

Short Form Prospectus dated October 13, 2000

This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities commission or any similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence. The securities offered under this short form prospectus have not and will not be registered under the United States Securities Act of 1933, as amended, and except in limited circumstances, may not be offered or sold within the United States or to U.S. persons. This short form prospectus does not constitute an offer to sell or solicitation of an offer to buy any of the securities offered hereby within the United States or to U.S. persons.

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada). Copies of the documents incorporated by reference may be obtained on request without charge from the Corporate Secretary of 360networks inc., 1500-1066 West Hastings Street, Vancouver, British Columbia V6E 3X1 (telephone (604) 681-1994). These documents are also available through the Internet on the System for Electronic Document Analysis and Retrieval ("SEDAR") which can be accessed at www.sedar.com.

New Issue



360networks inc.

A Maximum of 4,577,251 Subordinate Voting Shares Issuable on the Exercise of Employee Stock Options

This short form prospectus is being filed in connection with the distribution of a maximum of 4,577,251 subordinate voting shares (the "Subordinate Voting Shares") of 360networks inc. (the "Company") issuable to Ontario residents upon the exercise of certain outstanding stock options of the Company during the period commencing on the date of this prospectus and ending on April 19, 2001 (the "Distribution Period"). See "Details of Distribution".

The outstanding Subordinate Voting Shares are listed on The Toronto Stock Exchange under the symbol "TSX" and on the Nasdaq National Market under the symbol "TSIX". The closing price of the Subordinate Voting Shares on The Toronto Stock Exchange and the Nasdaq National Market on October 12, 2000 was Cdn. \$26.05 and U.S. \$17⁶/₁₆, respectively, per share.

Each Subordinate Voting Share will be issued upon payment of the applicable exercise price for the related stock option. See "Details of the Distribution".

The Company will issue the Subordinate Voting Shares to purchasers directly. The net proceeds from the offering will be used for general corporate purposes. See "Use of Proceeds".

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CURRENCY

All dollar amounts set forth herein are in United States dollars, except where otherwise indicated.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents, filed with the securities commissions or similar regulatory authorities in each of the provinces of Canada, are specifically incorporated by reference into and form an integral part of this short form prospectus:

- (a) the Annual Report on Form 20-F of the Company dated June 19, 2000 filed with the Canadian securities regulatory authorities on October 6, 2000 as the Company's Annual Information Form;
- (b) the audited consolidated financial statements of the Company for the year ended December 31, 1999 and the period ended December 31, 1998, together with the auditor's report thereon;
- (c) the pro forma consolidated balance sheet of the Company as at December 31, 1999 and the pro forma consolidated income statement of the Company for the year then ended, together with the auditor's compilation report thereon, set forth at pages CPF-1 through CPF-11, inclusive, of the supplemented long form PREP prospectus of the Company dated April 19, 2000 (the "IPO Prospectus");
- (d) the audited divisional financial statements of Leducor Industries Limited – Telecommunications Division for the nine months ended May 31, 1998 and the year ended August 31, 1997, together with the auditor's report thereon, set forth at pages CF-28 through CF-39, inclusive, of the IPO Prospectus;
- (e) the audited consolidated financial statements of GlobeNet Communications Group Limited for the year ended December 31, 1999, together with the auditor's report thereon, set forth at pages CF-40 through CF-60, inclusive, of the IPO Prospectus;
- (f) the unaudited interim consolidated financial statements of the Company for the six month period ended June 30, 2000, including the disclosure under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the report for such period;
- (g) the material change report of the Company dated May 8, 2000 in respect of the closing of each of the initial public offering of Subordinate Voting Shares and the private placement of the Company's 13% Senior Notes due 2008; and
- (h) the section entitled "Principal and Selling Shareholder - Principal Shareholders" on page 72 of the IPO Prospectus.

Material Change Reports (excluding confidential reports), interim financial statements and information circulars which are required to be filed by the Company with a securities commission or any similar regulatory authority in Canada after the date of this short form prospectus and prior to the termination of this offering shall be deemed to be incorporated by reference into this short form prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this short form prospectus to the extent that a statement contained herein, or in any subsequently filed document which also is incorporated or is deemed to be incorporated by reference herein, modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or

superseded, to constitute a part of this short form prospectus. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission 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.

