COUNSEL

CORPORATION

Management's Discussion and Analysis

FOR THE THREE MONTHS ENDED MARCH 31, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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(All dollar amounts are in thousands of Canadian dollars, unless otherwise indicated)

INTRODUCTION

This management's discussion and analysis ("MD&A") of the results of operations of Counsel Corporation ("Counsel" or "the Company") for the period ended March 31, 2015 and its financial condition as at March 31, 2015 is based on the Company's condensed consolidated interim financial statements prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"), which incorporate International Financial Reporting Standards ("IFRS"), and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2014 and the notes thereto. Additional information about the Company, including the Annual Information Form, can be found on www.sedar.com. The effective date of this MD&A is May 7, 2015. As of May 7, 2015 the Company had 99,911,448 common shares issued and outstanding.

Forward-looking Information

This MD&A contains certain forward-looking statements which are based on management's exercise of business judgment as well as assumptions made by, and information currently available to, management. When used in this document, the words "may", "will", "anticipate", "believe", "estimate", "expect", "intend" and words of similar import, are intended to identify any forward-looking statements. You should not place undue reliance on these forward-looking statements. These statements reflect our current view of future events and are subject to certain risks and uncertainties as outlined in the Company's Annual Information Form and other filings made with securities regulators, which are available on SEDAR (www.sedar.com). These factors include, without limitation: the timing of merger and acquisition activities, expansion opportunities, technological changes and changes to the business environment that may impact the Company, its investments, capital expenditures, and competitive factors which may impact revenue and operating costs. Any of these factors, amongst others, could cause actual results to vary materially from current results or from the Company's currently anticipated future results and financial condition. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results could differ materially from those anticipated in these forward-looking statements. We undertake no obligation, and do not intend, to update, revise or otherwise publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof, or to reflect the occurrence of any unanticipated events. Although we believe that our expectations are based on reasonable assumptions, we can give no assurance that our expectations will materialize.

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

Counsel Overview

Counsel Corporation is a financial services company operating in the residential mortgage lending business through its wholly owned subsidiary Street Capital Financial Corporation, one of the largest non-bank mortgage lenders in Canada. Founded in 1979 and a public company since 1986, Counsel's goal is to build consistently profitable, industry-leading financial services companies by investing in great leaders and providing them with the strategic guidance and financial resources they need to succeed.

Presentation

In the first quarter of 2013, Counsel's Board of Directors approved of a plan to dispose of the Company's non-core operating business segments. The decision reflects the Company's strategy, undertaken in recent years, to focus on financial services. The disposition plan involved:

- Counsel's subsidiary Heritage Global Inc. ("HGI") (formerly known as Counsel RB Capital Inc.) (OTCQB: HGBL; CSE:HGP), of which Counsel owned 73.3%; ("Asset Liquidation");
- Counsel's subsidiary Fleetwood Fine Furniture LP ("Fleetwood"), of which Counsel owned 71.2% ("Case Goods"); and,
- Counsel's real estate business segment ("Real Estate") including its interest in two properties that are under development and one investment property.

As a result, these entities' assets and liabilities were classified as held for sale as at December 31, 2013 and their operating results were classified separately as discontinued operations in all periods presented. As at the end of the first quarter of 2014, the Company had disposed of its interest in HGI via a dividend-in-kind declared on March 20, 2014. The Company had also disposed of its majority ownership stake in its Case Goods business and Real Estate through sales to third parties.

Counsel is also winding down its private equity business. Counsel's private equity business ("Private Equity") is carried on through its wholly-owned subsidiary, Knight's Bridge Capital Partners Inc. ("Knight's Bridge"), which is responsible for managing Counsel's portfolio investment opportunities. On March 7, 2008, Knight's Bridge closed the Knight's Bridge Capital Partners Fund I (the "KBCP Fund") with capital commitments in excess of $62,000, including $10,000 of capital committed by Counsel with the KBCP Fund having a term of ten years. For the first five years of the KBCP Fund, Knight's Bridge's mandate was to source new investment opportunities. That five-year period expired in the first quarter of 2013 and Knight's Bridge can only invest remaining committed capital into existing investee companies of the KBCP Fund. Knight's Bridge earns a 2% fee on the KBCP Fund's invested capital and a 20% carried interest on an investment-by-investment basis after all investors have received their pro-rata share of contributed capital plus a preferred return of 8% per annum. Counsel controls and consolidates the KBCP Fund.

