



**COM DEV International Ltd.
Second Quarter Report – Fiscal 2003
For the Period Ended
April 30, 2003**

COM DEV ANNOUNCES SECOND QUARTER FY2003 RESULTS

CAMBRIDGE, Ontario - May 29, 2003 – COM DEV International Ltd. (TSX:CDV) today announced its second quarter results for the period ended April 30, 2003.

Second Quarter Summary

Revenue for the second quarter ended April 30, 2003 was \$18.9 million compared with \$22.2 million in the first quarter, and \$28.6 million in the second quarter of 2002. The Company recorded a net loss for the quarter of \$260 thousand or (\$0.01) per share, compared with a net loss of \$5.9 million or (\$0.13) per share in the same period a year ago. The impact of the recent strengthening of the Canadian dollar against the US dollar impacted revenues in the second quarter by approximately \$400 thousand, and net income by approximately \$680 thousand. Before foreign exchange, and financial expense impacts, the Company reported Operating Income of \$359 thousand, which is in line with management's guidance that the Company would maintain marginal operational profitability.

Financial Positions, Cash Flows and Liquidity

The Company's cash position decreased by \$2.2 million in the second quarter of fiscal 2003, driven by an increase of \$4.9 million in its Work In Process inventory on customer orders. These orders are expected to be converted to billings in the coming months. Collection efforts on customer receivables continued to be strong, with accounts receivable decreasing by approximately \$2.0 million. In addition, the Company concluded the sale of residual assets associated with the former Wireless Systems business, yielding proceeds of US \$800 thousand. Additional uses of cash associated with the Company's discontinued operations included rent on the Wireless facility in the UK., and the payment of settlement amounts associated with Wireless Group vendor liabilities, all in line with previous estimates and reserves.

The Company's ending second quarter cash balance is \$0.9 million, down from \$3.0 million at the end of the first quarter, and essentially in line with management's forecast.

The Company has made the decision to make the next scheduled interest payment, due June 30, 2003, on its 6.75% convertible debentures in cash.

CEO's Assessment

The second quarter of our current fiscal year was a particularly difficult one, with revenues continuing to be affected by the soft commercial satellite market, compounded by the weakening of the US dollar. While the Company fell slightly short of achieving bottom line profitability, our ability to keep the Company's costs in line with overall market conditions allowed us to record operational profitability for the 3rd consecutive quarter.

As predicted, the Company was a net user of cash in the first half of the year, and, based on projected billings from orders in backlog and from forecast business, we expect to become cash neutral in the second half of the year.

The rapid weakening of the US dollar relative to other world currencies is a concern for us, and we are working to mitigate its negative impact on our operations through continued use of hedging and other means.

Conference Call

A conference call will be held on Thursday, May 29, 2003 at 5:30 pm EST to discuss this announcement. To access the simultaneous webcast, please visit the Company's website at www.comdev.ca or www.newswire.ca for directions. Participants will require *Windows Media Player™* to listen to the webcast.

About COM DEV

COMDEV International Ltd. (www.comdev.ca) based in Cambridge, Ontario, is the largest Canadian-based designer and manufacturer of space hardware subsystems. The company operates facilities and/or offices in Canada, the United States, the United Kingdom and China.

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COMDEV and COMDEV Space are registered trademarks of COMDEV International Ltd. This news release may contain certain forward-looking statements that involve risks and uncertainties. Actual results may differ materially from results indicated in any forward-looking statements. The company cautions that, among other things, in view of the rapid changes in communications markets and technologies, and other risks including the cost and market acceptance of the company's new products, the level of individual customer procurements and competitive product offerings and pricing, and general economic circumstances, the company's business prospects may be materially different from forward-looking statements made by the company.

Second Quarter FY2003 Management's Discussion and Analysis

The following discussion provides a review of the activities, results of operations and financial condition of COM DEV International Ltd. ("the Company" or "COM DEV") for its 2003 fiscal second quarter ended April 30, 2003. This discussion should be read in conjunction with the Company's fiscal 2003 second quarter interim financial statements and the fiscal 2002 Audited Consolidated Financial Statements. All amounts are in Canadian dollars unless otherwise noted.

Overview of the Business

Continuing Operations

COM DEV is a leading global designer, manufacturer and distributor of space communications products and systems. The Company began operations in 1974 and completed its initial public offering in December 1996. The Company's common shares trade on The Toronto Stock Exchange under the symbol CDV. The Company's operating business unit is COM DEV Space (CDS). Two additional divisions are treated as discontinued operations in the 2003 financial statements: COM DEV Wireless (CDW) which, as previously reported, was divested in the first quarter of the company's previous fiscal year; and COM DEV Broadband (CDB) which was divested immediately subsequent to the third quarter of the previous fiscal year.

CDS designs and manufactures advanced microwave products for space satellites such as multiplexers, filters, switches, surface acoustic wave (SAW) devices, lithium ion batteries, and signal processors. The products are sold to substantially all of the major satellite prime contractors for use in commercial communications, military communications and space science satellites.