THE COMPANY

Description of Business

The Company, together with its subsidiaries, is a leading independent, facilities-based provider of fiber optic communications network products and services. By the end of 2001, the Company expects its network to consist of approximately 67,500 route miles in North America, Europe and South America, including an undersea cable between North America and Europe, between South America and North America and an undersea cable connecting at least six Asian countries. The Company has acquired and is in the process of developing colocation and internet exchange facilities in 21 cities in North America comprising approximately 3.7 million square feet and has agreed with an affiliate of iAdvantage Limited to develop network co-location facilities and Internet protocol (“IP”) transport services in Asia. The Company intends to expand its network to provide connectivity on a global basis. The network’s design uses state-of-the-art optical technologies that management believes greatly reduces complexity and cost while enhancing reliability and providing increased flexibility to accommodate both technological upgrades and the offering of a wider range of products and services on a timely basis. Management believes that such optical technologies will constitute the first global implementation of a fully interconnected mesh topology that will be the basis for the new services. The Company offers additional network services to meet specific customer demands and to enable Internet services, and the Company intends to develop products and services that capitalize on the convergence of telecommunications and high-bandwidth applications and services. The network is scheduled to be completed by the end of 2001.

The network consists of fiber optic assets and capacity that the Company has installed or acquired from other developers and carriers through swaps, purchases, leases, indefeasible right of use (“IRUs”) or other contractual rights along diverse rights-of-way. In North America, the network is expected to cover approximately 24,000 route miles, of which more than 18,700 route miles have been developed as of September 30, 2000, encompassing both long-haul and intra-city route miles and providing connectivity along approximately 53 major population centres. In Europe, the network is expected to cover approximately 11,100 long-haul route miles, of which more than 6,000 route miles have been developed as of August 31, 2000, providing connectivity among approximately 35 major population centres. The Company has also contracted for 10 metro rings in London, Paris, Geneva, Strasbourg, Milan, Marseilles, Lyon, Hamburg, Copenhagen, and Amsterdam.

The 7,600 route mile fully protected undersea cable between North America and Europe will have the capacity to be a 1.92 terabits per second (“tbps”), self-healing ring that will connect landing sites in Boston, Halifax, Dublin and Liverpool and to major gateway cities in Europe and North America, including London and New York. The Company’s planned 17,000 route mile fully protected undersea cable between South America and North America (the “360americas network”) and related terrestrial route miles will form a self-healing ring that will be able to offer city-to-city connectivity between 12 major population centres in Argentina, Brazil, Venezuela, Bermuda and the United States with capacity up to 1.28 tbps. The Company intends to further expand its network to major population centres through the addition of inter-city and city ring capacity in North America, Europe and South America. The Company is also reviewing opportunities to expand the geographic reach of the network, including transpacific connectivity to Asia.

Recent Developments

North America

On August 28, 2000, the Company entered into contracts to acquire more than 18,000 km of fiber optic infrastructure from Call-Net Enterprises Inc. (“Call-Net”) on routes connecting major cities in Canada and the United States. The Company will pay a total of U.S.\$162.5 million for dark fiber connecting 19 cities

in North America, and will provide Call-Net with fiber infrastructure between Portland and Los Angeles. In addition, Call-Net has agreed to purchase approximately \$14 million of fiber from the Company on certain local and long-haul routes in North America, and has committed to purchase an additional \$15 million in products and services from the Company over the next five years.

As of September 30, 2000, over 10,000 North American route miles had been activated in accordance with the Company's light up schedule.

360americas

On June 21, 2000, the Company completed its acquisition of GlobeNet Communications Group Limited ("GlobeNet"). Based in Bermuda, GlobeNet's main undertaking was the installation of the undersea and terrestrial network linking North and South America, now called the 360americas network.

On July 31, 2000, the Company entered into an agreement to provide more than \$100 million of broadband capacity to France Telecom and Intelig Telecommunications Ltda on the 360americas network. Pursuant to the agreement, the Company will provide the parties with 10 gigabit-per-second wavelength capacity on the 360americas network. The agreement also includes options to purchase additional capacity in the near future.

On August 10, 2000, Teleglobe Inc. agreed to acquire approximately \$100 million of 10 gigabit-per-second wavelength capacity on the 360americas network. That agreement also includes options to purchase additional capacity in the near future.

Europe

On September 6, 2000, the Company acquired approximately 330 km of dark fiber strands on city rings in Paris, Strasbourg, Geneva, Marseilles, Lyon and Milan from LDCOM Networks ("LDCOM"), a pan-European broadband network infrastructure and communications services provider. LDCOM will also provide the Company with 100,000 square feet of secured space in these six cities that the Company will use to establish points of presence ("POPs") and Internet exchange facilities. Pursuant to separate agreements, the Company also secured approximately 150,000 square feet of space in Paris for an Internet exchange facility and nearly 30,000 square feet in London which it will use for a POP and an Internet exchange facility. In addition, the Company acquired 130 km of conduit linking the London Docklands and the city of London with technology centres outside of central London.

The Company has also acquired two city rings from Global Connect in Hamburg and Copenhagen and one city ring from Carrier1 in Amsterdam.

