee should contact their stockbroker, investment dealer, bank, trust company or other nominee for assistance in depositing their Daedalian Shares.

If the certificate or certificates representing Daedalian Shares are not available for deposit prior to the Expiry Time, Shareholders may accept the Offer by complying with the procedures for guaranteed delivery as set forth in the Notice of Guaranteed Delivery which accompanies this Offer and Circular and Section 3 of the Offer, "Manner of Acceptance".

If a Letter of Transmittal is executed by a person other than the registered holder(s) of the Daedalian Shares deposited therewith, and in certain other circumstances as set forth in the Letter of Transmittal, then the certificate(s) must be endorsed or be accompanied by an appropriate securities transfer power of attorney duly and properly completed by the registered holder(s), with the signature(s) on the endorsement panel or securities transfer power guaranteed by an Eligible Institution.

The deposit of Daedalian Shares pursuant to the procedures set forth in this Offer will constitute a binding agreement between the depositing Shareholder and the Offeror upon the terms and subject to the conditions of the Offer.

Withdrawal of Deposited Daedalian Shares

Daedalian Shares deposited pursuant to the Offer may be withdrawn at any time prior to the Offeror taking up and paying for deposited Daedalian Shares by following the procedures set forth in Section 7 of the Offer. See Section 7 of the Offer, "Withdrawal of Deposited Daedalian Shares".

Payment for Deposited Daedalian Shares

If all the conditions referred to in Section 4 of the Offer, "Conditions of the Offer", are satisfied or waived, the Offeror will become obligated to take up all Daedalian Shares validly deposited under the Offer and not withdrawn under the Offer not later than ten days after the Expiry Date and to pay for the Daedalian Shares taken up as soon as possible, but in any event not later than three business days after taking up such Daedalian Shares. Any Daedalian Shares deposited under the Offer after the first date on which Daedalian Shares have been taken up and paid for by the Offeror will be taken up and paid for within ten days of such deposit. See Section 6 of the Offer, "Payment for Deposited Daedalian Shares".

Acquisition of Daedalian Shares Not Deposited

If the Offeror acquires at least 90% of the Daedalian Shares (on a fully diluted basis) (other than Daedalian Shares held at the date of the Offer by or on behalf of the Offeror or its affiliates or associates (as defined in the OBCA)), the Offeror currently intends to avail itself of the right to acquire the remaining Daedalian Shares pursuant to the Compulsory Acquisition provisions of the OBCA. If the Offeror acquires less than 90% of the Daedalian Shares, the Offeror presently intends to avail itself of such other corporate actions or proceedings as may be legally available to it to acquire the remaining Daedalian Shares, including transactions that may be effected without the consent of the holders thereof. See "Acquisition of Daedalian Shares Not Deposited" in the Circular and the full text of Sections 187 and 188 of the OBCA, which are set forth in Appendix A to the Circular.

Price Range and Trading Volumes of Non-Voting Shares and Daedalian Shares

The Non-Voting Shares are listed for trading on the TSE and the NYSE. Application has been made to list the Non-Voting Shares issuable pursuant to the Offer on the TSE and the NYSE. The Daedalian Shares are listed for trading on the CDNX. On May 9, 2001, the last trading day prior to the public announcement by TELUS of its intention to make the Offer, the closing trading price on the CDNX of the Daedalian Shares was \$0.16, and the closing trading price on the TSE of the Non-Voting Shares was \$31.05. See "TELUS - Price Range and Trading Volumes of Non-Voting Shares" and "Daedalian - Price Range and Trading Volumes of Daedalian Shares" in the Circular.

Canadian Federal Income Tax Considerations

The exchange of Daedalian Shares for Non-Voting Shares will not be a tax-deferred roll-over transaction. Canadian resident Shareholders who accept the Offer may realize a gain or loss, or other income, as a result of such an exchange. Non-Canadian resident Shareholders who accept the Offer will generally not be subject to tax in Canada as a result of such an exchange. See "Canadian Federal Income Tax Considerations" in the Circular.

Financial Advisor

RBC Dominion Securities Inc. has been retained to act as financial advisor to TELUS in connection with the Offer. See "Financial Advisor" in the Circular.

Depositary

Computershare Trust Company of Canada is acting as Depositary under the Offer. The Depositary will receive deposits of certificates representing the Daedalian Shares and accompanying Letters of Transmittal at their respective offices specified in the Letter of Transmittal. The Depositary will receive the Notices of Guaranteed Delivery at its office specified therein. The Depositary will be

responsible for giving certain notices, if required, and for making payment for all Daedalian Shares purchased by the Offeror under the Offer. See "Depository " in the Circular.

No fee or commission will be payable by any holder of Daedalian Shares who transmits his, her or its Daedalian Shares directly to the Depository to accept the Offer. Shareholders should contact the Depository or a broker or dealer for assistance in accepting the Offer and in depositing the Daedalian Shares with the Depository. See "Depository" in the Circular.

2003030 ONTARIO INC.

3777 Kingsway, 21st Floor
Burnaby, British Columbia
V5H 3Z7

THE OFFER

May 16, 2001

TO: THE HOLDERS OF VOTING COMMON SHARES OF DAEDALIAN

1. The Offer

The Offeror hereby offers to purchase, during the Offer Period on and subject to the terms and conditions hereinafter specified, all of the issued and outstanding Daedalian Shares on the basis of an ascribed value of \$0.17 for each Daedalian Share to be comprised of Non-Voting Shares, where each of the outstanding Daedalian Shares will be exchanged for that portion of a Non-Voting Share equal to \$0.17 divided by the 20 day volume weighted average trading price of a Non-Voting Share on the TSE prior to announcement of the offer, being equal to 0.005341 of a Non-Voting Share for each Daedalian Share, (the "Exchange Ratio"). **No fractional Non-Voting Shares will be issued. Any Shareholder who would otherwise be entitled to receive a fractional Non-Voting Share will receive a cash amount obtained by multiplying such fraction by \$31.83. If a Shareholder deposits more than one certificate for Daedalian Shares which are taken up and paid for by the Offeror, the number of Non-Voting Shares issuable to such Shareholder will be computed on the basis of the aggregate number of Daedalian Shares of the Shareholder so deposited.**

The Offer is made only for the Daedalian Shares and is not made for any options or rights to purchase Daedalian Shares or for any securities convertible into Daedalian Shares. Pursuant to the terms of the Pre-Acquisition Agreement, Daedalian has agreed to cause all stock options, warrants, rights or other securities convertible into Daedalian Shares to be cancelled or otherwise cease to exist or to represent a liability or obligation of Daedalian.

A more detailed description of the Non-Voting Shares is provided under the heading "TELUS - Description of Share Capital" in the Circular.

Depositing Shareholders will not be obliged to pay brokerage fees or commissions if they accept the Offer by depositing their Daedalian Shares directly with the Depository to accept the Offer. See "Depository" in the Circular.

The accompanying Circular, Letter of Transmittal and Notice of Guaranteed Delivery are incorporated into and form part of the Offer and contain important information which should be read carefully before making a decision with respect to the Offer.

The Offer is not being made to, nor will deposits be accepted from or on behalf of, Shareholders in any jurisdiction in which the making or acceptance thereof would not be in compliance with the laws of such jurisdiction. However, the Offeror may, in its sole discretion, take such action as it may deem necessary to extend the Offer to Shareholders in any such jurisdiction.

The Offer is subject to certain conditions as detailed under Section 4 of the Offer, "Conditions of the Offer". If such conditions are met, the Offeror will (unless the Offeror shall have withdrawn or terminated the Offer) become obligated to take up and pay for the Daedalian Shares validly deposited under the Offer and not withdrawn in accordance with the terms hereof. All of the terms and conditions of the Offer may be waived or modified (subject to applicable law) by the Offeror without prejudice to any other right which the Offeror may have, by notice in writing delivered to the Depositary at its principal office in Calgary, Alberta.

2. Time for Acceptance

The Offer is open for acceptance until, but not later than, the Expiry Time unless extended at the Offeror's sole discretion or withdrawn in accordance with the terms of the Offer. Any Daedalian Shares deposited pursuant to the Offer may be withdrawn at any time prior to the Offeror taking up and paying for deposited Daedalian Shares by following the procedures set forth in Section 7 of the Offer. See Section 4 of the Offer, "Conditions of the Offer", Section 5 of the Offer, "Extension and Variation of the Offer" and Section 7 of the Offer, "Withdrawal of Deposited Daedalian Shares".

3. Manner of Acceptance

Letter of Transmittal

The Offer may be accepted by delivering to the Depositary at any one of the offices of the Depositary listed in the Letter of Transmittal so as to arrive there not later than the Expiry Time:

- (a) the certificate or certificates representing the Daedalian Shares in respect of which the Offer is being accepted;
- (b) a Letter of Transmittal in the form accompanying the Offer, or a manually executed facsimile thereof, properly completed and duly executed as required by the instructions set out in such Letter of Transmittal; and
- (c) any other relevant documents required by the instructions set out in such Letter of Transmittal.

If the certificate or certificates representing Daedalian Shares are not available for deposit prior to the Expiry Time, Shareholders may accept the Offer by complying with the procedures for guaranteed delivery set forth below.

Except as otherwise provided in the instructions in the Letter of Transmittal, all signatures on a Letter of Transmittal and on certificates representing Daedalian Shares and, if necessary, on the Notice of Guaranteed Delivery, must be guaranteed by an Eligible Institution. If a Letter of Transmittal is executed by a person other than the registered holder(s) of the Daedalian Shares deposited therewith, and in certain other circumstances as set forth in the Letter of Transmittal, then the certificate(s) must be endorsed or be accompanied by an appropriate securities transfer power of attorney duly and properly completed by the registered holder(s), with the signature(s) on the endorsement panel or securities transfer power guaranteed by an Eligible Institution.

Procedure for Guaranteed Delivery

If a Shareholder wishes to deposit Daedalian Shares pursuant to the Offer and (i) the certificate or certificates representing such Daedalian Shares are not immediately available, or (ii) such Shareholder is

not able to deliver the certificate or certificates representing such Daedalian Shares and all other required documents to the Depository prior to the Expiry Time, such Daedalian Shares may nevertheless be deposited pursuant to the Offer provided that all of the following conditions are met:

- (a) such deposit is made by or through an Eligible Institution;
- (b) a properly completed and duly executed Notice of Guaranteed Delivery in the form accompanying the Offer, or a manually executed facsimile thereof, is received by the Depository at its office as set forth in the Notice of Guaranteed Delivery, not later than the Expiry Time; and
- (c) the certificate or certificates representing deposited Daedalian Shares in proper form for transfer, together with a properly completed and duly executed Letter of Transmittal in the form accompanying the Offer, or a manually executed facsimile thereof, covering the relevant Daedalian Shares and all other documents required by such Letter of Transmittal, are received by the Depository at the offices set forth in the Notice of Guaranteed Delivery on or before 5:00 p.m. (Toronto time) (3:00 p.m. Calgary time) on the third trading day on the CDNX after the Expiry Date.

In each Notice of Guaranteed Delivery, an Eligible Institution must guarantee delivery of the certificate or certificates representing the Daedalian Shares referenced therein, as set forth in paragraph (c) above. The Notice of Guaranteed Delivery may be delivered by hand or transmitted by facsimile transmission or mailed so as to be received by the Depository at the office specified therein not later than the Expiry Time.

General

In all cases, payment for the Daedalian Shares deposited and taken up by the Offeror pursuant to the Offer will be made only after timely receipt by the Depository of certificates representing the Daedalian Shares together with a properly completed and duly executed Letter of Transmittal in the form accompanying the Offer, or a manually executed facsimile thereof, relating to such Daedalian Shares and any other required documents with the signatures guaranteed, if required, in accordance with the instructions set out in the Letter of Transmittal.

The method of delivery of the Letter of Transmittal, certificates representing the Daedalian Shares and all other required documents is at the option and risk of the person forwarding the same. The Offeror recommends that such documents be delivered by hand to the Depository and a receipt obtained. If such documents are mailed, the Offeror recommends that registered mail with return receipt requested be used and that appropriate insurance be obtained.

Shareholders whose Daedalian Shares are registered in the name of a nominee should contact their stockbroker, investment dealer, bank, trust company or other nominee for assistance in depositing the Daedalian Shares.

The execution of a Letter of Transmittal by a Shareholder irrevocably constitutes and appoints the Depository and any officer of the Offeror or TELUS, and each of them, and any other person designated by the Offeror or TELUS in writing, as the true and lawful agent, attorney and attorney-in-fact and proxy of such Shareholder with respect to the Daedalian Shares deposited under Letter of Transmittal which are taken up and paid for under the Offer (the "Purchased Securities") and with respect to any and all dividends, distributions, payments, securities, rights, assets or other interests declared, paid, issued, distributed, made or transferred on or in respect of the Purchased Securities on or after May 10, 2001, the

date upon which TELUS announced its intention to make the Offer (collectively, the "Other Securities"), effective on and after the date that the Offeror takes up and pays for the Purchased Securities (the "Effective Date"), with full power of substitution, in the name of and on behalf of such Shareholder (such power of attorney being deemed to be an irrevocable power coupled with an interest), (a) to register or record, transfer and enter the transfer of Purchased Securities and/or Other Securities on the appropriate register of holders maintained by Daedalian, and (b) except as may otherwise be agreed, to exercise any and all of the rights of the holder of the Purchased Securities and/or Other Securities, including, without limitation, to vote, execute and deliver any and all instruments of proxy, authorizations or consents in respect of all or any of the Purchased Securities and/or Other Securities, revoke any such instrument, authorization, or consent given prior to or after the Effective Date, designate in any such instruments of proxy any person or persons as the proxy or the proxy nominee or nominees of such Shareholder in respect of such Purchased Securities and/or Other Securities for all purposes including, without limitation, in connection with any meeting (whether annual, special or otherwise and any adjournments thereof) of holders of securities of Daedalian, and execute, endorse and negotiate, for and in the name of and on behalf of the registered holder of Purchased Securities and/or Other Securities, any and all cheques or other instruments respecting any distribution payable to or to the order of such holder in respect of such Purchased Securities and/or Other Securities. Furthermore, a holder of Purchased Securities and/or Other Securities who executes a Letter of Transmittal agrees, effective on and after the Effective Date, not to vote any of the Purchased Securities and/or Other Securities at any meeting (whether annual, special or otherwise and any adjournments thereof) of holders of securities of Daedalian and, except as may otherwise be agreed, not to exercise any or all of the other rights or privileges attached to the Purchased Securities and/or Other Securities, and agrees to execute and deliver to the Offeror any and all instruments of proxy, authorizations or consents in respect of the Purchased Securities and/or Other Securities and to designate in any such instruments of proxy the person or persons specified by the Offeror as the proxy or the proxy nominee or nominees of the holder of the Purchased Securities and/or Other Securities. Upon such appointment, all prior proxies given by the holder of such Purchased Securities and/or Other Securities with respect thereto shall be revoked and no subsequent proxies may be given by such person with respect thereto. A holder of Purchased Securities and/or Other Securities who executes a Letter of Transmittal covenants to execute, upon request, any additional documents, transfers and other assurances as may be necessary or desirable to complete the sale, assignment and transfer of the Purchased Securities and/or Other Securities to the Offeror and acknowledges that all authority therein conferred or agreed to be conferred shall survive the death or incapacity, bankruptcy or insolvency of the holder and all obligations of the holder therein shall be binding upon the heirs, personal representatives, successors and assigns of the holder, as the case may be.

The deposit of Daedalian Shares pursuant to the procedures set forth in this Offer will constitute a binding agreement between the depositing Shareholder and the Offeror upon the terms and subject to the conditions of the Offer, including the depositing Shareholder's representation and warranty that (i) such Shareholder has full power and authority to deposit, sell, assign and transfer the Daedalian Shares (and any Other Securities) being deposited and has not sold, assigned or transferred and has not agreed to sell, assign or transfer any of such Daedalian Shares and/or Other Securities to any other person; (ii) such Shareholder owns the Daedalian Shares and/or Other Securities being deposited within the meaning of applicable securities laws; (iii) the deposit of such Daedalian Shares and/or Other Securities complies with applicable securities laws; and (iv) when such Daedalian Shares and/or Other Securities are taken up and paid for by the Offeror, the Offeror will acquire good title thereto free and clear of all liens, restrictions, charges, encumbrances, claims and equities whatsoever.

All questions as to the validity, form, eligibility (including timely receipt) and acceptance of any Daedalian Shares and accompanying documents deposited pursuant to the Offer will be determined by the Offeror in its sole discretion. Depositing Shareholders agree that such determination shall be final and binding. The Offeror reserves the absolute right to reject any and all deposits which the Offeror

determines not to be in proper form or which may be unlawful to accept under the laws of any jurisdiction. The Offeror reserves the absolute right to waive any defect or irregularity in the deposit of any Daedalian Shares and accompanying documents. There shall be no duty or obligation on the Offeror, TELUS, the Depositary, or any other person to give notice of any defect or irregularity in any deposit and no liability shall be incurred by any of them for failure to give any such notice. The Offeror's interpretation of the terms and conditions of the Offer (including the Circular, the Letter of Transmittal and the Notice of Guaranteed Delivery) shall be final and binding.

The Offeror reserves the right to permit the Offer to be accepted in a manner other than that set out above.

