

This document is important and requires your immediate attention. If you are in any doubt as to how to deal with it, you should consult your investment dealer, stock broker, trust company manager, lawyer or other professional adviser.



OFFER
BY

360networks Corporation

TO PURCHASE LESS THAN ALL OF ITS
COMMON SHARES FOR NOT MORE THAN
\$3.00 NOR LESS THAN \$2.00 PER SHARE

*All dollar references in this Offer are in
United States dollars, unless otherwise indicated*

360networks Corporation ("360" or the "Corporation") invites its shareholders to deposit common shares (the "Shares") of 360. 360 will determine a single price per Share (the "Purchase Price"), which will be not more than \$3.00 per Share nor less than \$2.00 per Share, that will enable 360 to purchase the maximum number of tendered Shares properly deposited pursuant to the Offer (as defined below) having an aggregate maximum amount (the "Maximum Amount") of \$8,000,000. A Shareholder may deposit Shares pursuant to (i) an auction tender (an "Auction Tender") at a price of not more than \$3.00 nor less than \$2.00 per Share, in an increment of \$0.10 per Share, specified by such Shareholder or (ii) a purchase price tender (a "Purchase Price Tender") where the tendering Shareholder does not specify a price per Share, but rather agrees to have such Shareholder's Shares purchased at the Purchase Price as provided herein, in either case upon the terms and subject to the conditions set forth in the offer set out below (the "Offer"). **The Offer expires at 5:00 p.m., Eastern Standard Time, on March 11, 2005 unless extended (the "Expiration Date").**

Shares deposited by a Shareholder pursuant to an Auction Tender will not be purchased by 360 pursuant to the Offer if the price specified by the Shareholder is greater than the Purchase Price determined by 360. A Shareholder who wishes to deposit Shares, but who does not wish to specify a price at which such Shares may be purchased by 360, should make a Purchase Price Tender. For the purpose of determining the Purchase Price, Shares deposited pursuant to a Purchase Price Tender will be considered to have been deposited at \$2.00 per Share. **By making a Purchase Price Tender, a Shareholder will maximize the likelihood of having the holder's Shares purchased.**

Each Shareholder who has properly deposited Shares pursuant to an Auction Tender at or below the Purchase Price or pursuant to a Purchase Price Tender and who has not withdrawn Shares ("Selling Shareholders") will receive the Purchase Price, payable in cash (subject to applicable withholding taxes), for all Shares purchased upon the terms and subject to the conditions of the Offer, including the provisions relating to proration and the exercise of the Issuer's Option (as defined below), if any.

If the number of Shares properly deposited by the Expiration Date pursuant to Auction Tenders at prices at or below the Purchase Price or pursuant to Purchase Price Tenders is greater than the number of Shares that can be purchased for \$8,000,000 (an "Over-Subscription"), 360 will, upon the terms and subject to the conditions of the Offer, purchase at the Purchase Price from Selling Shareholders the Shares so deposited for an aggregate Purchase Price equal to the Maximum Amount on a *pro rata* basis. Multiple tenders by the same Shareholder will be aggregated for this proration. 360 shall have the option (the "Issuer's Option") exercisable on or before the fifth day prior to the Expiration Date, to make available up to an additional \$3,000,000 (the "Issuer's Option Funds") to purchase additional Shares at the Purchase Price to cover Over-Subscriptions.

If, as a result of prorations following the determination of the Purchase Price and the exercise of the Issuer's Option, if any, the number of Shares to be returned to a Selling Shareholder is less than 1,000 Shares, 360

will purchase at the Purchase Price all of such Shares from such Selling Shareholder in order to avoid the creation of holdings of less than 1,000 Shares ("Small Holdings"). Multiple tenders by the same Selling Shareholder will be aggregated for this purpose. Promptly after the determination as to the Purchase Price, the exercise of the Issuer's Option, if any, and prorations have been made, 360 will determine the number of Shares to be purchased in order to avoid the creation of Small Holdings and will, upon the terms and subject to the conditions of the Offer, purchase such Shares concurrently with all other Shares to be purchased by 360 pursuant to the Offer. See Section 1 of the Offer, "Number of Shares; Proration".

360 reserves the right to withdraw the Offer and not take up and pay for any Shares deposited under the Offer unless certain conditions are satisfied. See Section 5 of the Offer, "Conditions of the Offer".

360 is making the Offer to provide liquidity to its Shareholders and because it believes that the repurchase of Shares is in the best interests of Shareholders. Neither 360 nor its Board of Directors makes any recommendation to any Shareholder as to whether to deposit or refrain from depositing Shares. **Shareholders are urged to consult their own investment and tax advisors and make their own decisions whether to deposit Shares to the Offer and, if so, how many Shares to deposit, and at what price or prices.**

Shareholders should carefully consider the income tax consequences of accepting the Offer. See Section 7 of the Circular, "Income Tax Consequences".

Any Shareholder desiring to deposit all or any portion of his or her Shares under the Offer should complete and sign the Letter of Transmittal in accordance with the instructions in such Letter of Transmittal and deliver it, the share certificates and all other required documents to Computershare Investor Services Inc., as depositary (the "Depositary"), as set forth in Section 3 of the Offer "Procedure for Depositing Shares". Any Shareholder having Shares registered in the name of a broker, dealer, commercial bank, trust company or other nominee should contact such person or institution if he or she desires to deposit such Shares.

NOTICE TO UNITED STATES SHAREHOLDERS

This Offer is made by 360, a corporation continued under the laws of the Province of British Columbia, for its own securities; while the Offer is subject to the disclosure requirements of the laws of the Province of British Columbia, Shareholders should be aware that these requirements are different from those of the United States.

Shareholders should be aware that acceptance of the Offer may have tax consequences both in the United States and in Canada. United States income tax consequences for Shareholders who are resident in, or citizens of, the United States are not described herein and such residents or citizens are urged to consult their tax advisors as to the application of U.S. federal income tax law to their particular circumstances, as well as to any state, local or foreign income or other tax consequences of a sale of Shares pursuant to the Offer.

The enforcement by Shareholders of civil liabilities under the United States federal securities laws may be affected adversely by the fact that 360 is continued under the laws of a foreign country.

This Offer has not been approved or disapproved by the United States Securities and Exchange Commission (the "SEC") or any state or other securities commission or regulatory authority, nor has the SEC or any state or other securities commission or regulatory authority passed on the accuracy or adequacy of the Offer. Any representation to the contrary is a criminal offence.

All dollar references in the Offer and the Circular are references to United States dollars, unless otherwise indicated.

February 3, 2005

This document does not constitute an offer or a solicitation to any person in any jurisdiction in which such offer or solicitation is unlawful. The Offer is not being made to, nor will deposits be accepted from or on behalf of, Shareholders in any jurisdiction in which the making or acceptance of the Offer would not be in compliance with the laws of such jurisdiction. However, 360 may, in its sole judgment, take such action as it may deem necessary to extend the Offer to Shareholders in such jurisdiction.

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SUMMARY

This summary is qualified in its entirety by reference to the full text and more specific details in the Offer and the accompanying Circular.

Shares Subject to Offer Common shares of 360.

How to Deposit Shares Shareholders wishing to deposit Shares may do so either pursuant to (i) Auction Tenders or (ii) Purchase Price Tenders.

Auction Tenders: Each Shareholder of 360 making an Auction Tender must specify in the Letter of Transmittal the minimum price (not more than \$3.00 nor less than \$2.00 per Share, in an increment of \$0.10 per Share) at which such Shareholder is willing to have his or her Shares purchased by 360. Shares deposited by a Shareholder pursuant to an Auction Tender will not be purchased by 360 pursuant to the Offer if the price specified by the Shareholder is greater than the Purchase Price determined by 360.

Purchase Price Tenders: A Shareholder who wishes to deposit Shares, but who does not wish to specify a price at which his or her Shares may be purchased by 360 should make a Purchase Price Tender. For the purposes of determining the Purchase Price, all Shares deposited pursuant to Purchase Price Tenders will be considered to have been deposited at \$2.00 per Share. **By making a Purchase Price Tender, a Shareholder will maximize the likelihood of having the holder's Shares purchased.**

Number of Shares to be Purchased 360 will purchase Shares under the Offer to a maximum aggregate amount of \$8,000,000, plus any additional Shares purchased pursuant to the exercise of the Issuer's Option, if any, and pursuant to Small Holdings Purchases. See Section 1 of the Offer, "Number of Shares; Proration". Since the Purchase Price will only be determined after the Expiration Date, the number of Shares that will be purchased will not be known until after the Expiration Date.

Purchase Price 360 will determine a single Purchase Price which will be not more than \$3.00 nor less than \$2.00 per Share, taking into account the number of Shares deposited pursuant to Auction Tenders and Purchase Price Tenders, the prices specified by Shareholders making Auction Tenders and the \$2.00 price at which Shares deposited pursuant to Purchase Price Tenders are considered to have been deposited. The Purchase Price will be the lowest price between \$3.00 and \$2.00 per Share that will enable 360 to purchase the largest number of tendered Shares having an aggregate purchase price not exceeding \$8,000,000 (the "Maximum Amount"). All Shares purchased by 360 will be purchased at the Purchase Price, including Shares deposited at or below the Purchase Price pursuant to Auction Tenders and Shares deposited pursuant to Purchase Price Tenders.

Issuer's Option 360 shall have the option (the "Issuer's Option"), exercisable on or before the fifth day prior to the Expiration Date, to make available up to an additional \$3,000,000 to purchase additional Shares at the Purchase Price to cover Over-Subscriptions. The exercise of the Issuer's Option will not affect the determination of the Purchase Price, which will be determined with reference to the Maximum Amount of \$8,000,000. If 360 elects to exercise the Issuer's Option, 360 will, as soon as practicable, send a notice of such exercise to each Shareholder to whom the Offer was sent.

Proration If the number of Shares properly deposited by the Expiration Date pursuant to Auction Tenders at prices at or below the Purchase Price or pursuant to Purchase Price Tenders is greater than the number of Shares that can be purchased for the Maximum Amount of \$8,000,000 (an "Over-Subscription"), 360 will, upon the terms and subject to the conditions of the Offer, purchase at the Purchase Price the Shares so deposited on a *pro rata* basis (with adjustments to avoid the purchase of fractional shares).