Asia

On June 26, 2000, the Company announced that it had entered into a 5-year agreement with iAdvantage Limited to develop and provide broadband network services to connect 12 cities in Asia and Australia with North America. Commencing in 2001, iAdvantage will provide the Company with facilities in its data centres in Hong Kong, as well as in centres it will open in Singapore, Tokyo, Beijing and Shanghai. In turn, the Company will provide iAdvantage with broadband network services between those data centres and the opportunity for iAdvantage to connect to the Company's fiber optic network in North America and the rest of the world, as well as network co-location space in its data centres in North America. Between 2002 and 2004, iAdvantage expects to open data centres in other cities in Asia and Australia, and will offer facilities in those centres to the Company. The parties have also agreed to market and re-sell each other's services, and have committed to a minimum expenditure of approximately \$70 million on each other's services over the 5-year term.

On August 24, 2000, the Company entered into an agreement with C2C, a subsidiary of Singapore Telecommunications, to jointly develop a fully-redundant, diversified Asia-Pacific network capable of providing city-to-city connectivity. C2C's planned 7,800 route mile network will link Japan, South Korea, Taiwan, the Philippines, Hong Kong, Singapore and, subject to regulatory approval, China. Pursuant to the agreement, the Company has acquired a 20-year IRU of two fiber pairs on the C2C cable network, each of which fiber pair will be equipped to 40 Gbps and capable of being upgraded to 960 Gbps at the Company's option. The C2C cable is scheduled to be ready for service in December 2001. The purchase price for the two fiber pairs and \$100 million of backhaul capacity is \$800 million. In addition, the Company will be able to purchase back haul capacity from landing sites to certain POPs in major Asian cities.

Latin America

On August 30, 2000, the Company entered into agreements with Impsat Fiber Networks, Inc. ("Impsat"), a leading provider of broadband data transmission and private telecommunications services in Latin America. Pursuant to one of the agreements, the Company will acquire IRUs of more than 4,600 km of dark fiber strands and lit capacity in Brazil and Argentina from Impsat. The Company will also acquire dark fiber along Impsat's 66 km city ring in Rio de Janeiro. This infrastructure represents the terrestrial portion of the 360americas network. In addition, the Company will lease a total of 20,000 square feet of secure space from Impsat in Rio de Janeiro, Sao Paulo, Buenos Aires and Caracas which the Company will use to establish POPs. In a separate agreement, Impsat has agreed to purchase a minimum of \$46 million in broadband capacity on the 360americas network.

Other Developments

On September 29, 2000, the Company entered into definitive documentation for a \$1.2 billion senior secured credit facility (the "Credit Facility"), and made an initial drawdown of \$350 million in term loans provided thereunder. The Credit Facility provides for \$900 million in 7-year term loans and a \$300 million 7-year revolving credit facility, all secured by the assets of the Company and the stock and assets of its subsidiaries. The Company expects to use the proceeds from the Credit Facility to fund further development of its fiber optic cable network in North America and throughout the world.

The Chase Manhattan Bank acted as Administrative Agent and Collateral Agent for the Credit Facility, Chase Securities Inc. and DLJ Capital Funding, Inc. acted as Joint Book Managers and Co-Lead Arrangers and Goldman Sachs Credit Partners L.P., Toronto Dominion (Texas), Inc. and Export Development Corporation acted as Arrangers.

On July 6, 2000, the Company entered into an agreement allowing it to purchase from Sycamore Networks the SN 16000 intelligent optical switch, SN 8000 intelligent optical transport products and SILVX™ optical network management system. Management believes that the purchases, which are estimated to exceed \$400 million, will provide the Company with an optical mesh network that will exceed the scope and magnitude of any network deployment of optical switches.

DESCRIPTION OF SHARE CAPITAL

As at August 31, 2000, the Company's share capital consisted of the following:

- 500 billion authorized Subordinate Voting Shares, of which 730,526,575 Subordinate Voting Shares were issued and outstanding;
- 500 billion authorized Multiple Voting Shares, of which 81,840,000 Multiple Voting Shares were issued and outstanding; and

- 500 billion authorized Preferred Shares, issuable in series, none of which were issued and outstanding.

The Company's Subordinate Voting Shares and Multiple Voting Shares are identical except that:

- each Subordinate Voting Share entitles the holder to one vote and each Multiple Voting Share entitles the holder to ten votes; and
- each Multiple Voting Share is convertible at the option of the holder into one Subordinate Voting Share.

Take-Over Bid Protection

Under applicable Canadian law, an offer to purchase Multiple Voting Shares would not necessarily require that an offer be made to purchase Subordinate Voting Shares. As a result, and to comply with policies adopted by Canadian securities regulatory authorities and The Toronto Stock Exchange, holders of Multiple Voting Shares entered into a transfer restriction agreement (the "Transfer Restriction Agreement") with respect to not less than 80% of the Multiple Voting Shares, effective upon the closing of the initial public offering, with Montreal Trust Company of Canada, as trustee, and the Company in order to provide the holders of Subordinate Voting Shares with particular rights in the event of a "take-over bid" for Multiple Voting Shares under Canadian law. A "take-over bid", generally defined, is an offer to acquire outstanding equity or voting shares of a class, where, upon completion of the offer, the offeror would own more than 20% of the shares of the class.

