MTS

Manitoba Telecom Services Inc.
Annual Information Form
for the year ended December 31, 2006

March 21, 2007

CORPORATE STRUCTURE 1
- Name and incorporation 1
- Intercorporate relationships 1

GENERAL DEVELOPMENT OF THE BUSINESS 1
- Business review 1
  - A sharpened strategic focus 2
  - Sale of non-core assets 2
  - Share buyback program 2
  - Transition Phase II cost reduction program 2
- Acquisition and integration of Allstream 2
- Initiatives to streamline business operations 3
- Key business arrangements with Bell 3
- Investment in broadband network 4
- Regulatory developments 4
  - Telecommunications policy review 5
  - Essential facilities 5
  - Deferral account 5
  - VoIP services 5
  - Local forbearance 6
  - Price caps 6

DESCRIPTION OF THE BUSINESS 6
- Corporate strategy 6
- Business segments 7
  - Data services 8
  - Local services 9
  - Long distance services 9
  - Wireless services 10
  - Other 10
- Employee relations 11
- Distribution channels 11
- Property, plant and equipment and distribution arrangements 12
- Environmental policy 13
- Social responsibility 13
- Risk factors 14
  - Changes in competitive conditions 14
  - Accelerated pricing pressure in legacy services 14
  - AT&T relationship 14
  - Bell Mobility agreement 14
  - Changes in CRTC regulation 15
  - Pension solvency funding 15
  - Market conditions and economic fluctuations 15
  - Collective agreements 15
  - Rapid technological change and displacement 15
  - Competition Bureau review of Allstream acquisition 15
  - Allstream/Inukshuk/NR Communications venture 16
- Reorganizations 16

INCOME TAXES 16

LEGAL PROCEEDINGS 16

CAPITAL STRUCTURE 17
- General description 17
- Credit facilities 17
- Credit ratings 17
- Constraints 18
- Substantial issuer bid 18
- Normal course issuer bids 19
- Dividend policy 19

MARKET FOR SECURITIES 19

DIRECTORS AND OFFICERS 19
- Directors 19
- Officers 21

AUDIT COMMITTEE 22
- Charter 22
- Policy on engagement of external auditors 28
- External auditor service fees 28
- Composition 28

TRANSFER AGENT AND REGISTRAR 30

ADDITIONAL INFORMATION 30

In this Annual Information Form ("AIF"), "we", "our" and "us" refer to Manitoba Telecom Services Inc. and, where the context so requires, to its subsidiaries. This AIF and the financial information contained herein have been reviewed by our Audit Committee and approved by our Board of Directors.

This AIF includes forward-looking statements about our corporate direction and financial objectives that are subject to risks, uncertainties and assumptions. As a consequence, actual results in the future may differ materially from any conclusion, forecast or projection in such forward-looking information. Examples of statements that constitute forward-looking information may be identified by words such as "believe", "expect", "project", "anticipate", "could", "target", "forecast", "intend", "plan", "outlook", "pending" and other similar terms. Factors that could cause actual results to differ materially from those expected, and the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in such forward-looking information, include, but are not limited to, the items identified in the "Risk factors" section of this AIF. Please note that forward-looking statements reflect our expectations as at March 21, 2007. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. This AIF, along with additional information relating to our company, is available on SEDAR at www.sedar.com.

CORPORATE STRUCTURE

Name and incorporation

Manitoba Telecom Services Inc. ("MTS" or the "Company") is the successor corporation to The Manitoba Telephone System, a Crown corporation that was incorporated by special statute of the Province of Manitoba on April 28, 1933. On January 7, 1997, MTS was continued as a share capital corporation pursuant to *The Manitoba Telephone System Reorganization and Consequential Amendments Act* (Manitoba). MTS subsequently was continued under *The Corporations Act* (Manitoba) pursuant to a Certificate and Articles of Continuance dated April 5, 2000. MTS's articles, as amended, were restated by Certificates and Restated Articles of Incorporation dated May 15, 2001 and June 28, 2004. Pursuant to a Certificate and Articles of Amalgamation dated August 3, 2004, MTS amalgamated with its wholly owned subsidiary, Qunara Inc. ("Qunara"), to form an amalgamated company operating under the name MTS.

Our head and registered office is located at 333 Main Street, PO Box 6666, Winnipeg, Manitoba R3C 3V6.

Intercorporate relationships

MTS owns 100% of the issued and outstanding shares of its main operating subsidiary, MTS Allstream Inc., which was amalgamated under the *Canada Business Corporations Act*.

GENERAL DEVELOPMENT OF THE BUSINESS

The general development of our business over the last three years has been influenced by several events, including:

- the strategic review of our business operations during 2006, resulting in a revised and refocused strategy, the disposition of non-core assets, the launch of a normal course issuer bid, and the completion of our Transition Phase II cost reduction program;
- the acquisition and integration of Allstream Inc. effective June 4, 2004;
- initiatives to streamline our business operations;
- the establishment and subsequent restructuring of key business arrangements with Bell Canada ("Bell");
- our investment in our broadband network; and
- regulatory developments.

Each of these developments is described below.

Business review

On January 31, 2006, we initiated a comprehensive business review aimed at delivering long-term value to our investors and customers. This business review was undertaken to evaluate our competitive position and strategic opportunities for creating and delivering shareholder value. The review involved extensive consultations between our Board of Directors and management, as well as discussions with external financial advisors and industry consultants.

On December 13, 2006, we announced the completion of this review, and provided our outlook for 2007 and related business plans. These plans call for us to distribute 70% to 80% of our annual distributable cash flow to our shareholders and sharpen our strategic focus on growth opportunities in key segments of the national business market and within Manitoba, where we remain the clear market leader.

A sharpened strategic focus

We have a unique position in the Canadian communication services industry. We are the leading full-service communications provider in Manitoba and a leading presence in national enterprise markets.

In addition to serving our current markets, the business review also identified opportunities to increase our focus on serving the national mid-market and small business segments. Our mid-market strategy is centred on the availability of our market-leading Internet protocol ("IP") network in major urban centres.

In our Consumer Markets division, where local competition continues to be strong, our emphasis will be on growth products and bundles in areas such as high-speed Internet, wireless and digital television services. Our goal is to maintain our position as the one-stop provider of clear choice to Manitoba households and consumers, and to deliver double-digit growth in our Internet, digital television and wireless services in 2007 in a more competitive and deregulated market. We anticipate that local service will be forborne in Winnipeg by the end of 2007, which will enhance our ability to compete against new market entrants.

In our Enterprise Solutions division, we will build on our established leadership in advanced IP, multiprotocol label switching solutions and unified communications. As part of this new strategy, we will strive to reduce our direct costs through the migration of customers to our network, and will continue to improve our productivity and cost structure. From a growth perspective, revenues from our IP connectivity and unified communications product lines are forecasted to grow at double-digit rates.

Sale of non-core assets

On October 2, 2006, we announced that we had closed a transaction to sell our directories business to Yellow Pages Group Co. This transaction had a value of $281 million, of which $275 million was paid to us in cash upon closing, and resulted in the recognition of a gain on sale of $189.3 million. On December 28, 2006, we announced that we had closed a transaction regarding the sale of our two office buildings in downtown Winnipeg for a price of $51.1 million. This sale resulted in the recognition of a gain on sale of $28.7 million. As part of this transaction, we signed a 15-year lease to leaseback the office space that we currently occupy, and, therefore, the gain on this sale is being deferred and amortized over the term of the lease.

The proceeds from the sale of these non-core assets are being used to finance our $320 million share buyback program.

Share buyback program

On December 13, 2006, we received approval from The Toronto Stock Exchange ("TSX") of our Notice of Intention to make a Normal Course Issuer Bid (the "Issuer Bid"), which commenced on December 18, 2006. Pursuant to the Issuer Bid, we may purchase for cancellation up to 6,807,624 Common Shares, or 10% of the public float. These purchases are being financed by the sale of non-core assets as described above. As at March 21, 2007, we have purchased for cancellation 3.1 million Common Shares at a cost of approximately $143.2 million.

Transition Phase II cost reduction program

On November 29, 2005, we launched our Transition Phase II cost reduction program (the "TP2 cost reduction program") to position us to grow profitably and to improve our cash flows in the rapidly changing telecommunications industry. Our TP2 cost reduction program builds on the success of our initial integration project by refining our market focus and aligning our cost structure for long-term competitive success. The objective of this program was to achieve $100 million in annualized expense savings over two years. During 2006, we identified further cost saving opportunities and expanded our program to target annualized expense savings of $120 million, with no change to the expected overall cost of the program. As at December 31, 2006, we have achieved $109 million in cost savings, exceeding our two-year target in one year. While we have completed substantially all of the activities under our TP2 cost reduction program, employee reductions will continue in 2007, and cost reductions will be considered to be achieved on the respective employee departure dates. We expect to achieve total annualized expense savings of approximately $120 million, with 90% of the related departures scheduled to occur by the end of the first quarter of 2007.

Acquisition and integration of Allstream Inc.

On June 4, 2004, we acquired 100% of the issued and outstanding Class A voting shares and Class B limited voting shares of Allstream Inc. for total consideration of $1,578.8 million. Allstream Inc. was a national communications solutions provider offering a portfolio of connectivity, infrastructure management and professional services to business customers.

Additional information regarding this acquisition is contained in our Business Acquisition Report dated August 12, 2004, which is incorporated by reference in this AIF, and which may be found on SEDAR at www.sedar.com.

At the time that we acquired Allstream Inc., we completed a corporate restructuring on June 4, 2004. This restructuring is described in the section entitled "Reorganizations". We also changed the structure of our internal organization, resulting in two reportable operating segments as defined in the Canadian Institute of Chartered Accountants' ("CICA") Handbook, consisting of the MTS (Manitoba) division (the "Manitoba division") and the Allstream (National) division (the "National division").

On February 28, 2006, we announced changes to our organizational structure. We changed the name of our Manitoba division to the Consumer Markets division, and our National division was renamed the Enterprise Solutions division. These reportable operating segments are discussed in the section entitled "Business segments".

With our acquisition of Allstream Inc., we eliminated cash taxes on earnings as a result of the utilization of tax losses from Allstream Inc. The benefit of these substantial loss carryforwards allows us to reduce our taxable income to nil without utilizing our capital cost allowance ("CCA") pools. Through the utilization of our tax loss carryforwards, followed by the utilization of deferred CCA deductions, we estimate that we will not pay cash taxes prior to 2014.

Upon our acquisition of Allstream Inc., we commenced the first phase of an integration project, which was completed on December 31, 2005. As a result of this project, we realized annualized expense synergies of approximately $47 million.

Initiatives to streamline business operations

In the fourth quarter of 2006, we commenced a restructuring program that further will improve efficiencies and reduce operating costs by an estimated $40 million to $50 million. This program, which is expected to be completed by the end of 2007, is estimated to cost approximately $30 million to $40 million. In 2006, the Company accrued expenses of $8.5 million relating to a workforce reduction element of the program.

During 2005, we initiated a workforce reduction program in order to improve efficiencies and reduce costs. This program was substantially completed in 2005, and resulted in the recognition of restructuring charges of $8.7 million in 2005.

Key business arrangements with Bell

Effective June 30, 2004, we signed a settlement agreement (the "Settlement Agreement") with Bell which provided for the orderly disposition of Bell's equity interest in us, and an orderly unwind of existing commercial and business arrangements between the parties. As part of this Settlement Agreement, we paid $75 million to Bell, and Bell's director nominees resigned from our Board of Directors in August 2004.

In August 2004, Bell transferred its ownership of our Common Shares and Class A Preference Shares to its parent, BCE Inc. ("BCE"), which subsequently converted the Class A Preference Shares into Common Shares. BCE tendered certain of its holdings of our Common Shares pursuant to our substantial issuer bid dated August 12, 2004, and subsequently sold the remaining Common Shares through the facilities of the TSX. As a result, in September 2004, BCE did not hold any equity interest in us.

We had partnership and commercial arrangements with Bell, which gave us distribution rights in Manitoba for products and services offered by Bell. These operating arrangements also provided us with access to Bell's intellectual property, national infrastructure, business processes and expertise, and enabled us to lower capital costs by leveraging Bell's buying power. As part of a transition agreement (the "Transition Agreement") that we signed with Bell on August 3, 2004, both companies agreed to unwind these arrangements in a manner that maintains customer service, protects confidential information, and enables both parties to satisfy obligations to third parties. In 2005, the majority of this transition was completed. As well, both companies continue to be suppliers of wholesale services to each other. All commercial arrangements are on a non-exclusive basis. The rates and terms of these arrangements are comparable to those generally available to each company in the market. As for the cellular agreements that we have had in place with Bell, these arrangements remain in effect in accordance with their terms, and are described more fully in the section entitled "Bell Mobility Agreement".