Small Holdings	If, as a result of proration following the determination of the Purchase Price and exercise of the Issuer's Option, if any, the number of Shares to be returned to a Selling Shareholder is less than 1,000 Shares, 360 will purchase at the Purchase Price all of such Shares from such Selling Shareholder in order to avoid the creation of holdings of less than 1,000 Shares, or "Small Holdings" due to proration. Multiple tenders pursuant to an Auction Tender at or below the Purchase Price or a Purchase Price Tender by the same shareholder will be aggregated for this purpose. See Section 1 of the Offer, "Number of Shares; Proration".
Directors and Officers	To the knowledge of 360, after reasonable enquiry, all of the directors and senior officers of 360 owning vested options or Shares will be depositing vested options in the Option Buy-Back Program or depositing Shares pursuant to the Offer. See Section 1 of the Circular, "Certain Information Concerning 360" and Section 5 of the Circular, "Interest of Directors and Senior Officers; Transactions and Arrangements Concerning the Offer".
Brokerage Commissions	None.
Conditions of the Offer	360 reserves the right to withdraw the Offer and not take up and pay for Shares deposited under the Offer unless the conditions described under Section 5 in the Offer, "Conditions of the Offer" are satisfied or waived.
Expiration Date	March 11, 2005 at 5:00 p.m., Eastern Standard Time, or such later date and time to which the Offer may be extended by 360 (the "Expiration Date"). See Section 7 of the Offer, "Extension and Variation of the Offer".
Payment Date	Subject to the terms and conditions of the Offer, 360 will take up Shares as soon as practicable after the Expiration Date, and in any event, within ten days after the Expiration Date and will pay for such Shares as soon as possible thereafter, but in any event not later than three business days after taking up such Shares.
Currency of Payment	The Purchase Price will be denominated and paid in United States dollars.
Position of 360 and its Directors	Neither 360 nor its Board of Directors makes any recommendation to any Shareholder as to whether to deposit or refrain from depositing Shares, except as noted in "Director and Senior Officer Participation in the Offer" under Section 5 of the Circular, "Interest of Directors and Senior Officers; Transactions and Arrangements Concerning the Offer". Shareholders are urged to consult their own investment and tax advisors and make their own decisions whether to deposit Shares to the Offer and, if so, how many Shares to deposit, and at what price or prices.
Withdrawal Rights	Shares deposited pursuant to the Offer may be withdrawn: (i) at any time if the Shares have not been taken up by 360 before actual receipt by the Depository of a notice of withdrawal in respect of such Shares; or (ii) if the Shares have not been paid for by 360 within three business days of being taken up. See Section 4 of the Offer, "Withdrawal Rights".
Tax	Shareholders should carefully consider the income tax consequences of accepting the Offer. See Section 7 of the Circular, "Income Tax Consequences".
Further Information Regarding the Offer	The addresses, telephone and facsimile numbers of the Depository are set out in the Letter of Transmittal and in the accompanying Circular.

NO PERSON HAS BEEN AUTHORIZED TO MAKE ANY RECOMMENDATION ON BEHALF OF 360 AS TO WHETHER SHAREHOLDERS SHOULD DEPOSIT OR REFRAIN FROM DEPOSITING SHARES PURSUANT TO THE OFFER. NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE OFFER OTHER THAN AS SET FORTH IN THIS OFFER OR IN THE LETTER OF TRANSMITTAL. IF GIVEN OR MADE, ANY SUCH RECOMMENDATION OR ANY SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY 360.

DEFINITIONS

In the Offer and the Circular, unless the subject matter or context is inconsistent therewith, the following terms have the meanings set forth below:

“360” or “Corporation” means 360networks Corporation, a corporation continued under the laws of the Province of British Columbia;

“Auction Tender” means a tender made by a Shareholder pursuant to the Offer where that Shareholder specifies the price of not more than \$3.00 nor less than \$2.00 per Share, in an increment of \$0.10 per Share, at which that Shareholder is willing to have all tendered Shares purchased by 360;

“Board of Directors” means the board of directors of 360;

“Circular” means the circular dated February 3, 2005 issued by 360 in connection with the Offer;

“Depository” means Computershare Investor Services Inc.;

“Deposited Shares” means Shares validly deposited pursuant to the Offer;

“Eligible Institution” means a Canadian Schedule I chartered bank, a major trust company in Canada, a member of the Securities Transfer Association Medallion Program (STAMP), a member of the Stock Exchange Medallion Program (SEMP) or a member of the New York Stock Exchange Inc. Medallion Signature Program (MSP). Members of these programs are usually members of a recognized stock exchange in Canada and/or the United States, members of the Investment Dealers Association of Canada, members of the National Association of Securities Dealers or banks and trust companies in the United States;

“Expiration Date” means 5:00 p.m., Eastern Standard Time, on March 11, 2005, unless 360, in its sole discretion, shall have extended the period during which the Offer is open, in which event the term **“Expiration Date”** shall refer to the latest time and date at which the Offer, as so extended by 360, shall expire;

“Issuer’s Option” means the option of 360 exercisable on or before the 5th day prior to the Expiration Date to make available up to an additional \$3,000,000 to purchase additional shares under the Offer at the Purchase Price to cover Over-Subscriptions;

“Letter of Transmittal” means the letter of transmittal in the form accompanying and forming part of the Offer, or a copy thereof;

“Non-Canadian Holder” has the meaning ascribed thereto in Section 7 of the Circular, “Income Tax Consequences”;

“Offer” means the offer by 360 to purchase Shares in cash on the terms and conditions set forth in this Offer and the accompanying Circular and Letter of Transmittal;

“Over-Subscription” means an event where the aggregate Purchase Price for Shares properly tendered pursuant to the Offer on or prior to the Expiration Date exceeds \$8,000,000;

“Post-Offer Small Holdings Purchase” has the meaning ascribed thereto under Section 1 of the Offer, “Number of Shares; Proration”;

“Purchase Price” means the price per Share (not more than \$3.00 nor less than \$2.00 per Share) that 360 will pay for Shares properly tendered pursuant to the Offer, being the lowest price that will enable 360 to purchase the maximum number of Deposited Shares for an aggregate purchase price of \$8,000,000;

“**Purchase Price Tender**” means a tender made by a Selling Shareholder who does not specify a price for the purchase of Shares by 360, but rather the purchase price for the Shares being the Purchase Price determined by 360;

“**Selling Shareholder**” means a holder of Shares who has properly deposited pursuant to an Auction Tender at or below the Purchase Price or pursuant to a Purchase Price Tender and who has not withdrawn Shares;

“**Shareholder**” means a registered holder of Shares;

“**Shares**” means the Common shares of 360;

“**Small Holdings**” has the meaning ascribed thereto under Section 1 of the Offer, “Number of Shares; Proration”; and

“**Tax Act**” means the *Income Tax Act* (Canada).

All dollar references in the Offer and the Circular are references to United States dollars, unless otherwise indicated.

OFFER TO PURCHASE

TO: The Holders of Common Shares of 360networks Corporation.

360 invites its Shareholders to deposit Common shares (the “Shares”) of 360 pursuant to (i) Auction Tenders at prices of not more than \$3.00 nor less than \$2.00 per Share, in increments of \$0.10 per Share specified by such Shareholders, or (ii) Purchase Price Tenders, in either case, upon the terms and subject to the conditions set forth in the Offer and the Letter of Transmittal. 360 will determine a single price per Share (not more than \$3.00 nor less than \$2.00 per Share) (the “Purchase Price”) that it will pay for Shares properly deposited pursuant to the Offer, taking into account the numbers of Shares deposited pursuant to Auction Tenders and Purchase Price Tenders, the prices specified by Shareholders making Auction Tenders and the \$2.00 price per Share at which Shares deposited pursuant to Purchase Price Tenders are considered to have been deposited. The Purchase Price will be the lowest price between \$3.00 and \$2.00 that will enable 360 to purchase the largest number of tendered Shares having an aggregate Purchase Price not exceeding \$8,000,000. All Shares purchased by 360 will be purchased at the Purchase Price, including Shares deposited at or below the Purchase Price pursuant to Auction Tenders and Shares deposited pursuant to Purchase Price Tenders.

THE OFFER IS NOT CONDITIONAL UPON ANY MINIMUM NUMBER OF SHARES BEING DEPOSITED. THE OFFER IS, HOWEVER, SUBJECT TO CERTAIN OTHER CONDITIONS. SEE SECTION 5 OF THE OFFER, “CONDITIONS OF THE OFFER”.

360 is making the Offer to provide liquidity to its Shareholders and because it believes that the repurchase of Shares is an effective use of its financial resources and in the best interests of Shareholders. Neither 360 nor its Board of Directors makes any recommendation to any Shareholder as to whether to deposit or refrain from depositing Shares. **Shareholders are urged to consult their own investment and tax advisors and make their own decisions whether to deposit Shares to the Offer and, if so, how many Shares to deposit, and at what price or prices.**

The accompanying Circular and Letter of Transmittal contain important information and should be read carefully before making a decision with respect to the Offer.

1. NUMBER OF SHARES; PRORATION

Upon the terms and subject to the conditions of the Offer, 360 will accept for payment and purchase at the Purchase Price up to a maximum aggregate amount of \$8,000,000 (the “Maximum Amount”) in Shares properly deposited (and not withdrawn in accordance with Section 4 of the Offer, “Withdrawal Rights”), pursuant to Auction Tenders at prices not in excess of \$3.00 nor less than \$2.00 per Share, in increments of \$0.10 per Share, or pursuant to Purchase Price Tenders.

If the aggregate number of Shares properly deposited by the Expiration Date (and not withdrawn in accordance with Section 4 of the Offer, “Withdrawal Rights”) pursuant to Auction Tenders at or below the Purchase Price or pursuant to Purchase Price Tenders is less than or equal to the number of Shares that can be purchased for the Maximum Amount of \$8,000,000 or \$11,000,000 if 360 exercises the Issuer’s Option described below in full, 360 will, upon the terms and subject to the conditions of the Offer, purchase at the Purchase Price all Shares deposited.

If the aggregate number of Shares properly deposited by the Expiration Date (and not withdrawn in accordance with Section 4 of the Offer, “Withdrawal Rights”) pursuant to Auction Tenders at prices at or below the Purchase Price or pursuant to Purchase Price Tenders is greater than the number of Shares that can be purchased for the Maximum Amount of \$8,000,000 (an “Over-Subscription”), 360 will, upon the terms and subject to the conditions of the Offer, purchase at the Purchase Price from Selling Shareholders the Shares so deposited for an aggregate Purchase Price of \$8,000,000 on a *pro rata* basis (with adjustments to avoid the purchase of fractional Shares). Multiple tenders by the same Shareholder will be aggregated for this proration and 360’s determination as to proration shall be final and binding on all parties.

Pursuant to the Issuer's Option, 360 shall also have the right, exercisable on or before the 5th day prior to the Expiration Date, to make available up to an additional \$3,000,000 to purchase additional Shares at the Purchase Price determined using the Maximum Amount of \$8,000,000 to cover Over-Subscriptions, if any. If 360 elects to exercise the Issuer's Option, 360 will, as soon as practicable, send a notice of such exercise to all Shareholders to whom the Circular was sent (the "Notice of Exercise of Issuer's Option") specifying the amount to which the Issuer's Option has been exercised. **The exercise of the Issuer's Option will not affect the determination of the Purchase Price, which will be determined with reference to the Maximum Amount of \$8,000,000.** If 360 elects to exercise the Issuer's Option, it will, upon the terms and subject to the conditions of the Offer, purchase at the Purchase Price from Selling Shareholders that number of additional Shares so deposited comprising Over-Subscriptions, if any, for up to an additional \$3,000,000 on a *pro rata* basis (with adjustments to avoid the purchase of fractional Shares).

If, as a result of proration following the determination of the Purchase Price and exercise of the Issuer's Option, if any, the number of Shares to be returned to a Selling Shareholder is less than 1,000 Shares, 360 will purchase at the Purchase Price all of such Shares (a "Post-Offer Small Holdings Purchase") from such Selling Shareholder in order to avoid the creation of holdings of less than 1,000 Shares, or "Small Holdings" due to proration. Multiple tenders pursuant to Auction Tenders at or below the Purchase Price or Purchase Price Tenders by the same Shareholder will be aggregated for this purpose. Promptly after 360 has determined the Purchase Price in accordance with Section 2 of the Offer, "Purchase Price", has made its determination as to proration, and has made its determination as to the exercise of the Issuer's Option, if any, 360 will determine the number of Shares to be purchased under the Post-Offer Small Holdings Purchases and will, upon the terms and subject to the conditions of the Offer, purchase such Shares concurrently with the Shares to be purchased by 360 pursuant to the Offer and the exercise of the Issuer's Option, if any. **No mark or direction need be made on the Letter of Transmittal in order for the Post-Offer Small Holdings Purchase to apply to a Shareholder who qualifies for the Post-Offer Small Holdings Purchase as described above.**

Since the Purchase Price will only be determined after the Expiration Date, the number of Shares that will be purchased will not be known until after the Expiration Date.