Significant Developments

Significant developments since the beginning of 2015:

- As of the end of the first quarter of 2015, the Company had successfully divested most of the core holdings in its Private Equity business.

CONSOLIDATED RESULTS OF OPERATIONS

The Company prepares its quarterly results of operations in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Chartered Professional Accountants (“CPA”) Canada Handbook (“CPA Handbook”). Accordingly the Company is reporting on this basis in its consolidated financial statements, including comparative figures for prior year quarters.

The following table sets out the Company's consolidated quarterly results of operations for the eight quarters ended March 31, 2015. The amounts have been re-stated to reflect the re-classification of the Asset Liquidation, Case Goods and Real Estate segments as discontinued operations.

	2013 Q2 $	2013 Q3 $	2013 Q4 $	2014 Q1 $	2014 Q2 $	2014 Q3 $	2014 Q4 $	**2015 Q1 $**	Three months ended March 31, 2014 $	**Three months ended March 31, 2015 $**
Revenue										
Gain on sale of mortgages	46,061	38,032	26,605	25,357	35,535	39,774	38,298	**31,121**	25,357	**31,121**
Other	379	441	1,789	4,479	527	2,562	780	**1,009**	4,479	**1,009**
	46,440	38,473	28,394	29,836	36,062	42,336	39,078	**32,130**	29,836	**32,130**
Expenses										
Operating expenses	29,225	24,169	15,245	15,554	20,504	24,675	23,567	**16,877**	15,554	**16,877**
Selling, general and administrative expense	9,463	9,049	6,900	8,111	8,782	8,959	8,640	**9,637**	8,111	**9,637**
Foreign exchange (gain) loss	-	-	105	(353)	9	(45)	306	**(24)**	(353)	**(24)**
Depreciation and amortization	330	344	327	294	322	331	350	**363**	294	**363**
Interest expense	779	798	546	465	588	792	981	**1,115**	465	**1,115**
Other	-	-	(214)	-	-	-	-	**-**	-	**-**
Income (loss) before fair value adjustments	6,643	4,113	5,485	5,765	5,857	7,624	5,234	**4,162**	5,765	**4,162**
Fair value appreciation (impairment)	2,901	159	4,813	3,099	6,420	8,028	9,436	**(2,710)**	3,099	**(2,710)**
Income (loss) before income tax, and discontinued operations	9,544	4,272	10,298	8,864	12,277	15,652	14,670	**1,452**	8,864	**1,452**
Income tax provision (recovery)	1,767	1,206	2,297	1,447	2,125	2,073	1,400	**857**	1,447	**857**
Income (loss) from continuing operations	7,777	3,066	8,001	7,417	10,152	13,579	13,270	**595**	7,417	**595**
Income (loss) from discontinued operations	(1,468)	307	(6,156)	(11,782)	169	11	8	**8**	(11,782)	**8**
Net income (loss) before non-controlling interest	6,309	3,373	1,845	(4,365)	10,321	13,590	13,278	**603**	(4,365)	**603**
Non-controlling interest	(1,823)	211	(1,190)	(2,061)	(4,082)	(5,378)	(8,374)	**3,147**	(2,061)	**3,147**
Net income (loss) attributable to shareholders	4,486	3,584	655	(6,426)	6,239	8,212	4,904	**3,750**	(6,426)	**3,750**
Weighted average number of common shares outstanding (in thousands) - basic									99,063	**99,817**
Basic net income (loss) per share from:										
Continuing operations	0.06	0.03	0.05	0.07	0.06	0.08	0.04	**0.04**	0.07	**0.04**
Discontinued operations	(0.01)	0.01	(0.05)	(0.13)	0.00	0.00	0.00	**0.00**	(0.13)	**0.00**
Basic net income (loss) per share	0.05	0.04	0.00	(0.06)	0.06	0.08	0.04	**0.04**	(0.06)	**0.04**
Weighted average number of common shares outstanding (in thousands) - diluted										
Diluted net income(loss) per share from:										
Continuing operations	0.06	0.03	0.05	0.07	0.06	0.08	0.04	**0.04**	0.07	**0.04**
Discontinued operations	(0.01)	0.01	(0.05)	(0.13)	0.00	0.00	0.00	**0.00**	(0.13)	**0.00**
Diluted net income(loss) per share	0.05	0.04	0.00	(0.06)	0.06	0.08	0.04	**0.04**	(0.06)	**0.04**

Three-Month Period ended March 31, 2015 Compared to Three-Month Period Ended March 31, 2014

Revenues were $32,130 for the three months ended March 31, 2015 compared to $29,836 for the three months ended March 31, 2014, reflecting higher mortgage sales volume in the current quarter. The revenues were composed primarily of gains on the sale of mortgages sourced and underwritten by the Company’s Mortgage Lending business. The revenues for the first quarter of 2014 included a gain of approximately $4,000 from the extinguishment of a debt below its carrying value.

