

**IN THE MATTER OF THE SECURITIES ACT
R.S.O. 1990, c. S.5, AS AMENDED**

- and -

**IN THE MATTER OF
CERTAIN DIRECTORS, OFFICERS AND INSIDERS OF
HOLLINGER INC.**

**APPLICATION RECORD OF THE APPLICANTS
ARGUS CORPORATION LIMITED AND ITS NUMBERED SUBSIDIARIES**

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April 11, 2005

DELIVERED AND BY E-MAIL

Ontario Securities Commission,
P.O. Box 55, 19th Floor,
20 Queen Street West,
TORONTO, Ontario
M5H 3S8

Attention: The Secretary to the Commission

Dear Sirs / Mesdames:

Re: Hollinger Inc. – Application for an Order to Vary the Hollinger MCTO (as defined below) under Section 144 of the *Securities Act* (Ontario)

I am counsel to Argus Corporation Limited ("**Argus**") and its numbered subsidiaries 509643 N.B. Inc., 509644 N.B. Inc., 509645 N.B. Inc., 509646 N.B. Inc. and 509647 N.B. Inc. (the "Numbered Subsidiaries").

On behalf of Argus together with its Numbered Subsidiaries, I am hereby applying pursuant to Section 44 of the *Securities Act* (Ontario) (the "**Act**") to the Ontario Securities Commission (the "**OSC**") for an order varying the Hollinger MCTO to permit the sale by Argus of up to 200,000 Retractable Common Shares ("**Shares**") of Hollinger Inc. ("**Hollinger**") in order for Argus to pay dividends to the holder of its publicly-held Class A and Class B Preference Shares and for operating expenses.

A copy of the Hollinger MCTO as varied is attached hereto at tabs D and E.

For the reasons set out herein, I request that this matter be dealt with on an expedited basis and that a determination be made by the OSC at its earliest convenience.

FACTS

Argus

1. Argus is a corporation governed by the *Canada Business Corporations Act*. It is a reporting issuer or its equivalent under the securities legislation of Ontario and Quebec.
2. Argus has been a public company and its shares have been listed on the Toronto Stock Exchange (the "TSX") since shortly after its incorporation on September 24, 1945.

Argus has throughout most of its history issued and had outstanding preference shares on which it has paid dividends as required and on time.

Share Capital

3. The authorized capital of Argus consists of:
 - i. an unlimited number of common shares (the "**Common Shares**");
 - ii. an unlimited number of Class A Preference Shares (the "**Class A Preference Shares**") of which there are two series, the \$2.50 Series and the \$2.60 Series;
 - iii. an unlimited number of Class B Preference Shares (the "**Class B Preference Shares**") of which there is one series, the 1962 Series or \$2.70 Series; and
 - iv. an unlimited number of Class C Participating Preference Shares (the "**Class C Preference Shares**").

The Class A Preference Shares and Class B Preference Shares will be sometimes referred to together herein as the "**Class A and Class B Preference Shares**".

4. As at April 8, 2005, 1,677,661 Common Shares, 22,324 Class A Preference Shares \$2.50 Series, 55,893 Class A Preference Shares \$2.60 Series, 298,400 Class B Preference Shares and 6,677,263 Class C Preference Shares are issued and outstanding.
5. The only voting shares of Argus are the Common Shares.

The Class A and Class B Preference Shares are non-voting and are entitled to be paid dividends as set out in the Articles of Argus.

The Class C Preference Shares are non-voting. They participate equally with the Common Shares in dividends after \$0.30 per share has been paid on each such share and on any distribution of assets.

6. The outstanding Common Shares and the Class C Preference Shares are all held by The Ravelston Corporation Limited ("Ravelston").
7. Both series of the Class A Preference Shares and the Class B Preference Shares are publicly held. They are separately listed and trade on the TSX.

2,900 of the 55,893 issued Class A Preference Shares are held by Ravelston. The remainder of the Class A and Class B Preference Shares are held by parties that are not related to Ravelston.
8. Additional corporate and share capital information respecting Argus is set out in a summary that is attached hereto at Tab A.

Dividends

9. The share conditions of the Class A and Class B Preference Shares include that dividends are to be paid on those shares quarterly on the first day of each of February, May, August and November of each year.
10. The dividends that are to be paid quarterly on each issued Class A and Class B Preference Shares are respectively:
 - (i) 62½ cents per share on the outstanding Class A Preference Shares \$2.50 Series,
 - (ii) 65 cents per share on the outstanding Class A Preference Shares \$2.60 Series; and
 - (iii) 67½ cents per share on the Class B Preference Shares \$2.70 Series.
11. The total amount to be paid for each quarterly dividend on the Class A and Class B Preference Shares is presently \$251,703.

Timing

12. The next dividends on the Class A and Class Preference Shares are due to be paid on May 1, 2005.
13. The TSX requires that public notice of a declaration of a dividend be given seven clear trading days prior to the record date to avoid unnecessary confusion. As well, there needs to be sufficient time between the record date and the payment date in order to process the payment of the dividends.

For example, if a dividend were to be declared on Monday, April 18, 2005, the record date would need to be no earlier than Wednesday, April 27, 2005 with only two business days then available to process dividend payments prior to a May 1, 2005 payment date.

Business of Argus

14. The business plan of Argus since its incorporation has been to make significant investments in commercial enterprises.

The prospectus of Argus by which its Class A Preference Shares \$2.50 Series were issued in 1956 disclosed its business plan as follows:

"The policy of the Company is to invest the major portion of its funds in a limited number of industrial and commercial enterprises which, in the opinion of the board of directors of the Company, are capable of substantial growth and development over a period of years."

15. In 1956, 94 percent of the assets of Argus were concentrated in the shares of six Canadian manufacturing and merchandising enterprises.
16. By 1985, the assets of Argus were concentrated in only the shares of Hollinger Inc. ("**Hollinger**").
17. The only business of Argus today is its indirect holding of 21,596,387 of the Retractable Common Shares of Hollinger ("**Shares**"), being approximately 61.8 percent of Hollinger's 34,945,776 issued Shares.
18. In turn, the principle asset of Hollinger is its holding of approximately 17.4 percent of the equity and 66.8 percent of the voting interest in Hollinger International Inc. ("**International**").
19. The Shares are listed on the TSX. The closing market value of the Shares indirectly held by Argus at April 11, 2005 was Cdn. \$6.07 per Share or a total of \$131,090,069.

Numbered Subsidiaries

20. Argus indirectly holds its Shares through its five Numbered Subsidiaries.

The only business of the Numbered Subsidiaries is to either (i) own shares of other Numbered Subsidiaries, as in the case of 509643 N.B. Inc. and 509644 N.B. Inc., or (ii) to own Shares as a bare trustee for Argus as in the case of 509645 N.B. Inc., 509646 N.B. Inc. and 509647 N.B. Inc.

21. The Numbered Subsidiaries are wholly owned by Argus with the exception of 509646 N.B. Inc. in which Ravelston owns 29.07 percent of the non-voting common shares while Argus owns all of the voting shares.
22. The number of Shares owned by three of the Numbered Subsidiaries is respectively: 509645 N.B. Inc. – 9,250,461 Shares; 509646 N.B. Inc. – 11,862,342 Shares; and 509647 N.B. Inc. – 483,584 Shares, totaling 21,596,387 Shares.

23. Additional corporate and share capital information respecting each of the Numbered Subsidiaries is set out in five summaries that are attached hereto at Tab B.

Hollinger

24. 7,582,606 of the 34,945,776 outstanding Shares (approximately 22 percent) are widely held by public investors and trade on the TSX. The remaining 78 per cent are held by Argus and Ravelston.
25. Corporate, share capital and dividend information respecting Hollinger is set out in the summary that is attached hereto at Tab C.

Argus' Financial Statements

26. As Argus' only business has been the holding of Shares, and investments in other enterprises before its investment in Hollinger, and the receipt of income therefrom, it has historically prepared and filed its financial statements, including for the year ended December 31, 2003, on a market valuation basis.
27. In such market valuation statements, the market value of the investments that Argus held was included in its assets without there being a consolidation with the financial results of the companies in which it invested.

This market value basis of presentation was in conformity with generally accepted accounting principles ("GAAP") for fiscal periods that began before January 1, 2004.

28. A change in GAAP, however, for fiscal periods beginning on or after January 1, 2004 required that Argus prepare its financial statements for those periods on the basis of consolidation with those of Hollinger.
29. Hollinger, however, has been unable to prepare and file its financial statements for the year ended December 31, 2003 and the subsequent fiscal periods as its subsidiary, International, had not prepared and filed its financial statements.

Hollinger requires the financial statements of International and the co-operation of International and its auditor in order to consolidate its statements with those of International.

30. Hollinger has been unable to prepare and file its financial statements in accordance with GAAP since the statements it filed for the third quarter of 2003.
31. As a result of the inability of Hollinger to prepare its financial statements, Argus, in turn, has been unable to prepare and file its financial statements in accordance with GAAP since its audited financial statements were filed for the year ended December 31, 2003.
32. Argus attempted to regularize its financial statement filings. It entered into extensive negotiations with the OSC to attempt to determine if its financial statements could be prepared on a market value or cost basis and considered to be in accordance with GAAP.

MCTOs

33. On June 1, 2004, a Management Cease Trade Order (“**MCTO**”) was issued by the OSC with respect to the management and insiders of each of Hollinger and International for the failure of each to file their financial statements and related Management’s Discussion and Analysis (“**MD&A**”) when due for the year ended December 31, 2003 and the first quarter of 2004.
34. On June 3, 2004, a MCTO was issued by the OSC with respect to the management and insiders of Argus for its failure to file its financial statements and related MD&A for the first quarter of 2004.
35. Since the MCTOs were issued, the only financial statements of any of Argus, Hollinger or International that were in arrears and have been prepared and filed in accordance with GAAP are the audited financial statements of International for the year ended December 31, 2003 that it filed on January 18, 2005 with the Securities Exchange Commission and in Ontario on January 21, 2005. Accordingly, each of the MCTOs continues to be in place.
36. On March 8, 2005, variation Orders were issued by the OSC with respect to the MCTO of each of Argus, Hollinger and International (each a “**Variation Order**”).

By those Variation Orders, certain additional persons who became directors or officers of Argus, Hollinger or International since the MCTOs were issued and certain additional corporate respondents in the case of Hollinger and International were added as respondents to the respective issuer’s MCTO.

37. The MCTO of Hollinger issued on June 1, 2004 together with the Variation Order with respect to Hollinger (together the “**Hollinger MCTO**”) are attached hereto at Tabs D and E.

Status Update Reports

38. In order to comply with OSC guidelines, each of Argus, Hollinger and International have been preparing and filing Status Update Reports (each a **Report**) on at least a bi-weekly basis since their respective MCTO was issued.

In its Reports, Argus has provided updates as well on developments respecting Hollinger and International. Hollinger has as well provided updates in its Reports on developments respecting International.

Alternative Financial Information - Generally

39. In addition to the information provided in the Status Update Reports of each of Argus and Hollinger, each have prepared and filed alternative financial information.

Alternative Financial Information – Argus

40. In order to keep the public informed of its financial activities despite its present inability to produce consolidated financial statements, Argus has prepared and filed alternative financial information for each of the first, second and third quarters of 2004 and for the year ended December 31, 2004.
41. Argus' Report dated April 1, 2004 together with its Market Value Consolidated Financial Statements for the year ended December 31, 2004 ("**Market Value Statements**") that were presented as alternative financial information is attached hereto at Tab F.

In the Market Value Statements, the subsidiaries of Argus other than Hollinger are consolidated while Argus' investment in Hollinger is accounted for using the market value basis of accounting.

42. Other than consolidating its results with those of Hollinger, it was intended by Argus that its Market Value Statements would be otherwise in accordance with GAAP.

Alternative Financial Information - Hollinger

43. On March 4, 2005, Hollinger filed alternative financial information in the form of an unaudited consolidated Balance Sheet as at September 30, 2004, together with Notes thereto (the "**Consolidated Balance Sheet**").

Hollinger's Consolidated Balance Sheet includes the accounts of its subsidiaries that do not represent investments. Those investments of Hollinger, including in International, were accounted for on a market valuation basis.

44. Hollinger's Consolidated Balance Sheet is attached hereto at Tab G.
45. Considerable additional financial and other information has been made publicly available by Hollinger, including in its Management Proxy Circular dated March 4, 2005 in which the valuation of GMP Securities Ltd. dated March 6, 2005 and effective March 1, 2005 (the "**Valuation**") was included.
46. In addition to the Consolidated Balance Sheet, the 48-page Valuation included numerous appendices of additional financial information with respect to Hollinger and International. The information included three years of historical results and *pro forma* forecasts for 2004 and for five years forward for International and updated financial information for Hollinger at March 1, 2005.

Argus' Lack of Income

47. Argus' principle source of income has historically been dividend income on the Shares it indirectly holds. However, Hollinger has paid no cash dividends on its Shares since the first quarter of 2003.

48. Since the first quarter of 2004, Hollinger has received regular quarterly dividends from International of U.S. \$0.05 per International share that Hollinger holds totaling approximately U.S. \$788,646 each quarter.
49. Hollinger has additionally received from International in January and March, 2005 two special dividends totaling approximately U.S. \$86,751,077.
50. Hollinger Inc. is a mutual fund and, as such, it would not ordinarily retain all of its surplus income and not provide dividends to its shareholders.
51. Argus, accordingly, has no income as Hollinger has not been paying dividends.

Ravelston's Inability to Provide Support

52. On January 31, 2005, Ravelston loaned \$251,703 to Argus to provide the funds for Argus to pay its dividends at February 1, 2005, which dividends were paid on that date. The loan was made pursuant to a promissory note bearing no interest and due on February 28, 2006.
53. Ravelston has recently advised Argus that it is unable to advance additional funds to Argus for it to provide for the payment of its May 1, 2005 dividend or operational expenses.

No Other Source of Funding is Available to Argus

54. Argus has no business endeavour other than its holding Shares.
55. No other source of funding is available to Argus.
56. It is highly unlikely that any undetermined third party would loan monies to Argus in its present circumstances.
57. Even were such a commercial loan be available, which it is not, the giving of security for such a loan in the form of a transfer, pledge or encumbrance of the Shares would require that the Shares that Argus holds be pledged.
58. Such a transfer, pledge or encumbrance of the Shares would be a trade pursuant to the Act due to the size of Argus' holdings of Shares and that it would be a control block distribution. The provision of any such security would therefore itself require a variance from the Hollinger MCTO.

Increased Operating Expenses

59. Argus' operating expenses have considerably increased since the beginning of 2004, including being due to the costs of defending certain litigation, additional regulatory compliance and reporting requirements, increased legal, accounting, operational and administrative costs generally and increased governance standards.

60. As well, Argus has incurred considerable professional transactional review costs relating to the January, 2004 enjoined take-over bid for the Shares it held and Hollinger's March, 2005 proposed going private transaction.

Litigation Involving Argus

61. Argus (i) provided no services, (ii) received no non-competition payments, (iii) carried on no operations or business activities whatsoever including in the United States, (iv) had no connection with the United States, (v) only held Shares as capital property in Ontario, and (vi) only received dividend income pro rata with all shareholders of Hollinger.

62. Argus was nonetheless joined in February and April, 2004 as a defendant in three class action complaints in Illinois, U.S.A. relating to the shares of International. Those three complaints have since been consolidated into one Consolidated Class Action Complaint. (the "**Consolidated Complaint**").

63. Argus was similarly joined as a defendant in a Statement of Claim filed in September, 2004 as a class action in Saskatchewan that also related to the shares of International.

A further similar Statement of Claim with respect to a possible additional or replacement class action was filed in Ontario though has never been served on Argus which is named as a defendant.

64. Argus has retained Illinois litigation counsel and filed a Motion to Dismiss the Consolidated Complaint. There is no certainty that its Motion will be granted and Argus will then be required to incur considerable expense to defend itself in the sophisticated U.S. class action litigation along with all of the other defendants.

65. Argus has retained Ontario and Saskatchewan litigation counsel to prepare its defence with respect to the Saskatchewan class action claim.

66. Argus is further a related party for purposes of the inspection of Hollinger (the "**Inspection**") and has been co-operating with Ernst & Young Inc., the Court-appointed inspector (the "**Inspector**"). As a result of the Inspection, however, Argus is involved in the attendant litigation and Court proceedings respecting the Inspection and accordingly incurring legal expense.

In addition, Argus has been incurring the additional costs of responding to the Inspector's requests for information, financial statements and documents.

67. The second Application of Catalyst Fund General Partner I ("**Catalyst**") affected Argus as its two independent directors who were also directors of Hollinger were required to resign from the board of Argus in order to continue to serve as independent directors of Hollinger.

68. The third Application of Catalyst seeks an Order requiring that any Shares held by Ravelston be placed in a voting trust or that Ravelston be enjoined in any disposition of its assets. Argus may need to be defended in that litigation as well.

69. Argus is attempting to recover its defence costs with respect to certain of these litigation matters pursuant to an Executive and Organization Liability Insurance Policy (the "Policy") under which it is an unnamed insured.

Considerable litigation is anticipated in order to ensure that Argus' claims will be paid pursuant to the Policy.

70. While Argus has (i) not been involved in any of the alleged activities set out in the Consolidated Complaint or (ii) in the Saskatchewan class action claim or (iii) the alleged oppressive conduct claimed by Catalyst and (iv) only received dividend income from the Shares it held, it nonetheless now has found itself of necessity with the burden of considerable defence costs related to these sophisticated proceedings.

71. Argus' defence costs are not optional or discretionary. If Argus does not defend the sizeable claims made against it, its assets and the interests of its shareholders will be in peril.

Argus' Present Outstanding Accounts

72. As at the close of business on April 8, 2005, Argus had \$10,240.56 of cash.

73. Also as at the close of business on April 8, 2005, Argus had outstanding payables totaling \$213,914.20.

That amount includes (i) \$164,751.80 for legal services provided by three law firms, (ii) \$27,013 of accounting expenses (to December 31, 2003), (iii) \$6,845.95 of transfer agent fees (to February 28, 2005), (iii) \$14,225.43 of charges of CCN Matthews for Report and News Release filings (to February 22, 2005), and (iv) \$1,078.02 for travel and accident insurance for employees.

74. The outstanding payables do not include considerable unbilled amounts for legal or accounting expenses for the period since January 1, 2005.

75. The outstanding payables further do not include an invoice of U.S. \$57,863 that Argus' Illinois counsel for the Consolidated Class Action Complaint is submitting to American Home Assurance Company ("American Home").

American Home, to date, has paid no legal accounts submitted pursuant to the Policy. Should American Home, or any of the subsequent tiers of insurers, not pay that account and other subsequent such accounts, they will be provided to Argus to pay.

76. Argus' other recurring expenses relate to such matters as TSX fees and government remittance contributions for employees, both of which were paid in the past week.

There are, as well, ongoing general and office expenses, including a yet-to-be determined amount of certain of those expenses incurred at its head office that is to be allocated.

77. Argus has owed \$308,218 to Ravelston since early 2004 in connection with legal expenses related to the proposed take-over of the Shares. Argus also owes Ravelston \$251,703 that it loaned to Argus on January 31, 2005 in order that Argus could pay its February 1, 2005 dividends.

These amounts due to Ravelston are not going to be repaid from any proceeds of the sale of Shares pursuant to the requested variance.

No Material Undisclosed Information

78. The public has been very well informed of developments respecting Argus, Hollinger and International. The business affairs and developments of the Hollinger companies have attracted constant, unrelenting public scrutiny and disclosure.
79. The recent OSC Hearings served to bring further scrutiny and disclosure on to the business affairs of the Hollinger companies.
80. The Inspection has provided considerable public scrutiny. To date, the Inspector has provided seven Reports that have been made publicly available.
81. The bi-weekly Reports and alternative financial information that have been provided have served to inform the public of considerable financial information that would ordinarily be included in consolidated financial statements and other developments.

RELIEF REQUESTED

Argus and the Numbered Subsidiaries are seeking an Order pursuant to Section 144 of the Act to vary the Hollinger MCTO to permit the sale by it of up to 200,000 Shares.

SUBMISSIONS

1. The convergence of circumstances by which the MCTO relating to the management and insiders of Argus came to be required and requested by Argus resulted from factors that were unrelated to Argus. These factors included (i) the change in GAAP requirements, (ii) the breakdown in relationships between Hollinger and International, and (iii) the lack of financial statements of those companies.
2. Argus has faithfully complied with, and hopes that it has exceeded, its reporting obligations with respect to its MCTO as contained in its Reports, News Releases and alternative financial information. The considerable ongoing disclosure has resulted in some considerable expense for Argus.
3. Argus has no knowledge of any material fact or material change with respect to it or Hollinger that has not been generally disclosed.