As a result of the provisions described above, a Shareholder making an Auction Tender at \$2.00, the lowest price in the range, and a Shareholder making a Purchase Price Tender will both have such Shares purchased at the Purchase Price, if any Shares are purchased under the Offer, subject to proration, the exercise of the Issuer's Option, if any, and the Post-Offer Small Holdings Purchase provisions described herein.

2. PURCHASE PRICE

As promptly as practicable following the Expiration Date, 360 will, upon the terms and subject to the conditions of the Offer, determine the Purchase Price (not more than \$3.00 nor less than \$2.00 per Share in increments of \$0.10 per Share) that it will pay for Shares properly deposited pursuant to the Offer, taking into account the numbers of Shares deposited pursuant to Purchase Price Tenders and Auction Tenders, the prices specified by depositing Shareholders pursuant to Auction Tenders and the \$2.00 price at which Shares deposited pursuant to Purchase Price Tenders are considered to have been deposited.

360 will determine a single Purchase Price per Share, being the lowest price that will allow it to purchase the maximum number of Shares having an aggregate Purchase Price not exceeding the Maximum Amount of \$8,000,000. Upon the terms and subject to the conditions of the Offer (including the proration provisions and exercise of the Issuer's Option described herein), all Shareholders who have properly deposited pursuant to Auction Tenders at prices at or below the Purchase Price or pursuant to Purchase Price Tenders and who have not withdrawn their Shares will receive the Purchase Price, net to the Shareholder in cash (but subject to applicable withholding taxes), for all Shares purchased. 360 will take up and pay for such Shares as promptly as practicable, and in any event within ten days after the Expiration Date. 360 will pay for such Shares within three business days after taking up the Shares. All Shares not purchased pursuant to the Offer, including Shares deposited pursuant to Auction Tenders at prices in excess of the Purchase Price and Shares not purchased because of proration, will be returned to the depositing Shareholders at 360's expense as promptly as practicable following the Expiration Date.

Each Shareholder desiring to deposit Shares pursuant to an Auction Tender must specify the price, not in excess of \$3.00 and not less than \$2.00 per Share, in increments of \$0.10 per Share, at which such Shareholder is willing to have such Shares purchased by 360. A Shareholder who does not wish to specify a price at which his or her Shares may be purchased by 360 should make a Purchase Price Tender. **By making a Purchase Price Tender, a Shareholder will maximize the likelihood of having his or her Shares purchased.** In addition, a Shareholder tendering at the lowest price in the specified price range (\$2.00) can reasonably expect that Shares so tendered will be purchased at the Purchase Price (subject to proration as described above and satisfaction of the conditions of the Offer described below).

3. PROCEDURE FOR DEPOSITING SHARES

Proper Deposit of Shares. To deposit Shares pursuant to the Offer, a properly completed and duly executed Letter of Transmittal (or a manually executed photocopy thereof) with any required signature guarantees and any other documents required by the Letter of Transmittal must be received by Computershare Investor Services Inc., as depository (the "Depository") at one of its addresses set forth on the back cover of this Offer and the Circular, by the Expiration Date.

In accordance with Instruction 5 of the Letter of Transmittal, each Shareholder desiring to deposit Shares pursuant to the Offer must indicate, in the box captioned "Type of Tender" on such Letter of Transmittal (a) the number of Shares being tendered; (b) whether the Shareholder is tendering Shares pursuant to an Auction Tender or a Purchase Price Tender; and (c) each Shareholder desiring to tender Shares pursuant to an Auction Tender must further indicate, in the box captioned "Auction Tender Price Per Share at Which Shares Are Being Deposited" in such Letter of Transmittal, the price (in increments of \$0.10 (in U.S. Dollars) per Share) at which such Shares are being deposited. In the case of Shareholders who make an Auction Tender, such Auction Tender will only be effective if the price specified in the Auction Tender is equal to or less than the Purchase Price.

If a Shareholder desires to deposit Shares in separate lots at a different price for each lot, such Shareholder must complete a separate Letter of Transmittal for each lot and price at which the Shareholder is depositing Shares. The same Shares cannot be deposited (unless previously properly withdrawn as provided in Section 4 of the Offer, "Withdrawal Rights") pursuant to both an Auction Tender and a Purchase Price Tender, or pursuant to an Auction Tender at more than one price.

360 has not adopted a procedure of guaranteed delivery with respect to the depositing of certificates representing Shares pursuant to the Offer prior to the Expiration Date. Accordingly, certificates representing Deposited Shares must be delivered to and received by the Depository on or prior to the Expiration Date.

A holder of Shares who wishes to deposit Shares under the Offer and whose certificate is registered in the name of an investment dealer, stock broker, bank, trust company or other nominee should immediately contact such nominee in order to take the necessary steps to be able to deposit such Shares under the Offer.

The Depository Trust Company, or "DTC", and the Depository have confirmed that the Offer is eligible for DTC's Automated Tender Offer Program, or "ATOP". Accordingly, DTC participants must electronically transmit their acceptance of the Offer by causing DTC to transfer their outstanding Shares to the Depository in accordance with DTC's ATOP procedures for this transfer. DTC will then send a computer-generated message, or an "Agent's Message", to the Depository. Shares tendered in accordance with DTC's ATOP procedures will be "blocked" for transfer until the completion of the Offer.

Signature Guarantees. No signature guarantee is required on the Letter of Transmittal if (i) the Letter of Transmittal is signed by the registered holder of the Shares exactly as the name of the registered holder appears on the certificate deposited therewith, and payment and delivery is to be made directly to such registered holder, or (ii) Shares are deposited for the account of a Canadian Schedule I chartered bank, a major trust company in Canada, a member of the Securities Transfer Agents Medallion Program (STAMP), a member of the Stock Exchange Medallion Program (SEMP) or a member of the New York Stock Exchange Inc. Medallion Signature Program (MSP) (each such entity, an "Eligible Institution"). In all other cases, all signatures on the Letter of Transmittal must be guaranteed by an Eligible Institution. See Instruction 1 of the Letter of Transmittal. If a certificate representing Shares is registered in the name of a person other than the signer of a Letter of Transmittal, or if payment is to be made, or certificates representing Shares not purchased or deposited are to be issued to a person other than the registered owner, the certificate must be endorsed or accompanied by an appropriate stock power, in either case,

signed exactly as the name of the registered owner appears on the certificate with the signature on the certificate or stock power guaranteed by an Eligible Institution.

Method of Delivery. The method of delivery of Shares and all other required documents is at the option and risk of the depositing Shareholder. If certificates for Shares are to be sent by mail, registered mail with return receipt requested, properly insured, is recommended and the mailing must be made sufficiently in advance of the Expiration Date to permit delivery to the Depository on or prior to such date. Delivery will only be made upon actual receipt of such Shares by the Depository.

Notwithstanding any other provision hereof, payment for Shares deposited and accepted for payment pursuant to the Offer will be made only after timely receipt by the Depository of certificates for such Shares, a properly completed and duly executed Letter of Transmittal (or manually executed photocopy thereof) relating to such Shares, with signatures guaranteed if so required, and any other documents required by the Letter of Transmittal.

Determination of Validity. All questions as to the number of Shares to be accepted, the price to be paid therefor, the form of documents and the validity, eligibility (including time of receipt) and acceptance for payment of any deposit of Shares will be determined by 360, in its sole discretion, which determination shall be final and binding on all parties. 360 reserves the absolute right to reject any or all deposits of Shares determined by it not to be in proper form or the acceptance for payment of or payment for which may, in the opinion of 360's counsel, be unlawful. 360 also reserves the absolute right to waive any of the conditions of the Offer or any defect or irregularity in any deposit of Shares. No deposit of Shares will be deemed to be properly made until all defects and irregularities have been cured or waived. Unless waived, any defects or irregularities in connection with deposits must be cured within such time as 360 shall determine. None of 360, the Depository or any other person is or will be obligated to give notice of defects or irregularities in deposits nor shall any of them incur any liability for failure to give any such notice. 360's interpretation of the terms and conditions of the Offer (including the Letter of Transmittal) will be final and binding.

Formation of Agreement. The proper deposit of Shares pursuant to any one of the procedures described above will constitute a binding agreement between the Selling Shareholder and 360, effective as of the Expiration Date, upon the terms and subject to the conditions of the Offer.

4. WITHDRAWAL RIGHTS

Except as otherwise provided in this Section, deposits of Shares pursuant to the Offer will be irrevocable. Shares deposited pursuant to the Offer may be withdrawn by the relevant Shareholder: (i) at any time, if the Shares have not been taken up by 360 before actual receipt by the Depository of a notice of withdrawal in respect of such Shares; or (ii) if the Shares have not been paid for by 360, within three business days of being taken up.

In addition, if (i) the terms of the Offer are varied (other than a variation consisting solely of a waiver of a condition of the Offer or a variation which consists solely of an increase in the consideration offered for the Shares, where the time for deposit is not extended for a period greater than that required by applicable legislation), or (ii) before or after the Expiration Date but before the expiry of all rights of withdrawal in respect of the Offer, any change has occurred in the information contained in the Offer or the Circular, as amended from time to time, that would reasonably be expected to affect the decision of a Shareholder to accept or reject the Offer, unless such change is not within the control of 360 or an affiliate of 360, then any Shares deposited under the Offer which have not been taken up by 360 at the date of the notice of such variation or change may be withdrawn by or on behalf of the depositing Shareholder at any time until the expiration of ten days from the date when the related notice of change or variation is mailed, delivered or otherwise properly communicated.

For a withdrawal to be effective, a written or facsimile transmission notice of withdrawal (which includes a notice by electronic means that produces a printed copy) must be actually received by the Depository at the place of deposit of the relevant Shares within the applicable time limits set forth above. Any such notice of withdrawal must (i) be signed by or on behalf of the person who signed the Letter of Transmittal that accompanied the Shares being withdrawn and (ii) specify the name of the person who deposited the Shares to be withdrawn, the name of the registered holder, if different from that of the person who deposited such Shares, the number and class of Shares to be withdrawn. If the certificates have been delivered or otherwise identified to the Depository, then, prior to the release of such certificates, the depositing Shareholder must submit the serial numbers shown on the particular

certificates evidencing the Shares to be withdrawn and the signature on the notice of withdrawal must be guaranteed by an Eligible Institution in the same manner as in the Letter of Transmittal (as described in the instructions set out in the Letter of Transmittal), except in the case of Shares deposited by an Eligible Institution. **A withdrawal of Shares deposited pursuant to the Offer can only be accomplished in accordance with the foregoing procedure. The withdrawal shall take effect only upon actual receipt by the Depository of the properly completed and executed written notice.**

All questions as to the form and validity (including time of receipt) of notices of withdrawal will be determined by 360, in its sole discretion, which determination shall be final and binding. None of 360, the Depository, or any other person shall be obligated to give any notice of any defects or irregularities in any notice of withdrawal and none of them shall incur any liability for failure to give any such notice.

Any Shares properly withdrawn will thereafter be deemed not deposited for purposes of the Offer. However, withdrawn Shares may be redeposited prior to the Expiration Date by again following any of the procedures described in Section 3 of the Offer, "Procedure for Depositing Shares".