Expenses, other income and losses:

Operating expenses were $16,877 for the three months ended March 31, 2015 compared to $15,554 for the three months ended March 31, 2014. These expenses represent the cost of acquiring the mortgages sold by the Mortgage Lending business and the increase reflects the increase in revenues.

Selling, general and administrative ("SG&A") expense was $9,637 in the three months ended March 31, 2015 compared to $8,111 during the same period of 2014. The SG&A expense primarily relates to SG&A expenses arising from the Mortgage Lending business and reflects the growth in quarter-over-quarter revenues. In the first quarters of 2014 and 2013, SG&A expense was partially offset by allocations to discontinued operations to reflect management's involvement with the disposition process.

Foreign exchange gain or loss was a gain of $24 in the first quarter of 2015 as compared to a gain of $353 in the same period of 2014. The foreign exchange gain or loss relates mainly to the conversion of U.S. dollar assets and liabilities and reflects the movement in the value of the Canadian dollar against the U.S. dollar.

Depreciation and amortization expense was $363 in the three months ended March 31, 2015 compared to $294 during the same period of 2014.

Interest expense was $1,115 in the first quarter of 2015 compared to $465 during the fourth quarter of 2014. The increase is attributable to interest on securitization liabilities related to securitized mortgage pools issued during 2014.

The **fair value adjustments** in the three months ended March 31, 2015 resulted in a decrease of $2,710 compared to an appreciation of $3,099 in the same period of 2014. The current period's adjustment relates primarily to the sale of the KBCP Fund's investment in TubeMogul Inc. The shares of TubeMogul, which went public in July 2014, were subject to a hold period until January 14, 2015 and their trading value declined between the end of 2014 and the dates on which they were sold. Despite the decline, the KBCP Fund realized a return of over twelve times its original investment in TubeMogul, which was made in stages from 2008 to 2010.

Income taxes:

There was an income tax expense of $857 for the three months ended March 31, 2015, compared to an income tax expense of $1,147 for the same period in 2014. The expense relates primarily to deferred tax attributable to earnings generated by the Company's Mortgage Lending activities net of recoveries generated at the parent company level. The income tax expense reported in the statement of operations and statement of comprehensive income is based on a number of different estimates made by management. The effective tax rate can change from year to year based on the mix of income or loss among the different jurisdictions in which the Company operates, changes in tax laws in these jurisdictions, and changes in the estimated values of deferred tax assets and liabilities recorded on the statement of financial position. The income tax expense reflects an estimate of cash taxes expected to be paid in the current year, as well as a provision for changes arising during the year in the value of deferred tax assets and liabilities. The likelihood of recovering value from deferred tax assets such as loss carry-forwards, future tax depreciation of capital assets and other assets is assessed and recognized at each quarter-end. Material changes in income tax assets, liabilities, expense and recoveries may occur in the short term.

Discontinued operations:

In the first quarter of 2015, the Company recorded a gain of $8 from discontinued operations compared to a loss of $11,782 in the first quarter of 2014. The Company discontinued its Asset Liquidation, Case Goods and Real Estate segments in the first quarter of 2013. Earnings from each of the segments are reflected in discontinued operations. The Case Goods business and the last Real Estate property were sold to third parties in the first quarter of 2014 while the Asset Liquidation business was distributed to Counsel shareholders via a dividend-in-kind of all of the Company's shares of Heritage Global Inc. in the second quarter of 2014.

RESIDENTIAL MORTGAGE LENDING

Overview

Counsel carries on its residential mortgage lending business ("Mortgage Lending") through its subsidiary Street Capital Financial Corporation ("Street Capital"), which was acquired on May 31, 2011. Street Capital was founded by its current senior management team, all of whom have extensive experience in the mortgage and consumer lending industry and previously occupied senior management positions at large Canadian financial institutions.