4. The 200,000 Shares that Argus proposes to sell represent a very small percentage of its holding of Shares and of the outstanding Shares of Hollinger. The proposed sale is to be approximately 0.93 percent of the Shares it holds of Hollinger and 0.57 percent of the outstanding Shares.
5. Any sale of Shares will be made following the required notice pursuant to the Act for a control block distribution being given.

Such notice can not be given until the requested variance is granted.
6. Should the variance requested by this Application be given, the intention is that the sales of Shares are to be completed as block trades to minimize any impact on the trading price of the Shares.
7. The Shares are to be sold to parties other than Ravelston and parties related to Ravelston.
8. The proceeds of the sale of the Shares are intended to be used by Argus for payment of:
 - (i) the dividends that are due to be paid on May 1 and August 1, 2005 (\$251,703 each time);
 - (ii) its outstanding payables; and
 - (iii) other normal operating expenses including TSX Fees, transfer agent and news release expenses, directors and Audit Committee members fees, defence and litigation costs, other legal and accounting expenses, salaries and related government remittances, general office operating expenses and the like.
9. No amounts are to be paid to Ravelston from the proceeds of the sale of Shares other than dividends that it will receive on its 2,900 Class A Preference Shares \$2.60 Series. That amount is \$1,885 per dividend (\$0.65 times 2,900 Shares) which is not a material amount.
10. It was contemplated by Argus at the time it applied for its MCTO that it would eventually need this type of variance in order to meet its obligations.

In my letter to the OSC dated May 14, 2004 in which a request was made for the issuance of Argus' MCTO, I had requested an exemption from the MCTO for Argus to be able to Sell shares in order to meet its obligations, as set out below:

"Argus respectfully suggests that the terms and conditions of the requested MCTO should be as follows:

10. *The MCTO would not preclude Argus' ability to trade in shares in its capital or shares it directly or indirectly holds of Inc. where the proceeds to be derived from such trades are required in order that Argus is able to meet its existing obligations...."*

A copy of my May 14, 2004 letter to the OSC is attached hereto at Tab H.

11. At the time of that May 14, 2004 MCTO request, the position of OSC Staff was that such an exemption was the nature of relief that could be provided but that the OSC would prefer that any such relief be given on the basis of a specific request in specific identifiable circumstances, rather than pursuant to a general exemption.
12. The number of Shares that Argus proposes to sell is not an unreasonable amount. Directors of companies may not declare or issue dividends if the company will not be able to meet its obligations as they come due.
13. Argus submits that its present circumstances are clearly appropriate circumstances in order that the requested variance to be able to sell Shares may be provided.
14. It was never the purpose of a MCTO to effectively put an issuer out of business, unable to pay its dividends and other obligations and unable to defend itself against claims for more than its total capital, as would happen to Argus should it not be permitted to sell Shares.
15. If Argus is not permitted to sell Shares, its hands will be literally "tied behind its back" and its ongoing viability as an operating company and as a going concern will be severely prejudiced.

Argus will be unable to defend the litigation claims made against it and meet other litigation challenges.

It will be unable to pay its dividends and to pay its operating expenses.

It will be unable to pay its TSX listing expenses and its expenses related to regulatory compliance, including Reports and news releases.

It will be unable to prepare its financial books and records and file its financial information and eventually normalize its public reporting.

Its MCTO would soon be replaced by a Cease Trade Order and its public shareholders will lose the trading liquidity that they presently enjoy.

As a result, the public shareholders of Argus will be harmed.

16. It is respectfully submitted that such a result as set out in paragraph No.'s 13 and 14 above was never intended by the issuance of Argus' MCTO and that such a result would itself be contrary to the public interest.
17. MCTOs are intended to be remedial and to permit the eventual normalization of an issuer and not to preclude it from the financial resources that it needs to survive.
18. The circumstances of the Hollinger companies are unique. There is a cash-rich subsidiary with assets and a cash and asset-rich subsidiary of a subsidiary while there is an impoverished parent.

HARRY R. BURKMAN

Ontario Securities Commission

14.

April 11, 2005

19. After sixty years of being a TSX-listed issuer, paying its dividends and meeting its obligations on time and fulfilling its regulatory and listing requirements, it is respectfully submitted that the requested variance to allow Argus to sell up to 200,000 Shares would not be prejudicial to the public interest.
20. It is further respectfully submitted that the relief requested is, in fact, in the interest of the public, Argus and its shareholders.

Kindly advise if you require any additional information.

Thank you for your consideration of this Application.

Yours very truly,



Harry R. Burkman

Enclosures

**IN THE MATTER OF THE SECURITIES ACT
R.S.O. 1990, c.S.5, AS AMENDED (the "Act")**

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**IN THE MATTER OF
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ARGUS CORPORATION LIMITED

JURISDICTION OF INCORPORATION: Canada

CORPORATION NUMBER: 267599-4 (incorporated September 24, 1945)

DATE OF INCORPORATION: December 11, 1985 (amalgamation in Ontario)

DATE OF CONTINUANCE: December 24, 1990 – continued under the Canada Business Corporations Act

AMENDMENTS TO ARTICLES OF CONTINUANCE: July 2, 1996 – change of place of registered office from Vancouver to Toronto

REGISTERED OFFICE: 10 Toronto Street, Toronto, Ontario
M5C 2B7

HEAD OFFICE: 10 Toronto Street, Toronto, Ontario
M5C 2B7

EXTRA-PROVINCIAL REGISTRATION: Ontario # 647622

SHARE CAPITAL:

Class of Shares	Authorized	Outstanding at April 11/05
Class A Preference \$2.50	22,324	Public 22,324
Class A Preference \$2.60	55,893	Public 55,893 (2,900 Ravelston)
Class B Preference 1962	1,000,000	Public 298,400
Class C Participating Non-Voting Preference	Unlimited	(RCL 100%) 6,677,263
Common	Unlimited	(RCL 100%) 1,671,661

CUSIP NO: 040267

DIVIDENDS: On Class A \$2.50 and \$2.60 Series and Class B 1962 Series: Payable February 1, May 1, August 1 and November 1 of each year.

DIRECTORS Lord Black F. David Radler
Barbara Amiel Black James A. Richardson
J. A. Boulton Robert E. Tyrrell
Jonathan H. Marler Peter G. White

OFFICERS: Chairman of the Board and C.E.O. Lord Black
President F. David Radler
Executive Vice-President and Secretary Peter G. White
Executive Vice-President J. A. Boulton
Vice-President Frederick A. Creasey
Chief Financial Officer Monique L. Delorme
Treasurer Tatiana Samila

EXECUTIVE COMMITTEE: Lord Black, Chairman
F. David Radler
Peter G. White

AUDIT COMMITTEE: Jonathan H. Marler, Chairman
James A. Richardson
Robert E. Tyrrell
Peter G. White

BANK: CIBC

LOCATION OF CORPORATE RECORDS AND SEAL: 10 Toronto Street
Toronto, Ontario
M5C 2B7

TRANSFER AGENT AND REGISTRAR: CIBC Mellon Trust
Company, Toronto

STOCK EXCHANGE: TSX – Preference Shares
Class A \$2.50 (AR.PR.A)
Class A \$2.60 (AR.PR.D)
Class B 1962 (AR.PR.B)

AUDITOR: Zeifman & Company LLP

509643 N.B. INC.
(formerly 176264 Canada Limited)

JURISDICTION OF CONTINUANCE: New Brunswick

CORPORATION NUMBER: 509643

DATE OF CONTINUANCE: June 30, 1999 under *Business Corporations Act* (New Brunswick)

DATE OF INITIAL INCORPORATION: January 13, 1983
as 536463 Ontario Limited

DATE OF FIRST CONTINUANCE: December 17, 1990
- continued under the *Canada Business Corporations Act*
as 176264 Canada Limited
Corporation # 267264-2

REGISTERED OFFICE: 10th Floor, Brunswick House
44 Chipman Hill, Saint John, NB
E2L 2A9

HEAD OFFICE: 10 Toronto Street, Toronto, Ontario
M5C 2B7

EXTRA-PROVINCIAL REGISTRATION: Ontario # 536463 January 13, 1983

SHARE CAPITAL:

<i>Class of Shares</i>	<i>Authorized</i>	<i>Outstanding</i>
10% non-cumulative redeemable non-voting preference	Unlimited	Nil
Common	Unlimited	100 (Argus 100%)

DIRECTORS: J. A. Boulton
Peter G. White

OFFICERS: President J. A. Boulton
Executive Vice-President and Secretary Peter G. White
Vice-President and Controller Frederick A. Creasey
Treasurer Tatiana Samila

BANK: CIBC (Argus account)

LOCATION OF CORPORATE RECORDS AND SEAL: 10 Toronto Street
Toronto, Ontario
M5C 2B7

509644 N.B. INC.
(formerly 176265 Canada Limited)

JURISDICTION OF CONTINUANCE: New Brunswick

CORPORATION NUMBER: 509644

DATE OF CONTINUANCE: June 30, 1999 under *Business Corporations Act* (New Brunswick)

DATE OF INITIAL INCORPORATION: April 8, 1987
as 711902 Ontario Limited

DATE OF FIRST CONTINUANCE: December 17, 1990
- continued under the *Canada Business Corporations Act*
as 176265 Canada Limited
Corporation # 267248-1

REGISTERED OFFICE: 10th Floor, Brunswick House
44 Chipman Hill, Saint John, NB
E2L 2A9

HEAD OFFICE: 10 Toronto Street, Toronto, Ontario
M5C 2B7

EXTRA-PROVINCIAL REGISTRATION: Ontario # 711902 April 8, 1987

SHARE CAPITAL:

<i>Class of Shares</i>	<i>Authorized</i>	<i>Outstanding</i>
Common	Unlimited	1 (509643 N.B. Inc. 100%)

DIRECTORS: J. A. Boulton
Peter G. White

OFFICERS:

President	J. A. Boulton
Executive Vice-President and Secretary	Peter G. White
Vice-President and Controller	Frederick A. Creasey
Treasurer	Tatiana Samila

BANK: CIBC (Argus account)

LOCATION OF CORPORATE RECORDS AND SEAL: 10 Toronto Street
Toronto, Ontario
M5C 2B7

509645 N.B. INC.
(formerly 176268 Canada Limited)

JURISDICTION OF CONTINUANCE: New Brunswick

CORPORATION NUMBER: 509645

DATE OF CONTINUANCE: June 30, 1999 under *Business Corporations Act* (New Brunswick)

DATE OF INITIAL INCORPORATION: June 11, 1990
as 899571 Ontario Limited

DATE OF FIRST CONTINUANCE: December 17, 1990
- continued under the *Canada Business Corporations Act*
as 176268 Canada Limited
Corporation # 267251-1

REGISTERED OFFICE: 10th Floor, Brunswick House
44 Chipman Hill, Saint John, NB
E2L 2A9

HEAD OFFICE: 10 Toronto Street, Toronto, Ontario
M5C 2B7

EXTRA-PROVINCIAL REGISTRATION: Ontario #899571 June 11, 1990

SHARE CAPITAL:

<i>Class of Shares</i>	<i>Authorized</i>	<i>Outstanding</i>
Common	Unlimited	4,852,735 (Argus 100%)

DIRECTORS: J. A. Boulton
Peter G. White

OFFICERS:	President	J. A. Boulton
	Executive Vice-President and Secretary	Peter G. White
	Vice-President and Controller	Frederick A. Creasey
	Treasurer	Tatiana Samila

BANK: CIBC (Argus account)

LOCATION OF CORPORATE RECORDS AND SEAL: 10 Toronto Street
Toronto, Ontario
M5C 2B7

509646 N.B. INC.
(formerly 176295 Canada Limited)

JURISDICTION OF CONTINUANCE: New Brunswick

CORPORATION NUMBER: 509646

DATE OF CONTINUANCE: June 30, 1999 under *Business Corporations Act* (New Brunswick)

DATE OF INITIAL INCORPORATION: October 11, 1990
as 914743 Ontario Limited

DATE OF FIRST CONTINUANCE: December 19, 1990
- continued under the *Canada Business Corporations Act*
as 176295 Canada Limited
Corporation # 267419-0

REGISTERED OFFICE: 10th Floor, Brunswick House
44 Chipman Hill, Saint John, NB
E2L 2A9

HEAD OFFICE: 10 Toronto Street, Toronto, Ontario
M5C 2B7

EXTRA-PROVINCIAL REGISTRATION: Ontario #914743 October 11, 1990

SHARE CAPITAL:

<i>Class of Shares</i>	<i>Authorized</i>	<i>Outstanding</i>
Voting common	Unlimited	4 (Argus 100%)
Non-Voting common	Unlimited	7,675,155 (509643 N.B. Inc. 70.93%) 3,146,055 (Ravelston 29.07%)

DIRECTORS: J. A. Boulton
Peter G. White

OFFICERS:

President	J. A. Boulton
Executive Vice-President and Secretary	Peter G. White
Vice-President and Controller	Frederick A. Creasey
Treasurer	Tatiana Samila

BANK: CIBC (Argus account)

LOCATION OF CORPORATE RECORDS AND SEAL: 10 Toronto Street
Toronto, Ontario M5C 2B7

509647 N.B. INC.
(formerly 2753430 Canada Limited)

JURISDICTION OF CONTINUANCE: New Brunswick

CORPORATION NUMBER: 509647

DATE OF CONTINUANCE: June 30, 1999 under *Business Corporations Act* (New Brunswick)

DATE OF INITIAL INCORPORATION: September 23, 1991 under the *Canada Business Corporations Act* as 2753430 Canada Limited

REGISTERED OFFICE: 10th Floor, Brunswick House
44 Chipman Hill, Saint John, NB
E2L 2A9

HEAD OFFICE: 10 Toronto Street, Toronto, Ontario
M5C 2B7

EXTRA-PROVINCIAL REGISTRATION: Ontario #959408 September 23, 1991

SHARE CAPITAL:

<i>Class of Shares</i>	<i>Authorized</i>	<i>Outstanding</i>
Common	Unlimited	1 (509644 N.B. Inc. 100%)
Preference	Unlimited	142,857 (Argus 100%)

DIRECTORS: J. A. Boulton
Peter G. White

OFFICERS:	President	J. A. Boulton
	Executive Vice-President and Secretary	Peter G. White
	Vice-President and Controller	Frederick A. Creasey
	Treasurer	Tatiana Samila

BANK: CIBC (Argus account)

LOCATION OF CORPORATE RECORDS AND SEAL: 10 Toronto Street
Toronto, Ontario
M5C 2B7

HOLLINGER INC.

JURISDICTION OF INCORPORATION:	Canada	
CORPORATION NUMBER:	197578-1	
DATE OF INCORPORATION:	September 17, 1985 (amalgamation of Argcen Holdings Inc., Hollinger Argus Limited and Labmin Resources Limited June 28, 1910 (incorporation of Hollinger Gold Mines Limited)	
AMENDMENTS TO ARTICLES OF INCORPORATION:	(most recent) November 7, 1997 (Series I and Series II Exchangeable Non-Voting Preference Shares); June 3, 1998 (change common and retractable shares into retractable common shares and delete the rights, privileges, et al of the preference shares); April 28, 1999 creating the third series of Preference Shares to be designated Series III Retractable Non-Voting Preference Shares; June 27, 2003 allowing the Board of Directors to increase by resolution the number of directors of the corporation within the prescribed max and min; May 27, 2004 adding item 5.5.3 to the rights, privileges, restrictions and conditions attached to the Series II Preference Shares	
REGISTERED AND HEAD OFFICE:	10 Toronto Street, Toronto, Ontario M5C 2B7	
EXTRA-PROVINCIAL REGISTRATION:	Ontario – 1985 – 639873	
SHARE CAPITAL:		
<i>Class of Shares</i>	<i>Authorized</i>	<i>Outstanding</i>
<i>Series II Exchangeable Non-Voting Preference Shares</i>	Unlimited	1,708,595 (Nov 30, 2004) 66,963 (Ravelston)
<i>Series III Retractable Non-Voting Preference Shares</i>		Redeemed on June 11, 2004
<i>Retractable Common Shares</i>	Unlimited	34,945,776 (April 11/05) 5,766,783 (Ravelston) 9,250,461 (509645 N.B. Inc.) 11,862,342 (509646 N.B. Inc.) 483,584 (509647 N.B. Inc.)

11 7/8% Senior Secured Notes
due 2011

CUSIP #: 43556C 606 (retractable common)
43556C 804 (Series II)

DIVIDENDS: On Series II Exchangeable Non-Voting Preference Shares - payable on July 15, October 15, January 15 and April 15. (suspended temporarily)

On retractable common (\$0.05) – payable March 10, June 10, September 10 and December 10 (suspended temporarily)

Special stock dividends were paid on December 10, 2002, March 10, June 10 and September 10, 2003

DIRECTORS: Paul A. Carroll, QC
Robert J. Metcalfe
Donald M.J. Vale
Allan Wakefield
Gordon W. Walker, QC
Peter G. White

OFFICERS: Chairman of the Board
President
Vice-President, Operations &
Secretary
Vice-President and CFO
Treasurer
Gordon W. Walker, QC
Donald M. J. Vale
Peter G. White
Frederick A. Creasey
Tatiana Samila

AUDIT COMMITTEE: Allan Wakefield, Chairman
Paul A. Carroll, QC
Robert J. Metcalfe

CORPORATE GOVERNANCE AND COMPENSATION COMMITTEE: Allan Wakefield, Chairman
Paul A. Carroll, QC
Gordon W. Walker, QC

RETRACTION PRICE COMMITTEE: Donald M. J. Vale, Chairman
Peter G. White

INDEPENDENT COMMITTEE: Gordon W. Walker, Chairman
Paul A. Carroll
Robert J. Metcalfe
Allan Wakefield

INDEPENDENT PRIVATIZATION COMMITTEE: Allan Wakefield
Robert J. Metcalfe

BANK: CIBC

**LOCATION OF CORPORATE
RECORDS AND SEAL:**

10 Toronto Street
Toronto, Ontario
M5C 2B7

**TRANSFER AGENT AND
REGISTRAR:**

Computershare Trust Company of Canada
100 University Avenue, 9th Floor
Toronto
Senior Acct Manager: Shirley Yuen
Tel: 416-263-9481
Fax: 416-981-9800 or 416-981-9679
Shareholder Services:
North America Tel: 1-800-564-6253
International Tel: 514-982-7555
Fax: North America 1-866-249-7775
International 416-263-9524
e-mail: service@computershare.com

**TRUSTEE FOR 11 7/8% SENIOR
SECURED NOTES**

Wachovia Trust Company, National
Association
Tel: 302-888-1137 or 1-800-275-3862
Fax: 302-888-7544
Account Manager: Steve Finklea
E-mail: steve.finklea@wachovia.com

STOCK retractable common – TSX (HLG.C)
EXCHANGES: Series II Preference Shares – TSX (HLG.PR.B)

AUDITOR: Zeifman & Company LLP



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

P.O. Box 55, 19th Floor
20 Queen Street West
Toronto ON M5H 3S8

CP 55, 19^e étage
20, rue queen ouest
Toronto ON M5H 3S8

Web site: www.osc.gov.on.ca

**IN THE MATTER OF THE SECURITIES ACT
R.S.O. 1990, c. S.5, AS AMENDED (the "Act")**

AND

**IN THE MATTER OF
CERTAIN DIRECTORS, OFFICERS AND INSIDERS OF
HOLLINGER INC.**

**(BEING THE INDIVIDUALS AND ENTITIES LISTED
IN SCHEDULE "A" HERETO)**

ORDER

(Paragraph 127(1)2)

WHEREAS on May 18, 2004, each of the individuals and entities listed in Schedule "A" (individually, a "Respondent" and collectively, the "Respondents") was notified that the Director made an order (the "Temporary Order") that day under paragraph 2 of subsection 127(1) and subsection 127(5) of the Act that the Respondents cease trading in any securities of Hollinger Inc. ("Hollinger"), subject to certain exceptions as provided for in the Temporary Order, for a period of 15 days from the date of the Temporary Order;

AND WHEREAS the Respondents were notified that a hearing would be held to determine if it would be in the public interest to make an order under paragraph 2 of subsection 127(1) of the Act that the Respondents cease trading in any securities of Hollinger permanently or for such period as is specified in the order;

AND WHEREAS the hearing was held on the 1st day of June, 2004;

AND UPON hearing the following evidence:

1. Hollinger Inc. ("Hollinger") is amalgamated under the *Canada Business Corporations Act* and is a reporting issuer in the Province of Ontario.
2. Each of the Respondents is, or was, at some time since the end of the period covered by the last financial statements filed by Hollinger, namely since September 30, 2003, a director, officer or insider of Hollinger and during that time had, or may have had, access to material information with respect to Hollinger that has not been generally disclosed.
3. Hollinger failed to file its interim statements (and interim Management's Discussion & Analysis related thereto) for the three-month period ended March 31, 2004 as required to

be filed under Ontario securities law on or before May 15, 2004.