4. Conditions of the Offer

Notwithstanding any other provision of the Offer, the Offeror reserves the right to withdraw or terminate the Offer and not take up and pay for, or to extend the period of time during which the Offer is open and postpone taking up and paying for, any Daedalian Shares deposited under the Offer unless all of the following conditions are satisfied or waived by the Offeror:

- (a) at the Expiry Time, and at the time the Offeror first takes up and pays for Daedalian Shares under the Offer, there shall have been validly deposited under the Offer and not withdrawn at least 66 2/3% of the outstanding Daedalian Shares (such condition being referred to herein as the "Minimum Condition");
- (b) all requisite regulatory approvals, consents, and expiries of waiting periods (including, without limitation, under the *Competition Act*, the *Investment Canada Act* (Canada) and those of any stock exchanges securities authorities or other regulatory authorities) shall have been obtained or occurred on terms and conditions satisfactory to the Offeror, acting reasonably, and all applicable statutory or regulatory waiting periods shall have expired or been terminated;
- (c) (i) no act, action, suit, proceeding, objection or opposition shall have been threatened or taken before or by any domestic or foreign court or tribunal or governmental agency or other regulatory authority or administrative agency or commission by any elected or appointed public official or by any private person in Canada or elsewhere, whether or not having the force of law, and (ii) no law, regulation or policy (including applicable tax laws and regulations in those jurisdictions in which Daedalian or any of its subsidiaries carries on business) shall have been proposed, enacted, promulgated, amended or applied, which in either case, in the sole judgment of the Offeror acting reasonably:
 - (A) has the effect or may have the effect to cease trade, enjoin, prohibit or impose material limitations, damages or conditions on the purchase by, or the sale to, the Offeror of the Daedalian Shares or the right of the Offeror to own or exercise full rights of ownership of the Daedalian Shares;
 - (B) has had, or if the Offer was consummated would result in, a Material Adverse Change to Daedalian, TELUS or the Offeror or, in the case of (ii) above, would have a material adverse effect on TELUS or the Offeror;
 - (C) has a material adverse effect on the completion of any Compulsory Acquisition or Subsequent Acquisition Transaction;

- (d) there shall not exist any prohibition at law against the Offeror making the Offer or taking up and paying for all of the Daedalian Shares under the Offer or completing any Compulsory Acquisition or Subsequent Acquisition Transaction in respect of any Daedalian Shares not acquired under the Offer;
- (e) the Offeror shall have determined in its sole judgment, acting reasonably, that Daedalian has not taken action that would be or result in a Material Adverse Change of Daedalian;
- (f) in the sole judgment of the Offeror, acting reasonably, (i) Daedalian shall not have breached, or failed to comply with, in any material respect, any of its covenants or other obligations under the Agreement, and (ii) all representations and warranties of Daedalian contained in the Pre-Acquisition Agreement shall have been true and correct in all material respects as of the date of the Pre-Acquisition Agreement and shall not have ceased to be true and correct in any material respect thereafter;
- (g) there shall not have occurred any actual or threatened change (including any proposal by the Minister of Finance (Canada) to amend the Tax Act or any announcement, government or regulatory initiative, condition, event or development involving a change or a prospective change) that, in the sole judgment of the Offeror, acting reasonably, directly or indirectly, has or may have material adverse significance with respect to the business or operations of any of the Offeror or TELUS and Daedalian and their respective subsidiaries or entities, in each case taken as a whole, in which either or them has a material interest or with respect to the regulatory regime applicable to their respective businesses and operations or with respect to completing any compulsory acquisition or Subsequent Acquisition Transaction;
- (h) immediately prior to the Expiry Time, the Offeror shall have received from Daedalian an Officer's Certificate certifying that:
 - (i) all representations and warranties of Daedalian contained in the Agreement are true and correct in all material respects and that Daedalian has complied in all material respects with each of its covenants set out in the Agreement; and
 - (ii) no Material Adverse Change has occurred in respect of Daedalian.
- (i) all stock options, warrants, rights or other securities convertible into Daedalian Shares shall have been cancelled or shall otherwise have ceased to exist or to represent a liability or obligation of Daedalian.
- (j) the employment of certain employees shall have been terminated by Daedalian.

The foregoing conditions are for the exclusive benefit of the Offeror. The Offeror may assert any of the foregoing conditions at any time, both before and after the Expiry Time, regardless of the circumstances giving rise to such assertion (including the action or inaction of the Offeror). The Offeror may waive any of the foregoing conditions in whole or in part at its sole option at any time and from time to time, both before and after the Expiry Time, without prejudice to any other rights which the Offeror may have. The failure by the Offeror at any time to exercise or assert any of the foregoing rights shall not be deemed a waiver of any such right and each such right shall be deemed an ongoing right which may be exercised or asserted at any time and from time to time. Any determination by the Offeror concerning the events described in this Section 4 will be final and binding upon all parties.

Any waiver of a condition or the withdrawal of the Offer shall be effective upon written notice or other communication confirmed in writing by the Offeror to that effect to the Depositary at its principal office in Calgary, Alberta. The Offeror, forthwith after giving any such notice, shall make a public announcement of such waiver or withdrawal, shall cause the Depositary, if required by law, as soon as practicable thereafter to notify the Shareholders in the manner set forth in Section 11 of the Offer, "Notice and Delivery", and shall provide a copy of the aforementioned notice to the CDNX. If the Offer is withdrawn, the Offeror shall not be obligated to take up or pay for any of the Daedalian Shares deposited under the Offer and the Depositary will promptly return all certificates for deposited Daedalian Shares, Letters of Transmittal, Notices of Guaranteed Delivery and related documents to the parties by whom they were deposited.

Material Adverse Change as used in the condition described in paragraph 4(c)(B) above means any change (or any condition, event or development involving a prospective change) in the business, operations, results of operations, assets, capitalization, financial condition, licenses, permits, concessions, rights, liabilities, prospects or privileges, whether contractual or otherwise, of TELUS or Daedalian or any of the subsidiaries of TELUS (including the Offeror) or Daedalian which is materially adverse to the business of TELUS or Daedalian and the subsidiaries of TELUS (including the Offeror) or Daedalian considered as a whole.

5. Extension and Variation of the Offer

The Offer is open for acceptance until, but not after, the Expiry Time, subject to extension or variation in the Offeror's sole discretion.

The Offeror reserves the right, in its sole discretion, at any time and from time to time during the Offer Period (or otherwise as permitted by applicable law), to extend the Offer by fixing a new Expiry Date or to vary the terms of the Offer, in each case by giving written notice or other communication confirmed in writing of such extension or variation to the Depositary at its principal office in Calgary, Alberta. The Offeror shall, forthwith after giving any such notice or communication, make a public announcement of the extension or variation, shall cause the Depositary as soon as practicable thereafter to provide notice or communication of such extension or variation in the manner set forth in Section 11 of the Offer, "Notice and Delivery" to all Shareholders whose Daedalian Shares have not been taken up prior to the extension or variation and shall provide a copy of the aforementioned notice to the CDNX. Any notice of extension or variation will be deemed to have been given and to be effective on the day on which it is delivered or otherwise communicated to the Depositary at its principal office in Calgary, Alberta.

Notwithstanding the foregoing, the Offer may not be extended by the Offeror if all of the terms and conditions of the Offer, excluding those waived by the Offeror, have been fulfilled or complied with unless the Offeror first takes up and pays for all Daedalian Shares validly deposited under the Offer and not withdrawn.

Where the terms of the Offer are varied, other than a variation in the terms of the Offer consisting solely of the waiver of a condition, the Offer shall not expire before ten days after the notice of variation in respect of such variation has been mailed, delivered or otherwise communicated to Shareholders unless otherwise permitted by applicable law and subject to abridgment or elimination of that period pursuant to such orders as may be granted by Canadian courts or securities regulatory authorities.

During any such extension or in the event of any variation, all Daedalian Shares previously deposited and not taken up or withdrawn will remain subject to the Offer and may be accepted for purchase by the Offeror in accordance with the terms hereof, subject to Section 7 of the Offer,

"Withdrawal of Deposited Daedalian Shares". An extension of the Offer Period or a variation of the Offer does not constitute a waiver by the Offeror of its rights under Section 4 of the Offer, "Conditions of the Offer". If the consideration being offered for the Daedalian Shares under the Offer is increased, the increased consideration will be paid to all depositing Shareholders whose Daedalian Shares are taken up under the Offer.

6. Payment for Deposited Daedalian Shares

If all the conditions referred to under Section 4 of the Offer, "Conditions of the Offer", have been satisfied or waived by the Offeror, the Offeror will (unless the Offeror shall have withdrawn or terminated the Offer) become obligated to take up the Daedalian Shares validly deposited under the Offer and not withdrawn not later than ten days after the Expiry Date and to pay for Daedalian Shares taken up as soon as possible, but in any event not later than three business days after taking up the Daedalian Shares. In accordance with applicable law, any Daedalian Shares deposited under the Offer subsequent to the date on which the Offeror first takes up Daedalian Shares deposited under the Offer will be taken up and paid for by the Offeror within ten days of the deposit of such Daedalian Shares.

In addition, on and after June 21, 2001, if all of the terms and conditions attached to the Offer have been fulfilled or waived, the Offeror shall be entitled to take up and pay for the Daedalian Shares deposited under the Offer and not withdrawn, subject, however, to the withdrawal rights in respect of such Daedalian Shares described in Section 7 of the Offer, "Withdrawal of Deposited Daedalian Shares".

Subject to applicable law, the Offeror expressly reserves the right in its sole discretion to delay taking up or paying for any Daedalian Shares or to terminate the Offer and not take up or pay for any Daedalian Shares if any condition specified in Section 4 of the Offer, "Conditions of the Offer", is not satisfied or waived by the Offeror, in whole or in part, by giving written notice thereof or other communication confirmed in writing to the Depositary at its principal office in Calgary, Alberta. The Offeror also expressly reserves the right, in its sole discretion and notwithstanding any other condition of the Offer, to delay taking up and paying for Daedalian Shares in order to comply, in whole or in part, with any applicable law, including without limitation such period of time as may be necessary to obtain any necessary regulatory approval. The Offeror will not, however, take up and pay for any Daedalian Shares deposited under the Offer unless it simultaneously takes up and pays for all Daedalian Shares then validly deposited under the Offer. The Offeror will be deemed to have taken up and accepted for payment Daedalian Shares validly deposited and not withdrawn pursuant to the Offer if, as and when the Offeror gives written notice or other communication confirmed in writing to the Depositary at its principal office in Calgary, Alberta of its acceptance for payment of such Daedalian Shares pursuant to the Offer.

The Offeror will pay for Daedalian Shares validly deposited under the Offer and not withdrawn by issuing Non-Voting Shares, and cheques for the amount to cover fractional Non-Voting Shares as described in the paragraph below, to or on behalf of the holders of deposited Daedalian Shares and providing the Depositary with certificates representing such Non-Voting Shares and cheques for delivery to such Shareholders.

No fractional Non-Voting Shares will be issued. Any Shareholder who would otherwise be entitled to receive a fractional Non-Voting Share will receive a cash amount obtained by multiplying such fraction by \$31.83. If a Shareholder deposits more than one certificate for Daedalian Shares which are taken up by the Offeror, the number of Non-Voting Shares issuable to such Shareholder will be computed on the basis of the aggregate number of Daedalian Shares of the Shareholder so deposited.

Under no circumstances will interest accrue or be paid by the Offeror or TELUS or the Depositary to persons depositing Daedalian Shares on the purchase price of Daedalian Shares purchased by the Offeror, regardless of any delay in making such payment. No additional amount will be paid by the Offeror or TELUS or the Depositary in respect of accrued and unpaid dividends on the Daedalian Shares.

The Depositary will act as the agent of persons who have deposited Daedalian Shares in acceptance of the Offer for the purposes of receiving Non-Voting Shares from the Offeror and transmitting Non-Voting Shares, and a cheque for the amount to cover any fractional Non-Voting Share, to such person, and receipt of Non-Voting Shares and cheques by the Depositary will be deemed to constitute receipt of Non-Voting Shares and cheques by Shareholders who have deposited and not withdrawn their Daedalian Shares pursuant to the Offer.

Settlement will be made by the Depositary forwarding the certificate representing the Non-Voting Shares, and a cheque for the amount to cover any fractional Non-Voting Share, to which a person depositing Daedalian Shares is entitled, provided that the person is a resident of a province of Canada or another jurisdiction in which the Non-Voting Shares and cheque may be lawfully delivered without further action by the Offeror. Subject to the foregoing and unless otherwise directed by the Letter of Transmittal, the certificate representing the Non-Voting Shares and the cheque will be issued in the name of the registered holder of the Daedalian Shares so deposited. Unless the person depositing the Daedalian Shares instructs the Depositary to hold the certificate and cheque for pick-up by checking the appropriate box in the Letter of Transmittal, such certificate and cheque will be forwarded by first class insured mail to such persons at the address specified in the Letter of Transmittal. If no address is specified, a certificate and cheque will be forwarded to the address of the Shareholder as shown on the registers maintained by Daedalian.

If any deposited Daedalian Shares are not accepted for payment pursuant to the terms and conditions of the Offer for any reason, or if certificates are submitted for more Daedalian Shares than the Shareholder wishes to deposit, a certificate for the Daedalian Shares not purchased will be returned, without expense, to the depositing Shareholder as soon as practicable following the Expiry Time or withdrawal and early termination of the Offer.

Depositing Shareholders will not be obligated to pay brokerage fees or commissions if they accept the Offer by depositing their Daedalian Shares directly with the Depositary to accept the Offer. See "Depositary".

7. Withdrawal of Deposited Daedalian Shares

All deposits of Daedalian Shares pursuant to the Offer are irrevocable, provided that any Daedalian Shares deposited in acceptance of the Offer may be withdrawn by or on behalf of the depositing holder of Daedalian Shares (unless otherwise required or permitted by applicable law):

- (a) at any time where Daedalian Shares have not been taken up by the Offeror;
- (b) at any time after 3 business days from the date the Offeror takes up the Daedalian Shares, if such Daedalian Shares have not been paid for by the Offeror; and
- (c) if the Daedalian Shares are not taken up and paid for by the Offeror after 45 days from the date this Offer and Circular is mailed to registered holders of Daedalian Shares resident in Québec.

In addition, if:

- (a) there is a variation of the terms of the Offer before the Expiry Time including any extension of the period during which Daedalian Shares may be deposited hereunder or the modification of a term or condition of the Offer, but excluding, unless otherwise required by applicable law, (i) a variation consisting solely of an increase in the consideration offered where the time for deposit is not extended for more than ten days after the notice of variation has been delivered or (ii) a variation consisting solely of the waiver of a condition of the Offer; or
- (b) at or before the Expiry Time or after the Expiry Time but before the expiry of all rights of withdrawal in respect of the Offer, a change occurs in the information contained in the Offer or the Circular, as amended from time to time, that would reasonably be expected to affect the decision of a holder of Daedalian Shares to accept or reject the Offer, unless such change is not within the control of the Offeror or of any affiliate of the Offeror (except, to the extent required by applicable law, where it is a change in a material fact relating to the Non-Voting Shares);

any Daedalian Shares deposited under the Offer and not taken up and paid for by the Offeror at such time may be withdrawn by or on behalf of the depositing Shareholder at the place of deposit at any time until the expiration of ten days after the date upon which a notice of such variation or change is mailed, delivered or otherwise communicated, subject to abridgement of that period pursuant to such order or orders as may be granted by Canadian courts or securities regulatory authorities.

In order for any withdrawal to be made, notice of the withdrawal must be in writing (which includes a telegraphic communication or notice by electronic means that produces a printed copy) and must be actually received by the Depositary at the place of deposit of the applicable Daedalian Shares (or Notice of Guaranteed Delivery in respect thereof) within the period permitted for withdrawal. Any such notice of withdrawal must be: (i) executed by or on behalf of the person who executed the Letter of Transmittal that accompanied the Daedalian Shares to be withdrawn (or Notice of Guaranteed Delivery in respect thereof); and (ii) specify such person's name, the number of Daedalian Shares to be withdrawn, the name of the registered holder and the certificate number shown on each certificate representing the Daedalian Shares to be withdrawn. Any signature on a notice of withdrawal must be guaranteed by an Eligible Institution in the same manner as in the Letter of Transmittal (as described in the instructions set out therein), except in the case of Daedalian Shares deposited for the account of an Eligible Institution. The withdrawal shall take effect upon receipt of the written notice by the Depositary.

All questions as to the validity (including timely receipt) and form of notices of withdrawal shall be determined by the Offeror in its sole discretion and such determination shall be final and binding. There shall be no duty or obligation on the Offeror, the Depositary or any other person to give notice of any defect or irregularity in any notice of withdrawal and no liability shall be incurred by any of them for failure to give any such notice.

If the Offeror extends the Offer, is delayed in taking up or paying for Daedalian Shares or is unable to take up or pay for Daedalian Shares for any reason, then, without prejudice to the Offeror's other rights, no Daedalian Shares may be withdrawn except to the extent that depositing holders thereof are entitled to withdrawal rights as set forth in this Section 7 or pursuant to applicable law.

Withdrawals may not be rescinded and any Daedalian Shares withdrawn will be deemed not validly deposited for the purposes of the Offer, but may be redeposited at any subsequent time prior to the

Expiry Time by following any of the applicable procedures described in Section 3 of the Offer, "Manner of Acceptance".

In addition to the foregoing rights of withdrawal, Shareholders in certain provinces of Canada are entitled to statutory rights of rescission in certain circumstances. See "Statutory Rights" in the Circular.

8. Return of Deposited Daedalian Shares

If any deposited Daedalian Shares are not taken up and paid for by the Offeror under the Offer for any reason whatsoever, or if certificates are submitted by a Shareholder for more Daedalian Shares than are deposited, certificates for Daedalian Shares not deposited will be returned at the Offeror's expense by either sending new certificates representing securities not purchased or returning the deposited certificates and other relevant documents. The certificates and other relevant documents will be forwarded by first class mail in the name of and to the address specified by the depositing Shareholder in the Letter of Transmittal or, if such name or address is not so specified, then in such name and to such address of the Shareholder as shown on the registers maintained by Daedalian, as soon as practicable following the Expiry Time or withdrawal or termination of the Offer.

9. Changes in Capitalization, Distributions and Liens

If, on or after May 10, 2001, Daedalian should subdivide, consolidate or otherwise change any of the Daedalian Shares or its capitalization, or shall disclose that it has taken or intends to take any such action, the Offeror may, in its sole discretion, and without prejudice to its rights under Section 4, "Conditions of the Offer", make such adjustments as it considers appropriate to the terms of the Offer (including, without limitation, the type of securities offered to be purchased and the amounts payable therefor) to reflect such subdivision, consolidation or other change.