Street Capital is a Canadian residential mortgage lender that provides residential mortgage financing in all provinces of Canada, with the current exception of Quebec, and sells the mortgages that it underwrites to top-tier financial institutions. Over Street Capital's approximately seven years of operations, it has successfully built a broad network of brokers and established stringent underwriting and due diligence processes, while maintaining a focus on customer service.

Street Capital sources its mortgages solely through its network of independent, high quality mortgage brokers, which it continues to develop and expand. Mortgage brokers are an important distribution channel in Canada, capturing almost half of first time homebuyers and 40% of repeat buyers, according to the 2014 Mortgage Consumer Survey by the Canada Mortgage and Housing Corporation ("CMHC"), the Government of Canada's national housing agency. Street Capital targets selective high opportunity broker teams based on a variety of factors, including the volume and quality of mortgages they source. Street Capital incentivizes these brokers to direct business to the company by providing fast and efficient service and support, a broad suite of products, competitive pricing, tiered loyalty programs and discounts. Street Capital, unlike many of its competitors, does not compete with brokers by having its own branch network. By avoiding branch network costs, Street Capital is able to pass the associated savings on to the borrower. Since launching operations in 2008, Street Capital has grown rapidly to become a leader in the mortgage broker market based on funded volume, according to reported industry statistics.

Street Capital offers a broad lineup of high ratio and conventional mortgages at competitive interest rates. Its primary business is originating prime insurable mortgages. In April 2012, Street Capital entered the near prime segment of the mortgage market, with the introduction of its Street Options Program. Near prime is a segment of the mortgage credit market just below prime, which is comprised of borrowers who are unable to find financing through traditional sources. Management believes this market segment is underserved and offers potentially higher profit margins. Street Capital's strategy is to prudently expand this business over time, but its prime business is expected to account for the vast majority of mortgages originated for the foreseeable future.

Street Capital sells the mortgages it originates to financial institutions at the time of placement for a cash premium, a servicing fee over the life of the mortgage and, in some cases, an excess interest rate spread over the life of the mortgage. By not accumulating, or warehousing, mortgages for a period of time prior to sale, Street Capital mitigates interest rate risk. Selling the mortgages also transfers substantially all the risks of ownership to the investor and/or party insuring the mortgage. However, Street Capital has established stringent underwriting and robust quality assurance processes in order to minimize credit risk and thereby ensure the maintenance of a strong wholesale demand for its mortgages from institutional clients. This has resulted in a high quality portfolio of mortgages under administration.

Though the company outsources servicing of the related mortgages to third parties, it administers and remains the face of all direct communication with borrowers throughout the mortgage term. This relationship promotes renewals, and is a key part of the long term growth, profitability and recognition of the Street Capital brand. Renewals are of particular importance, since the acquisition cost of renewed mortgages is significantly reduced due to minimal broker, marketing, underwriting and other related expenses. Street Capital's targeted renewal rate for mortgages it has originated is approximately 80%, in line with the industry norm. Street Capital's operations began in early 2008 and the bulk of mortgages originated have a five-year term. Therefore, the company expects renewals to grow as the company's portfolio of mortgages under administration matures.

Growth Strategy

Street Capital's growth strategy is focused on both increasing the volume of mortgages it originates and its assets under management, and improving its profit margins. To increase volume, the company intends to expand into new regions in order to expand its network of high quality, high volume brokers, and to increase the number of mortgages originated through its existing broker network. To improve profit margins, the company initially broadened its product line in 2012 into higher margin near prime mortgages. In addition, it expects to achieve higher margins as mortgage renewals become a greater part of its mix of business.

In May 2013, Street Capital received approvals from CMHC to be an approved issuer of National Housing Act mortgage backed securities ("NHA MBS") and an approved seller under the Canada Mortgage Bonds ("CMB") program. This will enable the company's mortgages to be pooled into securities designated for sale to Canada Housing Trust under the CMB program. This ability to securitize mortgages, on a limited scale, provides Street Capital with a secondary source of funding and one that can be more profitable than selling mortgages to investors.