Discontinued Operations

The discontinued operation, CDW, designed and manufactured ground-based wireless communications infrastructure sub-systems, such as diplexers, transmit combiners, receive multicouplers and niche wireless microwave radio solutions.

The following analysis is related to the continuing operations of the Company unless otherwise noted. The references to prior year amounts exclude revenues and expenses of the discontinued businesses.

Quarterly Information

<u>Fiscal 2003</u>	<u>Q1</u>	<u>Q2</u>
Total Revenue	\$22,225	\$18,851
Net Income (loss) from Continuing Operations	\$344	(\$280)
Net Income (loss) per share from Continuing Operations (basic)	\$0.00	(\$0.01)
Net Income (loss) per share from Continuing Operations (fully diluted)	\$0.00	(\$0.01)
Net Income (loss) from Discontinued Operations	(\$176)	\$20
Net Income (loss) – total	\$168	(\$260)
Net Income (loss) per share (basic)	(\$0.01)	(\$0.01)
Net Income (loss) per share (fully diluted)	(\$0.01)	(\$0.01)
Total assets	\$86,784	\$83,686
Long-term financial liabilities	\$966	\$902

<u>Fiscal 2002</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Total</u>
Total Revenue	\$25,526	\$28,581	\$28,233	\$25,175	\$107,515
Net Income (loss) from Continuing Operations	\$256	\$1,619	(\$2,859)	\$1,346	\$362
Net Income (loss) per share from Continuing Operations (basic)	\$0.00	\$0.03	(\$0.07)	\$0.02	(\$0.02)
Net Income (loss) per share from Continuing Operations (fully diluted)	\$0.00	\$0.03	(\$0.07)	\$0.02	(\$0.02)
Net Income (loss) from Discontinued Operations	(\$7,608)	(\$7,502)	(\$19,600)	(\$600)	(\$35,310)
Net Income – total	(\$7,352)	(\$5,884)	(\$22,458)	\$746	(\$34,948)
Net Income (loss) per share (basic)	(\$0.16)	(\$0.13)	(\$0.48)	\$0.01	(\$0.76)
Net Income (loss) per share (fully diluted)	(\$0.16)	(0.11)	(\$0.48)	\$0.01	(\$0.76)
Total assets	\$139,815	\$124,126	\$103,974	\$93,713	\$93,713
Long-term financial liabilities	\$973	\$953	\$1,077	\$943	\$943

<u>Fiscal 2001</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Total</u>
Total Revenue	\$27,929	\$32,179	\$30,416	\$32,592	\$123,116
Net Income (loss) from Continuing Operations	\$1,860	\$5,287	\$3,091	\$3	\$10,241
Net Income per share from Continuing Operations (basic)	\$0.04	\$0.12	\$0.06	\$0.00	\$0.23
Net Income per share from Continuing Operations (fully diluted)	\$0.04	\$0.11	\$0.06	\$0.00	\$0.21
Net Income (loss) from Discontinued Operations	(\$2,312)	(\$9,292)	(\$13,454)	(\$89,123)	(\$114,182)
Net Income – total	(\$453)	(\$4,005)	(\$10,363)	(\$89,120)	(\$103,941)
Net Income (loss) per share (basic)	(\$0.01)	(\$0.09)	(\$0.22)	(\$1.87)	(\$2.29)
Net Income (loss) per share (fully diluted)	(\$0.01)	(\$0.09)	(\$0.21)	(\$1.79)	(\$2.14)
Total assets	\$226,316	\$264,733	\$228,758	\$166,779	\$166,779
Long-term financial liabilities	\$1,631	\$16,283	\$15,979	\$1,022	\$1,210

Revenue

Revenue for the second quarter of the 2003 fiscal year was \$18.9 million, down 15% from 2003 first quarter levels, and 34% from the comparable 2002 second quarter revenue levels. The sequential drop in revenues from Q1 2003 to Q2 2003 is higher than previous guidance of a flat to slight decline in revenue level during this period. The Company continues to feel the effects of the softening commercial transponder market, and the lower levels of new orders booked by the Company in the fourth quarter of 2002. In addition, the weakening of the US dollar negatively impacted revenues by approximately \$400 thousand in the quarter. The decision to move to a four day work week allowed the Company to balance its capacity with the soft market conditions.

The Company is continuing to manage its operations during the decline in the general commercial transponder market decline by targeting other, non-traditional market segments. COM DEV has continued to make inroads in non-commercial markets including military and space science markets.

At the end of the current fiscal quarter our total backlog was approximately \$46.6 million, up from \$42.9 million at the end of the first quarter, and up from \$42.0 million at the end of our fiscal 2002. Non-commercial satellite orders accounted for approximately 56% of our backlog at the end of the 2003 second quarter, compared with 61% at the end of the first quarter, and approximately 56% at the end of fiscal 2002.