Investment in broadband networks

In 2006, we upgraded our network to Evolution Data Optimized ("1xEV-DO") broadband wireless service in Winnipeg and Brandon, making our mobile data network the fastest in the province. This next generation network standard is five times faster than previously available, and provides our customers with data download rates of 400 Kbps to 700 Kbps.

The 1xEV-DO upgrade, along with the launch of new products and services, continues to fuel wireless data growth. On the consumer side, our customers will be able to experience constant real-time access to new and advanced applications such as streaming video, video messaging, Web browsing, interactive gaming, remote access to home mail and other data related wireless devices.

On the business side, the adoption of high-speed wireless access to e-mail and corporate data has been increasing steadily, which is fuelled largely by integrated voice and data devices. Available EV-DO-enabled handsets and cards include the Kyocera Passport KPC650, BlackBerry™ 7130e, UTStarcom PPC 6700 High Speed All-in-One Device, Samsung a920 MP3 Player Phone. Further network overlay upgrades will continue throughout Manitoba in 2007 and 2008, which will extend total EV-DO coverage to 72% of the Manitoba population.

In 2005, we completed our five-year, $300 million broadband expansion program in Manitoba. This program resulted in the expansion and enhancement of our high-speed broadband and next generation services for business and residential customers in Manitoba. Since the launch of this five-year initiative in 2000, we have undertaken a number of significant business developments as follows:

- We have increased our high-speed Internet customer base from approximately 65,000 customers in 2002 to 148,267 as at December 31, 2006.
- We have enhanced our network to provide faster Internet speeds to residential and business customers.
- We completed work on a five-year contract with the Province of Manitoba to upgrade and expand the capacity of the Provincial Data Network ("PDN"), a fibre optic network that links government offices and hospitals throughout the province. With the expansion of the PDN, we were able to increase the number of Manitoba communities in which we offer high-speed Internet service.
- In January 2003, we launched our new digital television service known as MTS TV, which is provided to customers in Winnipeg over their existing telephone lines. As at December 31, 2006, we had 66,093 television customers, representing a 26.6% market share.
- In October 2003, we began offering a service bundle of digital television and high-speed Internet to our customers. In 2005 and 2006, we continued to have success with customers moving to bundled service offerings consisting of digital television, high-speed Internet and postpaid cellular service, and starting in 2006, alarm services provided by our subsidiary, AAA Alarm Systems Ltd. ("AAA Alarm").
- In November 2003, the Canadian Radio-television and Telecommunications Commission ("CRTC") granted us a license to operate a regional, Manitoba-based, video-on-demand service. In 2005, we started offering video-on-demand to our customers.

Regulatory developments

We operate in the telecommunications and broadcast industries, which are regulated by the CRTC. The CRTC regulates telecommunications common carriers under the authority of the *Telecommunications Act* (Canada), and broadcast distribution undertakings ("BDUs") under the authority of the *Broadcasting Act* (Canada).

The CRTC has authority over certain aspects of the operations of telecommunications common carriers, including rates, service packages, quality of service and costing. The CRTC, however, has the discretion to forbear from regulating certain services where it considers the market to be sufficiently competitive to protect consumers. The CRTC also licenses BDUs and regulates the broadcasting services that BDUs are allowed to carry on their television services.

As a telecommunications common carrier, we are regulated as an incumbent local exchange carrier ("ILEC") in Manitoba and as a competitive local exchange carrier ("CLEC") outside of Manitoba. In addition, pursuant to Broadcasting Decision 2002-235, the CRTC granted us a Class 1 regional broadcasting distribution licence to operate as a broadcasting distribution undertaking serving Winnipeg and the surrounding areas.

The Canadian telecommunications industry continues to experience significant changes, challenges and opportunities. We continue to pursue a balanced and pro-competitive regulatory framework through applications to the CRTC for fair access to the networks controlled by the ILECs, and for the enforcement of regulatory pricing rules established by the CRTC.

Current regulatory proceedings and policy issues that could, in the future, have a significant impact on our business are described below.

Telecommunications policy review

On March 22, 2006, the final report (the "TPR Report") of the Telecommunications Policy Review Panel was submitted to the federal Minister of Industry and released to the public. The TPR Report is substantial, including over 120 recommendations for modernization of the telecommunications policy framework in Canada. The Government of Canada had begun the process of responding to and implementing portions of the TPR Report when the Minister of Industry, as an interim measure, tabled a proposed policy direction (the "Policy Direction") to the CRTC in Parliament on June 13, 2006. The draft Policy Direction included a requirement that the CRTC review the regulatory framework regarding mandated access to ILEC-controlled network services by competitors. After receiving comments from stakeholders and hearings conducted by the Parliamentary Standing Committee for Industry, the government issued the final form of the Policy Direction to the CRTC on December 18, 2006. The Policy Direction responds positively to the concerns raised by us and other competitive providers in requiring that the CRTC, as part of its current review of essential access for competitors to network infrastructure controlled by the ILECs, take into account the principles of technological and competitive neutrality, the potential for incumbents to exercise retail market power absent competitor wholesale access, and the impediments faced by competitors in seeking to develop competing network facilities. We are participants in the proceeding that has been commenced by the CRTC to review the definition of essential facilities.

Essential facilities

On November 9, 2006, the CRTC issued *Review of regulatory framework for wholesale services and definition of essential services*, Telecom Public Notice CRTC 2006-14. This is the first time since 1997 that a review of the definition of essential facilities has been undertaken. The starting point for the CRTC's review is the definition utilized by the Competition Bureau, which defines essential facility as "an input that provides the firm controlling it with the power to lessen or prevent competition in a relevant downstream market." As well, the Policy Direction mandates that the CRTC take into account the matters referred to above in its review. We will be active participants in this CRTC proceeding, which will carry on throughout 2007, with a decision expected by mid-2008.

Deferral account

On February 16, 2006, the CRTC issued *Disposition of funds in the deferral accounts*, Telecom Decision CRTC 2006-9 ("Decision 2006-9"). In this decision, the CRTC determined that the funds accumulated in our deferral account should be used for certain reductions in rates for basic local residential services and for certain optional features; for the expansion of broadband services; and for initiatives to improve accessibility to telecommunications services for persons with disabilities. After using approximately $5 million to fund the required rate reductions which came into effect on June 1, 2006, the estimate of the balance to be cleared from our deferral account for the remaining initiatives is approximately $21 million. The final calculation of the balance to be cleared is dependent upon certain other CRTC proceedings.

Groups representing consumers and Bell each have been granted leave to appeal Decision 2006-9 by the Federal Court of Appeal. As well, another company, Barrett Xplore Inc., has appealed this decision to the federal government, and also has made an application to the CRTC to review and vary its decision. These proceedings may delay the final drawdown of the balance of the deferral account.

We have submitted proposals for broadband expansion and other initiatives for the CRTC's consideration which meet the goals and objectives of Decision 2006-9, and which are consistent with our business goals. On November 30, 2006, the CRTC issued *Review of proposals to dispose of the funds accumulated in the deferral accounts*, Telecom Public Notice CRTC 2006-15. This public notice initiates a CRTC proceeding to review the proposals submitted by the ILECs. This proceeding is expected to conclude by the middle of 2007, with a decision expected by the end of 2007 or early 2008.

VoIP services

On May 12, 2006, in response to an appeal filed by Bell, TELUS Communications Inc. ("TELUS"), and Saskatchewan Telecommunications ("SaskTel"), the Minister of Industry asked the CRTC to reconsider *Regulatory framework for voice communications services using Internet Protocol*, Telecom Decision

CRTC 2005-28 ("Decision 2005-28") regarding the regulatory treatment of the provision of local VoIP service by the ILECs. In Decision 2005-28, the CRTC found that voice over IP ("VoIP") services were offered in the same market as other basic local voice services and, therefore, determined that VoIP services should be accorded the same regulatory treatment as basic local voice services, such as the obligation to file tariffs for this service. In the proceeding that the CRTC initiated to canvass views on this reconsideration, we expressed agreement with the CRTC's original findings, and indicated that there is no sound basis for having different regulatory treatment for VoIP and local voice services when offered using traditional technology. On September 1, 2006, the CRTC issued Telecom Decision 2006-53 ("Decision 2006-53"), which reaffirmed the regulatory treatment of VoIP services as established in Decision 2005-28. On November 9, 2006, the Governor in Council varied Decision 2005-28 as confirmed by Decision 2006-53 to the extent that so-called "retail local access – independent VoIP services" that are offered by the ILECs within their incumbent territories should not be subject to economic regulation.

Local forbearance

On April 6, 2006, the CRTC issued *Forbearance from the regulation of retail local exchange services*, Telecom Decision CRTC 2006-15 (the "Forbearance Decision"). The Forbearance Decision sets out the details of the framework for forbearance from the regulation of local exchange services, including local forbearance criteria, and outlines the scope of forbearance to be granted and the adoption of transitional measures to aid in the development of sustainable local competition. On September 1, 2006, the CRTC issued Telecom Public Notice CRTC 2006-12 (the "Reconsideration") to re-assess the market share thresholds set out in the Forbearance Decision. Evidence in the Reconsideration proceeding indicated that local competition in the residential market was taking hold more quickly than the CRTC had anticipated when it issued the original Forbearance Decision. As well, the Reconsideration does not extend to the non-market share loss forbearance criteria such as the existence of competitor wholesale access tariffs and satisfaction of quality of service indicators by the applicant. A decision in this proceeding is expected in early 2007, but will depend on the federal Cabinet's actions as described below.

Aliant Telecom Inc. ("Aliant"), Bell, TELUS and SaskTel also have been granted leave to appeal the Forbearance Decision to the Federal Court of Appeal, and also have appealed this decision to the federal Cabinet. On December 11, 2006, the government issued a proposed order to vary the Forbearance Decision (the "Order"). The Order purports to accelerate deregulation of retail local telephone services offered by the ILECs within their operating territories by substituting the market share test established by the CRTC with a test based on the presence of competitive infrastructure; narrowing the relevant geographic market for any forbearance determination; maintaining the requirement for satisfaction of competitor quality of service indicators with some modification; and ending restrictions on winback and marketing promotional activity by ILECs in their operating territories. The Order was open for comment by stakeholders until the middle of January 2007, after which the government has until early April 2007 to vary the Forbearance Decision. We have made submissions with respect to the Order, which point out certain concerns regarding the consistency of the Order with the TPR Report and the Policy Direction.

Price caps

On May 9, 2006, the CRTC issued *Review of price cap framework*, Telecom Public Notice CRTC 2006-5, which invited proposals for the regulation of the incumbent retail services that remain subject to rate regulation. The ILECs, including our Consumer Markets division, have been subject to price caps, a form of incentive regulation, since 1998. This will be the third price cap review undertaken by the CRTC. The regime that will be put in place as a result of this proceeding will commence in June 2007, and likely will be in place for a number of years. We are participating in this proceeding and expect that the CRTC will issue a decision in the second half of 2007. We are proposing a regime that reflects the emergence of competition in the residential market by offering greater pricing flexibility, and increasing reliance on competitive market forces to set price rather than artificial regulatory mechanisms such as the deferral account mechanism.

DESCRIPTION OF THE BUSINESS

Corporate strategy

On January 31, 2006, we initiated a comprehensive business review aimed at delivering long-term value to investors and customers. This business review was undertaken to evaluate our competitive position and strategic opportunities for creating and delivering shareholder value. The review involved extensive consultations between our Board of Directors and management, as well as discussions with external financial advisors and industry consultants.

On December 13, 2006, we announced the completion of this review, and provided our outlook for 2007 and related business plans. As part of these plans, we will increase cash distributions to shareholders and sharpen our strategic focus on growth opportunities in key segments of the national business market and within Manitoba, where we remain the clear market leader.

Specifically, these plans call for us to:

- distribute 70% to 80% of our annual distributable cash flow (before pension solvency payments and restructuring charges) to shareholders via share buyback programs and/or dividends;
- purchase for cancellation approximately $320 million worth of our Common Shares prior to December 31, 2007, which will be funded by proceeds from the sale of non-core assets;
- maintain our current annual dividend of $2.60 per Common Share;
- continue to deliver double-digit increases in growth services, which rapidly are overtaking legacy services as a proportion of total revenue and EBITDA;
- adopt a focused market approach which leverages our national network footprint and core competencies, and launch innovative new services for mid-size enterprises and small businesses in specific geographic markets, and for households and consumers in Manitoba;
- reduce our costs by $40 million to $50 million in 2007, in addition to the $120 million of cost savings expected to be achieved from our TP2 cost reduction program; and
- direct the majority of our 2007 capital expenditures, which will total 14% to 15% of revenue in 2007, towards investments in our growth services.

