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September 24, 2002

The Honorable Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102-0360

Re: WorldxChange Corp. and RSL COM U.S.A., Inc.

Dear Judge Roberts:

Please find enclosed for filing in the referenced matter the original and eight copies of an Emergency Joint Application.

Please contact me if you have any questions regarding this filing. Thank you.

Very truly yours,

NEWMAN, COMLEY & RUTH P.C.

By: Mark W. Comley

Mark W. Comley
comleym@ncrpc.com

MWC:ab
Enclosure
cc: Office of Public Counsel
General Counsel's Office
William B. Wilhelm, Jr.
Eric Fishman

Before the
MISSOURI PUBLIC SERVICE COMMISSION

Emergency Joint Application **WorldxChange Corp.** and **RSL COM U.S.A., Inc.** For Grant of the Authority Necessary for the Transfer and Sale Of Assets	)	Case No. ____________

EMERGENCY JOINT APPLICATION

WorldxChange Corp. ("WorldxChange") and RSL COM U.S.A., Inc. ("RSL") (together "Applicants"), through their undersigned counsel and pursuant to Mo. Rev. Stat. §392.300 hereby request that the Commission grant such authority as may be necessary or required including, as necessary, a waiver of the Commission's rules on presubscribed carrier changes, to enable WorldxChange to acquire the assets of RSL identified in this Application, including RSL's long distance customer base and the assets associated with those operations ("Assets"). Since March 16, 2001, RSL has been operating in bankruptcy status under the protection of the Bankruptcy Court for the Southern District of New York.[1] As set forth in greater detail below, WorldxChange's indirect corporate parent Counsel Springwell Communications LLC ("Counsel Springwell") and RSL entered into an Asset Purchase Agreement ("Agreement") dated as of March 25, 2002. Subsequently,

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1 *See* RSL COM U.S.A., Inc., Case No. 01-11469-alg (S.D.N.Y. Filed Mar. 16, 2001) *and* RSL COM PrimeCall, Inc., Case No. 01-11457-alg (S.D.N.Y. Filed Mar. 16, 2001).

Counsel Springwell assigned its rights under the Agreement to WorldxChange as of April 25, 2002, and, accordingly, WorldxChange will acquire the RSL Assets.

The transaction proposed herein is necessary to ensure that RSL's current Missouri customers will continue to receive uninterrupted service. Applicants emphasize that following the completion of the proposed transaction, RSL's customers will continue to receive service under the same rates, terms and conditions as that service is currently being provided. However, given the current bankrupt status of RSL, the proposed transaction must be completed rapidly in order to minimize disruption to existing customers being served by RSL. Accordingly, Applicants respectfully request that the Commission approve this Application as expeditiously as possible.

In support of this Application, Applicants state as follows:

I. Description of the Applicants

A. WorldxChange Corp. ("WorldxChange")

1. WorldxChange is a corporation organized and existing under the laws of the State of Delaware with principal offices located at 9775 Business Park Avenue, San Diego, California 92131. WorldxChange is authorized to do business in the State of Missouri and a Certificate of Good Standing issued by the Missouri Secretary of State is attached as Exhibit A. WorldxChange is a wholly owned indirect subsidiary of I-Link Incorporated ("I-Link"), a publicly traded company organized under the laws of the State of Florida. I-Link is controlled by Counsel Springwell which holds a direct majority interest in I-Link and therefore, an indirect majority interest in WorldxChange. Counsel Springwell is, in turn, majority owned and controlled by Counsel Corporation ("Counsel"), a publicly traded Canadian corporation which specializes in investments,

including communications companies. Recent financial statements for Counsel and I-Link respectively are provided in Exhibit B.

2. WorldxChange has the managerial and technical resources necessary to operate the RSL Missouri operations it proposes to acquire. In particular, WorldxChange has already been authorized by the Commission to provide interexchange service pursuant to a certification granted by the Commission in Case No. TA-2000-847, issued on June 23, 2000.[2] Further information concerning WorldxChange's legal, technical, managerial and financial qualifications to provide service was submitted with its application for certification with the Commission as noted above and is, therefore, a matter of public record. WorldxChange respectfully requests that the Commission take official notice of that information and incorporate it herein by reference.

B. RSL COM U.S.A., Inc. ("RSL")

3. RSL is a corporation organized and existing under the laws of the State of Delaware. RSL is authorized to do business in the State of Missouri and a Certificate of Good Standing issued by the Missouri Secretary of State is attached as Exhibit C. RSL's principal place of business is located at 1001 Brinton Road, Pittsburgh, PA 15221. RSL currently provides a variety of regulated and unregulated telecommunications services, including long distance and frame relay data services, through the resale of the facilities of other carriers and RSL's own circuit and data switches. In Missouri, RSL provides intrastate toll service by virtue of a certification granted by the Commission in Case No. TA-97-426 issued on May 19, 1997.

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[2] WorldxChange was formerly known as PT-1 Counsel, Inc. but changed its corporate name in connection with its acquisition of certain operations of the now bankrupt WorldxChange Communications, Inc. The change of name of the company was approved by the Commission on September 24, 2002 in Case No. XT-2003-0098 in an order effective October 6, 2002. Accordingly, this application has been filed under the name of the company as officially changed.

II. Contact Information

4. Questions or inquiries concerning this Application may be directed to:

Mark W. Comley
Newman, Comley & Ruth P.C.
601 Monroe Street, Suite 301
P.O. Box 537
Jefferson City, MO 65102-0537
(573) 634-2266 (Tel)
(573) 636-3306 (Fax)

and,

William B. Wilhelm, Jr.
Edward S. Quill, Jr.
Swidler Berlin Shereff Friedman, LLP
3000 K Street, NW, Suite 300
Washington, DC 20007-5116
(202) 424-7500 (Tel)
(202) 424-7645 (Fax)

with a copy to:

Eric Fishman
David O'Connor
Holland & Knight LLP
2099 Pennsylvania Avenue, NW
Suite 100
Washington, DC 20006-6801
(202) 955-3000 (Tel)
(202) 955-5564 (Fax)

III. Description of the Transaction

5. Through the proposed transaction, WorldxChange proposes to acquire the long distance business of RSL ("Transaction"). Specifically, the Assets to be acquired by WorldxChange include, among other things, most of the regulated communications assets associated with RSL's domestic telecommunications operations, including the telecommunications equipment and all of

the long distance customers and customer accounts of RSL located in Missouri.[3] Because WorldxChange is already authorized to provide service in Missouri, however, WorldxChange will not need to obtain additional operating authority to provide service RSL's customer base. As a result, WorldxChange is not seeking to acquire RSL's certification in connection with this Application.

6. The contemplated Transaction will allow RSL's long distance operations to emerge from bankruptcy into WorldxChange and provide greater certainty to RSL's existing customers.[4] In order to complete the Transaction and gain Bankruptcy Court approval, WorldxChange's corporate parent, Counsel Springwell, and RSL entered into an Asset Purchase Agreement as of March 25, 2002.[5] Counsel Springwell is a holding company that does not provide telecommunications in any jurisdiction. As a result, Counsel Springwell has completed an assignment whereby through the proposed Transaction, the RSL regulated customers and telecommunications Assets will be assigned directly to Counsel Springwell's operating subsidiary, WorldxChange, which will assume the day to day management and operational responsibilities necessary to provide service to RSL's customers.

7. Although through the proposed Transaction, WorldxChange will replace RSL as the service provider for RSL's customers, WorldxChange will continue to provide service to RSL customers under the same rates, terms and conditions of services as currently provided by RSL.[6] The

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3 WorldxChange will also acquire RSL's data customers which are served through RSL's frame relay based service. RSL provides such services on an unregulated basis. As a result, Applicants understand that no authority is required to complete the acquisition with respect to such assets. If, however, the Commission determines that such approval is required, Applicants respectfully request that such approval be granted through this filing as well.

4 A chart illustrating the Transaction is provided in Exhibit D.

5 Applicants will provide a copy of the Agreement upon request.

6 WorldxChange will adopt RSL's tariffs in conjunction with the proposed transaction and/or make other appropriate arrangements to ensure continuity of service to RSL's existing customers in compliance with Missouri law.

Transaction will therefore be (other than the change in the name of their service provider) virtually transparent to customers because they will experience no change in the services they receive as a result of the transaction. In order to avoid customer confusion, Applicants will provide pre-consummation customer notice of the proposed transaction as soon as possible. Applicants will provide a copy of such customer notice to the Commission once it becomes available. By separate application, RSL will seek Commission authority, as necessary, to voluntarily withdraw RSL's certification and terminate service in the State, effective upon consummation of the Transaction.

8. Applicants are aware that the provisions of 4 CSR 240-33.150 normally require certain verification procedures before a subscriber's carrier can be changed. Applicants seek a waiver of the requirements of 4 CSR 240-33.150, to the extent necessary, since the transfer of customers in this matter will be in the context of a transfer of substantially all of the long distance assets of RSL subject to the supervision and approval of the Commission, and in that manner the goals and purposes of the slamming rule are being upheld. Because immediately following the transaction, there will be no change to customers in terms of the services they receive and the customers and Applicants have already complied with the rules of the Federal Communications Commission with respect to customer base transfers, insisting on adherence to the procedures set forth in the slamming rule in this case would be confusing to the customers. Indeed, in light of RSL's precarious financial position and limited access to resources, strict application of the slamming rule in this instance would be particularly contrary to the public interest.

9. Neither WorldxChange nor RSL has any pending action or final unsatisfied judgments or decisions against it from any state or federal agency or court which involve customer service or customer rates, which action, judgment or decision has occurred within three (3) years of

the date of this Application.

10. No annual reports or fees are overdue for either company.

IV. Public Interest Considerations

11. Applicants respectfully submit that this Transaction serves the public interest. In particular, Applicants submit that (1) the Transaction will increase competition in the Missouri telecommunications market by reinforcing WorldxChange's status as a viable competitor and (2) the Transaction will minimize the disruption of service and be virtually transparent to remaining RSL customers.

12. The proposed Transaction is expected to invigorate competition in Missouri. RSL's financial position at this stage effectively precludes it from becoming or remaining a viable competitor in the telecommunications market. As a practical matter, RSL is no longer able to effectively compete for new customers. As a result, the proposed transaction will not diminish competition in Missouri. At the same time, the expansion of WorldxChange's customer base is expected to enhance WorldxChange's position in the Missouri telecommunications market and permit WorldxChange to compete more effectively for customers in Missouri.

13. Existing RSL customers, in particular, will realize significant public interest benefits from the Transaction. In light of RSL's precarious financial position, the proposed Transaction will provide greater stability to RSL's customers and ensure that those customers can continue to enjoy high quality, affordable service without interruption. Moreover, given that WorldxChange proposes to provide service at the same rates, terms and conditions of services that RSL currently provides, Applicants expect the Transaction to be virtually transparent to customers (except for the change in name of the carrier from RSL to WorldxChange, about which RSL's customers will be notified).

14. Given that RSL's customer base is subject to continuing erosion and that RSL is unable to compete effectively as a result of its capital constraints and the uncertainty of its current financial position, Applicants seek to complete the proposed acquisition as quickly as possible. Rapid completion of the Transaction is a critical factor in order to avoid interruption of service or other inconvenience to affected RSL customers. Accordingly, Applicants respectfully request that the Commission expedite the processing of this Application.

V. Conclusion

For the reasons stated above, Applicants respectfully submit that the public interest, convenience, and necessity would be furthered by a grant of this Application. Indeed, failure to grant it would directly harm the public interest. In light of the exigent circumstances and, in particular the need to ensure continuity of service to existing customers, Applicants respectfully request expedited treatment to permit Applicants to consummate the Transaction as soon as possible.

Respectfully submitted,

William B. Wilhelm, Jr.
Edward S. Quill, Jr.
SWIDLER BERLIN SHEREFF
FRIEDMAN, LLP
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Washington, DC 20007-5116
(202) 424-7500 (Tel)
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By:
Mark W. Comley #28847
NEWMAN, COMLEY & RUTH, P.C.
601 Monroe Street, Suite 301
P.O. Box 537
Jefferson City, Missouri 65102
(573) 634-2266 (Tel)
(573) 636-3306 (Fax)

COUNSEL FOR WORLDXCHANGE

Dated: September 24, 2002

Certificate of Service

I hereby certify that on this 24th day of September, 2002, a copy of this document has been hand delivered or mailed by first class mail, postage prepaid, to:

Office of Public Counsel
P.O. Box 7800
Jefferson City, MO 65102-7800

Office of General Counsel
P.O. Box 360
Jefferson City, MO 65102

Mark W. Comley

ATTORNEY VERIFICATION

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

I, Mark W. Comley, being first duly sworn, do hereby certify, depose and state that I am the attorney for WorldxChange Corp. and RSL COM U.S.A., Inc., joint applicants in this proceeding; that I have read the above and foregoing Emergency Joint Application and the allegations therein contained are true and correct to the best of my knowledge, information and belief; and I further state that I am authorized to verify the foregoing application by the above said applicants.

