SWIDLER BERLIN SHEREFF FRIEDMAN, LLP
THE WASHINGTON HARBOUR
3000 K STREET, NW, SUITE 300
WASHINGTON, DC 20007-5116
TELEPHONE (202)424-7500
FAX (202) 424-7645
www.swidlaw.com

NEW YORK OFFICE
THE CHRYSLER BUILDING
405 LEXINGTON AVENUE
NEW YORK, NY 10174

April 3, 2003

VIA OVERNIGHT DELIVERY

Blanca S. Bayo, Director
Division of Records & Recording
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

030314-TP

Re: Letter Application of WorldxChange Corp. d/b/a Acceris Communications Partners; Acceris Communications Solutions and Local Telcom Holdings, LLC

Dear Ms. Bayo:

WorldxChange Corp. d/b/a Acceris Communications Partners; Acceris Communications Solutions ("Acceris" or "Company") and Local Telcom Holdings, LLC ("LTH") (together "Applicants"), through undersigned counsel, hereby request that the Commission grant authority to permit Applicants to consummate a series of transactions through which Acceris will acquire indirect ownership of LTH and subsequently, transfer direct ownership of the regulated assets of LTH including LTH's Florida customer base to Acceris. As described in greater detail below, Applicants also respectfully request approval to abandon LTH's Florida authorization contingent upon consummation of the transactions proposed herein ("Transactions").

In connection with the Transactions, Applicants seek a waiver, to the extent necessary, of the Commission's rules on presubscribed carrier changes, including Section 25-4.118 of the Florida Administrative Code, to enable Applicants to migrate LTH's residential customers from LTH to Acceris without having to obtain a written authorization from each of LTH's presubscribed customers.[1] Immediately following the proposed Transactions, LTH's customers will continue to receive service from Acceris under the same rates, terms and conditions of service as the service currently provided by LTH. As a result, the Transactions, other than changing the name of the providing carrier, will be virtually transparent to all of LTH's customers in terms of the services they receive.

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1 With respect to customer migration, Acceris will also complete appropriate filings necessary to comply with the rules of the Federal Communications Commission.

DOCUMENT NUMBER-DATE
03175 APR-4 03
FPSC-COMMISSION CLERK

Applicants respectfully request that the Commission approve this Application as expeditiously as possible in order to allow Applicants to consummate the proposed Transactions as soon as possible.

An original and twelve (12) copies of this filing are enclosed. Please date-stamp the enclosed extra copy of this filing and return it in the self-addressed, postage prepaid envelope provided.

Applicants further state as follows:

I. Description of Applicants

A. WorldxChange Corp. d/b/a Acceris Communications Partners; Acceris Communications Solutions ("Acceris")

Acceris 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. Acceris is a wholly owned indirect subsidiary of I-Link Incorporated. I-Link Incorporated is a publicly traded Florida corporation which is indirectly majority owned and controlled by Counsel Corp. ("Counsel"). Counsel is a publicly traded Canadian corporation that specializes in investments, including investments in communications companies. Recent financial information for Counsel is provided in Exhibit B.

In Florida, Acceris is authorized to provide telecommunications services pursuant to certification granted by the Commission in Docket No. 011023-TI, (Certificate No. 7570).[2] Further information concerning Acceris's legal, technical, managerial and financial qualifications to provide service was submitted with its application for certification with the Commission and is, therefore, a matter of public record. Acceris respectfully requests that the Commission take official notice of that information and incorporate it herein by reference.

B. Local Telcom Holdings, LLC ("LTH")

LTH is a Delaware limited liability company with principal offices located at 28118 Agoura Road, Suite 201, Agoura Hills, California 91302. In Florida, LTH provides intrastate toll service by virtue of certification granted by the Commission in Docket No. 010199-TI (Certificate No. 7808). LTH's current Florida operations consist of the provision of resold interexchange services to residential and commercial customers. Further information concerning

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[2] On February 12, 2003, the Company filed an Application with the Commission advising the Commission of the Company's decision to provide service under the Acceris brand name. That Application was approved by the Commission on March 21, 2003 in Docket No. 030164-TI. The Company expects to initiate use of the Acceris d/b/a names prior to the consummation of the Transactions described herein.

LTH was submitted with its application for certification, is a matter of public record and is incorporated herein by reference.

II. Contact Information

Questions or inquiries concerning this filing may be directed to:

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:

Joan Stewart
Womble Carlyle Sandridge & Rice, LLC
1401 Eye Street, N.W.
Washington, DC 20005
(202) 467-6900 (Tel)
(202) 467-6910 (Fax)

III. Description of the Transactions

Acceris and LTH plan to consummate a series of Transactions whereby Acceris will acquire the Florida assets and customer base of LTH and LTH will subsequently cease to operate. In particular, the Transactions currently contemplated by Applicants include:

Step 1: A newly formed, wholly owned holding company subsidiary of Acceris, Transpoint Holdings Corporation ("THC"), will acquire all of the stock of LTH. As a result, LTH will become a wholly-owned subsidiary of Acceris through THC.

Step 2: Following the indirect acquisition of LTH by Acceris, all of LTH's customers and other operating assets will be assigned on an intra-corporate family basis from LTH to Acceris. Once the customer assignment is complete, Acceris will assume the service obligations to current LTH customers.

Step 3: After all of LTH's customers and assets have been transferred to Acceris, LTH will relinquish its authority and will cease to operate in Florida.

In order to complete the proposed series of Transactions, Applicants have entered into several agreements, including a Purchase Agreement, as amended (through which the change in ownership of LTH described in Step 1 above will be completed) and an Asset Purchase Agreement, as amended (which relates to the assignment of customers as described in Step 2 above).[3] A chart illustrating the proposed Transactions is provided in Exhibit A.

The assets to be acquired by Acceris include, among other things, all of the regulated operations of LTH in Florida, including LTH's existing customer base. Because Acceris is already authorized to provide the service LTH provides in Florida, Acceris is not seeking authority to acquire LTH's operating authority in Florida.

Instead, because Acceris proposes to acquire LTH's entire customer base and Applicants expect to wind-down LTH following the consummation of the Transactions, Applicants respectfully request that through this proceeding the Commission grant any authority necessary to permit LTH to discontinue service upon consummation of the Transactions and permit LTH to relinquish its Florida certification. In order to permit Applicants sufficient time to close the Transactions after approval, however, Applicants respectfully request that the Commission condition such revocation on the consummation of the proposed Transactions and not on Commission approval. Following consummation, Applicants will file post-consummation notice with the Commission.

The proposed Transactions will not directly affect the rates, terms and conditions under which LTH customers receive service. Acceris and LTH have agreed to work together to ensure that LTH's customers are transferred seamlessly between Applicants and that no interruptions in service will occur. In connection with transfer of LTH's customers from LTH to Acceris, Applicants seek a waiver, to the extent necessary, of the Commission's rules on presubscribed carrier changes, to enable Applicants to migrate LTH's presubscribed customers from LTH to Acceris.[4] To the extent necessary, Acceris will also adopt LTH's tariffs or make other appropriate filings to ensure the seamless transition of LTH's customers to Acceris. As a result, the Transactions will be (other than the change in the name of their service provider) virtually transparent to LTH's customers in terms of the services they receive.

IV. Public Interest Considerations

Applicants respectfully submit that the proposed Transactions serve the public interest. In particular, Applicants submit that (1) the Transactions will increase competition in the Florida telecommunications market by reinforcing the status of Acceris as a viable competitor, and (2) the

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[3] Applicants will provide copies of the Agreements upon request.

[4] In conformance with FCC and state law, Applicants have provided pre-consummation notice to LTH's customers using the format provided in Exhibit C.

Transactions will minimize the disruption of service and be virtually transparent to LTH's customers.

The proposed Transactions are expected to facilitate competition in Florida by improving the operational position of Acceris. The proposed Transactions will permit Acceris and LTH to combine their complimentary management skills and assets, thereby enhancing Acceris's operational flexibility and financial viability. At the same time, the expansion of Acceris's customer base which will occur as a result of the transfer of LTH's customers to Acceris will improve Acceris's position in the Florida telecommunications market and permit Acceris to compete more effectively against larger carriers in Florida.