If 360 extends the period of time during which the Offer is open, is delayed in its purchase of Shares or is unable to purchase Shares pursuant to the Offer for any reason, then, without prejudice to 360's rights under the Offer, the Depository may, subject to applicable law, retain on behalf of 360 all Deposited Shares, and such Shares may not be withdrawn except to the extent Selling Shareholders are entitled to withdrawal rights as described in this Section 4 of the Offer, "Withdrawal Rights".

5. CONDITIONS OF THE OFFER

Notwithstanding any other provision of the Offer, 360 shall not be required to accept for purchase, purchase or pay for any Shares deposited and may terminate or cancel the Offer or may postpone the payment for Shares deposited if, at any time on or after March 11, 2005 and at or before the payment for any such Shares, any of the following events shall have occurred (or shall have been determined by 360 to have occurred) which, in 360's sole judgment in any such case and regardless of the circumstances, makes it inadvisable to proceed with the Offer or with such acceptance for purchase or payment:

- (a) there shall have been threatened, instituted or pending any action or proceeding by any government or governmental authority or regulatory or administrative agency in any jurisdiction, or by any other person in any jurisdiction, before any court or governmental authority or regulatory or administrative agency in any jurisdiction, (i) challenging or seeking to cease trade, make illegal, delay or otherwise directly or indirectly restrain or prohibit the making of the Offer, the acceptance for payment for some or all of the Shares by 360 or otherwise directly or indirectly relating in any manner to or affecting the Offer, or (ii) that otherwise, in the sole judgment of 360, has or may have a material adverse effect on the Shares or the business, income, assets, liabilities, condition (financial or otherwise), properties, operations, results of operations or prospects of 360 or its subsidiaries taken as a whole or has or may materially impair the contemplated benefits of the Offer to 360;
- (b) there shall have been any approval withheld or any statute, rule, regulation, stay, decree, judgment or order or injunction proposed, sought, enacted, enforced, promulgated, amended, issued or deemed applicable to the Offer or 360 or any of its subsidiaries by any court, government or governmental authority or regulatory or administrative agency (collectively, "Governmental Authorities") in any jurisdiction, that, in the sole judgment of 360 might, directly or indirectly, result in any of the consequences referred to in clauses (i) or (ii) of paragraph (a) above or would or might prohibit, prevent, restrict or delay consummation of or materially impair the contemplated benefits to 360 of the Offer;
- (c) there shall have occurred (i) any general suspension of trading in, or limitation on prices for, securities on any securities exchange or in the over-the-counter market in Canada or the United States, (ii) the declaration of a banking moratorium or any suspension of payments in respect of banks in Canada or the United States (whether or not mandatory), (iii) the commencement of acts of war, sabotage, terrorism, armed hostilities or other international or national calamity directly or indirectly involving Canada or the United States, or any acceleration thereof (iv) any limitation by

any governmental, regulatory or administrative authority or agency or any other event that, in the sole judgment of 360, might affect the extension of credit by banks or other lending institutions or (v) any change in the general political, market, economic or financial conditions that has or may have a material adverse effect on 360's business, operations or prospects or the value of the Shares;

- (d) any change or changes shall have occurred (or any development shall have occurred involving any prospective change or changes) in the business, assets, liabilities, properties, condition (financial or otherwise), operations, results of operations or prospects of 360 or its subsidiaries that, in the sole judgment of 360, have or may have material adverse effect with respect to 360 or its subsidiaries taken as a whole;
- (e) 360 shall have determined, in its sole judgment, that the Purchase Price exceeds the fair market value of a Share either at the Expiration Date or at the time the Shares are acquired by 360 pursuant to the Offer, both determined without reference to the Offer;
- (f) 360 shall not have received any other necessary approvals or consents from Governmental Authorities in respect of the Offer; or
- (g) any change shall have occurred or been proposed to the Tax Act that, in the opinion of 360, is detrimental to 360 or a Shareholder.

Any waiver of a condition or the withdrawal of the Offer shall be deemed to be effective on the date on which notice of such waiver or withdrawal is delivered or otherwise communicated to the Depository. 360, after giving notice to the Depository of any waiver of a condition or the withdrawal of the Offer, shall forthwith thereafter make a public announcement of such waiver or withdrawal and provide or cause to be provided notice of such waiver or withdrawal. If the Offer is withdrawn, 360 shall not be obligated to take up, accept for purchase or pay for any Shares deposited under the Offer, and the Depository will return all certificates for Deposited Shares and Letters of Transmittal and any related documents to the parties by whom they were deposited.

The foregoing conditions are for the sole benefit of 360 and may be asserted by 360 in its sole discretion regardless of the circumstances (including any action or inaction by 360) giving rise to any such conditions, or may be waived by 360, in its sole discretion, in whole or in part at any time. The failure by 360 at any time to exercise its rights under any of the foregoing conditions shall not be deemed a waiver of any such right, the waiver of any such right with respect to particular facts and circumstances shall not be deemed a waiver with respect to any other facts and circumstances; and each such right shall be deemed an ongoing right which may be asserted at any time or from time to time. Any determination by 360 concerning the events described in this Section shall be final and binding on all persons.

6. ACCEPTANCE FOR PAYMENT AND PAYMENT FOR SHARES

Promptly after it has determined the Purchase Price in accordance with Section 2 of the Offer, "Purchase Price" and the determination of the extent of the exercise of the Issuer's Option, if any, 360 will take up and pay for Shares to be purchased pursuant to the Offer (including those to be taken up on exercise of the Issuer's Option, if any) as soon as practicable after the Expiration Date, but in any event not later than ten days after such time. 360 will pay for such Shares within three business days after taking up the Shares.

Number of Shares. For purposes of the Offer, 360 will be deemed to have accepted for payment, subject to proration, Shares deposited and not withdrawn pursuant to Auction Tenders at or below the Purchase Price and pursuant to Purchase Price Tenders if, as and when 360 gives written notice to the Depository of its acceptance of such Shares for payment pursuant to the Offer.

Payment. Payment for Shares accepted for purchase pursuant to the Offer and on exercise of the Issuer's Option, if any, will be made by depositing the aggregate Purchase Price for such Shares with the Depository, which will act as agent for the Selling Shareholders for the purpose of receiving payment from 360 and transmitting such payment to the depositing Shareholders. **Under no circumstances will interest accrue or be paid by 360 or the Depository to persons depositing Shares by reason of any delay in paying for any Shares or otherwise.**

In the event of proration of Shares deposited, 360 will determine the proration factor and pay for those Deposited Shares accepted for payment as soon as practicable after the Expiration Date.

Certificates for all Shares not purchased, including all Shares deposited pursuant to Auction Tenders at prices in excess of the Purchase Price and Shares not purchased due to proration, will be returned as soon as practicable after the Expiration Date or termination of the Offer without expense to the depositing Shareholder or to the addressee selected by the depositing Shareholder in the Letter of Transmittal.

The Purchase Price for Shares deposited and purchased will be paid by cheque issued to the order of, and certificate(s) representing Shares not deposited or not purchased under the Offer will be issued to, the person signing the relevant Letter of Transmittal or to the order of such other person as identified by the person signing such Letter of Transmittal, by properly completing the box captioned "Special Payment Instructions" in such Letter of Transmittal. In the absence of an address being provided, cheques or certificates will be forwarded to the address of the person as shown on the register for the Shares.

The Depository will forward cheques and certificates representing all Shares not purchased by first-class mail to the person signing the relevant Letter of Transmittal or to such other person, or such other address as identified by the person in such Letter of Transmittal (unless, in the case of a cheque, the person signing the Letter of Transmittal instructs the Depository to hold such cheque for pick-up) by properly completing the box captioned "Special Delivery Instructions" in such Letter of Transmittal. See Section 8 of the Offer, "Payment in the Event of Mail Service Interruption", in the event of real or possible mail service interruption.

Persons depositing Shares will not be obligated to pay brokerage commissions. No soliciting dealer group has been formed or retained by 360 in connection with the Offer and no soliciting dealer fees will be paid by 360.

Tax Consequences for Non-Canadian Shareholders. In order to receive the full Purchase Price under the Offer for Shares that are held by a non-Canadian resident (including any non-Canadian resident beneficial holder of Shares), the non-Canadian resident Shareholder must complete and remit a copy of the Form T2026(E) attached to the Letter of Transmittal, along with required documentation, to the Canada Revenue Agency (the "CRA") and the CRA must issue a Certificate of Compliance Related to the Disposition of Taxable Canadian Property (a "Clearance Certificate") certifying that no Canadian income tax is payable in respect of the transaction. Once received, the non-Canadian resident Shareholder must remit the Clearance Certificate to the Depository. Until the Depository receives the Clearance Certificate, the Depository will withhold 25% of the Purchase Price (the "Withheld Consideration") in order to comply with Canadian taxation requirements.

360 has arranged for its Canadian legal counsel, Fasken Martineau DuMoulin LLP, to act as agent in order to remit executed Forms T2026(E) on behalf of non-Canadian resident Shareholders. Accordingly, non-resident Canadian Shareholders (including any non-Canadian resident beneficial holder of Shares) should carefully follow the "*Instructions for Completing Canada Customs and Revenue Agency Form T2026(E)*" accompanying the Letter of Transmittal and deliver the completed and executed Form T2026(E) with the Letter of Transmittal to the Depository, together with any other required documentation. Upon receipt by the Depository, the Depository will provide the executed forms to Fasken Martineau DuMoulin LLP who will remit all forms to the CRA within 10 days following the Expiration Date. By submitting to the Depository a completed and executed Letter of Transmittal and Form T2026(E) (or Form T2026(E) only in the case of shareholders holding Shares through a broker or dealer) the non-resident Canadian Shareholder agrees to authorize Fasken Martineau DuMoulin LLP to act as its agent in remitting its Form T2026(E) to the CRA and to further deal with its application (including attending to information requests by CRA) for a Clearance Certificate. The Depository will not undertake any follow up with any Shareholders in respect of any Forms T2026(E).

Failure to return to the Depository a duly completed and executed Form T2026(E) and failure to obtain and remit to the Depository a Clearance Certificate by the end of the month following the take-up and payment for the Shares will result in the Withheld Consideration being remitted to the CRA on behalf of the Shareholder pursuant to Canadian taxation requirements. Accordingly, Fasken Martineau DuMoulin LLP will act on behalf of Shareholders only until the end of the month following the take-up and payment for the Shares under the Offer. In such circumstances, the Shareholder will be required to contact the CRA directly to arrange for any applicable refund or required filings on its own behalf. See Section 7 of the Circular, "Income Tax Consequences - Certain Canadian Federal Income Tax Considerations for Non-Canadian Holders".

7. EXTENSION AND VARIATION OF THE OFFER

360 expressly reserves the right, in its sole discretion, and regardless of whether or not any of the conditions specified under Section 5 of the Offer, "Conditions of the Offer", shall have occurred, at any time or from time to time, to extend the period of time during which the Offer is open or to vary the terms and conditions of the Offer by giving written or oral notice (to be confirmed in writing) of extension or variation to the Depositary and by causing the Depositary to provide, where required by law, as soon as practicable thereafter, a copy of the notice in the manner set forth under Section 10 of the Offer, "Notice", to all Shareholders and to the applicable Canadian securities regulatory authorities. Any notice of extension or variation will be deemed to have been given and be effective on the day on which it is delivered or otherwise communicated to the Depositary at its principal office in Vancouver.