4. Hollinger further failed to file its annual financial statements (and annual Management's Discussion & Analysis related thereto) and its Annual Information Form for the year ended December 31, 2003 by the required filing date under Ontario securities law, namely May 19, 2004.
5. As of the date of this order, Hollinger has not filed its interim statements (and interim Management's Discussion & Analysis related thereto) for the three-month period ended March 31, 2004, nor its annual financial statements (and annual Management's Discussion & Analysis related thereto) nor its Annual Information Form for the year ended December 31, 2003.
6. Hollinger International Inc. ("HLR") is the principal subsidiary of Hollinger. HLR is incorporated under the laws of Delaware and is a reporting issuer in the Province of Ontario. HLR is currently engaged in a strategic process as described in the material change report filed by HLR on November 27, 2003 (the "Strategic Process"). The Strategic Process has been commenced by the board of directors of HLR and is being conducted through HLR's financial advisor, Lazard Frères & Co. LLC, to pursue a range of alternative strategic transactions for HLR. The Strategic Process may involve the sale or reorganization of all or a part of HLR's business and other possible transactions by means that may include asset sales, share sales or a merger, amalgamation, arrangement, business combination or other reorganization.
7. On April 5, 2004, Hollinger filed a material change report disclosing that it had entered into an agency agreement in respect of a proposed offering and sale of up to 20,096,919 subscription receipts (the "Subscription Receipts") of Hollinger at a price of CDN\$10.50 per Subscription Receipt for gross proceeds of CDN\$211 million (the "Subscription Receipt Offering"). On April 7, 2004, Hollinger issued and filed a press release and material change report announcing the closing of the offering of Subscription Receipts. As described in the above-mentioned material change reports, the gross proceeds from the sale of the Subscription Receipts will be held in escrow for a certain period following the closing of the Subscription Receipt Offering, pending the satisfaction of certain escrow conditions. The satisfaction of certain of these escrow conditions may constitute or involve trades in securities of Hollinger and/or HLR.

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this order;

IT IS ORDERED under paragraph 2 of subsection 127(1) of the Act that all trading, whether direct or indirect, by those persons listed in Schedule "A" in the securities of Hollinger, with the exception of

- a) any trade in securities of Hollinger contemplated by, or in connection with, the Subscription Receipt Offering (including without limitation any redemptions or retractions of any securities of Hollinger other than pursuant to a retraction request initiated by a Respondent); and
- b) any trade in securities of Hollinger contemplated by or in connection with any transaction directly or indirectly resulting or arising from the Strategic Process;

shall cease until two full business days following the receipt by the Commission of all filings Hollinger is required to make pursuant to Ontario securities law.

DATED at Toronto, this 1st day of June, 2004.

Ontario Securities Commission

“Susan Wolburgh Jenah”

“Robert W. Davis”

Susan Wolburgh Jenah

Robert W. Davis

“Suresh Thakrar”

Suresh Thakrar

Schedule "A"

509645 N.B. Inc.
509646 N.B. Inc.
1269940 Ontario Limited
2753421 Canada Limited
Amiel Black, Barbara
Argus Corporation Limited
Atkinson, Peter Y.
Black, Conrad M. (Lord)
Boulton, J. A.
Burt, The Hon. Richard
Carroll, Paul A.
Colson, Daniel W.
Conrad Black Capital Corporation
Cowan, Charles G.
Creasey, Frederick A.
Cruickshank, John
Deedes, Jeremy
Dodd, David
Duckworth, Claire F.
Healy, Paul B.
Kipnis, Mark
Kissinger, The Hon. Henry A.
Lane, Peter K.
Loye, Linda
Maida, Joan
McCarthy, Helen
Meitar, Shmuel
O'Donnell-Keenan, Niamh
Paris, Gordon
Perle, The Hon. Richard N.
Radler, F. David
The Ravelston Corporation Limited
Rohmer, Richard, OC, QC
Ross, Sherrie L.

Samila, Tatiana
Savage, Graham
Seitz, The Hon. Raymond G.H.
Smith, Robert T.
Stevenson, Mark
Thompson, The Hon. James R.
Van Horn, James R.
Walker, Gordon W.
White, Peter G.

Headnote

Variation of cease trade order previously issued against certain directors, officers and other insiders of a reporting issuer in default of filings required under Ontario securities law – previous management and insider cease trade order (the MCTO) issued in response to earlier application by the issuer to the Commission under OSC Policy 57-603 *Defaults by Reporting Issuers in Complying with Financial Statement Filing Requirements* (the MCTO Policy) requesting that an MCTO be issued as an alternative to an issuer cease trade order – issuer remains in default but has filed default status reports on a biweekly basis in accordance with Part 3 of the MCTO Policy – in accordance with the issuer’s prior undertaking, the issuer has advised the Commission of recent changes to the issuer’s directors, officers and other insiders – MCTO varied pursuant to section 144 to reflect additional respondents and certain respondents omitted in the MCTO.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c.S.5, as am., ss. 6(3), 127 and 144.

Policies Cited

OSC Policy 57-603 *Defaults by Reporting Issuers in Complying with Financial Statement Filing Requirements*

**IN THE MATTER OF THE SECURITIES ACT
R.S.O. 1990, c. S.5, AS AMENDED (the “Act”)**

AND

**IN THE MATTER OF
CERTAIN DIRECTORS, OFFICERS AND INSIDERS OF
HOLLINGER INC.**

**(BEING THE PERSONS AND COMPANIES LISTED
IN SCHEDULE “A” HERETO)**

ORDER

(Paragraph 127(1)(2) and Section 144)

WHEREAS on June 1, 2004, the Ontario Securities Commission (the “Commission”) made an order (the “Hollinger MCTO”) under paragraph 2 of subsection 127(1) of the Act that all trading, whether direct or indirect, by the persons and companies listed in Schedule “A” (individually, a “Respondent” and collectively, the “Respondents”) in the securities of Hollinger Inc. (“Hollinger”) shall cease, subject to certain exceptions as provided for in the Hollinger MCTO, until two full business days following the receipt by the Commission of all filings Hollinger is required to make pursuant to Ontario securities law;

AND WHEREAS Hollinger has, at the request of the staff of the Commission (“Staff”), made an application (the “Application”) to vary the Hollinger MCTO to reflect certain changes to the class of persons and companies who are officers, directors or insiders of Hollinger since the date of the Hollinger MCTO;

AND UPON considering the Application and the recommendation of Staff;

AND UPON Hollinger having represented to the Commission that:

1. Hollinger is amalgamated under the *Canada Business Corporations Act* and is a reporting issuer in the Province of Ontario.
2. Hollinger has failed to file its interim statements (and interim Management’s Discussion & Analysis related thereto) for the three-month period ended March 31, 2004 as required to be filed under Ontario securities law on or before May 15, 2004.
3. Hollinger has further failed to file its annual financial statements (and annual Management’s Discussion & Analysis related thereto) and its Annual Information Form for the year ended December 31, 2003 by the required filing date under Ontario securities law, namely May 19, 2004.
4. Hollinger has further failed to file its interim statements (and interim Management’s Discussion & Analysis related thereto) for the six-month period ended June 30, 2004 and the nine-month period ended September 30, 2004 by the respective due dates of August 14, 2004 and November 15, 2004.
5. As of the date of this Order, Hollinger has not rectified the filing deficiencies described in paragraphs 2, 3 and 4 of this Order.
6. On April 30, 2004, Hollinger made an application to the Commission under OSC Policy 57-603 *Defaults by Reporting Issuers in Complying with Financial Statement Filing Requirements* (the “MCTO Policy”) requesting that a Management and Insider Cease Trade Order (as that term is defined in the MCTO Policy) be issued as an alternative to an Issuer Cease Trade Order (as that term is defined in the MCTO Policy).
7. In connection with this application, and in accordance with section 3.1 of the MCTO Policy, Hollinger provided the Commission with
 - a) an affidavit listing the names and positions/titles (if any) of each person or company that, in the opinion of Hollinger, comes within the definition of “Defaulting Management and Other Insiders” (as that term is defined in the MCTO Policy); and
 - b) an undertaking (the “Undertaking”) to provide to the Commission, during the period of default, particulars of any changes to this information that is known to

Hollinger.

8. On May 18, 2004, the Director made a temporary order (the “Temporary Order”) under paragraph 2 of subsection 127(1) and subsection 127(5) of the Act that the Respondents cease trading in any securities of Hollinger, subject to certain exceptions as provided for in the Temporary Order, for a period of 15 days from the date of the Temporary Order;
9. On June 1, 2004, following a hearing on the matter, the Commission made the Hollinger MCTO that provided that all trading, whether direct or indirect, by the Respondents in the securities of Hollinger shall cease, subject to certain exceptions as provided for in the Hollinger MCTO, until two full business days following the receipt by the Commission of all filings Hollinger is required to make pursuant to Ontario securities law;
10. Since the date of the Hollinger MCTO, Hollinger has filed Default Status Reports on a biweekly basis in accordance with Part 3 of the MCTO Policy.
11. Since the date of the Hollinger MCTO, there have been certain changes to the class of persons and companies that, in the opinion of Hollinger, come within the definition of “Defaulting Management and Other Insiders”. In accordance with the Undertaking, Hollinger has advised the Commission of these changes, and now requests that the Hollinger MCTO be varied to reflect such changes.
12. Hollinger believes that, since the date of the Hollinger MCTO, the following persons and companies have come within the definition of “Defaulting Management and Other Insiders” and accordingly should be named as additional respondents in the Hollinger MCTO:

Donald M.J. Vale
Monique L. Delorme
James A. Richardson
Jonathan H. Marler
Robert Emmett Tyrrell
Robert J. Metcalfe
Allan Wakefield
(collectively, the “Additional Respondents”)
13. Each of the Additional Respondents is, or was, at some time since the end of the period covered by the last financial statements filed by Hollinger, namely since September 30, 2003, a director, officer or insider of Hollinger and during that time had, or may have had, access to material information with respect to Hollinger that has not been generally disclosed.
14. In addition, Hollinger further requests that the list of Respondents appended to the Hollinger MCTO as Schedule “A” be amended to include

509647 N.B. Inc.

509643 N.B. Inc.
509644 N.B. Inc.
(collectively, the “Omitted Respondents”).

The Omitted Respondents come within the definition of “Defaulting Management and Other Insiders” but were inadvertently omitted in the Hollinger MCTO.

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this Order;

IT IS ORDERED under paragraph 2 of subsection 127(1) of the Act and under section 144 of the Act that the list of Respondents appended to the Hollinger MCTO as Schedule “A” is varied to include the Additional Respondents and the Omitted Respondents, as those terms are defined in this Order.

March 8, 2005

"David L. Knight"

"Lorne Morphy"

Schedule "A"

509645 N.B. Inc.
509646 N.B. Inc.
1269940 Ontario Limited
2753421 Canada Limited
Amiel Black, Barbara
Argus Corporation Limited
Atkinson, Peter Y.
Black, Conrad M. (Lord)
Boulton, J. A.
Burt, The Hon. Richard
Carroll, Paul A.
Colson, Daniel W.
Conrad Black Capital Corporation
Cowan, Charles G.
Creasey, Frederick A.
Cruickshank, John
Deedes, Jeremy
Dodd, David
Duckworth, Claire F.
Healy, Paul B.
Kipnis, Mark
Kissinger, The Hon. Henry A.
Lane, Peter K.
Loye, Linda
Maida, Joan
McCarthy, Helen
Meitar, Shmuel
O'Donnell-Keenan, Niamh
Paris, Gordon
Perle, The Hon. Richard N.

Radler, F. David
The Ravelston Corporation Limited
Rohmer, Richard, OC, QC
Ross, Sherrie L.
Samila, Tatiana
Savage, Graham
Seitz, The Hon. Raymond G.H.
Smith, Robert T.
Stevenson, Mark
Thompson, The Hon. James R.
Van Horn, James R.
Walker, Gordon W.
White, Peter G.

ARGUS CORPORATION LIMITED

STATUS UPDATE REPORT

Toronto, Canada, April 1, 2005 - Argus Corporation Limited ("Argus") (TSX: AR.PR.A, AR.PR.D, AR.PR.B) today provided a status update of developments since its last Status Update Report was filed on March 18, 2005.

Argus provides updates on its affairs on at least a bi-weekly basis (each a "Report"), normally every second Friday. These Reports are to continue until Argus is able to meet its public filing obligations including providing financial statements consolidated with those of Hollinger Inc. ("Hollinger").

The Reports are made in accordance with Ontario Securities Commission ("OSC") guidelines as a result of the OSC's issuance of a Management and Insider Cease Trade Order ("MCTO") with respect to Argus on June 3, 2004 as varied on March 8, 2005.

Alternative Financial Information

The practice of Argus is to file its financial statements presented as alternative financial information in order to keep the public informed of its financial activities despite its present inability to produce financial statements consolidated with those of Hollinger.

Argus is accordingly attaching to this Report its Market Value Consolidated Financial Statements for the year ended December 31, 2004 as compared with its audited consolidated financial statements for the year ended December 31, 2003.

The attached market value consolidated financial statements consolidate Argus and its subsidiaries other than Hollinger. Argus' investment in Hollinger is accounted for using the market value basis of accounting.

The market value accounting presentation was acceptable for purposes of generally accepted accounting principles ("GAAP") for Argus' financial statements for the year ended December 31, 2003. Those statements were accordingly audited.

However, a change in accounting principles for fiscal periods beginning after January 1, 2004 required that Argus consolidate its GAAP financial statements with those of Hollinger commencing with those for the First Quarter of 2004. As Hollinger has not prepared and filed its financial statements for any period after 2003, Argus has been unable to prepare its financial statements in accordance with GAAP. This resulted in the MCTO being issued with respect to Argus.

MCTO of Each of Hollinger and International

Hollinger has been unable to prepare and file its financial statements as the financial statements of Hollinger International Inc. ("International") were not available. As a result, each of Hollinger and International are also subject to a MCTO that was issued on June 1, 2004 as varied on March 8, 2005 for the failure by each to file their financial statements and related reports when required.

Argus' Interest in Hollinger and International

Argus owns 61.8% of the Retractable Common Shares (the "Common Shares") of Hollinger, which shares are held indirectly by wholly-owned subsidiaries of Argus. Hollinger in turn owns 66.8% of the voting shares and 17.4% of the equity of International.

As the Common Shares of Hollinger held by Argus are its only significant asset, developments of Hollinger and International are material to Argus. Accordingly, this Report provides updates with respect to Hollinger and International as well as those related to Argus.

OSC Decision

On March 10, 2005, Hollinger provided Notice of a shareholders meeting intended to be held on March 31, 2005 (the "Meeting") to vote on a proposed going private transaction (the "Proposed Transaction") together with a Management Proxy Circular.

Argus determined on March 22, 2005 to support the Proposed Transaction following the receipt of the Report of its Independent Committee that had been formed to review that transaction.

Certain variances were required from the terms of the MCTO of each of Hollinger and International including a minor variance whereby Argus would be permitted to transfer certain shares it held of Hollinger between its subsidiaries to facilitate the Proposed Transaction.

A Hearing was held at the OSC on March 21, 23 and 24, 2005 before a panel of three Commissioners to consider two Applications for the variances.

On Monday, March 28, 2005, the OSC issued its Decision that the Applications to vary the MCTOs were denied, noting "the Commission has been unable to form the opinion that it would not be prejudicial to the public interest to grant the relief requested."

Hollinger then announced later on March 28, 2005 that it had cancelled the Meeting.

The full text of the Decision with Reasons, the Applications and certain documents that were presented at the Hearing may be viewed online at www.osc.gov.on.ca.

The full terms of the Proposed Transaction are included in the Management Proxy Circular that is set out at www.hollinger.com (Sedar Information) or at www.sedar.com.

Hollinger Statement of Claim

On March 29, 2005, Hollinger issued a Statement of Claim in the Ontario Superior Court of Justice (the "Court") against The Ravelston Corporation Limited ("Ravelston"), Ravelston Management Inc., Moffat Management Inc. and Black-Amiel Management Inc, Conrad M. Black, F. David Radler, J.A. Boulton and Peter Y. Atkinson.

Ravelston is Argus' parent company. Lord Black, Mr. Radler and Mr. Boulton are directors and officers of Argus.

Hollinger is claiming (i) Cdn. \$550 million of monetary damages from all of the defendants jointly and severally, and (ii) reimbursement of approximately Cdn. \$86 million claimed to be owed to Hollinger together with interest and costs.

Current Status of Financial Reporting

Argus' Financial Reporting ("GAAP")

Argus has been unable to file its financial statements prepared in accordance with GAAP and related Management's Discussion and Analysis ("MD&A") for the first three Quarters of 2004 and for the year ended December 31, 2004.

Argus is presently, and expects to continue to be, unable to do so as long as the financial statements of Hollinger are not available.

Argus' Alternative Financial Reporting

Argus has filed alternative financial information for the first three Quarters of 2004 and, with this Report, for the year ended December 31, 2004. It intends to continue to file alternative financial information until it is able to file statements prepared in accordance with GAAP.

The alternative financial information is prepared by management of Argus and is not audited or reviewed by its auditors, Zeifman and Company LLP.

Hollinger's Financial Reporting ("GAAP")

Hollinger has not filed its financial statements prepared in accordance with GAAP as at and for the year ended December 31, 2003, the first three Quarters of 2004 and the year ended December 31, 2004 and related MD&A for each period.

GAAP requires the consolidation of Hollinger's operations with those of International to the date of Hollinger's loss of control of International. Hollinger has been unable to date to arrange for International's co-operation to facilitate such consolidation

Hollinger continues to negotiate with International to arrive at an agreement whereby International and its auditors would co-operate with Hollinger so that its financial statements might be prepared and audited.

Hollinger's Alternative Financial Reporting

Hollinger filed alternative financial information on March 4, 2005 in the form of an unaudited consolidated balance sheet as at September 30, 2004, together with Notes.

Hollinger's alternative financial information includes the accounts of Hollinger and its wholly-owned subsidiaries which carry out head office functions and which do not represent investments.

Investments in other companies and subsidiaries such as International are not consolidated but rather are carried as investments and are accounted for at their market value.

Hollinger's alternative financial information is prepared by management and is not audited or reviewed by its auditors, Zeifman and Company LLP. It may be viewed online at www.sedar.com.

International's Current Financial Reporting ("GAAP")

International has filed its audited financial statements, related MD&A and Annual Information Form ("AIF") for the year ended December 31, 2003 but has not yet filed its financial statements for the year ended December 31, 2004 and for each of the first three Quarters of 2004, related MD&As and its renewal AIF.

On April 1, 2005, International stated that it is continuing to work with its external auditors to conclude the work involved in the filing of these statements, related MD&As and its renewal AIF as expeditiously as possible. The statements for the year ended December 31, 2004, related MD&A and the AIF were due to be filed on March 31, 2005. International did not set a possible filing date or dates.

Future Financial Reporting

Each of International, Hollinger and Argus need to prepare and file their financial statements as required by GAAP and related MD&As in order to normalize its financial reporting and to have its respective MCTO lifted.

Argus will be unable to prepare financial statements consolidated with those of Hollinger and bring its financial reporting up to date until Hollinger has prepared its financial statements.

Argus is unable to determine when it may complete its financial statements consolidated with those of Hollinger.

Financial Position of Argus

Cash

Argus had Cdn. \$101,002 of cash as of the close of business on April 1, 2005.

Shareholdings

Argus indirectly owns 21,596,387 Common Shares of Hollinger with a market value at the close of trading on April 1, 2005 on the Toronto Stock Exchange of Cdn. \$6.10 per share or an aggregate of Cdn. \$131,737,961

The market value of Argus' shareholdings is subject to the minority interest of Ravelston, the parent of Argus. The amount of that minority interest was stated at December 31, 2004 to be Cdn. \$27,961,203. At that date, the value of Argus' investment in Common Shares of Hollinger was Cdn. \$144,695,793.

The market value of Argus' shareholdings is also subject to future income taxes on unrealized net capital gains. That amount was stated to be Cdn. \$24,972,978 at December 31, 2004.

Ravelston holds all of the Common Shares and Class C Preference Shares of Argus and 2,900 of Argus' 55,893 issued Class A Preference Shares \$2.60 Series.

Dividends

Argus presently requires additional funds to be able to pay the next dividends that are due to be paid on its Class A and Class B Preference Shares when they are due to be paid on May 1, 2005 and future dividends on an uninterrupted basis.

The last dividends were paid on February 1, 2005 with the proceeds of a loan from Ravelston in the amount of Cdn. \$251,703. The loan bears no interest and is due to be repaid on February 28, 2006. Ravelston has informed Argus that it has not determined whether it will continue to support Argus in this fashion in the future.

Argus intends to make efforts to ensure that it will be able to pay its next scheduled regular quarterly dividends which are currently estimated to be Cdn. \$251,703.

Hollinger's Financial Position

Cash

Hollinger announced on March 22, 2005 that it and its subsidiaries (excluding International and its subsidiaries) had approximately US \$82.97 million of cash or cash equivalents at the close of business on March 18, 2005.