The proposed Transactions will also ensure that customers of LTH continue to receive high quality communications services. As noted above, the Transactions will not affect the rates, terms and conditions of the services that current LTH customers receive. In addition, Acceris and LTH have agreed to work closely together to prevent transaction related service interruptions. As a result, the proposed Transactions will be virtually transparent to customers with respect to the services they receive.

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. Accordingly, Applicants respectfully request expedited treatment and grant of this Application to permit Applicants to consummate the Transactions as soon as possible.

Respectfully submitted,

By: ______________________

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)

COUNSEL FOR WORLDXCHANGE CORP. d/b/a ACCERIS COMMUNICATIONS PARTNERS; ACCERIS COMMUNICATIONS SOLUTIONS

LIST OF EXHIBITS

Exhibit A

Illustrative Chart

Illustrative Chart

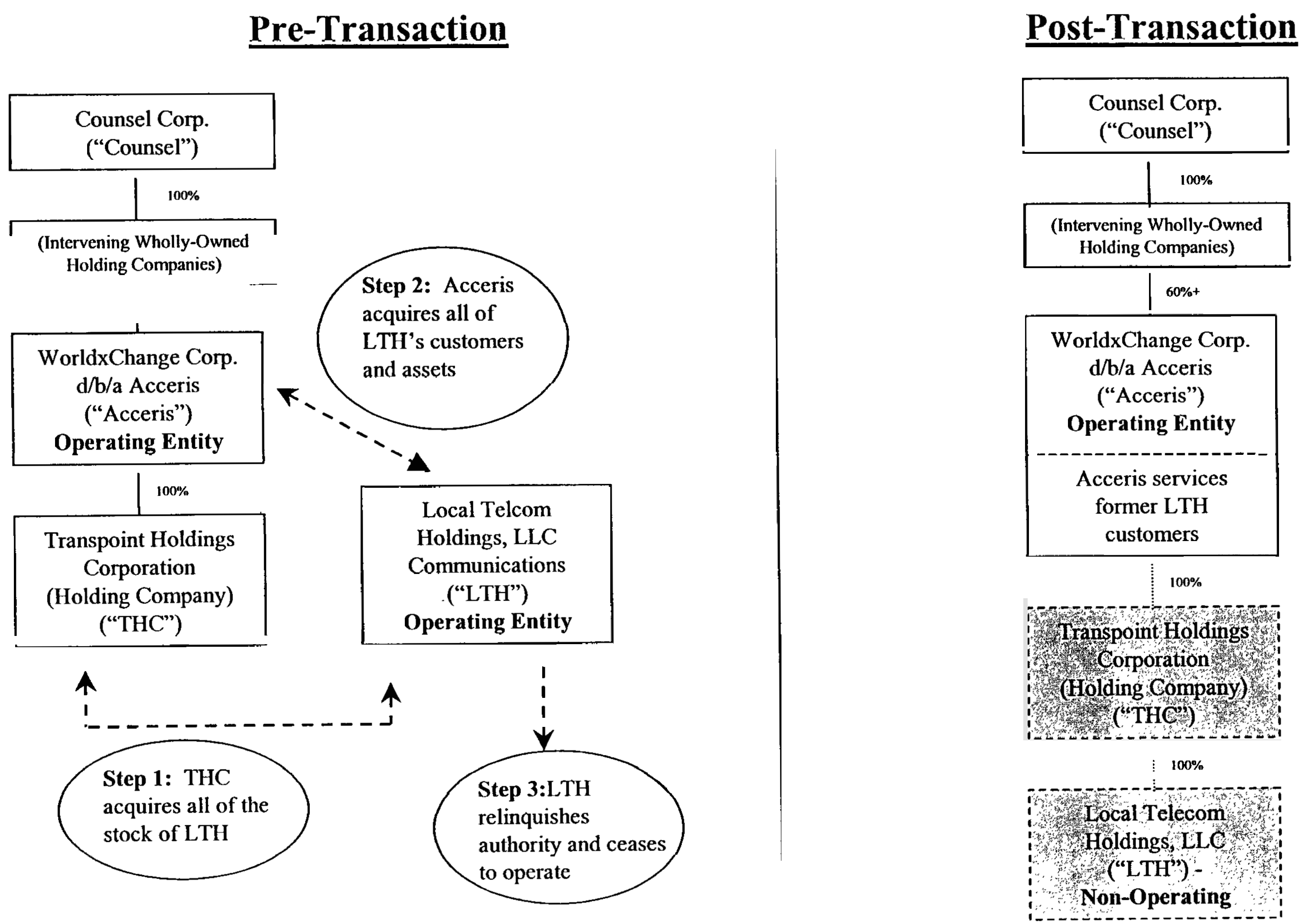

Exhibit B

Financial Information

COUNSEL CORPORATION

THIRD QUARTER REPORT 2002

FOR THE PERIOD ENDING SEPTEMBER 30, 2002

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REPORT TO SHAREHOLDERS

We are pleased to report Counsel Corporation's consolidated results for the third quarter of 2002.

Counsel continues to make significant progress towards its strategic objectives as follows:

Communications

- Our international and domestic long distance service provider, WorldxChange, has now completed its second consecutive quarter of operating profitability and third consecutive quarter of positive EBITDA, and we expect the trend to continue. The WorldxChange business, since its initial capitalization, has not required any additional funding from the Company.
- We have entered into agreements to acquire the assets of RSL COM U.S.A., Inc. and the shares of Local Telecom Holdings LLC, subject to due diligence and regulatory approval. We expect these transactions to be completed in the fourth quarter. These transactions will add significant traffic to WorldxChange's existing fixed cost network, allowing the cost of operations to be shared over a larger revenue base and thereby improving profitability.
- We have completed negotiations with I-Link Corporation, our 60.2%-owned subsidiary and the parent of WorldxChange, which will see the Company's ownership increase to 76.1% by exchanging US$26.6 million of advances and accrued interest, due from I-Link, into common shares. This restructuring will take effect after I-Link's shareholders have approved certain corporate proposals at a meeting which is expected to occur in the first quarter of 2003.
- I-Link's litigation with Red Cube has been resolved on favorable terms. The arbitrator has dismissed all claims against I-Link with prejudice and determined that Red Cube had breached the agreements between the parties. I-Link has been awarded US$6.7 million in damages, plus costs incurred. Management is assessing how to realize on its award and will record income if and when amounts are collected.

Real Estate

- We completed the acquisition of five income producing properties totaling 730,952 sq. ft. of gross leasable area for US$35.5 million, assuming mortgages of US$20.0 million. Included in this acquisition is a 13-acre site in Peterborough, Ontario for which a plan of development is underway.

Corporate

- We have exited the medical products segment with the disposition of Sage BioPharma Inc., effective October 4, 2002, for net proceeds of $1.4 million. The results of Sage have been treated as discontinued operations in the quarter.
- Gary Clifford has joined our management team as Chief Financial Officer.

For the quarter ended September 30, 2002, consolidated revenues from continuing operations were $31.4 million compared to $31.7 million in the second quarter and $35.4 million in third quarter of 2001. This quarterly decline in revenues is directly attributable to a shift in Counsel's mix of communications services, toward retail and away from wholesale. The rationale for this shift is to develop a business with higher margins and a more loyal customer base, which will ultimately result in the optimization of network capacity.

Consolidated operating income continued to show improvements. Operating losses (comprised of earnings from continuing operations before gains and other income, other impairments and losses, interest, taxes, equity and minority positions) declined to $4.7 million from $5.8 million in the second quarter and $14.2 million in the third quarter of 2001.

We are excited about the prospects for Counsel as we focus our strategy to acquire, enhance, and grow healthy businesses in communications, real estate and seniors living. At the right time and on the right terms, Counsel will continue to exit from non-strategic investments and invest in our core businesses.

On behalf of the Board,

Allan Silber

ALLAN SILBER
Chairman & Chief Executive Officer
November 21, 2002.

INTERIM MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2002

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

This interim Management's Discussion and Analysis ("MD&A") of Counsel Corporation ("Counsel", the "Company") is based on the Company's interim consolidated financial statements prepared in accordance with accounting principles generally accepted in Canada and the guidance of the Canadian Institute of Public and Private Real Estate companies ("CIPREC"), and should be read in conjunction with the most recent annual MD&A, financial statements and the notes thereto. References to interim financial statements are to the unaudited consolidated financial statements of Counsel as at, and for the nine months ended, September 30, 2002.