Mark W. Comley
Mark W. Comley

Subscribed and sworn to before me, a Notary Public, this 24th day of September, 2002.

Annette M. Borghardt
Notary Public

My Commission expires:

" NOTARY SEAL "
Annette M. Borghardt, Notary Public
Cole County, State of Missouri
My Commission Expires 3/11/2006

LIST OF EXHIBITS

Exhibit A

Certificate of Good Standing for WorldxChange Corp.

No. F00484572

STATE OF MISSOURI

Matt Blunt
Secretary of State

CORPORATION DIVISION

CERTIFICATE OF CORPORATE GOOD STANDING - FOREIGN CORPORATION

I, MATT BLUNT, Secretary of State of the State of Missouri, do hereby certify that the records in my office and in my care and custody reveal that

WORLDXCHANGE CORP.

using in Missouri the name

WORLDXCHANGE CORP.

a DELAWARE corporation filed its Evidence of Incorporation with this State on the 13th day of JUNE, 2000, and is in good standing, having fully complied with all requirements of this office.

IN TESTIMONY WHEREOF, I have set my hand and imprinted the GREAT SEAL of the State of Missouri, on this, the 24th day of SEPTEMBER, 2002.

Matt Blunt

Secretary of State

SOS #30 (1-01)

Exhibit B

Financial Information

PART 1 - FINANCIAL INFORMATION
ITEM 1 – FINANCIAL STATEMENTS

I-LINK INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS	June 30, 2001 (Unaudited)	December 31, 2000
Current assets:		
Cash and cash equivalents	$ 1,744,556	$ 2,155,628
Accounts receivable, less allowance for doubtful accounts of $1,667,000 and $100,665 as of June 30, 2001 and December 31, 2000, respectively	17,702,136	3,357,856
Other current assets	2,382,903	385,891
Total current assets	21,829,595	5,899,375
Furniture, fixtures, equipment and software, net	24,432,098	10,983,273
Other assets:		
Intangible assets, net	11,340,628	3,939,226
Other assets	1,620,622	835,618
	$ 59,222,943	$21,657,492
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 7,623,522	$ 5,370,490
Accrued liabilities	8,234,740	3,327,900
Unearned revenue	4,708,058	14,885,592
Current portion of long-term debt	2,139,019	785,971
Notes payable to a related party	25,360,964	7,768,000
Accrued interest on notes payable to a related party	349,137	2,376,498
Current portion of obligations under capital leases	4,778,860	1,445,690
Total current liabilities	53,194,300	35,960,141
Notes payable	1,587,895	796,662
Unearned revenue	-	1,666,667
Obligations under capital leases	7,234,004	338,263
	62,016,199	38,761,733
Redeemable preferred stock – Class M	-	11,734,820
Stockholders' deficit:		
Preferred stock, $10 par value, authorized 10,000,000 shares, issued and outstanding 10,018 and 24,435 at June 30, 2001 and December 31, 2000, respectively, liquidation preference of $1,848,478 at June 30, 2001	100,180	244,350
Common stock, $.007 par value, authorized 150,000,000 shares, issued and outstanding 112,569,743 and 28,136,506 at June 30, 2001 and December 31, 2000, respectively	787,991	196,957
Additional paid-in capital	127,494,197	106,622,114
Notes receivable from stockholders	(30,000)	-
Accumulated deficit	(131,145,624)	(135,902,482)
Total stockholders' deficit	(2,793,256)	(28,839,061)
	$59,222,943	$21,657,492

The accompanying notes are an integral part of these consolidated financial statements

I-LINK INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Revenues:				
Telecommunication services	$19,408,441	$4,589,112	$ 23,829,424	$9,876,319
Marketing services	-	-	-	464,354
Technology licensing and development	1,419,998	1,739,906	2,856,897	6,246,406
Other	518,459	1,008,563	1,185,042	1,709,667
Total revenues	21,346,898	7,337,581	27,871,363	18,296,746
Operating costs and expenses:				
Telecommunication network expense	13,715,806	5,537,946	20,025,512	11,651,008
Marketing services	-	-	-	349,034
Selling, general and administrative	5,703,360	5,724,953	9,441,741	9,644,041
Provision for doubtful accounts	1,269,397	54,187	1,377,756	379,903
Depreciation and amortization	2,330,806	1,560,816	3,981,791	3,049,705
Research and development	523,614	841,446	1,590,372	1,674,358
Total operating costs and expenses	23,542,983	13,719,348	36,417,172	26,748,049
Operating loss	(2,196,085)	(6,381,767)	(8,545,809)	(8,451,303)
Other income (expense):				
Interest expense	(666,792)	(350,481)	(1,014,633)	(794,323)
Interest and other income	23,590	112,969	51,661	150,796
Settlement expense	-	720,385	-	(639,565)
Total other income (expense)	(643,202)	482,873	(962,972)	(1,283,092)
Net loss	$(2,839,287)	$(5,898,894)	$(9,508,781)	$(9,734,395)

Calculation of net income (loss) per common share:

Net Loss	$(2,839,287)	$(5,898,894)	$(9,508,781)	$(9,734,395)
Cumulative preferred stock dividends	(11,068)	(393,095)	(22,015)	(800,488)
Dividends accrued and paid on Class M redeemable preferred stock	-	-	(269,027)	-
Net effect on retained earnings of redemption and reissuance of Class M and N preferred stock, including beneficial conversion features	-	-	15,512,473	-
Dividends paid on Class F preferred stock	-	-	-	(18,214)
Net income (loss) applicable to common stock	$(2,850,355)	$(6,291,989)	$5,712,650	$(10,553,097)
Basic and diluted weighted average shares outstanding	112,569,657	24,901,536	82,995,083	26,026,948
Net income (loss) per common share – basic and diluted	$(.03)	$(0.25)	$.07	$(0.41)

The accompanying notes are an integral part of these consolidated financial statements.

COUNSEL CORPORATION [illegible] REPORT

For the period ending September 30, 2001

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Counsel Corporation (TSE:CXS / Nasdaq:CXSN) focuses on acquiring significant positions in, and actively managing for growth, a portfolio of operating companies.

Counsel Corporation's wholly owned subsidiary, Counsel Communications LLC, is focused on acquiring, consolidating and operating Internet telephony and other telecommunications-related businesses. In February 2001, Counsel Communications acquired 97.5% of Nexbell Communications Inc. (www.nexbell.com), a designated Cisco Powered Network member in the Voice over Internet Protocol (VoIP) category. On March 1, 2001, Counsel Communications acquired a 65% interest in I-Link Incorporated (OTC:ILNK.OB; www.i-link.com), an enhanced Internet Protocol voice and data communications service provider. On April 17, 2001, I-Link acquired Counsel's interest in Nexbell in exchange for shares, resulting in Counsel owning approximately 70% of I-Link. On June 4, 2001, I-Link acquired and commenced operations of a 10-10-XXX "dial around" business through WorldxChange Corp. The Company's primary strategy is to develop one of the most sophisticated, next-generation communications networks in the U.S., providing efficient, leading-edge domestic and international VoIP connectivity as well as other related "value-added" and traditional telecommunications services.

Counsel's strategic portfolio investments include companies that possess enabling technologies that provide a competitive advantage for their end users and have the potential to contribute to the transformation of the business environment: a 56% stake in sales and marketing intelligence systems provider Proscape Technologies, Inc. (www.proscape.com); a 49% stake in e-learning application service provider IBT Technologies, Inc. (www.ibt-technologies.com); a 33% stake in e-marketer Impower, Inc. (www.impower.com); and a 12% stake in Internet data communications and services provider Core Communications Corporation (www.core.net).

In the medical products sector, Counsel's 78.5%-owned Sage BioPharma, Inc. subsidiary (www.sagebiopharma.com) develops and markets products used in the treatment of infertility. In long term care, Counsel owns three nursing homes in the U.S. and five retirement homes in Canada, all of which are leased to Advocat Inc. Counsel also leases seven nursing homes in Canada, managed by Advocat.

REPORT TO SHAREHOLDERS

We are pleased to report Counsel Corporation's results for the third quarter of 2001.

The Company decided, effective December 31, 2000, to prepare its financial statements according to US generally accepted accounting principles (GAAP) due to the US focus of the Company's operations, which results in performance being measured against US companies. In accordance with Canadian regulatory requirements, the Company must also provide statements prepared in accordance with Canadian GAAP. Both sets of statements accompany this report.

Counsel's results for the quarter and nine months ended September 30, 2001 reflect the significant impact of its entry into the communications sector through its acquisition of a controlling interest in I-Link Incorporated in March 2001, the merger of I-Link with Counsel's Nexbell Communications Inc. subsidiary in April 2001, and I-Link's acquisition of the retail long distance "10-10-XXX" dial around business of WorldxChange at the beginning of June 2001.

The results generated by Counsel's communications operations reflect the cost of building this business. Counsel was able to acquire communications assets at a significant discount to replacement cost because of the additional effort and capital required to make them profitable. We are well on our way to achieving this objective. Significant efforts have been made to reduce network costs and establish and implement a focused marketing and sales initiative. The WorldxChange acquisition, with an annual revenue stream currently in excess of US$80 million, has provided a strong base.

For the quarter ended September 30, 2001, Counsel's consolidated revenues were US$36.6 million compared with US$9.1 million in the third quarter of 2000. Consolidated revenues were US$73.5 million for the nine months ended September 30, 2001 compared with US$28.3 million in the first nine months of 2000. This substantial growth in revenues is primarily attributable to the Company's communications operations.

The US GAAP net loss in the third quarter of 2001 was US$17.2 million or US$0.75 per share, basic and diluted, compared with net earnings of US$27.2 million or US$1.08 per share, basic and diluted, in the third quarter of 2000. The consolidated US GAAP net loss for the nine months ended September 30, 2001 was US$43.1 million or US$1.87 per share, basic and diluted, compared with net earnings of US$7.2 million or US$0.29 per share, basic and diluted, for last year's first nine months.

Equity in losses of significantly influenced corporations was US$0.8 million in the third quarter of 2001 compared with US$3.1 million in the third quarter of 2000. This reflects the Company's proportionate share of the losses incurred by affiliate IBT Technologies, Inc. in 2001, and IBT, Impower Inc., Proscape Technologies and Core Communications in 2000. The equity in these losses includes amortization of goodwill, attributable to the Company's acquisition of its interest in these corporations, of US$0.2 million in the current quarter and US$0.9 million in the third quarter of 2000. For the nine months ended September 30, 2001, the US$5.6 million equity in losses of significantly influenced corporations consists of the Company's proportionate share of the losses of IBT for the entire period, Impower until June 30, 2001 and Proscape until February 17, 2001 when its operations were consolidated.

In the first nine months of 2000, Impower, IBT, Proscape and Core were included as significantly influenced corporations. These losses include the amortization of goodwill attributable to the acquisition of Counsel's interest in these corporations totaling US$1.6 million in the current nine-month period and US$2.1 million in the first nine months of 2000.

The gain on sale of long term care facilities of US$6.4 million in the current quarter relates to the sale of Counsel's Florida nursing homes in September. After an analysis and review of product offerings by I-Link during the third quarter, a plan to discontinue offering its METS product was adopted, which resulted in a US$8.0 million non-cash goodwill impairment charge being recorded as of September 30, 2001.

The writedown of investments of US$8.4 million in the current quarter (US GAAP) reflects a US$4.0 million provision with respect to Counsel's loans to Impower, which decided to make a voluntary filing under Chapter 11 of the United States bankruptcy legislation in August, as well as the writedown of certain technology-related investments. In the second quarter of 2001, the Company recorded a writedown of US$7.0 million, being the balance of its equity in Impower after taking into account its equity in Impower's losses to June 30, 2001.

Discontinued operations had no impact on earnings for the current quarter or nine month period. Effective May 23, 2000 the Company adopted a plan to dispose of the pharmaceutical products business of its FARO Pharmaceuticals subsidiary and completed the sale of this business on May 1, 2001. At December 31, 2000 the Company adjusted the carrying value of its investment in this segment of FARO's business to reflect both estimated future operations and estimated net realizable value on disposition.

Counsel's solid financial position, with cash, cash equivalents and short term investments of over US$97 million at September 30, 2001, enables us to take advantage of attractive opportunities to expand and enhance our existing businesses, as well as build new platform companies. We continue to work at reducing the overall risk in our portfolio through a prudent balance of old and new economy companies, targetting businesses that will provide viable earnings and cash flow.

On behalf of the Board,

ALLAN SILBER
Chairman & Chief Executive Officer
November 20, 2001

INTERIM MD&A FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001

(All dollar amounts are in US dollars unless otherwise indicated.)