Daedalian Shares acquired pursuant to the Offer shall be transferred by the Shareholder and acquired by the Offeror free and clear of all liens, restrictions, charges, encumbrances, claims and equities and together with all: rights and benefits arising therefrom including the right to any and all dividends, distributions, payments, securities, rights, assets or other interests which may be declared, paid, issued, distributed, made or transferred on or in respect of the Daedalian Shares on or after May 10, 2001. If Daedalian should declare or pay any cash dividend, stock dividend or make any other distribution on or issue any rights with respect to any of the Daedalian Shares which is or are payable or distributable to the Shareholders of record on a record date which is prior to the date of transfer into the name of the Offeror or its nominees or transferees on the registers maintained by Daedalian of such Daedalian Shares following acceptance thereof for purchase pursuant to the Offer, then the whole of any such dividend, distribution or right will be received and held by the depositing Shareholder for the account of the Offeror and shall be promptly remitted and transferred by the depositing Shareholder to the Depository for the account of the Offeror, accompanied by appropriate documentation of transfer. Pending such remittance, the Offeror will be entitled to all rights and privileges as the owner of any such dividend, distribution or right, and may withhold the entire consideration payable by the Offeror pursuant to the Offer or deduct from the consideration payable by the Offeror pursuant to the Offer the amount or value thereof, as determined by the Offeror in its sole discretion.

10. Mail Service Interruption

Notwithstanding the provisions of the Offer, the Circular, the Letter of Transmittal or the Notice of Guaranteed Delivery, certificates representing Non-Voting Shares issued in payment for Daedalian Shares purchased pursuant to the Offer and certificates representing Daedalian Shares to be returned will not be mailed if the Offeror determines that delivery thereof by mail may be delayed. Persons entitled to

such certificates which are not mailed for the foregoing reason may take delivery thereof at the office of the Depositary at which the deposited certificates representing Daedalian Shares in respect of which such certificates are being issued were deposited upon application to the Depositary until such time as the Offeror has determined that delivery by mail will no longer be delayed. The Offeror shall provide notice of any such determination not to mail made under this Section 10 as soon as reasonably practicable after the making of such determination and in accordance with Section 11 of the Offer, "Notice and Delivery". Notwithstanding Section 6 of the Offer, "Payment for Deposited Daedalian Shares", the deposit of certificates representing Non-Voting Shares with the Depositary for delivery to the depositing Shareholders in such circumstances shall constitute delivery to the persons entitled thereto and the Daedalian Shares shall be deemed to have been paid for immediately upon such deposit.

11. Notice and Delivery

Without limiting any other lawful means of giving notice, any notice the Offeror or the Depositary may give or cause to be given under the Offer will be deemed to have been properly given if it is mailed by first class mail, postage prepaid, to the registered Shareholders at their addresses as shown on the registers maintained by Daedalian and will be deemed to have been received on the first day following the date of mailing which is not a Saturday, Sunday or statutory holiday. These provisions apply notwithstanding any accidental omission to give notice to any one or more Shareholders and notwithstanding any interruption of postal service in Canada or elsewhere following mailing. In the event of any interruption of postal service following mailing, the Offeror intends to make reasonable efforts to disseminate the notice by other means, such as publication. Except as otherwise required or permitted by law, if post offices in Canada or elsewhere are not open for the deposit of mail or there is reason to believe there is or could be a disruption in all or part of the postal service, any notice which the Offeror or the Depositary may give or cause to be given under the Offer, except as otherwise provided herein, will be deemed to have been properly given and to have been received by Shareholders, if (i) it is given to the CDNX for dissemination through its facilities; and (ii) it is published once in the national edition of The Globe and Mail and in daily newspapers of general circulation in each of the French and English languages in the City of Montreal, provided that if the national edition of The Globe and Mail is not being generally circulated, publication thereof shall be made in the National Post or any other daily newspaper of general circulation in the cities of Calgary, Alberta and Toronto, Ontario.

Wherever the Offer calls for documents to be delivered to the Depositary, such documents will not be considered delivered unless and until they have been physically received at one of the addresses listed for the Depositary in the Letter of Transmittal or Notice of Guaranteed Delivery, as applicable. Wherever the Offer calls for documents to be delivered to a particular office of the Depositary such documents will not be considered delivered unless and until they have been physically received at that particular office at the address listed in the Letter of Transmittal or Notice of Guaranteed Delivery, as applicable.

12. Acquisition of Daedalian Shares Not Deposited

If by the Expiry Time or within 120 days after the date of the Offer, whichever period is shorter, the Offer has been accepted by the holders of not less than 90% of the Daedalian Shares (on a fully diluted basis and other than Daedalian Shares held at the date of the Offer by or on behalf of the Offeror or its affiliates or associates (as defined in the OBCA)), the Offeror currently intends to acquire the remaining Daedalian Shares pursuant to the Compulsory Acquisition provisions of the OBCA on the same terms on which the Offeror acquired Daedalian Shares pursuant to the Offer. If the Offeror takes up and pays for Daedalian Shares validly deposited under the Offer and such statutory right of Compulsory Acquisition is not available or if the Offeror elects not to proceed by way of such statutory right, the Offeror intends to seek to acquire, directly or indirectly, all of the Daedalian Shares not deposited under

the Offer by a Subsequent Acquisition Transaction. The Offeror will cause the Daedalian Shares acquired under the Offer to be voted in favour of such a transaction and to be counted as part of any minority or independent shareholder approval that may be required in connection with such a transaction. If the Minimum Condition and certain other conditions in the Pre-Acquisition Agreement are satisfied and the Offeror takes up and pays for the Daedalian Shares deposited under the Offer, the Offeror will own sufficient Daedalian Shares to effect such a transaction. See "Acquisition of Daedalian Shares Not Deposited" in the Circular.

13. Market Purchases and Sales of Daedalian Shares

The Offeror has no current intention of acquiring beneficial ownership of Daedalian Shares while this Offer is outstanding other than as described in the Circular and pursuant to this Offer. However, the Offeror reserves the right to, and may, acquire (or cause an affiliate to acquire) beneficial ownership of Daedalian Shares by making purchases through the facilities of the CDNX, subject to applicable law, at any time and from time to time prior to the Expiry Time. In no event will the Offeror make any such purchases of Daedalian Shares through the facilities of the CDNX until the third clear trading day following the date of the Offer. If the Offeror should acquire Daedalian Shares by making purchases through the facilities of the CDNX during the Offer Period, the Daedalian Shares so purchased shall be counted in any determination whether the Minimum Condition has been fulfilled. The aggregate number of Daedalian Shares acquired by the Offeror through the facilities of the CDNX during the Offer Period shall not exceed 5% of the outstanding Daedalian Shares as of the date of the Offer and the Offeror will issue and file a press release in Canada containing the information prescribed by law forthwith after the close of business of the CDNX on each day on which such Daedalian Shares have been purchased.

If the Offeror so purchases Daedalian Shares during the Offer Period other than pursuant to the Offer for an amount that is greater than the amount offered pursuant to the Offer, the Offeror will pay the increased consideration to each person whose Daedalian Shares are taken up pursuant to the Offer and will immediately notify the Shareholders of the increased consideration being offered for the Daedalian Shares. For the purposes of this Section 13, "the Offeror " includes any person or company acting jointly or in concert with the Offeror.

Although the Offeror has no current intention to sell Daedalian Shares taken up under the Offer, it reserves the right to make or enter into an arrangement, commitment or understanding during the Offer Period to sell any of such Daedalian Shares after the Offer Period subject to applicable laws.

14. Other Terms of the Offer

The Offer and all contracts resulting from the acceptance hereof shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. Each party to any agreement resulting from the acceptance of the Offer unconditionally and irrevocably attorns to the jurisdiction of the courts of the Province of Ontario and the courts of appeal thereof.

No broker, dealer or other person has been authorized to give any information or make any representation on behalf of the Offeror other than as contained herein or in the Circular and, if given or made, such information or representation must not be relied upon as having been authorized. No broker, dealer or other person shall be deemed to be the agent of the Offeror or the Depository for the purposes of the Offer. In any jurisdiction in which the Offer is required to be made by a licensed broker or dealer, the Offer shall be made on behalf of the Offeror by brokers or dealers licensed under the laws of such jurisdiction.

The provisions of the Circular, the Letter of Transmittal and the Notice of Guaranteed Delivery accompanying the Offer, including the instructions contained therein, as applicable, form part of the terms and conditions of the Offer.

The Offeror shall, in its sole discretion, be entitled to make a final and binding determination of all questions relating to the interpretation of the Offer, the Circular, the Letter of Transmittal and the Notice of Guaranteed Delivery, the validity of any acceptance of the Offer and any withdrawals of Daedalian Shares, including, without limitation, the satisfaction or non-satisfaction of any condition, the validity, time and effect of any deposit of Daedalian Shares or notice of withdrawal of Daedalian Shares and the due completion and execution of Letters of Transmittal and Notices of Guaranteed Delivery. The Offeror reserves the right to waive any defect in acceptance with respect to any particular Daedalian Share or any particular Shareholder. There shall be no obligation on the Offeror or the Depository to give notice of any defects or irregularities in acceptance and no liabilities shall be incurred by any of them for failure to give any such notification.

The Offer is not being made to, nor will deposits be accepted from or on behalf of, Shareholders in any jurisdiction in which the making or acceptance thereof would not be in compliance with the laws of such jurisdiction. However, the Offeror may, in its sole discretion, take such action as it may deem necessary to extend the Offer to holders of Daedalian Shares in any such jurisdiction.

The Offeror reserves the right to transfer to one or more affiliates the right to purchase all or any portion of the Daedalian Shares deposited pursuant to the Offer, but any such transfer will not relieve the Offeror of its obligations under the Offer and will in no way prejudice the rights of persons depositing Daedalian Shares to receive payment for Daedalian Shares validly deposited and accepted for payment pursuant to the Offer.

The Offer and the accompanying Circular and the other documents referred to above constitute the take-over bid circular required under Canadian provincial securities legislation with respect to the Offer.

DATED at Burnaby, British Columbia this 16th day of May, 2001.

2003030 ONTARIO INC.

By:

(signed) James W. Peters
President and Chief Executive Officer

The accompanying Circular, Letter of Transmittal and Notice of Guaranteed Delivery are incorporated into and form part of the Offer and contain important information which should be read carefully before making a decision with respect to the Offer.

CIRCULAR

This Circular is supplied with respect to the accompanying Offer dated May 16, 2001 made by 2003030 Ontario Inc., a direct wholly-owned subsidiary of TELUS, to purchase all of the issued and outstanding Daedalian Shares (including Daedalian Shares which may become outstanding on the exercise of options or rights to acquire Daedalian Shares), for an ascribed price of \$0.17 per Daedalian Share to be comprised of Non-Voting Shares, where each of the outstanding Daedalian Shares will be exchanged for that portion of a Non-Voting Share equal to \$0.17 divided by the 20 day volume weighted average trading price of a Non-Voting Share on the TSE prior to announcement of the Offer, being equal to 0.005341 of a Non-Voting Share for each Daedalian Share, (the "Exchange Ratio"), all in accordance with the terms and conditions specified in the Offer.

The terms, conditions and provisions of the accompanying Offer are incorporated into and form part of this Circular. Shareholders should refer to the Offer for details of the terms and conditions of the Offer, including details as to the manner of payment and withdrawal rights. Terms defined in the Offer but not defined in this Circular have the same meaning herein as in the Offer unless the context otherwise requires.

The information concerning Daedalian contained in the Offer and this Circular has been taken from or is based upon publicly available documents and records of Daedalian on file with Canadian securities regulatory authorities, the CDNX and other public sources and the securityholder lists provided by Daedalian to the Offeror and TELUS. The Offeror and TELUS have been granted limited access to certain additional information concerning the business and affairs of Daedalian which is not generally available. Although the Offeror and TELUS have no knowledge that would indicate that any statements relating to Daedalian contained herein taken from or based on information contained in such documents and records are inaccurate or incomplete, none of the Offeror, TELUS or their directors or officers assume any responsibility for the accuracy or completeness of such information nor for any failure by Daedalian to disclose events or facts which may have occurred or may affect the significance or accuracy of any such information but which are unknown to the Offeror or TELUS.

BACKGROUND TO AND REASONS FOR THE OFFER

Background to the Offer

On March 19, 2001 TELUS and Daedalian entered into a Confidentiality Agreement pursuant to which each party agreed to keep confidential any confidential information provided to it by the other party in connection with the evaluation of a transaction involving the two companies. Following the execution of the confidentiality agreement, TELUS and Daedalian started exchanging information and negotiations continued.

On April 25, 2001 TELUS and Daedalian entered into an exclusivity agreement extending until May 2, 2001 whereby Daedalian agreed to negotiate exclusively with TELUS with respect to a possible business combination or other similar transaction involving Daedalian and its business, property or assets. Under the terms of such agreement, Daedalian, its directors, officers, employees, consultants and representatives would not solicit, entertain an offer or provide information to any third party regarding a possible business combination with Daedalian. By agreement of TELUS and Daedalian, the exclusivity agreement was subsequently extended until May 10, 2001.

On May 10, 2001 TELUS and Daedalian entered into the Pre-Acquisition Agreement under which TELUS agreed to make an offer to Shareholders to purchase all of the issued and outstanding

Daedalian Shares, on and subject to the terms and conditions of the Pre-Acquisition Agreement. TELUS has assigned its rights under the Pre-Acquisition Agreement to the Offeror.

Reasons for the Offer

The acquisition of Daedalian is consistent with TELUS' objective of pursuing faster, more efficient, customized and convergent solutions for its customers that integrate data, IP and wireless technologies. The acquisition will significantly enhance TELUS Enterprise Solutions' national presence in the high margin e-business applications and professional services space.

TELUS believes that the acquisition of Daedalian serves as an opportunity to secure strong Internet services delivery expertise while expediting time-to-market. Daedalian's established relationships with large corporate clients based in Eastern Canada is fully complementary to TELUS' previously declared strategy of growth outside Western Canada.

TELUS also believes that significant operational and administrative efficiencies can be achieved through the addition of Daedalian and its Eastern sales force to the TELUS Enterprise Solutions group. This will contribute to TELUS' strong track record of achieving synergies through effective mergers and acquisitions. In addition, TELUS' name recognition and national presence is expected to generate additional revenue opportunities that would not otherwise have been achievable by Daedalian on its own.

Pre-Acquisition Agreement

The Offer

Effective May 10, 2001, TELUS and Daedalian entered into the Pre-Acquisition Agreement pursuant to which TELUS agreed to make the Offer to purchase all of the Daedalian Shares for an ascribed price of \$0.17 per Daedalian Share to be comprised of Non-Voting Shares, where each of the outstanding Daedalian Shares will be exchanged for that portion of a Non-Voting Share equal to the Exchange Ratio. The Pre-Acquisition Agreement provides that the Offer is subject to certain conditions including, among other things, that a minimum of 66 2/3% of the Daedalian Shares be tendered under the Offer. See Section 4 of the Offer, "Conditions of the Offer". The Pre-Acquisition Agreement provides, *inter alia*, that TELUS may, in its sole discretion: (i) waive any term or condition of the Offer for its benefit, and (ii) amend any term or condition of the Offer, provided that TELUS shall not decrease the aggregate value of the consideration to be paid for each Daedalian Share or modify or impose additional conditions to the Offer in a manner that is materially adverse to Daedalian Shareholders. TELUS has assigned its rights under the Pre-Acquisition Agreement to the Offeror.

Approval by Board of Directors of Daedalian

Pursuant to the Pre-Acquisition Agreement, Daedalian confirmed that each member of the board of directors of Daedalian has unanimously approved the Offer and the Pre-Acquisition Agreement, has determined that the Offer is fair, from a financial point of view, to Shareholders and has resolved to unanimously recommend acceptance of the Offer by Shareholders provided that Daedalian may accept, recommend, approve or implement a Superior Proposal (as defined below) from a third party in the circumstances described below.

No Solicitation

Daedalian agreed that it would immediately cease and cause to be terminated any existing solicitation, initiation, encouragement, activity, discussion or negotiation with any parties conducted prior

to the execution of the Pre-Acquisition Agreement by Daedalian, any of its subsidiaries or their officers, directors, employees, financial advisors, representatives and agents ("Representatives") with respect to a Take-over Proposal (as defined below) whether or not initiated by Daedalian and in connection therewith, Daedalian shall not release any third party from any confidentiality or standstill agreement to which Daedalian and such third party is a party or amend any of the foregoing and shall exercise all rights to require the return of information regarding Daedalian previously provided to such parties and shall exercise all rights to require the destruction of all materials including or incorporating any information regarding Daedalian. Daedalian will not, and it will not authorize or permit any of its Representatives, to directly or indirectly, solicit, initiate or encourage (including by way of furnishing information) or participate in or take any other action to facilitate any inquiries or the making of any proposal which constitutes or may reasonably be expected to lead to a Take-over Proposal from any person, or engage in any discussions, negotiations or inquiries relating thereto or accept any Take-over Proposal, provided that Daedalian may engage in discussions or negotiations with a third party who (without any solicitation, initiation or encouragement, directly or indirectly, by Daedalian or its subsidiaries or any of their representatives described above) seeks to initiate such discussions or negotiations and may furnish such third party information concerning Daedalian and its business, properties and assets which has previously been provided to TELUS, if, and only to the extent that:

- (a) the third party has first made a *bona fide* written Take-over Proposal that is financially superior to the Offer and the third party has demonstrated that such proposal constitutes a commercially feasible transaction which could be carried out within a time frame that is reasonable in the circumstances and that the funds or other consideration necessary are available, as determined in good faith by the Daedalian board after receiving the written advice of its financial advisors (a "Superior Proposal") and the Daedalian board has concluded in good faith, after considering applicable law and receiving the written advice of outside counsel that such action is required by the Daedalian board to comply with its fiduciary duties under applicable law;
- (b) prior to furnishing information to or entering into discussions or negotiations with the third party, Daedalian provides immediate notice orally and in writing to TELUS specifying the identity of such person or entity and that it is furnishing information or entering into discussions or negotiations with such person or entity in respect of a Superior Proposal and receives from the third party an executed confidentiality agreement having confidentiality and standstill terms substantially similar to those contained in the confidentiality agreement executed by TELUS and immediately provides TELUS with a complete copy of the Superior Proposal and any amendments to the proposal and confirming in writing the determination of the Daedalian board that the Take-over Proposal if completed constitutes a Superior Proposal;
- (c) Daedalian provides immediate notice to TELUS at such time as it is terminating any such discussions or negotiations with such person or entity; and
- (d) Daedalian immediately provides to TELUS any information provided to any such person or entity whether or not previously made available to TELUS.