Business segments

Through our operating segments, we provide an extensive range of telecommunications services to residential and business customers. During 2006, we announced changes to our organizational structure. We changed the name of our MTS (Manitoba) division to the Consumer Markets division, and our Allstream (National) division was renamed the Enterprise Solutions division. Our Consumer Markets division is focused on the consumer and small business segments. Our Enterprise Solutions division is focused on the mid- to large-enterprise business markets across the country. Through this structure, which is centred around the customer, we believe that we are better positioned to compete in the marketplace and to facilitate cost-effective operations.

The Consumer Markets division leads every telecommunications market segment in Manitoba, delivering a full suite of next generation wireless, high-speed Internet and data, digital television and wireline voice services under the MTS brand, as well as security and alarm monitoring services through AAA Alarm, which also operates in other western provinces. This complete range of products is unmatched by any other provider in Manitoba, and the digital television service offered by the Consumer Markets division to customers in Winnipeg is recognized as one of the leading North American digital television services. With this innovative combination of products and services, the Company connects people, homes and businesses everywhere. In addition, the Consumer Markets division is a leading player in the national small business telecommunications market outside Manitoba, providing customers in major Canadian centres with a range of innovative business Internet, data and voice services under the Allstream brand.

The Enterprise Solutions division, which operates under the Allstream brand nationally and under the MTS brand in Manitoba, is a leading competitor in the national business and wholesale markets. This division offers customers a portfolio of solutions tailored to the needs of medium and large businesses looking for success in a world of rapidly evolving technology – IP-based communications, unified communications, voice and data connectivity services. The Enterprise Solutions division operates an extensive national broadband fibre optic network that spans more than 24,300 kilometres, and provides international connections through strategic alliances and interconnection agreements with other international service providers. The division's advanced services, combined with the impressive reach of a state-of-the-art network and continued leadership in technological innovation, have allowed the Company to forge strong relationships with top national business customers across the country.

Our operating segments are responsible for business strategies, investment priorities for new products and services, sales and marketing, and distribution channels. They also are responsible for managing human resources, which include a mix of management, professional, operators, clerical, and craft and allied workers. As at December 31, 2006, the number of full-time and regular part-time employees of the Consumer Markets division and the Enterprise Solutions division was 2,900 and 2,952, respectively.

The financial and operating information, and any associated discussion in this AIF, relating to our Consumer Markets division and our Enterprise Solutions division, are presented on the same basis as each division's respective predecessor organization to provide continuity with our outlook for 2006 and comparative results from 2005.

Total revenues for the past two years are as follows:

For the years ended December 31	**2006**	**2005**
Revenues (in $ millions)		
Data services	660.3	675.8
Local services	553.2	564.3
Long distance services	401.7	467.7
Wireless services	234.1	207.7
Other	77.1	64.8
Total revenues	1,926.4	1,980.3

Data services

Our data line of business includes revenues from the provision of data, Internet services and professional services. In 2006, data services revenues totalled $660.3 million, representing a decrease of 2.3% from 2005 revenues of $675.8 million. This decrease is due primarily to a decline in legacy data connectivity revenues, which were offset partly by revenue growth from next generation data connectivity and Internet services.

Data

We provide data services to business customers across Canada. Data services provided by both operating segments connect data, video and voice networks to establish private connections across office locations and to integrate traffic over highly secure networks. Increasingly, our customers require solutions that integrate three core capabilities: data connectivity through transport and access technologies for local national and international networking; a growing emphasis on security services; and unified communications that link enterprise applications to telecommunications infrastructure.

Data services include both access and network services. Access services enable a customer's place of business to access data network services. Our data network services include Ethernet services which support commonly used local area network interfaces on a national basis, including Ethernet, Fast Ethernet and Gigabit Ethernet; and digital private line services which provide dedicated bandwidth to customers for short or long distances regionally or internationally. We provide broadband services, which are higher speed data services used to support a variety of networking applications like wide area networking and imaging and video conferencing; and IP service, which includes business IP services that provide access and transport of voice and data services regionally, nationally and internationally. We also provide optical services, which provide high bandwidth solutions in a point-to-point configuration in major Canadian cities.

Our competitors in the data market include Bell, TELUS and Rogers Communications Inc. ("Rogers").

Internet services

We offer Internet services to both residential and business customers within Manitoba. We provide both digital subscriber line ("DSL") high-speed and dial-up Internet services. DSL is a technology that allows subscribers to receive voice and data information over the same telephone line at the same time. We offer various pricing and plan options to meet the needs of our residential and business customers.

As at December 31, 2006, 99% of our access lines in Winnipeg and Brandon, and more than 85% of our access lines province-wide, have the capability to provide high-speed Internet services. High-speed Internet access speeds range from 256 Kbps to 7.0 Mbps, with the majority of residential customers accessing our standard up-to-5.0 Mbps service. In the high-speed market in Manitoba, our competitors include Shaw Cablesystems Limited ("Shaw") in Winnipeg and surrounding communities, and Westman Media Cooperative Ltd. in Brandon and surrounding communities.

Nationally, we provide a wide range of Internet connectivity services to meet the needs of business customers across Canada. We offer both dedicated access and business dial-up services. Dedicated access provides "always on" access to the Internet with access speeds ranging from 128 Kbps to 1.0 Gbps. Business dial-up service is provided for both domestic access and global roaming, which allows our customers flexible and cost effective e-mail and Internet access from 35,000 local points-of-presence across North America and internationally. Nationally our competitors in the Internet market include Bell, TELUS and Rogers.

Professional services

We provide professional services to business customers to automate their business processes using Web-based technologies and applications. We also provide managed hosting and security services. Managed hosting services include domain name services, shared hosting services, co-location of customer-provided servers, and fully managed hosting services.

Security services include a range of professional services and managed services and products, which help customers deploy, integrate and manage security technology throughout their organizations. We align with technology vendors to plan, design and implement security information technology solutions for our customers. We offer various solutions that address customer security requirements, including vulnerability assessments, authorization, authentication, digital integrity, availability, privacy and confidentiality. We also offer managed intrusion detection, anti-virus and anti-spam services, as well as managed firewalls.

Competitors in the professional services market include International Business Machines Canada Limited, Electronic Data Systems Corporation, TELUS, Deloitte Consulting, Accenture Inc., BearingPoint, Inc., CGI Group Inc., Burntsand Inc., Online Enterprises Inc., Sierra Systems Group (Manitoba) Inc., Fusepoint Managed Services Inc., OnX Enterprise Solutions Inc. and Q9 Networks Inc.

Local services

We provide local voice access services for residential and business customers within the Manitoba local exchange. A local exchange is defined as a geographic or metropolitan area in which customers are able to connect to each other for a flat monthly fee. We also earn local services revenues from payphones and enhanced local calling features, such as Call Answer, Call Display, Call Waiting, and 3-Way Calling. In addition, we earn wholesale revenues by providing our competitors with access to our local exchange facilities. Local services revenues include subsidies paid to us for providing local services in high-cost serving areas.

Our main competitor in Manitoba is Shaw, which began offering residential phone service in Winnipeg in 2005. Other companies competing against us include Bell, TELUS, Telecom Options Inc., and Web-based telephone service providers, such as Primus Telecommunications Canada Inc. ("Primus") and Vonage Canada Corp. Our position in the Manitoba market continues to be strong with an estimated 90% and 92% market share for the residential and business markets, respectively.

Nationally, we provide a full range of local services to business customers. These services allow customers to complete calls in their local exchange and to access long distance, cellular networks and the Internet. We also earn wholesale revenues for providing competitors with access to our local exchange facilities. Nationally, our competitors in the local services market include Bell, TELUS and Aliant.

In 2006, we earned revenues from local services of $553.2 million, representing a decrease of 2.0% from 2005 revenues of $564.3 million. This decrease was due primarily to the competitive pressures that the Consumer Markets division faces in Winnipeg.

Long distance services

In Manitoba, we provide long distance voice services which allow residential and business customers to communicate with destinations outside the local exchange. We offer a variety of long distance savings plans to our Manitoba customers and dial-around service in British Columbia and Alberta. We offer calling cards and prepaid cards for national and international long distance calling. We also offer teleconferencing, toll-free and featured long distance services to our business customers.

We also provide long distance voice services to business customers on a national basis. We offer a variety of long distance savings plans, calling cards for national and international long distance calls, and teleconferencing and virtual networking to business customers. We also offer an advanced toll-free service to large enterprise customers.

In the long distance market, our principal competitors in the provision of business long distance services nationally and in Manitoba include national carriers such as Bell, Primus and TELUS. Within the Manitoba market, the primary competitor in the provision of residential long distance is Shaw. In addition, long distance dial-around service providers, resellers discount packagers of long distance services, and broadband VoIP providers are contributing to the increased competition in Western Canada.

Long distance services generated revenues of $401.7 million in 2006, representing a decrease of 14.1% from 2005 revenues of $467.7 million. This decrease can be attributed primarily to competitive pricing pressures across all of our market segments, and to local line losses in Manitoba.

Wireless services

We provide wireless services to both consumer and business customers in Manitoba. These services include postpaid and prepaid cellular, wireless data, paging and group communications services. There continues to be solid growth in the adoption of our wireless products and services.

Currently in Manitoba, where we continue to be the leading wireless provider, over 97% of the population has access to our wireless service through our code division multiple access ("CDMA") 1xRTT network. In 2006, we commenced the upgrade of our network to 1xEV-DO in Winnipeg and Brandon. 1xEV-DO is a next generation network standard that offers download speeds of 400 Kbps to 700 Kbps, which is comparable to wireline high speed technology. Further network overlay upgrades will continue in 2007 and 2008 throughout Manitoba.

Our network upgrade, coupled with the launch of new products and services, continues to fuel wireless data growth. On the consumer side, subscribers are adopting data services such as downloadable games, ringtones and screensavers; text messaging; mobile browsing; picture and video messaging; and streaming TV and radio services. On the business side, the adoption of high-speed wireless access to e-mail and corporate data has been increasing steadily, which is fuelled largely by integrated voice and data devices.

In 2006, we launched Press2Talk™, which provides customers with the ability to connect directly with individuals or groups at the press of a button across our entire CDMA wireless network and while roaming across North America. This service allows customers to communicate instantly with up to 10 other users in their group.

Our group communications services also consists of FleetNet 800™, which is a two-way wireless communications solution used by enterprises with requirements for dispatch communications. Organizations using this service include police departments, the RCMP, other emergency services, and transportation companies.

Our main competitors in the wireless market in Manitoba include Rogers and TELUS.

In 2006, wireless services revenues were $234.1 million, representing an increase of 12.7% over 2005 revenues of $207.7 million. This increase reflects continued growth in our customer base, complemented by slight improvements in average revenue per customer. As at December 31, 2006, our customer base totalled 355,261 cellular subscribers, representing an increase of 37,706 or 11.9% subscribers over December 31, 2005. In 2006, we had an estimated post-paid churn rate of 0.93%. Churn is the percentage of our total base of customers who cancel their service each month. A low churn rate like ours is important, because it directly impacts profitability.

On December 20, 2005, the CRTC issued *Implementation of wireless number portability*, Telecom Decision CRTC 2005-72, which sets out the framework for the implementation of wireless number portability ("WNP"). In this decision, the CRTC directed wireless carriers to implement WNP in most instances by March 14, 2007. We have completed the implementation of the system and process changes necessary to enable the porting of wireless numbers by the required date.

Other

Other revenues are earned from digital television services, as well as miscellaneous revenues in the form of security services offered by AAA Alarm and the sale and maintenance of terminal equipment.

<u>Digital television services</u>

In January 2003, we launched our digital television service, called MTS TV, to residential customers in Winnipeg. MTS TV is an all-digital television service which is provided using very high-speed digital subscriber line ("VDSL"). VDSL is a technology that allows us to provide three separate digital video signals along with a high-speed Internet connection through a single set-top box over a customer's existing telephone line. Our service provides customers with the capability to connect an unlimited number of televisions in their home through one set-top box, and to view up to three different channels on the various televisions, while at the same time connecting to our high-speed Internet service.