Looking forward in 2003, COM DEV management is forecasting a slight increase in the number of new commercial satellite projects from the levels seen in the previous two fiscal quarters, and a slight increase in the revenues generated from our Space Science, and SAW products. For the upcoming third quarter of fiscal 2003, management is anticipating a return to revenue levels slightly above those realized in the first quarter of fiscal 2003. Overall, even with the expansion of our products and markets, management is continuing to predict 2003 revenues to be 15% to 20% below 2002 levels.

Cost of Revenue and Gross Margin

CDS gross margin for the 2003 second quarter was \$5.0 million (26.5% of revenue), down from \$5.3 million (23.8% of revenue) in the first quarter of fiscal 2003, and down from \$6.8 million (26.8% of revenue) in the comparable first quarter of fiscal 2002. The current quarter's increase in margin strength compared to the first quarter is attributable to operating overhead cost control, a relatively higher proportion of its revenues in the quarter coming from its traditional mux business unit, and a thorough review of our inventory which resulted in a partial recovery of reserves previously taken for slow moving parts.

The company continued its Workshare Program in conjunction with Human Resources Development Canada. This program, which is entirely voluntary on the part of the Company's employees, results in a reduced workweek within the businesses affected by the reduced demand. The affected areas have worked 4 days out of 5 each week since February 1, 2003. The willingness of the employees, in both direct and support functions, to participate in the Workshare Program, allows the Company to retain our highly talented personnel, while reducing the impact of the slower demand on the results of the Company. As a result of the increase in the Company's order backlog, the majority of the employees have returned to a full work-week as at the end of May, 2003.

Research & Development

COM DEV believes that a commitment to research and development is fundamental to its long-term success. In the recently completed 2002 fiscal year, the Company committed significant resources and approximately 8% (\$8.7 million) of revenue to the development of new products and capabilities. In the second quarter of 2003 the Company managed its research and development activities in line with general market conditions, and thus reduced its spending to \$1.1 million in the quarter. This compares to research and development spending of \$1.5 million in the first quarter of fiscal 2003 and \$1.9 million in the fourth quarter of 2002. The comparable figure for research and development spending for the second quarter of fiscal 2002 was \$2.4 million. The level of research and development spending achieved in the second quarter is in line with management expectations, and will continue to be managed to levels commensurate with general market conditions.

In the past years the Company has invested in other organizations that are developing other new technologies considered to have potential synergies with COM DEV markets. As a result the Company owns a minority position (10.8%) in SpaceBridge Networks Corporation (2001 & 2000 positions were 16.9%), a private Canadian company developing high-speed wireless broadband modem products for applications in ground and space-based communications networks. SpaceBridge Networks is based in Gatineau, Quebec. Other owners include Alcatel and TRW as well as its management, employees and various venture capital investors. The Company accounts for this investment on its balance sheet at a value of \$4,140,000. Management's assessment of this investment at April 30, 2003 did not result in any erosion in the recorded value on the balance sheet.

Selling and general expenses

Selling and general expenses for the second quarter of fiscal 2003 were \$3.5 million, up from \$3.2 million in the first quarter of fiscal 2003, but down from \$4.6 million in the comparable second quarter of fiscal 2002 and \$4.9 million in the fourth quarter of fiscal 2002. The levels of selling, general and administrative costs achieved in the second quarter continue to reflect the results of steps taken in 2002 to reduce the Company's corporate costs subsequent to the divestitures of both the Wireless and Broadband groups. The increase in these expenses in the second quarter was driven by adjustments to legal reserves. Aside from these adjustments, the levels of selling, general and administration costs for the quarter were within the expectations of management.

The Company will maintain its focus on cost reduction efforts throughout 2003 in response to both the reduced overhead requirements stemming from its decisions to return to its core space roots, and the overall market conditions impacting business levels within the Company.

Financial expense

Financial expenses are a result of foreign currency exchange rate changes, bank fees paid during the quarter, and an adjustment to debt advanced to the Company's joint venture operation in China. With the significant volatility of the US dollar seen in recent months, the Canadian dollar has strengthened significantly in a relatively short period of time. Since the majority of our customer contracts are denominated in US dollars, the weakening US dollar has had a negative impact on US denominated balance sheet items of approximately \$280 thousand. The Company recognizes the potential impact of a weakening US dollar and will continue to work to mitigate the potential future impacts of exchange volatility through the use of

hedging tools and other means. The impact of the one-time debt adjustment from the Xian operation in China was approximately \$200 thousand.

Net Loss from continuing operations

The Company recorded an operating profit from continuing operations of \$358,000 for the second fiscal quarter, which was in line with guidance of marginal operational profitability, provided by management at the end of the first quarter. The impact of the financial expenses, including the effect of the weaker US dollar in the second quarter, resulted in a net loss from continuing operations of \$280,000, compared to a first quarter 2003 net income of \$168 thousand, and up from the comparable second quarter net loss of \$5.9 million in 2002.

