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Chairman's Message

TOUGH DECISIONS, IMPROVING RESULTS

1997 was a year of rapid growth and considerable transition. We enjoyed great success in the mobile satellite business, undertook difficult decisions regarding related acquisition plans, and experienced disappointing setbacks in our environmental

the acquisition of the remaining 50% of IDB Mobile and then proceeded quickly to integrate operations into one strong Stratos entity. This contributed significantly to our revenue growth while creating operating cost synergies. We went from an operating loss for Stratos Wireless in the first quarter

Our second stated objective – to complete a major new acquisition for our Wireless group in 1997 – was not completed. While we established ourselves as the rising industry consolidator, having invested significant effort and expense to pursue specific projects, we took the difficult decision to not continue with several of



ENTREPRENEURSHIP AND SOLID GROWTH ARE THE WATCHWORDS OF STRATOS GLOBAL CORP. CHAIRMAN AND CEO, DERRICK ROWE.

investment. However, much was accomplished and we made, I believe, the decisions that will allow Stratos to flourish in 1998 and beyond.

Stratos Wireless, our core asset (53%), accounted for the greatest amount of growth in 1997. The first major objective for 1997 was met by mid-year when Stratos Wireless completed

to a net profit in the fourth quarter – an objective we achieved within the timeframe originally anticipated.

In March, 1997, Stratos Wireless launched its new smaller, more cost-effective digital mini-M service. Sales of this service, along with the other Inmarsat and MSAT mobile satellite services, grew rapidly through an increasing customer base and expanding distribution channels. Stratos Wireless is now one of the top ten mobile satellite service providers worldwide.

these projects, and moved on to new ones. It was felt that pursuit of these projects was not in the best long-term financial interest of the shareholders. As a result, the Corporation recognized a charge to income of \$667,000 in the fourth quarter.

Disappointing results from SCC Environmental and our desire to focus on our Wireless business, led us to the decision to sell this asset and focus our efforts on the Wireless business. The Corporate Group was, therefore, instructed to assist

in the restructuring and divestiture of this asset in 1998. The investment has been written down to its anticipated realizable value and a charge of \$935,000 has been made to income in the final quarter.

Obviously, I am very disappointed with the results from our non-core and environmental assets and dissatisfied with the delays in completing the Wireless acquisition. The one time charges noted above have contributed to a consolidated net loss of \$5.7 million for the year and a fully diluted loss per share of \$0.50.

These results have exerted downward pressure on our share price, but, it is my belief that this trend will be reversed through divestiture of the non-core assets, a renewed commitment to our Wireless assets and the successful completion of several key acquisitions in 1998.

The 1997 consolidated net loss can be broken down as follows: the Corporation's interest in Stratos Wireless' net loss (including the amortization of related goodwill) was \$1.7 million; the total loss attributable to SCC (including the write down) was \$1.8 million; the costs associated with the Corporate office amounted to \$0.8 million; the fees incurred investigating

acquisitions amounted to \$0.7 million; and the interest on the Corporate debt amounted to \$0.7 million.

On a more positive note, I am pleased with the performance of our core assets and the revenue growth attained. The consolidated revenue for 1997 reached \$61.9 million. We expect this upward trend will continue through acquisitions as well as market growth from the introduction of new mobile satellite services.

LOOKING AHEAD

In 1996, Stratos Wireless was poised to become a significant force in the mobile satellite industry, however, its size at the time was seen as a major impediment. To change this, we formed the Corporate Group, headed up by Derek Woods, to pursue strategic acquisitions and consolidations. This group has already completed one major transaction and despite some short-term setbacks, are active on several more fronts that will further enhance the company's industry position in 1998.

This year, Stratos Global will focus on increasing its ownership of Stratos Wireless. The mobile satellite industry is expanding at a rapid rate, driven by the introduction of new services and smaller, more portable satellite phones.

LEO (low earth orbiting) satellites will play a significant role in the future growth of hand-held satellite services and Stratos will be a LEO service provider as soon as these services are commercially available. Stratos is committed to ensuring its customers gain from the benefits of the latest advances in mobile satellite technology.

Beyond my role as Chairman and CEO of Stratos Global Corp., I also oversee all operations for Stratos Wireless. As President and CEO of Stratos Wireless, I would therefore like to thank all our employees for their dedicated effort in a year of massive transition; a year that has set a firm foundation upon which we can and will grow.

Without doubt, 1998 will be an exciting year. With its new focus and continuing acquisition strategy, I am confident Stratos will make another significant step forward towards its goal to become an industry leader in mobile satellite services.



Derrick Rowe
Chairman and CEO
Stratos Global Corporation

President's Report

Stratos Global Corporation's performance this past year has been one of continued growth and consolidation, marked by a strategic decision to focus on our Wireless Division. Last year's consolidated income statement did not include revenue and income from the Wireless Division, our core asset. It is, therefore,

difficult to make meaningful direct comparisons between the two years.

The most significant indicator of our continued progress is the increase of \$51.5 million in Stratos Wireless' gross revenue from \$10.4 million to \$61.9 million and the rise in operating income from an operating



THE STRATEGY FOR SOLID CORPORATE GROWTH REMAINS THE FOCUS OF STRATOS GLOBAL CORP. PRESIDENT, DEREK WOODS.

loss of \$920,000 in 1996 to an operating income of \$3.2 million in 1997. The world of mobile satellite communications is becoming more competitive but our strategy of differentiating ourselves as a value added, multi-network mobile satellite service provider is proving increasingly successful. To meet this need Stratos is prepared to acquire and form relationships with

President's Report

companies that offer complementary services in the wireless world, and we are actively pursuing opportunities in this area.

The Toronto office was established early in the year and is fully operational. It houses the Corporate Group and provides strategic direction for Stratos Global Corp. which includes the development of the core and non-core assets. In the past year, this group has developed strong ties to analysts and brokers on both Bay (Toronto Stock Exchange) and Wall Streets (NY and Nasdaq exchanges), which will benefit the Corporation in its pursuit of financing opportunities next year.

The Corporate Group actively pursued five acquisitions during 1997. Professional and other costs relating to this amounted to \$667,000. While this amount is not insignificant and contributed to our net loss for 1997, it has also positioned us to complete a major acquisition early in 1998.