In June 2005, we launched a new interactive portal called MTS TV on Demand. MTS TV on Demand provides instant access to environment Canada weather, E-mail on Demand, games and MTS Centre on Demand. MTS TV on Demand is also an interface to access MTS video on demand ("VOD"), which also was launched in June 2005. MTS VOD enables customers to order movies with no late fees and to watch them as many times as they want within the rental period.

In 2006, we started offering new services such as high definition television service ("HDTV") for up to seven channels. With HDTV, customers receive up to 10 times the resolution of a standard television signal. We also launched pay per view TV which allows customers to access live pay per view events, like wrestling, National Hockey League games and other special events, with their remote control. As well, in 2006, we made improvements to our VOD service, which provides a quicker response time for customers when navigating the VOD menus and services on the television screen.

In August 2006, we acquired all of the issued and outstanding shares of 2892031 Manitoba Ltd. and its wholly owned subsidiary Valley Cable Vision (1997) Limited, a provider of cable and Internet services in rural Manitoba which had approximately 3,700 cable customers and 150 cable high-speed Internet customers at the time of acquisition.

In 2006, revenues from MTS TV services totalled $32.2 million, representing an increase of $9.3 million over 2005. As at December 31, 2006, our customer base was 66,093, representing a 26.6% market share. Our main competitor in the television market is Shaw.

<u>Miscellaneous</u>

We provide security installation and monitoring services to residential and small business customers in Manitoba and Alberta. The strength of our AAA Alarm brand, coupled with our reputation as a full-service telecommunications provider, offers us an opportunity to grow market share in Manitoba and to expand home security services into new geographic markets.

We earn revenues from the sale of terminal equipment, such as telephone switches and hardware, to business customers. We also earn revenue from the related maintenance of this equipment.

Employee relations

As at December 31, 2006, we had 5,951 regular full-time and regular part-time employees, of which 3,429 were members of a union. Our employees are represented by five labour unions, which are the Telecommunications Employees Association of Manitoba ("TEAM"); the International Brotherhood of Electrical Workers, Local 435 ("IBEW"); the Communications, Energy and Paperworkers Union of Canada, Local 7 ("CEP"); the Canadian Auto Workers, Local 2000 ("CAW"); and the United Steelworkers of America, TC Local 1976 ("USWA").

TEAM represents management and professional employees, other than senior management and certain designated management positions. The collective agreement with TEAM expired on February 19, 2007. Negotiations are currently underway to renew the collective agreement.

IBEW represents craft and allied employees, such as warehouse, shopcraft and building utility workers. The collective agreement with IBEW in relation to these employees expires on January 31, 2008. IBEW also represents service technicians employed by AAA Alarm. The collective agreement between IBEW and AAA Alarm expires on April 27, 2009.

CEP represents operators and clerical employees, who are covered by a collective agreement which expires on December 19, 2007. CEP also represents operators employed by AAA Alarm, who are covered by a collective agreement which expires on November 20, 2007.

CAW represents technical and non-technical employees who are covered by a collective agreement which expired on December 31, 2006. A tentative collective agreement has been reached, and the ratification process currently is underway. If ratified, this collective agreement will expire on December 31, 2009.

USWA represents technical and clerical employees. The collective agreement with USWA expired on December 31, 2006. A tentative collective agreement has been reached, and the ratification process currently is underway. If ratified, this collective agreement will expire on December 31, 2009.

Distribution channels

We provide customer contact in Manitoba through various distribution channels, which include our retail and corporate sales channels, MTS Connect™ stores, contact centers, and our Web site, mtsallstream.com. Through these channels, we offer residential and business customers full access to our local, data, long distance, wireless, Internet and television services, as well as other products and services. We use our retail and corporate sales channels to service our business customers and to provide business solutions to meet their needs. Our MTS Connect™ stores are retail outlets, which are used for providing services to our residential customers. We operate one

MTS Connect™ store staffed by our employees, and have arrangements with dealers who operate 30 MTS Connect™ stores on our behalf. Contact centers consist of call centers and business offices. Our call centers provide a significant sales channel for residential local and long distance inbound customers. Our business office and Web site also provide our customers with access to information on our products and services, along with customer assistance. We also have an extensive, province-wide network of wireless and Internet dealers, which provide our customers with access to these products and services.

Nationally, we provide customer contact through various distribution channels, including a direct sales force, alliance arrangements, contact centres and our Web site, mtsallstream.com. We use these channels to offer our business customers access to our data connectivity solutions (such as converged IP, Internet and unified communications services), managed services and professional services. Our direct and alliance sales channels are used to service our business customers across Canada and to provide business solutions to meet the needs of our customers. Contact centres provide a sales channel for inbound network services customers, as well as outbound telemarketing. Our customer care contact centre and Web site allow our customers to access customer assistance and information regarding our products and services.

Property, plant and equipment and distribution arrangements

We own land, buildings, plant facilities and equipment throughout Canada. On December 28, 2006, we announced that we had closed a transaction regarding the sale of our two office buildings in downtown Winnipeg for a price of $51.1 million. As part of this transaction, we signed a 15-year lease to leaseback the office space that we currently occupy. As at December 31, 2006, the historical cost of our investment in property, plant and equipment was $3.6 billion.

As at December 31, 2006, we owned approximately 1,646 properties throughout Canada. The majority of these properties are network related. We also rent approximately 578 properties in Canada and the United States. The properties that we own or lease include space for offices, warehouses and work centres, and sites for the operation of long distance and local exchange equipment and wireless equipment. We also operate approximately 421 cellular and microwave tower sites.

We maintain a capital investment program that provides our customers with access to leading-edge telecommunications services, while sustaining and increasing our competitiveness. We invest in infrastructure to provide additional network capacity to meet customer growth requirements, improve operating efficiencies, accelerate entry into new markets, and facilitate the implementation of services to meet regulatory requirements. In 2006 and 2005, we invested $272.7 million and $340.5 million, respectively, in the infrastructure of our business.

We own a national broadband fibre optic network, which spans more than 22,000 kilometres, and provides international connections through strategic alliances and interconnection agreements with other international service providers. This fibre network provides high bandwidth connectivity between major Canadian cities, and its diverse routes ensure a high level of network availability. Each fibre route has multiple fibre strands, with each strand able to support many high bandwidth transmission paths. Our network in Manitoba covers approximately 12,000 kilometers.

Our network facilities enable us to provide telecommunications services to our customers. These facilities are designed to evolve for the future and for the convergence of voice and data services. Our networks currently have the capability to deliver not only voice services, but broadband services, such as data applications for business customers, high-speed Internet services and, in Manitoba, wireless services and digital television. Our network facilities are constructed primarily on private property within easements granted by property owners or under or along streets or highways in urban areas or on land owned by us.

In 2006, we continued with our second year of a three-year project which, when complete, will provide a single national IP platform providing the backbone for all of our current and next generation services. This new converged IP backbone will enable operational efficiencies, and at an initial 10 gigabytes of bandwidth across the country, it will provide the backbone capacity for growth of new IP-based services.

In January 2006, we completed the first phase of the integration of our networks for long distance, data and Internet services. After the first phase of network integration, the majority of our long distance and data services now are provided on our own networks. We also have interconnection and other agreements with AT&T Corp. ("AT&T"), Bell and other ILECs. These agreements set out the terms and conditions of the interconnection of the companies' networks and the method of settlement of revenues from certain telecommunications services. In 2004, we extended our master services agreement ("MSA") with AT&T to June 30, 2011. We also have certain operations and support services agreements with Bell, pursuant to which Bell provides various support services in relation to specific telecommunications services that are carried on our interconnected networks.

In Manitoba, we continue to extend our digital wireless network, adding 29 new locations to our coverage area in 2007. Our wireless network provides 1xRTT voice and data service in all regions in which we provide wireless service which encompasses 97% of Manitoba's population. In addition, we provide high speed wireless data service 1xEV-DO in both Winnipeg and Brandon, and in 2007, we announced network expansions that will extend total EV-DO coverage to 72% of the Manitoba population. We also have roaming and interconnection arrangements in effect with other wireless service providers, which enable our customers to use their cellular phones in the service areas of other carriers. These roaming arrangements govern the pricing of the services between carriers. Billing for national customers, technical support for handsets and network elements, and various services related to roaming administration and configuration are provided to us by Bell Mobility. In addition to our cellular network, we provide an enhanced specialized mobile radio service known as FleetNet 800™ throughout the populated area of Manitoba. This service is used by major public safety organizations in Manitoba, plus a number of commercial customers.

Environmental policy

We have a formal Environmental Management System (the "EMS"), which was approved by our Board of Directors. The EMS, which is subject to regular review, is part of our approach to management, and provides a framework for balancing and integrating our economic interests with the requirements of environmental protection. The objectives of the EMS are formulated based on international standards for environment management systems as outlined by the International Standards Association and the Canadian Standards Association. The EMS functions as an operational manual and reference guide for environmental compliance and management. It is comprised of several components which specify the organizational structure, responsibilities, practices, procedures and resources employed in implementing our *Environmental Policy* and complying with environmental law.

The foundation of the EMS is our *Environmental Policy*, which was established to ensure that we operate our business in a manner that reflects concern for the environment and supports the principles of sustainable development. Our *Environmental Policy* is designed to support:

- compliance with applicable laws and regulations regarding the environment and sustainable development;
- appropriate communication to, and education of, our employees to foster environmentally aware attitudes and knowledge of environmental matters;
- reduction, reuse and recycling where appropriate in order to minimize the creation of waste;
- disposition of waste in an environmentally sound manner;
- development and maintenance of environmental emergency procedures;
- substitution of environmentally friendly substances where appropriate;
- innovation regarding products and services that contribute to the preservation of the environment; and
- regular reporting on environmental compliance and initiatives.

Social responsibility

Our company is a strong supporter of the Canadian communities in which we do business. We take pride in, and work hard at, the support our company has in communities in our home province of Manitoba and across Canada. Together with our employees across Canada, we make significant contributions to support charitable organizations, educational and non-profit endeavours, and sporting and cultural events. During 2006, we contributed to a wide range of organizations through direct program funding, in-kind contributions, and the volunteer efforts of our employees.

In Manitoba, where we are one of the largest private sector employers, we have an almost 100-year history of providing support through funding, service in-kind, and volunteer efforts. The MTS Volunteers, a group of over 3,000 current and retired MTS employees, donated over 70,000 hours of support to community events and organizations in 2006. In addition, we create programs that promote corporate responsibility, such as our province-wide cellular phone recycling program. Nationally, in the major cities across the country, we are active in the community both through funding and employee volunteer efforts. We actively sponsor key initiatives and organizations, and we encourage employees to contribute their time and talents through our volunteer support programs.

Risk factors

Our business operations are subject to various risk factors, which could contribute to a material change to our business and our ability to achieve expected performance. The following are some of the risk factors relating to our organization.

Changes in competitive conditions

Over the last several years, there has been increasing competition in the telecommunications market. Specific to us, we expect that the broad market segment trends within our industry that we have encountered over these past few years will continue in 2007. Continued competition is expected from both existing companies as well as new entrants in the industry. The dynamics of consolidation and mergers among incumbents and alternative telecommunications providers, and the entry of cable providers in the local voice market, also will contribute to the ongoing change and evolution within our competitive landscape.

In Manitoba, we expect the greatest competitive threats to come from an incumbent cable provider, which entered the local residential telephony market in Manitoba in 2005. We also expect continuing competitive pressure in the large business, long distance, wireless and Internet markets. In addition, wireless broadband Internet companies provide service today in certain rural areas of Manitoba, often in locations where we do not offer a competing high-speed Internet service. As these technologies evolve, the impact of these providers may become more significant.

At the national level, we expect to face continued competition for our existing and planned services from, among others, the ILECs, cable companies, competitive long distance providers, wireless providers, CLECs, Internet service providers, Centrex resellers and other current and planned telecommunications providers. In each of the business areas we serve outside of Manitoba, the principal competitors are the ILECs serving those geographic areas.

Accelerated pricing pressure in legacy services

A percentage of our current revenue base is represented by our legacy services, such as long distance, local, frame relay and private line data services. Over the past few years, these revenues have come under heightened competitive pricing pressure, and are at risk of displacement over time from next generation and IP services, which typically are priced lower than legacy services with comparable bandwidth or functionality. While we have seen a decline in revenues from our legacy services, we have been adding new revenues from our growth services. In 2005, our growth services accounted for 29% of our overall revenue, whereas this increased to 36% in 2006.