Under the Transfer Restriction Agreement, the parties have agreed not to sell the Multiple Voting Shares owned by them, and which are subject to the Transfer Restriction Agreement, directly or indirectly, pursuant to a take-over bid, as defined by applicable securities legislation, under circumstances in which securities legislation would have required the same offer or follow up offer to be made to all holders of Subordinate Voting Shares if the sale had been of Subordinate Voting Shares rather than Multiple Voting Shares.

One circumstance where securities legislation would not require the same offer to be made to all holders of Subordinate Voting Shares is if: (i) the purchase is made from not more than five persons; (ii) the bid is not made generally to holders of the Multiple Voting Shares; and (iii) the price does not exceed 115% of the market price of the Subordinate Voting Shares.

The prohibition on sales of Multiple Voting Shares does not apply if an offer identical in all material respects is made concurrently to purchase Subordinate Voting Shares, which identical offer has no condition attached other than the right not to take up and pay for shares tendered if no shares are purchased pursuant to the offer for Multiple Voting Shares. Under the Transfer Restriction Agreement, the parties have also agreed not to transfer any Multiple Voting Shares which are subject to the Transfer Restriction Agreement (other than a transfer to a pledgee, as security or to another party to the Transfer Restriction Agreement) unless the purchaser is or becomes a party to the Transfer Restriction Agreement.

DETAILS OF THE DISTRIBUTION

This short form prospectus qualifies the distribution of a maximum of 4,577,251 Subordinate Voting Shares issuable upon the exercise of outstanding stock options by holders thereof resident in Ontario to the extent the stock options are currently exercisable or will become exercisable prior to April 19, 2001. The stock options were issued to Ontario residents under the Company's 1998 Long Term Incentive and Share Award Plan (as amended) (the "360 Plan") or under the GlobeNet incentive plans (discussed

below) (the “GlobeNet Plans”) which were assumed as a result of the GlobeNet acquisition (the 360 Plan and the GlobeNet Plans being referred to collectively as the “Plans”).

As of August 31, 2000, under the Plans, the Company had outstanding stock options entitling the holders thereof to acquire approximately 56,883,858 Subordinate Voting Shares of the Company, subject to certain terms and conditions. These stock options are held by senior officers, directors and employees of the Company as well as employees of affiliates of the Company (the “Optionholders”). There are a total of 1,004 Optionholders, of whom approximately 219 or 22% reside in Ontario. Optionholders in Ontario hold stock options exercisable for approximately 14 million Subordinate Voting Shares or approximately 25% of all Subordinate Voting Shares subject to stock options. However, only 4,577,251 Subordinate Voting Shares are issuable under stock options held by Ontario Optionholders that are currently exercisable or will become exercisable prior to the end of the Distribution Period.

Each Subordinate Voting Share will be issued upon payment of the applicable exercise price for the related stock option as determined under the Plan. The applicable exercise prices are as follows:

<u>Number of Subordinate Voting Shares Subject to Exercisable Options</u> ⁽¹⁾	<u>Exercise Price</u>
37,650	US\$0.398
2,946,320	US\$0.625
334,000	US\$1.25
117,682	US\$3.187
687,535	US\$3.586
242,150	US\$5.00
37,650	US\$7.57
91,364	US\$8.127
82,900	US\$14.00
Total:	n/a

(1) Only includes stock options to purchase Subordinate Voting Shares held by Ontario Optionholders that are currently exercisable or will become exercisable during the Distribution Period.

1998 Long Term Incentive and Share Award Plan

The 360 Plan permits the grant of non-qualified stock options, incentive stock options, share appreciation rights, restricted shares, restricted share units, performance shares, performance units, dividend equivalents and other share-based awards to employees and directors of the Company or of the Company’s affiliates and subsidiaries. Any other person who provides ongoing services to the Company or its affiliates is also eligible for an award under the 360 Plan. A maximum of 71,133,008 Subordinate Voting Shares may be subject to awards by the administrators of the 360 Plan, and the maximum number of Subordinate Voting Shares for which stock options and share appreciation rights may be granted by the administrators during a calendar year to any eligible person under the 360 Plan is 8,000,000. In addition, the aggregate number of Subordinate Voting Shares reserved for issuance to any one person must not exceed 5% of the issued and outstanding Subordinate Voting Shares. The number of Subordinate Voting

Shares issued or reserved pursuant to the 360 Plan (or pursuant to outstanding awards) is subject to adjustment on account of share splits, share exchanges, mergers and other changes in the Subordinate Voting Shares, to prevent dilution or enlargement of a participant's rights under the 360 Plan. If any grants under the 360 Plan are cancelled, surrendered or otherwise terminated without a distribution of Subordinate Voting Shares, then those shares will again be available for further awards by the administrators under the 360 Plan.