This interim MD&A of Counsel Corporation ("Counsel", "the Company") has been prepared in accordance with accounting principles generally accepted in the United States and should be read in conjunction with the most recent annual MD&A. References to interim financial statements are to the consolidated financial statements of Counsel as at, and for the nine months ended, September 30, 2001.

Major Developments in the Quarter Ended September 30, 2001

The major developments in the quarter ended September 30, 2001 were: (i) the decrease in the Company's ownership of I-Link, Incorporated ("I-Link") from 70.5% to 68.1% on September 6, 2001 due to the conversion of all of I-Link's Class C preferred stock in accordance with their terms (see Note 3 to the interim financial statements); (ii) the increase in the Company's ownership of IBT Technologies, Inc. ("IBT") from 46.9% to 49.5% on September 6, 2001 (see Note 3 to the interim financial statements); (iii) the voluntary filing made on August 3, 2001 by Impower, Inc. ("Impower") under Chapter 11 of the United States bankruptcy legislation, to seek protection from its creditors (see Note 3 to the interim financial statements); and (iv) the Company's disposition of the three nursing homes that it owned in Florida.

Financial Condition

Cash and cash equivalents decreased by $0.4 million during the year to date. The Company's investments in I-Link and Proscape Technologies, Inc. ("Proscape"), as well as additional investments and advances to significantly influenced corporations IBT and Impower were offset by sales of trading securities. Trading securities decreased by $22.5 million primarily due to the sale of approximately 2.5 million shares of Bergen Brunswig Corporation ("Bergen", now AmerisourceBergen Corporation) net of an increase in the market value of the remaining shares held by the Company. The increases in amounts receivable, other assets, capital assets, goodwill, accounts payable, deferred revenue and capital leases reflect the consolidation of I-Link, as well as Proscape, for the first time, in the first nine months of 2001. Discontinued assets and liabilities decreased as a result of the sale of the Company's pharmaceutical products business on May 1, 2001. The decrease in the Company's investments in significantly influenced corporations reflects write offs related to the Impower Chapter 11 filing. The decrease in long term care facilities and mortgages and loans payable reflects the disposition of all three of the Company's Florida nursing homes.

Results of Operations – Third Quarter of 2001 compared with Third Quarter of 2000

Revenues increased by approximately $27.5 million in the current quarter over the corresponding quarter of 2000. This increase reflects the consolidation of the operations of I-Link and Proscape in the current quarter. These operations were not consolidated in the third quarter of 2000. The consolidation of I-Link and Proscape in the current quarter is also primarily responsible for the increase in cost of sales, operating expenses, amortization and interest expense over the third quarter of 2000.

The gain on sale of trading securities of $5.2 million in the current quarter relates mostly to the sale of Bergen shares. The market value adjustment on trading securities of $11.7 million in the current quarter reflects the increase in market value of the Company's Bergen shares from $19.22 per share at June 30, 2001 to the equivalent (based on AmerisourceBergen shares) of $26.25 at September 30, 2001. An increase in the market value of Bergen shares was responsible for most of the market value adjustment in the third quarter of 2000.

Equity in losses of significantly influenced corporations for the current quarter consists of the Company's proportionate share of the losses of IBT for the full quarter. In the third quarter of 2000, Impower, IBT, Proscape (which was consolidated in the current quarter) and Core Communications Corporation ("Core") were accounted for as significantly influenced corporations. These losses are net of amortization of goodwill attributable to the acquisition of these corporations, which amortization totalled $0.2 million in the current quarter and $0.9 million in the third quarter of last year.

The $6.4 million gain on sale of long term care facilities relates to the sale of the Company's Florida nursing homes in September. After an analysis and review of product offerings performed by I-Link during the third quarter, a plan to discontinue offering its METS product was accepted which resulted in an $8.0 million non-cash goodwill impairment charge. The writedown of investments of $8.4 million in the current quarter reflects a $4.0 million provision with respect to the Company's loans to Impower as well as the writedown of certain technology-related available for sale securities.

The provision for income taxes in the current quarter represents taxes on the gain on sale of long term care facilities and the gain on sale, and market value adjustment, of trading securities. No deferred tax asset has been recognized with respect to the losses incurred by I-Link and Proscape during the period. The minority interest in the current quarter is derived from Proscape.

Results of Operations – Nine Months Ended September 30, 2001 compared with Nine Months Ended September 30, 2000

Revenues increased by approximately $45 million in the first nine months of 2001 over the corresponding nine months of 2000. This increase reflects the consolidation of the operations of I-Link and Proscape from their dates of acquisition in the first quarter of 2001. The consolidation of I-Link and Proscape in the current nine-month period is also primarily responsible for the increase in cost of sales, operating expenses, amortization and interest expense over the first nine months of 2000.

The gain on sale of trading securities of $5.9 million in the current period relates to the sale of Bergen shares, while the $0.3 million loss in last year's first nine months arose from sales of RioCan units. The market value adjustment on trading securities of $20.9 million in the current nine-month period reflects the increase in market value of the Company's Bergen shares from $15.83 at December 31, 2000 to the equivalent (based on AmerisourceBergen shares) of $26.25 at September 30, 2001. An increase in the market value of Bergen shares was responsible for most of the market value adjustment in the first nine months of 2000.

Equity in losses of significantly influenced corporations for the current nine months consists of the Company's proportionate share of the losses of IBT for the entire period, Impower until June 30, 2001 and Proscape until February 17, 2001, when its operations were consolidated. In the first nine months of 2000, Impower, IBT, Proscape and Core were included as significantly influenced corporations. These losses include the amortization of goodwill attributable to the acquisition of these corporations, which amortization totalled $1.6 million in the current nine-month period and $2.1 million in the first nine months of last year. The writedown of investments of $15.4 million in the current period reflects the $7.0 million writedown of the balance of the Company's equity in Impower after taking into account the equity in Impower's losses to June 30, 2001 plus a $4.0 million provision with respect to the Company's loans to Impower as well as the writedown of certain technology-related available for sale securities.

The provision for income taxes in the current period represents taxes on the gain on sale of long term care facilities and the gain on sale, and market value adjustment, of trading securities. No deferred tax asset has been recognized with respect to the losses incurred by I-Link and Proscape during the period. The minority interest in the current period is derived from Proscape and I-Link.

(All dollar amounts are in US dollars unless otherwise indicated.)

Cash Flows – Third Quarter of 2001 compared with Third Quarter of 2000

Operating activities provided net cash of $21.4 million in the third quarter of 2001 compared with using $1.7 million in the third quarter of 2000. This reflects the sale of trading securities net of operating losses in I-Link and Proscape. The Company did not have any investment in I-Link or control Proscape in the third quarter of 2000 and there were no significant increases in operating assets or decreases in operating liabilities. Overall, there was an increase in cash and cash equivalents of $27.3 million in the current quarter, reflecting additional proceeds received from the sale of the Company's pharmaceutical products business net of the payment of the quarterly instalment of the Company's note payable. The major cash flow items affecting the third quarter of 2000's net decrease in cash and cash equivalents of $8.3 million were the purchase for cancellation of common shares pursuant to a normal course issuer bid in accordance with the by-laws and policies of The Toronto Stock Exchange, loan advances and additional investments in discontinued operations.

Cash Flows – Nine Months Ended September 30, 2001 compared with Nine Months Ended September 30, 2000

Operating activities provided net cash of $7.3 million in the first nine months of 2001 compared with using $3.2 million in the same period of 2000. This reflects the sale of trading securities net of operating losses in I-Link and Proscape as well as increases in amounts receivable and other assets. The Company did not have any investment in I-Link or control Proscape in the first nine months of 2000 but there was a significant decrease in accounts payable which resulted in the net use of cash. Overall, there was a decrease in cash and cash equivalents of $0.4 million in the first nine months of 2001, reflecting proceeds received from the sale of the Company's pharmaceutical products business net of telecommunications investments and the Company's additional investments in Proscape, IBT and Impower, as well as the payment of the quarterly instalments of the Company's note payable and the purchase for cancellation of common shares and convertible debentures pursuant to normal course issuer bids in accordance with the by-laws and policies of The Toronto Stock Exchange. The major cash flow items affecting the net decrease in cash and cash equivalents of $6.0 million in the first nine months of 2000 were $22.7 million provided from discontinued operations less additional investments in significantly influenced corporations and available for sale securities and the purchase for cancellation of common shares pursuant to a normal course issuer bid.

CONSOLIDATED BALANCE SHEETS

(in 000s of US$)

	September 30 2001 (unaudited)	December 31 2000 (audited)
ASSETS		
Current assets		
Cash and cash equivalents	$ 51,837	$ 52.220
Trading securities	45,401	67,897
Amounts receivable	20,904	3.414
Income taxes recoverable	2,175	2.112
Deferred income taxes	936	785
Other assets	12,171	4,071
Discontinued assets	5,633	77.239
	139,057	207.738
Long term assets		
Other assets	12,670	17.251
Capital assets (net of amortization of $4.219; 2000 - $1,009)	26,388	1.845
Goodwill (net of amortization of $2.897; 2000 - $865)	14,972	2.755
Investments in significantly influenced corporations	2,962	15.783
Long term care facilities	12,344	14.248
	$ 208,393	$ 259.620
LIABILITIES & SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued charges	$ 30,929	$ 14.189
Deferred revenue	4,347	735
Note payable	30,000	13.333
Mortgages and loans payable	1,892	251
Capital leases	4,896	-
Discontinued liabilities	9,487	40.728
	81,551	69.236
Long term liabilities		
Deferred revenue	675	1,449
Note payable	-	26.667
Mortgages and loans payable	13,573	19,775
Capital leases	7,459	-
Debentures payable	43,631	48,501
Deferred income taxes	25,021	11.848
	171,910	177.476
Shareholders' equity	36,483	82.144
	$ 208,393	$ 259.620

The accompanying notes are an integral part of these unaudited consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In 000s of US$) (unaudited) *For the nine months ended September 30*

	Common Shares No. of Shares (In 000s)	Common Shares Amount	Additional Paid in Capital	Accumulated Comprehensive Income	Retained Earnings (Deficit)	Total Shareholders' Equity
Balance, December 31, 2000	23,937	$ 102,386	$ 2,220	$ 215	$ (22,677)	$ 82,144
Shares purchased for cancellation	**(1,034)**	**(4,149)**	**2,094**	**-**	**-**	**(2,055)**
Other comprehensive loss	**-**	**-**	**-**	**(519)**	**-**	**(519)**
Net loss	**-**	**-**	**-**	**-**	**(43,087)**	**(43,087)**
Balance, September 30, 2001	**22,903**	**$ 98,237**	**$ 4,314**	**$ (304)**	**$ (65,764)**	**$ 36,483**
Balance, December 31, 1999	25,533	$ 109,185	$ -	$ 9,393	$ (558)	$ 118,020
Shares issued	92	144	-	-	-	144
Shares purchased for cancellation	(1,207)	(3,746)	-	-	(8)	(3,754)
Other comprehensive income	-	-	-	9,204	-	9,204
Dividends	-	-	-	-	(1,791)	(1,791)
Net earnings	-	-	-	-	7,184	7,184
Balance, September 30, 2000	24,418	$ 105,583	$ -	$ 18,597	$ 4,827	$ 129,007

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In 000s of US$) (unaudited)

	For the three months ended September 30 2001	For the three months ended September 30 2000	For the nine months ended September 30 2001	For the nine months ended September 30 2000
Net earnings (loss)	**$ (17,217)**	$ 27,182	**$ (43,087)**	$ 7,184
Other comprehensive income				
Unrealized holding gains (losses) arising during the period	**2,458**	4,178	**(519)**	9,204
Comprehensive earnings (loss)	**$ (14,759)**	$ 31,360	**$ (43,606)**	$16,388

The accompanying notes are an integral part of these unaudited consolidated financial statements.