AT&T relationship

Effective November 30, 2004, our Enterprise Solutions division and AT&T extended, until June 30, 2011, a master services agreement (the “MSA”), pursuant to which AT&T provides us with continued use of certain AT&T technology and capabilities related to toll-free, calling card and customer care platforms. As is typical in such commercial agreements, provisions exist for early termination of the MSA. The MSA may be terminated upon the occurrence of certain defined defaults under the MSA, or the acquisition of 20% or more of our equity by a strategic competitor, or upon 36 months prior written notice.

Throughout 2006, AT&T continued the transitioning of its data traffic onto its own networks, resulting in loss of revenue for us as we had forecasted. We anticipate that this impact also will be felt in 2007 as AT&T continues this transition. We have strategies underway to facilitate the migration of customers to IP solutions utilizing our capabilities, and to mitigate the impact on our financial performance associated with the changes made by AT&T.

Bell Mobility agreement

We have an agreement and other arrangements in place with Bell Mobility which address competition in each other’s territory and provide us with access to various wireless-related platforms and products. Our wireless customers are provided with service in certain of Bell Mobility’s operating territories, and Bell Mobility’s customers are provided with service in Manitoba. The agreement provides for notice of termination by either party six months in advance of December 31, 2007. If we are unable to renew this agreement on terms and conditions that are acceptable to us, we will need to secure satisfactory alternatives to replace some or all of these arrangements. We are currently in discussions with Bell Mobility, and we believe that we will be able to establish new arrangements with them, which together with other alternatives available to us, will ensure continuity of service going forward.

Changes in CRTC regulation

The CRTC governs the telecommunications and broadcast industries in which we operate. Current regulatory proceedings and policy issues, which present significant risk and uncertainty on our business, are described in the section entitled "Regulatory developments".

Pension solvency funding

We have defined benefit pension plans which provide retirement benefits to our employees. These plans are funded as determined through periodic actuarial valuations.

In 2006, the federal government enacted the *Solvency Funding Relief Regulations* (the "Regulations") for defined benefit pension plans regulated under the *Pension Benefits Standards Act, 1985* (Canada). The Regulations enable smoothing of solvency payments and extension of the solvency funding amortization period.

We have filed revised January 1, 2006 actuarial valuations to enable the extension of our solvency funding payments from five years to 10 years based on the Regulations. In 2006, employer solvency and special payments to our defined benefit pension plans totalled $87.5 million. Solvency funding payments made in 2006 prior to the implementation of the Regulations exceeded the amounts required for 2006 under the Regulations. These overpayments in 2006 will reduce payments to approximately $15 million to $20 million in 2007 pursuant to the Regulations. The anticipated 2007 funding is subject to change based on the results of the January 1, 2007 actuarial valuations. In accordance with the requirements of the Regulations, we have obtained letters of credit to guarantee future funding of our registered pension plans.

Future solvency funding requirements will depend on the results of annual actuarial funding valuations which are affected by various factors, such as return on plan assets, changes in solvency liability discount rates, and government regulations regarding the requirements associated with solvency valuations.

Market conditions and economic fluctuations

Our future operating results may be affected by changes in the conditions of specific markets for certain of our products and services and, in the overall market for communications, by conditions in the domestic or global economy generally. The business prospects and performance of the Canadian economy have a direct impact on our company. As competition in the overall marketplace escalates, the broad market segment trends that have taken shape in recent years also will persist in 2007. A slowdown in the Canadian and global economies could impact our business, including reducing our access to low-cost investment capital. Any decline in economic growth and commercial activity may result in residential and business customers delaying purchases or discontinuing the use of our services. Slower economic conditions also may affect our ability to collect receivables from customers.

Collective agreements

A significant portion of our employees are unionized and are covered by collective agreements. If we were unable to renew the collective agreements with these labour unions, this could result in work stoppages or other labour-related disturbances, which could adversely affect our business operations. It is anticipated that our collective agreements will be renewed without a labour disruption. Additional information regarding these collective agreements is contained in the section entitled "Employee relations".

Rapid technological change and displacement

The telecommunications industry is subject to rapid and significant changes in technology that may reduce the relative effectiveness of existing technology and equipment, such as consumer hardware devices across all product lines, including wireline, wireless, Internet and digital television services. Network technology continues to evolve at a pace that may enable new competitors to enter the market with increased flexibility, provide increased choice for customers, and speed the obsolescence of our core technologies. This could result in the displacement of products and services by substitutes and create a potential for accelerated investment in our network evolution. Technological advancement also results in an increased risk of obsolescence of our property, plant and equipment. Although we believe our network represents leading edge technology, all aspects of voice, data, and video telecommunications are undergoing rapid technological change.

Competition Bureau review of Allstream Inc. acquisition

The three year period during which the Competition Bureau may review the acquisition of Allstream Inc. expires in June 2007. Prior to the closing of our acquisition of Allstream Inc. in June 2004, all of the necessary steps required by the Competition Bureau were completed. We advised the Competition Bureau of our intention to close this acquisition, and the

Competition Bureau did not express any objection to this closing. The merger provisions of the *Competition Act* (Canada) permit the Competition Bureau to seek relief in respect of merger transactions that are likely to prevent or lessen competition substantially. As these merger provisions permit a merger transaction to be reviewed up to three years after the transaction has been substantially completed, there can be no assurance that a challenge of the acquisition before the Competition Bureau will not be made, or, if such a challenge is made, of the result. We believe that our acquisition of Allstream Inc. is beneficial to the competitive landscape of the Canadian telecommunications industry, and that any actions on the part of the Competition Bureau will not have a material adverse effect on our operations.

Allstream Inc./Inukshuk/NR Communications venture

During the fourth quarter of 2003, Allstream Inc. entered into a venture (the "Venture") with Microcell Solutions Inc. (formerly Inukshuk Internet Inc.) ("Microcell"), and NR Communications, LLC ("NR") to build a multipoint communications systems network to offer high-speed Internet, IP-based voice and local networking services using broadband wireless access technology. Each party owned a one-third interest in the Venture. Allstream Inc. had a period of time to evaluate the technology and its potential commercial acceptance. While the results of the evaluation demonstrated the promise of fixed broadband technology, our priorities and corporate initiatives indicated that our future relationship with the Venture would be better suited as a strategic supplier of telecommunications services. On January 24, 2005, Microcell and NR purchased equal shares of our ownership interest in the Venture for $8.1 million in cash, which represented our total investment made in the Venture.

In April 2004, a statement of claim was filed against Allstream Inc. and certain of the other participants in the Venture. This claim is described in the section entitled "Legal Proceedings". Although the claim seeks damages in the amount of $160.0 million, we believe that we have a good defence to this claim, and we are defending our position vigorously.

Reorganizations

Following our acquisition of Allstream Inc., we amalgamated three of our operating subsidiaries, MTS Communications Inc., MTS Media Inc. and Allstream Corp., on June 4, 2004 to form a new amalgamated company operating under the name MTS Allstream Inc. At the same time, we transferred the business and assets of our operating subsidiary, Qunara, to MTS Allstream Inc. Qunara subsequently was amalgamated with its parent, MTS, on August 3, 2004.

INCOME TAXES

We have a significant future tax asset resulting from our acquisition of Allstream Inc. and its loss carryforwards. The carrying value of this asset is based on the likelihood of using these losses against projected future taxable income. An important factor concerning this asset includes the outcome of ongoing CRA audits. CRA audits currently are underway for the years 2001 to 2003. These include a review of loss carryforwards accumulated by Allstream Inc. prior to our acquisition of this company. An outcome of these CRA tax audits different than expected could affect income tax expense, cash flows and the amounts or classification of future tax assets and liabilities.

LEGAL PROCEEDINGS

In August 2004, a class action claim was filed in the Saskatchewan Court of Queen's Bench against certain wireless carriers, including us, on behalf of a class of plaintiffs described as subscribers or customers for wireless or cellular services. This claim alleges that each of the carriers is in breach of contract and has violated competition, trade practices and consumer protection legislation in connection with certain system access fees, system licensing charges and other similar charges that the carriers have billed to their wireless customers. The claim seeks unspecified general, aggravated, punitive and exemplary damages.

Similar class action claims have been filed in various jurisdictions across Canada, but these actions have been held in abeyance pending the outcome of the certification process in respect of the Saskatchewan claim. In July 2006, the Saskatchewan court found that the claim was appropriate for a class action proceeding, but declined to certify the class on a technicality. The court stated that the plaintiffs could renew their application if they satisfy this technicality, but the plaintiffs have not done so to date.

We believe that we have a good defence to this claim. Should the plaintiffs succeed in obtaining certification of the class, we will continue to defend this claim vigorously.

In April 2004, Unique Broadband Wireless Services, Inc. ("UBS") filed a statement of claim against Allstream Inc., Inukshuk Internet Inc. ("Inukshuk"), Microcell Telecommunications Inc. and Microcell.

with the Ontario Superior Court of Justice. This claim, which seeks damages in the amount of $160.0 million and other relief, alleges, in part, that Allstream Inc. induced Inukshuk and Microcell to breach their agreement with UBS relating to the use of certain wireless spectrum and licences, and that it intentionally interfered with the contractual arrangements between these parties. Further information regarding the business arrangement relating to this claim is contained in the section entitled "Risk factors" under "*Allstream Inc./Inukshuk/NR Communications venture*".

We believe that we have a good defence to this claim, and we are defending our position vigorously.

In September 1999, our three unions and a retiree suing on behalf of other retirees and their surviving spouses filed a claim in the Court of Queen's Bench of Manitoba against us in respect of the Manitoba Telecom Services Inc. and Participating Subsidiaries Employee Pension Plan (the "Pension Plan"). This claim seeks various declarations to the effect that we are not entitled to use any portion of the surplus in the Pension Plan to reduce contributions, and that such utilization by us is a breach of our obligations to our employees and former employees.

The claim also seeks, among other things, a mandatory order directing us to reimburse the Pension Plan for all amounts of the surplus that we have used to reduce our contributions, as well as an injunction prohibiting us from utilizing any future surplus in the Pension Plan. We filed a statement of defence in this action in December 1999. This matter is expected to proceed to trial in late 2007. Based on established authorities, we believe that it is unlikely that the plaintiffs will be successful.

CAPITAL STRUCTURE

General description

The composition of our capital structure is summarized in the following table.

(in millions $)	**December 31, 2006**	**December 31, 2005**
Long-term debt and notes	848.1	1,004.2
Share capital	1,305.1	1,315.0
Contributed surplus	16.9	18.2
Retained earnings	183.9	96.6
Total capitalization	2,354.0	2,434.0
Debt to capitalization	36.0%	41.3%

Credit facilities

Our previous $350 million medium term note program expired on October 7, 2006, and we plan to establish another $350 million medium term note program in the second quarter of 2007. This medium term note program, which will expire in April 2009, will be available for general corporate and working capital purposes, and for financing investments and additions to property, plant, and equipment.

In addition to our medium term note program, we have additional credit facilities available in the amount of $500 million, which consist of a fully back-stopped commercial paper program of $150 million, an accounts receivable securitization program of $150 million and a $200 million revolving credit facility. As at December 31, 2006, our commercial paper program and accounts receivable securitization program were unutilized, and we utilized $85.4 million of our revolving credit facility for undrawn letters of credit. Of this amount, $68.2 million represents letters of credit issued under the *Solvency Funding Relief Regulations*, which permit the extension of pension solvency payments from a five-year amortization period to a 10-year amortization period for our defined benefit pension plans.

Credit ratings

Two leading rating agencies, Standard & Poor's ("S&P") and Dominion Bond Rating Service ("DBRS"), analyze us and assign ratings based on their assessments. We consistently have been assigned solid investment grade credit ratings. On December 13, 2006, DBRS revised our credit ratings on our senior debentures to BBB and on our commercial paper to R-2 (high), and changed its outlook to stable. On December 13, 2006, S&P confirmed our credit ratings on our corporate credit and senior unsecured debt of "BBB+", and our commercial paper of "A-2". The outlook remained unchanged at negative. The credit ratings provided by DBRS and S&P (collectively the "Rating Agencies") as at December 31, 2006 also are summarized in the following table.

DBRS – Senior debentures	BBB
DBRS – Commercial paper	R-2 (high)
S&P – Senior debentures	BBB+
S&P – Commercial paper	A-2

The credit ratings of the Rating Agencies are not recommendations to purchase, hold or sell the instruments to which they relate, inasmuch as such ratings do not comment as to market price or suitability for a particular investor. Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities. We provide the Rating Agencies with confidential, in-depth information in support of their rating processes. There is no assurance that any rating will remain in effect for any given period of time, or that any rating will not be revised or withdrawn entirely by a Rating Agency in the future if, in its judgment, circumstances so warrant.