SAFE HARBOUR STATEMENT

This MD&A report contains forward-looking statements that involve risk and uncertainties. These statements can be identified by the use of forward-looking terminology such as "may", "will", "expect", "anticipate", "estimate", "plans", "continue", or the negative thereof or other variations thereon or comparable terminology referring to future events or results. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of numerous factors. These factors include, without limitation, the timing of acquisitions and expansion opportunities, technological change that may impact the Company's capital expenditures and results of operations, and competitive factors that may, among other matters impact revenue, operating costs, alter the timing and amount of the Company's capital expenditures and results of operations. Any of these factors could cause actual results to vary materially from current results or the Company's currently anticipated future results. The Company wishes to caution readers not to place undue reliance on such forward-looking statements that speak only as of the date made. Additional information concerning factors that cause actual results to materially differ from those in such forward-looking statements is contained in the Company's filings with Canadian and United States securities regulatory authorities.

DEFINITIONS

The Company focuses its analysis on operating income (loss) and net earnings (loss). Operating income (loss) and net earnings (loss) are reconciled in the body of the Company's unaudited consolidated statement of operations. Operating income (loss) is calculated as earnings from continuing operations before other gains, other losses and impairments, interest, taxes, equity in losses and minority interests.

RECLASSIFICATIONS

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

OVERVIEW

During the third quarter of 2002 the Company executed on its strategic plan, summarized by the following segment highlights:

Communications:

- The Company's long distance business, WorldxChange, has now completed its second consecutive quarter of operating profitability and the trend is expected to continue.
- The Company has entered into purchase agreements to acquire the assets of RSL COM U.S.A. Inc. and the shares of Local Telecom Holdings LLC, subject to due diligence, regulatory approval and agreement on certain price adjustments. The Company expects these transactions to be completed in the fourth quarter. These transactions

will add significant traffic to the Company's existing fixed cost network allowing the cost of operations to be shared over a larger revenue base, improving profitability.

- The Company completed negotiations with I-Link Corporation ("I-Link"), our 60.2% owned subsidiary, that will see the Company's ownership increase to 76.1% by exchanging $26.6 million of advances and accrued interest due from I-Link into common shares. This transaction is conditional upon I-Link's shareholder approval of certain corporate proposals, which approval is expected in the first quarter of 2003.
- I-Link's litigation with Red Cube has been resolved on favorable terms. The arbitrator has dismissed all claims against I-Link with prejudice and determined that Red Cube had breached the agreements between the parties. I-Link has been awarded $6.7 million in damages, plus costs incurred. Management is assessing how to realize on its award and will record income if and when amounts are collected.

Real Estate:

- The Company completed the acquisition of five Income producing properties totaling 730,952 sq. ft. of gross leaseable area for $35.5 million, assuming mortgages of $20.0 million.

Corporate:

- The Company exited the medical products business with the disposition of Sage Biopharma Inc. ("Sage") effective October 4, 2002 for net proceeds of $1.4 million. The results of Sage have been treated as discontinued operations in the quarter.
- Gary Clifford has joined our management team as Chief Financial Officer.

FINANCIAL CONDITION

Cash and cash equivalents and short-term investments declined by $10.5 million during the nine months ended September 30, 2002. The Company's ongoing funding of the Communications platform, the acquisition of 730,952 square feet of income producing properties, the settlement of the Bergen Brunswig litigation, scheduled debt and capital lease payments, the re-purchase of the Company's common shares for cancellation, and the purchase of property, plant and equipment accounted for the cash reductions. Proceeds on the sale of short-term investments, a reduction in the day sales outstanding ("DSO"), and cash flow from real estate operations contributed to increases in the cash balance during the nine months ended September 30, 2002. Prepaid expense and deposits increased as the Company made a deposit and incurred costs relating to potential acquisitions, and gave recognition to a deposit relating to its long distance business that could not previously be validated. Income producing properties primarily include Counsel's five properties acquired in July 2002. Property, plant and equipment declined as the Company recorded $6.2 million in depreciation charges, and $2.9 million in impairment charges. The impairment related to a decision to close some network switching sites and adopt the use of the soft switch technology developed internally at I-Link. Further it was determined that the future use of excess fiber was no longer required. These declines were offset primarily by the acquisition of new network equipment. Accounts payable and accrued liabilities declined as the Company settled amounts under the Bergen Brunswig litigation and revised its estimates of liabilities associated with the acquisition of the long distance business. Mortgages and loans payable increased due to the assumption of mortgages on the acquisition of income producing properties.

The Company remains financially sound with over $17 million in cash equivalents and short-term investments. Management expects operating losses in the communications platforms to cease by the first quarter of 2003. Real estate operations have been cash flow positive from the outset. The operations of seniors living are expected to remain cash flow neutral. Management's strategy is to continue to monetize its position in its various investments on acceptable terms in order to provide capital to make acquisitions in support of the Company's communications and real estate platforms.

CASH FLOW ANALYSIS

For the nine months ended September 30, 2002 cash and cash equivalents decreased by $10.5 million. In addition to funding operations, significant outflows included the ongoing funding of the communications business, the acquisition of real estate utilized $15.5 million, $9.8 million was invested in short-term investments, $6.6 million was used to reduce accounts payable and accrued liabilities, $3.4 million was used for deposits and costs related to contemplated acquisitions, $3.0 million related to scheduled debt and capital lease payments, $1.3 million was paid as interest payments on the convertible debentures, $1.5 million was used to acquire capital equipment, $0.9 million was spent to re-purchase shares of the Company for cancellation. Outflows were primarily offset by proceeds on the sale of short-term investments totaling $39.4 million, a reduction in accounts receivable of $4.6 million, and proceeds on the sale of capital equipment totaling $0.7 million.

Management plans to use excess cash to support its operating companies and to pursue acquisitions in the communications and real estate segments.

RESULTS OF OPERATIONS

For the Three and Nine Months Ended September 30, 2002

The following table highlights quarterly results in 000's of US dollars from continuing operations for the last seven quarters:

	2001 Q1	2001 Q2	2001 Q3	2001 Q4	2002 Q1	2002 Q2	2002 Q3
Revenues							
Canada	$ 7,688	$ 7,734	$ 7,662	$ 7,741	$ 8,063	$ 8,414	$ 9,463
United States	2,595	15,705	27,690	27,983	26,243	23,280	21,958
	10,283	23,439	35,352	35,724	34,306	31,694	31,421
Cost of revenues	2,315	14,149	23,298	19,754	15,964	14,156	12,433
Selling, general and administration	11,308	15,978	20,192	30,104	20,876	18,558	19,657
Research and development	357	524	434	306	382	465	317
Provision for doubtful accounts	17	1,269	1,278	1,469	1,493	1,203	1,137
Depreciation and amortization	1,210	3,496	4,353	3,974	3,118	3,099	2,531
Operating income (loss)	**(4,924)**	**(11,977)**	**(14,203)**	**(19,883)**	**(7,527)**	**(5,787)**	**(4,654)**
Gains and other income:							
Short term investments	8,727	2,171	26,861	4,937	26,679	821	224
Portfolio investments	64	–	–	–	–	–	–
Sales of subsidiary	–	–	–	589	–	–	–
Retirement of debt	–	–	–	1,093	–	–	628
Property, plant and equipment	–	–	3,373	–	–	–	–
Other	–	–	–	59	–	–	941
Impairments and other losses:							
Write-down of investment	–	–	7,036	3,923	–	–	–
Write-down of goodwill	–	–	8,040	–	–	–	–
Short term investments	–	–	–	–	136	2,655	1,201
Portfolio investments	–	8,869	1,464	–	–	–	640
Property, plant and equipment	–	–	–	–	1	1,863	1,336
Operating income (loss) adjusted for other gains/losses	**$ 3,867**	**$(18,675)**	**$ (509)**	**$(17,128)**	**$19,015**	**$ (9,484)**	**$ (6,038)**

Revenues

Consolidated revenues from continuing operations for the quarter ended September 30, 2002, totaled $31.4 million, a decrease of $4.0 million from the $35.4 million recognized during the third quarter of 2001 and a decrease of $0.3 million from the $31.7 million recognized during the second quarter of 2002. Lower revenue in communications due to reductions in the rate per minute continued this past quarter. The Company is substantially margin-protected due to the structure of its carrier contracts on network traffic. Management has recently launched new programs targeted at growing the subscriber base by shifting its focus toward "1+" customers and by revising its channel strategy. On a year to date basis, revenues were $97.4 million compared to $69.1 million in 2001. The increase of $28.3 million primarily relates to the nine-month inclusion of the communication business in 2002 versus a four-month inclusion in 2001. Management is pleased with the consistency in network utilization by our customer base. Subscriber loyalty at WorldxChange can be attributed to its focus on competitive pricing combined with a high Quality of Service ("QoS").