CONSOLIDATED STATEMENTS OF EARNINGS

(In 000s of US$) (unaudited)

	For the three months ended September 30		For the nine months ended September 30	
	2001	2000	2001	2000
Revenues	$ 36,552	$ 9,099	$ 73,467	$ 28,300
Cost of sales	24,176	477	41,731	1,467
Operating expenses	22,398	8,770	51,491	25,913
Earnings (loss) before undernoted items	(10,022)	(148)	(19,755)	920
Gain (loss) on sale of trading securities	5,241	70	5,939	(318)
Market value adjustment on trading securities	11,737	48,326	20,912	26,249
Earnings before undernoted expenses	6,956	48,248	7,096	26,851
Corporate	979	1,204	3,783	3,008
Amortization	4,719	518	9,942	1,568
Interest	1,105	1,052	4,505	3,220
Earnings (loss) before losses of significantly influenced corporations	153	45,474	(11,134)	19,055
Equity in losses of significantly *influenced corporations*	(761)	(3,087)	(5,582)	(5,820)
Gain on sale of long term care facilities	6,375	-	6,375	-
Impairment of goodwill	(8,040)	-	(8,040)	-
Writedown of investments	(8,381)	-	(15,417)	-
Earnings (loss) before taxes and minority interest	(10,654)	42,387	(33,798)	13,235
Income taxes	6,806	13,871	12,500	4,721
Minority interest	(243)	16	(1,498)	(149)
Earnings (loss) from continuing operations	(17,217)	28,500	(44,800)	8,663
Loss from discontinued operations after tax	-	(1,318)	-	(1,479)
Earnings (loss) before extraordinary item	(17,217)	27,182	(44,800)	7,184
Gain on retirement of convertible debentures net of deferred income taxes of $457	-	-	1,713	-
Net earnings (loss)	$ (17,217)	$ 27,182	$ (43,087)	$ 7,184
Earnings per common share - basic and diluted				
Earnings (loss) from continuing operations	$ (0.75)	$ 1.13	$ (1.94)	$ 0.35
Loss from discontinued operations	-	(0.05)	-	(0.06)
Extraordinary item	-	-	0.07	-
Net earnings (loss)	$ (0.75)	$ 1.08	$ (1.87)	$ 0.29
Weighted average number of common shares outstanding (000s)	23,088	25,050	23,088	25,050

The accompanying notes are an integral part of these unaudited consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In 000s of US$) (unaudited)

	For the three months ended September 30 2001	For the three months ended September 30 2000	For the nine months ended September 30 2001	For the nine months ended September 30 2000
Operating activities				
Net earnings (loss)	$ (17,217)	$ 27,182	$ (43,087)	$ 7,184
Non-cash items included in net earnings				
Loss from discontinued operations	-	1,318	-	1,479
Amortization	4,719	518	9,942	1,568
Impairment of goodwill	8,040	-	8,040	-
Amortization of deferred revenue	(1,309)	(185)	(2,151)	(552)
Gain on retirement of debentures payable	-	-	(1,713)	-
Deferred income taxes	7,615	13,696	12,565	5,470
Minority interest	(243)	16	(1,498)	(149)
Writedown of investments	8,381	-	15,417	-
Equity in losses of significantly influenced corporations	761	3,087	5,582	5,820
Market value adjustment on trading securities	(11,737)	(48,326)	(20,912)	(26,249)
Loss (gain) on sale of trading securities	(5,241)	(70)	(5,939)	318
Gain on sale of long term care facilities	(6,375)	-	(6,375)	-
Gain on sale of other assets	(63)	(302)	(63)	(302)
Proceeds on sale of trading securities	35,563	3	52,240	7,510
Decrease (increase) in amounts receivable	677	(656)	(3,456)	27
Decrease (increase) in income taxes recoverable	(760)	1,112	(63)	774
Increase in other assets	(5,910)	(436)	(10,453)	(490)
Increase (decrease) in accounts payable	4,460	1,320	(773)	(5,631)
Net cash provided by (used in) operating activities	21,361	(1,723)	7,303	(3,223)
Cash provided by (used in) investing activities				
Investment in significantly influenced corporations	(684)	(229)	(2,502)	(14,840)
Investment in available for sale securities	-	-	-	(3,700)
Acquisition of telecommunications businesses	-	-	(17,884)	-
Acquisition of software sales and services business	-	-	(845)	-
Mortgages and other advances – repayments	279	1,139	646	1,679
Mortgages and other advances – lending	-	(3,423)	(7,210)	(5,923)
Purchase of trading securities	-	-	(2,909)	-
Proceeds on sale of investments	-	66	-	1,389
Proceeds on sale of long term care facilities	7,006	-	7,006	-
Discontinued operations	10,366	(1,592)	39,353	(2,255)
Net cash provided by (used in) investing activities	16,967	(4,039)	15,655	(23,650)
Cash provided by (used in) financing activities				
Note payable – repayment	(3,334)	-	(10,000)	-
Mortgages and loans payable – borrowings	-	-	-	3,529
Mortgages and loans payable – repayments	(7,562)	(176)	(8,185)	(4,080)
Capital lease repayments	(181)	-	(404)	-
Proceeds from exercise of stock options	-	-	-	144
Shares purchased for cancellation	-	(2,407)	(2,055)	(3,754)
Retirement of debentures payable	-	-	(2,697)	-
Discontinued operations	-	-	-	25,000
Net cash provided by (used in) financing activities	(11,077)	(2,583)	(23,341)	20,839
Increase (decrease) in cash and cash equivalents	27,251	(8,345)	(383)	(6,034)
Cash and cash equivalents, beginning of period	24,586	18,300	52,220	15,989
Cash and cash equivalents, end of period	$ 51,837	$ 9,955	$ 51,837	$ 9,955
Supplemental disclosure of cash flow information				
Cash paid (received) during the period for items relating to continuing operations:				
Interest	$ 959	$ 1,658	$ 4,006	$ 2,168
Income tax refund	-	-	(11)	-
Equipment acquired under capital lease	723	-	9,723	-
Telecommunications shares acquired on exchange of investment	-	-	11,908	-

The accompanying notes are an integral part of these unaudited consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30 (in 000s of US$) (unaudited)

The consolidated financial statements of Counsel Corporation (the "Company") are prepared in accordance with accounting principles generally accepted in the United States and are presented in United States ("US") dollars. These interim consolidated financial statements should be read in conjunction with the most recent audited annual financial statements, as at December 31, 2000. In the opinion of management, all adjustments considered necessary for a fair presentation of results for the periods reported have been included. These adjustments consist only of normal recurring adjustments. The interim financial statements follow the same accounting policies and methods of computation as the most recent audited annual financial statements except for the additional accounting policies adopted subsequent to the acquisition of certain subsidiaries, as described in Note 1.

Certain comparative figures have been reclassified to conform to the current period financial statement presentation.

1. Significant accounting policies

Due to acquisitions subsequent to December 31, 2000, the following additional significant accounting policies have been adopted.

Revenue recognition

Telecommunications

Long distance and enhanced service revenues are recognized as service is provided to subscribers. Revenues from the sale of promotional and presentation materials are recognized at the time of shipment. The portion of the sign up fee relating to on-going administrative support is deferred and recognized over the initial term of the agreement. Marketing services revenues are presented net of estimated refunds on returns of network marketing materials. Revenues from technology sales that require continued company involvement are recognized ratably over the expected term of the contract. Revenues from the sale of software licences are recognized when the product is shipped, a noncancellable agreement is in force, the licence fee is fixed or determinable, acceptance has occurred and collectability is reasonably assured. Maintenance and support revenues are recognized ratably over the term of the related agreements. Revenues on long distance development projects are recognized under the percentage of completion method and are based upon costs incurred on the project compared to estimated total costs related to the contract.

Software sales and services

The Company recognizes revenue from software licenses upon delivery to, and acceptance of, the software product by a customer, provided no significant vendor obligations remain outstanding. Revenue on contracts requiring significant production, modification or customization of software is recognized using the percentage-of-completion method, measured by the percentage of costs incurred to date as compared to estimated total costs for each contract. Contract costs include all direct labour and overhead costs. Selling, general and administrative costs are charged to expense as incurred. Provision for estimated losses on uncompleted contracts is made in the period in which such losses are determined. Revenues for maintenance and support are recognized over the term of the agreements on a straight-line basis.

Software development costs

Costs incurred in the research, design and development of software for sale to others are charged to expense until technological feasibility is established, after which remaining software development costs are capitalized and amortized beginning when the product is available for general release to customers. The amortization included in the statement of earnings is computed using the straight-line method over the estimated remaining useful life of the product, which generally does not exceed two years. The Company periodically compares the unamortized

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30 (in 000s of US$) (unaudited)

portion of capitalized software development costs to the undiscounted net realizable value of the related product. The undiscounted net realizable value is the estimated future gross revenues from that product reduced by the estimated future costs of completing and disposing of that product. The amount by which the unamortized capitalized costs exceed the discounted net realizable value is written-off.

2. *Recent accounting pronouncements*

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations." SFAS 141 requires the purchase method of accounting for business combinations initiated after June 30, 2001 and eliminates the pooling-of-interests method. The Company believes that the adoption of SFAS 141 will not have a significant impact on its financial statements.

In July 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets", which is effective for fiscal years beginning after December 15, 2001. SFAS 142 requires, among other things, the discontinuance of goodwill amortization. In addition, the standard includes provisions, upon adoption, for the reclassification of certain existing recognized intangibles as goodwill, reassessment of the useful lives of existing recognized intangibles, reclassification of certain intangibles out of previously reported goodwill and the testing for impairment of existing goodwill and other intangibles. The Company is currently assessing, but has not yet determined the impact of SFAS 142 on its financial position and results of operations.

In August 2001, the FASB issued SFAS 143, "Accounting for Asset Retirement Obligations", effective for years beginning after June 15, 2002. SFAS 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. It applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and (or) the normal operation of a long-lived asset, except for certain obligations of lessees. The Company is currently evaluating the effects of this Statement.

In August 2001, the FASB issued the SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS 144 addresses financial accounting and reporting for the disposal of long-lived assets. SFAS 144 is effective for fiscal years beginning after December 15, 2001. The Company is currently evaluating the potential impact, if any, the adoption of SFAS 144 will have on its financial position and results of operations.

3. Accounting for investments

Consolidated subsidiaries

The consolidated financial statements include the accounts of the Company and all companies over which it has control. The results of operations of companies acquired are included from the dates of acquisition.

The Company's principal operating subsidiaries comprising continuing operations and its respective ownership interest in each subsidiary as at September 30, 2001 and December 31, 2000 are as follows:

	September 30 2001	December 31 2000
I-Link, Incorporated ("I-Link") *(i)*	68.1%	-
Counsel Corporation (US)	100.0%	100.0%
Sage Biopharma, Inc. ("Sage")	78.5%	78.3%
Proscape Technologies, Inc. ("Proscape") *(ii)*	56.5%	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30 (in 000s of US$) (unaudited)

(i) On February 22, 2001, the Company acquired a 97.5% interest in Nexbell Communications Inc. ("Nexbell") for cash consideration of $1.306. The cost of the Company's acquisition was allocated on the basis of the fair market value of the assets acquired ($1.580) and the liabilities assumed ($9.410). These valuations gave rise to $9.136 of unallocated excess of cost over net liabilities assumed, which is being amortized over a period of 5 years.

During the quarter ended September 30, 2001, the Company performed a valuation analysis with respect to the goodwill recorded on its acquisition of Nexbell. The analysis resulted in an impairment of $8.040 as a consequence of projected losses associated with Nexbell's prime product and the subsequent decision to adopt a plan to discontinue this product.

On March 1, 2001, the Company acquired a 65.2% interest in I-Link for cash consideration of $3.578. The cost of the Company's acquisition was allocated on the basis of the fair market value of the assets acquired ($15.590) and the liabilities assumed ($22.247). These valuations gave rise to $10.235 of unallocated excess of cost over net liabilities assumed, which is being amortized over a period of 5 years.

On April 17, 2001, as a result of a merger between I-Link and Nexbell, the Company's interest in Nexbell was exchanged for an additional 5.3% interest in I-Link, resulting in an overall interest in I-Link of 70.5%.

On June 4, 2001, I-Link acquired certain net assets of WorldxChange Communications, Inc. for cash consideration of $13.000. The cost of the acquisition was allocated on the basis of the fair market value of the assets acquired ($17.344) and the liabilities assumed ($4.344).

On September 6, 2001, all outstanding shares of I-Link's Class C preferred stock automatically converted into shares of common stock in accordance with the terms of the Class C preferred stock. Accordingly, I-Link issued 3,949,031 shares of its common stock in satisfaction of this conversion and its obligation to pay dividends to the conversion date. This issuance diluted the Company's interest to 68.1%.

(ii) On February 17, 2001, the Company increased its ownership in Proscape from 36.0% to 56.5% for cash consideration of $845. As a result, the Company acquired control and has consolidated Proscape's operations from February 17, 2001. The operations from January 1 to February 16, 2001 have been accounted for on the equity basis. The cost of the Company's acquisition was allocated on the basis of the fair market value of the assets acquired ($2.651) and the liabilities assumed ($2.854). These valuations gave rise to $1.048 of unallocated excess of cost over net liabilities assumed, which is being amortized over a period of 5 years.

Significantly influenced corporations

Corporations over which voting control does not exist but significant influence is exercised are accounted for using the equity method.

The principal operating affiliates over which the Company exerts significant influence and its respective ownership interest in each affiliate as at September 30, 2001 and December 31, 2000 are as follows:

	September 30 2001	December 31 2000
IBT Technologies, Inc. ("IBT") *(i)*	**49.5%**	27.7%
Impower, Inc. ("Impower") *(ii)*	**33.6%**	33.6%
Proscape Technologies, Inc.	**-**	36.0%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30 (in 000s of US$) (unaudited)

(i) On May 31, 2001, the Company acquired a further interest in IBT for cash consideration of $1,817 resulting in a 46.9% interest at June 30, 2001. The cost of the Company's acquisition was allocated on the basis of the fair market value of the assets acquired ($1,624) and the liabilities assumed ($325). These valuations gave rise to $518 of unallocated excess of cost over net assets acquired, which is being amortized over a period of five years.