In addition, Daedalian may comply with applicable Canadian securities laws relating to the provision of directors' circulars, and make appropriate disclosure with respect thereto to the Daedalian shareholders.

Daedalian may accept, recommend, approve or implement a Superior Proposal from a third party, but only if prior to such acceptance, recommendation, approval or implementation, the Daedalian board

has concluded in good faith, after considering provisions of applicable law and after giving effect to all proposals to adjust the terms and conditions of the Pre-Acquisition Agreement and the Offer which may be offered by TELUS during the three day notice period described under "Right to Match" below and after receiving the written advice of outside counsel, that such action is required by the board of directors of Daedalian to comply with its fiduciary duties under applicable law and Daedalian terminates the Pre-Acquisition Agreement in accordance with its terms and concurrently therewith pays the fees described below.

Right to Match

Daedalian must give TELUS orally and in writing at least three days advance notice of any decision by the Daedalian board to accept, recommend, approve or implement a Superior Proposal, which notice must identify the party making the Superior Proposal and must provide a true and complete copy of the Superior Proposal and any amendments to such proposal. In addition Daedalian must, and must cause its financial and legal advisors to, negotiate in good faith with TELUS to make such adjustments in the terms and conditions of the Pre-Acquisition Agreement and the Offer as would enable Daedalian to proceed with the Offer as amended rather than the Superior Proposal. In the event TELUS proposes to amend the Pre-Acquisition Agreement and the Offer to provide substantially equivalent or Superior value to that provided under the Superior Proposal within the three day time period specified above, then Daedalian cannot enter into any agreement regarding the Superior Proposal.

Take-over Proposal

As used in the Pre-Acquisition Agreement, "Take-over Proposal" means a proposal or offer (other than by TELUS or the Offeror), whether or not subject to a due diligence condition, whether or not in writing, to acquire in any manner, directly or indirectly, beneficial ownership of all or a material portion of the assets of Daedalian or any material subsidiary of Daedalian or to acquire in any manner, directly or indirectly, more than 9.9% of the outstanding voting shares of Daedalian whether by an arrangement, amalgamation, a merger, consolidation or other business Combination, by means of a sale of shares of capital stock, sale of assets, tender offer or exchange offer or similar transaction involving Daedalian or any of its material subsidiaries, including without limitation any single or multi-step transaction or series of related transactions which is structured to permit such third party to acquire beneficial ownership of all or a material portion of the assets of Daedalian or any material subsidiary of Daedalian or to acquire in any manner, directly or indirectly, more than 9.9% of the outstanding voting shares of Daedalian (other than the transactions contemplated by the Pre-Acquisition Agreement).

Non-Completion Fee

Daedalian has agreed to pay to TELUS a non-completion fee of \$900,000 in the event that: (i) the board of directors of Daedalian has withdrawn or, in any manner adverse to TELUS, redefined, modified or changed any of its recommendations or terminations with respect to the Offer, or has resolved to do so, except where as a direct result of a material breach of TELUS which is not cured by TELUS within five days of receiving written notice of such breach; (ii) any *bona fide* Take-over Proposal (as defined above) for the Daedalian Shares is publicly announced or commenced, and the board of directors of Daedalian has failed to publicly reaffirm and maintain its recommendation of the Offer to Shareholders within 5 days after the commencement of any such Take-over Proposal, except where such failure is as a direct result of a material breach of TELUS which is not cured by TELUS within five days of receiving written notice of such breach; (iii) the board of directors of Daedalian has recommended that Shareholders deposit their Daedalian Shares under, vote in favour of, or otherwise accept, a Take-over Proposal, except where such recommendation is as a direct result of a material breach of TELUS which is not cured by TELUS within five days of receiving written notice of such breach; (iv) Daedalian shall have entered into

any contractual agreement with any person with respect to a Take-over Proposal prior to the Expiry Time (excluding a confidentiality agreement entered into as described under "No Solicitation" above), except where such action is as a direct result of a material breach of TELUS which is not cured by TELUS within five days of receiving written notice of such breach; or (v) a Take-over Proposal is publicly announced, proposed, offered or made to Daedalian's shareholders or to Daedalian prior to the Expiry Time and such Take-over Proposal has been completed or results in the acquisition of over 50% of the outstanding Daedalian Shares by a party other than TELUS within 12 months from the date the Take-over Proposal is publicly announced, except where there has been a material breach of TELUS which is not cured by TELUS within five days of receiving written notice of such breach; or (vi) Daedalian breaches any covenant in the Pre-Acquisition Agreement or any material representation of Daedalian therein is found not to be true. Any such fee is payable within three business days of the event giving rise to the payment obligation and is without prejudice to the rights or remedies available to TELUS upon breach of any provision of the Pre-Acquisition Agreement.

Termination

The Pre-Acquisition Agreement may, subject to its specific terms, be terminated: (i) by mutual agreement; (ii) by Daedalian, if TELUS has not mailed the Offer to Daedalian's shareholders on or before 11:59 p.m. (Toronto time) on May 18, 2001; (iii) by TELUS, if the conditions to the Offer have not been satisfied or waived by TELUS on or before the Expiry Time; (iv) by either TELUS or Daedalian, if TELUS has not taken-up and paid for the Daedalian Shares deposited under the Offer on or before the date which is 90 days, or if a Take-over Proposal is publicly announced, proposed, offered or made to Daedalian's shareholders, 180 days, following the day of mailing of the Offer; (v) by either TELUS or Daedalian, if the Offer terminates or expires at the Expiry Time without TELUS taking up and paying for any of the Daedalian Shares as a result of the failure of any condition to the Offer to be satisfied or waived; (vi) by either TELUS or Daedalian if the fee referred to in "No Solicitation" above becomes payable and payment is made or is immediately available to TELUS; (vii) by either TELUS or Daedalian, if there has been a misrepresentation, breach or non-performance by the other party of any representation, warranty or covenant contained in the Pre-Acquisition Agreement which would have or would be reasonably likely to have a material adverse effect on the party seeking to terminate, provided the breaching party has been given notice of and three days to cure any such misrepresentation, breach or non-performance.

Other Terms

The Pre-Acquisition Agreement provides that the Offer will expire at 5 p.m. (Toronto time) (3 p.m. Calgary time) on the first business day after the 35th day following the earlier of (i) the day of mailing the Offer documents to the Shareholders of Daedalian (where the first day of the period is the day immediately following the day of mailing); and (ii) the day on which TELUS commences the Offer by advertisement in at least one major daily newspaper of general paid subscription in each of the jurisdictions in which the holders of Daedalian Shares reside in accordance with applicable securities laws, except that the Offer may be extended, at the sole discretion of TELUS, if any condition of the Offer remains unsatisfied at the Expiry Time.

The Pre-Acquisition Agreement also contains certain customary representations and warranties of each of TELUS and Daedalian. Daedalian has agreed that during the period commencing on the date of the Pre-Acquisition Agreement and ending on the earlier of the date on which TELUS takes up and pays for Daedalian Shares under the Offer or the date the Pre-Acquisition Agreement is terminated in accordance with its terms, the business of Daedalian will be conducted in the usual and ordinary course of business consistent with past practice, and that Daedalian will not, without prior consultation with and the

consent of TELUS, significantly dispose of or purchase any assets incur any significant liabilities or capital expenditures.

Lock Up Agreements

TELUS has entered into the Lock Up Agreements with certain of the shareholders, directors and senior officers of Daedalian who hold, in aggregate, approximately 75% of the outstanding Daedalian Shares. Under the form of Lock Up Agreement such shareholders, directors and senior officers, have agreed to deposit all of their Daedalian Shares to the Offer, and not to, directly or indirectly, make, solicit, initiate, propose, assist or participate in any solicitation of shareholders of Daedalian in opposition to the Offer, and not to, directly or indirectly, solicit, initiate or encourage any inquiries, proposals or offers from, or engage in any discussions or negotiations with, other than TELUS relating to their Daedalian Shares. Certain principal shareholders of Daedalian have entered into a form of the Lock Up Agreements that requires they deposit into escrow 30% of the Non-Voting Shares they each receive under the Offer in exchange for their Daedalian Shares (the "Escrow Shares"). The Escrow Shares are to be released as to varying percentages upon the satisfaction of certain performance criteria relating to the continued employment of specified Daedalian employees with TELUS and upon the satisfaction of certain other conditions specified in the Pre-Acquisition Agreement. Escrow Shares not released from escrow within one year of being placed in escrow will be transferred to TELUS for cancellation.

RECOMMENDATION OF THE BOARD OF DIRECTORS OF DAEDALIAN

TELUS has been advised by Daedalian, and Daedalian has confirmed in the Pre-Acquisition Agreement, that its board of directors of Daedalian has determined unanimously that the Offer is fair to the Shareholders and is in the best interests of Daedalian and its Shareholders. In addition, the board of directors of Daedalian has agreed to recommend that Shareholders accept the Offer. See the Directors' Circular of Daedalian.

PURPOSE OF THE OFFER AND PLANS FOR DAEDALIAN

Purpose of the Offer

The purpose of the Offer is to enable TELUS to acquire control or to own, directly or indirectly, all of the outstanding Daedalian Shares. The acquisition will be realized through the exchange of Daedalian Shares for Non-Voting Shares.

If the Offeror takes up and pays for Daedalian Shares validly deposited pursuant to the Offer, the Offeror intends to acquire the remaining Daedalian Shares through the Compulsory Acquisition provisions of the OBCA or, if the Offeror's right of Compulsory Acquisition is not available thereunder, then pursuant to a Subsequent Acquisition Transaction. See Section 12 of the Offer, "Acquisition of Daedalian Shares Not Deposited", "Acquisition of Daedalian Shares Not Deposited" in the Circular and the full text of Sections 187 and 188 of the OBCA, which is set forth in Appendix A to the Circular.

Plans for Daedalian

If the Offer is successful, it is expected that certain changes will be made to the composition of the board of directors of Daedalian to allow nominees of TELUS to become members of such board. In addition, Daedalian's operations will become part of TELUS Enterprise Solutions, the e-business division of TELUS' major customer business unit, TELUS Client Solutions.

If permitted by applicable law, subsequent to the completion of the Offer or any Compulsory Acquisition or Subsequent Acquisition Transaction, the Offeror intends to delist the Daedalian Shares from the CDNX, and to cause Daedalian to cease to be a reporting issuer under the securities laws of each of the provinces of Canada in which it currently holds such status. See "Effect of the Offer on Market and Listings" in the Circular. The effect of these actions will be that Daedalian will no longer be required to publicly file or provide to security holders financial information or timely disclosure in Canada with respect to its affairs.

THE OFFEROR

The Offeror is a direct wholly-owned subsidiary of TELUS and was specifically incorporated for the purpose of making the Offer.

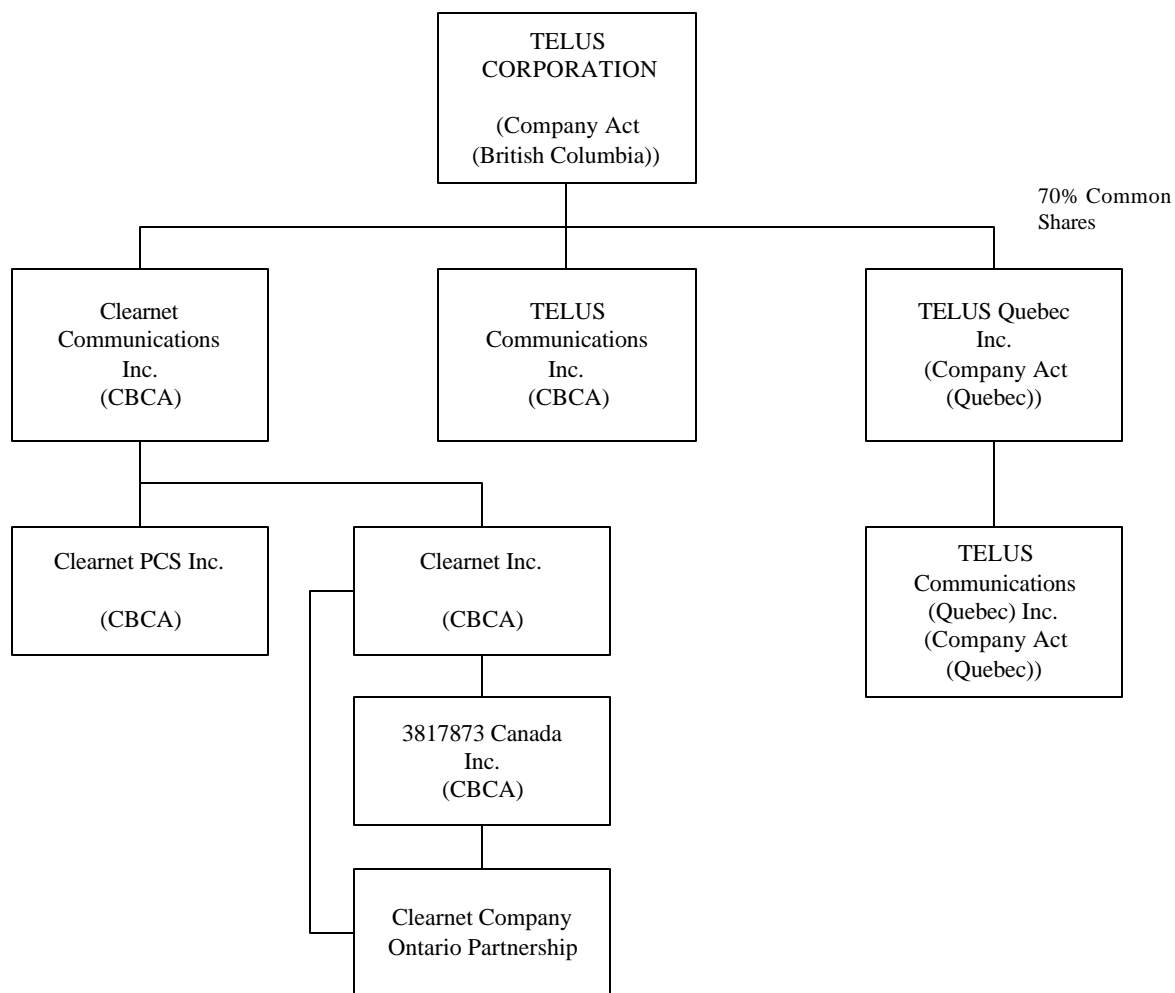
TELUS

Corporate Information

TELUS was incorporated under the *Company Act* (British Columbia) (the "BC Company Act") on October 26, 1998 under the name BCT.TELUS Communications Inc. ("BCT"). On January 31, 1999, pursuant to a court-approved plan of arrangement under the *Canada Business Corporations Act* ("CBCA") involving BCT, BC TELECOM Inc. ("BC TELECOM") and TELUS Corporation ("TC"), BCT acquired all of the shares of each of BC TELECOM and TC in exchange for Common Shares and Non-Voting shares of BCT and BC TELECOM was dissolved. On May 3, 2000, BCT changed its name to "TELUS Corporation". TELUS maintains its registered office at 21st Floor, 3777 Kingsway, Burnaby, British Columbia.

TELUS is a leading Canadian telecommunications provider whose subsidiaries provide a full range of communication products and services. Following the acquisition of Clearnet Communications Inc. ("Clearnet") in October 2000 and an internal review of alternative operating structures, TELUS reorganized its operations on January 1, 2001, to enhance its ability to proactively deliver services to its customers on a timely, coordinated and integrated basis. TELUS provides its communications services through two business segments, TELUS Mobility and TELUS Communications.

The following chart sets out each subsidiary of TELUS, the total assets of which constitute more than 10% of the consolidated assets of TELUS as at December 31, 2000 or the sales and operating revenues of which exceed 10% of the consolidated sales and operating revenues of TELUS for the year ended December 31, 2000 and certain other subsidiaries of TELUS. TELUS Communications Inc. is the most significant subsidiary of TELUS and is the only subsidiary which had sales and operating revenues for the year ended December 31, 2000 in excess of 10% of the consolidated sales and operating revenues of TELUS for that year. Except as otherwise noted, each of such subsidiaries is wholly-owned.



TELUS is engaged in a number of transactions intended to simplify its legal structure in order to have that structure more closely reflect the organization of its business segments.

Documents Incorporated by Reference

The following documents of TELUS have been filed with securities commissions or other similar authorities in each of the provinces of Canada and are specifically incorporated by reference into and form an integral part of this Circular:

1. the Annual Information Form of TELUS dated May 2, 2001;
2. the restated audited consolidated financial statements as at and for the years ended December 31, 2000 and 1999 and the report of the auditors thereon dated May 1, 2001;
3. the Information Circular dated as of March 16, 2001, prepared in connection with TELUS' annual and special meeting held on May 2, 2001, except the sections entitled "Corporate Governance", "Composition of the Compensation Committee", "Report on Executive Compensation", "Performance Graph" and "Appendix A";

4. the interim unaudited consolidated financial statements as at and for the period ended March 31, 2001 contained in the First Quarter Financial Report, 2001;
5. Management's Discussion and Analysis of financial results for the period ended March 31, 2001;
6. the audited consolidated financial statements of Clearnet as at December 31, 1999 and 1998 and for the years ended December 31, 1999, 1998 and 1997, and the Reports to Shareholders of Clearnet for the first, second and third quarters of 2000 consisting of the interim unaudited consolidated financial statements as at and for the periods ended March 31, June 30 and September 30, 2000; and
7. the unaudited Pro Forma consolidated statement of income of TELUS for the year ended December 31, 2000, prepared as if the acquisition of Clearnet had occurred on January 1, 2000.