Another contributing factor to the Corporation's net loss was the poor year suffered

by SCC Environmental. In order to create a more focused and saleable company the divestiture of a non-profitable subsidiary of SCC was arranged in 1997, with negotiations to divest the remainder of SCC expected to be realized in the first half of 1998.

In 1997, ConPak Seafoods reported a transaction which will, upon completion, reduce our holdings to approximately 12%. We intend to exit that investment over the course of 1998.

A 28% interest is still held in American BOA and while this is a profitable company with 1997 revenues of \$35 million it is not core to our business. We will therefore continue to evaluate our investment in the company with the intention to divest in the coming year.

During 1998 the Corporation expects to complete certain acquisitions targeted in 1997

and will continue to actively pursue additional acquisition opportunities in the mobile satellite area. To accomplish these plans, the Corporation will be looking to the debt and equity markets for additional financing. I believe that these markets will be receptive given our performance in Stratos Wireless, our decision to divest of our non-core assets and our relatively low current debt position. We look forward to a year of continued growth and expansion.



Derek Woods
President
Stratos Global Corporation

Stratos Global Corporation is dedicated to the mobile and portable (hand-held) satellite industries, through its 53% ownership of Stratos Wireless Inc. It also holds several non-core assets: ConPak Seafoods, American BOA and SCC Environmental Group Inc.

more portable satellite terminals. As an adaptable, responsive and innovative company, Stratos Wireless is committed to leadership as a provider of mobile satellite services. Stratos Wireless Inc. wholly owns Stratos Mobile Networks, Stratos Network Research, Stratos Mobile Networks (USA) and IDB Mobile.

**BEYOND THE WIRED WORLD –
STRATOS WIRELESS INC.**

Stratos Wireless is rapidly becoming a dominant player in the expanding mobile satellite industry – an industry driven by newer, lighter, less expensive and

Last year Stratos Wireless, through its subsidiary Stratos Mobile Networks, successfully launched the new mini-M service, which includes the sale of satellite phones weighing 6 pounds (2.4 kg). Providing direct dial voice, data and facsimile services from anywhere on the planet, mini-M is the smallest, least expensive global communications system in the world, and has been a valuable tool for people in remote locations.

Mining exploration, oil and gas operations, construction sites and various businesses have all found Stratos mini-M service essential for extending their offices beyond the wired world. The service is also extremely valuable to disaster relief organizations, government agencies and journalists.

Niles Canyon LES

Stratos Operations Centre

*mini-M Portable
Satellite Terminal*

From March 1997 when the service was launched, the percentage increase in airtime sales for the mini-M service averaged 26 percent each month over the previous month. This is the fastest growing service ever in the mobile satellite industry. Marine versions of the mini-M terminal were introduced in the fourth quarter of 1997 for the fishing and yachting markets.

Stratos offers a bundled mini-M service and equipment offering (land and maritime) in one easy-to-use package. Every Stratos mini-M customer buying a terminal automatically becomes a long-term service customer as well.

Competitive packages and high quality products and services open up a wide range of distribution opportunities around the world, allowing Stratos to reach more customers faster and with better priced products and services than ever before. Distribution is, and will continue to be, a major focus for the coming years.

In 1997, Stratos' Research and Development group produced exciting new

propriety software enabling our clients to access a choice of terrestrial and wireless networks. This single development improved Stratos' core technologies, and added a whole new sophisticated suite of data communication services for its deep-sea merchant and fishing fleet customers. These customers are fast becoming more computerized, needing comprehensive systems to

meet their operational requirements. Stratos accomplishes this by using its own technology in partnership with some of the world's best application developers and value-added service providers.

Our unique solutions approach adapts to a customer's specific business environment and clearly differentiates our service from competitors.

Stratos Centre



Hibernia Platform



Inmarsat-B

AHEAD IN HIBERNIA

A most significant event for Stratos last year – one which strengthened its leadership position in offshore communications – was winning the long-term contract to provide all offshore communication services to the Hibernia production platform. This included the construction of a C-band earth station at Stratos Centre, along with the sale and installation of Inmarsat satellite equipment and the provision of a high-

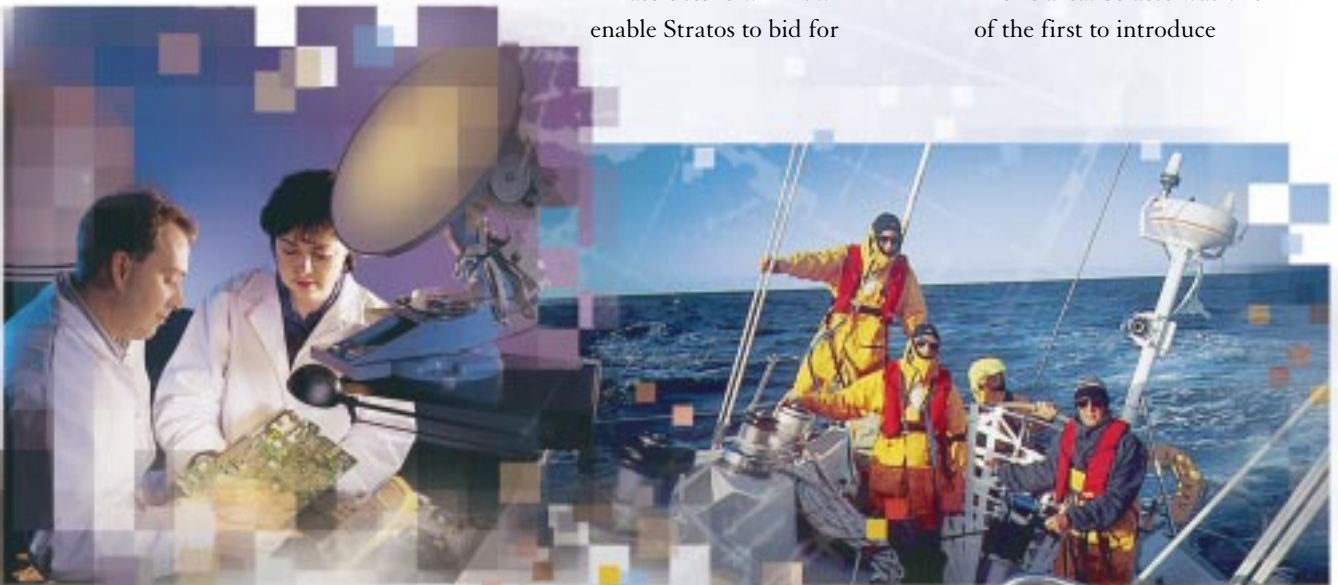
speed satellite service. Stratos also provides helicopter flight following and vessel tracking services to the offshore industry, using Inmarsat-C via the Stratos operations centre.