Financial Positions, Cash Flows and Liquidity

The Company's cash position decreased by \$2.2 million in the second quarter of fiscal 2003, driven entirely by working capital items. Accounts receivable collections efforts continued to yield positive results, resulting in a reduction in the amount of time elapsed from billing and collection. As the Company's backlog continues to grow, the level of Work In Process inventory continued to grow in the second quarter. Work In Process inventory – that inventory which will be shortly converted to billings as work is completed – grew by approximately \$4.9 million in the quarter, which bodes well for future billings. The Company's ending second quarter cash balance is \$0.90 million, down from \$3.0 million at the end of the first quarter of fiscal 2003. This level of cash use in the second quarter is in line with management's expectations, and previous guidance.

Cash generated from operations was \$0.7 million for the quarter, compared with \$2.1 million for the first quarter of fiscal 2003, and \$3.2 million in the comparable second quarter of fiscal 2002.

Discontinued operations generated cash of \$0.4 million in the second quarter of fiscal 2003, as a result of the sale of remaining assets of the discontinued Wireless Systems business. The proceeds on the sale of these assets were in line with previous estimates, and did not result in any adjustment to reserves. Proceeds on the sale were approximately USD \$800 thousand. Use of funds in discontinued operations were primarily from our continuing lease obligations for a Wireless facility in Dunstable U.K., and payments on previously announced settlements of obligations within the former Wireless Group. These costs are within the provisions previously established for the discontinued Wireless business.

The Company approved approximately \$80 thousand in new capital acquisitions in the second quarter, which brings total commitments for the fiscal year to approximately \$105 thousand. Commitments made in the latter part of fiscal 2002 resulted in a use of cash totaling \$210 thousand. The 2003 capital program is being closely monitored by management, and adjusted through management review, to keep it in line with the Company's overall financial position during the remainder of fiscal 2003.

The Company has made the decision to make the next scheduled interest payment, due June 30, 2003, on its 6.75% convertible debentures in cash.

The Company also has cash totaling \$2.1 million, which is being held in escrow pursuant to its divestiture of the Wireless business to Mitec Telecom Inc. As a result of the notice received in January 2003 from Mitec Telecom Inc., of its intention to make claims against these funds, they have been reflected on the balance sheet as a long-term asset. Negotiations aimed at resolving this issue are ongoing between the two companies.

Subsequent to the close of the fiscal year, the Company's concluded a new bank agreement with Canadian Imperial Bank of Commerce that provides for operating lines of up to \$15.0 million and a term facility of up to \$5.0 million. Neither of these lines is currently drawn upon.

While the Company will continue to manage its cash resources very closely, it was expected that the Company would be a net user of cash in the first half of fiscal 2003, with this usage leveling off to cash neutrality for the second half of the fiscal year. This expectation is based on our projections billings to be generated from orders currently in backlog, as well as new orders presently being pursued. Management believes the operating and term facilities available under our banking agreement will provide the Company with sufficient cash resources to allow it to meet its business goals for the upcoming year, however, significant risks and uncertainties exist related to issues currently open and pending with the Company. These are discussed in the subsequent sections of this document.

Other Risks and Uncertainties

As a high technology company pursuing international space markets, COM DEV faces a number of risks and uncertainties that it mitigates in several ways. Risks and uncertainties include: (1) rapidly changing technology, evolving industry standards and frequent new product introductions; (2) the requirement for total reliability of product; (3) reliance on a small number of

significant customers; (4) foreign exchange fluctuations; (5) fluctuations in operating results as a result of changing customer requirements, the timing of orders and complex contractual commitments; (6) single source of supply for some subcomponents; (7) the dependence on key personnel; (8) political environments, and (9) the market acceptance of new products.

COM DEV has competitive strengths and strategies to mitigate these risks developed in its 30 years of experience dealing with them.

The Company is actively working to broaden its customer base by emphasizing customer services and by expanding its product lines. It mitigates pressure on margins by continually improving manufacturing processes, and through market development focused on achieving better economies of scale. The Company engages in hedging activities to offset risks from foreign exchange fluctuations. It reduces the impact of product delays through its expanded product offerings and a broad customer base.

The Company is occasionally subject to litigation and claims. Management reviews these activities and makes provisions as are appropriate. Of particular significance to the Company are disputes with Technology Horizons Ltd., related to SkyBridge Limited Partnership units, and a claim by Mitec Telecom Inc., related to the sale of the Company's previous Wireless Components business. These are discussed in greater detail below.

Technology Horizons Ltd dispute:

In September 1998, the Company entered into arrangements, which will provide it with a preferred relationship to supply its products into the SkyBridge constellation being planned by SkyBridge, Limited Partnership ("SkyBridge") together with its general partner, Alcatel Espace. These arrangements include a memorandum of understanding ("MOU") between the Company and SkyBridge under which SkyBridge agreed that the Company will be a preferred industrial partner to supply products as required for the SkyBridge constellation.