Operating income (loss)

Operating loss was $4.7 million in the third quarter, an improvement of $9.5 million over the $14.2 million loss incurred during the third quarter of 2001 and an improvement of $1.1 million from the $5.8 million reported during the second quarter of 2002. Positive operating income at the Company's long distance and real estate businesses accounted for the improvement. On a year-to-date basis, operating loss was $18.0 million down from $31.1 million in 2001. The improvement relates to the efforts of management in bringing efficiency to the operation of its communication businesses.

Other gains

The Company realized a large amount of the embedded value in its short-term investments with the sale of its holding in AmeriSource Bergen. An additional gain was recorded relating to certain assets in its long distance business which were unrecorded at the time of the acquisition. The Company has also discharged a liability estimated on the acquisition of WorldxChange resulting in a $0.6 million gain. Offsetting these gains were impairment charges relating to short-term investments, portfolio investments and property, plant and equipment.

Interest expense

The Company records interest expense from mortgages, loans, the liability element of its convertible debentures and its revolving demand facility. Each debt instrument has different terms, interest rates and maturity dates. $33.7 million of the Company's mortgages and loans payable is denominated in Canadian dollars, while $10.5 million is denominated in US dollars. The increase in interest for the quarter related to the assumption of $20.0 million in mortgages as part of the Company's acquisition of five income-producing properties and a property held for development. On a year to date basis, interest expense was $3.0 million compared to $3.3 million in 2001.

Income taxes

The Company records minimal taxation liabilities in the accounts based on unrecorded tax assets relating to operating and non-operating tax losses in various jurisdictions from previous periods. At September 30, 2002, the Company has $74.0 million of operating losses and $21.0 million of capital losses available for future use.

Non-controlling interest

The Company owns less than 100% of some of its subsidiaries. Non-controlling interest is the accounting mechanism that eliminates from the Company's earnings the profit and or loss attributable to minority partners. No minority interest is recorded in the books of Counsel because the equity interest of minority partners is in a deficit position and they are not obligated to fund losses.

Discontinued operations

The Company disposes of operating segments from time to time.

In May 2002, the Company settled the final payment due under the definitive agreement with the purchaser regarding the disposition of its pharmaceutical products business in 2001. During the course of the settlement, the purchaser disputed certain payments regarding inventories as set out in the agreement. The Company has assessed the impact of this dispute and has written down its receivable from the purchaser. The loss from discontinued operations in the second quarter regarding this disposal was $0.4 million, inclusive of an income tax recovery of $0.2 million.

In the third quarter, the Company adopted a formal plan of disposal and entered into an agreement for the disposition of its medical products segment that closed on October 4, 2002. The net proceeds on the disposition were approximately $1.4 million, which resulted in a third quarter loss on disposition of $0.4 million. In the second quarter, upon adoption of a new accounting pronouncement relating to goodwill and intangibles, the Company recorded a $1 million charge for impairment against the goodwill of this business. This charge was recorded as an adjustment to retained earnings at January 1, 2002.

A summary of the carrying value of the assets and liabilities of discontinued operations can be found in note 8 of the interim consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

(In 000's of US$)	September 30 2002 (Unaudited)	December 31 2001 (Audited – note 1)
ASSETS		
Current assets		
Cash and cash equivalents	**$ 14,109**	$ 24,624
Short-term investments	**3,033**	8,932
Accounts receivable (less allowance for doubtful accounts of $842; 2001 – $2,198)	**14,173**	20,053
Income taxes recoverable	**2,206**	2,202
Future income taxes	**125**	970
Prepaid expenses and deposits	**9,106**	5,975
Assets of discontinued operations (note 8)	**3,665**	9,678
	46,417	72,434
Long-term assets		
Income producing properties, net (note 5)	**34,821**	–
Real estate property under development	**2,963**	2,433
Loans and mortgage	**9,448**	9,221
Portfolio investments	**3,927**	3,219
Property, plant and equipment, net	**33,096**	43,226
Goodwill	**284**	3,368
Acquired technology, net	**7,530**	9,969
	$138,486	$143,870
LIABILITIES		
Current liabilities		
Accounts payable	**$ 4,586**	$ 10,719
Accrued liabilities	**18,749**	26,262
Current portion of deferred revenue	**623**	2,563
Current portion of mortgages and loans payable (note 9)	**10,992**	10,508
Current portion of capital leases	**3,292**	3,034
Liabilities of discontinued operations (note 8)	**2,424**	3,763
	40,666	56,849
Long-term liabilities		
Deferred revenue	**337**	768
Mortgages and loans payable (note 9)	**33,259**	14,690
Capital leases	**4,790**	6,986
Convertible debentures payable	**3,736**	4,801
Future income taxes	**34,362**	23,282
	117,150	107,376
Commitments, guarantees, and contingencies (note 10)		
Shareholders' equity	**21,336**	36,494
	$138,486	$143,870

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

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the period ended September 30

(In 000's of US$) (Unaudited)	Capital Stock No. of Common Shares (In 000's)	Capital Stock Amount	Contributed Surplus	Equity Component of Convertible Debentures Payable	Retained Earnings (Deficit)	Total Shareholders' Equity
Balance – December 31, 2000	**23,937**	**$ 109,452**	**$ 2,711**	**$ 44,042**	**$ (51,702)**	**$ 104,503**
Common 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	-	-	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**
Common shares purchased for cancellation	(410)	(2,451)	1,784	-	-	(667)
Accretion of equity component of debentures payable	-	-	-	790	(790)	-
Gain on retirement of debentures payable net of income taxes	-	-	353	(845)	-	(492)
Net loss	-	-	-	-	(22,909)	(22,909)
Balance – December 31, 2001	**22,493**	**102,852**	**8,883**	**41,833**	**(117,074)**	**36,494**
Adjustment related to the adoption of new accounting pronouncement (note 3)	-	-	-	-	(1,000)	(1,000)
Restated balance – December 31, 2001	**22,493**	**102,852**	**8,883**	**41,833**	**(118,074)**	**35,494**
Common shares purchased for cancellation	(492)	(2,250)	1,305	-	-	(945)
Accretion of equity component of debentures payable	-	-	-	2,270	(2,270)	-
Net loss	-	-	-	-	(13,213)	(13,213)
Balance – September 30, 2002	**22,001**	**$ 100,602**	**$ 10,188**	**$ 44,103**	**$ (133,557)**	**$ 21,336**

