COM DEV International Ltd.
First Quarter Report – Fiscal 2007
For the Period Ended
January 31, 2007

COM DEV INTERNATIONAL

155 Sheldon Drive, Cambridge, ON, N1R 7H6

COM DEV Announces First Quarter FY2007 Results

Company achieves 21% revenue growth in seasonally slow quarter

CAMBRIDGE, ON – March 15, 2007 – COM DEV International Ltd. (TSX:CDV) today announced its first quarter financial results for the three-month period ended January 31, 2007.

First Quarter Highlights

- Revenue was $39.5 million, an increase of 21% over the $32.7 million recorded in Q1 2006.
- Gross margin was 29%, compared to 30% in the first quarter of 2006.
- Net income was $5.6 million, or $0.08 per share, compared to $4.2 million or $0.07 per share for the prior year period.
- New orders won in the first quarter totaled $22 million, compared to $28 million a year earlier and $45 million in the fourth quarter of fiscal 2006.
- Backlog at quarter-end was $89 million, compared to $108 million at 2006 year-end.
- The Company announced expansion plans for its Cambridge, Ontario production facility to accommodate an expected increase in the volume of business.
- The Company continued to build its capability in the U.S., targeting the civil and military markets, in addition to evaluating acquisition candidates.

“We are pleased to report very healthy growth rates and margins in the shortest, and traditionally weakest quarter of our fiscal year,” said John Keating, CEO of COM DEV. “All three market segments experienced double digit growth, with the outlook for the commercial space sector looking particularly strong as operators continue to order satellites to meet growing demand. The backlog decline this quarter is of no significant concern to us. We expect to see lumpiness in our order intake, especially from the civil and military markets. In fact, on the basis of current bidding activity we are anticipating a significant increase in new orders in the second quarter.”

Financial Review

COM DEV’s fiscal 2007 first quarter revenues of $39.5 million represented an increase of $6.8 million or 21% over the previous year. This was the largest revenue figure the Company has ever reported in a fiscal first quarter. The revenue split between the three segments was 47% commercial, 28% civil and 25% military. Management continues to expect revenue growth of at least 10% in fiscal 2007.

The Company received new orders totaling $22 million during the quarter, of which 49% were commercial, 21% were civil, and 30% were military. With revenues for the period exceeding new orders, backlog at quarter-end declined to $89 million from $108 million three months earlier. Backlog was split between the Company's commercial, civil and military sectors at a ratio of 30%, 36% and 34% respectively, compared to 31%, 47% and 22% at the end of fiscal 2006.

On the basis of current bidding and negotiation activity, COM DEV's management anticipates that new order levels in the second quarter of fiscal 2007 will be well above that seen in the first quarter. In particular, a follow-on order opportunity in excess of $30 million for a major civil space project is in the final approval stage. While there is no guarantee that COM DEV will receive this order, or that the contract will be awarded during the second quarter of fiscal 2007, management is optimistic that the approval will be completed in the near term.

First quarter gross profit was $11.3 million, compared to $9.8 million in Q1 2006. The gross margin of 29%, while on the high end of management's target range of mid to high 20's, is slightly down from the exceptionally high gross margin of 30% achieved in the first quarter of 2006. As disclosed a year ago, Q1 2006 margins benefited from several factors including the awarding of follow-on work in the defense sector. Gross margins in the first quarter of 2007 benefited from a strengthening U.S. dollar.

COM DEV experienced operating leverage in the quarter as overall operating expenses grew at a slower rate than revenues. Net research and development expense increased by 11% to $1.6 million, and selling, general and administrative expense also grew by 11% to $4.0 million compared to $3.6 million a year earlier. Net income grew by 34% to $5.6 million in Q1 2007, while earnings per share increased by 1 cent over the previous year to $0.08. During that time the Company's average basic share count increased from 59,912,161 to 67,375,654 shares.

COM DEV ended the first quarter of 2007 with $15.2 million of cash and equivalents compared to $25.7 million at October 31, 2006. Cash used in operating activities was $10.5 million, compared to $8.5 million of cash generated from operating activities in Q1 2006. The cash use has funded the Company's growth, including a $9 million investment in inventory, all of which is earmarked for specific customer projects. The Company's approved credit facilities totaling $45 million remain undrawn.

Conference Call

A conference call will be held today Thursday, March 15, 2007 at 5:30 pm EDT to discuss this announcement. To access the live 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

COM DEV International Ltd. (www.comdev.ca) based in Cambridge, Ontario, is the largest Canadian-based designer and manufacturer of space hardware subsystems.

