CALL-NET ENTERPRISES INC

CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(millions of Canadian dollars)	**June 30, 2001**	Dec. 31, 2000
ASSETS		
Cash and cash equivalents	**289.1**	299.9
Short-term investments	**70.5**	119.2
Accounts receivable	**129.7**	199.4
Other current assets	**60.2**	81.2
Total current assets	**549.5**	699.7
Capital assets *[note 2]*	**789.0**	858.7
Other assets	**1,322.5**	1,352.9
Total assets	**2,661.0**	2,911.3
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable and accrued liabilities *[note 3]*	**227.3**	415.0
Future income tax liability	**45.2**	48.8
Long-term debt	**2,405.1**	2,313.1
Shareholders' equity		
Capital Stock		
Common Shares, unlimited authorized	**124.8**	124.8
Class B Non-Voting Shares, unlimited authorized	**863.5**	863.5
Class C Non-Voting Shares, unlimited authorized	**347.8**	347.8
Deficit	**(1,352.7)**	(1,201.7)
Total shareholders' equity	**(16.6)**	134.4
Total liabilities and shareholders' equity	**2,661.0**	2,911.3

See accompanying notes

CALL-NET ENTERPRISES INC

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(UNAUDITED)

	Three Months Ended		Six Months Ended	
(millions of Canadian dollars, except per share amounts)	**June 30, 2001**	June 30, 2000	**June 30, 2001**	June 30, 2000
Revenue	**227.2**	320.3	**490.3**	645.7
Carrier charges	**116.9**	215.2	**258.1**	437.8
Gross profit	**110.3**	105.1	**232.2**	207.9
Operating costs	**70.1**	98.3	**155.1**	200.9
Earnings before interest, taxes, depreciation and amortization and unusual items	**40.2**	6.8	**77.1**	7.0
Unusual items *[note 4]*	**8.0**	-	**8.0**	-
Earnings before interest, taxes, depreciation and amortization	**32.2**	6.8	**69.1**	7.0
Depreciation and amortization	**(58.4)**	(57.1)	**(116.1)**	(112.1)
Interest on long-term debt	**(55.1)**	(50.7)	**(109.0)**	(101.0)
Interest and other income (expense)	**4.8**	0.8	**1.4**	5.2
Earnings (loss) before taxes	**(76.5)**	(100.2)	**(154.6)**	(200.9)
Income tax benefit (expense)	**1.8**	4.5	**3.6**	4.5
Net income (loss) for the period	**(74.7)**	(95.7)	**(151.0)**	(196.4)
Deficit, beginning of period	**(1,278.0)**	(850.6)	**(1,201.7)**	(749.9)
Deficit, end of period	**(1,352.7)**	(946.3)	**(1,352.7)**	(946.3)
Basic earnings (loss) per share *[note 5]*	(0.83)	(1.06)	(1.67)	(2.17)
Fully diluted earnings (loss) per share *[note 5]*	(0.83)	(1.06)	(1.67)	(2.17)

See accompanying notes

CALL-NET ENTERPRISES INC

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three Months Ended		Six Months Ended	
(millions of Canadian dollars, except per share amounts)	**June 30, 2001**	June 30, 2000	**June 30, 2001**	June 30, 2000
OPERATING ACTIVITIES				
Net income (loss) for the period	**(74.7)**	(95.7)	**(151.0)**	(196.4)
Add (deduct) operating items not requiring cash:				
Depreciation and amortization	**58.4**	57.1	**116.1**	112.1
Interest on long-term debt	**27.7**	26.9	**61.6**	52.6
Interest and other income	**7.7**	-	**6.1**	-
Future income taxes	**(1.8)**	(4.5)	**(3.6)**	(4.5)
Cash flow from operations before changes in non-cash working capital	**17.3**	(16.2)	**29.2**	(36.2)
Net change in non-cash working capital balances related to operations	**(25.2)**	53.2	**(71.4)**	17.4
Cash provided by (used in) operating activities	**(7.9)**	37.0	**(42.2)**	(18.8)
INVESTING ACTIVITIES				
(Increase) decrease in short-term investments	**30.1**	(52.9)	**48.7**	(48.7)
Acquisition of capital assets	**(23.5)**	(63.3)	**(57.3)**	(88.7)
Net proceeds on disposal of capital assets	**21.5**	85.8	**37.0**	85.8
Additional investment in NorthPoint Canada	**-**	-	**1.9**	-
Cash provided by (used in) investing activities	**28.1**	(30.4)	**30.3**	(51.6)
FINANCING ACTIVITIES				
Termination of cross-currency swaps	**-**	-	**1.1**	-
Cash provided by (used in) financing activities	**-**	-	**1.1**	-
Net increase (decrease) in cash and cash equivalents during the period	**20.2**	6.6	**(10.8)**	(70.4)
Cash and cash equivalents, beginning of period	**268.9**	279.0	**299.9**	356.0
Cash and cash equivalents, end of period	**289.1**	285.6	**289.1**	285.6

See accompanying notes

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated financial statements include the accounts of Call-Net Enterprises Inc. and its subsidiary companies (collectively "the Company"). These interim financial statements should be read in conjunction with the most recently prepared annual financial statements.