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

CONSOLIDATED STATEMENTS OF OPERATIONS

(In 000's of US$, except share and per share amounts) (Unaudited)	For the three months ended September 30 2002	For the three months ended September 30 2001	For the nine months ended September 30 2002	For the nine months ended September 30 2001
Revenues				
Communication services	**$21,535**	$ 25,742	**$ 69,014**	$ 40,902
Communication technology licensing	**321**	1,420	**2,790**	3,310
Seniors living services	**8,079**	7,965	**23,790**	23,627
Income producing properties	**1,486**	–	**1,639**	–
Technology services	**-**	225	**188**	1,235
	31,421	35,352	**97,421**	69,074
Cost of revenues				
Communication services	**12,433**	22,989	**42,295**	38,959
Technology services	**-**	309	**258**	803
	12,433	23,298	**42,553**	39,762
Operating expenses				
Selling, general and administrative	**19,657**	20,192	**59,091**	47,478
Research and development	**317**	434	**1,164**	1,315
Provision for doubtful accounts	**1,137**	1,278	**3,833**	2,564
Depreciation and amortization	**2,531**	4,353	**8,748**	9,059
	23,642	26,257	**72,836**	60,416
Operating loss	**(4,654)**	(14,203)	**(17,968)**	(31,104)
Gains and other income:				
Short-term investments	**224**	26,861	**27,724**	37,759
Portfolio investments	**-**	–	**-**	64
Property, plant and equipment	**-**	3,373	**-**	3,373
Other	**1,569**	–	**1,569**	–
Impairments and other losses:				
Write-down of investments	**-**	–	**-**	7,036
Impairment of goodwill	**-**	8,040	**-**	8,040
Short-term investments	**1,201**	–	**3,992**	–
Portfolio investments	**640**	8,500	**640**	10,333
Impairment of property, plant and equipment	**1,336**	–	**3,200**	–
Earnings (loss) before undernoted	**(6,038)**	(509)	**3,493**	(15,317)
Equity in losses of significantly influenced companies	**-**	(761)	**-**	(5,582)
Interest income	**76**	294	**369**	1,582
Interest expense	**(1,083)**	(1,182)	**(2,954)**	(3,323)
Earnings (loss) before income taxes	**(7,045)**	(2,158)	**908**	(22,640)
Provision for income taxes	**447**	9,211	**11,940**	14,641
Non-controlling interest	**-**	(243)	**64**	(1,498)
Loss from continuing operations	**(7,492)**	(11,126)	**(11,096)**	(35,783)
Discontinued operations (note 8)	**(868)**	(1,648)	**(2,117)**	(3,521)
Net loss	**$(8,360)**	$ (12,774)	**$(13,213)**	$ (39,304)
Loss per share				
Loss from continuing operations	**$ (0.37)**	$ (0.52)	**$ (0.60)**	$ (1.65)
Loss from discontinued operations	**(0.04)**	(0.07)	**(0.10)**	(0.15)
Net loss per share	**$ (0.41)**	$ (0.59)	**$ (0.70)**	$ (1.80)
Weighted average number of common shares outstanding (000's)	**22,149**	22,903	**22,247**	23,088

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of US$) (Unaudited)	For the three months ended September 30 2002	2001	For the nine months ended September 30 2002	2001
Cash provided by (used in)				
Operating activities				
Loss from continuing operations	**$ (7,492)**	$(11,126)	**$(11,096)**	$(35,783)
Non-cash items included in loss:				
Future income taxes	**795**	10,022	**12,135**	14,707
Amortization of deferred revenue	**(473)**	(1,309)	**(2,371)**	(2,151)
Depreciation of property, plant and equipment	**1,891**	2,338	**6,188**	4,889
Impairment of property, plant and equipment	**1,070**	-	**2,934**	-
Loss on sale of property, plant and equipment	**266**	-	**266**	-
Amortization of goodwill and intangible assets	**640**	2,015	**2,560**	4,170
Impairment of goodwill	**-**	8,040	**-**	8,040
Gain on sale of short-term investments	**(224)**	(26,861)	**(27,724)**	(37,759)
Loss on sale of portfolio investments	**61**	-	**61**	-
Equity in losses of significantly influenced corporations	**-**	761	**-**	5,582
Write-down of short term investments	**1,201**	-	**3,992**	-
Write-down of portfolio investments	**579**	8,500	**579**	17,369
Gain on sale of senior living facilities	**-**	(3,373)	**-**	(3,373)
Gain on sale of other assets	**-**	(63)	**-**	(127)
Discharge of lease liability and recognition of deposits	**(1,569)**	-	**(1,569)**	-
Accretion of liability component of debentures payable	**72**	132	**217**	396
Non-controlling interest	**-**	(243)	**64**	(1,498)
Proceeds on sale of short-term investments	**1,743**	35,563	**39,383**	52,240
Proceeds on sale of portfolio investments	**88**	-	**88**	-
Unrealized foreign exchange loss	**372**	-	**654**	-
Cash used in discontinued operations	**(901)**	(753)	**(568)**	(3,684)
(Increase) decrease in accounts receivable	**560**	416	**4,550**	(3,196)
(Increase) decrease in income taxes recoverable	**125**	(760)	**(4)**	(63)
(Increase) decrease in loans and mortgage, prepaid expenses and deposits	**(145)**	(6,346)	**(3,968)**	(10,365)
Increase (decrease) in accounts payable and accrued liabilities	**(2,551)**	4,248	**(6,554)**	(946)
	(3,892)	21,201	**19,817**	8,448
Investing activities				
Investment in significantly influenced corporations	**-**	(684)	**-**	(2,502)
Increase in portfolio investments	**-**	-	**(500)**	-
Proceeds on sale of seniors living facilities	**-**	7,006	**-**	7,006
Purchase of short-term investments	**-**	-	**(9,807)**	(2,909)
Proceeds on sale of property, plant and equipment	**691**	-	**691**	-
Purchases of property, plant and equipment	**(611)**	-	**(1,488)**	-
Acquisition of income producing properties	**(15,505)**	-	**(15,505)**	-
Acquisition of communications businesses	**-**	-	**-**	(17,884)
Acquisition of software sales and services business	**-**	-	**-**	(845)
Loans and mortgage – lending	**-**	-	**(398)**	(7,210)
Loans and mortgage – repayments	**250**	279	**250**	646
Discontinued operations	**185**	10,366	**1,911**	39,353
	(14,990)	16,967	**(24,846)**	15,655
Financing activities				
Note payable – repayment	**-**	(3,334)	**-**	(10,000)
Mortgages and loans payable – borrowings	**1,308**	-	**3**	-
Mortgages and loans payable – repayments	**(921)**	(7,562)	**(1,024)**	(8,185)
Capital lease repayments	**(616)**	(181)	**(1,937)**	(404)
Common shares purchased for cancellation	**(556)**	-	**(945)**	(2,055)
Retirement of debentures payable	**-**	-	**-**	(4,122)
Settlement of minority interest	**-**	-	**(308)**	-
Decrease in liability component of debenture payable	**-**	-	**(1,282)**	-
Discontinued operations	**(20)**	-	**7**	-
	(805)	(11,077)	**(5,486)**	(24,766)
Increase (decrease) in cash and cash equivalents	**(19,687)**	27,091	**(10,515)**	(663)
Cash and cash equivalents – *beginning of period*	**33,796**	24,466	**24,624**	52,220
Cash and cash equivalents – end of period	**$ 14,109**	$ 51,557	**$ 14,109**	$ 51,557
Supplemental disclosure of cash flow information:				
Cash paid during the period				
Interest	**$ 990**	$ 959	**$ 3,750**	$ 4,006
Income tax	**10**	-	**69**	(11)
Equipment acquired under capital lease	**-**	723	**-**	9,723
Telecommunication shares acquired on exchange of investment	**-**	-	**-**	11,908
Mortgages assumed on acquisition of income producing properties	**20,007**	-	**20,007**	-

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2002 (in 000's of US dollars, except per share amounts) (unaudited)

1. Basis of presentation

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, 2001, and the notes thereto. In the opinion of management, all adjustments considered necessary for a fair presentation of results for the periods reported have been included. The interim consolidated financial statements conform in all material respects to the requirements of generally accepted accounting principles for interim financial statements and accordingly do not contain all of the note disclosures found in annual financial statements. The interim consolidated financial statements follow the same accounting policies and methods of their application as the most recent audited annual financial statements, except as outlined in notes 2 and 3.

In regard to the adoption of new accounting requirements and the adoption of additional accounting policies pursuant to the Company's entry into the real estate operating segment, as set out in Note 2, the Company's accounting policies and its financial disclosures are substantially in accordance with the recommendations of the Canadian Institute of Public and Private Real Estate Companies ("CIPREC").

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

2. Additional significant accounting policies

Real estate

The Company now operates a real estate segment pursuant to the acquisitions on July 3, and July 10 of income producing properties and a real estate property under development as described in note 7. The significant accounting policies adopted with respect to the new real estate segment are as follows:

(a) Revenue recognition

Rental income is recognized over the term of the lease as it is earned and collection is reasonably assured. Leases with tenants have been accounted for by the Company as operating leases as substantially all of the risks and benefits of ownership have been retained by the Company. Income producing property income includes percentage participating rent and recoveries of operating expenses.

(b) Depreciation

Depreciation on buildings is provided on the sinking fund basis over the useful lives of the properties to a maximum of 30 years. The sinking fund method provides for a depreciation charge of an annual amount increasing on a compounded basis of 5% per annum. Depreciation is determined in relation to each property's carrying value, remaining estimated useful life and residual value.