On September 6, 2001, the Company acquired a further interest in IBT for cash consideration of $684 resulting in a 49.5% interest at September 30, 2001. The cost of the Company's acquisition was allocated on the basis of the fair market value of the assets acquired ($1,212) and the liabilities assumed ($562). These valuations gave rise to $34 of unallocated excess of cost over net assets acquired.

(ii) On August 3, 2001, Impower made a voluntary filing under Chapter 11 of the United States bankruptcy legislation to seek protection from its creditors. As a result, the Company has written off its equity investment in Impower in its entirety.

4. Trading securities

Summarized below is selected financial information relating to trading securities at September 30, 2001 and December 31, 2000.

	Number of Shares		Carrying Amount	
	September 30 2001 (in 000s)	December 31 2000 (in 000s)	September 30 2001	December 31 2000
AmerisourceBergen *(i)*	625	1,568	$ 44,374	$ 67,110
Other			1,027	787
			$ 45,401	$ 67,897

(i) On August 29, 2001, AmeriSource Health Corportion and Bergen Brunswig Corporation ("Bergen") merged to form AmerisourceBergen Corporation ("AmerisourceBergen"). Bergen shares were exchanged for .37 of a share of AmerisourceBergen.

During the nine months ended September 30, 2001, the Company sold 2,549,092 shares of Bergen (the equivalent of 943,164 shares of AmerisourceBergen) for net proceeds of $51,638, resulting in a gain on disposition of $5,937, and recorded a market value adjustment as at September 30, 2001 on its interest in AmerisourceBergen of $20,912 based on an equivalent per share increase of $28.17.

As at September 30, 2000, the Company recorded a market value adjustment on its interest in Bergen of $48,342.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30 (in 000s of US$) (unaudited)

5. Other assets

	September 30 2001	December 31 2000
Mortgages and other advances	$ 4,471	$ 9,630
Available for sale securities	2,804	6,639
Other telecommunications assets	3,682	-
Prepaid expenses	3,579	-
Other intangibles	2,294	-
Software development costs	1,394	-
Other	6,617	5,053
	24,841	21,322
Less – current portion	(12,171)	(4,071)
	$ 12,670	$ 17,251

6. Note Payable

On November 1, 2001, the Company repaid in full its note payable that was originally assumed as part of the consideration for the acquisition of the rights to certain pharmaceutical products.

7. Discontinued operations

Effective May 23, 2000, the Company adopted a plan to dispose of the pharmaceutical products business of FARO Pharmaceuticals Inc.("FARO") through the disposition of its rights, including trademarks, copyrights and regulatory filings in certain pharmaceutical products. On May 1, 2001, the Company completed the sale of this business segment for $67,000 consisting of $54,000 paid on closing, $8,000 payable 60 days subsequent to the closing, and a further $5,000 payable within 30 days of the anniversary of the closing, subject to specified levels of inventories on hand at the date of closing and sales returns and rebates relating to operations prior to the closing. In addition, the Company is in the process of realizing the net discontinued assets not included in the disposition.

Subsequent to September 30, 2001, the Company successfully reduced certain costs related to these discontinued operations. This resulted in a pre-tax recovery of $11,500, before applicable costs, which will be recorded in the fourth quarter of 2001.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30 (in 000s of US$) (unaudited)

8. Segmented information

During 2001 the Company has entered into a new reportable segment being, the provision of telecommunications products and services in the United States.

For the three months ended September 30, 2001

	Long Term Care *(i)*	Medical Products	Telecom.	Technology Services	Corporate *(ii)*	Total
Revenues	$ 7,965	$ 906	$ 27,128	$ 225	$ 328	$ 36,552
Cost of sales	-	878	22,989	309	-	24,176
Operating expenses	7,829	1,473	11,780	1,316	-	22,398
Earnings (loss) before undernoted items	136	(1,445)	(7,641)	(1,400)	328	(10,022)
Gain on sale of trading securities	-	-	-	-	5,241	5,241
Market value adjustment on trading securities	-	-	-	-	11,737	11,737
Earnings (loss) before undernoted expenses	136	(1,445)	(7,641)	(1,400)	17,306	6,956
Corporate	-	-	-	-	979	979
Amortization	377	196	3,715	376	55	4,719
Interest	485	7	144	4	465	1,105
Earnings (loss) before losses of significantly influenced corporations	(726)	(1,648)	(11,500)	(1,780)	15,807	153
Equity in losses of significantly influenced corporations	-	-	-	(761)	-	(761)
Gain on sale of long term care facilities	6,375	-	-	-	-	6,375
Impairment of goodwill	-	-	8,040	-	-	(8,040)
Writedown of investments	-	-	-	(4,028)	(4,353)	(8,381)
Earnings (loss) before income taxes	5,649	(1,648)	(19,540)	(6,569)	11,454	(10,654)
Income taxes (recovery)	1,701	-	-	(640)	5,745	6,806
Segment earnings (loss)	$ 3,948	$(1,648)	$(19,540)	$ (5,929)	$ 5,709	$ (17,460)
Segment assets *(iii)(iv)*	$16,121	$ 5,462	$ 60,589	$ 9,981	$ 110,607	$ 202,760

(i) Long term care operations includes revenues from Canada of $7,626 and from the United States of $339.

(ii) Corporate earnings includes interest income of $294.

(iii) Medical products, telecommunications and technology services assets, as well as $602 of long term care assets, are located in the United States. The balance of long term care assets of $15,519 are located in Canada.

(iv) Segment assets exclude assets of discontinued operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30 (in 000s of US$) (unaudited)

For the three months ended September 30, 2000

	Long Term Care *(i)*	Medical Products	Technology Services	Corporate *(ii)*	Total
Revenues	$ 8,056	$ 583	$ -	$ 460	$ 9,099
Cost of sales	-	477	-	-	477
Operating expenses	7,850	920	-	-	8,770
Earnings (loss) before undernoted items	206	(814)	-	460	(148)
Gain on sale of trading securities	-	-	-	70	70
Market value adjustment on trading securities	-	-	-	48,326	48,326
Earnings (loss) before undernoted expenses	206	(814)	-	48,856	48,248
Corporate	-	-	-	1,204	1,204
Amortization	391	134	-	(7)	518
Interest	499	-	-	553	1,052
Earnings (loss) before losses of *significantly influenced corporations*	(684)	(948)	-	47,106	45,474
Equity in losses of significantly influenced corporations	-	-	(3,087)	-	(3,087)
Earnings (loss) before income taxes	(684)	(948)	(3,087)	47,106	42,387
Income taxes (recovery)	(82)	(365)	(681)	14,999	13,871
Segment earnings (loss)	$ (602)	$ (583)	$ (2,406)	$ 32,107	$ 28,516
Segment assets *(iii)(iv)*	$ 17,125	$ 4,195	$ 19,094	$ 145,654	$ 186,068

(i) Long term care operations includes revenues from Canada of $7,718 and from the United States of $338.

(ii) Corporate earnings includes interest income of $392.

(iii) Medical products and technology services assets, as well as $2,366 of long term care assets, are located in the United States. The balance of long term care assets of $14,759 are located in Canada.

(iv) Segment assets exclude assets of discontinued operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30 (in 000s of US$) (unaudited)

For the nine months ended September 30, 2001

	Long Term Care *(i)*	Medical Products	Telecom.	Technology Services	Corporate *(ii)*	Total
Revenues	$ 23,627	$ 2,747	$ 44,211	$ 764	$ 2,118	$ 73,467
Cost of sales	-	1,969	38,959	803	-	41,731
Operating expenses	23,270	3,916	20,660	3,645	-	51,491
Earnings (loss) before undernoted items	357	(3,138)	(15,408)	(3,684)	2,118	(19,755)
Gain on sale of trading securities	-	-	-	-	5,939	5,939
Market value adjustment on trading securities	-	-	-	-	20,912	20,912
Earnings (loss) before undernoted expenses	357	(3,138)	(15,408)	(3,684)	28,969	7,096
Corporate	-	-	-	-	3,783	3,783
Amortization	1,136	373	7,346	917	170	9,942
Interest	1,460	10	376	30	2,629	4,505
Earnings (loss) before losses of significantly influenced corporations	(2,239)	(3,521)	(23,130)	(4,631)	22,387	(11,134)
Equity in losses of significantly influenced corporations	-	-	-	(5,582)	-	(5,582)
Gain on sale of long term care facilities	6,375	-	-	-	-	6,375
Impairment of goodwill	-	-	(8,040)	-	-	(8,040)
Writedown of investments	-	-	-	(11,064)	(4,353)	(15,417)
Earnings (loss) before income taxes	4,136	(3,521)	(31,170)	(21,277)	18,034	(33,798)
Income taxes	1,640	-	-	355	10,505	12,500
Segment earnings (loss)	$ 2,496	$ (3,521)	$(31,170)	$ (21,632)	$ 7,529	$ (46,298)
Segment assets *(iii)(iv)*	$ 16,121	$ 5,462	$ 60,589	$ 9,981	$ 110,607	$ 202,760

(i) Long term care operations includes revenues from Canada of $22,611 and from the United States of $1,016.

(ii) Corporate earnings includes interest income of $1,582.

(iii) Medical products and technology services assets, as well as $602 of long term care assets, are located in the United States. The balance of long term care assets of $15,519 are located in Canada.

(iv) Segment assets exclude assets of discontinued operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30 (in 000s of US$) (unaudited)

For the nine months ended September 30, 2000

	Long Term Care *(i)*	Medical Products	Technology Services	Corporate *(ii)*	Total
Revenues	$ 23,904	$ 2,171	$ -	$ 2,225	$ 28,300
Cost of sales	-	1,467	-	-	1,467
Operating expenses	23,307	2,606	-	-	25,913
Earnings (loss) before undernoted items	597	(1,902)	-	2,225	920
Loss on sale of trading securities	-	-	-	(318)	(318)
Market value adjustment on trading securities	-	-	-	26,249	26,249
Earnings (loss) before undernoted expenses	597	(1,902)	-	28,156	26,851
Corporate	-	-	-	3,008	3,008
Amortization	1,150	265	-	153	1,568
Interest	1,503	-	-	1,717	3,220
Earnings (loss) before losses of significantly influenced corporations	(2,056)	(2,167)	-	23,278	19,055
Equity in losses of significantly *influenced corporations*	-	-	(5,820)	-	(5,820)
Loss before income taxes	(2,056)	(2,167)	(5,820)	23,278	13,235
Income taxes (recovery)	(533)	(874)	(1,633)	7,761	4,721
Segment earnings (loss)	$ (1,523)	$ (1,293)	$ (4,187)	$ 15,517	$ 8,514
Segment assets *(iii)(iv)*	$ 17,125	$ 4,195	$ 19,094	$ 145,654	$ 186,068

(i) *Long term care operations includes revenues from Canada of $22,890 and from the United States of $1,014.*

(ii) Corporate earnings includes interest income of $623.

(iii) Medical products and technology services assets, as well as $2,366 of long term care assets, are located in the United States. *The balance of long term care assets of $14,759 are located in Canada.*

(iv) Segment assets exclude assets of discontinued operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30 (In 000s of US$ except per share amounts) (unaudited)

9. Earnings per share disclosures

The following is a reconciliation of the numerators and denominators used in computing basic and diluted earnings per share.

	For the three months ended September 30 2001	2000	For the nine months ended September 30 2001	2000
Basic earnings per share computation				
Numerator:				
Earnings (loss) before discontinued operations and extraordinary item	$ (17,217)	$ 28,500	$ (44,800)	$ 8,663
Earnings (loss) available to common shareholders	$ (17,217)	$ 28,500	$ (44,800)	$ 8,663
Denominator:				
Weighted average common shares outstanding	23,088	25,050	23,088	25,050
Basic earnings per share	$ (0.75)	$ 1.13	$ (1.94)	$ 0.35
Numerator:				
Net loss	$ (17,217)	$ 27,182	$ (43,087)	$ 7,184
Loss available to common shareholders	$ (17,217)	$ 27,182	$ (43,087)	$ 7,184
Denominator:				
Weighted average common shares outstanding	23,088	25,050	23,088	25,050
Basic earnings per share	$ (0.75)	$ 1.08	$ (1.87)	$ 0.29

INTERIM MD&A FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001

(All dollar amounts are in US$ unless otherwise indicated.)

This interim MD&A of Counsel Corporation ("Counsel", "the Company") has been prepared in accordance with accounting principles generally accepted in Canada and should be read in conjunction with the most recent annual MD&A. References to interim financial statements are to the consolidated financial statements of Counsel as at, and for the nine months ended, September 30, 2001.