Any documents of TELUS of the type referred to in the preceding paragraphs and any information circular or material change report filed by TELUS with the various securities commissions or similar authorities in the provinces of Canada during the Offer Period shall be deemed to be incorporated by reference into and form an integral part of this Circular.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superceded for purposes of this Circular 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 supercedes such statement. The making of a modifying or superceding statement shall not be deemed an admission for any purposes that the modified or superceded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superceded shall not be deemed, except as so modified or superceded, to constitute a part of this Circular.

Copies of the documents incorporated herein by reference may be obtained on request without charge from the Vice-President and Corporate Secretary of TELUS, 3777 Kingsway, 21st Floor, Burnaby, British Columbia V5H 3Z7, telephone (604) 432-4212.

Recent Developments

On March 27, 2001, TELUS entered into a fully-underwritten commitment with the Toronto-Dominion Bank for \$4.5 billion in new senior unsecured credit facilities. The credit facilities consist of a \$1.5 billion (or U.S. dollar equivalent) term revolving credit facility; a \$1.0 billion (or U.S. dollar equivalent) 364-day extendable revolving credit facility; and a \$2.0 billion (or U.S. dollar equivalent) 18-month non-revolving credit facility. The proceeds of this facility will be used for general corporate purposes including refinancing of existing debt, including that incurred to acquire Clearnet, and to support commercial paper programs. This credit facility is anticipated to be completed by June 30, 2001, concurrently with the issuance of bonds by TELUS in the public market.

On March 27, 2001, TELUS agreed to acquire Williams Communications Canada Inc. ("WCCI"), a national business communications systems integrator. WCCI sells, services and installs communications equipment in business customer premises. WCCI had annual revenues in 2000 of \$130 million. This transaction is scheduled to be completed on May 31, 2001, subject to regulatory approval.

In April 2001, TELUS acquired Columbus Group Communications, Inc., an Internet professional services company, with offices in Toronto and Vancouver, 71 employees and more than 40 customers in Canada and the U.S. This company has been an industry leader for six years in providing Internet strategy, design and application development.

On April 2, 2001, QuébecTel Group Inc. changed its name to TELUS Québec Inc. and Québec Téléphone changed its name to TELUS Communications (Québec) Inc.

On May 11, 2001 TELUS announced its intention to access the debt capital markets in Canada and the United States for long term debt financing in concurrent public offerings of notes being made in Canada and the United States. A Canadian offering is being made through a Canadian underwriting syndicate lead-managed by TD Securities Inc. and the United States offering is being made through a United States underwriting syndicate jointly managed by J.P. Morgan Securities Inc. and TD Securities Inc.

The note offerings will be made under a shelf prospectus filed by TELUS in Canada and the United States allowing for the offering of up to Canadian \$10 billion (or the equivalent thereof in one or more foreign currencies) of debt securities, preferred shares, non-voting shares and common shares. Preliminary prospectus supplements describing the Canadian and United States note offerings have been filed with securities regulators in Canada and the United States.

The notes will be unsecured and unsubordinated obligations of TELUS, will rank pari passu in right of payment with all existing and future unsecured and unsubordinated indebtedness of TELUS but will be effectively subordinated to all existing and future obligations of, or guaranteed by, TELUS' subsidiaries. The net proceeds from the sale of the notes, together with the net proceeds from TELUS' new credit facilities, will be used to repay indebtedness and for general corporate and working capital purposes.

On May 11, 2001, TELUS announced that its wholly-owned subsidiary, Clearnet Communications Inc., has commenced an offer to repay and consent solicitation for all of its outstanding debt securities: 11.75% Senior Discount Notes due 2007; 10.4% Senior Discount Notes due 2008; 10.75% Senior Discount Notes due 2009; and 10.125% Senior Discount Notes due 2009.

Description of Share Capital

General

The following sets forth the terms and provisions of the existing capital of TELUS. TELUS is authorized under its Memorandum to issue up to 1,000,000,000 shares of each class of First Preferred Shares, Second Preferred Shares, Non-Voting Shares or Common Shares. Certain of the rights and attributes of each class are described below.

First Preferred Shares

Shares Issuable in Series

The First Preferred Shares may be issued at any time or from time to time in one or more series. Before any shares of a series are issued, the Board of Directors of TELUS shall fix the number of shares that will form such series and shall, subject to the limitations set out in the articles of TELUS, determine the designation, rights, privileges, restrictions and conditions to be attached to the First Preferred Shares of such series, except that no series shall be granted and right to vote at a general meeting of the

shareholders of TELUS or the right to be convertible or exchangeable for Common Shares, directly or indirectly.

Priority

The First Preferred Shares of each series shall rank on a parity with the First Preferred Shares of every other series with respect to dividends and return of capital and shall be entitled to a preference over the Second Preferred Shares and the Common Shares and Non-Voting Shares and over any other shares ranking junior to the First Preferred Shares with respect to priority in payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding-up of TELUS, whether voluntary or involuntary, or any other distribution of the assets of TELUS among its shareholders for the purpose of winding up its affairs.

Voting Rights

Except as required by law, holders of the First Preferred Shares as a class shall not be entitled to receive notice of, to attend or to vote at any meeting of the shareholders of TELUS, provided that the rights, privileges, restrictions and conditions attached to the First Preferred Shares as a class may be added to, changed or removed only with the approval of the holders of the First Preferred Shares given in such manner as may then be required by law, subject to a minimum requirement that such approval be given by resolution signed by the holders of not less than 75% of the First Preferred Shares then outstanding, or passed by an affirmative vote of at least 75% of the votes cast at a meeting of the holders of the First Preferred Shares duly called for that purpose.

Second Preferred Shares

Shares Issuable in Series

The Second Preferred Shares may be issued at any time or from time to time in one or more series. Before any shares of a series are issued, the Board of Directors of TELUS shall fix the number of shares that will form such series and shall, subject to the limitations set out in the articles of TELUS, determine the designation, rights, privileges, restrictions and conditions to be attached to the Second Preferred Shares of such series, except that no series shall be granted the right to vote at a general meeting of the shareholders of TELUS or the right to be convertible or exchangeable for Common Shares, directly or indirectly.

Priority

The Second Preferred Shares of each series shall rank on a parity with the Second Preferred Shares of every other series with respect to dividends and return of capital and shall, subject to the prior rights of the holders of the First Preferred Shares, be entitled to a preference over the Common Shares and the Non-Voting Shares of TELUS and over any other shares ranking junior to the Second Preferred Shares with respect to priority in payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding-up of TELUS, whether voluntary or involuntary, or any other distribution of the assets of TELUS among its shareholders for the purpose of winding up its affairs.

Voting Rights

Except as required by law, holders of the Second Preferred Shares as a class shall not be entitled to receive notice of, to attend or to vote at any meeting of the shareholders of TELUS, provided that the rights, privileges, restrictions and conditions attached to the Second Preferred Shares as a class may be

added to, changed or removed only with the approval of the holders of the Second Preferred Shares given in such manner as may then be required by law, subject to a minimum requirement that such approval be given by resolution signed by the holders of not less than 75% of the Second Preferred Shares then outstanding, or passed by an affirmative vote of at least 75% of the votes cast at a meeting of the holders of the Second Preferred Shares duly called for that purpose.

Common Shares and Non-Voting Shares

Priority

The holders of Common Shares and Non-Voting Shares shall be entitled to participate equally with each other as to dividends and TELUS shall pay dividends thereon, as and when declared by the Board of Directors of TELUS out of monies properly applicable to the payment of dividends, in amounts per share and at the same time on all such Common Shares and Non-Voting Shares at the time outstanding as the Board of Directors of TELUS may from time to time determine. In the event of the liquidation, dissolution or winding-up of TELUS or other distribution of assets of TELUS among its shareholders for the purpose of winding-up its affairs, all the property and assets of TELUS which remain after payment to the holders of any shares ranking in priority to the Common Shares and Non-Voting Shares in respect of payment upon liquidation, dissolution or winding-up of all amounts attributed and properly payable to such holders of such other shares in the event of such liquidation, dissolution or winding-up or distribution, shall be paid and distributed equally, share for share, to the holders of the Common Shares and the Non-Voting Shares, without preference or distinction.

Voting Rights

The holders of the Common Shares shall be entitled to receive notice of and to attend (in person or by proxy) and be heard at all general meetings of the shareholders of TELUS (other than separate meetings of the holders of shares of any other class of shares of TELUS or any other series of shares of such other class of shares) and to vote at all such general meetings with each holder of Common Shares being entitled to one vote per Common Share held at all such meetings. The holders of Non-Voting Shares shall be entitled to receive notice of and to attend (in person or by proxy) and be heard at all general meetings of the shareholders of TELUS (other than at separate meetings of the holders of shares of any other class of shares of TELUS or of shares of any other series of shares of any such other class of shares other than the Common Shares) and shall be entitled to receive all notices of meetings, information circulars and other written information from TELUS that the holders of Common Shares are entitled to receive from TELUS but not to vote at such general meetings, unless otherwise required by law.

Anti-Dilution

Neither the Common Shares nor the Non-Voting Shares shall be subdivided, consolidated, reclassified or otherwise changed unless contemporaneously therewith the other class is subdivided, consolidated, reclassified or otherwise changed in the same proportion and in the same manner.

Non-Voting Share Conversion Rights

In the event an offer is made to purchase Common Shares that (i) must, by reason of applicable securities legislation or the requirements of a stock exchange on which the Common Shares are listed, be made to all or substantially all of the holders of Common Shares who are in a province of Canada to which the requirement applies, and (ii) is not made concurrently with an offer to purchase Non-Voting Shares that is identical to the offer to purchase Common Shares in terms of price per share and percentage of outstanding shares to be taken up exclusively of shares owned immediately prior to the offer by the

Offeror (as defined in the articles of TELUS), and in all other material respects, and that has no condition attached thereto other than the right not to take up and pay for shares tendered if no shares are purchased pursuant to the offer for Common Shares, then each outstanding Non-Voting Share shall be convertible into one fully paid and non-assessable Common Share at the option of the holder hereof exercisable during the period commencing on the eighth day after the date on which the offer to purchase Common Shares was made or deemed to be made and expiring on the expiry date of such offer.

If the Canadian Telecommunication Common Carrier Ownership and Control Regulations made pursuant to the *Telecommunications Act* (Canada) (the “Telecommunications Regulations”) are changed so that there is no restriction on any non-Canadians (as defined in the Telecommunications Regulations) holding Common Shares of TELUS, a holder of one or more Non-Voting Shares shall have the right, at his or her option, at any time after the date of change of the Telecommunications Regulations and prior to the closing of business 90 days thereafter (the “Regulatory Conversion Period”) to convert any one or more of such Non-Voting Shares into Common Shares on a one-for-one basis. If the Telecommunications Regulations are changed so that there is no restriction of any non-Canadians (as defined in the Telecommunications Regulations) holding Common Shares in TELUS and following the Regulatory Conversion Period there are Non-Voting Shares still outstanding, all holders of Non-Voting Shares shall be deemed to have exercised their right to convert the Non-Voting Shares held by them into Common Shares upon receipt by all of the holders of written notice by TELUS stating that TELUS is requiring all holders to convert their Non-Voting Shares to Common Shares on the date specified in such notice.

Common Share Conversion Right

TELUS shall provide notice to each holder of Common Shares at least 10 days before the record date in respect of each general meeting of shareholders of TELUS at which the holders of the Non-Voting Shares will be entitled to vote as a class. In such event and to the extent that, after taking into account the conversion, the class of persons, each of whom is a non-Canadian as defined in the Telecommunications Regulations, (the “Constrained Class”) would continue to hold no more than the maximum number of Common Shares that may be owned and controlled by persons in the Constrained Class in accordance with the Telecommunications Regulations so that, when added to all other voting shares (as defined in the Telecommunications Regulations) owned or controlled by the Constrained Class, TELUS will be and will continue to be a “qualified corporation” as defined in the Telecommunications Regulations, each outstanding Common Share shall be convertible into one Non-Voting Share on a one-for-one basis.

Ownership and Voting Restrictions

Non-Canadian shareholders shall not beneficially own or control, other than by way of security only, more than 33 % (or such other percentage as may then be prescribed by the Telecommunications Regulations as the percentage of voting shares that may be beneficially owned or controlled, other than by Canadians, in order for a Corporation to be a “qualified corporation” as defined in the Telecommunications Regulations, provided that if no such percentage is prescribed the relevant percentage shall be deemed to be 100%) (the “Restricted Percentage”) of issued and outstanding Common -Canadian Share Constraint”). In the event that it appears from the central securities register of TELUS that, or in the event of a Directors’ determination that there is a contravention of the Non-Canadian Share Constraint: (a) TELUS may pursuant to a Directors’ determination make a public announcement, whether by press release, newspaper advertisements or otherwise, reasonably expected to inform the markets in which voting shares are traded of the contravention; and (b) TELUS may refuse to (i) accept any subscription for voting shares from any non-Canadian, (ii) issue any voting shares to any non-Canadian, (iii) register or otherwise recognize the

transfer of any voting shares from any Canadian to any non-Canadian, or (iv) purchase or otherwise acquire any voting shares, except as provided in the articles of TELUS.

In the event of a Directors' determination (as provided for in the articles of TELUS) that there is a contravention of the Non-Canadian Share Constraint and that to do so would be practicable and would not be unfairly prejudicial to, and would not unfairly disregard the interests of, persons beneficially owning or controlling voting shares who are non-Canadians, TELUS shall send a disposition notice to the registered holders of such of those voting shares as shall be chosen on the basis of inverse order of registration of all non-Canadians. TELUS may, by Directors' determination, suspend all rights of a shareholder to vote that would otherwise be attached to any voting shares beneficially owned, or controlled, by non-Canadians so that the proportion of the voting shares beneficially owned, or controlled, or considered by the Telecommunications Regulations to be beneficially owned, or controlled, by non-Canadians and with respect to which voting rights are not suspended is reduced to not more than the Restricted Percentage of the total issued and outstanding voting shares of TELUS. Any disposition notice required to be sent to a registered holder of shares pursuant to the foregoing shall, among other things: (a) specify a date, which shall not be less than 60 days, after the date of the disposition notice, by which the excess voting shares are to be sold or otherwise disposed of or, if the Directors determine it to be in the interest of TELUS to permit a conversion, converted into Non-Voting Shares; and (b) state that unless (i) the registered holder either sells or otherwise disposes of or converts the excess voting shares into Non-Voting Shares by the date specified in the disposition notice on a basis that does not result in any contravention of the Non-Canadian Share Constraint and provides to TELUS written evidence satisfactory to TELUS of such sale, other disposition or conversion, or (ii) provides written evidence satisfactory to TELUS that no such sale, other disposition or conversion of excess voting shares is required, such default shall result in the consequence of suspension of voting rights and may result in a consequence of sale or conversion or repurchase or redemption and the disposition notice shall specify in reasonable detail the nature and timing of those consequences.

TELUS Rights Plan

On March 20, 2000, the board of directors of TELUS adopted a shareholder rights plan (the "Rights Plan") and issued one right (a "Series A Right") in respect of each TELUS Common Share outstanding as at such date and issued one right (as "Series B Right") in respect of each Non-Voting Share outstanding as of such date. Non-Voting Shares issued in consideration for Daedalian Shares purchased by the Offerors under the Offers will have attached thereto one Series B Right for each Non-Voting Share issued. Each Series B Right, other than those held by an Acquiring Person (as defined in the Rights Plan) and certain of its related parties, entitles the holder in certain circumstances following the acquisition by an Acquiring Person of 34.2% or more of the voting shares of TELUS (otherwise than through the "Permitted Bid" requirements of the Rights Plan) to purchase from TELUS \$320 worth of TELUS Non-Voting Shares for \$160 (i.e., at a 50% discount). The foregoing is qualified in its entirety by the full text of the Rights Plan which has been attached to the management proxy circular of TELUS dated March 30, 2000.

Pre-emptive Rights

GTE Corporation (a subsidiary of Verizon Communications Inc.) has the right to acquire its pro rata share of any issue by TELUS of TELUS Common Shares or Non-Voting Shares including the Non-Voting Shares to be issued under the Offer.

Stock Exchange Listings and Trading of Non-Voting Shares

The Non-Voting Shares are listed for trading on the TSE under the symbol "T.A" and NYSE under the symbol "TU". The following table sets forth the reported high and low prices and trading volumes of such shares on the TSE and NYSE for the periods indicated:

Period	TSE			NYSE ⁽¹⁾		
	High <i>(Canadian Dollars)</i>	Low	Volume	High	Low	Volume
1999						
February 1 to March 31.....	40.75	33.50	5,423,080			
Second Quarter.....	39.50	33.95	4,251,753			
Third Quarter.....	35.35	28.80	3,700,192			
Fourth Quarter.....	35.95	27.25	4,522,370			
2000						
First Quarter.....	44.25	33.00	10,348,416			
Second Quarter.....	43.05	34.60	7,972,964			
Third Quarter.....	46.45	34.10	28,461,078			
Fourth Quarter.....	41.00	35.30	22,422,059	26.81	23.25	8,094,200
2001						
January	39.80	37.00	5,011,674	26.40	24.44	845,000
February	40.28	34.25	6,128,987	26.80	22.22	365,300
March	37.50	30.50	10,218,764	24.21	19.44	416,400
April	34.00	30.50	3,584,965	21.60	19.86	445,600
May (1 to 15).....	32.50	30.75	3,680,154	21.13	19.86	312,200

Note:

⁽¹⁾ The Non-Voting Shares were listed on the NYSE on October 17, 2000.

On May 9, 2001, the last day on which Non-Voting Shares traded on the TSE and NYSE prior to the date of the announcement by TELUS of its intention to make the Offer, the closing trading price of the Non-Voting Shares on the TSE was \$31.05. On May 15, 2001, the closing trading price of the Non-Voting Shares on the TSE was \$30.90. Application has been made to list the Non-Voting Shares issuable pursuant to the Offer on the TSE and the NYSE.