(c) Asset valuation

Income producing properties are carried at the lower of depreciated cost and net recoverable amount. A write-down to net recoverable amount is recognized when a property's undiscounted cash flows are less than its carrying value. Projections of future cash flows take into account the specific business plan for each property and management's best estimate of the most probable set of economic conditions anticipated to prevail in the market. The use of net recoverable amount to assess the amount at which a property is carried in the accounts assumes the property will be held for the long term. Otherwise, the net realizable value method is used. Estimated net realizable value represents the estimated selling price reduced by any costs expected until final disposition, assuming reasonable market conditions.

Real estate property under development is carried at the lower of cost and net realizable value. The cost of real estate under development includes the acquisition cost of land, pre-development expenses, interest, realty taxes and other expenses directly related to the property.

September 30, 2002 (in 000's of US dollars, except per share amounts) (unaudited)

(d) Tenant improvements and inducements

Tenant improvements are deferred and amortized on a straight-line basis over the term of the respective lease.

(e) Maintenance and repair costs

Maintenance and repair costs are expensed against operations as incurred. Planned major maintenance activities, significant building improvements, replacements and major renovations, all of which improve or extend the useful life of the properties are capitalized and amortized over their estimated useful lives.

3. 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 adoption of Handbook section 1581 effective January 1, 2002 did not have an impact on the Company's consolidated financial statements.

Effective January 1, 2002, the Company adopted CICA Handbook section 3062, "Goodwill and Other Intangible Assets". 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 that were previously recorded as goodwill, reassessment of the useful lives of existing recognized intangibles and the testing for impairment of existing goodwill. As of June 30, 2002, the Company completed the assessment of the quantitative impact of the transitional impairment test on its goodwill and other intangible assets. An impairment of $1,000 was charged to retained earnings as of January 1, 2002 relating to the impaired goodwill of Sage Biopharma Inc. Section 3062 also requires that a reconciliation of loss from continuing operations and net loss excluding the impact of goodwill amortization be disclosed as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2002	**2001**	**2002**	**2001**
Loss from continuing operations, as reported	**$(7,492)**	$(11,126)	**$(11,096)**	$(35,783)
Goodwill amortization expense	**-**	691	**-**	1,672
Loss from continuing operations, as adjusted	**$(7,492)**	$(10,435)	**$(11,096)**	$(34,111)
Adjusted loss per share from continuing operations	**$ (0.37)**	$ (0.49)	**$ (0.60)**	$ (1.58)

	For the three months ended September 30		For the nine months ended September 30	
	2002	**2001**	**2002**	**2001**
Net Loss, as reported	**$(8,360)**	$(12,774)	**$(13,213)**	$(39,304)
Goodwill amortization expense	**-**	691	**-**	1,672
Net loss, as reported	**$(8,360)**	$(12,083)	**$(13,213)**	$(37,632)
Adjusted net loss per share	**$ (0.41)**	$ (0.56)	**$ (0.70)**	$ (1.73)

Effective January 1, 2002, the Company adopted Section 3870 of the CICA Handbook, "Stock-based Compensation and Other Stock-based Payments". Section 3870 addresses the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. It sets out a fair value based method of accounting that is required for certain, but not all, stock-based transactions. The adoption of Handbook section 3870 did not have an impact on the Company's consolidated financial statements. See note 6 for additional information related to stock-based compensation.

September 30, 2002 (in 000's of US dollars, except per share amounts) (unaudited)

Effective January 1, 2002, the Company adopted CICA revised Handbook section 1650, "Foreign Currency Translation" which requires the immediate recognition in income of the unrealized foreign currency exchange gains and losses on long-term monetary items with a fixed or ascertainable life as opposed to unrealized gains and losses being deferred and amortized over the remaining term of the long-term monetary items. The adoption of Handbook section 1650 did not have an impact on the Company's consolidated financial statements.

4. Consolidated subsidiaries

The Company's principal operating subsidiaries comprising continuing operations and its respective ownership interest in each subsidiary as at September 30, 2002 and December 31, 2001 are as follows:

	September 30 2002	December 31 2001
Counsel Corporation (US)	**100.0%**	100.0%
Counsel Springwell Communications LLC	**88.4%**	88.4%
I-Link Incorporated ("I-Link")	**60.2%**	60.2%
WorldxChange Corp. ("WorldxChange")	**60.2%**	60.2%
Proscape Technologies, Inc. ("Proscape")	**(i)**	56.5%
Sage Biopharma, Inc. ("Sage")	**(ii)**	(ii)

(i) During the three months ended March 31, 2002, the Company's ownership interest in Proscape was significantly diluted and, as at the effective date of such dilution, the Company ceased to consolidate Proscape.

(ii) During the three months ended September 30, 2002, the Company adopted a formal plan of disposal for Sage. Accordingly, Sage has being classified as a discontinued operation in these interim financial statements.

5. Income producing properties

Income producing properties comprise the following properties, the majority of which were acquired in the current quarter (see note 7):

Property	Location	Leaseable Area (Sq.ft.)	% Leased	Cost	Accumulated Depreciation	Net Book Value
Portage Place	Peterborough, Ontario	221,467	95.30%	$15,793	$ 45	$15,748
Southland Mall	Winkler, Manitoba	177,789	96.20%	5,956	15	5,941
Suncoast Mall	Goderich, Ontario	160,535	94.10%	6,352	18	6,334
Willowcreek Mall	Peterborough, Ontario	64,264	98.20%	3,818	10	3,808
Humboldt Mall	Humboldt, Saskatchewan	106,897	74.20%	953	3	950
1250 Steeles Ave. W.	Brampton, Ontario	45,733	100.00%	2,090	50	2,040
		776,685		$34,962	$141	$34,821

6. Stock-based compensation

The Company applies the intrinsic value based method of accounting for its fixed employee stock compensation plan. Options are granted with an exercise price that is equal to the fair market price of the underlying stock at the date of the grant and accordingly, no compensation expense has been recognized. Had compensation expense been determined based on the fair value method at the grant dates for stock options granted on or after January 1, 2002, the Company's results would have been as follows:

	Three months ended September 30, 2002	Nine months ended September 30, 2002
Net loss:		
As reported	**$ (8,360)**	$ (13,213)
Pro forma	**(8,422)**	(13,409)
Basic and diluted loss per share:		
As reported	**(0.41)**	(0.70)
Pro forma	**(0.41)**	(0.70)

September 30, 2002 (in 000's of US dollars, except per share amounts) (unaudited)

The fair value of each stock option has been determined on the date of the grant. The weighted average fair value of a stock option with an exercise price equal to the estimated market price of a common share on the date of the grant for the three-month and nine-month periods ended September 30, 2002 was approximately $1.83 and $1.96 respectively. The fair value of the stock options was determined using the Black-Scholes option-pricing model, based on the following assumptions:

	Three months ended September 30, 2002	Nine months ended September 30, 2002
Risk free interest rate	**5%**	5%
Expected life	**6-10 years**	6-10 years
Expected volatility	**60%**	60%
Expected dividends	**-**	-

Because the Company expects to make additional stock option grants, the above pro forma disclosure is not representative of pro forma effects on the financial results to be reported for future periods.

7. Acquisitions

During the current quarter, the Company completed the acquisition of five income producing properties containing 730,952 sq. ft. of gross leaseable area and approximately 13 acres of vacant land zoned for retail development in Canada. "Real Estate" represents a new reporting segment effective this reporting period.

The purchase price amounted to $35,512 including closing adjustments of $1,040. These acquisitions were funded by the assumption of $20,007 of first mortgage debt on the properties and from cash reserves.

8. Discontinued operations

In May 2002, the Company settled the final payment due under the definitive agreement with the purchaser regarding its disposal of its pharmaceutical products business in 2001. During the course of the settlement, the purchaser disputed certain payments regarding inventories as set out in the agreement. The Company has assessed the impact of this dispute and has written down its receivable from the purchaser. The loss from discontinued operations includes an expense of $410 net of income tax recovery of $210 related to this item.

In the current quarter of 2002, the Company adopted a formal plan of disposal for its medical products business segment. Effective October 4, 2002, the Company disposed of its interest in Sage, incurring a loss on disposition of $463, which was recognized in the third quarter. In the second quarter of 2002, the Company completed its assessment of adopting CICA 3062 – "Goodwill and Other Intangible assets"; as a result the Company recorded a $1,000 impairment in the Goodwill of its investment in Sage. In accordance with the transitional provisions this amount was charged to retained earnings as at January 1, 2002.