The Rating Agencies rate long-term debt instruments, such as senior debentures, in categories ranging from a high of “AAA” to a low of “D”. The ratings from “AA” to “CCC” may be modified by a designation of “high” or “low” in the case of DBRS, and by the designation of a plus (+) or minus (-) sign in the case of S&P. These designations indicate an issuer’s relative standing within the rating category.

According to the DBRS rating system, the “BBB” rating is the fourth highest of ten available rating categories, and means that the debt security is of adequate credit quality. According to the S&P rating system, the “BBB” rating is the fourth highest of ten available rating categories and means that the obligor’s capacity to meet its financial commitment on the obligation is adequate, while the “+” indicates a higher degree of relative standing within the category.

DBRS rates short-term debt, including commercial paper, in categories ranging from a high of “R-1” to a low of “R-3”. These ratings may be modified by a designation of “high”, “medium” or “low”, which indicate an issuer’s relative standing within the rating category. The “R-2 (high)” rating assigned to our commercial paper is the fourth highest of nine available rating categories and means that our commercial paper is of adequate credit quality.

S&P rates short-term debt, including commercial paper, in categories ranging from a high of “A-1” to a low of “D”. The “A-2” rating assigned to our commercial paper is the fourth highest of eight available rating categories and means that our capacity to meet our financial commitment on an obligation is satisfactory, while the “negative outlook” indicates that the rating may be lowered but is not a precursor of a rating change.

Constraints

Our Articles set out the following ownership restrictions in relation to our voting shares, which consist of those shares that give the holder the right to receive notice of, and attend and vote at, meetings of shareholders on resolutions electing directors:

- Individual Holdings – The total number of voting shares that may be beneficially owned by any one person or by the members of any one group of associated persons, other than by way of security only, may not exceed 20% of the total number of issued and outstanding voting shares.
- Non-residents of Canada – The number of voting shares that may be beneficially owned by non-residents of Canada, other than by way of security only, may not exceed in the aggregate the maximum percentage of the total number of issued and outstanding voting shares of the Company permitted by applicable law from time to time.
- Government Ownership – No voting shares of the Company or any affiliate may be beneficially owned by any government or government agency, other than the Government of Manitoba and its agents or an entity that invests funds or assets under a pension plan or insurance arrangement.

In order to ensure that we continue to be in compliance with the ownership restriction respecting non-residents of Canada, our share ownership is monitored by our transfer agent and registrar in relation to registered shareholders, and by The Canadian Depository for Securities Limited in relation to non-registered shareholders.

Substantial issuer bid

We completed a substantial issuer bid on September 27, 2004. This offer was made by way of a “Dutch Auction” process, pursuant to which shareholders could tender all or a portion of their shares at a price not less than $43.00 per share and not more than $48.00 per share. The purchase price we paid for each share properly tendered was based on the number of shares tendered and the prices specified by shareholders making tenders, and was the lowest price that enabled us to purchase approximately $800 million of shares at a price within the range specified above. The purchase price for shares properly deposited and accepted for payment was $43.00 per share, which resulted in 16,637,870 Common Shares and 1,966,775 Class B Preference Shares being purchased for cancellation. Total cash consideration paid for these shares was $800.8 million.

Normal course issuer bids

From time to time, we purchase Common Shares for cancellation pursuant to normal course issuer bids. All purchases of Common Shares are made on the open market through the facilities of the TSX. Purchases under our normal course issuer bids are made from time to time when we are of the view that the acquisition of our Common Shares for cancellation is the most appropriate use of funds. The following table lists the normal course issuer bids that have been initiated, along with the number of Common Shares purchased for cancellation pursuant to these bids as at March 21, 2007.

Term of normal course issuer bid	Number of Common Shares purchased for cancellation
June 2003 to June 2004	No purchases made
December 2004 to December 2005	No purchases made
December 2006 to December 2007	3,114,700

Dividend policy

Our dividend policy is to provide sustained growth in dividends to shareholders to the extent that it is appropriate considering growth in earnings per share, results of operations, financial condition, and our cash position and investment opportunities. The declaration and payment of dividends are at the sole discretion of the Board of Directors. Accordingly, there can be no assurances as to the amount or timing of any dividend in the future.

In 2006, we declared dividends per outstanding Common Share of $0.65 in each of January, May, July and November. In 2005, we declared dividends per outstanding Common Share of $0.65 in each of February, May, July and November. In 2004, we declared dividends per outstanding Common Share and Class A Preference Shares of $0.25 in each of February and May, and $0.65 per outstanding Common Share, Class A Preference Share and Class B Preference Share in August, and $0.65 per outstanding Common Share in November.

MARKET FOR SECURITIES

Our Common Shares are listed on the TSX under the trading symbol of MBT. The following is a summary of the trading volumes and price ranges of our Common Shares by month during 2006.

Month	Trading volumes	Price ranges ($)
January	7,969,276	38.11 – 41.60
February	7,785,205	36.61 – 39.60
March	12,004,944	38.00 – 44.10
April	4,460,165	42.64 – 44.85
May	7,993,434	42.55 – 47.14
June	7,645,478	45.10 – 47.35
July	6,479,132	44.10 – 47.42
August	4,982,586	46.28 – 47.73
September	6,399,712	46.58 – 49.00
October	7,846,558	44.50 – 50.24
November	10,467,273	41.76 – 46.63
December	9,067,861	43.09 – 46.55

DIRECTORS AND OFFICERS

Directors

The following persons are the directors of the Company, each of whom was elected at the annual meeting of shareholders held on May 2, 2006. All directors hold office until the next annual meeting of shareholders, unless a director resigns or a director's office becomes vacant for any reason. The directors are members of the committees of the Board of Directors as specified below.

The information specified below shows the month and year in which each director first became a director of the Company. In the case of a director who was a member of the Board of Commissioners of The Manitoba Telephone System prior to January 7, 1997 (the date on which The Manitoba Telephone System ceased to be a Crown corporation and was continued as a publicly-traded company under the name Manitoba Telecom Services Inc.), the month and year shown is when such director first became a member of the Board of Commissioners.

Name and province of residence	Principal occupation	Director since
Pierre J. Blouin Manitoba, Canada	Chief Executive Officer of each of Manitoba Telecom Services Inc. and MTS Allstream Inc.	March 2006
Jocelyne M. Côté-O'Hara (1) Ontario, Canada	Corporate Director	January 1997
N. Ashleigh Everett (2) (3) Manitoba, Canada	Chairman, Royal Canadian Properties Limited, a company owning and managing various properties President, Royal Canadian Securities Limited, the holding company of Domo Gasoline Corporation Ltd., which operates gas stations in western Canada, and Royal Canadian Properties Limited	January 1997
The Honourable Gary A. Filmon, P.C., O.M. (2) (3) Manitoba, Canada	Corporate Director and Business Consultant	April 2003
Kishore Kapoor, CA (1)	President Wellington West Holdings Inc., the holding company of companies providing investment management, financial planning, insurance, mortgage, asset management and capital markets services	May 2006
James S.A. MacDonald (1)	Chairman and Managing Partner Enterprise Capital Management Inc., a company providing investment management services	May 2006
John T. McLennan (2) Nova Scotia, Canada	Corporate Director	June 2004
Donald H. Penny, C.M., FCA, LL.D. (1) Manitoba, Canada	Corporate Director	January 1997
Gedas A. Sakus (2) (3) Ontario, Canada	Corporate Director	June 1999
Arthur R. Sawchuk (2) (3) Ontario, Canada	Chairman Manulife Financial Corporation, a company providing financial services, and life and health insurance	January 1997
D. Samuel Schellenberg (1) Manitoba, Canada	Chief Executive Officer Pembina Valley Water Co-operative Inc., a co-operative responsible for the development of a regional water supply system	August 1989
Thomas E. Stefanson, FCA (2) (3) Manitoba, Canada	Chairman of each of Manitoba Telecom Services Inc. and MTS Allstream Inc.	June 1988

(1) Member of the Audit Committee
(2) Member of the Governance & Nominating Committee
(3) Member of the Human Resources & Compensation Committee

During the past five years, each of our directors had the principal occupation indicated above, except as outlined below. Certain other information relating to the directors is outlined below.

- Pierre J. Blouin was Group President - Consumer Markets of Bell Canada prior to October 2005, Chief Executive Officer of Emergis Inc. (formerly BCE Emergis Inc.) prior to May 2003, Executive Vice-President of BCE Inc. prior to May 2002, and President and Chief Executive Officer of Bell Mobility Inc. prior to March 2002.
- Jocelyne M. Côté-O'Hara was a Principal of $C^{2}0$ & Company prior to January 2003.
- N. Ashleigh Everett was, prior to April 2005, a director and officer of Tereve Holdings Ltd., which filed for protection under the *Companies' Creditors Arrangement Act* (Canada) in August 2005.
- Kishore Kapoor, CA was appointed President of Wellington West Holdings Inc. in November 2006, and was Executive Vice-President Corporate Development of Loring Ward International Ltd. prior to June 2005, and Executive Vice-President Corporate Development of Assante Corporation prior to November 2003.
- John T. McLennan was Vice-Chairman and Chief Executive Officer of Allstream Inc. prior to June 2004. In October 2002, AT&T Canada Inc. (the predecessor to Allstream Inc.) obtained an order providing creditor protection under the *Companies' Creditors Arrangement Act* (Canada), and obtained an order under the *U.S. Bankruptcy Code* to recognize this proceeding in the United States. In April 2003, AT&T Canada Inc. emerged from creditor protection, and was restructured pursuant to a consolidated plan of arrangement and reorganization.
- Donald H. Penny, C.M., FCA, LL.D. was Chairman of Myers Norris Penny LLP prior to June 2005.

Officers

The following persons are the officers of the Company.

Name and province of residence	Principal occupation
Pierre J. Blouin Manitoba, Canada	Chief Executive Officer of each of Manitoba Telecom Services Inc. and MTS Allstream Inc.
Wayne S. Demkey, CA Manitoba, Canada	Chief Financial Officer of each of Manitoba Telecom Services Inc. and MTS Allstream Inc.
John A. MacDonald Ontario, Canada	President Enterprise Solutions MTS Allstream Inc.
Kelvin A. Shepherd, P.Eng. Manitoba, Canada	President Consumer Markets MTS Allstream Inc.
Peter J. Falk, Q.C. Manitoba, Canada	Chief Legal Counsel & Corporate Secretary of each of Manitoba Telecom Services Inc. and MTS Allstream Inc.
Brenda M. McInnes, CA Manitoba, Canada	Vice-President & Treasurer Manitoba Telecom Services Inc.

During the past five years, each of our officers had the principal occupation indicated above, except as outlined below.

- Pierre J. Blouin was Group President - Consumer Markets of Bell Canada prior to October 2005, Chief Executive Officer of Emergis Inc. (formerly BCE Emergis Inc.) prior to May 2003, Executive Vice-President of BCE Inc. prior to May 2002, and President and Chief Executive Officer of Bell Mobility Inc. prior to March 2002.
- Wayne S. Demkey, CA was Executive Vice-President Finance & Chief Financial Officer and Corporate Controller of Manitoba Telecom Services Inc. prior to March 2006, and Vice-President Finance & Chief Financial Officer of Manitoba Telecom Services Inc. and Vice-President Media Services of MTS Advanced Inc. prior to May 2002.
- John A. MacDonald was President Allstream of MTS Allstream Inc. prior to March 2006,

President & Chief Operating Officer of Allstream Inc. prior to June 2004, and President & Chief Executive Officer of Leitch Technology Corp. prior to November 2002.

- Kelvin A. Shepherd, P.Eng. was President MTS (Manitoba) of MTS Allstream Inc. prior to March 2006, Chief Operating Officer, MTS Communications division of MTS Allstream Inc. and Chief Technology Office of Manitoba Telecom Services Inc. prior to February 2006, and Vice-President Network Services & Chief Technology Officer of MTS Communications Inc. prior to June 2004.
- Peter J. Falk, Q.C. was Executive Vice-President Business Development, General Counsel & Corporate Secretary of Manitoba Telecom Services Inc. prior to March 2006.
- Brenda M. McInnes, CA was Treasurer of Manitoba Telecom Services Inc. prior to June 2005, and Director Pensions of Manitoba Telecom Services Inc. prior to May 2002.

Our directors and senior officers as a group own, directly or indirectly, or exercise control or direction over approximately 0.19% of the issued and outstanding Common Shares of MTS.

AUDIT COMMITTEE

Charter

Our Audit Committee has a written Charter, which sets out its mandate and responsibilities. The text of this Charter follows.