The 360 Plan is administered by the Compensation Committee of the Board of Directors (the "Committee"), which may delegate its duties and powers to officers or managers of the Company or of the Company's affiliates and subsidiaries. The Committee has the sole discretion to determine the eligible persons to whom awards may be granted under the 360 Plan, the type and number of awards to be granted, and to what extent an award may be settled in cash, Subordinate Voting Shares, property or other awards.

The 360 Plan permits the Committee to grant stock options to purchase Subordinate Voting Shares. The exercise price for each option granted under the 360 Plan is set by the Committee. Unless otherwise determined by the Committee, the term of each option will be ten years from the date of the grant and the option will become exercisable in four equal annual installments beginning on the first anniversary of the date of the grant.

Unless otherwise determined by the Committee, subject to receipt of necessary regulatory approvals, awards granted under the 360 Plan are not transferable other than by will or by the laws of descent and distribution.

In the event of a change of control (as defined in the 360 Plan), all outstanding awards then held by participants which have restrictions or limitation shall become fully exercisable at the time of the change of control or, in certain circumstances if the Optionholder's relationship with the Company is terminated without cause within six months of the date of the change of control event, and all performance criteria and other conditions to the payment of awards will be deemed to be achieved and will be waived by the Company at the time of the change of control event or at the time of termination.

Upon receipt of necessary regulatory approvals, the Board of Directors may amend, alter, suspend, discontinue or terminate the 360 Plan in any respect, at any time, without the consent of the holders of awards or the Company shareholders (except to the extent shareholder approval is required by Section 422 of the U.S. Internal Revenue Code), *provided, however*, that no amendment, alteration, suspension, discontinuation, or termination of the 360 Plan may materially and adversely affect the rights of a holder of an award without his or her consent.

GlobeNet Plans

As discussed above, the Company completed its acquisition of GlobeNet on June 21, 2000. As part of this acquisition, the Company assumed the obligations outstanding under the two GlobeNet Plans. GlobeNet's 1998 Share Option and Incentive Plan was established for the benefit of employees, board members, consultants or advisers of GlobeNet or any subsidiary. The 1997 Stock Option and Incentive Plan of GlobeNet was established for the benefit of directors, executive management, senior management and senior staff of TeleBermuda International Limited, a subsidiary of GlobeNet. Upon the completion of the acquisition of GlobeNet, all outstanding options under the GlobeNet plans became fully exercisable. No further options will be granted under either of the GlobeNet plans, which are now administered by the Committee which also administers the 360 Plan.

Of the 4,577,251 Subordinate Voting Shares which could be distributed under this short form prospectus, 971,881 Subordinate Voting Shares are issuable to Ontario Optionholders upon the exercise of stock options issued under the GlobeNet Plans.

Subordinate Voting Shares

Each Subordinate Voting Share acquired upon exercise of a stock option entitles the holder to one vote per share at any meeting of the Company's shareholders except meetings at which only shareholders of a specified class of shares (other than the Subordinate Voting Shares) are entitled to vote. Subject to the preference of any outstanding Preferred Shares, the holders of Subordinate Voting Shares will be entitled to participate equally with holders of Multiple Voting Shares in any dividends the Board of Directors of the Company declares out of funds legally available for the payment of dividends. If the Company is liquidated, dissolved or wound up, holders of Subordinate Voting Shares are entitled to share ratably with holders of Multiple Voting Shares in all assets remaining after payment of the Company's liabilities and any liquidation preferences of any outstanding Preferred Shares. See "Description of Share Capital".

USE OF PROCEEDS

Assuming all stock options which are expected to vest during the Distribution Period are exercised during that period, the estimated gross proceeds to the Company from the distribution will be a maximum of \$8,513,062. The gross proceeds will be used by the Company for general corporate purposes.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in the Province of Ontario (the "Ontario Act") provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. The Ontario Act further provides a purchaser with remedies for rescission or damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the Ontario Act. The purchaser should refer to the applicable provisions of the Ontario Act for the particulars of these rights or consult with a legal adviser.