Major Developments in the Quarter Ended September 30, 2001

The major developments in the quarter ended September 30, 2001 were: (i) the decrease in the Company's ownership of I-Link, Incorporated ("I-Link") from 70.5% to 68.1% on September 6, 2001 due to the conversion of all of I-Link's Class C preferred stock in accordance with their terms (see Note 3 to the interim financial statements); (ii) the increase in the Company's ownership of IBT Technologies, Inc. ("IBT") from 46.9% to 49.5% on September 6, 2001 (see Note 3 to the interim financial statements); (iii) the voluntary filing made on August 3, 2001 by Impower, Inc. ("Impower") under Chapter 11 of the United States bankruptcy legislation, to seek protection from its creditors (see Note 3 to the interim financial statements); and (iv) the Company's disposition of the three nursing homes that it owned in Florida.

Financial Condition

Cash and cash equivalents decreased by $0.4 million during the year to date. The Company's investments in I-Link and Proscape Technologies, Inc. ("Proscape"), as well as additional investments and advances to significantly influenced corporations IBT and Impower were offset by sales of short term investments. Short term investments decreased by $13.5 million primarily due to the sale of approximately 2.5 million shares of Bergen Brunswig Corporation ("Bergen", now AmerisourceBergen Corporation). The increases in amounts receivable, other assets, capital assets, goodwill, accounts payable, deferred revenue and capital leases reflect the consolidation of I-Link, as well as Proscape, for the first time, in the first nine months of 2001. Discontinued assets and liabilities decreased as a result of the sale of the Company's pharmaceutical products business on May 1, 2001. The decrease in the Company's investments in significantly influenced corporations reflects write offs related to the Impower Chapter 11 filing. The decrease in long term care facilities and mortgages and loans payable reflects the disposition of all three of the Company's Florida nursing homes.

Results of Operations – Third Quarter of 2001 compared with Third Quarter of 2000

Revenues increased by approximately $27.5 million in the current quarter over the corresponding quarter of 2000. This increase reflects the consolidation of the operations of I-Link and Proscape in the current quarter. These operations were not consolidated in the second quarter of 2000. The consolidation of I-Link and Proscape in the current quarter is also primarily responsible for the increase in cost of sales, operating expenses, amortization and interest expense over the third quarter of 2000.

The gain on sale of short term investments of $26.9 million in the current quarter relates solely to the sale of Bergen shares.

Equity in losses of significantly influenced corporations for the current quarter consists of the Company's proportionate share of the losses of IBT for the full quarter. In the third quarter of 2000, Impower, IBT, Proscape (which was consolidated in the current quarter) and Core Communications Corporation ("Core") were accounted for as significantly influenced corporations. These losses are net of amortization of goodwill attributable to the acquisition of these corporations, which amortization totalled $0.2 million in the current quarter and $0.9 million in the third quarter of last year.

(All dollar amounts are in US$ unless otherwise indicated.)

The $3.4 million gain on sale of long term care facilities relates to the sale of the Company's Florida nursing homes in September. After an analysis and review of product offerings performed by I-link during the third quarter, a plan to discontinue offering its METS product was adopted, which resulted in an $8.0 million non-cash goodwill impairment charge. The writedown of investments of $8.5 million in the current quarter reflects a $4.0 million provision with respect to the Company's loans to Impower as well as the writedown of certain technology-related portfolio investments.

The provision for income taxes in the current quarter represents taxes on the gain on sale of long term care facilities and the gain on sale of short term investments. No future income tax benefits have been recognized with respect to the losses incurred by I-Link and Proscape during the period. The non-controlling interest in the current quarter is derived from Proscape.

Results of Operations – Nine Months Ended September 30, 2001 compared with Nine Months Ended September 30, 2000

Revenues increased by approximately $45 million in the first nine months of 2001 over the corresponding nine months of 2000. This increase reflects the consolidation of the operations of I-Link and Proscape from their dates of acquisition in the first quarter of 2001. The consolidation of I-Link and Proscape in the current nine-month period is also primarily responsible for the increase in cost of sales, operating expenses, amortization and interest expense over the first nine months of 2000.

The gain on sale of short term investments of $37.8 million in the current period relates to the sale of Bergen shares, while the $1.3 million gain in last year's first nine months arose primarily from sales of RioCan units.

Equity in losses of significantly influenced corporations for the current nine months consists of the Company's proportionate share of the losses of IBT for the entire period, Impower until June 30, 2001 and Proscape until February 17, 2001, when its operations were consolidated. In the first nine months of 2000, Impower, IBT, Proscape and Core were included as significantly influenced corporations. These losses include the amortization of goodwill attributable to the acquisition of these corporations, which amortization totalled $1.6 million in the current nine-month period and $2.1 million in the first nine months of last year. The writedown of investments of $17.4 million in the current period reflects the $7.0 million writedown of the balance of the Company's equity in Impower after taking into account the equity in Impower's losses to June 30, 2001 plus a $4.0 million provision with respect to the Company's loans to Impower as well as the writedown of certain technology-related portfolio investments.

The provision for income taxes in the current period represents taxes on the gain on sale of long term care facilities and the gain on sale of short term investments. No future income tax benefits have been recognized with respect to the losses incurred by I-Link and Proscape during the period. The non-controlling interest in the current period is derived from Proscape and I-Link.

Cash Flows – Third Quarter of 2001 compared with Third Quarter of 2000

Operating activities provided net cash of $21.4 million in the third quarter of 2001 compared with using $1.7 million in the third quarter of 2000. This reflects the sale of short term investments net of operating losses in I-Link and Proscape. The Company did not have any investment in I-Link or control Proscape in the third quarter of 2000 and there were no significant increases in operating assets or decreases in operating liabilities. Overall, there was an increase in cash and cash equivalents of $27.3 million in the current quarter, reflecting additional proceeds received from the sale of the Company's pharmaceutical products business net of the payment

(All dollar amounts are in US$ unless otherwise indicated.)

of the quarterly instalment of the Company's note payable. The major cash flow items affecting the third quarter of 2000's net decrease in cash and cash equivalents of $8.3 million were the purchase for cancellation of common shares pursuant to a normal course issuer bid in accordance with the by-laws and policies of The Toronto Stock Exchange, loan advances and additional investments in discontinued operations.

Cash Flows – Nine Months Ended September 30, 2001 compared with Nine Months Ended September 30, 2000

Operating activities provided net cash of $8.7 million in the first nine months of 2001 compared with using $1.7 million in the same period of 2000. This reflects the sale of short term investments net of operating losses in I-Link and Proscape as well as increases in amounts receivable and other assets. The Company did not have any investment in I-Link or control Proscape in the first nine months of 2000 but there was a significant decrease in accounts payable which resulted in the net use of cash. Overall, there was a decrease in cash and cash equivalents of $0.4 million in the first nine months of 2001, reflecting proceeds received from the sale of the Company's pharmaceutical products business net of telecommunications investments and the Company's additional investments in Proscape, IBT and Impower, as well as the payment of the quarterly instalments of the Company's note payable and the purchase for cancellation of common shares and convertible debentures pursuant to normal course issuer bids in accordance with the by-laws and policies of The Toronto Stock Exchange. The major cash flow items affecting the net decrease in cash and cash equivalents of $6.0 million in the first nine months of 2000 were $22.7 million provided from discontinued operations less additional investments in significantly influenced corporations and portfolio companies and the purchase for cancellation of common shares pursuant to a normal course issuer bid.

CONSOLIDATED BALANCE SHEETS

(in 000s of US$)

	September 30 2001 (unaudited)	December 31 2000 (audited)
ASSETS		
Current assets		
Cash and cash equivalents	$ 51,837	$ 52,220
Short term investments	10,289	23,830
Amounts receivable	20,904	3,414
Income taxes recoverable	2,175	2,112
Future income tax benefits	936	785
Other assets	12,171	4,071
Discontinued assets	5,633	77,239
	103,945	163,671
Long term assets		
Other assets	15,165	19,084
Capital assets (net of amortization of $4,219; 2000 - $1,009)	26,388	1,845
Goodwill (net of amortization of $2,897; 2000 - $865)	14,972	2,755
Investments in significantly influenced corporations	2,962	15,783
Long term care facilities	19,436	23,830
Future income tax benefits	-	1,895
	$ 182,868	$ 228,863
LIABILITIES & SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued charges	$ 30,417	$ 13,681
Deferred revenue	4,347	735
Note payable	30,000	13,333
Mortgages and loans payable	1,892	251
Capital leases	4,896	-
Discontinued liabilities	9,487	40,728
	81,039	68,728
Long term liabilities		
Deferred revenue	675	1,449
Note payable	-	26,667
Mortgages and loans payable	13,573	19,775
Capital leases	7,459	-
Debentures payable	6,079	7,741
Future income taxes	13,481	-
	122,306	124,360
Shareholders' equity	60,562	104,503
	$ 182,868	$ 228,863

The accompanying notes are an integral part of these unaudited consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In 000s of US$) (unaudited) For the nine months ended September 30

	Common Shares			Equity Component	Retained	Total
	No. of Shares (In 000s)	Amount	Contributed Surplus	Debentures Payable	Earnings (Deficit)	Shareholders' Equity
Balance, December 31, 2000	23,937	$ 109,452	$ 2,711	$ 44,042	$ (51,702)	$ 104,503
Shares purchased for cancellation	**(1,034)**	**(4,149)**	**2,094**	**-**	**-**	**(2,055)**
Accretion of equity component of debentures payable	**-**	**-**	**-**	**2,369**	**(2,369)**	**-**
Gain on retirement of debentures payable net of income taxes of $518	**-**	**-**	**1,941**	**(4,523)**	**-**	**(2,582)**
Net loss	**-**	**-**	**-**	**-**	**(39,304)**	**(39,304)**
Balance, September 30, 2001	**22,903**	**$ 105,303**	**$ 6,746**	**$ 41,888**	**$ (93,375)**	**$ 60,562**
Balance, December 31, 1999	25,533	$ 116,251	$ -	$ 42,293	$ (1,819)	$ 156,725
Shares issued	92	144	-	-	-	144
Shares purchased for cancellation	(1,207)	(3,746)	-	-	(8)	(3,754)
Accretion of equity component of debentures payable	-	-	-	2,262	(2,262)	-
Dividends	-	-	-	-	(1,791)	(1,791)
Net loss	-	-	-	-	(22,651)	(22,651)
Balance, September 30, 2000	24,418	$ 112,649	$ -	$ 44,555	$ (28,531)	$ 128,673

The accompanying notes are an integral part of these unaudited consolidated financial statements.

CONSOLIDATED STATEMENTS OF EARNINGS

(In 000s of US$) (unaudited)

	For the three months ended September 30		For the nine months ended September 30	
	2001	2000	2001	2000
Revenues	$ 36,552	$ 9,099	$ 73,467	$ 28,300
Cost of sales	24,176	477	41,731	1,467
Operating expenses	22,398	8,770	51,491	25,913
Earnings (loss) before undernoted item	(10,022)	(148)	(19,755)	920
Gain on sale of short term investments	26,861	70	37,760	1,312
Earnings (loss) before undernoted expenses	16,839	(78)	18,005	2,232
Corporate	979	1,204	3,783	3,008
Amortization	4,549	340	9,432	1,033
Interest	1,189	484	3,332	1,519
Earnings (loss) before losses of significantly influenced corporations	10,122	(2,106)	1,458	(3,328)
Equity in losses of significantly influenced corporations	(761)	(3,087)	(5,582)	(5,820)
Gain on sale of long term care facilities	3,373	-	3,373	-
Impairment of goodwill	(8,040)	-	(8,040)	-
Writedown of investments	(8,500)	(62)	(17,370)	(22,199)
Loss before taxes and non-controlling interest	(3,806)	(5,255)	(26,161)	(31,347)
Income taxes (recovery)	9,211	(950)	14,641	(10,026)
Non-controlling interest	(243)	16	(1,498)	(149)
Loss from continuing operations	(12,774)	(4,321)	(39,304)	(21,172)
Loss from discontinued operations after tax	-	1,318	-	(1,479)
Net loss	$ (12,774)	$ (5,639)	$ (39,304)	$ (22,651)
Earnings per common share – basic and diluted				
Loss from continuing operations	$ (0.59)	$ (0.20)	$ (1.80)	$ (0.93)
Loss from discontinued operations	-	(0.06)	-	(0.06)
Net loss	$ (0.59)	$ (0.26)	$ (1.80)	$ (0.99)
Weighted average number of common shares outstanding (000s)	23,088	25,050	23,088	25,050

The accompanying notes are an integral part of these unaudited consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In 000s of US$) (unaudited)