Where the terms of the Offer are varied, the period during which Shares may be deposited pursuant to the Offer shall not expire before ten days after the notice of variation has been given to holders of Shares unless otherwise permitted by applicable law. During any such extension or in the event of any variation, all Shares previously deposited and not taken up or withdrawn will remain subject to the Offer and may be accepted for purchase by 360 in accordance with the terms of the Offer, subject to Section 4 of the Offer, "Withdrawal Rights". An extension of the Expiration Date or a variation of the Offer does not constitute a waiver by 360 of its rights under Section 5 of the Offer, "Conditions of the Offer".

If, prior to the Expiration Date, a variation in the terms of the Offer increases the consideration offered to holders of Shares by 360 in its sole discretion, such increase shall be applicable to all holders whose Shares are taken up pursuant to the Offer.

Notwithstanding the foregoing, the Offer may not be extended by 360 if all the terms and conditions of the Offer have been complied with, except those waived by 360, unless 360 first takes up and pays for all Shares properly deposited under the Offer and not withdrawn. If the Offer is under-subscribed at the Expiration Date and all the terms and conditions of the Offer have been complied with, except those waived by 360, and 360 decides in its sole discretion to extend the Offer, there will be no prorating among the tenders of Shares taken up at such time. If the Offer becomes oversubscribed by the time any such extension is over and 360 has elected to exercise the Issuer's Option for an amount that is insufficient to cover all Over-Subscriptions, 360 will only prorate among tenders received during the extension and after the original Expiration Date and not across tenders received prior to the extension which have already been taken up. However, in no case shall the Purchase Price be reduced as a result of tenders received during any extension as described in this paragraph. The foregoing is subject to regulatory approval. See Section 8 of the Circular, "Certain Legal Matters; Regulatory Approvals".

360 also expressly reserves the right, in its sole discretion, (i) to terminate the Offer and not to accept for purchase any Shares not theretofore accepted for purchase upon the occurrence of any of the conditions specified in Section 5 of the Offer, "Conditions of the Offer", or (ii) at any time or from time to time to amend the Offer in any respect, including increasing or decreasing the number of Shares 360 may purchase or the range of prices it may pay pursuant to the Offer.

If 360 makes a material change in the terms of the Offer or the information concerning the Offer, 360 will extend the time during which the Offer is open to the extent required under applicable Canadian securities legislation.

8. PAYMENT IN THE EVENT OF MAIL SERVICE INTERRUPTION

Notwithstanding the provisions of the Offer or the Circular or the Letter of Transmittal, cheques in payment for Shares purchased under the Offer and certificates for any Shares to be returned will not be mailed if 360 determines that delivery by mail may be delayed. Persons entitled to cheques or certificates which are not mailed for this reason may take delivery at the office of the Depositary to which the deposited certificates for the Shares were delivered until 360 has determined that delivery by mail will no longer be delayed. 360 will provide notice as provided under Section 10 of the Offer, "Notice," of any determination not to mail under this Section as soon as reasonably practicable after such determination is made. The deposit of cheques with the Depositary in these circumstances will constitute delivery to the persons entitled to them.

9. LIENS; DIVIDENDS

Shares acquired pursuant to the Offer shall be acquired by 360 free and clear of all liens, charges, encumbrances, security interests, claims, restrictions and equities whatsoever, together with all rights and benefits arising therefrom, provided that any dividends or distributions which may be declared, paid, issued, distributed, made or transferred on or in respect of such Shares to Shareholders of record on or prior to the date upon which the Shares are taken up and paid for under the Offer shall be for the account of such Shareholders. Each Shareholder of record on that date will be entitled to receive that dividend, whether or not such Shareholder deposits Shares pursuant to the Offer.

10. NOTICE

Without limiting any other lawful means of giving notice, any notice to be given by 360 or the Depositary under the Offer will be deemed to have been properly given if it is mailed by first-class mail, postage prepaid, to the registered holders of Shares at their respective addresses as shown on the share registers maintained in respect of the Shares and will be deemed to have been received on the first business day following the date of mailing. These provisions apply despite (i) any accidental omission to give notice to any one or more Shareholders and (ii) an interruption of mail service following mailing. In the event of an interruption of mail service following mailing, 360 will use reasonable efforts to disseminate the notice by other means, such as publication. Except as otherwise required or permitted by law, in the event that post offices in Canada are not open for deposit of mail, or there is reason to believe there is or could be a disruption in all or any part of the postal service, any notice which 360 or the Depositary may give or cause to be given under the Offer will be deemed to have been properly given and to have been received by Shareholders if it is issued by way of a news release and if it is published once in the National Edition of the Globe & Mail or the National Post.

The Offer and any Notice of Exercise of the Issuer's Option will be mailed to registered Shareholders or sent in such a manner as is permitted by applicable securities regulatory authorities.

Wherever the Offer calls for documents to be delivered to the Depositary, such documents will not be considered delivered unless and until they have been physically received at one of the addresses listed for the Depositary on the Letter of Transmittal. Wherever the Offer calls for documents to be delivered to a particular office of the Depositary, such documents will not be considered delivered unless and until they have been physically received at the particular office at the address indicated on the Letter of Transmittal.

11. OTHER TERMS

- (a) No broker, dealer or other person has been authorized to give any information or to make any representation on behalf of 360 other than as contained in the Offer, and, if any such information or representation is given or made, it must not be relied upon as having been authorized.
- (b) It is a term of the Offer that for the purposes of subsection 191(4) of the Tax Act the "specified amount" in respect of each Share shall be \$2.00.
- (c) The Offer and all contracts resulting from the acceptance thereof shall be governed by and construed in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein.
- (d) 360, in its sole discretion, shall be entitled to make a final and binding determination of all questions relating to the interpretation of the Offer, the validity of any acceptance of the Offer and the validity of any withdrawal of Shares.
- (e) The Offer is not being made to nor will deposits of Shares be accepted from or on behalf of Shareholders residing in any jurisdiction in which the making of the Offer or the acceptance thereof would not be in compliance with the laws of such jurisdiction. 360 may, in its sole discretion, take such action as it may deem necessary to make the Offer in any such jurisdiction and extend the Offer to Shareholders in any such jurisdiction.

This Offer, together with the accompanying Circular constitutes the issuer bid circular required under British Columbia securities legislation with respect to the Offer.

360NETWORKS CORPORATION

(Signed): LIN GENTEMANN
Senior Vice-President, General
Counsel and Corporate Secretary

CIRCULAR

The following information is supplied with respect to the accompanying Offer by 360 to purchase Shares in cash.

1. CERTAIN INFORMATION CONCERNING 360

On December 31, 2000, 360 was incorporated under the *Business Corporations Act* (Alberta), on October 18, 2002 it was continued under the *Canada Business Corporations Act* and on December 3, 2004 it was continued under the British Columbia *Business Corporations Act* (the "BCBCA"). 360's head office and principal business address is 2401 Fourth Street, Suite 1100, Seattle, Washington, 98121, USA and its registered office address is 2100 - 1075 West Georgia Street, Vancouver, British Columbia, Canada, V6E 3G2.

360 is in the business of offering fibre optic communications products and services to midsized and large companies, including carrier customers.

The authorized capital of 360 consists of an unlimited number of Common shares (carrying one vote per common share), and an unlimited number of Preferred Shares, issuable in series.

As of December 31, 2004, 360 had 13,391,721 Common shares outstanding and options to purchase an aggregate of 2,052,298 Common shares exercisable at prices ranging from \$0.10 to \$1.04 per Share (the "Granted Options Outstanding").

Pursuant to a value creation plan designed as an incentive for management to repay the \$215 million senior debt at par and originally approved by the Board of Directors in January 2004 and amended in July 2004, members of the senior management team of 360 were given the right to purchase up to 3,264,000 Common shares at a price of \$1.04 per Share (the "Value Creation Shares"). Assuming all of the Value Creation Shares had been issued as of December 31, 2004, 360 would have had 16,655,721 Common shares outstanding.

Option Buy-Back Program

To provide liquidity to current and former employees, immediately following the Expiration Date, 360 intends to commence an offer to purchase from all eligible current and former employees and directors, all of the 548,933 vested Granted Options Outstanding (the "Option Buy-Back Program"). The offer to purchase under this Option Buy-Back Program will be at the Purchase Price under this Offer, less the applicable exercise price in respect of the Granted Options Outstanding. If all of the vested Granted Option Outstanding are purchased by 360 under the Option Buy-Back Program, 360 will have 1,503,365 Granted Options Outstanding.

Recent Developments

Pursuant to an agreement dated May 25, 2004, as amended (the "Purchase Agreement"), Bell Canada ("Bell"), and/or one or more affiliates of Bell, agreed to acquire substantially all of the Canadian business and operations of 360, of 360networks Canada holdings Ltd., and of certain of their respective Canadian subsidiaries (the "Canadian Business"). Pursuant to a U.S. purchase agreement dated August 11, 2004, Bell obtained the right to purchase certain related U.S. assets held by certain subsidiaries of 360 (the "U.S. Assets"). On August 12, 2004, Bell assigned its rights to purchase such U.S. Assets to its subsidiary BCE Nexxia Corp. At the special meeting of shareholders of 360 held on November 4, 2004, shareholders of 360 passed a special resolution approving the sale of the Canadian Business and US Assets pursuant to the Purchase Agreement and the US Purchase Agreement. The closing of the Bell Transaction occurred on November 19, 2004 (together, the "Bell Transaction"). Bell paid an aggregate purchase price of CAN\$275 million, subject to adjustment, of which CAN\$27,150,000 was held in escrow pursuant to the Purchase Agreement as of December 31, 2004.

360's Business Plan

360 provides private line and Internet services to customers in smaller markets in the Western U.S. Through its acquisition of Touch America and Corban, 360 has a regional network that spans 10,400 route miles throughout 14 Western states, serves 39 U.S. markets, including 12 metropolitan rings, and supports over 250 carrier

and commercial enterprise customers. Management believes that this strategy is appealing due to the regional market's higher margin pricing and more limited competition than in the "NFL City" long-haul markets. However, this strategy may leave 360 too small and with too limited a product set to maximize operating efficiencies and may not provide sufficient market potential to grow revenue substantially.

360 also currently operates a long haul, high capacity fiber optic network that it purchased from Dynegy, Inc. in May, 2003. This network consists of a long term IRU on four fibers of the Level 3 network, optical gear and points of presence in most major U.S. cities. The long haul business has proven to be challenging to operate profitably and management is in the process of negotiating with several parties to assume the assets and liabilities of this legal entity, 360networks Acquisition (USA), Inc. This transaction may take the form of a sale, a legal restructuring, including a bankruptcy filing, or a combination of both. Net proceeds from any transaction are not expected to be material.

2. PURPOSE AND EFFECT OF THE OFFER; POSITION OF THE DIRECTORS

The Board of Directors is aware that certain Shareholders of 360 have indicated on various occasions in the past their desire to sell all or a portion of their Shares. As there is no public trading of 360's Shares, most Shareholders of 360 have not had an opportunity to sell their Shares. 360 has considered various ways of providing liquidity to Shareholders. 360 is making the Offer because it is an effective way of providing liquidity to its Shareholders, which 360 believes is in the best interests of all of its Shareholders.

The Board of Directors unanimously approved the making of the Offer in order to provide all Shareholders with an opportunity for liquidity. However, the Board of Directors is not making a recommendation as to whether Shareholders should sell Shares by accepting the Offer, or continue to hold Shares, for the reasons set out below.