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AND PRO FORMA FINANCIAL INFORMATION**

**GlobeNet Communications Group Limited Unaudited Consolidated Financial Statements
For The Six Month Period Ended June 30, 2000**

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GlobeNet Communications Group Limited

Consolidated Balance Sheets

(Unaudited)

(in thousands of U.S. dollars, except share and per share amounts)

	June 30, 2000	December 31, 1999
	\$	\$
Assets		
Current assets		
Restricted cash	79,998	79,998
Accounts receivable (net of allowance of \$224; 1999 - \$224)	2,395	2,096
Other receivables	219	150
Prepaid expenses and deposits	1,871	1,632
	<hr/>	<hr/>
	84,483	83,876
Restricted cash	275,202	448,399
Fixed assets	50,736	49,148
Construction in progress	266,340	98,062
Other assets	24,310	25,847
	<hr/>	<hr/>
	701,071	705,332
	<hr/>	<hr/>
Liabilities		
Current liabilities		
Accounts payable	44,296	36,179
Accrued liabilities	21,114	21,117
	<hr/>	<hr/>
	65,410	57,296
Long-term debt	400,000	400,000
Deferred revenue	6,500	6,455
	<hr/>	<hr/>
	471,910	463,751
	<hr/>	<hr/>
Shareholders' Equity		
Share capital		
Class B shares, 2,000 shares authorized, par value \$1.50 each		
1,000 (1999 - nil) shares issued and outstanding	2	2
Common shares, 24,000,000 authorized, par value \$1.50 each		
17,210,679 (1999 - 17,043,900) shares issued and outstanding	25,816	25,566
Additional paid-in capital	256,759	246,866
Deficit	(53,416)	(30,853)
	<hr/>	<hr/>
	229,161	241,581
	<hr/>	<hr/>
	701,071	705,332
	<hr/>	<hr/>

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

GlobeNet Communications Group Limited

Consolidated Statements of Operations

(Unaudited) For the six months ended June 30, 2000 and 1999

(in thousands of U.S. dollars, except share and per share amounts)

	Three months ended June 30,		Six months ended June 30,	
	2000 \$	1999 \$	2000 \$	1999 \$
Revenues				
Telecommunications services	6,852	6,930	13,196	12,965
IRU capacity	79	80	158	157
	<u>6,931</u>	<u>7,010</u>	<u>13,354</u>	<u>13,122</u>
Expenses				
Carrier charges	1,940	3,355	4,389	6,060
General and administrative expenses	18,178	2,599	27,698	4,704
Amortization of fixed assets	680	409	1,368	815
	<u>20,798</u>	<u>6,363</u>	<u>33,455</u>	<u>11,579</u>
Operating (loss) income	(13,867)	647	(20,101)	1,543
Interest on long-term debt	6,582	876	16,190	1,737
Accrued contingent interest	-	260	-	495
Interest income	(6,675)	(33)	(13,785)	(116)
Loss before income taxes and equity accounted for investments	(13,774)	(456)	(22,506)	(573)
Provision for income taxes	(31)	(10)	(57)	(19)
Loss before equity accounted for investments	(13,805)	(466)	(22,563)	(592)
Loss from equity accounted for investments	-	(232)	-	(464)
Net loss and comprehensive loss for the period	(13,805)	(698)	(22,563)	(1,056)
Basic and fully diluted loss per common share (note 5)	(0.81)	(0.20)	(1.32)	(0.30)

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

GlobeNet Communications Group Limited

Consolidated Statements of Cash Flows

(Unaudited) For the six months ended June 30, 2000 and 1999

(in thousands of U.S. dollars, except share and per share amounts)

	2000	1999
	\$	\$
Cash provided by (used in)		
Operating activities		
Net loss for the period	(22,563)	(1,056)
Items not involving cash		
Amortization of fixed assets	1,368	815
Amortization of other assets	2,094	160
Loss from equity accounted for investments	-	464
Accrued contingent interest	-	495
Compensatory share options	9,246	-
Net change in non-cash operating items		
Accounts receivable	(299)	(1,035)
Other receivables	(69)	589
Note receivable	(16)	(16)
Prepaid expenses and deposits	(239)	(263)
Accounts payable	(1,234)	461
Accrued liabilities	118	5,834
Interest payable	(121)	768
Deferred revenue	45	(62)
	<u>(11,670)</u>	<u>7,154</u>
Financing activities		
Issuance of share options	897	-
Proceeds from issuance of long-term debt	-	500
Payments of long-term debt	-	(3,150)
Deferred financing costs	(616)	(1,001)
	<u>281</u>	<u>(3,651)</u>
Investing activities		
Restricted cash	173,197	-
Purchase of fixed assets	(2,956)	(6,851)
Construction in progress	(158,927)	-
Change in other assets	75	4
Due from related party	-	1,363
	<u>11,389</u>	<u>(5,484)</u>
Decrease in cash for the period	-	(1,981)
Cash - Beginning of period	-	3,032
Cash - End of period	-	1,051
Interest and income taxes paid		
Interest	24,802	793
Income taxes	104	11

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

GlobeNet Communications Group Limited

Notes to Consolidated Financial Statements

(Unaudited) June 30, 2000 and 1999

(in thousands of U.S. dollars, except share and per share amounts)

1 Nature of operations

GlobeNet Communications Group Limited (“the Company”) provides international telecommunications services to both residential and commercial customers and is a provider of telecommunications capacity. The Company is currently developing a fibre optic submarine cable system called Atlantica-1 that will link Bermuda, North and South America and offer capacity between major cities in the United States, Bermuda, Brazil, Venezuela and Argentina. Atlantica-1 is currently being constructed.