The Company also entered into an agreement under which Technology Horizons Ltd. ("THL") agreed to fund an investment in units of SkyBridge and which supported the Company's MOU. THL is a related party by virtue of the significant ownership stake held by certain COM DEV directors in THL. Under this agreement, THL has the option to require the Company to acquire the units of SkyBridge in the future. The Agreement also provides options to COM DEV to acquire the units in certain situations. The consideration for the purchase is dependent on the

timing, and the value of the Company's common shares. The agreement provides that the Company will be required to purchase the units in September, 2003, if it has not already done so, at a price of \$20,323,228 to be satisfied by a combination of cash, subordinated promissory notes and shares, as determined by the terms of the agreement. Any gain on the ultimate sale of the units will be shared between COM DEV and THL on a 60%/40% basis.

The Agreement with THL outlines conditions under which the Company may exercise a right to acquire the units at any time after COM DEV's common shares trade, for a period in excess of 60 days, at a market price of more than \$12. Trades above such price occurred during the period September 25, 2000 to February 20, 2001.

In September 2002 the Company moved to exercise its early purchase option under the terms of the Agreement by the issuance of 1,926,372 common shares of COM DEV. THL is disputing COM DEV's right to exercise such option and COM DEV has therefore sought an interpretation of the agreement by way of application for a judicial determination, which is expected to be heard in 2003. A special committee comprised only of non-conflicted members of COM DEV's Board has been delegated responsibility to review and determine COM DEV's position in this matter.

While COM DEV believes that it will be successful in this course of action, it is not possible to predict the outcome of this matter. There are significant risks associated with this dispute, and there is a range of possible resolutions. In the extreme case, COM DEV may be required to settle this matter using cash, shares and/or promissory notes to an aggregate value of \$20,323,228 on October 1, 2003. The portion required to be paid in cash or promissory notes could approach the aggregate purchase price. In such situation, the company may be required to deal with serious liquidity issues and violations of debt agreements and/or significant dilution of the interests of its shareholders.

Mitec Telecom claim

In January 2003 the Company received notification from Mitec Telecom Inc., (Mitec) of its intention to make claim against the funds held in escrow pursuant to its divestiture of the Wireless Components business in January 2002. The total amount of the claim is approximately \$11.9 million. No provision has been made in the accounts of the Company for any such claims, and the funds held in escrow total approximately \$2.07 million. These funds were due to be released to the Company on January 31, 2003. Management has reviewed the

claims with legal counsel and discussions with Mitec Telecom aimed at a resolution to the claims are underway.

Outlook

The Space business is characterized by high levels of research and development, and in the long term, a relatively stable revenue and income stream. In the shorter term the business is somewhat cyclical, and the Company's revenues generally reflect that cyclical pattern. Growth in that business will come from offering new products and penetrating new markets that expand the current product lines. This will help mitigate short-term declines in other core products as a result of the cyclicity in the space business. In the short term the Company expects revenues to recover slightly, but expects them to remain below historic levels as the slowdown in the Commercial Satellite market continues to be felt in the Company in 2003.

The Space market is currently experiencing a considerable amount of uncertainty due to:

- Service provider consolidation
- Insurance cost increases
- Transponder pricing
- Satellite manufacturer consolidation
- Satellite cancellations and failures
- World political environments

These factors can and have resulted in delays in the procurement of satellites.

The company currently believes it will be able to access adequate financial resources to meet its business goals. However the ultimate outcome of both the THL, and Mitec disputes could have a significant impact on the Company. While management believes the Company will prevail in these disputes, a negative outcome would most likely lead the Company to attempt to make alternate arrangements to ensure adequate liquidity is maintained.

COM DEV International Ltd.
Consolidated Statements of Operations
(Canadian dollars in thousands, except for per share figures)

For the three months ended April 30,	2003	2002
Continuing operations		
Revenue	\$ 18,851	\$ 28,581
Cost of revenue	13,901	20,098
Gross margin	<u>4,950</u>	<u>8,483</u>
Research and development	1,120	2,426
Selling and general expenses	<u>3,471</u>	<u>4,595</u>
Operating income	359	1,462
Financial	<u>(639)</u>	<u>157</u>
Income (loss) from continuing operations	(280)	1,619
Income (Loss) from discontinued operations	<u>20</u>	<u>(7,504)</u>
Net loss	<u>\$ (260)</u>	<u>\$ (5,885)</u>
 (Loss) income per share		
Basic (loss) income per share from continuing operations	\$ (0.01)	\$ 0.03
Diluted (loss) income per share from continuing operations	\$ (0.01)	\$ 0.02
Basic loss per share from discontinued operations	\$ 0.00	\$ (0.16)
Diluted loss per share from discontinued operations	\$ 0.00	\$ (0.13)
Basic loss per share	\$ (0.01)	\$ (0.13)
Diluted loss per share	\$ (0.01)	\$ (0.11)
Basic weighted average number of shares	48,658,772	47,737,145
Diluted weighted average number of shares	48,658,772	55,383,730