Certain of these funds are subject to an escrow arrangement with the SEC.

Hollinger also had at that date approximately US \$5.5 million of cash that was deposited as collateral for its Senior Notes and Second Priority Notes borrowings. It is entitled to apply this amount towards future interest payments on certain of these borrowings.

Shareholdings

Hollinger announced on March 22, 2005 that it continued to directly or indirectly hold 782,923 shares of Class A Common Stock and 14,990,000 shares of Class B Common Stock of International as of March 18, 2005.

Based on the closing price of the Class A Common Stock of International on the New York Stock Exchange (the "NYSE") at the close of business on April 1, 2005 of US \$10.79, the market value of Hollinger's direct and indirect holdings in International is US \$178,189,839.

Security Given

All of Hollinger's interest in the shares of Class A Common Stock of International is being held in escrow with a licensed trust company in support of future retractions of its Series II Shares.

All of Hollinger's interest in the shares of Class B Common Stock of International is pledged as security in connection with US \$78 million of Senior Secured Notes and US \$15 million of Second Priority Notes issued by it.

Current Excess of Collateral to Certain Security

On March 22, 2005, Hollinger advised that, on the basis of the closing price of the Class A Common Stock of International on the NYSE on March 18, 2005 of US \$11.30 per share and its cash position at March 18, 2005, including amounts then held in trust and on deposit as collateral, it then had in excess of US \$174.8 million aggregate collateral securing the US \$78 million principal amount of the Senior Secured Notes and the US \$15 million principal amount of the Second Priority Notes that were outstanding.

Dividends

International announced on March 31, 2005 that it had declared a regular quarterly dividend of US \$0.05 per share on its issued and outstanding stock to be paid on April 20, 2005 to holders of record on April 8, 2005. The estimated amount of the dividend to be received by Hollinger is US \$788,646.

Inspection of Hollinger

Ernst & Young Inc., the court-appointed inspector of Hollinger Inc.'s related party transactions (the "Inspector") had previously advised the Court on February 9, 2005 that it would provide to the Court its priorities for the inspection of Hollinger ("the Inspection") by the end of March.

The Inspector's last report, the Sixth Report, was dated January 25, 2005.

On March 22, 2005, the Inspector advised the Court that it would not be able to provide conclusions as to its various areas of inquiry by the end of March as it had previously advised.

The Inspector advised instead that its next report to the Court would be provided ten to fifteen days in advance of its adjourned Motion to seek an Order of the Court to permit it to examine senior former senior management of Hollinger including Lord Black, Mr. Radler and Mr. Boulton.

The Motion to compel the examinations of former senior management of Hollinger is to be heard on April 25 and 26, 2005 before the Honourable Justice Colin M. Campbell.

Hollinger announced on March 18, 2005 that its costs of the Inspection, including those of the Inspector and legal counsel for the Inspector and Hollinger, was then in excess of Cdn. \$5.25 million.

Litigation Developments

Illinois

International's Complaint

The defendants to International's Second Amended Complaint have been given until April 25, 2005 to provide Answers to the Complaint. The defendants include Hollinger, Ravelston, Lord Black, Mr. Radler, Mr. Boulton and other former directors and officers of International (the "Defendants"). International is claiming approximately US \$425 million plus interest in that Complaint.

Class Action

The plaintiffs in the Second Amended Consolidated Complaint have filed an Answering Brief to the defendants Motions to Dismiss on March 25, 2005. The defendants Reply Memoranda to the Answering Brief are due to be filed on April 25, 2005.

SEC Action

The U.S. Securities and Exchange Commission (the "SEC") originally filed a Complaint against Hollinger, Lord Black and Mr. Radler on November 15, 2004. The SEC then filed a First Amended Complaint on March 10, 2005.

On March 28, 2005, the defendants filed a Motion to dismiss the SEC's First Amended Complaint. The SEC's Answer will be due by April 22, 2005 with a Reply of the defendants then due by May 6, 2005. The next Status Hearing with respect to the SEC's First Amended Complaint is due on May 11, 2005.

U.S. Attorney's Motion – Criminal Investigation

As a result of certain requests by the defendants to the SEC Complaint for disclosure of documents, the U.S. Attorney for the Northern District of Illinois brought a Motion on March 21, 2005 to intervene for a limited, temporary stay of disclosure and for leave to file an *in camera* submission.

The Motion of the U.S. Attorney included the statement that there is a related and overlapping pending criminal investigation of Hollinger, Lord Black and Mr. Radler currently pending in the Northern District of Illinois.

It was further stated that the investigation was related to the SEC defendants' conduct with respect to International and "seeks to determine whether they and others fraudulently diverted corporate assets and opportunities owed to Hollinger International to themselves and to companies they controlled."

The U.S. government is seeking to stay the production by the SEC of only one unidentified document that is responsive to a document request made by one of the defendants.

The Motion was initially heard on March 23, 2005 and a schedule was then set. Responses to the Motion are due on April 6, 2005 with replies due from the U.S. Attorney on April 13, 2005.

Ontario

A Hearing with respect to various insurance matters related to an executive and organization liability insurance policy (the "Policy") is to be held on April 11, 2005. The Policy provides coverage for claims of up to US \$130,000,000.

The named insured parties under the Policy include Hollinger, International and Ravelston. The unnamed insured parties include each subsidiary of a named insured, which includes Argus as a subsidiary of Ravelston, and directors, executives and employees of the insured parties.

Certain legal proceedings have been commenced in Ontario including a Statement of Claim dated February 23, 2005 and an Application dated March 4, 2005 that Hollinger has brought against American Home Assurance Company ("American Home") and Chubb Insurance Company of Canada ("Chubb") with respect to certain of its claims.

In addition to claims for specified amounts, Hollinger is seeking an injunction restraining American Home and Chubb from entering into a settlement agreement for the settlement of any claims, including a proposed US \$50,000,000 settlement of a derivative complaint brought in the State of Delaware in December, 2003 by Cardinal Value Equity Partners, LP ("Cardinal"), without an Order of the Court. The Cardinal complaint has been stayed since early 2004.

The proposed settlement amount would exhaust the US \$50,000,000 limits of American Home and Chubb pursuant to the Policy. It is proposed that the settlement amount would be paid to International on behalf of the defendants who are, or were, independent directors of International in exchange for a release of International's claims against those directors. International does not intend to release its other directors and former directors.

A Hearing was held before Mr. Justice Campbell on March 29, 2005 with respect to Hollinger's insurance claims. Mr. Justice Campbell requested the parties, including the named and unnamed insured parties, American Home and Chubb to meet before the next Hearing to consider a new Application that could be brought before the Court to address the insurance issues.

American Home and Chubb undertook to Mr. Justice Campbell on March 29, 2005, as they had at the previous Hearing on March 14, 2005, that no formal approval of any settlement of the Cardinal complaint would be sought from a Delaware court before the April 11, 2005 Hearing.

Other Hollinger and International Developments

For additional information on developments respecting Hollinger and International, reference can be made to their online public filings respectively at www.hollinger.com or www.hollingerinternational.com or otherwise at <http://www.sec.gov/edgar.shtml> or www.sedar.com.

There has been no other material change from the information contained in the Status Update Report of Argus issued on March 18, 2005.

For further information, please call:

Monique L. Delorme
Chief Financial Officer
Argus Corporation Limited
Tel: 416-363-8721

Peter G. White
Executive Vice-President and Secretary
Argus Corporation Limited
Tel: 416-363-8721

Argus Corporation Limited

Market Value Consolidated Financial Statements

These financial statements consolidate all subsidiaries other than Hollinger Inc.

The investment in Hollinger Inc. is carried at market value.

December 31, 2004

(Unaudited)

ARGUS CORPORATION LIMITED

Market Value Consolidated Statements of Net Assets

As at December 31, 2004 and 2003

	2004	2003
	(unaudited)	
	(000's except per share amounts)	
ASSETS		
Current:		
Cash	\$ 264	\$ 2,643
Due from parent company (note 6)	-	59,242
Due from subsidiary (note 6)	-	376
	<u>264</u>	<u>62,261</u>
Investment in Hollinger (note 5)	142,752	71,268
Other assets	118	124
	<u>143,134</u>	<u>133,653</u>
LIABILITIES		
Current		
Dividends payable	252	252
Accounts payable and accrued liabilities	379	80
Due to parent company (note 6)	308	-
Due to subsidiary (note 6)	1	-
	<u>940</u>	<u>332</u>
Future income taxes on unrealized net capital gains (note 7)	24,973	12,063
Minority interest (note 8)	27,961	19,637
	<u>53,874</u>	<u>32,032</u>
Net Assets	<u>\$ 89,260</u>	<u>\$ 101,621</u>
SHAREHOLDERS' EQUITY		
Capital Stock (note 9)	\$ 18,836	\$ 95,099
Contributed surplus (note 9)	77,031	768
Retained earnings (deficit)	(52,796)	9,815
Unrealized appreciation (depreciation) of investments	46,189	(4,061)
	<u>\$ 89,260</u>	<u>\$ 101,621</u>
Net asset value per Class C preference and common share	<u>\$ 8.32</u>	<u>\$ 9.80</u>

ARGUS CORPORATION LIMITEDMarket Value Consolidated Statements of Operations
For the Years Ended December 31, 2004 and 2003

	2004	2003
	(unaudited)	
	(000's except per share amounts)	
Investment income		
Dividends	\$ -	\$ 998
Interest	<u>25</u>	<u>100</u>
	25	1,098
Expenses		
General, office and administrative	<u>1,386</u>	<u>433</u>
Net investment income (loss) before minority interest	(1,361)	665
Minority interest (in dividends received)	-	(159)
Net investment income (loss) for the year	<u>(1,361)</u>	<u>506</u>
Increase (decrease) in unrealized appreciation of investments	<u>50,250</u>	<u>(28,737)</u>
Increase (decrease) in net assets resulting from operations	<u>\$ 48,889</u>	<u>\$ (28,231)</u>
Net income (loss) from investment operations per Class C preference and common share	<u>\$ 5.74</u>	<u>\$ (3.50)</u>

ARGUS CORPORATION LIMITED

Market Value Consolidated Statements of Retained Earnings (Deficit)

For the Years Ended December 31, 2004 and 2003

	2004	2003
	(unaudited)	
	(000's)	
Retained earnings – beginning of the year	\$ 9,815	\$ 10,326
Add: Investment income		
Net investment income (loss)	<u>(1,361)</u>	<u>506</u>
	<u>8,454</u>	<u>10,832</u>
Less: Dividends		
Common shares	12,063	-
Class C participating preference shares	48,180	-
Class A preference shares, \$2.50 series	56	58
Class A preference shares, \$2.60 series	145	153
Class B preference shares, 1962 series	<u>806</u>	<u>806</u>
	<u>61,250</u>	<u>1,017</u>
Retained earnings (deficit) – end of the year	<u>\$ (52,796)</u>	<u>\$ 9,815</u>

ARGUS CORPORATION LIMITEDMarket Value Consolidated Statements of Changes in Net Assets
For the Years Ended December 31, 2004 and 2003

	2004	2003
	(unaudited)	
	(000's)	
Increase (decrease) in net assets resulting from operations	\$ 48,889	\$ (28,231)
Distributions to shareholders		
Dividends from net investment income	(61,250)	(1,017)
Capital share transactions		
Purchase for cancellation of Class A preference shares	-	(342)
Decrease in net assets	(12,361)	(29,590)
Net assets – beginning of the year	101,621	131,211
Net assets – end of the year	\$ 89,260	\$ 101,621

ARGUS CORPORATION LIMITEDMarket Value Consolidated Statements of Unrealized Appreciation of Investment
For the Years Ended December 31, 2004 and 2003

	2004 (unaudited)	2003
	<hr/>	<hr/>
	(000's)	
Balance – beginning of the year	\$ (4,061)	\$ 24,676
Increase (decrease) in unrealized appreciation of investment	71,484	(37,933)
Decrease / (increase) in future income taxes (note 7)	(12,910)	3,709
Decrease / (increase) in minority interest in net unrealized appreciation of investment	(8,324)	5,487
Increase (decrease) in unrealized appreciation of investment	50,250	(28,737)
Balance – end of the year	\$ 46,189	\$ (4,061)

ARGUS CORPORATION LIMITED

Notes to Market Value Consolidated Financial Statements

December 31, 2004

(unaudited)

1 Basis of presentation

The statutory audited annual financial statements for Argus Corporation Limited ("Argus" or the "Company") as at December 31, 2003 were prepared in accordance with Canadian generally accepted accounting principles ("GAAP") prevailing at the time. The Company owns directly and indirectly 61.8% of Hollinger Inc. ("Hollinger") which in turn owns directly and indirectly 18.2% (29.7% as of December 31, 2003) of the equity and 68.1% (72.4% as of December 31, 2003) of the voting equity of Hollinger International Inc. ("International").

Recent changes to GAAP require the Company to consolidate all controlled subsidiaries, with this change to be applied prospectively beginning January 1, 2004 (see notes 3 and 11).

The Company is currently unable to provide financial statements prepared in accordance with these new GAAP requirements.

To assist its stakeholders, the Company has prepared these unaudited market value consolidated financial statements including the consolidation of Argus' subsidiaries except for its investment in Hollinger which was recorded using the market value basis of accounting. Although this basis of presentation is no longer in conformity with GAAP, it is consistent with prior years' financial statement reporting (see note 11).

These market value consolidated financial statements are unaudited and have not been reviewed by the Company's auditors.

The comparative information for 2003 is from previously published audited consolidated financial statements. Certain of the comparative figures have been reclassified for consistency with the presentation adopted for the current year.

2 Ability to continue operations

Liquidity

These market value consolidated financial statements have been prepared on the basis that the Company will continue to operate as a going concern.

ARGUS CORPORATION LIMITED

Notes to Market Value Consolidated Financial Statements

December 31, 2004

(unaudited)

The Company presently requires additional funds to be able to meet its obligations as they fall due, including payments for operating expenses, future legal expenses, to continue to pay its regular dividends on its Class A and Class B preference shares and to make any repurchases of its Class A preference shares.

The Company has traditionally depended for its liquidity upon dividend income, the sale of investments and the support of its controlling shareholder, The Ravelston Corporation Limited ("Ravelston"), and Ravelston's subsidiary Ravelston Management Inc. ("RMI").

The Company received no dividends from Hollinger in 2004 (\$998,000 in 2003) and, given the current situation of Hollinger, it is not possible to predict when or whether the Company will receive dividends from Hollinger in 2005 or thereafter (see note 5).

The Company is currently unable to sell any of its investments in Hollinger as that company is the subject of a Management and Insider Cease Trade Order ("MCTO")(see below) in which Argus is a named party.

On February 1, 2005, Ravelston provided the Company with a loan in the amount of \$252,000 in order to enable the Company to pay a regular quarterly dividend on its Class A and Class B preference shares of the same amount (see note 12).

The Company has been informed by Ravelston that Ravelston has not determined whether it will continue to support the Company in this fashion in the future.

The Company is exploring alternatives that will permit it to continue as a going concern. The implications of ceasing to be a going concern on these market value consolidated financial statements have not been determined.

Operations

The Company makes use of certain operating and management services from Hollinger given recent events, including the Statement of Claim issued by Hollinger on March 29, 2005 to commence legal action against Ravelston and others (see note 12(c)), it is uncertain that these arrangements will continue in future. It is unclear what impact this may have on the Company's operations.

Management and Insider Cease Trade Orders

On May 25, 2004 the Company became subject to a MCTO by the Ontario Securities Commission ("OSC"), which MCTO became final on June 3, 2004 and continues to be in place. The Order was initially issued as a result of the Company not being able

ARGUS CORPORATION LIMITED

Notes to Market Value Consolidated Financial Statements

December 31, 2004

(unaudited)

to complete and file its financial statements for the first Quarter of 2004 together with its related Management's Discussion and Analysis ("MD&A") when due on May 15, 2004. Since then, the Company has similarly been unable to file its financial statements and related MD&A reports for the second and third Quarters of 2004 and the year ended December 31, 2004.

The delays in filing result from the change in GAAP discussed in note 1 and Hollinger's inability to file its financial statements as discussed below.

The OSC also issued a MCTO on June 1, 2004 against each of Hollinger and International for the failure of each to file their audited financial statements for the year ended on December 31, 2003 and interim financial statements for the first Quarter of 2004 and related MD&A reports. Hollinger has been unable to complete its financial statements because of a material change in its relationship with International.

Each of the MCTOs was varied by the OSC on March 8, 2005 to add new parties including persons who had become directors and officers since the original MCTOs.

On January 21, 2005, International filed its audited financial statements (and related MD&A) and its renewal Annual Information Form for the year ended December 31, 2003 with the Canadian securities regulatory authorities. The foregoing filing was a necessary but not sufficient condition to permit Hollinger to complete and file its 2003 annual financial statements as the completion and audit of such financial statements require a level of co-operation from International and International's auditors. This required co-operation is being negotiated with International. Each of the MCTOs was varied by the OSC on March 8, 2005 to add new parties including persons who had become directors and officers since the original MCTOs.

International has not yet filed its first, second and third Quarter financial statements and related MD&A reports and their audited financial statements for the year ended on December 31, 2004.

The MCTO of the Company prohibits Ravelston and its affiliates and others from selling shares of the Company without receiving a specific exemption from the OSC. The MCTO of Hollinger prevents the Company from selling shares of Hollinger and the MCTO of International prevents Hollinger from selling shares of International, without receiving a similar exemption from the OSC.

ARGUS CORPORATION LIMITED

Notes to Market Value Consolidated Financial Statements

December 31, 2004

(unaudited)

3 Summary of significant accounting policies

Significant accounting policy changes

Argus is incorporated pursuant to the *Canada Business Corporations Act* ("CBCA"). It has for many years reported its results as an investment company with its 61.8% holding of the common shares of Hollinger being valued and presented at market (akin to a closed end investment trust).

The Company no longer meets the requirements of an investment company and is no longer permitted to record its investment using the market value basis of accounting (see note 11).

Argus holds only shares in Hollinger and has no cross-guarantees or other financial arrangements that would link its financial resources to Hollinger other than a Company indemnity for one present and one former director of Hollinger (see note 4).

Shareholders are encouraged to avail themselves of the Argus bi-weekly Status Update Reports provided to the OSC and to the public via SEDAR (www.sedar.com) and to similarly avail themselves of the Hollinger and International counterparts on that same website. The Company believes that timely reviews of these various releases and filings offer the best way for investors to stay abreast of the rapid changes being experienced by Hollinger and International and, as a result, by the Company pursuant to its investment in Hollinger.

Cash

Cash may include cash equivalents of certain highly-liquid investments with original maturities of three months or less.

Income taxes

Future income tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted or substantively-enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized. Income tax expense is the sum of the Company's provision for current income taxes and the difference between opening and ending balances of future income tax assets and liabilities.

ARGUS CORPORATION LIMITED

Notes to Market Value Consolidated Financial Statements
December 31, 2004
(unaudited)

Net income (loss) per share

Net income (loss) per share is computed by dividing net loss, adjusted for dividends declared on the preference shares, by the weighted average of the Class C preference and common shares outstanding during the year.

Use of estimates

The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, the Company evaluates its estimates, including those related to bad debts, investments, income taxes, and contingencies and litigation. The Company relies on experience and on various other assumptions that are believed to be reasonable under the circumstances in making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may be expected to differ from these estimates.

Related party transactions

The Company's related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties. During the period under review, apart from items identified in notes 2 and 6, there were no related party transactions.

Financial instruments

The carrying amounts reported on the consolidated balance sheets for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair values because of the immediate or short-term maturity of these financial instruments. Fair value estimates are not necessarily indicative of the amounts the Company might pay or receive in actual market transactions.

ARGUS CORPORATION LIMITED

Notes to Market Value Consolidated Financial Statements

December 31, 2004

(unaudited)

4 Risks and uncertainties

Liquidity risk

As discussed in note 2, the Company presently requires additional funds to be able to meet its obligations as they fall due. While the Company has traditionally depended for its liquidity upon dividend income, the sale of investments and the support of its controlling shareholder, Ravelston, there is no guarantee that these sources of funds will continue to support the Company's needs in the future.

Given the current litigious situation of Hollinger described below, it is not possible to predict when or whether the Company will receive dividends from Hollinger in 2005 or thereafter (see note 5).

The Company is currently unable to sell any of its investments in Hollinger as that company is the subject of a MCTO (see note 2) in which Argus is a named party.

The Company has been informed by Ravelston that Ravelston has not determined whether it will continue to support the Company in this fashion in the future.

The Company is exploring alternatives that will permit it to continue as a going concern. The implications of ceasing to be a going concern on these market value consolidated financial statements have not been determined.