Each Shareholder should carefully consider the Offer, the factors considered by the Board of Directors, the Shareholder's own circumstances and other relevant factors, and reach the holder's own conclusion as to the adequacy of the price which may be realized under the Offer. Since circumstances specific to each Shareholder vary, Shareholders should consult their own financial and tax advisors in determining whether or not to sell Shares under the Offer. Shareholders should carefully consider the income tax consequences of accepting the Offer. See Section 7 of the Circular, "Income Tax Consequences".

The Board of Directors decided that proceeding with the Offer at the price range and for the Maximum Amount set out in the Offer is in the best interests of all Shareholders of 360. Before reaching this conclusion, the Board of Directors considered a number of factors, including:

- the Offer provides Shareholders with an opportunity to sell all or a portion of their Shares, should they desire liquidity;
- the Offer provides Shareholders who are considering the sale of all or a portion of their Shares the opportunity to determine the price at which they are willing to sell their Shares if such Shares are deposited pursuant to an Auction Tender, or the opportunity to deposit their Shares without specifying a price pursuant to a Purchase Price Tender;
- selling Shares under the Offer is optional and available to all Shareholders and, therefore, each Shareholder is free to accept or reject the Offer;
- the auction mechanism in the Offer should produce a purchase price that is fair to selling Shareholders and to 360 (and therefore to continuing Shareholders);
- the Offer is not conditional upon any minimum number of Shares being deposited;
- Shareholders have the relevant information about 360, including the latest interim consolidated financial statements of 360 for the nine-months ended September 30, 2004 and the pro forma interim consolidated financial statements of 360 for the nine-months ended September 30, 2004 assuming completion of the Bell Transaction; and

- Shareholders who do not sell their Shares in the Offer will realize a proportionate increase in their percentage ownership of 360 if any Shares are purchased under the Offer.

Canadian securities laws prohibit 360 and its affiliates from acquiring any Shares, other than pursuant to the Offer, until at least 20 business days after the Expiration Date or termination of the Offer. 360 may in the future, subject to applicable law, purchase additional Shares in private transactions, through issuer bids or otherwise. Any such purchases may be on the same terms or on terms which are more or less favourable to Shareholders than the terms of the Offer. Any possible future purchases by 360 will depend on many factors, including 360's business and financial position, the results of the Offer and general economic and market conditions.

3. DIVIDENDS

Previous Dividends. 360 has not paid dividends in the past.

Dividend Policy. The Board of Directors is responsible for setting 360's dividend policy and determining the best use of 360's financial resources. The Board of Directors currently has no intention to pay dividends in the foreseeable future.

4. TRADING OF SHARES; PREVIOUS SALES AND PURCHASES OF SHARES

Trading of Shares. The Shares are not traded on any stock exchange or other similar market.

Previous Purchases and Sales. 360 has not purchased or sold any Shares or any other securities of 360 in the 12-month period preceding the date of the Offer, other than the issuance of Shares to employees and directors granted in connection with share awards or the exercise of options pursuant to the Corporation's 2002 Long Term Incentive and Share Award Plan.

Previous Distributions. Since November 12, 2002, the date the Corporation completed its plan of reorganizations (the "Reorganization") pursuant to the Canadian *Companies' Creditors Arrangement Act* and Chapter 11 of the U.S. Bankruptcy Code, the Corporation has issued an aggregate of 13,391,721 Common shares, of which an aggregate of (i) 12,580,517 Shares have been issued in connection with the settlement of creditors' claims pursuant to the Reorganization and (ii) 811,204 Shares have been issued as share awards or upon the exercise of stock options at an exercise price of \$0.10 per share pursuant to the Corporation's 2002 Long Term Incentive and Share Award Plan implemented in connection with the Reorganization.

5. INTEREST OF DIRECTORS AND SENIOR OFFICERS; TRANSACTIONS AND ARRANGEMENTS CONCERNING THE OFFER

Ownership of Shares of 360. The following table indicates, as at December 31, 2004, the number of outstanding securities of 360 beneficially owned or over which control or direction is exercised by, each director and senior officer of 360 and, where known after reasonable inquiry, by each associate of a director or senior officer of 360, each person or company which holds more than 10% of the Shares, or each person acting jointly or in concert with 360:

Name	Position with 360	Number of Shares Owned ⁽¹⁾	Percentage of Outstanding Shares	Number of Options Owned	Number of Options Vested	Percentage of Outstanding Options ⁽²⁾
Gregory B. Maffei	Director, Chairman & Chief Executive Officer	Nil ⁽³⁾	Nil	175,000	Nil	8.5%
William T. Brock ⁽⁴⁾	Director	Nil	Nil	35,000	35,000	1.7%
Michael Brown	Director	Nil	Nil	35,000	20,000	1.7%
George T. Haymaker, Jr.	Director	Nil	Nil	35,000	20,000	1.7%
Wilbur L. Ross, Jr. ⁽⁵⁾	Director	Nil	Nil	35,000	20,000	1.7%
David Van Valkenberg	Director	Nil	Nil	35,000	20,000	1.7%
Chris Mueller	Senior Vice President, Finance	32,501	.02%	45,000	Nil	2.2%
Rob Frasene	Senior Vice President, Operations	30,004	.02%	45,000	Nil	2.2%
Lin Gentemann	Senior Vice President, General Counsel and Corporate Secretary	70,000	.05%	35,000	Nil	1.7%

- (1) This column shows the Shares beneficially owned directly or indirectly or over which control or direction is exercised as of January 18, 2005.
- (2) The maximum number of Shares authorized for issuance pursuant to 360's 2002 Long Term Incentive and Share Award Plan is 3,750,000 Shares.
- (3) In early 2004, Mr. Maffei transferred all of his 340,000 Shares to a trust for the benefit of his four minor children.
- (4) Mr. William T. Brock resigned from the Board of Directors as of December 31, 2004.
- (5) Mr. Wilbur L. Ross, Jr. resigned from the Board of Directors as of January 17, 2005.

Director and Senior Officer Participation in the Offer. All of the directors and senior officers who own Shares and are listed above under "Ownership of Shares of 360" have expressed to 360 their current intention to deposit their entire shareholdings pursuant to the Offer. In addition, Mr. Maffei intends to recommend to the trustee of his children's trust that the trustee deposit all of the trust's Shares pursuant to the Offer.

All of the directors who hold vested Options and are listed above under "Ownership of Shares of 360" have expressed to 360 their current intention to deposit their entire vested optionholdings in the Option Buy-Back Program described in Section 1 of the Circular, "Certain Information Concerning 360".

Commitments to Acquire Shares. 360 has no commitments to purchase Shares or other equity securities of 360, other than pursuant to the Offer. To the knowledge of 360, after reasonable inquiry, no person named under "Ownership of Shares of 360" has any commitment to purchase Shares or other equity securities of 360, although as members of the management team such persons have the right to purchase Shares as described in Section 1 of this Circular, "Certain Information Concerning 360".

Benefits from the Offer. No person named under “Ownership of Shares of 360” will receive any direct or indirect benefit from accepting or refusing to accept the Offer, other than the consideration available to any Shareholder who does or does not participate in the Offer.

Contracts, Arrangements or Understandings with Shareholders. There are no contracts, arrangements or understandings, formal or informal, between 360 and any Shareholder or director or officer of 360 in relation to the Offer or any person or company with respect to any securities of 360 in relation to the Offer.

Material Changes in the Affairs of 360. Except for the Offer and except as described or referred to in this Circular, there are no plans or proposals for material changes in the affairs of 360. In the ordinary course of business, management identifies and evaluates on an on-going basis various proposals for the enhancement of shareholder value.

6. VALUATIONS

360 is exempt from the requirement to obtain a formal valuation in connection with the Offer by virtue of the Offer being exempt from the issuer bid requirements of certain provinces of Canada and pursuant to a discretionary exemption relief order of the British Columbia Securities Commission. Accordingly, no formal valuation in respect of 360 has been obtained in connection with the Offer.

7. INCOME TAX CONSEQUENCES

Certain Canadian Federal Income Tax Considerations for Canadian Holders

In the opinion of Fasken Martineau DuMoulin LLP, Canadian counsel to 360, the following summary accurately describes the principal Canadian federal income tax considerations generally applicable to a sale of Shares pursuant to the Offer, based on the assumption that the Selling Shareholder is resident in Canada, holds such Shares as capital property, is not affiliated with 360 and deals at arm’s length with 360, all within the meaning of the Tax Act. All Shareholders should discuss these assumptions with their own tax advisors to determine whether these assumptions are correct in their particular circumstances. Certain Shareholders, including financial institutions, registered securities dealers and corporations controlled by one or more of the foregoing, are generally precluded from treating Shares as capital property and may be subject to “mark-to-market” rules which are not discussed in this summary.

This summary is based on the current provisions of the Tax Act, the regulations thereunder, all specific proposals to amend the Tax Act and the regulations thereunder publicly announced by the Minister of Finance (Canada) prior to the date hereof and the current published administrative practices of the Canada Revenue Agency (the “CRA”). This summary is not exhaustive of all Canadian federal income tax considerations. Except as referred to above, this summary does not take into account or anticipate changes in income tax law or administrative practice, nor does it take into account provincial, territorial or foreign tax considerations, which considerations may differ significantly from those discussed herein.

The summary in this Section 7 is of a general nature only and is not intended to be, nor should it be considered to be, legal or tax advice to any particular Shareholder and no representation is made with respect to the income tax consequences to any particular Shareholder. Accordingly, Shareholders should consult their own tax advisers with respect to their particular circumstances.

Individual Shareholders Resident in Canada. 360 estimates that, on the Expiration Date, the paid-up capital per Share will exceed the amount to be paid by 360 for each Share. Provided this is correct, Shareholders who are individuals resident in Canada and who sell Shares to 360 pursuant to the Offer will not be deemed to receive a taxable dividend on the sale of their Shares.

The Shareholder will realize a capital loss (gain) on disposition of the Shares equal to the amount by which the Shareholder’s proceeds of disposition, net of any costs of disposition, are less than (or exceed) the adjusted cost base to the Shareholder of the Shares sold to 360 pursuant to the Offer. Under the Tax Act, one half of a capital gain or a capital loss realized by a Shareholder is a taxable capital gain or allowable capital loss, respectively. Taxable capital gains of a Shareholder are required to be included in the income of the Shareholder. Allowable capital losses may be deducted only against taxable capital gains subject to and in accordance with the provisions of the Tax Act.

An individual Shareholder who has realized a capital loss on the sale of Shares under the Offer may have all or a portion of that loss denied if the “superficial loss” rules in the Tax Act apply. This may be the case where the individual Shareholder (or a person affiliated with the individual Shareholder) has acquired additional Shares in the period commencing 30 days prior to the sale of Shares under the Offer and ending 30 days after the sale of the Shares under the Offer.

Individual Shareholders who realize a capital gain as a result of a sale of Shares under the Offer should consult their own tax advisors with respect to the “alternative minimum tax” rules set out in the Tax Act.

Individual Shareholders who are employees of 360 should consult their own tax advisors with respect to the applicability of the special rules applying to the acquisition and disposition of Shares in their employer. Depending on the circumstances under which they acquired their Shares, these rules could result in all or a portion of their proceeds of disposition being included in their employment income without the benefit of the 50% inclusion rate for capital gains.

Corporate Shareholders Resident in Canada. 360 estimates that, on the Expiration Date, the paid-up capital per Share will exceed the amount to be paid by 360 for each Share. Provided this is correct, a corporate Shareholder that is resident in Canada and that sells Shares to 360 pursuant to the Offer will not be deemed to receive a taxable dividend on the sale of their Shares.