COM DEV, with facilities in Canada and the United Kingdom, manufactures advanced products and subsystems that are sold to major satellite prime contractors for use in communications, space science, remote sensing and military satellites.

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COM DEV and COM DEV Space are registered trademarks of COM DEV 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

The following discussion and analysis provides information that management believes is relevant to an assessment and understanding of COM DEV International Ltd's ("the Company", or "COM DEV") consolidated results of operations and financial condition. This discussion should be read in conjunction with the Company's (i) Unaudited financial statements, including the notes thereto, for the 3 month period ended January 31, 2007 (the "Unaudited Consolidated Financial Statements"), and (ii) audited consolidated financial statements including the notes thereto, and management's discussion and analysis for the year ended October 31, 2006 ("the Consolidated Financial Statements"). The Unaudited Consolidated Financial Statements and the Consolidated Financial Statements (collectively, the "Financial Statements") have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and are reported in Canadian dollars. The information contained herein is dated as of March 13, 2007.

Certain statements contained in this report contain forward-looking statements, including, (without limitation) statements concerning possible or assumed future results of operations of the Company preceded by, followed by or that include the words "believes", "expects", "anticipates", "estimates", "intends", "plans", "forecasts" or similar expressions. Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions and the Company's actual results may differ materially from those anticipated in these forward-looking statements. Additional information relating to the Company and the risks inherent in its business is provided in the Company's Annual Information Form for the year ended October 31, 2006 and other documents available on SEDAR at **www.sedar.com**.

OVERVIEW – 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 is headquartered in Cambridge, Ontario, Canada; with additional operations in Aylesbury, England, Ottawa, Ontario, Canada, El Segundo, California, USA, and Xian, China. The Company's common shares trade on The Toronto Stock Exchange under the symbol CDV. COM DEV employed approximately 943 people around the world as of January 31, 2007, compared to approximately 815 people as of January 31, 2006, and approximately 918 people as of October 31, 2006.

COM DEV 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.

OVERVIEW – DISCONTINUED OPERATIONS

Two additional divisions are treated as discontinued operations in the Unaudited Consolidated Financial Statements: COM DEV Wireless (CDW) which, as previously reported, was divested in the first quarter of the company's 2002 fiscal year; and COM DEV Broadband (CDB) which was divested immediately subsequent to the third quarter of the 2002 fiscal year.

The Company has no continuing operations from these businesses. The only remaining involvement is the run off of a lease related to a former location in England and discharge of some final obligations.

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.

OVERALL PERFORMANCE

During the first quarter of the Company's 2007 fiscal year 10 satellite programs were awarded in the global space market, down from the 13 programs announced in the prior year's first quarter. In the full 2006 fiscal year a total of 33 satellite programs were awarded. Approximately 326 transponders are estimated to be on board the 10 satellite programs announced in the first quarter, compared with the roughly 562 count from the first quarter of fiscal 2006. It is important to note that 11 of the 33 programs awarded to prime satellite manufacturers in the market in the full fiscal year 2006 had not flowed out to next tier equipment providers within that fiscal year, and that COM DEV remained in the running on all of these 11 programs. In the first quarter of the current fiscal year, COM DEV was awarded contracts on 5 of these 11, and has open bids on the remaining 6. A more detailed discussion can be found in "Results of Operations". The breakdown of satellite awards and transponders awarded between the three market sectors (commercial, civil, and military/defense) can be summarized as follows:

	Three months ended January 31			
		2007		2006
Sector	Satellites	Transponders	Satellites	Transponders
Commercial	6	284	8	322
Civil	4	42	2	48
Military/Defense	0	0	3	192
Total	10	326	13	562

Of the 10 satellites programs announced in the markets in fiscal 2007 Q1, COM DEV has secured orders on 1, and is actively bidding on all of the remainder. This compares to fiscal 2006 Q1, when of the 13 satellites announced in the market, COM DEV ultimately won contracts on 10, with three of those wins not occurring until this current quarter, demonstrating that the interval between prime contractor selection, and awards to COM DEV by the selected prime contractor has recently been longer than what has typically been seen in the past. Current bidding and negotiating activity remains brisk.

Revenues grew year over year by approximately 21%, and at $39.5 million in reported revenue, is the largest first quarter revenue reported in the Company's history. Sequentially, revenue in the first quarter was below the Company's reported Q4 revenue of $41.7 million. Historically, the first quarter of each fiscal year is the lowest revenue quarter in the year due to the short number of days included in the quarter as a result of the Company's regular maintenance and holiday shutdown over the Christmas period.