Litigation risk

(a) Litigation against the Company

- (i) The Company is a co-defendant in a consolidated class action complaint filed in Chicago, Illinois for unspecified amounts against numerous parties including the Company, International, Hollinger, Ravelston and RMI and certain directors and senior officers of those companies and KPMG LLP.
- (ii) The Company is a defendant in a class action lawsuit that was filed in the Saskatchewan Court of Queen's Bench on September 7, 2004. The claim has been made on behalf of shareholders of International as against Argus, Hollinger and International, certain of their respective current and former directors and senior officers, Torys LLP and KPMG LLP and others. The legal action is for an unspecified amount and has not been certified by the Court as a class action.

It is not possible to quantify the impact, if any, that this litigation may have on the Company. These market value consolidated financial statements do not include any provision relating to these claims.

ARGUS CORPORATION LIMITED

Notes to Market Value Consolidated Financial Statements

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(unaudited)

(b) Litigation against Hollinger

Hollinger has been named as defendant or co-defendant in a number of legal actions. The information in this section has been compiled from publicly available information including news releases and court filings.

The following actions have been taken against or by Hollinger:

- (i) Hollinger is named as a co-defendant with RCL, RMI and certain directors and senior officers of those companies in a complaint filed in the State of Illinois by International claiming damages and recovery for alleged breaches of fiduciary duty relating to management fees, sales and transfers of assets and non-competition and other payments made. International is seeking damages of US\$425,000,000 plus interest from all defendants. International is seeking to hold Hollinger jointly and severally liable for the full amount of the alleged damages under conspiracy and other theories.

On July 16, 2004, as the result of a judgment in the Delaware court, Hollinger and Conrad M. Black paid to International US\$21,276,000 on account of certain of the non-compete payments referred to above. Hollinger paid US\$5,964,000 and the balance of US\$15,312,000 was paid by Lord Black.

- (ii) Hollinger is named as a co-defendant in a class action lawsuit in Canada and the United States that allege, among other things, securities fraud, the use of management fees to misappropriate funds from International, improper non-compete payments, inadequate Board oversight of executive pay, improper expenses and related party transactions.
- (iii) International named Hollinger as co-defendant in a lawsuit seeking enforcement of a November 15, 2003 restructuring proposal to uphold a Shareholders' Rights Plan, a declaration that corporate by-laws were invalid and to prevent the closing of a certain transaction. Hollinger filed a counterclaim seeking to restrict the Shareholders' Rights Plan that International sought to adopt to prevent a certain transaction and claiming that the restructuring proposal was not negotiated in good faith and had been breached by International. A decision on International's claim was delivered on February 26, 2004 finding in favour of International which was confirmed on March 4, 2004 through a partial final judgment confirming the February 26, 2004 findings. Also on March 4, 2004, Hollinger filed a notice of appeal of the February 26, 2004 decision, which has not yet been decided. On May 19, 2004, the Court issued a decision on a summary judgment motion brought by International finding in favour of International and dismissing in large part Hollinger's counterclaims. The ruling also is on appeal.

ARGUS CORPORATION LIMITED

Notes to Market Value Consolidated Financial Statements

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- (iv) International has named Hollinger as co-defendant in a lawsuit seeking injunctive relief for the return of documents of which it claims ownership and the assistance and co-operation of the defendants in recovering the documents and in having International and its auditors' access granted to the corporate headquarters of Hollinger. No examinations for discovery have been conducted to date. The parties negotiated and executed a Protocol dated March 25, 2004 providing for access and possession by International to the claimed records.
- (v) On September 3, 2004, Mr. Justice Colin Campbell of the Ontario Superior Court of Justice ordered the appointment of an Inspector of the affairs of Hollinger pursuant to section 229 of the CBCA (the "Order") upon the application of Catalyst Fund General Partner I Inc. The Order broadly requires an investigation into the affairs of Hollinger and, specifically, into related party transaction and non-competition payments for the period January 1, 1997 to the present. The Inspector has provided certain interim reports to the court, primarily outlining its need for more time to conduct its work. It is estimated that the Inspector's future costs will average \$1,000,000 per month. The remaining duration of the Inspection is uncertain though it is presently anticipated to continue for at least an additional 4 months.
- (vi) Hollinger was the guarantor under an aircraft lease that was prematurely terminated in January, 2004. The lessor has commenced an action against Hollinger for damages of approximately US\$5,000,000.
- (vii) On November 15, 2004, the United States Securities and Exchange Commission ("SEC") filed an action in the United States District Court for the Northern District of Illinois against Lord Black, F. David Radler and Hollinger seeking injunctive, monetary and other equitable relief.

The SEC's allegations against Hollinger include: (i) Hollinger made material misstatements and omissions in its responses to International's 1999 and 2000 proxy questionnaires and Hollinger's 2001 Form 40-F filing and 2002 Form 2-F, Form 40-F and proxy statement filings with the SEC concerning US\$16,500,000 in payments it allegedly fraudulently received in connection with non-compete agreements associated with certain sales transactions; (ii) Hollinger allegedly knew or was reckless in not knowing that International's filings with the SEC were false and misleading because they failed to disclose the non-compete payments made to Hollinger; and (iii) Hollinger is liable for International's violations of certain federal securities laws during this period as a result of its alleged failure to properly disclose the non-compete payments it received.

The SEC complaint seeks the following from Hollinger: (i) disgorgement of ill-gotten gains by Hollinger and unspecified civil penalties; (ii) a voting trust upon the shares of International held directly or indirectly by Hollinger; and (iii) an order enjoining Hollinger from further violations of the federal securities laws.

ARGUS CORPORATION LIMITED

Notes to Market Value Consolidated Financial Statements

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- (viii) The affairs of Hollinger have been under continuing investigation by the enforcement division of the OSC. The appropriateness of certain transactions reported in previous financial statements as filed, of the financial statements themselves and the completeness of other regulatory filings are being questioned. On March 18, 2005, the OSC issued a Notice of Hearing and related Statement of Allegations against Hollinger, Lord Black, Mr. Radler, John A. Boulton and Peter Y. Atkinson. The first appearance in this matter is to set a date for the Hearing and will be held on May 18, 2005 in Toronto.
- (ix) Hollinger has incurred legal expense in the defence of various actions brought against it and others in both the United States and Canada. Hollinger has in turn advanced a claim against its directors' and officers' liability insurers asserting that, under the terms and conditions of the policy of insurance, these insurers are required to indemnify Hollinger in respect of this legal expense incurred in connection with some of the actions brought against Hollinger. The claims made total approximately \$3,700,000. However, the actual amount of recovery is not determinable at the present time.

Regulatory risk

The Company (see note 2) and Hollinger (see notes 2 and 4) are the subject of regulatory actions. As noted above, this inhibits the Company's liquidity and, in the case of Hollinger, represents a material contingent liability. If these orders were to be extended to issuer cease trade orders, whereby all holders of shares would be precluded from trading, shareholders would be prevented from realizing on their investment for the duration of any such order.

Credit risk

The Company's financial assets that are exposed to credit risk consist primarily of cash and cash equivalents, and accounts receivable. Cash and cash equivalents are on deposit at major financial institutions.

The Company evaluates the collectibility of its accounts receivable on an ongoing basis, based upon various factors including the financial condition and payment history of its debtor, an overall review of collections experience on other accounts and economic factors or events expected to affect the Company's future collections.

Interest rate risk

Interest rate risk arises because of the exposure to the effects of future changes in the prevailing level of interest rates. The Company has little direct exposure to interest rate risk on its short-term deposits. However, it is exposed to indirect risk arising

ARGUS CORPORATION LIMITED

Notes to Market Value Consolidated Financial Statements

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from the interest rate risk borne by Hollinger and International with respect to their long-term debt. This risk may have significant effect on the market value of the Company's investment in Hollinger.

Foreign currency risk

Foreign currency risk arises because of the exposure to the effects of future changes in the level of currency exchange rates primarily between the US and Canadian dollars. The Company has little direct exposure to foreign currency risk. However, it is indirectly exposed to risk borne by its investee Hollinger and by Hollinger's investee International with respect to their dividend income and certain foreign expenses incurred. This risk may have significant effect on the market value of the Company's investment in Hollinger (see note 5).

Market value risk

The Company's only significant asset is the investment in Hollinger and its investment is exposed to changes in the market price, which may be influenced by changes in the market price of International.

Directors and officers insurance

The Company did not renew its previous conventional directors' and officers' liability insurance which expired on June 30, 2004 as such coverage had become, in its opinion, prohibitively expensive. The Company will now bear the costs of any future claims and will provide indemnities for all of its directors and officers whereby each will be fully indemnified by the Company. The Company has indemnified Mr. Gordon Walker and Major-General Richard Rohmer, an independent director and a former independent director respectively, of its subsidiary Hollinger. Hollinger has itself indemnified its directors, including committing an amount of \$8,000,000 deposited in trust for Major-General Richard Rohmer and Hollinger's current independent directors.

5 Investment in Hollinger

Argus and its subsidiaries own 21,596,387 retractable common shares of Hollinger (2003 – 21,596,387) representing 61.8% of such shares. This investment is presented in these market value consolidated financial statements at its market value of \$6.61 per share, such being the closing price on the Toronto Stock Exchange at December 31, 2004, (2003 – \$3.30 per share) for an aggregate of \$142,752,000 (2003 – \$71,268,000). The historical cost of such shares is \$81,822,000.

ARGUS CORPORATION LIMITED

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Certain events which occurred during the year resulted in a loss of control of Hollinger by the Company, the duration of which is uncertain.

The investment in Hollinger is subject to numerous risks and uncertainties including:

- (a) The prospects for the Company to recover control of Hollinger;
- (b) The prospects for Hollinger to recover control of International;
- (c) The liquidity of the various inter-company investments due to the MCTOs;
- (d) Hollinger's litigation risk (see note 4); and
- (e) A shareholders' rights plan with respect to International's shares that could affect Hollinger's multiple voting rights on its Class B shares of International in the event of a substantial sale of Hollinger shares.

The closing market value of the shares of Hollinger on the Toronto Stock Exchange at March 31, 2005 was \$6.10 per share or \$131,738,000.

Proposed privatization of Hollinger

On October 28, 2004, Ravelston proposed a going private transaction for Hollinger. The proposed transaction was to be structured as a share consolidation and retirement of Hollinger's shares other than those held directly or indirectly by the Company and Ravelston.

Ravelston initially agreed to support the proposed privatization on the basis that (i) holders of Common Shares (other than Ravelston and certain of its affiliated entities including the Company) would receive Cdn. \$7.25 in cash for each Common Share held by them, and (ii) holders of Series II Preference Shares of Hollinger (each a "Series II Share") would receive 0.46 of a share of Class A Common Stock of International for each Series II Share held by them.

On March 7, 2005, Hollinger announced that Ravelston would revise its support for the Proposed Transaction by increasing the payment to holders of the Common Shares (other than Ravelston and certain of its affiliated entities including the Company) to an aggregate of (i) Cdn. \$7.60 and (ii) an additional amount as described below, if any, per Common Share, in cash for each Common Share held by them, and (iii) a contingent cash payment right (a "CCPR") that would entitle them to participate in their proportionate interest in the economic benefit of certain potential claims and litigation. There was no change for the Series II shares.

The additional amount to be paid for each Common Share was to be based on a second valuation of the Common Shares by an independent valuator following the public release by International of its 2004 audited financial statements. The proposal by Ravelston was reviewed by committees of Independent Directors of each of Hollinger and the Company.

ARGUS CORPORATION LIMITED

Notes to Market Value Consolidated Financial Statements

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(unaudited)

The Independent Privatization Committee of Hollinger engaged GMP Securities Ltd. ("GMP") to value the Common Shares, and GMP estimated the value of the Common Shares to be in the range of \$7.21 to \$7.57 per share at March 1, 2005, subject to the limitations, assumptions, qualifications and scope limitations stated in their report dated March 6, 2005. The Independent Privatization Committee and the Board of Hollinger decided to bring the matter before Hollinger's shareholders at a meeting called for that purpose for March 31, 2005.

The Independent Committee and the Board of the Company endorsed the transaction.

To proceed, the transaction required certain relief from the OSC under Hollinger's and International's MCTOs. On March 27, 2005, the OSC decided that it was unable to form the opinion that it would not be prejudicial to the public interest to grant the relief. As a result, the OSC denied granting the requested relief whereupon the Hollinger shareholders meeting was cancelled.

Hollinger receives dividends

In January and March, 2005, Hollinger received dividends on its Class A and Class B Common Stock of International.

The dividends included a regular quarterly dividend of US \$0.05 per Class A and Class B share of International aggregating US \$787,000 and special dividends of US\$2.50 and US\$3.00 per share for an aggregate of US\$86,751,000 (the "Special Dividends").

The Special Dividends distributed a portion of the net proceeds from the sale of International's Telegraph properties after the repayment of certain debt and taxes (the "Proceeds").

Hollinger puts Special Dividends in escrow

As part of its settlement discussions with staff of the SEC relating to the complaint commenced by the SEC against Hollinger, Lord Black and Mr. Radler, Hollinger voluntarily agreed to enter into an arrangement whereby it deposited the net amount received by it from the Special Dividends, into an escrow account with a licensed trust company.

The escrow arrangements provide that Hollinger will have access to the escrowed funds for ordinary business and certain other purposes. The escrow terminates upon the earlier of the conclusion of the SEC as to all parties unless terminated earlier by agreement.

ARGUS CORPORATION LIMITED

Notes to Market Value Consolidated Financial Statements

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6 Amounts due from / to related parties

Amounts due from related parties include the following:

	<u>2004</u>	(000's)	<u>2003</u>
Due from parent company (a)	\$ -		\$ 59,242
Due from subsidiary (b)	-		376
Due to parent company (c)	(308)		-
Due to subsidiary	(1)		-
	<u>\$ (309)</u>		<u>\$ 59,618</u>

- (a) As at December 31, 2003, the Company had advanced \$59,242,000 to Ravelston on an unsecured and non-interest bearing basis. A dividend of \$60,242,000 was declared and the advanced amount was repaid on April 7, 2004.
- (b) The amount due from an affiliated company of \$376,000 at December 31, 2003 is an amount due from Domgroup, a subsidiary of Hollinger. Domgroup managed insurance premiums, including directors' and officers' insurance premiums for Ravelston, Argus, Hollinger, and International up until July, 2004. The amount receivable represents a refund of directors' and officers' insurance premiums paid in 2003 by the Company. The receivable was collected in July, 2004.
- (c) Ravelston paid legal fees on behalf of the Company in January, 2004. This amount remains outstanding to Ravelston.

Certain employees of Ravelston and Hollinger provide services to the Company for no consideration. This matter is currently under review. It is uncertain whether there will be any allocation of costs to the Company and no provision has been made for such costs in these market value consolidated financial statements.

7 Income taxes

	<u>2004</u>	(000's)	<u>2003</u>
Increase (decrease) in income taxes			
Current	\$ -		\$ -
Future	12,910		(3,709)
	<u>\$ 12,910</u>		<u>\$ (3,709)</u>

ARGUS CORPORATION LIMITED

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(unaudited)

The Company does not have any current income tax expense since its income arises primarily from non-taxable dividends. The income tax expense (recovery) results from an unrealized gain (loss) on the Company's investment in Hollinger.

The Company has future income tax assets resulting from non-capital loss-carry-forwards of \$3,162,000. These non-capital losses expire gradually over the next seven years. A full allowance has been taken against this amount as it is not likely that these assets will be realized.

8 Minority interest

The minority interest at December 31, 2004 consists of a minority interest in the net assets of 509646 N.B. Inc., a subsidiary of Argus. The minority is represented by Ravelston's ownership of 29.07% of the non-voting common shares of this subsidiary.

9 Capital stock

	<u>2004</u>	<u>2003</u>
	(000's)	
Authorized		
22,324 Class A preference shares, \$2.50 series, cumulative		
55,893 Class A preference shares, \$2.60 series, cumulative		
1,000,000 Class B preference shares, 1962 series, cumulative, \$2.70		
Unlimited Class C participating, non-voting preference shares		
Unlimited common shares		
Issued		
22,324 Class A preference shares, \$2.50 series	\$ 1,116	\$ 1,116
55,893 Class A preference shares, \$2.60 series	2,795	2,795
298,400 Class B preference shares, 1962 series	14,920	14,920
6,677,263 Class C preference shares	4	60,486
1,671,661 common shares	1	15,782
	<u>\$ 18,836</u>	<u>\$ 95,099</u>

The Class A and Class B preference shares are issuable in series. The issued Class A and Class B preference shares carry cumulative dividends and are redeemable at the option of the Company at \$52.50 per share plus accrued dividends.

ARGUS CORPORATION LIMITED

Notes to Market Value Consolidated Financial Statements

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(unaudited)

The Class C preference shares, subject to the prior rights of the Class A and Class B preference shares, participate equally with the common shares in: (a) any dividends paid in any fiscal year after \$0.30 per share has been paid on each Class C preference share and common share, and (b) any distribution of assets.

The conditions of the Class A preference shares include that the Corporation shall purchase 3,750 shares of each of the \$2.50 Series and \$2.60 Series in the market on an annual basis. The Corporation is not obligated to purchase these shares at a price, including costs of purchase, exceeding \$50 per share (being the paid up amount per share). The conditions of the shares provide that the Corporation is not in default in the event that it fails in the reasonable exercise of its discretion to purchase 3,750 shares of each of the Class A series in any year. During the year, there were no repurchases of either the Class A preference shares, \$2.50 series (2003 – 1,800 shares were repurchased) or Class A preference shares, \$2.60 series (2003 – 5,050 shares were repurchased).

On October 5, 2004, the Company reduced its stated capital by \$76,263,000 by deducting \$15,781,000 from the stated capital account for the common shares and \$60,482,000 from the stated capital account for the Class C preference shares, all of which shares are owned by Ravelston.

The total amount of the reduction was credited to Argus' contributed surplus account, increasing such account from \$768,000 to \$77,031,000. The reduction of the stated capital did not result in any tax or other consequences to the Company, nor did Ravelston receive any benefit from the reduction. The reduction in stated capital did not involve the payment of any distribution to Ravelston and did not cause any reduction in Argus' shareholders' equity.

ARGUS CORPORATION LIMITED

Notes to Market Value Consolidated Financial Statements

December 31, 2004

(unaudited)

10 Supplemental information

The following is a reconciliation of the computing of basic net income (loss) per share.

	2004	2003
	(000's except per share amounts)	
Gain (loss) per share:		
Net income (loss)	\$ (1,361)	\$ 506
Capital increase (decrease) in unrealized appreciation of investments	<u>50,250</u>	<u>(28,737)</u>
Increase (decrease) in net assets resulting from operations	48,889	(28,231)
Less dividends paid to class A and B preference shareholders	<u>(1,007)</u>	<u>(1,017)</u>
Net income (loss) attributable to class C and common shareholders	<u>\$ 47,882</u>	<u>\$ (29,248)</u>
Number of class C preference and common shares	<u>8,348,924</u>	<u>8,348,924</u>
Basic net income (loss) per Class C preference and common share	<u>\$ 5.74</u>	<u>\$ (3.50)</u>

11 Recent accounting pronouncements**Investment companies**

In January, 2004, the Canadian Institute of Chartered Accountants ("CICA") issued Accounting Guideline 18, "Investment Companies" ("AcG 18"). AcG 18 permits investment companies to measure their investments in subsidiaries at fair value. The Company does not meet the criteria of an investment company as defined in AcG18.

GAAP

In July, 2003, the CICA issued Handbook Section 1100, "Generally Accepted Accounting Principles" ("Section 1100"). This section establishes standards for financial reporting in accordance with GAAP and describes what constitutes GAAP and its sources. Section 1100 eliminates using industry practice as a means of determining GAAP. As such, Section 1100 requires the Company to consolidate its investment in Hollinger effective January 1, 2004, applied prospectively. (see note 1)

ARGUS CORPORATION LIMITED

Notes to Market Value Consolidated Financial Statements

December 31, 2004

(unaudited)

12 Subsequent events

- (a) On February 1, 2005, Ravelston provided Argus with a loan in the amount of \$252,000 allowing the Company to pay a regular quarterly dividend on its preferred shares for the same amount. The loan is supported by a non-interest-bearing note due February 28, 2006.
- (b) On March 21, 2005, the United States Attorney General stated in a Motion it filed in Illinois that it was conducting a criminal investigation of Hollinger, Lord Black, Mr. Radler and others with respect to their dealings with International.
- (c) On March 29, 2005, Hollinger issued a Statement of Claim in the Ontario Superior Court of Justice to commence a legal action against Ravelston, RMI, Moffatt Management Inc. and Black-Amiel Management Inc. as well as its former directors and officers Lord Black, Mr. Radler, Mr. Boulton and Mr. Atkinson. Claims made are for monetary damages from all defendants jointly and severally in the amount of \$550,000,000 as well as reimbursement of certain amounts owing to Hollinger by the defendants in the amount of approximately \$86,000,000 plus accrued interest and costs.

The monetary damages include management fees and non-competition payments allegedly misappropriated by the defendants since 1998, as well as reimbursement of fees and costs including those related to the inspection (see note 4(b)(v)) and the withdrawn going private transaction (see note 5). Other bases of the claims include alleged diversion of corporate opportunities, alleged breach of fiduciary duties and alleged oppression.