The Shareholder will realize a capital loss (gain) on disposition of the Shares equal to the amount by which the Shareholder’s proceeds of disposition, net of any costs of disposition, are less than (or exceed) the adjusted cost base to the Shareholder of the Shares sold to 360 pursuant to the Offer.

Under the Tax Act, one half of a capital gain or a capital loss realized by a Shareholder is a taxable capital gain or allowable capital loss, respectively. Taxable capital gains of a Shareholder are required to be included in the income of the Shareholder. Allowable capital losses may be deducted only against taxable capital gains subject to and in accordance with the provisions of the Tax Act.

A corporate Shareholder which has realized a capital loss on the sale of the Shares under the Offer may have all or a portion of that loss denied if the corporate Shareholder (or person affiliated with the corporate Shareholder) has acquired additional Shares in the period commencing 30 days prior to the sale of Shares under the Offer and ending 30 days after the sale of Shares under the Offer.

A Shareholder that is a Canadian-controlled private corporation throughout the year (as defined in the Tax Act) may be liable to pay additional refundable tax of 6 2/3% on its “aggregate investment income” for the year, which is defined to include an amount in respect of taxable capital gains.

Certain Canadian Federal Income Tax Considerations for Non-Canadian Holders

In the opinion of Fasken Martineau DuMoulin LLP, Canadian counsel to 360, the following summary accurately describes the principal Canadian federal income tax considerations generally applicable to a sale of Shares pursuant to the Offer, based on the assumption that the Selling Shareholder is not resident in Canada, holds such Shares as capital property, is not affiliated with 360 and deals at arm’s length with 360, all within the meaning of the Tax Act (in each case a “Non-Canadian Holder”). All Shareholders should discuss these assumptions with their own tax advisors to determine whether these assumptions are correct in their particular circumstances.

This summary is based on the current provisions of the Tax Act, the regulations thereunder, all specific proposals to amend the Tax Act and the regulations thereunder publicly announced by the Minister of Finance (Canada) prior to the date hereof and the current published administrative practices of the CCRA. This summary is not exhaustive of all Canadian federal income tax considerations. Except as referred to above, this summary does not take into account or anticipate changes in income tax law or administrative practice, nor does it take into account provincial, territorial or foreign tax considerations, which considerations may differ significantly from those discussed herein.

The summary in this Section 7 is of a general nature only and is not intended to be, nor should it be considered to be, legal or tax advice to any particular Shareholder and no representation is made with respect

to the income tax consequences to any particular Shareholder. Accordingly, Shareholders should consult their own advisers with respect to their particular circumstances.

Subject to the terms of any applicable income tax treaty, a Non-Canadian Holder will be subject to tax under the Tax Act in respect of any capital gain on the disposition of Shares under the Offer. The amount of the capital gain is the amount as discussed under "Certain Canadian Federal Income Tax Considerations for Canadian Holders". Any such gain may be exempt from Canadian tax by virtue of the terms of a tax treaty under which the Non-Canadian Holder is entitled to claim benefits. For example, under the Canada-United States Income Tax Convention, provided that the Non-Canadian Holder is not a former resident of Canada and that the Shares are not part of a permanent establishment in Canada of the Non-Canadian Holder, the capital gains of residents of the United States are generally exempt from Canadian tax.

A Non-Canadian Holder who disposes of Shares under the Offer is required, pursuant to section 116 of the Tax Act, to send to the CRA, not later than 10 days after the sale, a notice of the sale containing the information required by section 116 of the Tax Act. This requirement applies whether or not the Non-Canadian Holder realizes a capital gain on the sale or is liable for Canadian tax on any capital gain arising on the sale. 360 will withhold (the "Section 116 Withheld Amount") 25% of the amount (the "Proceeds of Disposition") paid by 360 to the Non-Canadian Holder on the sale. If the Non-Canadian Holder provides to 360, within 30 days of the end of the month in which the sale occurs, a certificate from the CRA pursuant to subsection 116(4) of the Tax Act in form satisfactory to 360 and containing a certificate limit not less than the Proceeds of Disposition, 360 will forthwith pay the Section 116 Withheld Amount to the Non-Canadian Holder. Otherwise, 360 will remit to the CRA the Section 116 Withheld Amount as tax under the Tax Act on behalf of the Non-Canadian Holder. See the Offer under Section 6 "Acceptance for Payment and Payment for Shares" for a description of how Fasken Martineau DuMoulin LLP will act as agent to assist Shareholders in obtaining a certificate from the CRA pursuant to Section 116(4) of the Tax Act.

8. CERTAIN LEGAL MATTERS; REGULATORY APPROVALS

360 is not aware of any license or regulatory permit that is material to 360's business that might be adversely affected by 360's acquisition of Shares pursuant to the Offer or of any approval or other action by any government or governmental, administrative or regulatory authority or agency in any jurisdiction, that would be required for the acquisition or ownership of Shares by 360 pursuant to the Offer and that has not been obtained on or before the date hereof, other than as outlined in this Section. 360 has obtained an order from the British Columbia Securities Commission exempting 360 from certain technical requirements of British Columbia securities legislation with respect to the Offer and from the requirement to obtain a formal valuation of 360.

Should any other approval or action be required, 360 currently contemplates that such approval or action will be sought. 360 cannot predict whether it may determine that it must delay the acceptance for payment of Shares deposited pursuant to the Offer pending the outcome of any such matter. There can be no assurance that any such approval or other action, if needed, would be obtained or would be obtained without substantial conditions or that the failure to obtain any such approval or other action might not result in adverse consequences to 360's business. 360's obligations under the Offer to accept for payment and pay for Shares are subject to certain conditions. See Section 5 of the Offer, "Conditions of the Offer".

9. SOURCE AND AMOUNT OF FUNDS

Assuming that no exercise of the Issuer's Option and no Small Holdings Purchases are made, the maximum aggregate cost of the Offer including all fees and expenses applicable to the Offer, would be approximately \$8,090,000. 360 will fund any purchase of Shares pursuant to the Offer from cash on hand. If 360 were to purchase additional Shares on exercise of the Issuer's Option, if any, in the event of Over-Subscriptions, as described in Section 1 of the Offer, "Number of Shares; Proration", the maximum aggregate cost of the Offer would be greater than \$11,090,000. The increase in the aggregate cost of the Offer due to such additional Share purchases will depend on several factors, including the extent to which the Offer is over-subscribed, the degree of proration and the holdings and size of tenders by those Shareholders who tender to the Offer, and cannot be determined with any certainty until such factors have been definitively determined.

10. DEPOSITARY

360 has appointed Computershare Investor Services Inc. to act as Depositary for: (i) the receipt of certificates representing Shares and related Letters of Transmittal deposited under the Offer; (ii) the receipt from 360 of cash to be paid in consideration of the Shares acquired by 360 under the Offer, as agent for the depositing Shareholders; and (iii) the transmittal of such cash to the depositing Shareholders, as agent for the depositing Shareholders. The Depositary may contact Shareholders by mail, telephone or facsimile and may request brokers, dealers and other nominee Shareholders to forward materials relating to the Offer to beneficial owners. The Depositary will receive reasonable and customary compensation for its services in connection with the Offer, will be reimbursed for certain out-of-pocket expenses and will be indemnified by 360 against certain liabilities and expenses in connection with the Offer, including liabilities under securities laws and expenses in connection therewith.

11. FEES AND EXPENSES

360 expects to incur expenses of approximately CDN\$90,000 in connection with the Offer, including filing fees and legal, accounting, depositary and printing expenses. Such expenses will be paid from cash on hand.

12. SOLICITATIONS

No person or company has been retained by 360 to make solicitations in connection with the Offer, and no solicitation fees will be paid by 360.

13. STATUTORY RIGHTS

The *Securities Act* (British Columbia) provides Shareholders with, in addition to any other rights they may have at law, rights of rescission or to damages, or both, if there is a misrepresentation in a circular or notice that is required to be delivered to the Shareholders. However, these rights must be exercised within prescribed time limits. Shareholders should refer to the applicable provisions of the *Securities Act* (British Columbia) for particulars of those rights or consult with a lawyer.

14. FINANCIAL STATEMENTS

The audited consolidated financial statements of 360 for the year-ended December 31, 2003 have previously been mailed to Shareholders. Included with this Circular and incorporated by reference herein, are the unaudited consolidated interim financial statements of 360 for the nine-months ended September 30, 2004, together with the unaudited pro forma consolidated financial statements of 360 for the nine-months ended September 30, 2004 after taking into account the completion of the Bell Transaction.

APPROVAL AND CERTIFICATE

February 3, 2005

The Board of Directors of 360 has approved the contents of the Offer and accompanying Circular dated February 3, 2005 and the sending, communicating or delivery of the Offer and accompanying Circular to the Shareholders of 360. The Offer and accompanying Circular contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

360NETWORKS CORPORATION

(Signed) Gregory B. Maffei
Chairman and
Chief Executive Officer

(Signed) Chris Mueller
Senior Vice President, Finance

On behalf of the Board of Directors

(Signed) George T. Haymaker, Jr.
Director

(Signed) David Van Valkenburg
Director

Report of Senior Vice President, Finance

I, Chris Mueller, Senior Vice-President, Finance of 360networks Corporation, certify that

1. I have reviewed the Consolidated Financial Statements of 360networks Corporation dated September 30, 2004 and included in the Offer and accompanying Circular dated February 3, 2005 made by 360networks Corporation to the holders of its Common shares; and
2. Based on my knowledge, it is my opinion that the Consolidated Financial Statements present fairly the financial position of 360networks Corporation and the results of its operations for the period under review in the Consolidated Financial Statements.

DATED: February 3, 2005

Per: (Signed) Chris Mueller
Senior Vice-President, Finance
360networks Corporation



360networks Corporation

CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – U.S. GAAP)

September 30, 2004

Confidential November 5, 2004

360networks Corporation
Consolidated Statement of Operations
(U.S. GAAP)

Unaudited (thousands of U.S. dollars)

	Month ended September 30 2004	Nine months ended September 30 2004
Revenue	\$ 16,852	\$ 153,376
Operating costs	3,954	107,930
Selling, general and administration	3,709	39,108
Stock-based compensation	174	2,304
Provision for bad debts	(2,702)	(516)
Depreciation	2,213	20,184
Accretion expense	172	1,546
Restructuring expense	—	487
Operating income (loss)	9,332	(17,667)
Net gain (loss) on sale of assets	(24)	1,624
Net gain (loss) on settlements	—	3,840
Interest expense	(1,403)	(11,477)
Interest income	43	544
Other income (loss)	(97)	(3)
Income (loss) before income taxes	7,851	(23,139)
Provision for income taxes		
Current	98	419
Deferred	—	—
	98	419
Net income (loss) for the period	<u>\$ 7,753</u>	<u>\$ (23,558)</u>

See accompanying notes

360networks Corporation
Consolidated Statement of Cash Flows
(U.S. GAAP)

Unaudited (thousands of U.S. dollars)