All these services were put in place by the time of the Hibernia platform launch in June 1997, providing the combined communications capability one might find in a 10-storey office building, and all accomplished through the use of satellite technology for voice, fax, and data. This same infrastructure will now enable Stratos to bid for

other revenue rich projects in the North Atlantic. Stratos will also pursue worldwide offshore and vessel C-band systems sales in 1998.

WORLD CLASS FACILITIES AND SERVICES

Last year Stratos expanded and automated its operations centre, completing a truly world class facility for satellite data network management. Phenomenal growth in Internet based satellite traffic passing through our facility demonstrates our leadership in this area. Stratos was one of the first to introduce



Internet traffic for mobile satellite users, and continues to pioneer developments in this area for both marine and land based customers.

Stratos provides global satellite services for Inmarsat through its own land earth station (LES) facilities in Canada, and at Niles Canyon and Staten Island, USA. These large multi-million dollar facilities are owned and operated by Stratos, but we also have agreements with other service providers to ensure global coverage through land earth stations in Perth, Australia and Ata, Turkey. Stratos also provides MSAT and Orbcomm services in North America.

INTERNATIONAL SALES

In addition to the expansion of network infrastructure, Stratos opened several new sales offices this year, including Washington, Houston, Toronto, London and Hong Kong. The Hong Kong office was opened in September 1997 to support the large shipping industry in Southeast Asia. We also enlarged our Ottawa office to serve as the marketing

and international business centre for Stratos. The Washington D.C. office continues to be our US headquarters and primary location for our government and carrier relations. The expansion of our international sales



Perth LES





Stratos Global Corporation

Staten Island LES



force, along with the upgrade to our operations centre meant that Stratos grew from 89 employees in 1996 to 145 by the end of 1997.

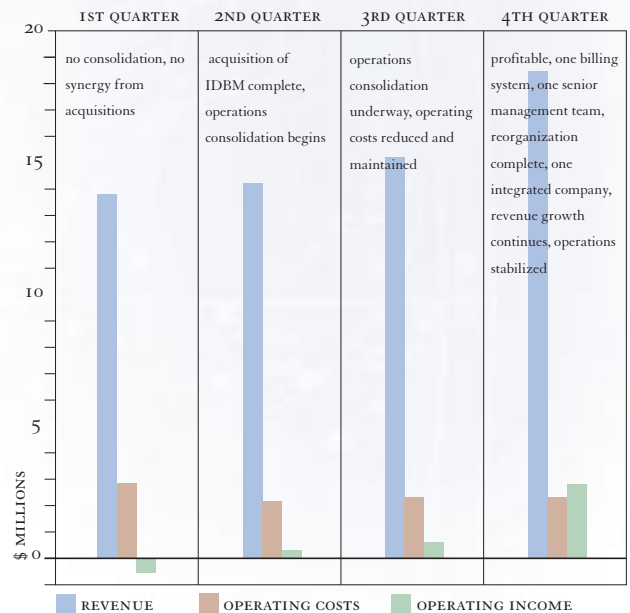
FOCUSED AND GROWING

The acquisition of IDB Mobile has led to a broadening of our business both in the US and internationally. We acquired their west and east coast US land earth stations, and consolidated IDB Mobile's operations into one single company. Considerable synergies were achieved through this acquisition resulting in a reduction of senior management and a reorganization in which all redundant personnel functions were eliminated. What remains is a focused and growing organization.

Mid-way through 1997, the decision was taken to exit the land transportation and trucking markets and focus on the portable and marine markets where enormous growth is underway.

Through consolidation of operations and by adopting a more focused approach, Stratos Wireless has succeeded in reducing operating costs while growing revenue significantly. This can be seen both in the dramatic improvement in Wireless' revenue vs. expenses and in the increase in Wireless' operating income over the past year.

The IDB Mobile acquisition was completed in the second quarter of 1997, and instantly led to reduced operating



expenses in that period. By successfully merging the operations of two companies into one, with one billing system, one senior management team and one truly integrated company, quarterly revenues were able to rise while operating expenses remained stable.

1997 was the year Wireless clearly proved that its aggressive growth plans are both sound and profitable. The first phase of the wireless evolution is now well underway. With the expected introduction of more services in 1998, Stratos Wireless is strongly positioned for growth.

NON-CORE ASSETS

At the third quarter board meeting it was decided to move SCC Environmental Group from an ongoing operation to an asset for divestiture. The Group's short term financial performance was disappointing, and our strategy to focus all our resources on the mobile satellite business affirmed the wisdom of such a move. The financial statements

reflect this change, and we have reclassified SCC Environmental Group into discontinued operations and have taken a one time charge to reflect the reduced value of the investment.

A transaction to dilute our position in ConPak and increase our liquidity was announced, and is expected to be completed in 1998. The Corporation carries this investment at a lower price

than its year-end trading value, and expects to realize a gain upon its divestiture.

American BOA continued to do well and grow its business. Stratos has a put option to sell its holding to a large existing BOA shareholder and will consider this early in 1998 with the expectation of reporting a gain on divestiture.



Stratos Operations Centre



Laurentides LES



Two main objectives were set out in the 1996 annual report. These were to achieve growth through the integration of the 1996 acquisitions and to make a further acquisition to establish the Wireless division as a dominant global player. The efforts of management were focused on these objectives during 1997 and the impact of these efforts is clear from our financial results. The results further reflect the company's intention to divest of non-core assets, including SCC Environmental. Therefore, although SCC is wholly owned, its results are not incorporated in the consolidated figures and are instead disclosed as discontinued operations in the financial statements.

Consolidated current assets amounted to \$42.7 million at October 31, 1997, having increased from \$38.7 million in 1996. Total assets are \$76.9 million as compared to \$75.0 million a year ago.