In September 2012, Street Capital announced its intention to apply to Canada's Minister of Finance for approval to operate as a federally regulated Schedule I bank, with its banking business primarily focused on residential mortgage lending, as well as on other consumer lending and related services. The application was filed in December 2012. Street Capital remains committed to the mortgage broker channel and intends to continue to operate through this channel, but a bank license would enable Street Capital to broaden its product line into other forms of consumer lending and related services, thereby increasing the company's value proposition to brokers and retail customers. As anticipated the application process has taken an extended period of time, and the company currently expects it will be completed sometime in 2015. While Street Capital believes it has the appropriate structure, leadership, maturity and scale to undertake this application process, there is no assurance the application will receive approval. However, in the absence of receiving such approval, the company is confident it can continue to grow its mortgage business under its current business model.

Results of Operations

Over the past six years, Street Capital has experienced a steady growth in mortgages originated and sold. The total mortgages sold in the first quarter ending March 31, 2015 were $1.6 billion compared to $1.4 billion for the quarter ending March 31, 2014, placing the company among the top mortgage underwriters within the broker channel in Canada.

A key measure of success is the growth in Street Capital's portfolio of mortgages under administration. The company had $22.2 billion under administration at March 31, 2015 compared to $18.2billion at March 31, 2014 and $21.6 billion at December 31, 2014.

The following schedule sets out the growth in mortgages under administration and the quarterly mortgage sales in billions over the eight quarters ended March 31, 2015

	At Jun 30, 2013	At Sep 30, 2013	At Dec 31, 2013	At Mar 31, 2014	At Jun 30, 2014	At Sep 30, 2014	At Dec 31, 2014	At Mar 31, 2015
	$	$	$	$	$	$	$	$
Mortgages under administration ($billions)	15.0	16.7	17.5	18.2	19.3	20.4	21.6	22.2

	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1
	$	$	$	$	$	$	$	$
Mortgages sold ($billions)	2.5	2.3	1.4	1.4	1.9	2.3	2.2	1.6

Mortgage Lending revenue was $32,058 for the first three months of 2015 compared to $25,539 for the same period of 2014, and is comprised primarily of the gain on sales of mortgages underwritten by Street Capital. The gain on sale increased on a year-over-year basis reflecting higher mortgage sales compared to the prior year.

Mortgage Lending operating expense was $16,877 for the three months ended March 31, 2015 compared to $15,554 for the same period ended March 31, 2014. Mortgage lending operating expense consists of the cost to source mortgages sold by Street Capital, and reflects the sales volume.

CAPITAL RESOURCES AND LIQUIDITY

Summary of Consolidated Statement of Financial Position Data

	December 31, 2013	December 31, 2014	March 31, 2015
	$	$	$
Total assets	324,178	279,264	263,555
Working capital	(15,279)	43,360	25,060
Non-current financial liabilities	11,573	55,362	46,357
Dividends declared	-	0.167 / share (i)	-

(i) Approximate value of dividend-in-kind of approximately 0.2084 shares of HGI.

Working capital

The Company's working capital decreased by $18,300 in the first quarter of 2015. The main reason for the decrease was the distribution made to the investors in the KBCP Fund upon the sale of the TubeMogul investment.

Sources of funding

The Company had $33,083 in cash and cash equivalents at March 31, 2015 (December 31, 2014 - $36,152). This includes approximately $21,603 (2014 - $13,130) of restricted cash representing funds held in trust by our Mortgage Lending business for the purposes of funding third party mortgage loans and repayments collected on behalf of third party investors via a third party service provider.

The primary source of funds in the first quarter of 2015 was proceeds from the sale of portfolio investments.

Uses of funding

During the first quarter of 2015, $2,432 was used to make mortgage and loan payments and $7,519 was paid to reduce accounts payable and accrued liabilities. In addition, $9,964 was distributed to third party investors in the KBCP Fund.

Dividends

In March 2014 Counsel declared a special dividend-in-kind of the Company's entire holding of 20.6 million shares of HGI. The special dividend was paid on April 30, 2014 to shareholders of record as at April 1, 2014. Holders of the Company's common shares received approximately 0.2084 HGI shares for each Counsel share owned on the record date. There were no dividends paid in the first quarter of 2015.

Acquisition of securities

There were no securities acquisitions in 2014 or 2015.

Contingencies

The Company, from time to time, is involved in various claims, legal and tax proceedings and complaints arising in the ordinary course of business. The Company is not aware of any pending or threatened proceedings that would have a material adverse effect on the consolidated financial condition or future results of the Company.