For the six months ended April 30,	2003	2002
Continuing operations		
Revenue	\$ 41,076	\$ 54,107
Cost of revenue	30,836	38,783
Gross margin	<u>10,240</u>	<u>15,324</u>
Research and development	2,627	4,531
Selling and general expenses	<u>6,674</u>	<u>8,549</u>
Operating income	939	2,244
Financial	<u>(875)</u>	<u>(369)</u>
Income from continuing operations	64	1,875
Loss from discontinued operations	<u>(156)</u>	<u>(15,111)</u>
Net loss	<u>\$ (92)</u>	<u>\$ (13,236)</u>
 (Loss) income per share		
Basic (loss) income per share from continuing operations	\$ (0.02)	\$ 0.02
Diluted (loss) income per share from continuing operations	\$ (0.02)	\$ 0.02
Basic loss per share from discontinued operations	\$ 0.00	\$ (0.31)
Diluted loss per share from discontinued operations	\$ 0.00	\$ (0.27)
Basic loss per share	\$ (0.02)	\$ (0.29)
Diluted loss per share	\$ (0.02)	\$ (0.25)
Basic weighted average number of shares	48,481,863	47,737,142
Diluted weighted average number of shares	48,481,863	55,394,814

COM DEV International Ltd.
 Consolidated Statements of Deficit
 (Canadian dollars in thousands)

For the six months ended April 30,	2003	2002
Balance, beginning of the period	\$ (234,892)	\$ (197,250)
Net loss	(92)	(13,236)
Interest on convertible debentures	(883)	(687)
Issuance costs related to debenture issuance	-	(1,135)
Balance, end of the period	<u>\$ (235,867)</u>	<u>\$ (212,308)</u>

COM DEV International Ltd.
Consolidated Balance Sheets
(Canadian dollars in thousands)

	As at April 30, 2003	As at October 31, 2002
Assets		
Current		
Cash and cash equivalents	\$ 854	\$ 11,303
Accounts receivable	12,499	17,858
Inventory	26,603	16,583
Prepays and other	963	1,565
Income taxes recoverable	293	393
Current assets - discontinued operations	69	976
	41,281	48,678
Cash held in escrow	2,103	2,070
Investment	4,140	4,140
Capital assets	36,141	38,637
Non-current assets - discontinued operations	21	188
Total assets	\$ 83,686	\$ 93,713
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 17,532	\$ 24,807
Deferred revenue	7,788	8,657
Current portion of loans payable	198	421
Current liabilities - discontinued operations	740	1,600
	26,258	35,485
Long term		
Loans payable	902	943
Long term liabilities - discontinued operations	-	113
	902	1,056
Total liabilities	27,160	36,541
Shareholders' equity		
Convertible debentures	19,161	18,873
Share capital	273,039	272,430
Deficit	(235,867)	(234,892)
Currency translation adjustment	193	761
Total	56,526	57,172
Total liabilities and shareholders' equity	\$ 83,686	\$ 93,713

COM DEV International Ltd.
Consolidated Statements of Cash Flows
(Canadian dollars in thousands)

For the three months ended April 30,	2003	2002
Cash flows from operating activities		
Net income (loss) from continuing operations	\$ (280)	\$ 1,619
Amortization	1,512	1,637
Other	<u>(576)</u>	<u>(36)</u>
	656	3,220
Net change in non-cash working capital items	<u>(2,862)</u>	<u>(5,394)</u>
Cash flows used in operating activities	<u>(2,206)</u>	<u>(2,174)</u>
Cash flows from financing activities		
Issue costs	-	(15)
Decrease in loans payable	<u>(182)</u>	<u>(628)</u>
Cash flows used in financing activities	<u>(182)</u>	<u>(643)</u>
Cash flows from investing activities		
Acquisition of capital assets	<u>(210)</u>	<u>(1,287)</u>
Cash flows used in investing activities	<u>(210)</u>	<u>(1,287)</u>
Net decrease in cash for continuing operations	(2,598)	(4,104)
Net cash from (used in) discontinued operations	<u>434</u>	<u>(2,081)</u>
Net decrease in cash	(2,164)	(6,185)
Cash and cash equivalents, beginning of period	3,018	22,351
Cash and cash equivalents, end of period	<u>\$ 854</u>	<u>\$ 16,166</u>