September 30, 2002 (in 000's of US dollars, except per share amounts) (unaudited)

A summary of the operating results for the three and nine months ended September 30, 2002 and 2001 along with the carrying value of the assets and liabilities of discontinued operations as at September 30, 2002 and December 31, 2001 is as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2002	**2001**	**2002**	**2001**
Revenue	**$ 963**	$ 906	**$ 3,035**	$ 2,747
Loss before income taxes to measurement date	**$(318)**	$(1,648)	**$(1,305)**	$(3,521)
Income taxes	**-**	-	**-**	-
Non-controlling interest	**-**	-	**148**	-
Loss from operations to measurement date	**(318)**	(1,648)	**(1,157)**	(3,521)
Loss subsequent to measurement date, net of income taxes of $ nil	**(550)**	-	**(960)**	-
Loss from discontinued operations	**$(868)**	$(1,648)	**$(2,117)**	$(3,521)

	September 30 2002	**December 31 2001**
ASSETS		
Cash	**$ 378**	$ 733
Accounts receivable	**1,149**	4,855
Capital assets	**944**	1,335
Goodwill	**470**	1,933
Other assets	**724**	822
Total assets	**3,665**	9,678
LIABILITIES		
Accounts payable and accruals	**2,191**	3,061
Minority interest	**233**	702
Total liabilities	**2,424**	3,763
Discontinued net assets	**$1,241**	$5,915

September 30, 2002 (in 000's of US dollars, except per share amounts) (unaudited)

9. Mortgages and loans payable

The following table is a summary of outstanding mortgage and loan obligations:

	Currency	Maturity Date	Effective Interest Rate	Total Cdn	Total US	Current Portion	Long-term Portion
Erie Glen Manor	Cdn	Sep. 01/05	8.55%	$ 4,458	$ 2,810	$ 58	$ 2,752
Hawthorn Park	Cdn	Feb. 10/06	7.93%	7,688	4,846	102	4,744
Hudson Manor	Cdn	Sep. 01/05	8.55%	908	572	12	560
Maple City Residence	Cdn	Sep. 01/05	8.55%	932	588	13	575
Metcalfe Gardens	Cdn	Sep. 01/05	8.55%	4,600	2,900	61	2,839
Portage Place	Cdn	Mar. 1/08	7.04%	13,685	8,627	369	8,258
Southland Mall	Cdn	Sep. 01/08	7.84%	7,101	4,476	135	4,341
Suncoast Mall	Cdn	Feb. 01/08	7.10%	6,167	3,888	167	3,721
Willowcreek Mall	Cdn	Dec. 01/09	8.28%	5,283	3,331	76	3,255
1250 Steeles Ave W	Cdn	Demand	Prime+1%	2,712	1,710	8	1,702
Canadian $ denominated debt				53,534	33,748	1,001	32,747
Corporate debenture	US	Nov. 15/06	8.50%		308	11	297
WorldxChange credit line	US	Demand	6.00%		6,999	6,999	-
WorldxChange loan	US	July. 1/04	10.00%		450	235	215
I-Link loans	US	Demand	Nil		2,746	2,746	-
US $ denominated debt					10,503	9,991	512
Total					$ 44,251	$ 10,992	$ 33,259

10. Contingent liability

I-Link, a subsidiary of the Company, had been engaged in legal proceedings with Red Cube International AG ("Red Cube"). On July 9, 2002, an evidentiary hearing was held before a panel of arbitrators of the American Arbitration Association ("AAA") and an award was issued in favor of I-Link effective October 7, 2002. The AAA panel dismissed all of Red Cube's claims with prejudice and determined that it was Red Cube that had breached the agreements between the parties. The arbitration panel awarded I-Link $6.7 million in damages against Red Cube. I-Link has recorded a valuation allowance of $6.7 million to reflect uncertainty associated with collectibility of the award. The amounts awarded will be recorded as income of the Company when payment is received.

11. Segmented reporting

The Company operates in four distinguishable operating segments: communications, long distance (previously termed dial around), real estate and seniors living.

In the third quarter of 2002, the Company adopted a formal plan of disposal for Sage (medical products segment) and ceased reporting its results on a segmented basis. The Company also entered a new reportable segment, real estate, being the operation of income producing properties and the development of properties for ultimate disposition.

In the first quarter of 2002, the Company's ownership in Proscape was significantly diluted. As at the effective date of such dilution, the Company ceased consolidation and reporting technology as a distinguishable segment. In the the segmented information provided below, the former technology segment has been included in the corporate segment to the date of de-consolidation.

September 30, 2002 (in 000's of US dollars, except per share amounts) (unaudited)

For the three months ended September 30, 2002:

	Communi-cations	Long Distance	Real Estate	Seniors Living	Corporate	Total
Revenues						
Canada	$ -	$ -	$ 1,486	$ 7,977	$ -	$ 9,463
United States	2,213	19,643	-	102	-	21,958
	2,213	19,643	1,486	8,079	-	31,421
Cost of revenues	1,665	10,768	-	-	-	12,433
Selling, general and administration	1,528	6,234	502	7,975	3,418	19,657
Research and development	317	-	-	-	-	317
Provision for doubtful accounts	18	1,119	-	-	-	1,137
Depreciation and amortization	637	967	104	152	671	2,531
Operating income (loss)	(1,952)	555	880	(48)	(4,089)	(4,654)
Gains and other income:						
Short term investments	-	-	-	-	224	224
Other	-	1,569	-	-	-	1,569
Impairments and other losses:						
Short term investments	-	-	-	-	1,201	1,201
Portfolio investments	-	-	-	-	640	640
Property, plant and equipment	266	1,070	-	-	-	1,336
Operating income (loss) adjusted for other gains/losses	$ (2,218)	$ 1,054	$ 880	$ (48)	$ (5,706)	$ (6,038)

September 30, 2002 (in 000's of US dollars, except per share amounts) (unaudited)

For the three months ended September 30, 2001:

	Communi-cations	Long Distance	Real Estate	Seniors Living	Corporate	Total
Revenues						
Canada	$ –	$ –	$ –	$ 7,626	$ 36	$ 7,662
United States	5,638	21,488	–	339	225	27,690
	5,638	21,488	–	7,965	261	35,352
Cost of revenues	7,408	15,581	–	–	309	23,298
Selling, general and administration	4,052	6,016	–	7,829	2,295	20,192
Research and development	434	–	–	–	–	434
Provision for doubtful accounts	106	1,172	–	–	–	1,278
Depreciation and amortization	2,566	1,149	–	207	431	4,353
Operating income (loss)	(8,928)	(2,430)	–	(71)	(2,774)	(14,203)
Gains and other income:						
Short term investments	–	–	–	–	26,861	26,861
Property, plant and equipment	–	–	–	3,373	–	3,373
Impairments and other losses:						
Impairment of goodwill	8,040	–	–	–	–	8,040
Portfolio investments	–	–	–	–	8,500	8,500
Operating income (loss) adjusted for other gains/losses	$(16,968)	$ (2,430)	$ –	$ 3,302	$ 15,587	$ (509)

	Communi-cations	Long Distance	Real Estate	Seniors Living	Corporate	Total
Assets by Segment						
September 30, 2002	$ 17,798	$ 26,503	$ 38,770	$ 22,712	$ 29,038	$ 134,821
December 31, 2001	$ 23,909	$ 32,206	$ 2,433	$ 23,112	$ 52,532	$ 134,192
September 30, 2001	$ 41,694	$ 18,895	$ —	$ 23,213	$ 87,971	$ 171,773

September 30, 2002 (in 000's of US dollars, except per share amounts) (unaudited)