	Month ended September 30 2004	Nine months ended September 30 2004
Operating activities		
Net income (loss) for the period	\$ 7,753	\$ (23,558)
Add (deduct) items to reconcile to net cash		
Stock-based compensation	174	2,304
Provision for bad debts	(2,702)	(516)
Depreciation	2,213	20,184
Loss (gain) on sale of assets	24	(1,624)
Loss (gain) on settlements	—	(3,840)
Changes in operating working capital items	(9,399)	(18,800)
Cash used by operating activities	<u>(1,937)</u>	<u>(25,850)</u>
Investing activities		
Additions to property, equipment and network capacity	(1,472)	(10,989)
Proceeds from sale of assets held for sale	—	607
Proceeds from sale of assets not in service	10	5,641
Change in restricted cash	(17)	631
Cash provided (used) by investing activities	<u>(1,479)</u>	<u>(4,110)</u>
Financing activities		
	<u>—</u>	<u>—</u>
Net decrease in cash and cash equivalents	(3,416)	(29,960)
Cash and cash equivalents		
— beginning of period	<u>29,419</u>	<u>55,963</u>
Cash and cash equivalents		
— end of period	<u>\$ 26,003</u>	<u>\$ 26,003</u>

See accompanying notes

360networks Corporation
Consolidated Balance Sheet
(U.S. GAAP)

Unaudited (thousands of U.S. dollars)

	December 31 2003 (audited) (restated)	September 30 2004 (unaudited)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 55,963	\$ 26,003
Accounts receivable	26,857	30,488
Other	11,012	9,655
	<u>93,832</u>	<u>66,146</u>
Restricted cash	1,153	522
Assets held for sale	1,893	1,505
Property and equipment	252,862	246,595
Intangibles and other assets	20,106	16,355
	<u>\$ 369,846</u>	<u>\$ 331,123</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 95,192	\$ 72,197
Income taxes payable	2,800	3,782
Deferred revenue	13,563	16,007
Current portion of long-term debt	215,000	215,000
	<u>326,555</u>	<u>306,986</u>
Deferred revenue	88,509	89,538
Other long-term liabilities	17,280	18,943
	<u>432,344</u>	<u>415,467</u>
Stockholders' Equity		
Common stock	137,507	137,510
Other capital accounts	11,061	12,770
Deficit	(211,066)	(234,624)
	<u>(62,498)</u>	<u>(84,344)</u>
	<u>\$ 369,846</u>	<u>\$ 331,123</u>

See accompanying notes

360networks Corporation
Consolidated Changes in Stockholders' Deficit
(U.S. GAAP)

Unaudited (thousands of U.S. dollars)

	<u>Common stock</u>		<u>Other Capital Accounts</u>			<u>Deficit</u>	<u>Total</u>
	<u>Number of shares</u>	<u>Amount</u>	<u>Additional paid in capital</u>	<u>Deferred compensation</u>	<u>Other comprehensive income</u>		
Balance, December 31, 2003 (restated)	13,751,372	\$ 137,507	\$ 9,105	\$ (3,297)	\$ 5,253	\$ (211,066)	\$ (62,498)
Amortization of deferred stock based compensation				2,304			2,304
Share options exercised	30,190	3					3
Net loss for the nine months ended September 30, 2004						(23,558)	
Other comprehensive income							
Foreign currency translation					(595)		
Total comprehensive income							(24,153)
Balance, September 30, 2004	13,781,562	\$ 137,510	\$ 9,105	\$ (993)	\$ 4,658	\$ (234,624)	\$ (84,344)

See accompanying notes

360networks Corporation
Notes to Consolidated Financial Statements
(U.S. GAAP)

Unaudited (thousands of U.S. dollars)

1 THE COMPANY AND GOING CONCERN CONSIDERATIONS

The Company

360networks Corporation and its subsidiaries (the "Company") provide fiber optic network communications products and services to both telecommunication carriers and commercial enterprises located in the United States and Canada.

On May 26, 2004, the Company agreed to sell the majority of its Canadian assets to Bell Canada for \$205 million, subject to regulatory approval. The proceeds will be use to reduce the Company's long-term debt (note 2).

Going Concern Considerations and Basis of Presentation

These unaudited interim consolidated financial statements for the nine months ended September 30, 2004 have been prepared for the reporting requirements of section 5.01 (b) of the Company's Amended And Restated Credit Agreement and are subject to revisions arising from completion of business valuations required for the application of fresh-start accounting applicable to the acquisition of certain regulated and non-regulated assets of Touch America, which was acquired on December 23, 2003.

These unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. All significant intercompany transactions and balances have been eliminated on consolidation. These unaudited interim consolidated financial statements also include all normal recurring adjustments, which, in the opinion of management, are necessary to present fairly the Company's financial position at September 30, 2004 and December 31, 2003, and its results of operations and cash flows for the month and nine months ended September 30, 2004.

These financial statements of the Company do not include all of the notes in annual financial statements and therefore should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2003.

During 2003, the Company completed three significant acquisitions. In Canada, during February 2003, the Company acquired the telecommunications operations of GT Group Telecom Inc. In May 2003, the Company acquired certain of Dynegy Inc.'s telecommunications operations in the United States. In December 2003, the Company acquired certain regulated and non-regulated assets of Touch America primarily in the north-western United States. In addition, the Company is restructuring its US network operations as a result of the Dynegy acquisition. The restructuring resulted in certain redundant assets for which impairment charges and other costs have been reflected in the statement of operations for the year ended 2003.

The Company operates in a competitive environment, where the outlook for the industry remains uncertain, due to strong competition for customers, and uncertain general economic conditions. The Company continues to incur net losses and reductions in operating cash.

360networks Corporation
Notes to Consolidated Financial Statements
(U.S. GAAP)

Unaudited (thousands of U.S. dollars)

At September 30, 2004, the Company had cash and cash equivalents of \$26 million, a working capital deficit of \$26 million and a current credit facility debt of \$215 million with significant restrictions and covenants. Since June 2003 the Company has not been in compliance with certain quarterly earnings related debt covenants and waiver requirements that have resulted in defaults under the terms of the credit facility.

The Company has obtained additional waivers for these defaults until December 31, 2004. Under the terms of the most recent waivers, the Company is required to maintain a minimum adjusted cash balance of \$25 million. In addition to a minimum adjusted cash level, the Company has also agreed to certain periodic capital expenditure limits and to maintain certain minimum levels of adjusted EBITDA during the waiver period. Due to the significant uncertainties related to complying with the covenants under the credit facility, long-term debt continues to be reclassified to current debt.

In a waiver issued in November 2003, the Company committed to hiring an investment-banking firm to evaluate the options available to the Company to maximize the payments to and recoveries by its stakeholders including, without limitation, the prospects for sale of the assets and businesses of the Company, if the Company did not effect a recapitalization or restructuring of the indebtedness agreed to by all the lenders by December 31, 2003. The Company has now satisfied its obligations in connection with this commitment by agreeing to sell the majority of the Company's Canadian business and assets to Bell Canada (note 2).

Although management has agreed to sell these assets, this transaction has not yet closed and is subject to regulatory approval. As such, management continues to actively operate the Canadian and US businesses, and continues to believe that the going concern basis of accounting continues to be appropriate. However it is possible in the near term that the going concern basis may not be appropriate.

Due to the significant uncertainties related to complying with the covenants under the Credit Facility, long-term debt has been reclassified to current debt. These and other factors raise substantial doubt about the Company's ability to continue to operate as a going concern.

If the going concern basis is not appropriate, adjustments may be necessary to the carrying amounts and/or classification of assets, liabilities and expenses in these financial statements and those adjustments may be material. If the Company is not successful in obtaining additional capital or making other alternative arrangements, we may not be able to meet our financial obligations, including our obligations under our existing indebtedness, or working capital needs.

360networks Corporation
Notes to Consolidated Financial Statements
(U.S. GAAP)

Unaudited (thousands of U.S. dollars)

2 SALE OF CANADIAN ASSETS

On May 26, 2004, the Company agreed to sell the majority of its Canadian assets to Bell Canada for \$205 million, subject to regulatory approval. In addition Bell Canada will also purchase selected northern US interconnection assets and assume related liabilities.

The primary purpose of this sale was to enable the Company to reduce its long-term debt. Following the completion of the sale of these assets, the Company will focus on its US operations. Until the sale is completed the Company's management continues to actively operate the Canadian and US businesses. The sale is anticipated to close during November 2004 and is subject to regulatory approval.



360networks Corporation

CONSOLIDATED BALANCE SHEET
(Proforma Unaudited)

As of September 30, 2004

The attached pro forma financial statements as of September 30, 2004 have been included to demonstrate the Corporation's financial condition considering the sale of substantially all of the Corporation's assets to Bell. These financial statements are internal and unaudited and take into account the assets and liabilities which were acquired or assumed by Bell in the sale which closed on November 19, 2004. Audited financials for the close of the sale to Bell and the fiscal year-ended December 31, 2004 statements for the Corporation are underway but will not be complete before the Offer expires.

360networks Corporation
Consolidated Balance Sheet
As of September 30, 2004
Proforma - Unaudited

Assets

Current Assets

Cash & Deposits	\$	26,002,772
Restricted Cash		521,770
Accounts Receivable		11,346,677
Prepays & Others		5,373,459
Intercompany		-
Total Current Assets		<u>43,244,678</u>

Fixed Assets		35,318,971
Fixed Assets - Intangibles		
Assets Under Construction		3,190,264
Assets Held for Resale		1,459,827
Deferred Costs		42,437

Total Assets	\$	<u>83,256,177</u>
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Liabilities

Current Liabilities

Accounts Payable & Accrued Liabilities	\$	42,640,223
Income Taxes Payable		4,114,427
Deferred Revenue		3,861,144
Total Current Liabilities		<u>50,615,794</u>

Deferred Revenue		45,969,960
Long-Term Debt		-
Other Long-term Liabilities		9,795,391

Total Liabilities		<u>106,381,145</u>
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Shareholders' Equity (Deficit)

Preferred Stock		-
Share Capital		137,509,620
Retained Earnings		<u>(160,634,588)</u>
Total Shareholders' Deficit		<u>(23,124,968)</u>

Total Liabilities & Shareholders' Deficit	\$	<u>83,256,177</u>
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360networks Corporation
Consolidated Income Statement
Period Ended September 30, 2004
Proforma - Unaudited

Revenue	\$ 67,304,583
Cost Of Sales	<u>60,609,252</u>
Gross Profit	\$ 6,695,331
General & Administration	12,043,305
Depreciation Expense	7,648,994
Stock Based Compensation	-
Interest Income	(159,986)
Interest Expense	11,180,989
Restructuring Expense	486,784
Asset Impairment	-
Bad Debt Exp.	(170,876)
Asset Removal Accretion	790,351
Other Expense	<u>(3,602,300)</u>
Net Contribution	\$ <u>(21,521,930)</u>
Current Income Taxes	(17,251)
Deferred Income Taxes	<u>-</u>
Net Income (Loss)	\$ <u><u>(21,504,679)</u></u>

Manually executed photocopies of the Letter of Transmittal will be accepted. The Letter of Transmittal, certificates for Shares and any other required documents should be sent or delivered by each depositing Shareholder of 360 or his broker, dealer, commercial bank, trust company or other nominee to the Depositary at one of its addresses forth below:

Offices of the Depositary, Computershare Investor Services Inc.

By Mail

Computershare Investor Services Inc.
P.O. Box 7021
31 Adelaide Street East
Toronto, Ontario
M5C 3H2
Attention: Corporate Actions
Toll Free: 1-800-564-6253
E-mail: service@computershare.com

By Hand and By Courier

Toronto

Computershare Investor Services Inc.
100 University Avenue, 9th Floor
Toronto, Ontario
M5J 2Y1
Attention: Corporate Actions

Vancouver

Computershare Investor Services Inc.
510 Burrard Street, 2nd Floor
Vancouver, British Columbia
V6C 3B9
Attention: Corporate Actions