	For the three months ended September 30 2001	For the three months ended September 30 2000	For the nine months ended September 30 2001	For the nine months ended September 30 2000
Operating activities				
Net loss	$ (12,774)	$ (5,639)	$ (39,304)	$ (22,651)
Non-cash items included in net earnings				
Loss from discontinued operations	-	1,318	-	1,479
Amortization	4,549	340	9,432	1,033
Impairment of goodwill	8,040	-	8,040	-
Amortization of deferred revenue	(1,309)	(185)	(2,151)	(552)
Accretion of liability component of debentures payable	132	183	396	549
Future income taxes (benefits)	10,022	(1,124)	14,707	(9,276)
Non-controlling interest	(243)	16	(1,498)	(149)
Equity in losses of significantly influenced corporations	761	3,087	5,582	5,820
Writedown of investments	8,500	62	17,370	22,199
Gain on sale of short term investments	(26,861)	(70)	(37,760)	(1,312)
Gain on sale of long term care facilities	(3,373)	-	(3,373)	-
Gain on sale of other assets	(63)	(302)	(63)	(302)
Proceeds on sale of short term investments	35,563	3	52,240	7,510
Decrease (increase) in amounts receivable	677	(656)	(3,456)	27
Decrease (increase) in income taxes recoverable	(760)	1,112	(63)	774
Increase in other assets	(5,957)	(438)	(10,597)	(491)
Increase (decrease) in accounts payable	4,457	569	(774)	(6,381)
Net cash provided by (used in) operating activities	21,361	(1,724)	8,728	(1,723)
Cash provided by (used in) investing activities				
Investment in significantly influenced corporations	(684)	(229)	(2,502)	(14,840)
Investment in portfolio companies	-	-	-	(3,700)
Acquisition of telecommunications businesses	-	-	(17,884)	-
Acquisition of software sales and services business	-	-	(845)	-
Mortgages and other advances – repayments	279	1,140	646	1,679
Mortgages and other advances – lending	-	(3,423)	(7,210)	(5,923)
Purchase of short term investments	-	-	(2,909)	-
Proceeds on sale of investments	-	66	-	1,389
Proceeds on sale of long term care facilities	7,006	-	7,006	-
Discontinued operations	10,366	(1,592)	39,353	(2,255)
Net cash provided by (used in) investing activities	16,967	(4,038)	(15,655)	(23,650)
Cash provided by (used in) financing activities				
Note payable – repayment	(3,334)	-	(10,000)	-
Mortgages and loans payable – borrowings	-	-	-	3,529
Mortgages and loans payable – repayments	(7,562)	(176)	(8,185)	(4,080)
Capital lease repayments	(181)	-	(404)	-
Proceeds from exercise of stock options	-	-	-	144
Shares purchased for cancellation	-	(2,407)	(2,055)	(3,754)
Retirement of debentures payable	-	-	(4,122)	(1,500)
Discontinued operations	-	-	-	25,000
Net cash provided by (used in) financing activities	(11,077)	(2,583)	(24,766)	19,339
Increase (decrease) in cash and cash equivalents	27,251	(8,345)	(383)	(6,034)
Cash and cash equivalents, beginning of period	24,586	18,300	52,220	15,989
Cash and cash equivalents, end of period	$ 51,837	$ 9,955	$ 51,837	$ 9,955
Supplemental disclosure of cash flow information				
Cash paid (received) during the period for items relating to continuing operations:				
Interest	$ 959	$ 1,658	$ 4,006	$ 2,168
Income tax refund	-	-	(11)	-
Equipment acquired under capital lease	723	-	9,723	-
Telecommunications shares acquired on exchange of investment	-	-	11,908	-

The accompanying notes are an integral part of these unaudited consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30 (in 000s of US$) (unaudited)

The consolidated financial statements of Counsel Corporation (the "Company") are prepared in accordance with accounting principles generally accepted in Canada and are presented in United States ("US") dollars. These interim consolidated financial statements should be read in conjunction with the most recent audited annual financial statements, as at December 31, 2000. In the opinion of management, all adjustments considered necessary for a fair presentation of results for the periods reported have been included. These adjustments consist only of normal recurring adjustments. The interim financial statements follow the same accounting policies and methods of computation as the most recent audited annual financial statements, except for the additional accounting policies adopted subsequent to the acquisition of certain subsidiaries, as described in Note 1 and the adoption of the new CICA recommendations on calculating earnings per share, as described in Note 4.

Certain comparative figures have been reclassified to conform to the current period financial statement presentation.

1. Significant accounting policies

Due to acquisitions subsequent to December 31, 2000, the following additional significant accounting policies have been adopted.

Revenue recognition

Telecommunications

Long distance and enhanced service revenues are recognized as service is provided to subscribers. Revenues from the sale of promotional and presentation materials are recognized at the time of shipment. The portion of the sign up fee relating to on-going administrative support is deferred and recognized over the initial term of the agreement. Marketing services revenues are presented net of estimated refunds on returns of network marketing materials. Revenues from technology sales that require continued Company involvement are recognized ratably over the expected term of the contract. Revenues from the sale of software licences are recognized when the product is shipped, a noncancellable agreement is in force, the licence fee is fixed or determinable, acceptance has occurred and collectability is reasonably assured. Maintenance and support revenues are recognized ratably over the term of the related agreements. Revenues on long distance development projects are recognized under the percentage of completion method and are based upon costs incurred on the project compared to estimated total costs related to the contract.

Software sales and services

The Company recognizes revenue from software licenses upon delivery to, and acceptance of, the software product by a customer, provided no significant vendor obligations remain outstanding. Revenue on contracts requiring significant production, modification or customization of software is recognized using the percentage-of-completion method, measured by the percentage of costs incurred to date as compared to estimated total costs for each contract. Contract costs include all direct labour and overhead costs. Selling, general and administrative costs are charged to expense as incurred. Provision for estimated losses on uncompleted contracts is made in the period in which such losses are determined. Revenues for maintenance and support are recognized over the term of the agreements on a straight-line basis.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30 (In 000s of US$) (unaudited)

Software development costs

Costs incurred in the research, design and development of software for sale to others are charged to expense until technological feasibility is established, after which remaining software development costs are capitalized and amortized beginning when the product is available for general release to customers. The amortization included in the statement of earnings is computed using the straight-line method over the estimated remaining useful life of the product, which generally does not exceed two years. The Company periodically compares the unamortized portion of capitalized software development costs to the undiscounted net realizable value of the related product. The undiscounted net realizable value is the estimated future gross revenues from that product reduced by the estimated future costs of completing and disposing of that product. The amount by which the unamortized capitalized costs exceed the undiscounted net realizable value is written-off.

2. Recent accounting pronouncements

The Canadian Institute of Chartered Accountants ("CICA") issued Handbook Section 1581, "Business Combinations" which requires the purchase method of accounting for business combinations initiated after June 30, 2001 and eliminates the pooling-of-interests method. The Company believes that the adoption of Handbook Section 1581 will not have a significant impact on its financial statements.

The CICA issued Handbook Section 3062, "Goodwill and Other Intangible Assets", which is effective for fiscal years beginning after December 15, 2001. Handbook Section 3062 requires, among other things, the discontinuance of goodwill amortization. In addition, the section includes provisions, upon adoption, for the reclassification of certain existing recognized intangibles as goodwill, reassessment of the useful lives of existing recognized intangibles, reclassification of certain intangibles out of previously reported goodwill and the testing for impairment of existing goodwill and other intangibles. The Company is currently assessing, but has not yet determined the impact of Handbook Section 3062 on its financial position and results of operations.

3. Accounting for investments

Consolidated subsidiaries

The consolidated financial statements include the accounts of the Company and all companies over which it has control. The results of operations of companies acquired are included from the dates of acquisition.

The Company's principal operating subsidiaries comprising continuing operations and its respective ownership interest in each subsidiary as at September 30, 2001 and December 31, 2000 are as follows:

	September 30 2001	December 31 2000
I-Link, Incorporated ("I-Link") *(i)*	**68.1%**	-
Counsel Corporation (US)	**100.0%**	100.0%
Sage Biopharma, Inc. ("Sage")	**78.5%**	78.3%
Proscape Technologies, Inc. ("Proscape") *(ii)*	**56.5%**	-

(i) On February 22, 2001, the Company acquired a 97.5% interest in Nexbell Communications Inc. ("Nexbell") for cash consideration of $1,306. The cost of the Company's acquisition was allocated on the basis of the fair market value of the assets acquired ($1,580) and the liabilities assumed ($9,410). These valuations gave rise to $9,136 of unallocated excess of cost over net liabilities assumed, which was being amortized over a period of five years.

September 30 (in 000s of US$) (unaudited)

During the quarter ended September 30, 2001, the Company performed a valuation analysis with respect to the goodwill recorded on its acquisition of Nexbell. The analysis resulted in an impairment of $8,040 as a consequence of projected losses associated with Nexbell's prime product and the subsequent decision to adopt a plan to discontinue this product.

On March 1, 2001, the Company acquired a 65.2% interest in I-Link for cash consideration of $3,578. The cost of the Company's acquisition was allocated on the basis of the fair market value of the assets acquired ($15,590) and the liabilities assumed ($22,247). These valuations gave rise to $10,235 of unallocated excess of cost over net liabilities assumed, which is being amortized over a period of five years.

On April 17, 2001, as a result of a merger between I-Link and Nexbell, the Company's interest in Nexbell was exchanged for an additional 5.3% interest in I-Link, resulting in an overall interest in I-Link of 70.5%.

On June 4, 2001, I-Link acquired certain net assets of WorldxChange Communications, Inc. for cash consideration of $13,000. The cost of the acquisition was allocated on the basis of the fair market value of the assets acquired ($17,344) and the liabilities assumed ($4,344).

On September 6, 2001, all outstanding shares of I-Link's Class C preferred stock automatically converted into shares of common stock in accordance with the terms of the Class C preferred stock. Accordingly, I-Link issued 3,949,031 shares of its common stock in satisfaction of this conversion and its obligation to pay dividends to the conversion date. This issuance diluted the Company's interest to 68.1%.

(ii) On February 17, 2001, the Company increased its ownership in Proscape from 36.0% to 56.5% for cash consideration of $845. As a result, the Company acquired control and has consolidated Proscape's operations from February 17, 2001. The operations from January 1 to February 16, 2001 have been accounted for on the equity basis. The cost of the Company's acquisition was allocated on the basis of the fair market value of the assets acquired ($2,651) and the liabilities assumed ($2,854). These valuations gave rise to $1,048 of unallocated excess of cost over net liabilities assumed, which is being amortized over a period of five years.

Significantly influenced corporations

Corporations over which voting control does not exist but significant influence is exercised are accounted for using the equity method.

The principal operating affiliates over which the Company exerts significant influence and its respective ownership interest in each affiliate as at September 30, 2001 and December 31, 2000 are as follows:

	September 30 2001	December 31 2000
IBT Technologies, Inc. ("IBT") *(i)*	**49.5%**	27.7%
Impower, Inc. ("Impower") *(ii)*	**33.6%**	33.6%
Proscape Technologies, Inc.	**-**	36.0%

(i) On May 31, 2001, the Company acquired a further interest in IBT for cash consideration of $1,817 resulting in a 46.9% interest at June 30, 2001. The cost of the Company's acquisition was allocated on the basis of the fair market value of the assets acquired ($1,624) and the liabilities assumed ($325). These valuations gave rise to $518 of unallocated excess of cost over net assets acquired, which is being amortized over a period of five years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30 (in 000s of US$) (unaudited)

On September 6, 2001, the Company acquired a further interest in IBT for cash consideration of $684 resulting in a 49.5% interest at September 30, 2001. The cost of the Company's acquisition was allocated *on the basis of the fair market value of the assets acquired ($1,212) and the liabilities assumed ($562).* These valuations gave rise to $34 of unallocated excess of cost over net assets acquired.

(ii) On August 3, 2001, Impower made a voluntary filing under Chapter 11 of the United States bankruptcy legislation to seek protection from its creditors. As a result, the Company has written off its equity investment in Impower in its entirety.

4. Change in accounting policy

The Company has adopted the new CICA recommendations on calculating earnings per share, CICA Handbook *Section 3500, and as a result has retroactively restated the prior year's results. Under the revised standard the* treasury stock method is used instead of the imputed earnings approach for determining the dilutive effect of warrants and options and equivalents. Under the treasury stock method, earnings per share data are computed as if the options were exercised at the beginning of the period (or at the time of issuance, if later) and as if the funds obtained from exercise were used to purchase common stock at the average market price during the period. The adoption of the new standard had no effect on earnings per share for the 9 months and 3 months ended September 30, 2000.

5. Short term investments

Summarized below is selected financial information relating to short term investments at September 30, 2001 and December 31, 2000.

	Number of Shares		Carrying Amount	
	September 30 2001 (in 000s)	December 31 2000 (in 000s)	September 30 2001	December 31 2000
AmerisourceBergen (i)	625	1,568	$ 9,323	$ 23,383
Other			966	447
			$ 10,289	$ 23,830

(i) On August 29, 2001, AmeriSource Health Corporation and Bergen Brunswig Corporation ("Bergen") merged to form AmerisourceBergen Corporation ("AmerisourceBergen"). Bergen shares were exchanged for .37 of a share of AmerisourceBergen.