For the nine months ended September 30, 2002

	Communi-cations	Long Distance	Real Estate	Seniors Living	Corporate	Total
Revenues						
Canada	$ –	$ –	$ 1,639	$ 23,499	$ 802	$ 25,940
United States	8,249	62,754	–	290	188	71,481
	8,249	62,754	1,639	23,789	990	97,421
Cost of revenues	6,668	35,627	–	–	258	42,553
Selling, general and administration	7,235	20,067	502	23,387	7,900	59,091
Research and development	1,164	–	–	–	–	1,164
Provision for doubtful accounts	107	3,726	–	–	–	3,833
Depreciation and amortization	3,869	2,924	104	462	1,389	8,748
Operating income (loss)	$ (10,794)	$ 410	$ 1,033	$ (60)	$ (8,557)	$ (17,968)
Gains and other income:						
Short term investments	–	–	–	–	27,724	27,724
Other	–	1,569	–	–	–	1,569
Impairments and other losses:						
Short term investments	–	–	–	–	3,992	3,992
Portfolio investments	–	–	–	–	640	640
Property, plant and equipment	2,130	1,070	–	–	–	3,200
Operating income (loss) adjusted for other gains/losses	$ (12,924)	$ 909	$ 1,033	$ (60)	$ 14,535	$ 3,493

For the nine months ended September 30, 2001

	Communi-cations	Long Distance	Real Estate	Seniors Living	Corporate	Total
Revenues						
Canada	$ –	$ –	$ –	$ 22,610	$ 474	$ 23,084
United States	16,789	27,420	–	1,017	764	45,990
	16,789	27,420	–	23,627	1,238	69,074
Cost of revenues	17,766	21,193	–	–	803	39,762
Selling, general and administration	9,623	7,157	–	23,270	7,428	47,478
Research and development	1,315	–	–	–	–	1,315
Provision for doubtful accounts	1,392	1,172	–	–	–	2,564
Depreciation and amortization	5,869	1,477	–	626	1,087	9,059
Operating income (loss)	$ (19,176)	$ (3,579)	$ –	$ (269)	$ (8,080)	$ (31,104)
Gains and other income:						
Short term investments	–	–	–	–	37,759	37,759
Portfolio investments	–	–	–	–	64	64
Property, plant and equipment	–	–	–	3,373	–	3,373
Impairments and other losses:						
Write-down of investment	–	–	–	–	7,036	7,036
Impairment of goodwill	8,040	–	–	–	–	8,040
Portfolio investments	–	–	–	–	10,333	10,333
Operating income (loss) adjusted for other gains/losses	$ (27,216)	$ (3,579)	$ –	$ 3,104	$ 12,374	$ (15,317)

September 30, 2002 (in 000's of US dollars, except per share amounts) (unaudited)

12. Loss per share disclosures

The following is a reconciliation of the numerators and denominators used in computing basic loss per share from continuing operations.

	For the three months ended September 30		For the nine months ended September 30	
	2002	**2001**	**2002**	**2001**
Basic loss per share:				
Numerator:				
Loss from continuing operations	**$ (7,492)**	$(11,126)	**$(11,096)**	$(35,783)
Accretion of equity component of debenture payable	**(756)**	(790)	**(2,270)**	(2,369)
Loss available to common shareholders	**$ (8,248)**	$(11,916)	**$(13,366)**	$(38,152)
Denominator:				
Weighted average common shares outstanding (000's)	**22,149**	22,903	**22,247**	23,088
Basic loss per share from continuing operations	**$ (0.37)**	$ (0.52)	**$ (0.60)**	$ (1.65)
Numerator:				
Net loss	**$ (8,360)**	$(12,774)	**$(13,213)**	$(39,304)
Accretion of equity component of debenture payable	**(756)**	(790)	**(2,270)**	(2,369)
Loss available to common shareholders	**$ (9,116)**	$(13,564)	**$(15,483)**	$(41,673)
Denominator:				
Weighted average common shares outstanding (000's)	**22,149**	22,903	**22,247**	23,088
Basic loss per share from net loss	**$ (0.41)**	$ (0.59)	**$ (0.70)**	$ (1.80)

Diluted share loss information is not provided, as the result is anti-dilutive since the Company is in a loss position.

13. Subsequent events

Effective October 4, 2002, the Company disposed of its 90.4% interest in Sage for net proceeds approximating $1,365.

On October 15, 2002 the Company and I-Link, its 60.4% owned subsidiary, entered into an Amended and Restated Debt Restructuring agreement ("Amended Agreement"), which amended a July 25, 2002 Agreement. The Amended Agreement was approved by the I-Link board of directors on October 29, 2002. Closing of the Agreement is to take place within three days after obtaining shareholder approval of certain corporate proposals which is expected to occur in the first quarter of 2003. The principal terms of the Amended Agreement are that principal and accrued interest of $26,591 owed by I-Link to the Company will be exchanged into common stock of I-Link at $0.18864 per share (representing the average closing price of I-Link's common stock during May 2002). This will result in the issuance of 140,962,770 shares of I-Link common stock upon closing, and the Company's equity position becoming 76.1%. The Company has made a commitment to fund I-Link as required until April 30, 2003, through long-term inter-company advances or equity contributions. In addition, the Company will fund the operations of I-Link through the date of adoption of an operating plan, which is yet to be adopted by the I-Link board of directors. The Company will reimburse I-Link for all costs, fees and expenses, in connection with the Agreement and Amended Agreement.

Exhibit C

Form of Customer Notice

WorldxChange CORPORATION AN I-LINK COMPANY

TRANSPOINT

Dear Valued Customer:

Recently, WorldxChange Corp. ("WorldxChange"), entered into an agreement to purchase the business of Local Telcom Holdings, LLC d/b/a Transpoint Communications ("Transpoint"). Transpoint today provides its customers with various services, including but not limited to long distance services. Under the terms of the agreement between Transpoint and WorldxChange, WorldxChange will replace Transpoint as your service provider. That transition is currently expected to occur on or about March 20, 2003.

Please rest assured that the transition of your service to WorldxChange will not affect the services you currently receive. As a customer of WorldxChange, you will continue to receive services with the same rates, features, terms and conditions as the service you currently enjoy. With the operations of WorldxChange and Transpoint integrated and supported by new and improved billing and other systems, you will continue to receive top quality services with performance which meets or exceeds that of the services you currently receive from Transpoint. As a result, this change in providers will be beneficial and virtually seamless for you. Please also be assured that you will incur no carrier change charges related to the transfer of your services from Transpoint to WorldxChange.

WorldxChange has offered premium communications services nationwide for years. The customer service team at WorldxChange is equipped to assist you with questions about your new service or on-going monthly billing matters. Please feel free to contact us.

You do not need to take any action at this time. You will automatically become a customer of WorldxChange. If you have a PIC Freeze on your line WorldxChange will contact you to assist us in getting your service transferred, after the transfer we will then help you re-establish the PIC Freeze. We recognize that you have the right to choose your telephone service provider and we are pleased to continue to provide your service.

We at WorldxChange look forward to serving you and appreciate your continued business. If you have specific questions about this notice, please contact us at 800-463-0129.

Sincerely,
Customer Relations
WorldxChange Corp.

Verifications

VERIFICATION

STATE OF CALIFORNIA :
: ss.
COUNTY OF SAN DIEGO :

I, Kenneth L. Hilton, being first duly sworn, state that I am Chief Executive Officer of WorldxChange Corp., party in the foregoing filing before the Florida Public Service Commission, that I am authorized to make this Verification on behalf of WorldxChange Corp. and that the contents of the foregoing filing are true and correct to the best of my knowledge, information, and belief.

Kenneth L Hilton

Name: Kenneth L. Hilton
Title: Chief Executive Officer
WorldxChange Corp.

Sworn and subscribed before me this 9th day of January, 2003.

ANNA-MARIE FEDORKO
Commission # 1325960
Notary Public - California
San Diego County
My Comm. Expires Oct 19, 2005

Anna-Marie Fedorko
Notary Public

My commission expires OCTOBER 19, 2005

VERIFICATION

STATE OF CALIFORNIA :
: ss.
COUNTY OF SAN DIEGO :

I, Paul G. Black, being first duly sworn, state that I am Managing Member of Local Telcom Holdings, LLC, party in the foregoing filing before the Florida Public Service Commission, that I am authorized to make this Verification on behalf of Local Telcom Holdings, LLC and that the contents of the foregoing filing are true and correct to the best of my knowledge, information, and belief.

Name: Paul G. Black
Title: Managing Member
Local Telcom Holdings, LLC

Sworn and subscribed before me this 18th day of March, 2003.

ANNA-MARIE FEDORKO
Commission # 1325960
Notary Public - California
San Diego County
My Comm. Expires Oct 19, 2005

Anna-Marie Fedorko
Notary Public

My commission expires OCTOBER 19, 2005