Audit Committee Charter

(A Committee of the Board of Directors (the "Board") of Manitoba Telecom Services Inc. (the "Corporation"))

Overall Responsibilities of the Committee

1. The Audit Committee ("Committee") shall assist the Board in carrying out the following responsibilities, including those expressly set out in the Board Mandate:
   (a) monitoring the Corporation's financial reporting functions and related internal control and management information systems;
   (b) identifying the principal risks of the Corporation's business, and ensure the implementation of appropriate systems to manage these risks;
   (c) adopting a communications policy for the Corporation regarding the distribution of financial information to the public;
   (d) governance and administration of employee pension plans; and
   (e) co-ordination of special studies and reviews.

   For greater detail with respect to these Overall Responsibilities, see "Specific Responsibilities of the Committee" commencing in section 12.

Composition of the Committee

2. The Committee shall be comprised of four (4) or more directors appointed by the Board on the recommendation of the Governance & Nominating Committee, none of whom shall be officers (as the term "officer" has meaning in securities regulations) or employees of the Corporation or any of its affiliates.
3. The Chairman of the Committee shall be determined by the Board. The Chairman's responsibilities are attached hereto as Schedule "A". The Committee may appoint a Vice-Chairman.
4. Each member of the Committee shall be a director and, in the business judgment of the Board, shall satisfy the applicable independence, experience, and financial literate qualification requirements of the laws governing the Corporation and the applicable stock exchanges on which the Corporation's securities are listed, as well as the guidelines of applicable securities regulatory authorities and the Canadian Securities Administrators.
5. The appointment of members of the Committee shall be made immediately following each annual meeting of shareholders of the Corporation. Members of the Committee may be reappointed annually and shall serve at the pleasure of the Board for such term(s) as the Board may determine.

6. The Committee shall determine whether any of its members serve on the audit committee of 3 or more public corporations, and if any member does, the Committee may request that such member not continue to serve on the Committee.

Meetings, Quorum, Minutes and Procedures

7. Meetings shall be held at the call of the Chairman or a majority of the members of the Committee, or with the consent of the Chairman, by the independent auditor. Notice of the time and place of every meeting may be given by telephone or in writing, and be delivered by hand, mail, facsimile or electronically to each member of the Committee at least 24 hours prior to the time fixed for such meeting. A meeting of the Committee may be held and duly constituted at any time without notice if all the Committee members are present or, if any of them are absent, those absent have waived notice or provided their consent in writing to the meeting being held in their absence, or thereafter, have ratified and approved the proceedings thereof or action taken and any resolution passed thereat. Meetings of the Committee shall be held at least quarterly.
8. The independent auditor of the Corporation is entitled to receive notice of every meeting of the Committee and, at the expense of the Corporation, to attend and be heard at the meeting. If so requested by a member of the Committee, the independent auditor shall attend any or every meeting of the Committee.
9. A quorum for meetings shall be not less than a majority of the members of the Committee, present in person or by telephone or other telecommunications device that permits all persons participating in the meeting to communicate adequately with each other. A majority shall include either the Chairman or an interim Chairman, as the case may be, or the Vice-Chairman, if any.
10. The Chairman of the meeting shall appoint a person to act as a recording secretary to keep minutes of each meeting. The recording secretary need not be a member of the Committee.
11. Decisions at meetings of the Committee shall be determined by a vote of the majority of those present and eligible to vote. Decisions may also be effected by a resolution in writing signed by all members of the Committee. The Chairman shall not have a second or casting vote. All matters considered, decisions, and recommendations of the Committee from each of its meetings shall be reported by the Committee to the next meeting of the Board.

Specific Responsibilities of the Committee

12. The Committee shall make assessments and determinations as the Committee considers necessary or desirable to assist the Board in carrying out those areas of the Board's Mandate that deal generally with financial matters of the Corporation, identified summarily in section 1 above. In carrying out such assessments and determinations, the Committee shall consider all matters necessarily incidental to the Overall Responsibilities set out in section 1, including without limitation, the matters identified in sections 13 to 17 inclusive below.
13. Monitoring the Corporation's Financial Reporting Functions and Related Internal Control and Management Information Systems: With respect to monitoring the Corporation's internal control and management information systems, the Committee shall ensure the quality and integrity of financial information, establish and ensure compliance with disclosure and internal controls over financial reporting of the Corporation and its Subsidiaries. Specifically, with respect to the:

    (a) Annual Audited Financial Statements and Financial Reporting, the Committee shall:

    (i) review the annual (consolidated) financial statements of the Corporation and its Subsidiaries, including a review of the adequacy of disclosure and content, significant changes in accounting policies (including the impact of alternative accounting policies), the significant risks and uncertainties, material year-end adjustments, and significant estimates and judgments made by Executives that can be material to the financial statements, and, if considered appropriate, recommend the approval of such annual (consolidated) financial statements to the Board and the boards of directors of Subsidiaries;

    (ii) review the independent auditor's reports and management letters, together with any response by Executives, and advise the Board and the board of directors of a Subsidiary, as applicable, with respect thereto;

    (iii) review the financial content of the Corporation's Annual Report to Shareholders, including management's discussion and analysis; and, if considered appropriate, recommend its approval to the Board;

(iv) review the Annual Information Form; and, if considered appropriate, recommend its approval to the Board;
(v) review with Executives, the independent auditors and, if necessary, with legal counsel, any litigation, claim or other contingency, including tax policy that could have a material effect upon the financial position or operating results of the Corporation, and the manner in which these matters have been disclosed in the financial statements; and
(vi) review certifications of annual financial information required to be filed with applicable regulatory authorities.

(b) Interim Unaudited Financial Statements and Financial Reporting, the Committee shall:

(i) review the unaudited quarterly consolidated interim financial statements of the Corporation; and, if considered appropriate, recommend the approval of such financial statements of the Corporation to the Board, and also review the unaudited interim financial statements of one or more of the Subsidiaries; and, if considered appropriate, recommend approval of such financial statements to the board of directors of that Subsidiary;
(ii) review the interim management's discussion and analysis and, if considered appropriate, recommend its approval to the Board; and
(iii) review certifications of interim financial information to be filed with the applicable securities regulatory authorities.

(c) Independent Audit Function, the Committee shall:

(i) recommend to the board of directors, the independent auditor to be nominated for appointment by the shareholders;
(ii) determine the compensation of the independent auditor in advance of preparing the annual audit;
(iii) engage at least quarterly the independent auditor to perform a review of the interim financial statements of the Corporation and the Subsidiaries;
(iv) review and approve the independent auditor's letter(s) of engagement;
(v) review the proposed scope of the independent audit and interim reviews with the independent auditor and identify areas of concern of the Board, and request that such areas be considered by the independent auditor in the finalization of the audit or review plan;
(vi) review any problems identified in performing the audit or review, such as a limitation or restriction imposed by any Executive or a disagreement with any Executive that, if not satisfactorily resolved, would have caused the independent auditor to issue a non-standard report on the financial statements of the Corporation or the Subsidiaries;
(vii) promote effective and timely resolution of audit issues by facilitating communication between Executives, the auditors and the Board;
(viii) review in-camera with the independent auditors, the quality of the Corporation's financial and accounting personnel, and any recommendations that the independent auditors may have; and
(ix) monitor and strengthen the independence of the independent audit function, including the audit function's independence from Executives, by:
   1) ensuring that a direct reporting relationship exists between the independent auditor and the Committee;
   2) providing a forum for communicating findings to the Board;
   3) maintaining a governance process over the employment of the independent auditor for any services other than the audit of the annual financial statements, or the review of the interim financial statements;
   4) receiving from the independent auditor a written statement describing all relationships and service arrangements between the independent auditor and the Corporation and the Subsidiaries, and discussing with the independent auditor any relationships or service arrangements that have been disclosed that may impact the independent auditor's objectivity and independence, and, where necessary, taking such action as may be appropriate to ensure the independence of the independent auditor; and
   5) reviewing the hiring of any current or former partners or employees of the independent auditor by the Corporation or any of the Subsidiaries; and;

(x) pre-approve all audit services and permitted non-audit services (including the fees, terms and conditions for the performance of such services) to be performed by the independent auditor.

(d) Internal Audit Function, the Committee shall:

(i) review and assess annually the scope and objectives of the internal audit function, including the adequacy of staff resources and budget as well as the appropriateness of audit emphasis;
(ii) review annually the mandate of the internal auditor;
(iii) review and approve the internal auditor's annual audit plan;
(iv) receive directly from the internal auditor for review at least annually a report of the internal auditor, including initiatives on areas of major audit efforts;
(v) periodically arrange and participate in meetings with the internal auditor to review the results of the internal audit practices of the Corporation;
(vi) review in-camera with the internal auditors any recommendations made by the internal auditors; and
(vii) monitor and strengthen the independence of the internal audit function, including the audit function's independence from Executives, by establishing a direct reporting relationship between the internal auditors and the Committee.

(e) Internal Control Environment, the Committee shall:

(i) promote an appropriate control environment, which emphasizes accountability of employees for the effective and efficient management of business operations;
(ii) review the process to monitor the operations of the Corporation and its Subsidiaries, in accordance with the corporate and financial objectives established by the Corporation's Strategic Direction, annual consolidated business plan and the annual operating and capital budgets approved by the Board;
(iii) obtain assurance that the Corporation has implemented appropriate systems of internal controls over financial reporting;
(iv) review with the Executives and independent auditors the systems of internal controls and overall policies and procedures of the Corporation and the Subsidiaries with respect to controlling and safeguarding corporate assets;
(v) review spending limits and other similar authorizations and authority, including execution of contracts;
(vi) review matters relating to any potential conflict of interest or breach of ethical conduct, whether or not contemplated by any policy pertaining to conflict of interest or ethics;
(vii) obtain assurance that the Corporation has established procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, and the confidential anonymous submission of employees of concerns regarding questionable accounting or auditing matters;
(viii) obtain assurance that the Corporation and the Subsidiaries have implemented policies and procedures to ensure compliance with legal and regulatory and environmental requirements and discuss with management, and if necessary with the independent auditor, any correspondence or reports which raises material issues regarding the Corporation's financial statements or accounting; and
(ix) review any annual or interim certifications relating to disclosure controls and procedures or internal control over financial reporting required to be filed with applicable securities regulatory authorities.

14. Identify the Principal Risks of the Corporation's Business and ensure the Implementation of Appropriate Systems to Manage these Risks: With respect to identifying the principal risks of the Corporation's business and ensuring the implementation of appropriate systems to manage these risks, the Committee shall:
(a) obtain assurance from management that the major risks to the Corporation and its Subsidiaries have been identified, including the establishment of appropriate disaster recovery procedures with respect to the major computer and network systems of the Corporation and its Subsidiaries;
(b) review and approve annually management's risk mitigation initiatives for the major risks; and
(c) obtain assurance from management, at least annually, regarding the identification of the Corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Corporation's risk assessment and risk mitigation initiatives.

15. Adopting a Communications Policy for the distribution of financial information to the public: With respect to adopting a communications policy for the distribution of financial information to the public, the Committee shall:
    (a) review appropriate measures and processes that will facilitate appropriate communications between the Board and its shareholders, including:
        (i) ensuring that there is a department of Investor Relations which receives and responds in a timely manner as permitted by law to comments from all shareholders;
        (ii) reviewing, prior to any release or distribution to the public, news releases containing financial information based on the Corporation's financial statements, and recommending to the Board for approval, earnings guidance, quarterly earnings news releases including interim and annual financial statements and interim and annual management's discussion and analysis; and
        (iii) reviewing and recommending to the Board for approval all responses to proposals from shareholders; and
    (b) review the appropriateness of the Corporation's "Corporate Disclosure Policy and Practices" ("Disclosure Policy") from time to time, ensure that the Corporation's practices relating to the timely continuous disclosure of appropriate information to the public comply with all applicable securities regulations, and if considered necessary, recommend to the Board amendments to the Disclosure Policy.
16. Governance and Administration of Employee Pension Plans: With respect to governance and administration of the Corporation's employee pension plans, the Committee shall conduct the annual review of the policies and procedures directed towards the governance, performance, and the funding and administrative activities of all pension plans of the Corporation. Specifically, the Committee shall receive, review and, if considered appropriate by the Committee approve, or make recommendations to the Board for approval regarding:
    (a) annual and other reports relating to the governance, performance, and administration of all pension plans of the Corporation;
    (b) any process undertaken respecting the appointment or termination of investment managers, the trustee and auditors, as well as the appointment of members to the Investment Committee and the appointment of non-elected members to the Pension Committee;
    (c) amendments to the Statement of Investment Policies and Goals and amendments to each pension plan of the Corporation;
    (d) obtain assurance that the Corporation and its Subsidiaries have implemented appropriate systems of internal control over the administration of all pension plans;
    (e) proposals to amend, terminate, merge or consolidate the pension plan with a new or existing pension plan;
    (f) the transfer of assets or liabilities of a pension plan as a result of the amendment, termination, merger or consolidation of a pension plan as described in subsections (c) and (d) above;
    (g) any amendments to pension plan benefits; and
    (h) funding of one or more of the pension plans.