HOLLINGER INC.
RELEASE OF ALTERNATIVE FINANCIAL INFORMATION

Toronto, Ontario, Canada, March 4, 2005 –Hollinger Inc. (“Hollinger”) (TSX: HLG.C; HLG.PR.B) today released financial information in the form of an unaudited consolidated balance sheet as at September 30, 2004, together with notes thereto, prepared on an alternative basis, as described below (the “Alternative Financial Information”). The Alternative Financial Information was prepared by management of Hollinger and has not been audited or reviewed by Hollinger’s auditors.

The Alternative Financial Information includes the accounts of Hollinger and those wholly-owned subsidiaries which carry out head office functions and which do not represent investments. Investments in other companies and subsidiaries, such as Hollinger International Inc. (“Hollinger International”), are not consolidated but rather are carried as investments and are accounted for at their market value. The Alternative Financial Information has been prepared in accordance with Hollinger’s traditional accounting policies with the exception that it has been prepared as though Hollinger had always accounted for its assets and liabilities at their market values.

The alternative financial information is presented in lieu of the filing by Hollinger of its statutory financial statements with applicable Canadian securities regulatory authorities. Hollinger has been unable to file its statutory financial statements as at and for the year ended December 31, 2003 and the first three quarters of 2004 as a result of a series of difficulties Hollinger has experienced, including Hollinger’s loss of control of Hollinger International in or about November, 2003 and the continued insufficient co-operation by Hollinger International and Hollinger International’s auditors.

Hollinger intends to continue to provide bi-weekly updates on its affairs until such time as it is current with its filing obligations under applicable Canadian securities laws.

Company Background

Hollinger’s principal asset is its interest in Hollinger International which is a newspaper publisher, the assets of which include the *Chicago Sun-Times*, a large number of community newspapers in the Chicago area and a portfolio of news media investments, and a portfolio of revenue-producing and other commercial real estate in Canada, including its head office building located at 10 Toronto Street, Toronto, Ontario.

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HOLLINGER INC.

Market Value Information Consolidated Balance Sheet September 30, 2004 (in thousands of Canadian dollars) (unaudited)

ASSETS

Current assets

Cash and cash equivalents	\$	15,328
Restricted cash (note 3)		13,743
Accounts receivable		1,051
Amounts due from related parties (note 4)		72,127
Prepaid expenses		1,148
		<u>103,397</u>

Investments (note 5)		367,463
Property and equipment (note 6)		8,495
Deferred financing costs		14,078
	\$	<u>493,433</u>

LIABILITIES

Current liabilities

Accounts payable and accrued expenses	\$	32,646
Amounts due to related parties (note 4)		28,183
Income taxes payable (note 7)		6,358
		<u>67,187</u>

Long-term debt (note 9)		117,626
Retractable preference shares (note 8)		17,352
Amounts due to related parties (note 4)		25,738
Future income taxes (note 7)		39,147
Other liabilities (note 4)		679
		<u>267,729</u>

Net assets representing shareholders' equity

Capital stock (note 10)		286,602
Net unrealized decline in assets		(67,354)
Net unrealized decrease in liabilities		603
Retained earnings		5,853
		<u>225,704</u>
	\$	<u>493,433</u>

Net asset value per retractable common share	\$	<u>6.46</u>
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Contingencies and commitments (note 11)

Subsequent events (note 13)

See accompanying notes.

HOLLINGER INC.

Notes to Consolidated Balance Sheet

September 30, 2004

(Tabular amounts are in thousands of dollars except where noted)

(unaudited)

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

As part of the Company's 1997 issuer bid, Hollinger Inc. (the "Corporation") became an open-end investment holding company. The Corporation's retractable common shares (the "Common Shares") are retractable at the option of the holder for an amount based on the market value of the Corporation's assets, on a non-consolidated basis, and during 1999, the Corporation's Series II preference shares became retractable for an amount based on the market value of Hollinger International Inc. ("International") common shares.

This consolidated balance sheet includes the accounts of the Corporation and those wholly-owned subsidiaries which carry out head office functions and which do not represent investments (together, the "Company"). Investments in other companies and subsidiaries are not consolidated but rather are carried as investments and are accounted for at their market value.

This consolidated balance sheet has been prepared in accordance with the Corporation's traditional accounting policies with the exception that it has been prepared as though the Corporation had always accounted for its assets and liabilities at their market values.

This consolidated balance sheet has not been audited or reviewed by the Corporation's auditors. This alternative financial information is presented in lieu of statutory financial statements as a result of the Corporation's inability to file its statutory financial statements as at and for the year ended December 31, 2003 and the first three quarters of 2004. This inability results from a series of difficulties the Corporation has experienced including the Corporation's loss of control of International on or about November 17, 2003 and International's and International's auditors' continued insufficient co-operation with the Corporation.

As a result of the inability by the Corporation to file its statutory financial statements on a timely basis, the Ontario Securities Commission and certain other provincial securities regulatory authorities issued cease trade orders that prohibit certain current and former directors, officers and insiders of the Corporation from trading in securities of the Corporation, until two full business days after the Corporation's required filings are brought up to date in compliance with applicable Canadian securities law. The Corporation has been granted an extension of the time for calling its 2004 annual meeting of shareholders to June 30, 2005.

The Company has experienced significant operating cash flow deficiencies and is restricted from making certain payments under the terms of the senior secured notes (note 9) and escrow agreement (notes 13 d) and e)). Because of International special dividends received in 2005 (note 13), despite the funds being held in escrow, the Company has sufficient funds available for general corporate purposes. This consolidated balance sheet has been prepared on the basis that the Company will continue to operate as a going concern.

Accrual method of accounting

This consolidated balance sheet has been prepared using the accrual method of accounting.

HOLLINGER INC.

Notes to Consolidated Balance Sheet

September 30, 2004

(Tabular amounts are in thousands of dollars except where noted)

(unaudited)

Foreign currency translation

Monetary items denominated in foreign currency are translated to Canadian dollars at exchange rates in effect at the balance sheet date and non-monetary items are translated at exchange rates in effect when the assets were acquired or obligations incurred. Foreign exchange gains and losses are included in shareholders' equity on the balance sheet.

Cash and cash equivalents

Cash and cash equivalents include certain highly liquid investments with original maturities of three months or less.

Investments

Investments are carried at market value determined on the following bases:

- (i) Liquid investments such as cash, short-term government bonds and deposit certificates are valued at cost plus accrued interest.
- (ii) Investments having quoted market values on a recognized stock exchange are valued at the closing market price. Investments that are not listed on a recognized exchange but that are convertible or exchangeable into such an investment are valued based on the quoted market value of the investment into which they are exchangeable or convertible.
- (iii) Other investments are valued at management's estimate of market value.
- (iv) If an investment is denominated or quoted in a foreign currency its market value is converted to Canadian dollars at the mid-day Toronto exchange rate at the balance sheet date.

The difference between cost and market value has been recorded as an unrealized gain or loss on investments and included in shareholders' equity on the consolidated balance sheet.

Property and equipment

Property and equipment are stated at either cost or market value where determinable. Cost represents the cost of acquisition, including the direct costs of financing until the asset is ready for use.

Property and equipment are amortized over their estimated useful lives as follows:

Buildings	straight line over 25 to 40 years
Machinery and equipment	straight line over 4 to 20 years or 7% to 12% on the diminishing balance basis
Leasehold interests	straight line over the term of the lease ranging from 5 to 40 years

Liabilities

Liabilities for which there is a public market, other than the senior secured notes (note 9), or which are associated with a recognized stock exchange are recorded at the greater of principal amount plus accrued interest or equivalent market value; or, the present value of all payments that management expects will be made in respect of the liability. For liabilities that are exchangeable or

HOLLINGER INC.

Notes to Consolidated Balance Sheet

September 30, 2004

(Tabular amounts are in thousands of dollars except where noted)

(unaudited)

convertible, if management expects that investments will be delivered in satisfaction of those rights, payments will include those investments at their market values.

Liabilities include shares that are redeemable at the option of the holder other than Common Shares.

With respect to the Corporation's Series II preference shares (as more fully described in note 8), the liability is marked to market for fluctuations in the market price of the shares of Class A Common Stock of International and foreign exchange rates. The resulting gains or losses have been recorded as an unrealized gain or loss on liabilities and included in shareholders' equity on the balance sheet.

Derivative financial instruments

Derivative financial instruments include options, forward contracts and swaps related to investments or to liabilities. These are valued based on management's estimates of their asset value or liability value. Management is guided by public market information in assessing these values where such information is available. Any gain or loss is included in unrealized gain on investments, until sold or cancelled.

Deferred financing costs

Deferred financing costs consist of certain costs incurred in connection with debt financings. They are stated at cost and are amortized on a straight-line basis over the term of the related debt being up to eight years.

Income taxes

Future income tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset value will not be realized.

Stock-based compensation and other stock-based payments

Effective January 1, 2004, the Company adopted Section 3870 of the CICA Handbook, "Stock based Compensation and Other Stock-based Payments". This standard requires the Company to recognize an expense in the financial statements for all forms of employee stock-based compensation, including stock options. The adoption of this new accounting principle did not have an impact on the consolidated balance sheet.

Use of estimates

The preparation of this consolidated balance sheet requires the Corporation to make estimates and judgments that affect the reported amounts of assets, liabilities, and related disclosure of contingent assets and liabilities. On an on-going basis, the Corporation evaluates its estimates, including those related to bad debts, investments, income taxes, pensions and other post-retirement benefits, and

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contingencies and litigation. The Corporation relies on historical experience and on various other assumptions that are believed to be reasonable under the circumstances in making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Certain of the Company's investments and liabilities are valued at management's estimate of market value. These fair value estimates are made at a specific point in time, based on assumptions concerning amount and timing of estimated future cash flows and assumed discount rates. The estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore may not accurately represent future realizable values.

2. CHANGE IN ACCOUNTING PRESENTATION

As described in note 1 above, the Corporation is an open-end investment corporation. Following accepted accounting practices for such corporations, the Corporation has retroactively adopted "investment company" accounting practices. The most significant results of this change in the basis of presentation are:

- (a) investments are carried at market value rather than on the basis of cost, equity or consolidation;
- (b) dividends from investees are recorded as investment income and unrealized gains and losses on investments are recorded in shareholders' equity as they occur, and realized gains and losses are credited directly to retained earnings, rather than recording such investments on an equity or consolidated basis;
- (c) liabilities, other than the senior secured notes, are recorded at their fair values, where determinable;
- (d) financial instruments other than the Common Shares are recorded entirely as liabilities rather than partly as liabilities and partly as equity; and
- (e) net unrealized gains and losses on assets and liabilities are included in shareholders' equity and realized gains and losses on assets and liabilities are credited directly to retained earnings.

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3. RESTRICTED CASH

Restricted cash is comprised as follows:

Cash security under senior secured notes payable (note 9)	\$13,243
Cash security for directors' indemnities (note 12)	500
	<u>\$13,743</u>

On February 7, 2005, an additional \$1,500,000 of cash was placed in trust, which is intended to be used as additional security for directors' indemnities.

4. RELATED PARTIES

Amounts due from and to related parties are comprised as follows:

Current amounts due from:

The Ravelston Corporation Limited ("RCL"), a parent company (a)	\$14,374
Ravelston Management Inc. ("RMI"), a company subject to common control (b)	57,393
International and its subsidiaries	79
Former director	281
	<u>\$72,127</u>

Amounts due to:

Former directors, under share unit plan	\$ 556
Lord Black (c)	19,868
International and its subsidiaries (d) and (e)	33,030
Companies controlled by former directors	467
	<u>53,921</u>
Less current portion:	<u>28,183</u>
	<u>\$25,738</u>

(a) This balance relates primarily to three loans made to RCL. The loans, in the principal amounts of \$4,728,000, \$4,803,000 and \$5,175,000, were made to assist RMI in meeting its obligations to the Corporation under the Support Agreement and thereby assisting the Corporation in meeting its obligations under the Indentures (note 9). Each of the loans is supported by a demand promissory note bearing interest at the prime lending rate plus 4% per annum, calculated and payable monthly and a general security agreement of RCL. The principal amounts of these loans and interest thereon remain outstanding.

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- (b) This balance is due in connection with RMI's obligations under the Support Agreement (note 9). Amounts owing by RMI under the Support Agreement do not accrue interest and are unsecured obligations of RMI. RCL has unconditionally guaranteed RMI's obligations under the Contribution Agreement (note 9), with such guarantee supported by a pledge of RCL's shares of RMI.

The Company has been informed by RMI that it may dispute all but approximately \$4,100,000 of this receivable.

- (c) The Corporation had a joint obligation, pursuant to a judgment, to repay non-compete amounts of US\$16,549,950 received by the Company in prior years plus interest. This amount is included as part of the receivable from RMI under the Support Agreement. Pursuant to an Order and Final Judgment of the Delaware Court of Chancery dated June 28, 2004 (the "Order"), the Corporation and Lord Black, the Corporation's controlling shareholder and former Chairman and Chief Executive Officer, were ordered to jointly pay to International the non-compete amounts plus interest. On July 16, 2004, the Company repaid to International US\$5,964,000 and the balance was paid by Lord Black. The terms of the Company's obligation to make restitution to Lord Black, if any, have not been resolved. Until such determination is made, the balance sheet shows a payable to Lord Black. The Corporation is currently appealing the Order.
- (d) (i) This balance relates to an amended promissory note of the Company dated March 10, 2003 in the principal amount of US\$20,349,000. The principal amount bears interest at a rate of 14.25% per annum if interest is paid in cash (and 16.50% per annum if paid in kind where certain conditions restrict payment of interest under the Corporation's senior secured notes) for an aggregate of \$31,171,000 at September 30, 2004. Interest is payable quarterly and the principal is payable on demand after March 2, 2011. The reimbursement obligations under this note are to be secured by a cash collateral account that RCL was required to fund. The loan is guaranteed by RCL and secured by its receivables under RCL's management services agreement with CanWest Global Communications Corp. ("CanWest"). All amounts owing under the note are subordinated to the Corporation's senior secured notes for so long as the notes are outstanding (note 9).
- (ii) The remaining amount due to International of \$1,859,000 is the result of prior shared business services.
- (e) The Company had an informal agreement with International whereby the Company would pay the costs of computer equipment and related products and services at the Company's offices in Toronto in 2002 and International would pay the costs in 2003. The Company and International were to reconcile the spending and share the combined costs equally. Based upon International's evaluation of the combined costs under this arrangement, the Company owed approximately \$200,000 to International. This amount has not been agreed to by the Company but has been recorded. The Company has not yet paid its share of the costs incurred and continues to retain possession of the computer and related equipment it had acquired.

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- (f) Included in accounts payable and accrued expenses on the consolidated balance sheet is approximately \$6,500,000 with respect to legal fees incurred by Lord Black and F. David Radler, the Corporation's former President, the reimbursement of which is being sought from the Company under its indemnity of its directors and officers. The Company has not, at this time, agreed to reimburse these amounts.

Related Party Contractual Obligations:

- (g) The Company entered into a consulting agreement with Peter G. White Management Ltd. ("PGWML"), a company controlled by Peter G. White, a director and executive officer of the Corporation, effective December 23, 2003, which provides that Mr. White renders various services to the Company. The agreement terminated on January 22, 2005 and was extended for a further six-month term to July 22, 2005. The agreement may be terminated on 30 days' notice. For its services under the agreement, PGWML receives \$75,000 per month.
- (h) At 10 Toronto Street, RCL and RMI make use of the Company premises and currently pay no rent. The Company is in discussion with RCL and RMI with respect to a potential lease and related financial arrangements.
- (i) Certain employees of the Company provide services to RCL, RMI and Argus Corporation Limited, a parent company. As well, certain employees of RMI provide services to the Company. No re-allocation of these costs has been made to date. This is currently under review.

All such employees were formerly employees of RMI. Employment contracts of these employees were transferred to the Company effective January 1, 2004. The employees retained all seniority, pension benefits and other entitlements earned while at RMI upon transfer. As a result, the Company has fully provided for the actuary's estimate of the pension obligation with respect to these employees in this consolidated balance sheet. No agreement with RCL and RMI as to the Company's and their legal obligations with respect to the RCL pension plan has been made to date.

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5. INVESTMENTS

(i) Investments having quoted market values

		Number of Shares/Units	Amount
International	Class A Shares (a) (note 8)	792,560	\$ 17,352
	Class B Shares (a) (note 9)	14,990,000	328,186
		<u>15,782,560</u>	<u>345,538</u>
Hollinger Canadian Newspapers, Limited Partnership	Units	150,000	150

(ii) Investments at estimated market values

		Percentage held	
Cayman Free Press	Common shares	39.993%	3,670
Real estate division of Domgroup Ltd. ("DRE") (b)	-	100%	17,998
Other	-	-	107
			<u>\$367,463</u>

(a) *International Class A and Class B Common Shares*

International's shares of Class A Common Stock ("International Class A Shares") and Class B Common Stock ("International Class B Shares") have identical rights with respect to cash dividends and in any sale or liquidation, but different voting rights. Each International Class A Share is entitled to one vote per share and each International Class B Share is entitled to ten votes per share on all matters, where the two classes vote together as a single class, including the election of International directors. International Class B Shares are convertible at any time at the option of the Company into International Class A Shares on a share-for-share basis and are transferable by the Company under certain conditions. Where the Company does not meet these conditions, and there is a change of control of International, the International Class B Shares are automatically converted on a share-for-share basis into International Class A Shares. The market value of the International Class B Shares, which do not trade, is stated at the closing market price of the International Class A Shares with no control premium taken into account.

(b) DRE includes the Vancouver division of Domgroup Ltd. and all of the cash of Domgroup Ltd.

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6. PROPERTY AND EQUIPMENT

Carried at cost	
Machinery, equipment and other	\$ 4,008
Accumulated depreciation and amortization	
Machinery, equipment and other	3,113
	<u>895</u>
Carried at market value	
Land and buildings	7,600
Net book value	<u>\$ 8,495</u>

7. INCOME TAXES

(a) Current income tax liability

Current income tax includes the estimated tax liability arising on the 2004 retraction of Series II preference shares.

A substantial portion of the current income tax liability, once paid, could be refundable to the Company upon payment of dividends or upon retraction or redemption of Common Shares or Series II preference shares including on a going private transaction.

(b) Future income taxes

The Company has operating losses carried forward for tax purposes of approximately \$56,600,000, the tax benefit of which has been reflected in the consolidated balance sheet as a reduction of future income taxes. These losses expire as follows:

2007	\$ 3,000
2008	300
2009	11,700
2010	38,000
2011	3,600
	<u>\$56,600</u>

The tax effects of temporary differences that give rise to significant portions of the future tax assets and future tax liabilities are presented below:

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Future tax assets:	
Net operating loss carry forwards	\$23,434
Compensation and accrued pension	245
Investments	1,860
Other	4,304
Gross future tax assets	29,843
Less valuation allowance	-
Net future tax assets	29,843
Future tax liabilities:	
Property and equipment, principally due to differences in depreciation	306
Investments	67,669
Other	1,015
Gross future tax liabilities	68,990
Net future income tax liabilities	\$39,147

Due to the Corporation's mutual fund corporation status for tax purposes, it is possible that some or a large portion of the income taxes disclosed above could be refundable.

8. RETRACTABLE PREFERENCE SHARES

The 1,722,951 outstanding Series II preference shares are exchangeable at the holder's option for 0.46 of an International Class A Share held by the Company for each Series II preference share for an aggregate of 792,560 International Class A Shares. The Company has the option to make a cash payment of equivalent value on the redemption of any of the Series II preference shares.

At September 30, 2004, a licensed trust company was holding 792,560 International Class A Shares held by the Company in support of exchange requests made by holders of Series II preference shares from time to time. The Company intends to honour any future retractions of its Series II preference shares with these International Class A Shares.

9. LONG-TERM DEBT

At September 30, 2004, the Company had US\$78,000,000 (\$98,654,000) aggregate principal amount of 11.875% senior secured notes due March 1, 2011 (the "Senior Notes") and US\$15,000,000 (\$18,972,000) aggregate principal amount of 11.875% senior secured notes due March 1, 2011 (the "Second Priority Notes" and, together with the Senior Notes, the "Notes"). The Notes are carried at cost on this consolidated balance sheet as they are not subject to redemption until March 1, 2007, at which time a premium is to be paid on the redemption of any of the Notes.

The Senior Notes are secured by a first priority lien on 14,990,000 International Class B Shares held by the Company plus \$13,243,000 of cash collateral. The cash collateral amount may be used

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to satisfy future interest payment obligations on the outstanding Senior Notes. The Senior Notes are fully and unconditionally guaranteed by RMI. The Second Priority Notes are guaranteed by RMI and are secured by a second priority lien on the collateral securing the Senior Notes.