During the nine months ended September 30, 2001, the Company sold 2,549,042 shares of Bergen (the equivalent of 943,164 shares of AmerisourceBergen) for net proceeds of $51,638, resulting in a gain on disposition of $37,599.

At September 30, 2001 the market value of the Company's interest in AmerisourceBergen was $44,374 or $70.95 per share (December 31, 2000 – $67,110 or the equivalent of $42.78 per share).

During the nine months ended September 30, 2000, the Company wrote down its interest in Bergen by $21,888.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30 (In 000s of US$) (unaudited)

6. Other assets

	September 30 2001	December 31 2000
Mortgages and other advances	$ 7,065	$ 12,224
Portfolio investments	3,108	6,424
Other telecommunications assets	3,682	-
Prepaid expenses	3,579	-
Other intangibles	2,294	-
Software development costs	1,394	-
Other	6,214	4,507
	27,336	23,155
Less - current portion	(12,171)	(4,071)
	$ 15,165	$ 19,084

7. Note payable

On November 1, 2001, the Company repaid in full its note payable that was originally assumed as part of the consideration for the acquisition of the rights to certain pharmaceutical products.

8. Discontinued operations

Effective May 23, 2000, the Company adopted a plan to dispose of the pharmaceutical products business of FARO Pharmaceuticals Inc. ("FARO") through the disposition of its rights, including trademarks, copyrights and regulatory filings in certain pharmaceutical products. On May 1, 2001, the Company completed the sale of this business segment for $67,000 consisting of $54,000 paid on closing, $8,000 payable 60 days subsequent to the closing, and a further $5,000 payable within 30 days of the anniversary of the closing, subject to specified levels of inventories on hand at the date of closing and sales returns and rebates relating to operations prior to the closing. In addition, the Company is in the process of realizing the net discontinued assets not included in the disposition.

Subsequent to September 30, 2001, the Company successfully reduced certain costs related to these discontinued operations. This resulted in a pre-tax recovery of $11,500, before applicable costs, which will be recorded in the fourth quarter of 2001.

September 30 (In 000s of US$) (unaudited)

9. Segmented information

During 2001 the Company has entered into a new reportable segment being, the provision of telecommunications products and services in the United States.

For the three months ended September 30, 2001

	Long Term Care *(i)*	Medical Products	Telecom.	Technology Services	Corporate *(ii)*	Total
Revenues	$ 7,965	$ 906	$ 27,128	$ 225	$ 328	$ 36,552
Cost of sales	-	878	22,989	309	-	24,176
Operating expenses	7,829	1,473	11,780	1,316	-	22,398
Earnings (loss) before undernoted item	136	(1,445)	(7,641)	(1,400)	328	(10,022)
Gain on sale of short term investments	-	-	-	-	26,861	26,861
Earnings (loss) before undernoted expenses	136	(1,445)	(7,641)	(1,400)	27,189	16,839
Corporate	-	-	-	-	979	979
Amortization	207	196	3,715	376	55	4,549
Interest	485	7	144	4	549	1,189
Earnings (loss) before losses of significantly influenced corporations	(556)	(1,648)	(11,500)	(1,780)	25,606	(10,122)
Equity in losses of significantly influenced corporations	-	-	-	(761)	-	(761)
Gain on sale of long term care facilities	3,373	-	-	-	-	3,373
Impairment of goodwill	-	-	(8,040)	-	-	(8,040)
Writedown of investments	-	-	-	(4,028)	(4,472)	(8,500)
Earnings (loss) before income taxes	2,817	(1,648)	(19,540)	(6,569)	21,134	(3,806)
Income taxes (recovery)	691	-	-	(640)	9,160	9,211
Segment loss	$ 2,126	$ (1,648)	$ (19,540)	$ (5,929)	$ 11,974	$ (13,017)
Segment assets *(iii)(iv)*	$ 23,213	$ 5,462	$ 60,589	$ 9,981	$ 77,990	$ 177,235

(i) Long term care operations includes revenues from Canada of $7,626 and from the United States of $339.

(ii) Corporate earnings includes interest income of $294.

(iii) Medical products, telecommunications and technology services assets, as well as $2,671 of long term care assets, are located in the United States. The balance of long term care assets of $20,542 are located in Canada.

(iv) Segment assets exclude assets of discontinued operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30 (In 000s of US$) (unaudited)

For the three months ended September 30, 2000

	Long Term Care *(i)*	Medical Products	Technology Services	Corporate *(ii)*	Total
Revenues	$ 8,057	$ 583	$ -	$ 459	$ 9,099
Cost of sales	-	477	-	-	477
Operating expenses	7,850	920	-	-	8,770
Earnings (loss) before undernoted item	207	(814)	-	459	(148)
Gain on sale of short term investments	-	-	-	70	70
Earnings (loss) before undernoted expenses	207	(814)	-	529	(78)
Corporate	-	-	-	1,204	1,204
Amortization	213	134	-	(7)	340
Interest	499	-	-	(15)	484
Loss before losses of significantly influenced corporations	(505)	(948)	-	(653)	(2,106)
Equity in losses of significantly influenced corporations	-	-	(3,087)	-	(3,087)
Writedown of investments	-	-	-	(62)	(62)
Loss before income taxes	(505)	(948)	(3,087)	(715)	(5,255)
Income taxes (recovery)	(179)	(365)	(681)	275	(950)
Segment loss	$ (326)	$ (583)	$ (2,406)	$ (990)	$ (4,305)
Segment assets *(iii)(iv)*	$ 26,530	$ 4,195	$ 19,094	$ 80,635	$130,454

(i) Long term care operations includes revenues from Canada of $7,719 and from the United States of $338.

(ii) Corporate earnings includes interest income of $392.

(iii) Medical products, telecommunications and technology services assets, as well as $6,843 of long term care assets, are located in the United States. The balance of long term care assets of $19,687 are located in Canada.

(iv) Segment assets exclude assets of discontinued operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30 (In 000s of US$) (unaudited)

For the nine months ended September 30, 2001

	Long Term Care *(i)*	Medical Products	Telecom.	Technology Services	Corporate *(ii)*	Total
Revenues	$ 23,627	$ 2,747	$ 44,211	$ 764	$ 2,118	$ 73,467
Cost of sales	-	1,969	38,959	803	-	41,731
Operating expenses	23,270	3,916	20,660	3,645	-	51,491
Earnings (loss) before undernoted item	357	(3,138)	(15,408)	(3,684)	2,118	(19,755)
Gain on sale of short term investments	-	-	-	-	37,760	37,760
Earnings (loss) before undernoted expenses	357	(3,138)	(15,408)	(3,684)	39,878	18,005
Corporate	-	-	-	-	3,783	3,783
Amortization	626	373	7,346	917	170	9,432
Interest	1,460	10	376	30	1,456	3,332
Earnings (loss) before losses of significantly influenced corporations	(1,729)	(3,521)	(23,130)	(4,631)	34,469	1,458
Equity in losses of significantly influenced corporations	-	-	-	(5,582)	-	(5,582)
Gain on sale of long term care facilities	3,373	-	-	-	-	3,373
Impairment of goodwill	-	-	(8,040)	-	-	(8,040)
Writedown of investments	-	-	-	(11,064)	(6,306)	(17,370)
Earnings (loss) before income taxes	1,644	(3,521)	(31,170)	(21,277)	28,163	(26,161)
Income taxes	715	-	-	355	13,571	14,641
Segment earnings (loss)	$ 929	$ (3,521)	$ (31,170)	$ (21,632)	$ 14,592	$ (40,802)
Segment assets *(iii)(iv)*	$ 23,213	$ 5,462	$ 60,589	$ 9,981	$ 77,990	$ 177,235

(i) Long term care operations includes revenues from Canada of $22,611 and from the United States of $1,016.

(ii) Corporate earnings include interest income of $1,582.

(iii) Medical products, telecommunications and technology services assets, as well as $2,671 of long term care assets, are located in the United States. The balance of long term care assets of $20,542 are located in Canada.

(iv) Segment assets exclude assets of discontinued operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30 (In 000s of US$) (unaudited)

For the nine months ended September 30, 2000

	Long Term Care *(i)*	Medical Products	Technology Services	Corporate *(ii)*	Total
Revenues	$ 23,904	$ 2,171	$ -	$ 2,225	$ 28,300
Cost of sales	-	1,467	-	-	1,467
Operating expenses	23,307	2,606	-	-	25,913
Earnings (loss) before undernoted item	597	(1,902)	-	2,225	920
Gain on sale of short term investments	-	-	-	1,312	1,312
Earnings (loss) before undernoted expenses	597	(1,902)	-	3,537	2,232
Corporate	-	-	-	3,008	3,008
Amortization	615	265	-	153	1,033
Interest	1,503	-	-	16	1,519
Earnings (loss) before losses of significantly influenced corporations	(1,521)	(2,167)	-	360	(3,328)
Equity in losses of significantly influenced corporations	-	-	(5,820)	-	(5,820)
Writedown of investments	-	-	-	(22,199)	(22,199)
Loss before income taxes	(1,521)	(2,167)	(5,820)	(21,839)	(31,347)
Income taxes (recovery)	(543)	(874)	(1,633)	(6,976)	(10,026)
Segment loss	$ (978)	$ (1,293)	$ (4,187)	$ (14,863)	$ (21,321)
Segment assets *(iii)(iv)*	$ 26,530	$ 4,195	$ 19,094	$ 80,635	$ 130,454

(i) Long term care operations includes revenues from Canada of $22,890 and from the United Sates of $1,014.

(ii) Corporate earnings includes interest income of $623.

(iii) Medical products, telecommunications and technology services assets, as well as $6,843 of long term care assets, are located in the United States. The balance of long term care assets of $19,687 are located in Canada.

(iv) Segment assets exclude assets of discontinued operations.

September 30 (in 000s of US$ except per share amounts) (unaudited)

10. Earnings per share disclosures

The following is a reconciliation of the numerators and denominators used in computing basic and diluted earnings per share.

	For the three months ended September 30		For the nine months ended September 30	
	2001	2000	2001	2000
Basic earnings per share computation				
Numerator:				
Loss before discontinued operations	**$ (12,774)**	$ (4,321)	**$ (39,304)**	$ (21,172)
Accretion of equity component of debentures payable	**(790)**	(754)	**(2,369)**	(2,262)
Loss available to common shareholders	**$ (13,564)**	$ (5,075)	**$ (41,673)**	$ (23,434)
Denominator:				
Weighted average common shares outstanding	**23,088**	25,050	**23,088**	25,050
Basic earnings per share	**$ (0.59)**	$ (0.20)	**$ (1.80)**	$ (0.93)
Numerator:				
Net loss	**$ (12,774)**	$ (5,639)	**$ (39,304)**	$ (22,651)
Accretion of equity component of debentures payable	**(790)**	(754)	**(2,369)**	(2,262)
Loss available to common shareholders	**$ (13,564)**	$ (6,393)	**$ (41,673)**	$ (24,913)
Denominator:				
Weighted average common shares outstanding	**23,088**	25,050	**23,088**	25,050
Basic earnings per share	**$ (0.59)**	$ (0.26)	**$ (1.80)**	$ (0.99)

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Chartered Accountants

Computershare Trust Company of Canada
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Computershare Trust Company, Inc.
Tel: 303-984-4034

Capital Stock and Convertible Debentures

At September 30, 2001, there were 22,903,000 common shares and US$43,631,000 of convertible debentures outstanding.

Counsel Corporation's common shares are listed on The Toronto Stock Exchange under the symbol CXS and on The NASDAQ Stock Market under the symbol CXSN. Its convertible debentures are listed on The Toronto Stock Exchange under the symbol CXS.DB.U.

Shareholder and Investor Contact

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Exhibit C

Certificate of Good Standing for RSL COM U.S.A., Inc.

No. F00428043

STATE OF MISSOURI

Matt Blunt
Secretary of State

CORPORATION DIVISION

CERTIFICATE OF CORPORATE GOOD STANDING - FOREIGN CORPORATION

I, MATT BLUNT, Secretary of State of the State of Missouri, do hereby certify that the records in my office and in my care and custody reveal that

RSL COM U.S.A., INC.

using in Missouri the name

RSL COM U.S.A., INC.

a DELAWARE corporation filed its Evidence of Incorporation with this State on the 21st day of JUNE, 1996, and is in good standing, having fully complied with all requirements of this office.

IN TESTIMONY WHEREOF, I have set my hand and imprinted the GREAT SEAL of the State of Missouri, on this, the 24th day of SEPTEMBER, 2002.

Matt Blunt
Secretary of State

SOS #30 (1-01)

<u>Exhibit D</u>

Illustrative Chart

Exhibit D: Illustrative Chart of WorldxChange/RSL Transaction