    The responsibility of the Committee pursuant to this section shall be construed in relation to the responsibilities of the Human Resources & Compensation Committee relating to the Corporation's Pension Plans described in the Charter of the Human Resources & Compensation Committee. The Audit Committee shall also serve as the audit committee of MTS Allstream Inc. and shall have the same authority and perform the same function with respect to the pension plans of MTS Allstream Inc.
17. Coordination of Special Studies and Reviews: The Committee may:
    (a) conduct, or cause to be conducted, any special studies and reviews to obtain appropriate and sufficient evidence to satisfy its purpose and objectives;
    (b) receive and consider reports related to special studies and reviews and recommend appropriate actions to the Board for approval; and
    (c) ensure that Executives carry out any recommended and approved actions in a timely manner.

Role of Committee, Management, Board, Independent and Internal Auditors

18. The Committee has the oversight role set out in this Charter. Each of management, the Board, the independent auditor, and the internal auditor, has an important role in respect of risk management, compliance, and the preparation and presentation of financial information, which may be summarized as follows:
    (a) management is responsible for risk management, compliance, and preparation of financial statements and periodic reports, and for ensuring that the Corporation's financial statements and disclosures are complete, accurate and in accordance with Canadian generally accepted accounting principles and applicable laws;
    (b) the Board in its oversight role is responsible for ensuring that management fulfills its responsibilities;

(c) the independent auditor, following the completion of its annual audit, is responsible for issuing opinions on the presentation, in all material respects, of the financial position and results of operations of the Corporation in accordance with Canadian generally accepted accounting principles; and
(d) the internal auditor is responsible for assessing the Corporation's systems of internal controls on an ongoing basis.

Adequacy of Charter and Performance Evaluation of Committee

19. The Committee shall:
   (a) review and assess the adequacy of this Charter annually, and when necessary, recommend changes to the Board; and
   (b) annually undertake a review and performance evaluation of itself with the Board against the Mandate of this Charter to set the goals and objectives of the Committee for the upcoming year.

Authority of the Committee

20. The authority of the Committee is subject to the provisions of this Charter, the by-laws and other constating documents of the Corporation, the Board Mandate and the Board Charter, such limitations as may be imposed by the Board from time to time, and the laws governing corporations.
21. The Committee is authorized by the Board to undertake any assessment, examination or investigation it determines necessary and such other matters as the Board may request, and to carry out such responsibility in the manner the Committee considers appropriate having regard to the nature of the matter it assesses, examines or investigates. For this purpose, the Committee shall have direct communication channels with the independent and internal auditors.
22. The Committee shall have the authority to consider and make recommendations to the Board regarding such other matters as may be referred to it by the Board or by management from time to time.
23. The Committee may, with the consent of the Board, for the purpose of assisting the Committee to carry out any responsibility set out in this Charter, establish a subcommittee comprised of directors reporting to the Committee.
24. Subject to the provisions of sections 20 and 21, the Committee is authorized, in the case of emergency as determined by the Committee, to deal with any matter within the power of the Board.
25. Notwithstanding any provision in this Charter, the Chairman of the Board may convene on short notice a meeting of the Committee to address any matter that s/he considers to be an emergency and difficult to achieve a quorum of the Board. Decision(s) made at such meeting of the Committee may be acted upon as though they were decision(s) of the Board. All Directors shall promptly be advised of the notice of meeting, be entitled to attend, and the decision(s) at such meeting.

Independent Advisors

26. The Committee shall have the authority to engage, establish and pay the compensation of independent counsel and other advisors as it may deem necessary for its purposes. The expenses relating to any engagement shall be borne by the Corporation.

Approval of Board

27. The Committee shall function primarily to examine financial issues and aspects of the Corporation and its Subsidiaries with the purposes mandated by this Charter, and to formulate recommendations for consideration by the Board. Accordingly:

   (a) unless the Committee has been provided with express instructions by the Board that the effect of the Committee's decisions, investigations, findings or actions are final, conclusive and binding on behalf of the Board, the Committee shall carry out the mandate set out in this Charter as the basis for it making recommendations for consideration by the Board before any action recommended by the Committee is implemented or adopted; and
   (b) any decision or recommendation of the Committee that requires approval of the Board shall not become effective as a decision of the Board until such decision or recommendation is either confirmed or otherwise extended or amended by the Board, unless the Board has expressly delegated a particular matter to be finalized by the Committee without requiring subsequent confirmation by the Board.

Definitions

The following words and terms used in this Charter shall have the following meaning:

"Executive" means any employee who is the Chief Executive Officer, a member of management's Executive Committee, or an Officer of Manitoba Telecom Services Inc. or MTS Allstream Inc.

"Subsidiary" means a company in which the Corporation owns more than 50% of the securities, the holder of which is entitled to receive notice of, attend, and vote at meetings of shareholders on resolutions electing directors.

Policy on engagement of external auditors

The mandate of our Audit Committee includes the responsibility to monitor and strengthen the independence of the external audit function.

Accordingly, we established an *Auditor Independence Policy* to ensure that the external auditors remain independent, both in fact and in appearance. We acknowledge that maintaining the independent and objective viewpoint of the independent external auditors is critical to the external financial reporting process and our access to the capital markets. Our *Auditor Independence Policy* applies in all cases where we intend to engage the external auditors.

The external auditors are appointed annually by vote of the shareholders based on the recommendation of our Board of Directors. The external audit firm's compensation is approved based on the recommendation of our Audit Committee. All other services to be provided by the external auditors and related fees require the prior approval of our Audit Committee. Our Audit Committee also reviews a quarterly report from management describing the services that have been provided by external auditors and related fees.

Our *Auditor Independence Policy* outlines services that the external auditors may not be engaged to provide. These services include:

- bookkeeping or other services related to accounting records or financial statements;
- appraisal or valuation services fairness opinions;
- actuarial services;
- management functions or human resources services;
- broker-dealer, investment advisor or investment banking services;
- legal services or expert services unrelated to the audit;
- internal audit outsourcing services; and
- financial information systems design and implementation services.

External auditor service fees

The aggregate amounts paid or accrued with respect to fees payable to our external auditors for services related to the fiscal years ended December 31, 2006 and 2005 are as follows:

(in millions $)	2006	2005
Audit fees	1.2	1.2
Audit related fees (1)	0.7	0.3
All other fees (2)	0.2	0.1
Total	2.1	1.6

(1) Audit related fees include fees associated with regulatory audits, pension plan audits and other specified procedures audits.

(2) All other fees consist primarily of fees for services related to French translation of documents filed with securities regulatory authorities.

Composition

Our Audit Committee is comprised of five directors appointed by our Board of Directors. Each member of the Audit Committee is independent as defined in Multilateral Instrument 52-110 *Audit Committees*.

Each Audit Committee member is financially literate. The following is a description of the education and experience of each member that is relevant to his or her responsibilities as an Audit Committee member.

- Donald H. Penny, C.M., FCA, LL.D. has been the Chairman of the Audit Committee since 1997. Mr. Penny is a chartered accountant, and in 1983, he was elected as a Fellow of the Chartered Accountants by the membership of the Institute of Chartered Accountants of Manitoba. This distinction was awarded in recognition of his service to the chartered accountancy profession. In November 2005, Mr. Penny received a Lifetime Achievement award from the Institute of Chartered Accounts of Manitoba. He also was the recipient of the Order of Canada in August 2005. From November 1998 to May 2005, Mr. Penny was Chairman of Meyers Norris Penny LLP, which is a professional firm of chartered accountants and business advisors, and prior to serving as Chairman, he was the firm's Managing Partner for 21 years. He now serves as special counsel to the firm's Board of Directors. Mr. Penny has extensive experience with respect to accounting principles, financial reporting, auditing, and internal controls. Mr. Penny has served on the CICA's Board of Governors, and from 1995 to 1998, he held the position of Chairman. Mr. Penny has served as a director of Fort Garry Brewing Company Ltd., Jazz Golf Equipment Inc. and Inventronics Limited, which are publicly traded corporations. He currently sits on the board of directors of Jovian Capital Corporation.

- Jocelyne M. Côté-O'Hara has been a member of the Audit Committee since 1997. She received a Bachelor of Arts from the University of Ottawa and completed the Advanced Management Program of the Harvard Business School. For the past 20 years, Ms. Côté-O'Hara has been involved in the telecommunications industry. She was the Vice-President Government Relations of BC TEL, the founding President and Chief Executive Officer of Stentor Telecom Policy Inc., and a principal of $C^2$0 & Company, a telecommunications consulting firm. Ms. Côté-O'Hara is a director of a number of companies, including Xerox Canada Inc., serving as Chair of its audit committee, and Protus IP Solutions Inc., for which she is the Chair of its board of directors. She also has served as a director of Northern Trust Canada Limited, and has served as a member of its audit committee.

- Mr. Kapoor has been a member of the Audit Committee since May 2006. Mr. Kapoor received a Bachelor of Science from the University of Manitoba. He is a chartered accountant and a former tax partner with the international accounting firm of KPMG LLP. Mr. Kapoor is currently President of Wellington West Holdings Inc., the parent company to eight subsidiaries providing financial services to Canadian investors. Mr. Kapoor was a founder of Assante Corporation, an organization providing wealth and asset management services through a network of financial advisors, and served as its Executive Vice-President Corporate Development from 1994 to 2003. From 2003 to 2005, Mr. Kapoor was Executive Vice-President Corporate Development of Loring Ward International Ltd., a public company formed to hold the U.S. operations of Assante Corporation Mr. Kapoor is chairman of the audit committee of Medicure Inc., a publicly traded biopharmaceutical company.

- James S. A. MacDonald became a member of the Audit Committee effective January 1, 2007. Mr. MacDonald graduated with a Bachelor of Arts (Hons Bus) from the University of Western Ontario, and holds a Master of Business Administration from The Kellogg School of Management at Northwestern University. Mr. MacDonald was a founding partner of Enterprise Capital Management Inc., an investment advisory firm. He currently serves as its Chairman and Managing Partner. Mr. MacDonald was the Deputy Chairman of ScotiaMcLeod Inc., a major Canadian investment dealer, until 1997. In his 27-year career with ScotiaMcleod Inc., his experience included investment research, corporate finance, and mergers and acquisitions. Mr. MacDonald has an extensive background as a director of various public companies. He has been as a director of Sherritt International Corporation, having served as a member of its audit committee, and of Rogers Sugar Income Fund, having served as chairman of its audit committee. Mr. MacDonald also was the chairman of the board of directors and a member of the audit committee of VFC Inc. He also has served as a director of each of Conwest Exploration Company Limited, Intensity Resources Ltd., Spar Aerospace Limited, and Aberford Resources Ltd. Currently, Mr. MacDonald is a member of the audit committees of each of MDS Inc., a publicly traded company in the health and life sciences industry, and Capitol Energy Resources Ltd., a junior exploration and development company. He also is a director of Superior Plus Income Fund.

- Samuel Schellenberg has been an Audit Committee member since 1997. He is a graduate of the University of Manitoba with a Bachelor of Arts. Mr. Schellenberg has many years of experience in business as Chief Executive Officer of Pembina Valley Water Co-operative Inc. He also has operated independent businesses, and served in an advisory role to the Government of Manitoba. Mr. Schellenberg has a variety of board experience. He currently serves as a director of the Red River Basin Commission, and has served as a director of Red River Trade Inc., International Flood Mitigation Initiative and the International Water Institute, as well as a number of non-profit organizations, including the

Pembina River Advisory Board and Pembina Valley Adult Education.

TRANSFER AGENT AND REGISTRAR

Our transfer agent and registrar is Computershare Investor Services Inc., which maintains our register of shareholders at its offices located in Winnipeg, Calgary, Vancouver, Toronto, Montreal and Halifax.

ADDITIONAL INFORMATION

Additional information relating to our company may be found on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of securities and securities authorized for issuance under equity compensation plans, is contained in our Management Proxy Circular for our most recent annual meeting of shareholders that involved the election of directors.

Additional information is provided in our financial statements and management's discussion and analysis for our most recently completed financial year.