For the six months ended April 30,	2003	2002
Cash flows from operating activities		
Net income from continuing operations	\$ 64	\$ 1,875
Amortization	3,137	3,637
Other	<u>(423)</u>	<u>(256)</u>
	2,778	5,256
Net change in non-cash working capital items	<u>(11,235)</u>	<u>8,016</u>
Cash flows from (used in) operating activities	<u>(8,457)</u>	<u>13,272</u>
Cash flows from financing activities		
Convertible debentures	-	18,000
Issue costs	-	(1,135)
Repayments of operating lines	-	(15,000)
Decrease in loans payable	<u>(264)</u>	<u>(674)</u>
Cash flows from (used in) financing activities	<u>(264)</u>	<u>1,191</u>
Cash flows from investing activities		
Acquisition of capital assets	<u>(772)</u>	<u>(1,496)</u>
Cash flows used in investing activities	<u>(772)</u>	<u>(1,496)</u>
Net increase (decrease) in cash for continuing operations	(9,493)	12,967
Net cash used in discontinued operations	<u>(956)</u>	<u>(4,244)</u>
Net increase (decrease) in cash	(10,449)	8,723
Cash and cash equivalents, beginning of period	11,303	7,443
Cash and cash equivalents, end of period	<u>\$ 854</u>	<u>\$ 16,166</u>

**COM DEV INTERNATIONAL LTD.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

1. Basis of Consolidation

The consolidated financial statements include the accounts of all subsidiaries with inter-company transactions and balances eliminated. The Company's principal subsidiaries are COM DEV Limited and COM DEV Europe Limited. COM DEV Europe Limited is a self-sustaining foreign subsidiary. These financial statements also include the Company's proportionate share of the accounts of COM DEV Microwave Electronics Company Limited ("Xian"), a joint venture. The accounts of Xian are not material to these financial statements. These financial statements have been prepared on the going concern basis, assuming that the Company will continue to realize its assets, discharge its liabilities and maintain its operations in the normal course. The Company has significant contingencies and commitments, which are outlined in notes 5 and 6. The outcome of these contingencies and commitments could affect this assumption. These financials do not contain any of the adjustments that might be required should the outcome of these matters impair the company's ability to continue in the normal course.

2. Summary of Significant Accounting Policies

These unaudited consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles on a basis consistent with prior periods. These unaudited consolidated financial statements do not include all disclosures normally provided in annual financial statements and should be read in conjunction with the audited financial statements for the year ended October 31, 2002.

3. Share Capital and Earnings Per Share

a) Issued Capital

The following details the changes in issued and outstanding common shares for the period ended April 30, 2003.

	<u>Number</u>	<u>Amount</u>
Balance, October 31, 2002	48,146,776	\$272,430
Issuance of common shares (i)	<u>530,657</u>	<u>609</u>
Balance, April 30, 2003	<u>48,677,433</u>	<u>\$273,039</u>
 Balance, as at May 29, 2003	 <u>48,677,433</u>	 <u>\$273,039</u>

During the first quarter, the Company issued 471,343 common shares to satisfy the interest payment of \$ 609,000 on the convertible debentures. During the second quarter, the Company issued 59,314 common shares under the Employee Stock Purchase Plan. The maximum number of shares that could be outstanding at the end of the quarter, and as at May 29, 2003, if all options, and conversions were exercised are 59,274,772.

b) Stock Based Compensation

The Company has not presented the fair value of the options issued during the period and the related proforma net income and net income per share, as such amounts would not be significant to the financial statements.

c) Loss Per Share

The following table sets forth the computation of basic and diluted loss per share for the comparable reporting periods for the three months and six months ended April 30:

	3 months ended April 30	
	2003	2002
Numerator for basic and fully diluted loss per share available to common stockholders		
Income from continuing operations	\$(280)	\$1,619
Less: Convertible debenture interest	(445)	(422)
Income (loss) available from continuing operations	\$(725)	\$1,197
Income (loss) from discontinued operations	20	(7,504)
Net Loss attributed to common stockholders	<u>\$(705)</u>	<u>\$(6,307)</u>
Denominator for basic loss per share- weighted average shares outstanding	<u>48,658,772</u>	<u>47,737,145</u>
Effect of dilutive securities		
Skybridge options	--	1,926,372
Convertible debenture	--	5,714,286
Options	--	5,927
Potential dilutive common shares	<u>--</u>	<u>7,646,585</u>
Denominator for diluted loss per share – adjusted weighted average shares and assumed conversions	<u>48,658,772</u>	<u>55,383,730</u>
Loss per share		
Basic income per share from continuing operations	\$(0.01)	\$ 0.03
Diluted income per share from continuing operations	\$(0.01)	\$ 0.02
Basic loss per share from discontinued operations	\$0.00	\$(0.16)
Diluted loss per share from discontinued operations	\$0.00	\$(0.13)
Basic loss per share	\$(0.01)	\$(0.13)
Diluted loss per share	\$(0.01)	\$(0.11)

