

Indigo to offer rights to existing common shareholders

Toronto, July 3, 2002 – Indigo Books & Music Inc. (TSX: IDG) announced today that its board of directors has approved an offering of rights to the company's existing common shareholders. Shareholders will receive one right for each common share held by them. Eight rights will entitle the holder thereof to one common share of Indigo. The exercise price will be \$5.75 per Indigo common share.

Proceeds net of expenses, assuming exercise of 100% of the rights, are expected to be approximately \$14.9 million, and will be used for capital expenditures, including store improvements, supply chain redesign and investment in its online business. Indigo expects that the proposed rights offering will be completed shortly before the end of the company's second quarter, which ends on September 28, 2002. This offering is subject to necessary bank, securities, regulatory and Toronto Stock Exchange approvals.

About Indigo

Indigo is a Canadian company and the largest book retailer in Canada, operating bookstores in all provinces under the names Indigo Books Music & more, Chapters, Coles, SmithBooks and World's Biggest Bookstore. Indigo operates www.chapters.indigo.ca, an online retailer of books, videos and DVDs.

Indigo is a publicly traded company, listed on the TSX under the stock symbol IDG. To learn more about Indigo, please visit the About Our Company section of www.chapters.indigo.ca.

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