CRITICAL ACCOUNTING ESTIMATES

This MD&A discusses the Company's condensed consolidated interim financial statements, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The preparation of condensed consolidated interim financial statements in accordance with IFRS requires the use of estimates, assumptions and judgments that in some cases relate to matters that are inherently uncertain, and which affect the amounts reported as assets, liabilities, revenue and expense in the condensed consolidated interim financial statements and accompanying notes. Key areas of such estimation are: re-measurement at fair value of financial instruments, valuations of receivables (i.e. duration factors on deferred fees receivable), portfolio investments, intangibles and goodwill, provisions, accounting accruals, the useful life and residual value of certain assets, including portfolio insurance, accounting for deferred income taxes, and allowance for credit losses. Allowance for credit losses represent management's best estimate of losses incurred in our loan portfolio at the date of the consolidated statement of financial position and requires management's judgment in making assumptions and estimations. The determination of the Company's deferred tax asset or liability requires significant management judgment as the recognition is dependent on management's projection of future taxable profits and tax rates expected to be in effect in the period in which the asset is realized or the liability settled.

The classification, presentation and measurement of discontinued operations also involves significant estimates, assumptions and judgments. Changes to estimates and assumptions may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated interim financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could also differ from those estimates under different assumptions and conditions.

Fair value of portfolio investments not quoted in an active market - The fair values of portfolio investments that are not quoted in an active market are determined by using valuation techniques, primarily earnings multiples, discounted cash flows and recent comparable transactions. The inputs in the earnings multiples models include observable data, such as earnings multiples of companies that are comparable to the relevant portfolio company, and unobservable data, such as forecast earnings for the portfolio company. In discounted cash flow models, unobservable inputs are the projected cash flows of the relevant portfolio company and the risk premiums for liquidity and credit risk that are incorporated into the discount rate.

Critical judgments include the determination of cash generating units ("CGUs"), the allocation of certain costs among the CGUs, and the determination of amortization periods for prepaid portfolio insurance and intangible assets.

SUMMARY OF ACCOUNTING POLICIES

This MD&A should be read in conjunction with the Company's condensed consolidated interim financial statements and notes. To aid in the understanding of the Company's financial reporting, reference should be made to the accounting policies the Company applied in its annual consolidated financial statements as of and for the year ended December 31, 2014, which are disclosed in Note 3 of such financial statements. These policies have the potential to significantly impact the Company's financial statements, either because of the significance of the financial statement item to which they relate, or because they require judgment and estimation due to the uncertainty involved in measuring, at a specific point in time, events which are continuous in nature.

Basis of preparation

Consolidation
The consolidated financial statements include the accounts of the Company and its consolidated subsidiaries, which are entities over which the Company has control. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefit from its activities. Furthermore, IFRS 10 requires the consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its investment with the investee and has the ability to use its power over the investee to affect its returns. Non-controlling interests in the equity and results of the Company's subsidiaries are shown separately in the consolidated statement of changes in equity. Intercompany balances and transactions among the Company and its subsidiaries are eliminated on consolidation.

The Company's principal subsidiaries comprising continuing and discontinued operations and its respective ownership interest in each subsidiary as at March 31, 2015 and December 31, 2014 are as follows:

	March 31, 2015 %	**December 31, 2014 %**
Street Capital Financial Corporation	**100.0**	**100.0**
Knight's Bridge Capital Partners Inc.	**100.0**	**100.0**

Future accounting changes
Financial Instruments – In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Company has yet to assess the impact of the new standard on its results of operations, financial position and disclosures.

Revenue from contracts with customers – IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Company has yet to assess the impact of the new standard on its results of operations, financial position and disclosures.

DISCLOSURE CONTROLS AND PROCEDURES

Counsel's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures. The Company's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws, and include controls and procedures that are designed to ensure that information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. As of the end of the period covered by this MD&A, the Company's Chief Executive Officer and the Chief Financial Officer evaluated the Company's disclosure controls and procedures and, based upon that review and evaluation, concluded that those disclosure controls and procedures are effective.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Counsel's management is responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework used to design Counsel's ICFR is based on *"Internal Control over Financial Reporting – Guidance for Smaller Public Companies*" published by COSO.

Based on the results of testing and evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, the Company's ICFR was effective to provide reasonable assurance that the information required to be disclosed in the Company's reports and regulatory filings does not contain any material misstatements.

There were no changes to ICFR during the period ended March 31, 2015 that have materially affected, or are expected to have a material effect on, the Company's financial reporting.