In November 1997, the Company deployed a fibre optic submarine cable system which connects Bermuda and the United States (“BUS-1”). The Company provides international telecommunications services to both residential and commercial customers in Bermuda through a subsidiary company, TeleBermuda International Limited (“TBI”) through the BUS-1.

On January 10, 1997, TBI was granted its public telecommunications service licence in Bermuda under the provisions of the Telecommunications Act, 1986 and the Public Telecommunication Service (Licence) Regulations, 1988 for a five-year term and began commercial operations in May 1997. TBI has an interconnection agreement with the Bermuda Telephone Company (“BTC”), the domestic carrier in Bermuda. No consideration was paid by the Company in relation to these agreements.

2 Interim unaudited consolidated financial statements

The unaudited consolidated balance sheet as at June 30, 2000 and the unaudited consolidated statements of operations for the six months ended June 30, 2000 and June 30, 1999 and the three months ended June 30, 2000 and June 30, 1999 and the unaudited consolidated statements of cash flows for the six months ended June 30, 2000 and June 30, 1999, in the opinion of management, have been prepared on the same basis as the audited consolidated financial statements and include all adjustments necessary for the fair statement of the results of the interim periods. All adjustments reflected in the consolidated financial statements are of a normal recurring nature. The data disclosed in the notes to the consolidated financial statements for these periods are also unaudited. Results for the three and six month periods ended June 30, 2000 and 1999 are not necessarily indicative of the results to be expected for the full year.

3 Recent accounting pronouncements

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133 (“SFAS 133”), “Accounting for Derivative Instruments and Hedging Activities,” which is effective for fiscal years beginning after June 15, 2000. SFAS 133, as amended, requires the Company to recognize all derivatives as either assets or liabilities and measure those instruments at fair value. It further provides criteria for derivative instruments to be designated as fair value, cash flow and foreign currency hedges and establishes respective accounting standards for reporting changes in the fair value of the derivative instruments. Upon adoption, the Company will be required to adjust hedging

instruments to fair value in the balance sheet and recognize the offsetting gains or losses as adjustments to be reported in net income or other comprehensive income, as appropriate. Management has not determined the impact of this statement on its financial position, results of operations and cash flows.

FASB Interpretation No. 43, "Real Estate Sales - an interpretation of FASB Statement No. 66," was issued in June 1999. It clarifies the standards for recognition of profit on all real estate sales transactions, including those related to fibre optic cable that cannot be removed and used separately from the real estate without incurring significant costs. This interpretation is effective for all applicable transactions after June 30, 1999. However, no such transactions have been entered into after June 30, 1999 and we have not yet completed our analysis of the applicability or the impact of this statement on future transactions.

4 Common share options

During the six months ended June 30, 2000, the Board of Directors granted 477,521 options at an exercise price of \$20.40 to employees and certain officers and directors. The difference between the market price and the exercise price on the grant date has been reflected as deferred compensation in shareholders' equity and has been amortized over the vesting period. As at June 30, 2000, as a result of the acquisition of the Company by 360networks inc., outstanding stock options covering 1,640,420 shares of common stock vested and were converted to stock options on common stock of 360networks inc. at a ratio of 1 to 2.51.

5 Basic and fully diluted loss per common share

The basic loss per common share is calculated using the weighted average number of common shares outstanding of 17,127,290 (1999 - 3,515,927). The weighted average number of common shares on a fully diluted basis is calculated on the same basis as the basic weighted average number of shares as the Company is in a loss position and the effects of possible conversion would be anti-dilutive.

6 Acquisition of the Company

On June 20, 2000, a transaction was finalized whereby 360networks inc. acquired all of the common shares of GlobeNet in exchange for 2.51 360networks inc.'s subordinate voting shares.

360networks inc.

**Index to Pro Forma Condensed Consolidated Statement of Operations
(unaudited)**

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COMPILATION REPORT

To the Directors of *360networks inc.*

We have reviewed, as to compilation only, the accompanying pro-forma condensed consolidated statement of operations of *360networks inc.* for the six months ended June 30, 2000, which has been prepared for inclusion in the short form prospectus relating to the distribution of a maximum of 4,577,251 subordinate voting shares of *360networks inc.* issuable to Ontario residents upon the exercise of certain outstanding stock options of the company during the period commencing on the date of the short form prospectus and ending on April 19, 2001. In our opinion, the pro-forma condensed consolidated statement of operations has been properly compiled to give effect to the proposed transaction and the assumptions described in notes 1 and 4 thereto.