Consolidated Capitalization

The following table sets forth the consolidated capitalization of TELUS as at March 31, 2001, before giving effect to the Offer:

	March 31, 2001
	<i>(\$millions)</i>
	<i>(unaudited)</i>
Cash and short-term investments	\$ 95.0
Short-term Obligations.....	5,710.8
Long-term debt.....	3,085.4
Shareholders' Equity.....	6,290.6
Non-Voting Share capital	
Number authorized	1,000,000,000
Number issued and outstanding.....	110,144,055

Eligibility for Investment

In the opinion of Bennett Jones LLP, counsel to the Offeror and TELUS, subject to compliance with the prudent investment standards and the general investment provisions of the following statutes (and, where applicable, the regulations thereunder) and, in certain cases, subject to the satisfaction of additional requirements relating to investment or lending policies, procedures or goals and, in certain circumstances, the filing of such policies, procedures and goals, the Non-Voting Shares offered hereunder are not, at the date hereof, precluded as investments under or by the following statutes:

<i>Insurance Companies Act</i> (Canada)	<i>An Act respecting insurance</i> (Québec) (in respect of insurers other than guaranteed fund corporations, mutual associations and professional corporations)
<i>Trust and Loan Companies Act</i> (Canada)	
<i>Pension Benefits Standards Act, 1985</i> (Canada)	
<i>Loan and Trust Corporations Act</i> (Ontario)	
<i>Pension Benefits Act</i> (Ontario)	<i>Supplemental Pension Plans Act</i> (Québec)
<i>Employment Pension Plans Act</i> (Alberta)	<i>An Act respecting trust companies and savings companies</i> (Québec) (in respect of savings companies investing their own funds and trust companies investing their own funds and deposits received by them)
<i>Insurance Act</i> (Alberta)	
<i>Loan and Trust Corporations Act</i> (Alberta)	
<i>Financial Institutions Act</i> (British Columbia)	

In the opinion of such counsel, the Non-Voting Shares offered hereby, if issued on the date hereof, would also be, at such date, qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered education savings plans, registered retirement income funds and deferred profit sharing plans (other than trusts governed by deferred profit sharing plans of which the named employer is TELUS or a company which does not deal with TELUS at arm's length within the meaning of the Tax Act).

Dividends Declared

The amounts per Non-Voting Share declared with respect to each quarter by TELUS, where applicable, during the three-year period ended December 31, 2000 and to the date of the Offer are shown below:

<u>Quarter ended⁽¹⁾</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998⁽²⁾</u>
March 31	\$0.35	\$0.35	\$0.35	---
June 30	N/A	0.35	0.35	---
September 30	N/A	0.35	0.35	---
December 31	N/A	0.35	0.35	---

Notes:

- (1) Paid on the first business day of the next month.
- (2) The Non-Voting Shares did not exist prior to 1999.

Auditors, Transfer Agent and Registrar

The auditors of TELUS are Arthur Andersen LLP, Chartered Accountants of Vancouver, British Columbia.

The transfer agent and registrar of TELUS is Computershare Trust Company of Canada at its principal offices in Calgary, Vancouver, Edmonton, Winnipeg, Toronto, Montréal and Halifax.

DAEDALIAN

Corporate Information

Daedalian, formerly Cherryhill Resources Inc., was incorporated on May 8, 1997 under the *Business Corporations Act* (Alberta). As Cherryhill Resources Inc., Daedalian was originally listed on the CDNX (formerly The Alberta Stock Exchange) as a Junior Capital Pool company (as defined in Alberta Securities Commission Rule 46-501) and completed its Major Transaction (as defined in Alberta Securities Commission Rule 46-501) in April, 1998. After completing its Major Transaction, Daedalian operated as an oil producer in the Rocanville and Star Valley areas of Saskatchewan. Effective November 30, 2000 Daedalian completed a reverse takeover transaction with Daedalian Systems Group Inc. At this time, Daedalian filed Articles of Continuance pursuant to the *Business Corporations Act* (Ontario) to change its name to Daedalian eSolutions Inc. and became an Ontario corporation. As part of the reverse takeover transaction Daedalian disposed of all of its oil and gas assets.

The head and principal office of Daedalian is located at 4 King Street West, Floor 17, Toronto, Ontario M5H 1B6.

Business of Daedalian

Daedalian, through its subsidiaries, provides professional services that design, build, implement and enhance e-business solutions. E-business solutions combine the reach and efficiency of the Internet with both emerging and existing technologies with the objective of strengthening relationships with customers and business partners, creating new revenue opportunities, and improving operating methodologies and efficiencies. Daedalian's e-business solutions are designed to rapidly improve its clients' competitive position. Developing an e-business solution involves business process analysis and consulting, design of architecture and user interface, technical development, and implementation and maintenance.

Recent Developments

On April 12, 2001 Daedalian announced that it had reached an agreement with Bolier Holdings S.A. ("Bolier"), for a subordinated debt facility of \$1,000,000, which would be used for working capital purposes. On May 4, 2001 Daedalian announced that Bolier had been issued five units, each unit being comprised of a note in the amount of \$200,000 and 50,000 common share purchase warrants exercisable at \$0.20 per warrant over a two year period from the closing date of the transaction.

Description of Share Capital

The authorized capital of Daedalian consists of an unlimited number of Daedalian Shares, an unlimited number of Class B preferred shares, an unlimited number of Class C preferred shares, an unlimited number of Class D preferred shares and an unlimited number of Class E preferred shares. As at May 9, 2001, 135,497,601 Daedalian Shares were issued and outstanding. No Class B preferred shares, Class C preferred shares, Class D preferred shares or Class E preferred shares are presently outstanding. Each of the issued and outstanding Daedalian Shares carries the right to one vote. As at May 9, 2001, options to acquire an aggregate of 12,487,231 Daedalian Shares were outstanding pursuant to Daedalian's stock option plan, none of which have an exercise price of less than \$0.17 per Daedalian Share. In

addition, as at May 9, 2001, warrants to acquire an aggregate of 39,558,656 Daedalian Shares were outstanding, none of which have an exercise price of less than \$0.17 per Daedalian Share.

Price Range and Trading Volumes of Daedalian Shares

The Daedalian Shares are listed for trading on the CDNX under the symbol "DAE". The following table sets forth the reported high and low closing prices and trading volumes of the Daedalian Shares on the CDNX for the periods indicated:

	Price Range		Trading Volume
	High	Low	
<i>(Canadian Dollars)</i>			
2000			
November ⁽¹⁾	1.45	1.00	51,250
December (1 to 5) ⁽¹⁾	1.00	1.00	1,800
December (6 to 31)	0.30	0.11	986,100
2001			
January	0.24	0.11	1,667,310
February	0.22	0.15	724,160
March	0.20	0.14	565,325
April	0.19	0.14	1,186,041
May (1 to 15)	0.20	0.12	2,453,412

Note:

⁽¹⁾ Trading activity for Cherryhill Resources Inc.

On May 9, 2001, the last day on which the Daedalian Shares traded prior to the announcement by TELUS of its intention to make the Offer, the closing price of the Daedalian Shares on the CDNX was \$0.16 per share. On May 15, 2001, the closing price of the Daedalian Shares on the CDNX was \$0.15 per share and the closing price of the Non-Voting Shares on the TSE was \$30.90 per share.

Previous Distributions of Daedalian Shares

The Offeror believes that the only distributions of Daedalian securities effected during the five years preceding the date of the Offer (other than distributions of Daedalian Shares or other Daedalian securities pursuant to employee savings plans and stock option plans) are as follows:

Date of Distribution	Number of Daedalian Shares	Price per Daedalian Share	Aggregate Proceeds	Description
November 7, 2000	112,497,251	N/A	N/A	Issued in connection with reverse take-over of Daedalian Systems Group Inc. on the basis of 7.5 Daedalian Shares and Daedalian Share purchase warrants for each common share and common share purchase warrant of Daedalian Systems Group Inc.

December 20, 2000	9,500,000 ⁽¹⁾	\$0.20	\$1,900,000	Private placement of 9,500,000 equity units to 1434670 Ontario Inc., a private Ontario corporation, wholly owned by John McKimm, the chairman of Daedalian. Each equity unit consisted of one Daedalian Share and one Daedalian Share purchase warrant. The warrants are exercisable for two years from the closing date of the private placement at an exercise price of \$0.25 in the first year and \$0.30 in the second year.
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Dividend Record

Based on publicly available information, the Offeror believes that Daedalian has never declared or paid any dividends on the Daedalian Shares.

EFFECT OF THE OFFER ON MARKET AND LISTINGS

The purchase of Daedalian Shares by the Offeror pursuant to the Offer will reduce the number of Daedalian Shares that might otherwise trade publicly, as well as the number of Shareholders, and, depending on the number of holders depositing and the number of Daedalian Shares purchased under the Offer, could adversely affect the liquidity and market value of the remaining Daedalian Shares held by the public. After the purchase of the Daedalian Shares under the Offer, Daedalian may cease to be subject to the public reporting and proxy solicitation requirements of the OBCA and the securities laws of certain provinces of Canada.

The rules and regulations of the CDNX establish certain criteria which, if not met, could lead to the delisting of the Daedalian Shares from such exchange. Among such criteria are the number of holders of Daedalian Shares, the number of Daedalian Shares publicly held and the aggregate market value of the Daedalian Shares publicly held. Depending on the number of Daedalian Shares purchased pursuant to the Offer, it is possible that the Daedalian Shares would fail to meet the criteria for continued listing on the CDNX. If this were to happen, the Daedalian Shares could be delisted and this could, in turn, adversely affect the market or result in a lack of an established market for such Daedalian Shares. It is the intention of the Offeror to apply to delist the Daedalian Shares from the CDNX as soon as practicable after the completion of the Offer or any Compulsory Acquisition or Subsequent Acquisition Transaction, if required.

If the Daedalian Shares are delisted, it is possible that such shares would be traded in the over-the-counter market and that price quotations for those shares would be reported in Canada through the Canadian over-the-counter automated trading system. The extent of the public market for the shares and the availability of such quotations would, however, depend upon the number of Shareholders remaining at such time, the interest in maintaining a market in such shares on the part of brokerage houses and other factors.

ACQUISITION OF DAEDALIAN SHARES NOT DEPOSITED

The purpose of the Offer is to enable the Offeror to acquire all of the outstanding Daedalian Shares. If the Offeror takes up and pays for Daedalian Shares under the Offer, the Offeror intends to utilize the compulsory acquisition provisions of the OBCA, if available, to acquire the remaining Daedalian Shares or, if necessary, to acquire such remaining Daedalian Shares pursuant to a Subsequent Acquisition Transaction, as discussed below.

Compulsory Acquisition

The purpose of the Offer is for the Offeror to acquire all of the outstanding Daedalian Shares. If, by the Expiry Time or within 120 days after the date of the Offer, whichever period is shorter, the Offer is accepted by the holders of not less than 90% of the Daedalian Shares (calculated on a fully-diluted basis) other than Daedalian Shares held at the date of the Offer by or on behalf of the Offeror or its affiliates and associates (as defined in the OBCA), and the Offeror has taken up and paid for such deposited Daedalian Shares, then the Offeror may elect to acquire, pursuant to the provisions of Section 188 of the OBCA, the remainder of the Daedalian Shares held by each Shareholder who did not accept the Offer (a "Dissenting Offeree") (which definition includes any person who subsequently acquires any of such shares), on the same terms, including price, as the Daedalian Shares that were acquired under the Offer (a "Compulsory Acquisition").

To exercise this statutory right, the Offeror must give notice (the "Offeror's Notice") to the Dissenting Offerees and the Director under the OBCA of such proposed acquisition within 60 days after the Expiry Time, and in any event within 180 days after the date of the Offer. Within 20 days after the giving of the Offeror's Notice, the Offeror must pay or transfer to Daedalian the consideration the Offeror would have had to pay or transfer to the Dissenting Offerees if they had elected to accept the Offer, to be held in trust for the Dissenting Offerees. Within ten days of paying to Daedalian the consideration the Offeror would have had to pay to the Dissenting Offerees if they had elected to accept the Offer, the Offeror must give notice of such compliance to all Dissenting Offerees. Within 20 days after the receipt of the Offeror's Notice, each Dissenting Offeree must send the certificates representing the Daedalian Shares to which the Offer relates held by such Dissenting Offeree to Daedalian, and must elect either to transfer such shares to the Offeror on the terms on which the Offeror acquired Daedalian Shares under the Offer or to demand payment of the fair value of such shares by so notifying the Offeror. If a Dissenting Offeree has elected to demand payment of the fair value of that Dissenting Offeree's Daedalian Shares, the Offeror may, within 20 days after it has paid or transferred to Daedalian the consideration described above, apply to a court having jurisdiction to hear an application to fix the fair value of that Dissenting Offeree's Daedalian Shares. If the Offeror fails to so apply to such a court, the Dissenting Offeree may then apply to a court within a period of a further 20 days to have the court fix the fair value of the Dissenting Offeree's Daedalian Shares. If the Dissenting Offeree who elects to demand payment of the fair value of such Dissenting Offeree's Daedalian Shares does not notify the Offeror of such election and does not apply to the applicable court to fix the fair value of such Dissenting Offeree's Daedalian Shares within such period, such Dissenting Offeree shall be deemed to have elected to transfer that Dissenting Offeree's Daedalian Shares to the Offeror on the terms of the Offer. Any judicial determination of the fair value of the Daedalian Shares could be more or less than the amount paid pursuant to the Offer.

The foregoing is only a summary of the right of Compulsory Acquisition which may become available to the Offeror. The summary is not intended to be complete and is qualified in its entirety by the provisions of Section 188 of the OBCA. Holders of Daedalian Shares should refer to Section 188 of the OBCA for the full text of the relevant statutory provisions, a copy of which is attached to this Offer and Circular as Appendix A, and those who wish to be better informed about those provisions should consult their own legal advisors. Section 188 of the OBCA is complex and requires strict adherence to notice and timing provisions, failing which such rights may be lost or altered.

Subsequent Acquisition Transaction

If the Offeror takes up and pays for Daedalian Shares validly deposited under the Offer and the foregoing statutory right of Compulsory Acquisition is not available or the Offeror elects not to pursue such right, the Offeror currently intends to pursue other means of acquiring, directly or indirectly, all the

Daedalian Shares in accordance with applicable law, including by way of a statutory arrangement, amalgamation, capital reorganization or other transaction involving Daedalian and the Offeror or an affiliate of the Offeror (a "Subsequent Acquisition Transaction"). The timing and details of any such transaction will necessarily depend on a variety of factors, including the number of Daedalian Shares acquired pursuant to the Offer. In the event of any such Subsequent Acquisition Transaction, Shareholders, other than the Offeror and its affiliates, could, in accordance with Canadian law, receive cash, Non-Voting Shares (which may be immediately redeemable for cash), debt or any combination thereof. The consideration offered to Shareholders in a Subsequent Acquisition Transaction could have a higher or lower value than the value of the consideration offered for the Daedalian Shares pursuant to the Offer.

Any such Subsequent Acquisition Transaction may also result in Shareholders having the right to dissent in respect thereof and demand payment of the fair value of their Daedalian Shares. The exercise of such right of dissent, if certain procedures are complied with by the holder, could lead to a judicial determination of fair value required to be paid to such dissenting Shareholder for his or her Daedalian Shares. The fair value so determined could be more or less than the amount paid per Daedalian Share pursuant to such transaction or pursuant to the Offer.

OSC Rule 61-501 and Policy Q-27 may deem certain types of Subsequent Acquisition Transactions to be "going private transactions" if such Subsequent Acquisition Transactions would result in the interest of a holder of Daedalian Shares (the "affected securities") being terminated without the consent of the holder and without the substitution therefor of an interest of equivalent value in a participating security of Daedalian, a successor to the business of Daedalian or a person who controls Daedalian or a person who controls a successor to the business of Daedalian. Such methods of acquiring the remaining outstanding Daedalian Shares may also be a "related party transaction" within the meaning of OSC Rule 61-501 and Policy Q-27.

OSC Rule 61-501 and Policy Q-27 provide that, unless exempted, a corporation proposing to carry out a going private transaction or a related party transaction is required to prepare a valuation of the affected securities (and any non-cash consideration being offered therefor) and provide to the holders of the affected securities a summary of such valuation. If the Offeror decides to effect a going private transaction or a related party transaction, the Offeror intends to seek waivers pursuant to OSC Rule 61-501 and Policy Q-27 exempting Daedalian or the Offeror or its affiliates, as appropriate, from the requirement to prepare a valuation in connection with any such transaction proposed by the Offeror.

Depending on the nature and terms of the Subsequent Acquisition Transaction, the provisions of the OBCA may require the approval of at least 66 2/3% of the votes cast by holders of the outstanding Daedalian Shares at a meeting duly called and held for the purpose of approving the Subsequent Acquisition Transaction. OSC Rule 61-501 and Policy Q-27 would also require that, in addition to any other required security holder approval, in order to complete a going private transaction, the approval of a simple majority of the votes cast by "minority" shareholders of the affected securities must be obtained. OSC Rule 61-501 and Policy Q-27 contain similar minority approval requirements for related party transactions. The necessary level of shareholder approval required to complete such a going private or related party transaction is a simple majority of the votes cast by "minority" holders of each class of the affected securities if the consideration offered pursuant to such a transaction is payable entirely in cash or a right to receive cash within 35 days after approval of such transaction, provided that, where a valuation has been required, such consideration is not less than the value, or the simple average of the high and low ends of the range of values, arrived at pursuant to the required valuation; otherwise the necessary level of shareholder approval is 66 2/3% of the votes cast by "minority" holders of each class of the affected securities. In relation to the Offer and any related party or going private transaction, the "minority" holders will be, unless an exemption is available or discretionary relief is granted by the OSC and

CVMQ, all Shareholders other than the Offeror, its directors and senior officers or any associate or affiliate of the Offeror or its directors or senior officers or any person or company acting jointly or in concert with the Offeror or any of its directors or senior officers in connection with the Offer or any subsequent related party or going private transaction. OSC Rule 61-501 and Policy Q-27 also provide that the Offeror may treat Daedalian Shares acquired pursuant to the Offer as "minority" shares and to vote them, or to consider them voted, in favour of such related party or going private transaction if the consideration per security in the related party or going private transaction is at least equal in value to the consideration paid under the Offer. The Offeror currently intends that the consideration offered under any Subsequent Acquisition Transaction proposed by it would be identical to the consideration offered under the Offer and the Offeror intends to cause Daedalian Shares acquired under the Offer to be voted in favour of any such transaction and to be counted as part of any minority approval required in connection with any such transaction.