Current liabilities at October 31, 1997 were \$34.8 million compared to \$23.6 million in 1996, with total liabilities of \$54.9 million this year as compared to \$47.2 million in 1996. This includes a non-controlling interest of \$12.2 million in 1997 compared to \$18.1 million last year. Included in these liabilities is an obligation to the Caisse de depot et placement du Quebec. This note originally expired on October 31, 1997 and was formally extended to December 31, 1997. While there are no formalized extensions in place beyond that date, the Corporation and the debtor continue to negotiate the disposition of the note in the near term.

Consolidated shareholders' equity at October 31, 1997 was \$22.0 million versus \$27.8 million at October 31, 1996.

The consolidated income statement largely reflects the revenues and operations of Stratos Wireless Inc. as well as the operations of Stratos Global Corp. As the operations of Stratos Wireless were not consolidated in 1996, it is difficult to provide a meaningful comparison of the 1997 results with 1996. Therefore, the following analysis will provide a summary of the consolidated results as well as comparisons of the 1997 results of Stratos Wireless and Stratos Global to 1996.

Consolidated revenue for 1997 amounted to approximately \$61.9 million. The consolidated operating income for 1997 is approximately \$2.3 million, compared to a loss of \$270,000 in 1996.

The Corporation is reporting a net loss before discontinued operations of \$4.0 million and a net loss of \$5.7 million for the year. This compares to net income before discontinued operations of \$1.9 million and net income of \$2.0 million in 1996.

The 1997 loss per share before discontinued operations is \$0.39 and the loss per share is \$0.56. For 1996, the earnings per share both before and after discontinued operations was \$0.45.

Stratos Global – Corporate

Stratos established a Corporate office in Toronto early in the fiscal year to increase its capability to identify and investigate potential acquisitions, as well as to increase its exposure to the financial community. It focused its efforts on two main fronts, one being the pursuit of an acquisition for Stratos Wireless and the other being divestiture of the non-core assets.

The group invested significant time and money in exploring several acquisitions, some of which were rejected at the due diligence stage when it became apparent that they would not be in the best interest of the Corporation. As a result, the Corporation is recognizing a charge of \$0.7 million for professional fees incurred with these activities. Other costs associated with this office are net general and administrative expenses of \$0.8 million and the interest on the note payable of \$0.7 million.

Stratos Wireless Inc.

Stratos Wireless Inc. completed both the acquisition and integration of IDB Mobile in the year, with the acquisition of the remaining 50% acquired effective January 1, 1997. The company, through its subsidiary Stratos Mobile Networks introduced a new corporate image as well as new services during the year and continues with investment in technology and distribution.

Revenue for the year was \$61.9 million, compared to \$10.4 million in 1996. The company is reporting an operating income of \$3.2 million for 1997 compared to a loss of \$920,000 in the prior year. The 1997 net loss amounts to \$1.4 million, as compared to a loss of \$2.0 million in 1996. The total loss reflected in the consolidated financial statements, including the amortization of the related goodwill, is \$1.7 million.

Stratos Wireless showed favourable trends in revenue, expenses and income during the year. Revenue increased each quarter from \$13.9 million in the first quarter to \$18.5 million in the fourth quarter. Expenses also decreased during the year, as a result of completion of integration of IDB Mobile by mid-year. As a result, the company reported losses of \$2.0 million in the first six months and income of \$600,000 for the last half of the year.

Stratos Mobile Networks either owns or operates satellite facilities around the world, providing global coverage for all Inmarsat services, MSAT coverage for North American satellite users and a complete communications facility to the North Atlantic offshore industry including C-band, Inmarsat and HF services.

The sale of Inmarsat services comprise the bulk of the company's revenue, with total sale of airtime amounting to approximately \$50.0 million. Stratos Mobile Networks enhanced its distribution network for these services with the addition of several new service partners in the year, and continues efforts to reach agreements with major telecommunications carriers for the delivery of their fixed-to-mobile Inmarsat airtime traffic.

Other larger revenue sources include the sale of terminal equipment and traffic accounting services. As well the company entered into a long-term contract for the provision of communications and other services to the Hibernia project and expects to win additional contracts for the offshore oil and gas industry.

Stratos Wireless Inc. through combining redundant facilities and integration of sales, accounting, billing and customer support functions for Stratos Mobile Networks, reduced operating expenses during the year. The savings from this integration are estimated to be approximately \$2.0 million on an ongoing basis.



Non-Core Assets

SCC Environmental

The Board has authorized Stratos to divest of its interest in SCC. This is consistent with the goal of making Stratos a company with a single business interest. As a result, the net assets of SCC are included as a single item on the consolidated balance sheet, and the net loss is reflected in a similar manner in the consolidated income statement. This loss, totaling \$1.7 million includes the loss of SCC as well as the provision recognized to revalue the investment to estimated market value.

For the year ended October 31, 1997, SCC reported total revenue of \$2.0 million and a net loss of \$625,000. This compares to revenue of \$2.9 million and income of \$150,000 for the ten month period ended October 31, 1996.

ConPak Seafoods

ConPak reported that effective May 1, 1997, it had acquired the fishing assets of Daley Bros. Limited. As a result of this transaction, Stratos Global's ownership would have declined to 12% of the outstanding shares of ConPak. Therefore the consolidated results include equity in the results of ConPak to April 30, 1997 only. Stratos accounted for the ConPak investment using the cost method and Stratos' equity in the loss in ConPak to April 30, 1997 amounted to \$241,000.

Subsequent to year-end, ConPak reported that the acquisition had not yet closed and was now expected to close by October, 1998. Stratos intends to divest of this investment and, as a result, believes the cost method of accounting remains appropriate. The trading value of ConPak at the time of this report exceeds our carrying cost and we expect no material impact on these statements.

American BOA

American BOA reported revenues of \$33.9 million USD for the twelve months ended October 31, 1997 and earnings of \$523,000. Stratos' share in BOA's earnings was \$251,000. This compares to revenues of approximately \$16.0 million and earnings of \$169,000 for the same period a year ago. BOA continues to show growth in the automotive sector and results would have been better had there not been a strike at one of the company's major customers during the year.

Arctic Systems

This company was relatively inactive during the period. It reported a net loss of \$61,000 of which Stratos' share is \$28,000.