“PricewaterhouseCoopers LLP”

Chartered Accountants

Vancouver, Canada
October 13, 2000

360networks inc.
Pro Forma Condensed Consolidated Statement of Operations
(unaudited)
For the six month period ended June 30, 2000
(tabular amounts expressed in thousands of U.S. dollars except per share amounts)
(Canadian GAAP)

	<i>360networks inc.</i>	GlobeNet Communications Group Limited	Acquisition Adjustments		Proforma Condensed Consolidated Statement of Operations
	\$	\$	\$		\$
Revenue	243,000	13,000	—		256,000
Costs	147,000	4,000	—		151,000
Gross Profit	96,000	9,000	—		105,000
Expenses					
General and administrative	29,000	19,000	—		48,000
Depreciation and amortization	8,000	1,000	13,000	4(i)	22,000
	37,000	20,000	13,000		70,000
	59,000	(11,000)	(13,000)		35,000
Interest expense.....	79,000	16,000	(1,000)	4(i)	94,000
Interest income.....	28,000	14,000	—		42,000
Income (loss) before income taxes and minority interest.....	8,000	(13,000)	(12,000)		(17,000)
Provision for income taxes.....	15,000	—	—		15,000
Loss before minority interest	(7,000)	(13,000)	(12,000)		(32,000)
Income attributable to minority interest	(2,000)	—	—		(2,000)
Net loss for the period	(9,000)	(13,000)	(12,000)		(34,000)
Basic and fully diluted loss per share	\$(0.03)				\$(0.06)
Weighted average number of shares used to compute basic loss per share.....	524,174,000			4(ii)	582,172,867
Weighted average number of shares used to compute fully diluted loss per share.....	584,799,000			4(ii)	624,797,867

1. Nature and Purpose of Pro Forma Condensed Consolidated Statement of Operations

The pro forma consolidated statement of operations of the Company for the six months ended June 30, 2000 reflects the Company's acquisition of GlobeNet Communications Group Limited ("GlobeNet") as if the acquisition had occurred on January 1, 2000. The acquisition is described in Note 5 to our Canadian GAAP condensed consolidated financial statements for the period ended June 30, 2000 which have been incorporated by reference into the prospectus.

2. Basis of presentation

The unaudited pro forma consolidated statement of operations has been prepared by management in accordance with generally accepted accounting principles in Canada and the proforma assumptions and adjustments described in note-4.

The unaudited pro forma statement of operations is based on the Canadian GAAP condensed consolidated statement of operations of the Company for the six month period ended June 30, 2000 which has been incorporated by reference into the prospectus and the consolidated statement of operations of GlobeNet for the six months ended June 30, 2000 prepared under U.S. GAAP which are included in the prospectus. The U.S. GAAP financial statements have been adjusted to conform them to Canadian GAAP and to the policies of the Company. The only material adjustment represents the elimination of stock based compensation of \$9,246,000. The unaudited pro forma statement of operations should be read in conjunction with the historical financial statements and the accompanying notes of the Company and GlobeNet.

The unaudited pro forma consolidated statement of operations is not necessarily indicative of the results that actually would have resulted if the transaction had been completed on the date indicated or the results which may be obtained in the future.

3. Significant accounting policies

The significant accounting policies used in the preparation of the pro forma consolidated statement of operations include those disclosed in the consolidated financial statements of the Company.

4. Pro forma assumptions and adjustments for the six month period ended June 30, 2000

(i) Acquisition of GlobeNet

The pro forma statement of operations has been prepared to reflect the following adjustments and assumptions resulting from the acquisition of GlobeNet:

- The elimination of the amortization of deferred financing costs of \$1,000,000 included in GlobeNet's statement of operations as deferred financing costs were assigned a fair value of nil on the acquisition.
- The amortization of goodwill arising on the acquisition.

(ii) Pro forma basic and fully diluted loss per share

The weighted average number of shares used to compute pro forma basic and fully diluted loss per share is determined as follows:

	Basic	Fully Diluted
Weighted average number of shares used to compute historical basic and fully diluted loss per share	542,174,000	584,799,000
Purchase of GlobeNet	42,822,316	42,822,316
Less weighted average number of shares for the above noted pro forma transactions already included in the June 30, 2000 historical basic and fully diluted earnings per share.	(2,823,449)	(2,823,449)
	<u>582,172,867</u>	<u>624,797,867</u>

The computation fully diluted loss per share excludes the effect of potential conversions of redeemable convertible preferred shares and the exercise of stock options which would be anti-dilutive.

CERTIFICATE OF THE COMPANY

Dated: October 13, 2000

The foregoing, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by Part XV of the *Securities Act* (Ontario).

(Signed) GREGORY B. MAFFEI
Chief Executive Officer

(Signed) LARRY OLSEN
Chief Financial Officer

On behalf of the Board of Directors

(Signed) DAVID LEDE
Chairman

(Signed) CLIFFORD LEDE
Vice-Chairman

PROMOTER

LEDCOR INDUSTRIES LIMITED

By: (Signed) DAVID LEDE
Chairman