In addition, under OSC Rule 61-501 and Policy Q-27, if, following the Offer, the Offeror and its affiliates are the registered holders of 90% or more of the Daedalian Shares at the time the Subsequent Acquisition Transaction is initiated, the requirement for minority approval would not apply to the transaction if an enforceable appraisal right or substantial equivalent right is made available to the minority shareholders.

Any Subsequent Acquisition Transaction carried out by the Offeror will likely be by way of an amalgamation or a statutory arrangement pursuant to which the Offeror or a successor corporation would acquire all Daedalian Shares not tendered to the Offer.

See "Canadian Federal Income Tax Considerations" for a discussion of the tax consequences to Shareholders in the event of a Subsequent Acquisition Transaction.

The details of any such Subsequent Acquisition Transaction, including the timing of its implementation and the consideration to be received by the minority Shareholders, would necessarily be subject to a number of considerations, including the number of Daedalian Shares acquired pursuant to the Offer. There can be no assurance that any such transaction will be proposed or, if proposed, effected. Shareholders should consult their own legal advisors for a determination of their legal rights with respect to a Subsequent Acquisition Transaction if and when proposed.

Other Alternatives

If the Offeror proposes a Subsequent Acquisition Transaction but cannot promptly obtain any required approval, or otherwise does not complete a Subsequent Acquisition Transaction, the Offeror will evaluate its other alternatives. Such alternatives could include, to the extent permitted by applicable law, purchasing additional Daedalian Shares in the open market, in privately negotiated transactions, in another takeover bid or exchange offer or otherwise, or taking no further action to acquire additional Daedalian Shares. Any additional purchase of Daedalian Shares could be at a price greater than, equal or less than the price to be paid for the Daedalian Shares under the Offer and could be for cash and/or Non-Voting Shares or other consideration. Alternatively, the Offeror may sell or otherwise dispose of any or all Daedalian Shares acquired pursuant to the Offer or otherwise. Such transactions may be effected on terms and at a price then determined by the Offeror, which may vary from the price paid for Daedalian Shares under the Offer.

Judicial Developments

Certain judicial decisions may be considered relevant to any Subsequent Acquisition Transaction which may be proposed or effected subsequent to the expiry of the Offer. Prior to the pronouncement of

Rule 61-501 and QSC Policy Q-27, Canadian courts have, in a few instances, granted preliminary injunctions to prohibit transactions which constituted "going private transaction" within the meaning of Rule 61-501 and QSC Policy Q-27

In two decisions in 1978, the Supreme Court of Ontario restrained proposed amalgamations which would have had the effect of eliminating the interest which minority shareholders held in one of the amalgamating corporations, without the minority shareholders having been offered the opportunity to receive in exchange participating securities issued by the amalgamated corporation, an affiliate or a successor body corporate, with the result that the existing controlling shareholder would become the sole holder of common shares of the amalgamated corporation. See *Carlton Realty Ltd. v. Maple Leaf Mills Ltd.* (1978), 22 O.R. (2d) 198 and *Alexander v. Westeel-Rosco Ltd.* (1978), 22 O.R. (2d) 211. In light of the specific regulatory framework governing "going private transactions" in Rule 61-501 and QSC Policy Q-27 and the decision of the Supreme Court of Ontario in Lornex described below, the decisions in *Maple Leaf Mills* and *Westeel-Rosco* may be of limited relevance to any Subsequent Acquisition Transaction that may be effected by the Offeror subsequent to the Offer.

In *General Accident Assurance Company of Canada v. Lornex Mining Corporation Ltd.* (1988), 66 O.R. (2d) 783, the Supreme Court of Ontario declined to grant injunctive relief to a minority shareholder of Lornex seeking to prevent a proposed amalgamation squeeze-out transaction which was to follow a take-over bid made through the facilities of the Vancouver Stock Exchange. The minority shareholder also sought an order declaring that the minority shareholders of Lornex were entitled to vote separately as a class in approving the proposed amalgamation. Lornex was not an "offering corporation" as defined in the OBCA so the "going private transaction" provisions of Section 190 of the OBCA were held to be not applicable to it. The Court held that the proposed amalgamation did not contravene the relevant provisions of the OBCA and that, in light of the oppression remedy contained in the OBCA, the OBCA did not require that a separate class vote of the minority shareholders of Lornex be held to approve the amalgamation. The Court further held that the minority shareholder failed to establish that the proposed amalgamation was oppressive or unfairly prejudicial to or unfairly disregarded the rights of the minority shareholders of Lornex.

The Offeror has been advised that the current trend, both in legislation and in the United States jurisprudence upon which the previous Canadian decisions were based, is to permit "going private transactions" to proceed subject to compliance with requirements intended to ensure procedural and substantive fairness to the minority shareholders. This is demonstrated in the release by the Director under the *Canada Business Corporations Act* ("CBCA") of a policy, effective September 22, 1994, stating, among other things, that the Director under the CBCA generally is of the opinion that a going private transaction is permitted under the CBCA so long as the transaction is not oppressive or unfairly prejudicial to and does not unfairly disregard the interests of a person whose interests in a participating security is being terminated without his or her consent, and that, generally, compliance with established regulatory indicia of fairness such as the requirements of Rule 61-501 and QSC Policy Q-27, will suffice for these purposes. Shareholders should consult their legal advisors for a determination of their legal rights.

REGULATORY MATTERS

Competition Act (Canada)

The Competition Act requires pre-merger notification to the Commissioner of Competition transactions that exceed certain financial thresholds, and in the case of share acquisitions, that exceed an additional voting interest threshold. Specifically, pre-merger notification is generally required with respect to transactions in respect of which the parties and their affiliates, in aggregate, have assets in

Canada, or annual gross revenues from sales in, from or into Canada, in excess of \$400 million and which involve the direct or indirect acquisition of assets of an operating business in Canada or a voting interest in a corporation that carries on an operating business in Canada, of which the value of the Canadian assets, or the annual gross revenues from sales in or from Canada generated from such assets, exceeds \$35 million. In the case of an acquisition of voting shares of a corporation that has publicly-traded voting shares, the transaction must also result in the acquiror, or acquirors, together with its or their affiliates, owning voting shares which carry more than 20% of the outstanding votes attached to all outstanding voting shares of the corporation (or more than 50% if the acquiror(s) already hold(s) 20% or more). Based upon an examination of the information available to the Offeror and TELUS relating to the assets and gross revenues from sales of Daedalian, the Offeror believes that pre-merger notification is not required with respect to the Offer.

The Commissioner of Competition may apply to the Competition Tribunal, a specialized tribunal empowered to deal with certain matters under the Competition Act, with respect to a "merger" (as defined in the Competition Act) and, if the Competition Tribunal finds that the merger is likely to prevent or lessen competition substantially, it may order that the merger not proceed or, in the event that the merger has been completed, order its dissolution or the disposition of some or all of the assets or shares involved. The Competition Tribunal also may issue an interim order under the Competition Act prohibiting the completion of the merger for a period of up to 30 days where (a) the Commissioner of Competition has certified that an inquiry is being made under paragraph 10(1)(b) of the Competition Act in connection with the merger and that in his opinion more time is required to complete the inquiry, and (b) the Competition Tribunal finds that, in the absence of an interim order, a party to the merger or any other person is likely to take an action that would substantially impair the ability of the Competition Tribunal to remedy the effect of the merger on competition under section 92 of the Competition Act because that action would be difficult to reverse. The duration of such interim orders may be extended for an additional period of up to 30 days where the Competition Tribunal finds that the Commissioner of Competition is unable to complete his inquiry because of circumstances beyond his control.

Based upon an examination of information available to the Offeror relating to the businesses in which Daedalian and its subsidiaries are engaged, the Offeror believes that the Commissioner of Competition would not likely apply to the Competition Tribunal for an order under the Competition Act and that the Competition Tribunal would not likely make such an order if one were sought in respect of the Offer.

Stock Exchange Listings

The Non-Voting Shares are listed for trading on the TSE and NYSE. The TSE has conditionally approved the listing of the Non-Voting Shares issuable pursuant to the Offer, subject to the fulfillment of the requirements of such exchange. Application has been made to list the Non-Voting Shares issuable pursuant to the Offer on the NYSE.

RISK FACTORS

Prospective holders of the Non-Voting Shares should consider carefully the matters set forth in the section entitled "Risk Factors" in the Renewal Annual Information Form incorporated herein by reference. The major risk factors that could affect TELUS' business results include: increased competition; economic fluctuations; the availability of sufficient financing to permit TELUS to execute its plans; the availability of skilled employees; changing technology and regulatory developments.

DEPOSITARY

The Offeror has engaged the Depositary for the receipt of certificates in respect of Daedalian Shares and related Letters of Transmittal and Notices of Guaranteed Delivery deposited under the Offer and to make the payment for Daedalian Shares purchased by the Offeror pursuant to the Offer. The Depositary will receive reasonable and customary compensation from the Offeror for their services in connection with the Offer, will be reimbursed for certain out-of-pocket expenses and will be indemnified against certain liabilities, including liabilities under securities laws and expenses in connection therewith. No fee or commission will be payable by any holder of Daedalian Shares who transmits his, her or its Daedalian Shares directly to the Depositary.

FINANCIAL ADVISOR

RBC Dominion Securities Inc. has been retained to act as financial advisor to the Offeror and TELUS in connection with the Offer and will receive fees in that regard.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Bennett Jones LLP, counsel to the Offeror, the following is, as of the date hereof, a fair and adequate summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable to Shareholders who dispose of Daedalian Shares pursuant to the Offer or otherwise dispose of Daedalian Shares pursuant to certain transactions described in the Circular under "Acquisition of Daedalian Shares Not Deposited."

This summary is intended to apply only to Shareholders who, for the purposes of the Tax Act, hold their Daedalian Shares as capital property and deal at arm's length with the Offeror. Such securities will generally constitute capital property to a holder unless the holder is a trader or dealer in respect of the securities, holds the securities in the course of carrying on a business or has acquired the securities in a transaction or transactions considered to be an adventure in the nature of trade. Certain Shareholders who are residents of Canada, for the purposes of the Tax Act, and whose Daedalian Shares might not constitute capital property may be entitled to make an irrevocable election, pursuant to subsection 39(4) of the Tax Act, to have such shares treated as capital property, for the purposes of the Tax Act. This summary is not applicable to Shareholders who are financial institutions, for the purposes of mark-to-market provisions of the Tax Act, who are specified financial institutions, for the purposes of the Tax Act, or who carry on an insurance business in Canada, or elsewhere, and any such Shareholders should obtain independent advice as to the Canadian federal income tax consequences to them of disposing of their Daedalian Shares pursuant to the Offer.

This summary is based on the current provisions of the Tax Act, the regulations thereunder and counsel's understanding of the current administrative policies and assessing practices of the Canada Customs and Revenue Agency (the "CCRA"). In addition, this summary takes into account all specific proposals to amend the Tax Act which have been publicly announced by the Department of Finance (Canada) (the "Tax Proposals") prior to the date hereof. However, there is no assurance that the Tax Proposals will be enacted in their current form, or at all. This summary does not otherwise take into account or anticipate any changes in law, whether by judicial, governmental or legislative decision or action, and it does not take into account provincial, territorial or foreign income tax legislation or considerations, which may differ significantly from those discussed herein.

This summary is of a general nature only, is not exhaustive of all Canadian federal income tax consequences, and is not intended to be, and should not be, construed to be legal or tax advice to any person, and no representation with respect to Canadian federal income tax consequences to any person is

made herein. Accordingly, Shareholders should consult their own tax advisors with respect to their particular circumstances.

Residents of Canada

The following portion of this summary is specifically applicable to Shareholders who, at all relevant times, are or are deemed to be resident in Canada, for the purposes of the Tax Act.

Exchange of Daedalian Shares for Non-Voting Shares

A Shareholder who exchanges Daedalian Shares for Non-Voting Shares pursuant to the Offer will be considered to have disposed of the Daedalian Shares, for the purposes of the Tax Act, in exchange for the Non-Voting Shares, plus cash in lieu of any fractional Non-Voting Share. Such Shareholders will realize a capital gain (or a capital loss) equal to the amount by which the fair market value of the Non-Voting Shares, plus cash in lieu of any fractional Non-Voting Share, received on the exchange, net of any reasonable costs of disposition, exceeds (or is exceeded by) the adjusted cost base of such Daedalian Shares immediately before the time of the disposition.

One-half of the amount of any such capital gain (a "taxable capital gain") must be included in computing income in the taxation year of the disposition, and one-half of the amount of any such capital loss (an "allowable capital loss") may be deducted from taxable capital gains realized by the holder in that taxation year. Allowable capital losses in excess of taxable capital gains may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act. A capital gain realized by an individual may give rise to a liability for alternative minimum tax. A holder that is a Canadian-controlled private corporation, as defined in the Tax Act, may also be liable for an additional refundable tax of 6²/₃% on investment income, which generally includes taxable capital gains. If the Tax Proposals are not enacted as proposed, the inclusion rate of one-half for capital gains and losses will be three-quarters as it is under the present provisions of the Tax Act.

The cost of Non-Voting Shares acquired by a Shareholder on an exchange of Daedalian Shares for Non-Voting Shares pursuant to the Offer will be equal to the fair market value of such Non-Voting Shares, and such cost will be required to be averaged with the adjusted cost base of all other Non-Voting Shares which are held by such Shareholder as capital property.

Compulsory Acquisition

As described under "Acquisition of Daedalian Shares Not Deposited", in the Circular, the Offeror may acquire Daedalian Shares not deposited under the Offer pursuant to a Compulsory Acquisition. A Shareholder whose Daedalian Shares are acquired pursuant to a Compulsory Acquisition will generally be subject to the same tax consequences as those described above in relation to an exchange of Daedalian Shares for Non-Voting Shares, plus cash received in lieu of any fractional Non-Voting Share.

Subsequent Acquisition Transaction

As further described under "Acquisition of Daedalian Shares Not Deposited", in the Circular, it is the current intention of the Offeror to consider other means of acquiring, directly or indirectly, all of the Daedalian Shares not deposited under the Offer pursuant to a Subsequent Acquisition Transaction. The income tax consequences to a Shareholder of a Subsequent Acquisition Transaction will depend upon the nature of the transaction, and could include a deemed dividend, a capital gain or loss or both a deemed

dividend and a capital gain or loss. Shareholders are urged to consult their own tax advisors to determine the income tax consequences to them of a Subsequent Acquisition Transaction.

Non-Residents of Canada

The following portion of this summary is specifically applicable to Shareholders (“Non-Resident Shareholders”) who, at all relevant times, are not and are not deemed to be resident in Canada, for the purposes of the Tax Act, and do not use or hold, and are not deemed to use or hold, their Daedalian Shares in the course of carrying on a business in Canada. Special rules may apply to Non-Resident Shareholders who are insurers that carry on an insurance business in Canada, or elsewhere. Any such Non-Resident Shareholders are urged to consult their own tax advisors.

Exchange of Daedalian Shares for Non-Voting Shares

A Non-Resident Shareholder who exchanges Daedalian Shares for Non-Voting Shares plus cash in lieu of any fractional Non-Voting Share, pursuant to the Offer will be considered to have disposed of the Daedalian Shares for the purposes of the Tax Act, and will be considered to have received proceeds of disposition equal to the fair market value of the Non-Voting Shares, plus cash received in lieu of any fractional Non-Voting Share, received on the exchange.

A Non-Resident Shareholder will not be subject to tax under the Tax Act in respect of any capital gain realized by such Non-Resident Shareholder on the disposition of Daedalian Shares unless such Daedalian Shares constitute taxable Canadian property to such Non-Resident Shareholder, for the purposes of the Tax Act, and such Non-Resident Shareholder is not otherwise entitled to relief under an applicable tax treaty or convention. As long as Daedalian Shares remain listed on a prescribed stock exchange, for the purposes of the Tax Act, (which includes the TSE), such Daedalian Shares will not generally be taxable Canadian property of a Non-Resident Shareholder unless, at any time during the five-year period immediately preceding the disposition of such Daedalian Shares, such Non-Resident Shareholder, together with persons with whom such Non-Resident Shareholder does not deal at arm’s length, owned or is considered to own (or had an option to acquire) not less than 25% of the issued shares of any class or series of shares of the capital stock of Daedalian.

Compulsory Acquisition

As described under “Acquisition of Daedalian Shares Not Deposited”, in the Circular, the Offeror may acquire Daedalian Shares not deposited under the Offer pursuant to a Compulsory Acquisition. A Non-Resident Shareholder whose Daedalian Shares are acquired pursuant to a Compulsory Acquisition will generally be subject to the same tax consequences as those described above in relation to an exchange of Daedalian Shares for Non-Voting Shares, plus cash in lieu of any fractional Non-Voting Share.

Subsequent Acquisition Transaction

As further described under “Acquisition of Daedalian Shares Not Deposited,” in the Circular, it is the current intention of the Offeror to consider other means of acquiring, directly or indirectly, all of the Daedalian Shares not deposited under the Offer pursuant to a Subsequent Acquisition Transaction. The income tax consequences to a Non-Resident Shareholder of a Subsequent Acquisition Transaction will depend upon the nature of the transaction, and could include a deemed dividend, a capital gain or loss or both a deemed dividend and a capital gain or loss. Non-Resident Shareholders are urged to consult their own tax advisors to determine the income tax consequences to them of a Subsequent Acquisition Transaction.

Any interest or deemed dividends received by Non-Resident Shareholders as part of a Subsequent Acquisition Transaction will be subject to non-resident withholding tax at a rate of 25% or such lower rate as may be provided for under the terms of an applicable income tax treaty or convention.