	6 months ended April 30	
	2003	2002
Numerator for basic and fully diluted loss per share available to common stockholders		
Income from continuing operations	\$64	\$1,875
Less: Convertible debenture interest	(883)	(687)
Loss available from continuing operations	\$(819)	\$1,188
Loss from discontinued operations	(156)	(15,111)
Net Loss attributed to common stockholders	<u>\$(975)</u>	<u>\$(13,923)</u>
Denominator for basic loss per share- weighted average shares outstanding	<u>48,481,863</u>	<u>47,737,142</u>
Effect of dilutive securities		
Skybridge options	--	1,926,372
Convertible debenture	--	5,714,286
Options	--	17,014
Potential dilutive common shares	<u>--</u>	<u>7,657,672</u>
Denominator for diluted loss per share – adjusted weighted average shares and assumed conversions	<u>48,481,863</u>	<u>55,394,814</u>
Loss per share		
Basic income per share from continuing operations	\$(0.02)	\$ 0.02
Diluted income per share from continuing operations	\$(0.02)	\$ 0.02
Basic loss per share from discontinued operations	\$0.00	\$(0.31)
Diluted loss per share from discontinued operations	\$0.00	\$(0.27)
Basic loss per share	\$(0.02)	\$(0.29)
Diluted loss per share	\$(0.02)	\$(0.25)

Stock options and conversion privileges outstanding were excluded from the denominator for 2003 as they are antidilutive.

4. Segmented Information

The Company operates principally in the satellite communication industry using complimentary and compatible products. The Company has one reportable business segment, the Space Division. The Space Division designs and manufactures advanced products that are sold to the major satellite prime contractors for use in commercial communications satellites. (in thousands)

	3 months ended April 30		6 months ended April 30	
	2003	2002	2003	2002
Revenue				
Canada	\$19,353	\$25,307	\$37,560	\$50,337
United Kingdom	<u>468</u>	<u>3,685</u>	<u>4,730</u>	<u>4,551</u>
	19,821	28,992	42,290	54,888
Intersegment sales	<u>(970)</u>	<u>(411)</u>	<u>(1,214)</u>	<u>(781)</u>
	18,851	28,581	41,076	54,107
Cost of revenue	<u>13,901</u>	<u>20,098</u>	<u>30,836</u>	<u>38,783</u>
Gross margin	4,950	8,483	10,240	15,324
Research and development	1,120	2,426	2,627	4,531
Selling and general	<u>3,471</u>	<u>4,595</u>	<u>6,674</u>	<u>8,549</u>
Operating income	<u>\$359</u>	<u>\$1,462</u>	<u>\$939</u>	<u>\$2,244</u>

5. Commitment – Sky Bridge

In September 1998, the Company entered into arrangements, which will provide it with a preferred relationship to supply its product into the SkyBridge constellation being planned by SkyBridge, LP (“SkyBridge”) together with its general partner, Alcatel Espace. These arrangements include a memorandum of understanding (“MOU”) between the Company and SkyBridge under which SkyBridge agrees that the Company will be a preferred industrial partner to supply products as required for the SkyBridge constellation.

The Company also entered into an agreement (“the Agreement”) under which Technology Horizons Ltd. (“THL”) agreed to fund an investment in units of SkyBridge and which supported the Company’s MOU. THL is a related party by virtue of the significant ownership stake held by certain COM DEV directors in THL. Under this agreement, THL has the option to accelerate the sale of the units to COM DEV by not less than 30 days written notice, in which event the purchase price, as outlined in the Agreement payable by COM DEV shall be satisfied by the issuance of Common Shares, valued at \$10 per share. The consideration for the purchase is dependent on the timing. The agreement provides that any gain on the ultimate sale of the units will be shared between COM DEV and THL on a 60%/40% basis.

The Agreement with THL also outlines conditions under which the Company may exercise a right to acquire the units at any time after COM DEV’s common shares trade, for a period in excess of 60 days, at a market price of more than \$12. Trades above such price occurred during the period September 25, 2000 to February 20, 2001.

In September 2002, the Company moved to exercise its early purchase option under the terms of the Agreement by the issuance of 1,926,372 common shares of COM DEV. THL is disputing COM DEV's right to exercise such option and COM DEV has therefore sought an interpretation of the agreement by way of application for a judicial determination, which is expected to be heard in 2003. A special committee comprised only of non-conflicted members of COM DEV's Board has been delegated responsibility to review and determine COM DEV's position in this matter.

While COM DEV believes that it will be successful in this course of action, it is not possible to predict the outcome of this matter. There are significant risks associated with this dispute, and there is a range of possible resolutions. In the worst case, COM DEV may be required to settle this matter using cash, shares and/or promissory notes to an aggregate value of \$20,323,228 on October 1, 2003. In such situation, the Company may be required to deal with serious liquidity issues and violations of debt agreements and/or significant dilution of the interests of its shareholders.

6. Mitec Telecom Claim

In January 2003 the Company received notification from Mitec Telecom Inc of its intention to make claim against the Company, for various matters, including loss of income and the funds held in escrow pursuant to its divestiture of the Wireless Components business in January 2002.

The total amount of the claim is approximately \$11.9 million. No provision has been made in the accounts of the Company for such claims, and the funds held in escrow total approximately \$2.07 million. These funds were due to be released to the Company on January 31, 2003. Management is currently reviewing the validity of the claims with legal counsel and will respond in due course to Mitec Telecom. The validity and likely outcome of these claims cannot be determined at this time.