Under the terms of the Indentures governing the Senior Notes and the Second Priority Notes (collectively, the "Indentures"), the Company is subject to certain financial covenants and other restrictions. As part of the terms of the Notes, the Corporation was required to cause an exchange offer registration statement to be declared effective with the United States Securities and Exchange Commission (the "SEC") under the United States *Securities Act of 1933*, as amended, within a certain period of time. The registration of the securities is not being sought by the Corporation at this time. As a result of this registration default, the annual interest rate of the Notes has increased up to a maximum additional interest rate of one percent per annum over the 11 7/8% interest rate until such time as the registration default is cured, whereupon the interest rate will revert to the original level. As at September 30, 2004, the Corporation was in compliance with all other covenants and other restrictions in respect of the Senior Notes.

On March 10, 2003, the date the Corporation issued the Senior Notes, RMI entered into a support agreement (the "Support Agreement") with the Corporation under which RMI agreed to make annual support payments in cash to the Corporation on a periodic basis by way of contributions to the capital of the Corporation (without receiving any shares of the Corporation) or subordinated debt. The Corporation, RMI and RCL also entered into a contribution agreement (the "Contribution Agreement") in this regard. The amount of the annual support payments is equal to the greater of: (a) the non-consolidated negative net cash flow of the Corporation (which does not extend to outlays for retractions and redemptions in respect of the share capital of the Corporation), or (b) US\$14,000,000 per year (less any future payments of services agreement fees directly to the Company, and any excess in the net dividend amount received by the Company on the shares of International that is over US\$4,650,000 per year), in either case, as reduced by any permanent repayment of debt owing by RCL to the Corporation. The timing of payment of the annual support amount on a quarterly basis is specifically defined in the Indentures to be within 45 days after the first three quarters of the year and within 90 days of the last quarter of the year. The Support Agreement terminates upon the repayment in full of the Notes.

As a result of the Corporation's inability to file its statutory financial statements as at and for the year ended December 31, 2003 and file its 2003 Form 20-F with the SEC, subsequent to June 30, 2004, the Corporation was not in compliance with its obligations to deliver to relevant parties such filings under the Indentures. This non-compliance led to the occurrence of an event of default under the Indentures, however on September 30, 2004, the Corporation sought and obtained a waiver with respect of this event of default. At such time, the Corporation also sought and obtained a consent for a temporary suspension of the Corporation's obligation under the Indentures to furnish to relevant parties periodic and other reports under applicable U.S. federal securities laws until January 1, 2006.

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10. CAPITAL STOCK

Authorized

Unlimited number of retractable common shares
and an unlimited number of preference shares

Issued and fully paid

Preference shares

1,722,951 Series II shares \$ -

Retractable common shares

34,945,776 shares 286,602

\$286,602

- (a) The Common Shares have terms equivalent to common shares, except that they are retractable at any time by the holder for their retraction price, which is fixed from time to time, in exchange for International Class A Shares of equivalent value or, at the Corporation's option, cash. The retraction price determined each quarter (or, in certain specific cases more frequently) is between 90% and 100% of the Company's current value, being the aggregate fair market value of all of its assets less the aggregate of (i) the maximum amount payable at such date by the Corporation on its liquidation, dissolution or winding-up in respect of any outstanding preference shares, and (ii) its liabilities, including any tax liabilities that would arise on a sale by International of all or substantially all of its assets, which, in the opinion of the Board, would not be refundable at such date, divided by the number of Common Shares outstanding on such date.
- (b) There is continued uncertainty regarding the Corporation's future ability to complete retractions of the Common Shares and cash retractions of Series II preference shares. Dividends on the Series II preference shares are not payable until declared by the Board of Directors which will take into account when dividends are considered from time to time, among other things, the support payments to be made to the Corporation by RMI. Under applicable corporate law, the Corporation cannot redeem Common Shares or declare or pay dividends in certain circumstances, including if there are reasonable grounds for believing that the Company is, or would after such payment be, unable to pay its liabilities as they become due. In such circumstances, shareholders do not become creditors of the Corporation and remain as shareholders until such time as the retraction is able to be completed under applicable law. At present, the Corporation's uncertain ability to make payments on future retractions of Common Shares or dividends on Common Shares is because of the fact that liquidity of its assets is limited under the terms of the Notes. Substantially all of the Company's International shares were provided as security for the Notes limiting the liquidity of the Company's assets. As of February 25, 2005, there are retraction notices from holders of 395,665 Common Shares which are unable to be completed at the present time.
- (c) The Company has a stock option plan for its employees.

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Details of the Corporation's stock option plan are as follows:

The Corporation has an Executive Share Option Plan, under which the Corporation may grant options to certain key executives of the Company, its subsidiaries or affiliated companies or its parent company, for up to 5,560,000 Common Shares.

These options give the holder the right to purchase, subject to the executive's entitlement to exercise, one Common Share for each option held. The options are exercisable to the extent of 25% thereof at the end of each of the first through fourth years following granting, on a cumulative basis. Options expire six years after the date of grant. Unexercised options expire one month following the date of termination of the executive's employment, except in the case of retirement at normal retirement age, death or certain offers made to all or substantially all of the holders of Common Shares, in which events, all unexercised options become exercisable in full.

At September 30, 2004, there were 913,000 options outstanding having an exercise price of \$13.72 per share and a remaining contractual life to December 8, 2004. All of the outstanding options at September 30, 2004 expired unexercised on December 8, 2004.

11. CONTINGENCIES AND COMMITMENTS

The Company has been named as defendant or co-defendant in a number of legal actions. All claims made against the Company are being defended vigorously. Except as otherwise stated, no provisions have been made for any potential liability under these actions. Legal fees expected to be incurred with respect to these actions total approximately \$11,500,000. This amount has been accrued in accounts payable and accrued expenses in this consolidated balance sheet. The following actions have been taken against or by the Company:

- (a) The Company is named as a co-defendant in a complaint filed in the State of Illinois by International claiming damages and recovery for alleged breaches of fiduciary duty relating to management fees, sales and transfers of assets and non-competition and other payments made. International is seeking damages from all defendants of US\$542,000,000 including pre-judgment interest of US\$117,000,000. International is seeking to hold the Company jointly and severally liable for the full amount of the alleged damages under conspiracy and other theories. Repayment has been made of certain non-compete payments (see note 4).
- (b) The Company is named as a co-defendant in a number of class action suits in Canada and the United States that allege, among other things, securities fraud with respect to the use of management service fees to misappropriate funds from International, improper non-compete payments, inadequate Board oversight of executive pay, improper expenses and related party transactions.
- (c) International has named the Company as co-defendant in a suit seeking enforcement of a November 15, 2003 restructuring proposal to uphold a Shareholders' Rights Plan, a declaration that corporate by-laws were invalid and to prevent the closing of a certain transaction. The

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Company filed a counterclaim seeking to restrict the Shareholders' Rights Plan that International sought to adopt to prevent a certain transaction and claiming that the restructuring proposal was not negotiated in good faith and had been breached by International. A decision on International's claim was delivered on February 26, 2004 finding in favour of International which was confirmed on March 4, 2004 through a partial final judgment confirming the February 26, 2004 findings. Also on March 4, 2004, the Company filed a notice of appeal of the February 26, 2004 decision, which has not yet been decided. On May 19, 2004, the Court issued a decision on a summary judgment motion brought by International finding in favour of International and dismissing in large part the Company's counterclaims. The ruling also is on appeal.

- (d) International has named the Company as co-defendant in a suit seeking injunctive relief for the return of documents it claims ownership of and the assistance and co-operation of the defendants in recovering the documents and in having International and its auditors' access to the corporate headquarters of the Company. No examinations for discovery have been conducted to date. The parties negotiated and executed a Protocol dated March 25, 2004, providing for access and possession by International to the claimed records.
- (e) On September 3, 2004, Mr. Justice Colin Campbell of the Ontario Superior Court of Justice ordered (and on October 13, 2004 delivered his reasons for) the appointment of an Inspector of the affairs of the Company pursuant to section 229 of the *Canada Business Corporations Act* (the "Order") upon the application of Catalyst Fund General Partner I Inc. By further order (together with the Order, the "Orders") dated October 27, 2004, Ernst & Young Inc. was named as inspector and commenced its work (the "Inspection") soon thereafter. The Orders broadly require an investigation into the affairs of the Company and specifically into related party transactions, non-competition payments for the period January 1, 1997 to the present and the current status of the Company's audited financial statements for the year ended December 31, 2003. The Inspector has provided certain interim reports to the court, primarily outlining its need for more time to conduct its work. It is unclear as to whether ultimately the costs of the Inspection may be shared more broadly, but initial costs of the Inspection are being borne by the Company at a rate approaching \$1,000,000 per month. The cost of the inspection is anticipated to total approximately \$8,000,000. This amount has been accrued in addition to the legal fee accrual of \$11,500,000 described above in accounts payable and accrued expenses in this consolidated balance sheet.
- (f) CanWest filed suit against the Company and others including International claiming damages under the agreement for the sale by International of certain Canadian newspapers in November 2000, including \$22,500,000 for future losses relating to *The National Post*, \$2,745,000 for capital and operating requirements and \$752,000 for payment of newsprint rebates. International paid \$26,500,000 million of principal plus interest with respect to the future losses relating to *The National Post* in November 2004 in settlement of an August 2004 order.

Exchange of documents and examinations for discovery in respect of the remaining two matters referred to above which have not yet been settled is expected to proceed in early 2005.

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- (g) The Company was the guarantor under an aircraft lease that was prematurely terminated in January, 2004. The lessor has commenced an action against the Company for damages of approximately US\$5,000,000.
- (h) On November 15, 2004, the SEC filed an action in the United States District court for the Northern District of Illinois against Lord Black, F. David Radler and the Company seeking injunctive, monetary and other equitable relief.

The SEC's allegations against the Company are as follows: (i) the Company made material misstatements and omissions in its responses to International's 1999 and 2000 proxy questionnaires and the Company's 2001 Form 40-F filing and 2002 Form 2-F, Form 40-F and proxy statement filings with the SEC concerning US\$16,500,000 million in payments it allegedly fraudulently received in connection with non-compete agreements associated with certain sales transactions; (ii) the Company allegedly knew or was reckless in not knowing that International's filings with the SEC were false and misleading because they failed to disclose the non-compete payments made to the Company; and (iii) the Company is liable for International's violations of certain federal securities laws during this period as a result of its alleged failure to properly disclose the non-compete payments it received.

The SEC complaint seeks the following from the Company: (i) disgorgement of ill-gotten gains by the Company and unspecified civil penalties; (ii) a voting trust upon the shares of International held directly or indirectly by the Company; and (iii) an order enjoining the Company from further violations of the federal securities laws.

- (i) The affairs of the Company are presently under investigation by certain securities regulatory authorities. The appropriateness of certain transactions reported in previous financial statements as filed, of the financial statements themselves and the completeness of other regulatory filings are being questioned.
- (j) The Company is subject to litigation from time to time in the ordinary course of business. Although the amount of any liability with respect to any such litigation cannot be determined, in the opinion of management, such liability, if any, will not have a material adverse effect on the Company's financial condition.
- (k) The Company has incurred legal expense in the defence of various actions brought against it and others in both the United States and Canada. The Company has in turn advanced a claim against its directors' and officers' liability insurers asserting that, under the terms and conditions of the policies of insurance, these insurers are required to indemnify the Company in respect of this legal expense incurred in connection with some of the actions brought against the Company. The claims made total approximately \$3,700,000, however, the actual amount of recovery is not determinable at the present time. The Company has not recorded any recovery with respect to these claims in this consolidated balance sheet.

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12. GUARANTEES

Notes

In connection with the issuance of the Senior Notes, the Corporation has agreed to indemnify the initial purchaser of the Senior Notes against any losses or damages resulting from inaccuracy of financial statements, taxes and compliance with securities legislation. The Corporation also indemnified the Senior Noteholders against any related tax liabilities arising from payments made with respect to the Senior Notes, except taxes on Senior Noteholder's income. These indemnifications generally extend for the term of the Senior Notes and do not provide for any limit on the maximum potential liability.

The Corporation is unable to estimate the maximum potential liability for these types of indemnifications as the Indentures and related purchase agreement do not specify a maximum amount and the amounts are dependent upon future contingent events, the nature and likelihood of which cannot be determined at this time. No amount has been accrued in this consolidated balance sheet with respect to these indemnifications and the Corporation is unable to estimate amounts due for withholding taxes, if any, at this time. Any such amounts will increase the future effective cost of borrowing.

Property Leases

DRE has agreed to indemnify lessors of its operating leases against liabilities, damages, costs, claims and actions resulting from damaged property, violations of any lease covenants or any accident or injury occurring on the leased premises.

The Company is unable to estimate the maximum exposure for these types of indemnifications as the operating leases do not specify a maximum amount and the amounts are dependent upon future contingent events, the nature and likelihood of which cannot be determined at this time. No amount with respect to these indemnifications has been considered in the determination of the market value of the Company's investment in DRE in this consolidated balance sheet.

Dispositions

In connection with certain dispositions of assets and/or businesses, the Company has provided customary representations and warranties whose terms range in duration and may not be explicitly defined. The Company has also retained certain liabilities for events occurring prior to sale, relating to tax, environmental, litigation and other matters. Generally, the Company has indemnified the purchasers in the event that a third party asserts a claim against the purchaser that relates to a liability retained by the Company. These types of indemnification guarantees typically extend for a number of years or in some cases extend indefinitely.

The Company is unable to estimate the maximum potential liability for these indemnifications as the underlying agreements do not always specify a maximum amount and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time.

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(Tabular amounts are in thousands of dollars except where noted)

(unaudited)

Historically, the Company has not made any significant indemnification payments under such agreements and no amount has been accrued in this consolidated balance sheet with respect to these indemnification guarantees. The Company continues to monitor the conditions that are subject to guarantees and indemnifications to identify whether it is probable that a loss has occurred, and would recognize any such losses under any guarantees or indemnifications when those losses are probable and estimable.

Directors

The Corporation has entered into customary indemnification agreements in favour of its current and former directors. With respect to one current and one former director, the Corporation has entered into a trust and contribution agreement with a third party trustee and deposited in trust the amount of \$500,000 to defend such directors from any claims made for which they would be entitled to indemnity pursuant to their indemnification agreements (see note 3). In February 2005, the Corporation placed an additional \$1,500,000 of cash in trust which is intended to be used as additional security for directors' indemnities.

13. SUBSEQUENT EVENTS

- (a) On October 28, 2004, the Corporation was advised that RCL intends to support a going private transaction involving the Corporation, structured as a consolidation of the outstanding Common Shares and Series II preference shares (the "Proposed Transaction"). The Board established a committee of independent directors to consider, evaluate and make a recommendation to it concerning the Proposed Transaction.

On October 28, 2004, the Board approved the following transactions which would permit the Proposed Transaction to proceed and be considered by the shareholders of the Corporation and would provide the necessary financing to complete the Proposed Transaction:

- (i) The Corporation received consents from holders of a majority in aggregate principal amount of its outstanding Notes approving amendments to the Indentures. The amendments permit, among other things, the retirement of all outstanding Common Shares (other than those held directly or indirectly by RCL) for cash pursuant to (i) the Proposed Transaction, (ii) retraction requests, and/or (iii) payments in respect of the due exercise of dissent rights of such shares in connection with the Proposed Transaction and the retirement of all outstanding Series II preference shares for International Class A Shares owned by the Company pursuant to the Proposed Transaction and/or payments in respect of the due exercise of dissent rights of such shares in connection with the Proposed Transaction. The amendments to the Indentures also permit the Corporation to incur additional indebtedness in an aggregate amount outstanding not to exceed US\$40,000,000 through the issuance of Second Priority Notes.

The amendments will become effective if, and only if, all necessary corporate and regulatory approvals in connection with the consolidation of the outstanding Common Shares (the "Common Share Approvals") have been obtained on or prior to March 31, 2005.

HOLLINGER INC.

Notes to Consolidated Balance Sheet

September 30, 2004

(Tabular amounts are in thousands of dollars except where noted)

(unaudited)

(ii) The Corporation received binding commitments for the issuance and sale of up to US\$40,000,000 in aggregate principal amount of Second Priority Notes, such amount to be drawn down by the Corporation if, and only if, the Common Share Approvals have been obtained on or prior to March 31, 2005.

(iii) The Corporation entered into a non-binding commitment with an arm's length lender with respect to bridge credit facilities with a term of 12 months providing up to \$16,000,000 in borrowings, which credit facilities may only be drawn down if, among other things, the Common Share Approvals have been obtained. If proceeded with, the Company would be providing security to the lender in support of the credit facilities, including first priority mortgages on certain real estate assets owned by the Company.

On November 16, 2004, RCL indicated that it intends to support the Proposed Transaction on the basis of \$7.25 in cash for each Common Share (other than the shares owned by it and certain of its affiliates) and 0.46 of an International Class A Share for each Series II preference share.

(b) On November 2, 2004, Lord Black resigned his positions as Chairman, Chief Executive Officer and a director of the Corporation. On November 18, 2004, Mr. Justice Campbell of the Ontario Superior Court of Justice ordered the removal of three other related directors, F. David Radler, J.A. Boulton and Barbara Amiel Black. The Board is now comprised of six directors. Gordon W. Walker was appointed as the initial Chairman of the Board and Donald M.J. Vale assumed the function of President.

(c) On January 18, 2005, International filed its 2003 Form 10-K with the SEC, which included restated audited financial results for the fiscal years ended December 31, 1999 to 2002.

The foregoing was a necessary but not sufficient condition to permit the Corporation to complete and file its 2003 annual consolidated financial statements as the completion and audit of such consolidated financial statements will require a level of co-operation from International, which is in negotiation, and International's auditors.

(d) On January 18, 2005, International paid a special dividend on the International Class A Shares and the International Class B Shares, which resulted in approximately US\$39,000,000 being received by the Company. As part of its settlement discussions with staff of the SEC relating to the action commenced by the SEC against the Company, Lord Black and F. David Radler in the U.S. District Court, Northern District of Illinois, the Company voluntarily agreed that it would enter into an arrangement whereby it would deposit such amount and, subject to any overriding rights of the holders of Notes, the amount of any subsequent distribution made by International, net of applicable withholding taxes, into an escrow account with a licensed trust company. The escrow will terminate upon the conclusion of the SEC action as to all parties. The escrow provides that the Company will have access to the escrowed funds for ordinary business and certain other enumerated purposes.

HOLLINGER INC.

Notes to Consolidated Balance Sheet

September 30, 2004

(Tabular amounts are in thousands of dollars except where noted)
(unaudited)

- (e) On March 1, 2005, International paid a second special dividend on the International Class A Shares and the International Class B Shares. The total amount of this second special dividend received by the Company was approximately US\$47,300,000. The net proceeds received are subject to the same escrow agreement referred to in (d) above.
- (f) On February 25, 2005, certain of the directors of the Corporation filed a motion in the Ontario Superior Court of Justice for, inter alia, advice and direction as to whether in the circumstances the Proposed Transaction should be put to the Corporation's shareholders before Ernst & Young Inc. delivers its final Inspection report. The motion also seeks an order approving an increase of \$10,000,000 as additional security for directors' indemnities, confirmation of the deposit of \$1,500,000 as additional security for directors' indemnities (note 3) and the establishment of an indemnification fund in favour of two financial executives of the Corporation with a deposit of \$500,000. The motion further seeks an order approving payments to the directors of the Corporation (other than Mr. White) in the event of the termination of their tenure as directors and a retention bonus in the event that the Corporation continues as a public company after March 31, 2005, in each case, in an amount equal to a multiple of fees paid to such directors since November 18, 2004. The motion is scheduled to be heard on March 7, 2005.

Materials filed with the court indicate that certain of the directors of the Corporation have been advised that the Corporation and its subsidiaries have claims against RCL and related corporations and individuals for in excess of \$200,000,000 and that the Corporation should commence legal proceedings forthwith to enforce those claims. The directors have further been informed that RCL intends to strenuously resist any such claims.

HARRY R. BURKMAN

BARRISTER AND SOLICITOR

TELEPHONE (416) 364-3831
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WEBSITE www.burkman.com

SUITE 1410,
1 FIRST CANADIAN PLACE,
P.O. BOX 129,
TORONTO, ONTARIO M5X 1A4

May 14, 2004.

DELIVERED AND BY E-MAIL

Ontario Securities Commission,
P.O. Box 55, 19th Floor,
20 Queen Street West,
TORONTO, Ontario
M5H 3S8

Attention: Messrs. Marcel Tillie, Senior Accountant, Corporate Finance
and Paul Hayward, Senior Legal Counsel, Corporate Finance

Dear Sirs:

Re: Argus Corporation Ltd. ("Argus")

Further to my telephone conversations with Mr. Marcel Tillie on May 3, 7, 10 and 13, 2004 and today and with Mr. Tillie and Mr. Paul Hayward in a conference telephone call on May 4, 2004, Argus finds itself in a position where it will be unable to file quarterly consolidated financial statements for its fiscal quarter ended March 31, 2004 ("First Quarter") and its related Management's Discussion and Analysis ("MD&A") by the required filing date of May 15, 2004.