Cash Position

The Corporation entered the year with significant cash resources and used these resources to fund its activities in the year. The Corporation used cash primarily to fund its operations (\$2.4 million) and to invest in capital assets and product development (\$4.0 million). The Corporation invested \$10.5 million to acquire the remaining 50 percent of IDB Mobile and advanced \$750,000 to SCC. The Corporation generated funds of \$8.2 million from subsidiary equity issues, additional debt and non-repayable contributions in support of product development efforts.

At October 31, 1997, total cash reserves amounted to \$11.2 million as compared to \$20.7 million in 1996.

The Corporation has available a line of credit in the amount of \$500,000, none of which was utilized at the year end. Its subsidiaries have lines of credit totaling approximately \$1.0 million, with the majority in Stratos Wireless. IDB Mobile has no line of credit facility. These facilities are almost fully drawn by the operating companies. Subsequent to year end, Stratos Wireless agreed with its bankers on a new facility, increasing its operating line to \$5.0 million.

The Corporation will require the cash reserves to fund its ongoing operations as working capital requirements are expected to increase with growth. It is anticipated that any future acquisitions will require external funding which may take the form of long-term indebtedness or additional equity. The form of funding will be dependant on the nature of the acquisition and the impact of either debt or equity on overall shareholder value. The Corporation has a very low level of long-term indebtedness and believes that it may be in the best interest of shareholders to consider debt financing for part of any future acquisitions.

Year 2000 Assessment

The Corporation has formed a committee to address this matter. The committee has adopted a plan to guide the Corporation through the process and a review of all systems is currently underway. While it is not yet possible to fully assess the financial impact this may have on the Corporation, management holds the opinion that the impact will not be material.

Legal Action

One of the Corporation's subsidiaries, IDB Mobile, has been named as a defendant in a breach of contract suit in the United States. The suit alleges that the subsidiary owes \$5.0 million USD in respect of services rendered. IDB Mobile maintains that it has no obligation for these services which it has acquired from another service provider. The action has not proceeded sufficiently in order to determine possible outcome and the company is rigorously defending its position.



Management's Responsibility for Financial Reporting

Management is responsible for the preparation, presentation and consistency of financial information and discussion contained in this Annual Report. The financial statements and accompanying notes, prepared in accordance with generally accepted accounting principles, are considered by management to present fairly, in all material respects, the Corporation's financial position and results of operations.

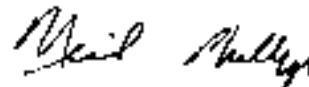
Management has developed and maintains the necessary systems of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded and proper records maintained. The controls are reviewed and evaluated by the Corporation's staff and are subject to scrutiny by the shareholders' auditors.

The Audit Committee of the Board of Directors meets periodically with the Corporation's management and auditors to review matters relating to the quality of financial reporting and internal accounting control and the nature, extent and results of the audit process. In addition, this Committee is responsible for reviewing the Corporation's financial statements and reporting thereon to the Board of Directors. The Board of Directors has the ultimate responsibility for the financial statements presented to the shareholders.

Independent auditors appointed by the shareholders of the Corporation examine our financial statements in accordance with generally accepted auditing standards, performing such tests and other procedures as they consider necessary to express their opinion in their report to the shareholders. The auditors have free and independent access to the Board of Directors and meet with the Audit Committee and management on a regular basis to consider matters relating to financial statement presentation, internal control, and audit procedures.



Derrick Rowe
Chairman and
Chief Executive Officer



Neil Phillips
Chief Financial Officer

Auditors' Report

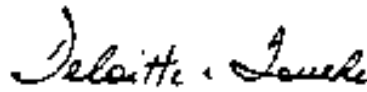
To the Shareholders,
Stratos Global Corporation
(formerly ResourceCan Limited)

We have audited the consolidated balance sheets of Stratos Global Corporation as at October 31, 1997 and 1996 and the consolidated statements of earnings (loss) and deficit, and changes in financial position for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 1997 and 1996 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

St. John's, Newfoundland,
February 16, 1998.


Chartered Accountants

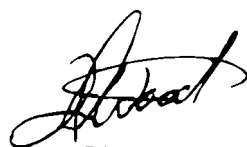


CONSOLIDATED BALANCE SHEET
AS AT OCTOBER 31, 1997

(\$000's)

	1997	1996
ASSETS		
Current		
Cash and short term deposits	\$ 11,248	\$ 20,718
Accounts receivable	28,509	16,359
Investment tax credits receivable	231	266
Government claims receivable	—	379
Inventory	2,282	423
Prepaid expenses	412	552
Total current assets	42,682	38,697
Note receivable (Note 2)	894	894
Investments and advances (Note 4)	2,345	2,213
Capital assets (Note 5)	17,933	18,074
Other assets (Note 6)	2,282	2,452
Net assets of discontinued operations (Note 3)	2,500	3,496
Goodwill	8,266	9,185
	<u>\$ 76,902</u>	<u>\$ 75,011</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 28,265	\$ 17,122
Income taxes payable	—	24
Note payable (Note 7)	6,318	6,318
Current portion of long term debt (Note 8)	182	171
Total current liabilities	34,765	23,635
Long term debt (Note 8)	5,025	2,496
Deferred credits (Note 9)	2,688	2,850
Deferred income taxes	139	136
Non-controlling interest	12,240	18,107
Total liabilities	54,857	47,224
SHAREHOLDERS' EQUITY		
Share capital (Notes 10 and 11)	27,957	27,979
Deficit	(5,912)	(192)
Total shareholders' equity	22,045	27,787
	<u>\$ 76,902</u>	<u>\$ 75,011</u>

On behalf of the Board



Director



Director

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF EARNINGS (LOSS) AND DEFICIT
FOR THE YEAR ENDED OCTOBER 31, 1997

(\$000's)