These interim consolidated financial statement are prepared using accounting principles and methods of applications that are in conformity with Canadian generally accepted accounting principles ["Canadian GAAP"]. These policies and methods of applications are the same as the most recent annual statements except for the following item:

> Effective January 1, 2001, the Company changed its method of accounting for earnings per share from the imputed interest method to the treasury stock method as required by The Canadian Institute of Chartered Accountants' Section 3500, "Earnings per Share". There was no impact to the calculation of fully diluted earnings per share for the periods presented.

2. CAPITAL ASSETS

	June 30, 2001			December 31, 2000		
	Cost	**Accumulated Depreciation and Amortization**	**Net Book Value**	Cost	Accumulated Depreciation and Amortization (restated)	Net Book Value
Multiplex and telephone switch equipment	**657.7**	**227.5**	**430.2**	619.3	185.8	433.5
Fibre optic cable	**177.7**	**50.2**	**127.5**	187.9	45.6	142.3
Computer equipment and software	**224.9**	**109.1**	**115.8**	196.2	62.3	133.9
Leasehold improvements	**34.8**	**20.5**	**14.3**	34.5	17.9	16.6
Furniture and fixtures	**30.5**	**25.4**	**5.1**	30.4	24.0	6.4
Buildings	**14.1**	**1.4**	**12.7**	13.9	1.3	12.6
Land	**0.6**	**-**	**0.6**	0.6	-	0.6
Assets available for sale	**109.5**	**26.7**	**82.8**	148.7	35.9	112.8
	1,249.8	**460.8**	**789.0**	1,231.5	372.8	858.7

The December 31, 2000 capital assets schedule has been revised to reflect a $25 reclassification of accumulated depreciation and amortization between fibre optic cable and assets available for sale.

Included in assets available for sale at June 30, 2001 and December 31, 2001 are non-revenue generating fibre optic cable and switches in Canada and the United States.

3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2001	December 31, 2000
Accrued liabilities and trade payables	**79.9**	163.3
Carrier payables	**62.0**	136.8
Right of way liability	**36.6**	35.3
Fibre swap deposits	**-**	30.9
Payroll related liabilities	**12.6**	12.2
Other	**36.2**	36.5
	227.3	415.0

4. UNUSUAL ITEMS

During the three months ended June 30, 2001, the Company recorded a special charge of $8.0 for severance, facility and lease termination costs incurred as part of its plan to focus on profitability. As well, during this period, the Company recorded an additional provision of $9 for redundant assets which was offset by gains on sales of certain assets and settlement of certain fibre swaps.

5. EARNINGS (LOSS) PER SHARE

Earnings (loss) per share have been calculated on the basis of income (loss) divided by the weighted average number of Common Shares, Class B Non-Voting Shares and Class C Non-Voting Shares outstanding during the year [2001 – 90,448,775; 2000 – 90,448,775]. Due to a loss for the period, no incremental shares from the potential exercise of stock options are included because the effect would be anti-dilutive in both 2001 and 2000.

6. SEGMENTED INFORMATION

The Company is a facilities-based carrier of long distance, data and local telecommunications services. It offers different products or services to two market segments: (i) Residential customers and (ii) Business, including small, medium and large business and government customers. Substantially all of the Company's assets are located in Canada, and revenues are derived from long distance, data and local telecommunications services provided in Canada.

Customer Segments

	Residential	**Business**	**Corporate and other**	**Total**
Three months ended June 30, 2001				
Long distance	**42.1**	**112.0**	**-**	**154.1**
Data	**7.5**	**60.6**	**-**	**68.1**
Local	**3.4**	**1.6**	**-**	**5.0**
Total revenues	**53.0**	**174.2**	**-**	**227.2**
Operating costs	**(16.6)**	**(26.1)**	**(27.4)**	**(70.1)**
	36.4	**148.1**	**(27.4)**	**157.1**
Carrier costs				**(116.9)**
Earnings before interest, taxes, depreciation and amortization and unusual items				**40.2**

Customer Segments

Three months ended June 30, 2000				
Long distance	67.0	173.4	-	240.4
Data	11.0	63.6	-	74.6
Local	4.2	1.1	-	5.3
Total revenues	82.2	238.1	-	320.3
Operating costs	(30.1)	(30.7)	(37.5)	(98.3)
	52.1	207.4	(37.5)	222.0
Carrier costs				(215.2)
Earnings before interest, taxes, depreciation and amortization and unusual items				6.8

	Residential	Business	Corporate and other	Total
Six months ended June 30, 2001				
Long distance	**93.4**	**246.6**	**-**	**340.0**
Data	**15.5**	**125.2**	**-**	**140.7**
Local	**6.5**	**3.1**	**-**	**9.6**
Total revenues	**115.4**	**374.9**	**-**	**490.3**
Operating costs	**(35.2)**	**(61.1)**	**(58.8)**	**(155.1)**
	80.2	**313.8**	**(58.8)**	**335.2**
Carrier costs				**(258.1)**
Earnings before interest, taxes, depreciation and amortization and unusual items				**77.1**

Six months ended June 30, 2000				
Long distance	146.1	346.2	-	492.3
Data	22.6	121.1	-	143.7
Local	7.7	2.0	-	9.7
Total revenues	176.4	469.3	-	645.7
Operating costs	(63.0)	(56.9)	(81.0)	(200.9)
	113.4	412.4	(81.0)	444.8
Carrier costs				(437.8)
Earnings before interest, taxes, depreciation and amortization and unusual items				7.0