As we have discussed, Argus has previously filed its financial statements on the basis of including market valuations of the shares it holds of Hollinger Inc. ("Inc."). Argus intends to file its annual audited financial statements for the year ended December 31, 2004 on such a market valuation basis.

However, as you are aware, several new circumstances have converged. These include:

1. a new accounting requirement that Argus' financial statements are to be prepared on the basis of consolidation with these statements of Inc.; and

2. the inability of Inc. to prepare and file its financial statements due to a change in circumstances between it and Hollinger International Inc. ("International") including the refusal of International and its auditor KPMG to assist Inc. in its preparation of its financial statements for the year ended December 31, 2003 and the First Quarter.

Argus had hoped to determine that general accepted accounting principles ("GAAP") would allow it to continue to file its financial statements on a market value basis while remaining in compliance with GAAP including those for the First Quarter. However, Argus has been advised that this position can not be taken.

Accordingly, I am providing this letter to:

1. advise that Argus will need to delay filing its financial statements for the First Quarter and related MD&A for the First Quarter and has filed a News Release announcing this delay and will be filing a Material Change Report to this effect;
2. request the consideration of the Ontario Securities Commission ("OSC") and the Autorité des marchés financiers ("Autorité") that Argus be permitted to file its financial statements for the First Quarter on a market valuation basis;
3. request the consideration of the OSC and the Autorité, as an alternative to No. 2 above, that no action would be taken with respect to Argus and the trading of its shares should Argus file financial statements for the First Quarter on a market valuation basis in lieu of financial statements prepared on a consolidated basis;
4. apply for a Management Cease-Trade Order ("MCTO") such that the Class A and Class B Preference Shares of Argus that are listed on the Toronto Stock Exchange ("TSX") may continue to be traded by persons who are not management or insiders of Argus;
5. should a MCTO be issued, request that Argus be permitted to file financial statements for the First Quarter on a market valuation basis, together with the related MD&A, as alternative financial information; and
6. request an exemption from any requirements that Argus' directors need to provide subsequent disclosure in public documents for other issuers including Annual Information Forms, prospectuses and the like on account of the issuance of any MCTO in these circumstances.

Meeting

Thank you for agreeing to meet with PricewaterhouseCoopers and representatives of Argus to review these and other issues.

Further to our discussion earlier today as to when such a meeting might be held, we suggest that we attend at your offices at 1:30 p.m. on Wednesday, May 19, 2004. Kindly confirm if this is satisfactory.

Appropriateness of Argus Continuing to File on a Market Value Basis

Argus is an investment holding company. Its investments consist solely of Retractable Common Shares of Inc., a Canadian public company listed on the TSX. Argus' Class A Preference Shares (\$2.50 and \$2.60 series) and Class B Preference Shares (1962 series) are listed on the TSX.

The Common Shares and Class C Preference Shares of Argus are wholly owned by The Ravelston Corporation Limited, a Canadian private company.

Since the early 1970's, Argus has accounted for its investments in marketable securities at market value as disclosed in Note 1 to the 2002 consolidated financial statements and as permitted under S. 3050 of the Handbook of The Canadian Institute of Chartered Accountants of Ontario ("CICA Handbook or Handbook").

Argus has followed this accounting policy on the basis that it results in the most meaningful presentation to its public shareholders (being the Class A and B preferred shareholders described above) whose interests lie in the break-up value and cash position of Argus.

Argus believes that the information that its shareholders require is suitably provided by financial statements prepared on a market value basis and that such statements fairly and reasonably present the required financial information.

Argus intends to file its financial statements for the fiscal year ended December 31, 2003 and related MD&A by May 19, 2004. These financial statements are prepared on a market value basis.

Recent Changes in the CICA Handbook

Revisions to Section 1100 of the CICA Handbook (the "Handbook"), effective for interim and annual periods beginning on or after October 1, 2003, preclude the use of industry practice as a basis for a form of accounting not described within the Handbook.

In addition, Accounting Guideline 18 of the Handbook, effective for fiscal years beginning on or after July 1, 2004, permits investment companies to measure their investments in subsidiaries at fair value if all criteria outlined therein are met, thereby determining whether an enterprise's qualifications as an investment company are met.

Accounting Guideline 18 encourages early adoption and may be applied prospectively or retroactively.

It appears, however, that Argus does not meet all of these criteria and thus, under GAAP, it needs to consolidate its investment in Inc., effective January 1, 2004.

Inc. and International

There is significant litigation between these two shareholders and their current and prior directors and officers and others such that virtually no cooperation exists. Accordingly, management of Inc. is unable to obtain financial information on International to be able to consolidate that subsidiary on a timely basis.

We understand that management of Inc. has represented to the OSC that it believes it would be appropriate for its investment in International be accounted at market value. If this accounting is deemed acceptable, Argus would be able to consolidate its statements with those of Inc. under GAAP.

We understand that both Inc. and International have announced that they will delay filing both their financial statements for the year ended December 31, 2003 and for the First Quarter.

Argus and its Investment in Inc.

In the event that Inc. is not permitted to account for its holdings of shares of International at market value, Argus is unable to prepare consolidated financial statements under GAAP for the First Quarter as the financial statements of Inc. will not be available.

In these circumstances, Argus wishes to provide whatever information it can to keep the marketplace updated. Accordingly, Argus proposes to issue First Quarter financial statements on the basis of accounting for Inc. at market value.

While this presentation may not be in accordance with GAAP, it is still useful and meaningful information to the shareholders and consistent with what they have received in the past.

Argus would disclose the inconsistency with GAAP in the notes to the interim financial statements for the First Quarter and in the MD&A section of its Interim Report.

News Release and Material Change Report

I am enclosing a copy of a News Release that has been filed today. Argus will also file a Material Change Report (Default Notice) as to the delay in filing its First Quarter financial statements and MD&A.

Request for Management Cease-Trade Order ("MCTO")

If, notwithstanding the foregoing, staff of the OSC ("Staff") together with staff of the Autorité should conclude that a MCTO should be issued following Argus' failure to file its financial statements for the First Quarter and related MD&A on May 15, 2004, then Argus respectfully submits that this letter should be treated as a request by Argus for the imposition of a MCTO.

Argus respectfully suggests that the terms and conditions of the requested MCTO should be as follows:

1. The News Release to be issued by Argus today and subsequent Material Change Report should be treated by Staff as together constituting a Default Announcement pursuant to the Policy. A copy of the News Release is enclosed. It will be posted on SEDAR and a Material Change Report will be filed pursuant to the *Securities Act* (Ontario) and the *Securities Act* (Quebec) (the "Legislation");
2. The MCTO should be issued against those persons identified as "insiders" in the enclosed lists of insiders of Argus, Inc. and International ("Insiders");
3. The MCTO to be issued will not operate so as to prohibit or restrict in any way the trading by any of the Insiders in any securities of Argus owned or controlled by them, directly or indirectly, so long as such trade is made in connection with a take-over bid (within the meaning of Section 89(1) of the *Securities Act* (Ontario) and the equivalent provisions of the *Securities Act* (Quebec) or the securities laws of the United States, and including a transaction that may effect a similar result, such as a plan of arrangement, amalgamation, merger or other transaction), whether or not such take-over bid is made by or such other transaction is undertaken with Argus or any of the Insiders so long as, in such event, the take-over bid is made for, or such other transaction includes, all of the issued and outstanding shares in the capital of Argus and, if applicable, the minority approval and independent valuation requirements of OSC Rule 61-501-Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions and Quebec Policy Statement Q-27 – Protection of Minority Securityholders in the Course of Certain Transactions (collectively, the "Rule") are complied with, or the transaction is exempt from any such requirements;
4. The MCTO to be issued would not operate so as to prohibit or restrict in any way the trading by any of the Insiders in any shares in the capital of Argus owned or controlled by them, directly or indirectly, so long as such trade is made in connection with a "going private transaction" (within the meaning of the Rule) whether or not such going private transaction involves any of the Insiders, so long as the minority approval and independent valuation requirements of the Rule, if applicable, are complied with, or the transaction is exempt from any such requirements;

5. The MCTO to be issued would not operate so as to prohibit or restrict in any way the trading by any of the Insiders in any shares in the capital of Argus owned or controlled by them, directly or indirectly, in connection with the liquidation, winding up or dissolution of Inc. pursuant to the laws of its jurisdiction of incorporation;
6. In accordance with its Articles, all of the preference shares of Argus are redeemable. The MCTO to be issued would not operate so as to prohibit or restrict in any way the redemption by Argus of any of its shares except for shares owned or controlled, directly or indirectly, by any of the Insiders;
7. Argus will comply with a procedure substantially similar to the Alternative Information Guidelines as defined in OSC Policy 57-603 (the "Policy") until it had filed and mailed to its registered shareholders the financial statements for the First Quarter and related MD&A;
8. Argus acknowledges that Default Status Reports (within the meaning of the Policy) would normally be issued every two weeks following the issue of the news release referred to in paragraph 1 above, and thereafter during the period of the default and that, where no information is required to be communicated in accordance with paragraphs (i), (ii) and (iv) of Section 3.2 of the Policy, the fact that there was no such information to report during such period would be required to be communicated in a Default Status Report;
9. The MCTO would terminate upon Argus filing the financial statements for the First Quarter and related MD&A and mailing them to its registered shareholders;
10. The MCTO would not preclude Argus' ability to trade in shares in its capital or shares it directly or indirectly holds of Inc. where the proceeds to be derived from such trades are required in order that Argus is able to meet its existing obligations; and
11. Argus' directors would be exempted from any requirements that they need to provide subsequent disclosure in public documents for other issuers including Annual Information Forms, prospectuses and the like on account of the issuance of a MCTO in these circumstances.

It is considered by Argus to be inappropriate that its directors should need to make such disclosure in these circumstances and as suitable alternative financial information can be provided.

International Cease-Trade Order

In the event that Staff, together with staff of the Autorité, should conclude, that a Cease-Trade Order (within the meaning of the Policy) should be issued against International (the "International CTO") as a result of International's impending failure to file its annual and interim financial statements and related MD&A and mail the same to its registered shareholders within the time required therefore under the Legislation, then Argus respectfully submits that the International CTO should be issued upon the following terms and conditions:

1. The International CTO would not operate so as to prohibit or restrict in any way the trading by any of Argus, Inc. or the Insiders in any securities of International owned or controlled by them, directly or indirectly, so long as such trade is made in connection with a take-over bid (within the meaning of Section 89(1) of the *Securities Act* (Ontario) and the equivalent provisions of the *Securities Act* (Quebec) or the securities laws of the United States, and including a transaction which may effect a similar result, such as a plan of arrangement, amalgamation, merger or other transaction), whether or not such take-over bid is made by or such other transaction is undertaken with Argus, Inc. or any of the Insiders so long as, in such event, the take-over bid is made for, or such other transaction includes, all of the issued and outstanding shares of International, and, if applicable, the minority approval and independent valuation requirements of the Rule are complied with, or the transaction is exempt from any such requirements;
2. The International CTO would not operate so as to prohibit or restrict in any way Argus and Inc. from trading in any International A Shares solely to effect a retraction of Inc.'s Series II Preference Shares or Inc.'s Common Shares in accordance with the Articles of Inc., or the conversion by Inc. of any International B Shares into International A Shares in order to satisfy any such retraction;
3. The International CTO would not operate so as to prohibit or restrict in any way the trading by Argus, Inc. or any of the Insiders in any securities of International owned or controlled by them, directly or indirectly, so long as such trade is made in connection with a "going private transaction" (within the meaning of the Rule) whether or not such going private transaction involves Argus, Inc. or any of the Insiders, so long as the minority approval and independent valuation requirements of the Rule, if applicable, are complied with, or the transaction is exempt from any such requirements; and
4. The International CTO would not operate so as to prohibit or restrict in any way the trading by Argus, Inc. or any of the Insiders in any securities of International owned or controlled by them, directly or indirectly, in connection with the liquidation, winding up or dissolution of International pursuant to the laws of its jurisdiction of incorporation.

HARRY R. BURKMAN

Ontario Securities Commission

8.

May 14, 2004.

Thank you for considering these requests and for the assistance that you have provided to Argus in determining what should reasonably be done in these circumstances.

Should you require any additional information or wish to discuss this matter further, please contact me.

Yours very truly,



Harry R. Burkman.

HRB: ke
Enclosures (4)

c.c. Autorité des marchés financiers

VERIFICATION STATEMENT

The undersigned authorizes the making and filing of the attached application by Harry R. Burkman on our behalf and confirms the truth of the facts contained therein.

DATED this 11th day of April, 2005.

ARGUS CORPORATION LIMITED

Per: 
Peter G. White

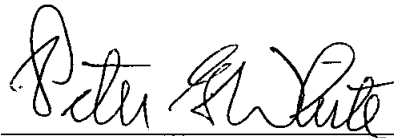
VERIFICATION STATEMENT

The undersigned authorizes the making and filing of the attached application by Harry R. Burkman on our behalf and confirms the truth of the facts contained therein.

DATED this 11th day of April, 2005.

509643 N.B. INC.

Per:

A handwritten signature in cursive script, appearing to read "Peter G. White", written over a horizontal line.

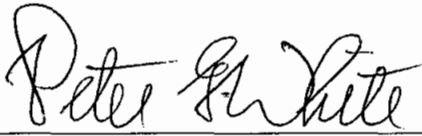
Peter G. White

VERIFICATION STATEMENT

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DATED this 11th day of April, 2005.

509644 N.B. INC.


Per: 
Peter G. White

VERIFICATION STATEMENT

The undersigned authorizes the making and filing of the attached application by Harry R. Burkman on our behalf and confirms the truth of the facts contained therein.

DATED this 11th day of April, 2005.

509645 N.B. INC.

Per: 
Peter G. White

VERIFICATION STATEMENT

The undersigned authorizes the making and filing of the attached application by Harry R. Burkman on our behalf and confirms the truth of the facts contained therein.

DATED this 11th day of April, 2005.

509646 N.B. INC.

Per: 
Peter G. White


VERIFICATION STATEMENT

The undersigned authorizes the making and filing of the attached application by Harry R. Burkman on our behalf and confirms the truth of the facts contained therein.

DATED this 11th day of April, 2005.

509647 N.B. INC.

Per:

A handwritten signature in cursive script, appearing to read "Peter G. White", written over a horizontal line.

Peter G. White

**IN THE MATTER OF THE SECURITIES ACT
R.S.O. 1990, c.S.5, AS AMENDED (the "Act")**

- and -

**IN THE MATTER OF
CERTAIN DIRECTORS, OFFICERS AND INSIDERS OF
HOLLINGER INC.**

**(BEING THE PERSONS AND COMPANIES LISTED
IN SCHEDULE "A" HERETO)**

ORDER

(Section 144)

WHEREAS on June 1, 2004, the Ontario Securities Commission (the "Commission") made an Order under paragraph 2 of subsection 127(1) of the Securities Act, R.S.O. 1990, c. S.5, as amended (the "Act"), as varied by an Order of the Commission dated March 8, 2005 (collectively, the "Hollinger MCTO"), that all trading, whether direct or indirect, by the persons and companies listed in Schedule "A" (individually, a "Respondent" and collectively the "Respondents") in the securities of Hollinger Inc. ("Hollinger") shall cease, subject to certain exceptions as provided for in the Hollinger MCTO, until two full business days following the receipt by the Commission of all filings Hollinger is required to make pursuant to Ontario securities law;

AND WHEREAS Argus Corporation Limited and its subsidiaries 509643 N.B. Inc., 509644 N.B. Inc., 509645 N.B. Inc., 509646 N.B. Inc. and 509647 N.B. Inc. (the "Numbered Subsidiaries"), each a Respondent, (collectively, the "Applicants"), have made an application (the "Application") pursuant to section 144 of the Act to vary the Hollinger MCTO as set out herein;

AND UPON the Applicants having represented to the Commission that:

1. Hollinger is amalgamated under the *Canada Business Corporations Act* and is a reporting issuer in the Province of Ontario.
2. The authorized capital of Hollinger consists of an unlimited number of Retractable Common Shares (the "Common Shares"), an unlimited number of Exchangeable Non-Voting Preference Shares Series I (the "Series I Preference Shares"), an unlimited number of Exchangeable Non-Voting Preference Shares Series II (the "Series II Preference Shares") and an unlimited number of Retractable Non-Voting Preference Shares Series III (the "Series III Preference Shares").

3. As at April 11, 2005, 34,945,776 Common Shares, no Series I Preference Shares, 1,701,995 Series II Preference Shares and no Series III Preference Shares are issued and outstanding. The only voting securities of Hollinger are the Common Shares.
4. Hollinger's Common Shares and Series II Preference Shares are listed on the Toronto Stock Exchange respectively under the symbols "HLG.C" and "HLG.PR.B".
5. Argus has failed to file audited financial statements and the Management's Discussion and Analysis ("MD&A") related thereto for the year ended December 31, 2004 and quarterly financial statements and related MD&A for the three-month periods ended March 31, June 30 and September 30, 2004 when due as required to be filed under Ontario securities law.
6. Hollinger has failed to file audited financial statements and the MD&As related thereto for the years ended December 31, 2003 and 2004 and quarterly financial statements and related MD&As for the three-month periods ended March 31, June 30 and September 30, 2004 when due as required to be filed under Ontario securities law.
7. As of the date of this Order, Argus and Hollinger have not rectified the filing deficiencies described in paragraphs 5 and 6 of this Order.
8. Argus indirectly holds 21,596,387 Common Shares through its Numbered Subsidiaries.
9. Argus requires funds to be able to pay dividends on its Class A Preference Shares and Class B Preference Shares that are due to be paid on May 1 and August 1, 2005 and to pay its operational expenses that include its litigation, accounting, regulatory, public reporting, governance, salaries, office overhead and general administration costs.
10. In order to meet the obligations of Argus to pay its dividends as aforesaid and to pay its operational expenses, the Applicants wish to sell up to 200,000 Common Shares.

AND UPON considering the Application and the recommendation of the staff of the Commission;

AND WHEREAS the Commission is of the opinion that it would not be prejudicial to the public interest to make this Order;

IT IS ORDERED pursuant to section 144 of the Act that the Hollinger MCTO be and is hereby varied solely to permit the sale by the Applicants of up to 200,000 Common Shares for the purposes of the payment by Argus of dividends on its Class A Preference Shares and Class B Preference Shares and its operational expenses.

DATED at Toronto this _____ day of April, 2005.

Ontario Securities Commission

Schedule "A"

509643 N.B. Inc.
509644 N.B. Inc.
509645 N.B. Inc.
509646 N.B. Inc.
509647 N.B. Inc.
1269940 Ontario Limited
2753421 Canada Limited
Amiel Black, Barbara
Argus Corporation Limited
Atkinson, Peter Y.
Black, Conrad M. (Lord)
Boulton, J. A.
Burt, The Hon. Richard
Carroll, Paul A.
Colson, Daniel W.
Conrad Black Capital Corporation
Cowan, Charles G.
Creasey, Frederick A.
Cruickshank, John
Deedes, Jeremy
Delorme, Monique L.
Dodd, David
Duckworth, Claire F.
Healy, Paul B.
Kipnis, Mark
Kissinger, The Hon. Henry A.
Lane, Peter K.
Loye, Linda
Maida, Joan
Marler, Jonathan H.

McCarthy, Helen
Meitar, Shmuel
Metcalf, Robert J.
O'Donnell-Keenan, Niamh
Paris, Gordon
Perle, The Hon. Richard N.
Radler, F. David
Richardson, James A.
Rohmer, Richard, OC, QC
Ross, Sherrie L.
Samila, Tatiana
Savage, Graham
Seitz, The Hon. Raymond G.H.
Smith, Robert T.
Stevenson, Mark
The Ravelston Corporation Limited
Thompson, The Hon. James R.
Tyrrell, Robert Emmett
Vale, Donald M.J.
Van Horn, James R.
Wakefield, Allan
Walker, Gordon W.
White, Peter G.

**IN THE MATTER OF THE SECURITIES ACT
R.S.O. 1990, c. S.5, AS AMENDED
- and -
IN THE MATTER OF CERTAIN DIRECTORS, OFFICERS
AND INSIDERS OF HOLLINGER INC.**

**APPLICATION RECORD OF THE APPLICANTS
ARGUS CORPORATION LIMITED AND ITS
NUMBERED SUBSIDIARIES**

HARRY R. BURKMAN
Barrister and Solicitor
Suite 2810, P.O. Box 129
1 First Canadian Place
Toronto, Ontario
M5X 1A4

(LSUC# 19316A)
Tel: (416) 364-3831
Fax: (416) 364-3832
E-Mail: hburkman@burkman.com

Counsel for the Applicants Argus Corporation Limited
and its Numbered Subsidiaries