	1997	1996
Sales	\$ 61,916	\$ —
Cost of goods and services	<u>44,815</u>	<u>—</u>
Gross margin	17,101	—
Interest income	<u>448</u>	<u>12</u>
	17,549	12
Expenses		
Operating	3,801	—
General and administrative	6,407	282
Sales and marketing	<u>5,048</u>	<u>—</u>
	15,256	282
Operating income (loss)	<u>2,293</u>	<u>(270)</u>
Other expenses		
Interest – long term	939	14
– other	792	13
Reorganization	480	—
Investment investigation costs	667	—
Depreciation and amortization	<u>4,575</u>	<u>—</u>
	7,453	27
Loss before the following	<u>(5,160)</u>	<u>(297)</u>
Share in earnings (loss) of equity accounted investments		
American BOA Incorporated	251	61
Arctic Systems Limited	(28)	45
ConPak Seafoods Inc.	(241)	(136)
Stratos Wireless Inc.	—	(919)
Gains on investments		
Sales of common shares	—	569
Dilution of investments	—	2,654
Other	<u>150</u>	<u>—</u>
	132	2,274
Earnings (loss) before undernoted items	(5,028)	1,977
Income taxes (Note 12)	<u>—</u>	<u>—</u>
Earnings (loss) before non-controlling interest and discontinued operations	(5,028)	1,977
Non-controlling interest	<u>1,052</u>	<u>—</u>
Earnings (loss) before discontinued operations	(3,976)	1,977
Discontinued operations (Note 3)	<u>(1,744)</u>	<u>53</u>
Earnings (loss) for the year	(5,720)	2,030
Deficit, beginning of the year	(192)	(2,222)
Deficit, end of the year	<u>\$ (5,912)</u>	<u>\$ (192)</u>

Earnings per Share (Note 14)



See accompanying notes to consolidated financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED OCTOBER 31, 1997**

(\$000's)

	1997	1996
Operating activities		
Earnings (loss) for the year before discontinued operations	\$ (3,976)	\$ 1,977
Items not requiring (generating) cash		
Share in loss of equity accounted investments	18	949
Gains on investments	(150)	(3,223)
Non-controlling interest	(1,052)	-
Deferred income taxes	7	-
Amortization	4,694	-
	<u>(459)</u>	<u>(297)</u>
Net change in non-cash working capital	(1,901)	6,591
Cash provided by (used in) operating activities	<u>(2,360)</u>	<u>6,294</u>
Investing activities		
Subsidiary net assets (net of equity interest at date of acquisition)	(10,539)	(7,177)
Purchase of capital assets	(2,999)	(14)
Deferred costs	(1,001)	-
Discontinued operations	(750)	-
Sale of investments	-	953
Issue of note receivable	-	(894)
Cash used in investing activities	<u>(15,289)</u>	<u>(7,132)</u>
Financing activities		
Proceeds on sale of common shares	156	564
Shares issued for acquisitions	-	11,755
Warrants issued	-	10,500
Share and warrant issue costs	(178)	(930)
Proceeds of long term debt	2,693	-
Long term debt repaid	(161)	(34)
Deferred government assistance	465	-
Shares issued by subsidiary to a third party	5,204	-
Cash provided by financing activities	<u>8,179</u>	<u>21,855</u>
Change in cash	(9,470)	21,017
Cash and short term deposits, beginning of the year	20,718	(299)
Cash and short term deposits, end of the year	<u>\$ 11,248</u>	<u>\$ 20,718</u>

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

OCTOBER 31, 1997

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Basis of consolidation

These consolidated financial statements include the accounts of the Corporation and Stratos Wireless Inc. (formerly NewEast Wireless Technologies Inc.) which is 53.4% owned. SCC Environmental Group Inc. is presented separately, as explained in Note 3, as discontinued operations.

The Corporation acquired the controlling interest in Stratos Wireless Inc. at October 31, 1996. The consolidated accounts of Stratos Wireless Inc. include the accounts of the company and Stratos Mobile Networks Inc. (formerly NewEast Wireless Telecom Inc.), Stratos Network Research Inc. (formerly Ultimateast Data Communications Limited) and IDB Mobile Communications Inc.

Since the acquisitions took place on October 31, 1996 the figures for 1996, presented for comparative purposes, include only the results of operations of the Corporation.

Investments in affiliated companies

The Corporation accounts for its investments in affiliated companies over which it has significant influence on the equity basis of accounting, whereby the investment is initially recorded at cost, adjusted to recognize the earnings or losses of the investee companies and reduced by dividends received. The excess of the cost of equity investments over the underlying book value at the date of acquisition is amortized over the estimated useful lives of the underlying assets to which it is attributed.

Other investments

Other investments are accounted for on the cost basis. Declines in market value below cost are recorded when such declines are considered to be other than temporary.

Foreign currency translation

Assets and liabilities of the Corporation's integrated foreign operations are translated using the temporal method whereby monetary items are translated at exchange rates prevailing at the balance sheet date, which was \$U.S. 1.00 = \$Canadian 1.407 at October 31, 1997 and non-monetary items at historical rates. Revenues and expenses are translated at the average exchange rate. Adjustments arising from the translation of the balance sheet are included as income.

Inventory

Inventory is carried at the lower of cost and net realizable value.



Capital assets

Capital assets are recorded at cost. The Corporation's interest in the assets of a joint venture are stated at cost less the proceeds of a sub-participation granted to a third party. Amortization is computed on a declining balance and/or straight line basis at rates which will reduce original cost to estimated residual value over the useful lives of the assets.

	STRAIGHT LINE	DECLINING BALANCE
Office furniture and other	5 Years	20%
Buildings	—	4% and 5%
Equipment	—	10% and 20%
Computer equipment	—	30%
Earth station equipment	12 Years	—
Participation in joint venture earth station equipment	10 Years	—
Leasehold improvements	4 Years	—
Landmobile terminals	5 Years	—

Research and development costs

Research costs are charged as an expense in the period in which they are incurred.

Development costs are charged as an expense in the period in which they are incurred, unless they meet certain criteria related to technical, financial and market feasibility. Where these criteria are met, the costs are deferred and amortized on a straight line basis over the product's estimated life cycle or a maximum of three years, whichever is shorter.

Government assistance

Government assistance related to development expenditures is recorded as a deferred credit and amortized to income on the same basis as the expenses.

Government assistance related to capital assets is recorded as a deferred credit and amortized to income on the same basis as the related capital assets are depreciated.

Goodwill

Goodwill represents the excess of cost over the fair market value of net assets acquired. Goodwill is amortized over periods which are best estimated to reflect the useful lives of the related net assets acquired. The Corporation annually reviews carrying value to determine if impairment has occurred based upon expected cash flows of the related acquired business.

Joint venture

The Corporation's subsidiary, Stratos Wireless Inc., is a partner in a joint venture formed to construct and operate an earth station for mobile communications.