EXPENSES OF THE OFFER

The Offeror estimates that the fees and expenses of the Offer will amount to approximately \$900,000. Such fees and expenses will be paid out of TELUS' working capital balances.

OWNERSHIP OF SECURITIES OF DAEDALIAN

Pursuant to the Lock-Up Agreements certain shareholders, directors and officers of Daedalian have agreed to tender approximately 102,000,000 Daedalian Shares to the Offer (representing approximately 75% of the outstanding Daedalian Shares). See "Background to the Offers – Lock-Up Agreements".

Other than pursuant to the Lock Up Agreements, neither the Offeror nor TELUS, nor any director or officer of the Offeror or TELUS beneficially owns, directly or indirectly, or controls or exercises direction over, or has the right to acquire, any Daedalian Shares. To the knowledge of the directors and senior officers of the Offeror and TELUS, after reasonable inquiry, no securities of Daedalian are owned by, directly or indirectly, nor is control or direction over any securities of Daedalian exercised by, any associate or affiliate of the Offeror or TELUS, by any associate of any director or officer of the Offeror or TELUS, or by any person or company who beneficially owns, directly or indirectly, more than 10% of any class of equity securities of the Offeror or TELUS.

There is no person or company acting jointly or in concert with TELUS in connection with the transactions described in the Offer and this Circular.

TRADING IN SECURITIES OF DAEDALIAN

During the six-month period preceding the date of the Offer, no securities of Daedalian have been traded by TELUS or any director or officer of the Offeror or TELUS or, to the knowledge of the directors and senior officers of the Offeror or TELUS, after reasonable inquiry, by any associate or affiliate of the Offeror or TELUS, by any associate of any director or officer of the Offeror or TELUS, by any person or company who beneficially owns, directly or indirectly, more than 10% of any class of equity securities of the Offeror or TELUS or by any person or company acting jointly or in concert with the Offeror or TELUS.

COMMITMENTS TO ACQUIRE SECURITIES OF DAEDALIAN

The Pre-Acquisition Agreement and the Lock-up Agreements with certain officers and directors of Daedalian are the only commitments by the Offeror or TELUS to acquire equity securities of Daedalian. Other than pursuant to the Pre-Acquisition Agreement and the Lock-up Agreements, neither the Offeror nor TELUS nor any of their directors or senior officers has any commitment to acquire equity securities of Daedalian and, to the knowledge of such directors and senior officers after reasonable inquiry, no associates of the directors and senior officers of the Offeror or TELUS, any person or company acting jointly or in concurrent with the Offeror or TELUS or any person or company who beneficially owns, directly or indirectly, more than 10% of any class of equity securities of either of the Offeror or TELUS. See "Background to the Offers – Shareholders Agreements and Related Agreements".

ARRANGEMENTS, AGREEMENTS OR UNDERSTANDINGS

Other than the Pre-Acquisition Agreement and the Lock-Up Agreements, there are no contracts, arrangements or agreements made or proposed to be made between the Offeror or TELUS or their affiliates and any of the directors or senior officers of Daedalian and no payments or other benefits are proposed to be made or given by way of compensation for loss of office or as to such directors or senior officers remaining in or retiring from office if the Offer is successful.

Other than the Pre-Acquisition Agreement and the Lock-up Agreements, there are no contracts, arrangements or understandings, formal or informal, between the Offeror or TELUS or their affiliates and any Shareholder with respect to the Offer or between the Offeror or TELUS and any person or company with respect to any securities of Daedalian in relation to the Offer.

Other than business relationships in the usual course of telecommunications business, there are no business relationships between the Offeror or TELUS, their respective associates or affiliates and Daedalian that are material to any of them with the exception of the Pre-Acquisition Agreement.

MATERIAL CHANGES IN THE AFFAIRS OF DAEDALIAN AND OTHER INFORMATION

Except as disclosed herein or in the Directors' Circular of Daedalian, neither the Offeror nor TELUS have any information which indicates any material change in the affairs of Daedalian since January 31, 2001, the date of the latest financial statements of Daedalian, being the unaudited interim consolidated financial statements for the nine months then ended.

Neither the Offeror nor TELUS have any knowledge of any other matter that has not previously been generally disclosed but which would reasonably be expected to affect the decision of Shareholders to accept or reject the Offer.

ACCEPTANCE OF THE OFFER

Daedalian has announced that all of the directors and senior officers of Daedalian and, to the knowledge of the directors and senior officers of Daedalian, after reasonable enquiry, their respective associates, intend to deposit to the Offer all Daedalian Shares which are owned or over which control or direction is exercised by such persons. Other than as a result of the Lock-Up Agreements, neither the Offeror nor TELUS have any knowledge regarding whether any Shareholders (other than the directors and senior officers of Daedalian) will accept the Offer.

LEGAL MATTERS

Legal matters on behalf of the Offeror and TELUS will be passed upon by, and the opinions contained under "Canadian Federal Income Tax Considerations" and "TELUS - Eligibility For Investment" have been provided by, Bennett Jones LLP, counsel to the Offeror and TELUS. As of May 15, 2001, the partners and associates of Bennett Jones LLP owned less than 1% of the issued and outstanding Non-Voting Shares.

STATUTORY RIGHTS

Securities legislation in certain of the provinces and territories of Canada provides the Shareholders with, in addition to any other rights they may have at law, rights of rescission or to damages, or both, if there is a misrepresentation in a circular or a notice that is required to be delivered to the Shareholders. However, such rights must be exercised within prescribed time limits. Shareholders

should refer to the applicable provisions of the securities legislation of their province or territory for particulars of those rights or consult with a lawyer.

APPROVAL AND CERTIFICATE OF THE OFFEROR

The contents of the Offer and the Circular have been approved and the sending, communication or delivery thereof to the Shareholders has been authorized by the board of directors of the Offeror.

The foregoing, together with the documents incorporated herein by reference, contain no untrue statement of a material fact and do not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. In addition, the foregoing, together with the documents incorporated herein by reference, do not contain any misrepresentation likely to affect the value or the market price of the securities which are the subject of the Offer.

DATED at Burnaby, British Columbia the 16th day of May, 2001.

(signed) JAMES W. PETERS
President and
Chief Executive Officer

(signed) ROBERT G. MCFARLANE
Executive Vice President and
Chief Financial Officer

On behalf of the Board of Directors

(signed) ROBERT J. DARDI
Director

(signed) BARRY A. BAPTIE
Director

**APPENDIX A – SECTION 187 AND 188
OF THE *BUSINESS CORPORATIONS ACT* (ONTARIO)**

Application

187. (1) This Part applies only to an offering corporation.

Definitions

(2) In this Part,

"dissenting offeree" means a person to whom a take-over bid or issuer bid is made who does not accept the take-over bid or issuer bid and includes a person who subsequently acquires a security that is the subject of the bid; ("pollicité dissident")

"equity security" means any security other than a debt obligation of a corporation; ("titre de participation")

"issuer bid" means an offer made by a corporation to security holders to purchase, redeem or otherwise acquire any or all of a class of the securities of the corporation, other than where,

(a) the securities to be purchased, redeemed or otherwise acquired are debt securities that are not convertible into equity securities,

(b) the securities are to be purchased, redeemed or otherwise acquired in accordance with the terms and conditions thereof or otherwise agreed to at the time they were issued or subsequently varied by amendment of the documents setting out those terms and conditions, or are acquired to meet sinking fund requirements or from an employee or a former employee of the issuer or of an affiliate, or

(c) the purchases, redemptions or other acquisitions to be made are required by the instrument creating or governing the class of securities or by this Act; ("offre de l'émetteur")

"offeree" means a person to whom a take-over bid or an issuer bid is made; ("pollicité")

"offeree corporation" means a corporation whose securities are the subject of a take-over bid; ("société pollicitée")

"offeror" means a person, other than an agent, who makes a take-over bid or an issuer bid; ("pollicitant")

"take-over bid" means an offer made to security holders of an offeree corporation to purchase directly or indirectly voting securities of the offeree corporation, where the voting securities that are the subject of the offer to purchase, the acceptance of the offer to sell or the Pre-Acquisition thereof, as the case may be, together with the securities currently owned by the offeror, its affiliates and associates will carry, in the aggregate, 10 per cent or more of the voting rights attached to the voting securities of the offeree corporation that would be outstanding on exercise of all currently exercisable rights of purchase, conversion or exchange relating to voting securities of the offeree corporation; ("offre d'achat visant à la mainmise")

"voting security" includes,

(a) a security currently convertible into a voting security or into another security that is convertible into a voting security,

(b) a currently exercisable option or right to acquire a voting security or another security that is convertible into a voting security, or

(c) a security carrying an option or right referred to in clause (b). ("valeur mobilière avec droit de vote")

Take-over or issuer bid

188. (1) If within 120 days after the date of a take-over bid or an issuer bid, the bid is accepted by the holders of not less than 90 per cent of the securities of any class of securities to which the bid relates, other than securities held at the date of the bid by or on behalf of the offeror, or an affiliate or associate of the offeror, the offeror is entitled, upon complying with this section, to acquire the securities held by dissenting offerees.

Shares of dissenting offeree

(2) An offeror may acquire the securities of any class to which the bid relates that are held by a dissenting offeree by sending, on or before the earlier of the sixtieth day following the termination of the bid and the one hundred and eightieth day following the date of the bid, an offeror's notice to each dissenting offeree stating in substance that,

(a) offerees holding more than 90 per cent of the securities to which the bid relates other than securities held at the date of the bid by or on behalf of the offeror or an affiliate or associate of the offeror have accepted the bid;

(b) the offeror is bound to take up and pay for or has taken up and paid for the securities of the offerees who accepted the bid;

(c) a dissenting offeree is required to elect,

(i) to transfer his, her or its securities to the offeror on the terms on which the offeror acquired the securities of the offerees who accepted the bid, or

(ii) to demand payment of the fair value of his, her or its securities in accordance with subsections (13) to (21) by notifying the offeror within twenty days after receipt of the offeror's notice;

(d) a dissenting offeree who does not notify the offeror in accordance with subclause (c) (ii) is deemed to have elected to transfer his, her or its securities to the offeror on the same terms that the offeror acquired the securities from the offerees who accepted the bid; and

(e) a dissenting offeree must send the certificates representing his, her or its securities to which the bid relates to the offeree corporation or, in the case of an issuer bid, to the offeror within twenty days after the dissenting offeree receives the offeror's notice.

Notice

(3) In the case of,

(a) a take-over bid, concurrently with sending the offeror's notice under subsection (2), the offeror shall send or deliver to the offeree corporation a notice of adverse claim in accordance with section 88 with respect to each share held by a dissenting offeree; or

(b) an issuer bid, the offeror shall be deemed to have notice of an adverse claim for the purpose of section 88 with respect to each share held by a dissenting offeree.

Sending in share certificates

(4) A dissenting offeree to whom an offeror's notice is sent under subsection (2) shall, within twenty days after receiving that notice,

(a) send the certificates representing his, her or its securities to which the take-over bid relates to the offeree corporation; or

(b) send the certificates representing his, her or its securities to which the issuer bid relates to the offeror.

Payment by offeror

(5) Within twenty days after the offeror sends an offeror's notice under subsection (2), the offeror shall pay or transfer to the offeree corporation the amount of money or other consideration that the offeror would have had to pay or transfer to all dissenting offerees if they had elected to accept the take-over bid under subclause (2) (c) (i).

Trust funds

(6) An offeree corporation is deemed to hold in trust for dissenting offerees the money or other consideration it receives under subsection (5), and the offeree corporation shall deposit the money in a separate account in a bank or other body corporate any of whose deposits are insured by the Canada Deposit Insurance Corporation and shall place the other consideration in the custody of a bank or other such body corporate.

Idem

(7) The offeror making an issuer bid is deemed to hold in trust for dissenting offerees the money or other consideration that the offeror would have had to pay or transfer to all dissenting offerees if they had elected to accept the issuer bid under subclause (2) (c) (i) and, within twenty days after the issuer sends an offeror's notice under subsection (2), the issuer shall deposit any such money in a separate account in a bank or other body corporate any of whose deposits are insured by the Canada Deposit Insurance Corporation and shall place the other consideration in the custody of a bank or such other body corporate within twenty days after the offeror sends an offeror's notice under subsection (2).

Notice of compliance

(8) Within ten days after the offeror complies with subsection (5) or subsection (7), as the case may be, the offeror shall give notice of the date of such compliance to all dissenting offerees.

Application to court

(9) At any time prior to the thirtieth day following the day upon which the offeror's notice referred to in subsection (2) is sent to dissenting offerees, a dissenting offeree who has demanded payment of the fair value of his, her or its securities in accordance with subclause (2) (c) (ii) may apply to the court for an

order requiring the person who has sent the offeror's notice to provide, in such form as the court considers appropriate, such additional security for payment to dissenting offerees of the fair value of their securities as the court may determine to be necessary, pending the determination of such fair value.

Where shares deemed acquired

- (10) The securities of all dissenting offerees shall be deemed to have been acquired by the offeror,
- (a) where an application under subsection (9) has not been made within the time set out in subsection (9), upon the expiration of that time; or
 - (b) where an application has been made under subsection (9), upon compliance with the order made in respect of the application.

Duties of offeree corporation

(11) Within ten days after the acquisition of the securities of dissenting offerees under subsection (10) by an offeror who has made a take-over bid, the offeree corporation shall,

- (a) issue to the offeror a security certificate in respect of the securities that were held by dissenting offerees;
- (b) send to each dissenting offeree who elects to accept the take-over bid terms under subclause (2) (c) (i) and who sends his, her or its security certificates as required under clause (4) (a), the money or other consideration to which the dissenting offeree is entitled; and
- (c) send to each dissenting offeree who has not sent his, her or its security certificates as required under clause (4) (a), notice stating in substance that,
 - (i) the certificates representing the dissenting offeree's securities have been cancelled,
 - (ii) the offeree corporation or some designated person holds in trust for the dissenting offeree the money or other consideration to which the dissenting offeree is entitled as payment for or in exchange for his, her or its securities, and
 - (iii) the offeree corporation will, subject to subsections (13) to (21), send that money or other consideration to the dissenting offeree forthwith after receiving his, her or its securities.

Payment by offeror

(12) Within ten days after the acquisition of the securities of dissenting offerees under subsection (10) by an offeror who has made an issuer bid, the offeror shall,

- (a) send to each dissenting offeree who elects to accept the issuer bid terms under subclause (2) (c) (i) and who sends his, her or its security certificates as required under clause (4) (b), the money or other consideration to which the dissenting offeree is entitled; and
- (b) send to each dissenting offeree who has not sent his, her or its security certificates as required under clause (4) (b) a notice stating in substance that,

- (i) the certificates representing the dissenting offeree's securities have been cancelled,
- (ii) the offeror or some designated person holds in trust for the dissenting offeree the money or other consideration to which the dissenting offeree is entitled as payment for or in exchange for his, her or its securities, and
- (iii) the offeror will, subject to subsections (13) to (21), send that money or other consideration to the dissenting offeree forthwith after receiving his, her or its securities.

Application to fix fair value

(13) If a dissenting offeree has elected to demand payment of the fair value of his, her or its securities under subclause (2) (c) (ii), the offeror may, in the case of a take-over bid, within twenty days after it has complied with subsection (5) or, in the case of an issuer bid, within twenty days after it has complied with subsection (7), apply to the court to fix the fair value of the securities of that dissenting offeree.

Idem

(14) If an offeror fails to apply to the court under subsection (13), a dissenting offeree may apply to the court for the same purpose within a further period of twenty days.

Where no application

(15) If no application is made to the court under subsection (13) or (14) within the periods set out in those subsections, a dissenting offeree is deemed to have elected to transfer his, her or its securities to the offeror on the same terms that the offeror acquired the securities from offerees who accepted the take-over or issuer bid and, provided that the dissenting offeree has complied with subsection (4), the issuer or the offeree corporation, as the case may be, shall pay or transfer to the dissenting offeree the money or other consideration to which the dissenting offeree is entitled.

Security for costs not required

(16) A dissenting offeree is not required to give security for costs in an application made under subsection (13) or (14).

Parties

(17) Upon an application under subsection (13) or (14),

- (a) all dissenting offerees referred to in subclause (2) (c) (ii) whose securities have not been acquired by the offeror shall be joined as parties and are bound by the decision of the court; and
- (b) the offeror shall notify each such dissenting offeree of the date, place and consequences of the application and of the dissenting offeree's right to appear and be heard in person or by counsel.

Idem

(18) Upon an application to the court under subsection (13) or (14), the court may determine whether any other person is a dissenting offeree who should be joined as a party, and the court shall then fix a fair value for the securities of all dissenting offerees.

Appointment of appraisers

(19) The court may appoint one or more appraisers to assist the court in fixing a fair value for the securities of each dissenting offeree.

Final order

(20) The final order of the court shall be made against the offeror in favour of each dissenting offeree.

What court may order

(21) In connection with proceedings under this section, the court may make any order it thinks fit and, without limiting the generality of the foregoing, it may,

(a) fix the amount of money or other consideration that is required to be held in trust under subsection (6) or (7);

(b) order that the money or other consideration be held in trust by a person other than,

(i) the offeree corporation, or

(ii) in the case of an issuer bid, the offeror corporation;

(c) allow a reasonable rate of interest on the amount payable to each dissenting offeree from the date the dissenting offeree sends his, her or its security certificates under subsection (4) until the date of payment; or

(d) order that any money payable to a dissenting offeree who cannot be found be paid to the Public Trustee.

Offices of the Depositary, Computershare Trust Company of Canada

Telephone: (403) 267-6555
Facsimile: (403) 266-1490
Toll Free (Canada): 1-888-267-6555

By Hand, Mail and Courier

Calgary

Corporate Actions Department
600, 530 – 8th Avenue S.W.
Calgary, Alberta
T2P 3S8
Telephone: (403) 267-6555
Facsimile: (403) 266-1490
Toll Free: 1-888-267-6555

Toronto

Corporate Actions Department
151 Front Street West
8th Floor
Toronto, Ontario
M5J 2N1
Telephone: (416) 981-9596
Facsimile: (416) 981-9600