Revenue earned by all parties to the joint venture and direct transmission and operating costs are shared by the partners in proportion to their respective ownership interest. The Corporation records as revenue and expenses its proportionate share of the joint venture. A portion of the operating costs are reclassified to record a return on capital to the joint venture and is presented as interest expense which, in 1997, amounted to \$784,000.

The investment in the joint venture is recorded as capital assets.

Revenue recognition

Revenue is recognized when goods are sold or communication transmission services are provided.

Estimates are included to provide for that portion of shore-to-ship revenue that has not been reported or confirmed by domestic carriers. Revenue is subject to final determination and settlement with these carriers.

2. NOTE RECEIVABLE

The note receivable is non-interest bearing and is secured by a third party guarantee. One half of the amount is due October 1999 and the remainder is due April 2001.

3. DISCONTINUED OPERATIONS

During the year, the Board authorized management to divest of the Corporation's investment in SCC Environmental Group Inc. Accordingly, SCC has been treated as discontinued operations in the 1997 financial statements and the comparative balances have been restated.

4. INVESTMENTS AND ADVANCES

Companies subject to significant influence	BENEFICIAL INTEREST	CARRYING VALUE	
		1997	1996
American Boa, Incorporated – a private company			
475 fully paid and non-assessable commonshares without par value at cost	28.3%	\$ 156,910	\$ 156,910
Increase in investment as a result of share dilution		659,668	659,668
Share in earnings since acquisition including amortization of goodwill of \$30,844 (1996 - \$27,636)		755,209	504,119
		<u>1,571,787</u>	<u>1,320,697</u>
Arctic Systems Limited – a private company			
45 common shares, at cost	45.0%	45	45
Share in earnings (loss) since acquisition		(7,408)	20,320
Advances		163,545	163,545
		<u>156,182</u>	<u>183,910</u>
Other Investments			
ConPak Seafoods Inc. – a public company		616,946	858,147
		<u>2,344,915</u>	<u>2,362,754</u>
Less provision for decline in market value			(150,000)
		<u>\$ 2,344,915</u>	<u>\$ 2,212,754</u>

The excess of the cost of the investment in American BOA, Incorporated (BOA) over the underlying net book values of the net assets at the date of purchase of \$80,000, is attributable to the acquisition of goodwill and is amortized on a straight line basis over twenty-five years.



American BOA, Incorporated

The Corporation signed a "put agreement" with a shareholder of BOA, whereby the Corporation, upon giving written notice at any time after December 31, 1997 and before January 1, 1999 may obligate the shareholder to purchase all of the shares held by the Corporation in BOA. The price to be paid for the shares will be the fair market value as determined by an independent United States valuator. The shareholder must either purchase all or a minimum of 20% of the shares within twenty days of receipt of the valuator's report and a minimum of 20% of the shares on each of the four succeeding annual anniversaries. The shareholder has the right to purchase remaining shares at any time during the five-year period.

ConPak Seafoods Inc. (ConPak)

During the year, ConPak reported a transaction which has the effect upon closure of diluting the Corporation's interest to approximately 12%. As a result, the Corporation ceased to account for ConPak on the equity basis and now carries the investment at cost.

5. CAPITAL ASSETS

	1997		1996	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 305,331	\$ —	\$ 305,331	\$ 303,831
Buildings	3,750,514	461,952	3,288,562	3,290,536
Equipment	11,028,137	5,374,253	5,653,884	3,804,802
Computer hardware and software	1,875,717	1,024,898	850,819	2,628,464
Earth station equipment	7,652,061	2,378,977	5,273,084	5,539,151
Participation in Joint Venture earth station equipment	2,777,538	779,920	1,997,618	1,721,010
Furniture	856,397	365,103	491,294	786,864
Leasehold improvements	53,247	4,649	48,598	—
Trademarks	24,488	812	23,676	—
	<u>\$ 28,323,430</u>	<u>\$ 10,390,564</u>	<u>\$ 17,932,866</u>	<u>\$ 18,074,658</u>

6. OTHER ASSETS

	1997	1996
Deferred development costs	\$ 2,081,649	\$ 1,778,589
Accounting authority licence	200,000	200,000
Organization costs	—	473,091
	<u>\$ 2,281,649</u>	<u>\$ 2,451,680</u>

7. NOTE PAYABLE

The note payable originally due October 31, 1997 was formally extended to December 31, 1997. The note bears interest at 12% per annum, may be repaid in whole or in part at any time and is secured by 1,920,000 common shares of Stratos Wireless Inc.

8. LONG TERM DEBT

	1997	1996
Stratos Global Corporation		
Enterprise Newfoundland and Labrador Limited loans, repayable in blended monthly installments of \$4,068, bearing interest at rates from 9.4% to 9.875%	\$ 99,465	\$ 136,504
Stratos Wireless Inc.		
Royal Trust Company, 8.57% first mortgage secured by land and building repayable in blended monthly installments of \$15,682, maturing in April, 2001	1,514,865	1,572,803
Atlantic Canada Opportunities Agency repayable contribution, unsecured, non-interest bearing, repayable in 60 equal monthly installments commencing October 31, 1998	500,000	500,000
Atlantic Canada Opportunities Agency repayable contribution, unsecured, repayable in 28 equal quarterly installments of \$19,051 which commenced February 1, 1996, bearing interest at Business Development Bank of Canada prime plus 2% to January 14, 1997 and plus 4% thereafter	400,129	457,288
Atlantic Canada Opportunities Agency, repayable, unsecured, non-interest bearing contribution to a maximum amount of \$852,000, repayable in monthly installments commencing November 30, 1998, of \$3,000 for 36 months; \$8,000 per month for the subsequent 24 months and \$15,337 monthly thereafter to maturity	582,000	—
Promissory note of U.S. \$1,500,000 maturing June 30, 2000 bearing interest at the prime commercial interest rate of The Chase Manhattan Bank (National), with interest payable quarterly commencing September, 1997. The note is convertible into common shares of the Company at the option of the holder at a rate of one common share for each U.S. \$3.00 principal outstanding	2,110,500	—
	<u>5,206,959</u>	<u>2,666,595</u>
Less current portion	182,000	171,000
	<u>\$ 5,024,959</u>	<u>\$ 2,495,595</u>



Principal payments required on long term debt in each of the next five years are as follows:

1998	\$ 182,000
1999	\$ 297,000
2000	\$ 2,261,000
2001	\$ 257,000
2002	\$ 264,000

9. DEFERRED CREDITS

	1997		1996	
	Deferred Amount	Accumulated Amortization	Net Book Value	Net Book Value
Assistance related to capital assets	\$ 2,704,297	\$ 1,054,058	\$ 1,650,239	\$ 1,777,328
Assistance related to deferred development costs	2,372,699	1,334,703	1,037,996	1,073,036
	<u>\$ 5,076,996</u>	<u>\$ 2,388,761</u>	<u>\$ 2,688,235</u>	<u>\$ 2,850,364</u>

10. SHARE CAPITAL

AUTHORIZED	1997	1996
Unlimited number of common shares		
Issued – 10,976,240 shares (1996 - 7,851,240 shares)	\$ 27,956,897	\$ 18,278,622
– Nil special warrants (1996 - 3,000,000 warrants)	–	9,700,000
	<u>\$ 27,956,897</u>	<u>\$ 27,978,622</u>

During the year, the Corporation issued common shares as follows:

CONSIDERATION	NUMBER OF SHARES	AMOUNT
Exercise of warrants	3,000,000	\$ 9,700,000
Cash	125,000	156,250
Share issue costs	–	(177,975)
	<u>3,125,000</u>	<u>\$ 9,678,275</u>

Stock Options

As at October 31, 1997, the following options were outstanding:

NUMBER OF SHARES	EXPIRY DATE	EXERCISE PRICE
99,750	December, 1998	\$ 1.25
264,955	August, 2001	2.00
110,295	October, 2001	3.40
100,000	December, 2001	3.30
10,000	April, 2002	3.40
<u>262,500</u>	September, 2002	3.00
<u>847,500</u>		

Subsequent to year end:

- 227,500 options were issued to purchase common shares at \$3.00 per share to January 2003
- 25,000 options were exercised for \$31,250 cash

11. PUT AGREEMENT

Pursuant to a Put Option Agreement dated October 31, 1996 between Stratos Wireless Inc. (“Wireless”) and Teleglobe Inc. (“Teleglobe”), Teleglobe obtained an option to require Wireless to purchase certain Teleglobe assets in exchange for 20,912,169 common shares of Wireless and the assumption of related liabilities by Wireless. The option is open for exercise until the date which is one year following the date proclaimed by the Government of Canada as being the date of the expiration of the exclusive mandate granted to Teleglobe as the sole Canadian international carrier.

12. INCOME TAXES

The Corporation's income is subject to federal and provincial income taxes at the statutory rate of 43.12% (1996 - 43.12%). The tax provision shown in the Statement of Earnings (Loss) is comprised as follows:

	1997	1996
Income (loss) before income taxes	\$ (5,028,000)	\$ 1,977,000
Income tax recovery based upon statutory rate	\$ (2,168,000)	\$ 852,000
Increase (decrease) in income taxes resulting from		
Share in (earnings) losses of equity accounted investments	8,000	(981,000)
Permanent difference – non-deductible items	172,000	(22,000)
Timing differences	(37,000)	–
Non-capital loss not utilized for tax purposes in current year	2,271,000	151,000
Net capital loss not utilized for tax purposes in current year	(246,000)	–
	\$ –	\$ –

The Corporation has non-capital losses for income tax purposes of approximately \$10,044,000 which may be applied to reduce taxable income in future years. The Corporation also has net capital losses of \$624,000 which are available to reduce taxable capital gains. The non-capital losses will expire as follows:

Year of expiry	Stratos Global Corporation	Stratos Wireless Inc.	Total
1998	\$ 172,000	\$ –	\$ 172,000
1999	215,000	–	215,000
2001	189,000	–	189,000
2002	192,000	1,056,000	1,248,000
2003	505,000	2,449,000	2,954,000
2004	2,647,000	2,619,000	5,266,000
	\$ 3,920,000	\$ 6,124,000	\$ 10,044,000

The potential benefits of these items have not been recognized in these financial statements.

13. SEGMENTED INFORMATION

The Corporation is primarily engaged in the wireless telecommunications industry, with major assets located in Canada and the United States. Identifiable assets in Canada and the United States amount to \$ 49,976,000 and \$ 26,926,000 respectively.

14. EARNINGS PER SHARE

	1997	1996
Weighted average shares outstanding	10,136,719	4,533,505
Fully diluted shares outstanding	11,550,166	5,068,720
Earnings (loss) per share before discontinued operations	\$ (0.39)	\$ 0.45
Earnings (loss) per share	\$ (0.56)	\$ 0.45
Fully diluted earnings (loss) per share	\$ (0.50)	\$ 0.40



15. CONTINGENCY

Subsequent to year end, the Corporation's subsidiary, IDB Mobile Communications, Inc. was named as a defendant in a legal action in the United States alleging breach of contract. On September 1, 1997 IDB changed service providers for certain satellite and land earth station services. Damages have been claimed in an amount of approximately \$US 5,000,000. IDB's position is that payment has been made for all services used. Presently, it is not possible to determine the outcome of this action.



Corporate Information

BOARD OF DIRECTORS

Mark Dobbin²
Senior Vice President
CHC Helicopter Corporation

Marc Sandercombe²
Investment Advisor
Canaccord Capital Corporation

Rex Anthony¹
President & CEO
The Anthony Group Limited

Paul Antle
President & CEO
SCC Environmental Group Inc.

Peter Geibel¹
President, Geibel Gestion Finances

Derek Woods
President, Stratos Global Corporation

Derrick Rowe
Chairman & CEO
Stratos Global Corporation

OFFICERS

Derrick Rowe, Chairman & CEO
Derek Woods, President
George Kilguss III, Executive Vice President
Neil Phillips, Secretary and CFO

BANKERS

Royal Bank of Canada
St. John's, Newfoundland

AUDITORS

Deloitte & Touche
St. John's, Newfoundland

REGISTRAR AND TRANSFER AGENT

Montreal Trust Company
Toronto, Ontario

SHARES LISTED

Toronto Stock Exchange
Symbol SGB
(RSC prior to March 1997)

SOLICITORS

White, Ottenheimer & Baker
St. John's, Newfoundland

Blake, Cassels & Graydon.
Toronto, Ontario

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¹ Audit Committee

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