New business won in fiscal 2007 Q1 was once again well balanced amongst the Company's three main business units: namely, Multiplexer, Switch, and Space Electronics products. Total new orders booked during fiscal 2007 Q1 were $22 million. In the prior year, new orders in Q1 totaled $28 million, and in Q4 totaled approximately $42 million. While the level of new orders won in the first quarter of this fiscal year was down both sequentially, and year over year, management remains optimistic about the Company's markets, and its prospects for new orders for the remainder of the year.

Of the $22 million in new orders won in the first quarter of 2007, 49% came from the commercial sector of the space market, 21% from the civil sector, and 30% from the defense sector, compared to a comparable split of 43%, 4%, and 53% in the first quarter of fiscal 2006. This shift in segment orders is indicative of the lumpy nature of the markets, rather than being indicative of any substantial change in the market dynamics. Military and civil sector awards tend to be less frequent, but often larger in size than awards in the commercial sector. In the previous several quarters, the Company saw growth in its backlog as a result of significant awards from civil and military sector customers, and this quarter's order profile does not change managements' view of the robustness of any of the Company's market segments.

The Company closed out Q1 2007 with $89 million in backlog, which is the first decline in the Company's backlog since the second quarter of fiscal 2005. At that time, the Company's backlog stood at $64 million, of which over 60% was from the Commercial sector. Backlog at the end of the prior year's Q1 stood at $101 million. As noted earlier, the level of bidding and negotiation activity remains extremely high, and management is confident in the Company's ability to continue to win new business, as it has in the past. The Company has seen an increase in the interval between awards to prime satellite manufacturers, and full contract awards to equipment suppliers like COM DEV. More and more we are seeing awards of Authorizations To Proceed (ATP's) followed by full contract awards later. The composition of the Company's backlog at the end of Q1 2007 was 30%, 36%, 34% split between commercial, civil, and defense, compared with a split of 31%, 47%, 22% as at the end of the 2006 fiscal year, and 32%, 34%, 34% at the end of the first quarter a year ago. This split of work between the Company's three market segments is further evidence of its success in balancing its portfolio.

Foreign exchange shifts continued to be seen in the first quarter of the current fiscal year. According to the Bank of Canada, the average value of the Canadian dollar decreased by approximately 3.0% compared to the US dollar in the first quarter compared with the average rate in the prior quarter. This is the first time in several quarters that the Canadian dollar has weakened, with the average rate during the current quarter being approximately $0.866 compared with approximately $0.892 in the prior quarter. On a year-to-year basis, the Canadian dollar strengthened by approximately 1% in the first quarter, as the currency shifted to $0.866 from $0.857.

The strengthening US dollar helped contribute to continued gross margin strength in the first quarter, with margins coming in at 28.6%, in line with management's broad guidance of mid to high twenty percent margin levels, and up from the prior quarter's gross margin performance of 28.0%. In the first quarter of fiscal 2006, gross margins were 30%, but as noted in last year's Q1 Management Discussion & Analysis, the strength of gross margins were attributed to the flow of military follow on orders, which allowed for order values to grow with little or none of the incremental development costs, that typically suppress margin performance.

Overall operating expenses increased, by $0.7 million from Q1 2006, due to a $0.2 million increase in net research and development costs, and a $0.5 million increase in selling, general and administrative costs. As a result, the $1.5 million year-over-year increase in gross margin led to a $0.8 million increase in operating income, from $4.8 million in Q1 2006 to $5.6 million in Q1 2007. Compared to the 4th quarter of fiscal 2006, operating expenses decreased by approximately $0.8 million, driven primarily by decreased selling, general and administrative costs.

The Company continued to pursue the start up of operations in El Segundo, California, with a core start-up team of 9 people. The activities presently underway include finalization of business planning efforts, including the search for a suitable permanent facility in the area.

COM DEV ended the first quarter of fiscal 2007 with $15.2 million of cash and equivalents, down from $25.7 million at October 31, 2006, and up from the comparable prior year's first quarter balance of $8.5 million. The decrease in cash balance at the end of the first quarter is attributable to increases in net inventory/deferred revenue, which increased by $12.6 million from the previous fiscal quarter, and which is driven by the volume of work in process at the Company. The Company's $17 million operating line of credit remained untouched at quarter-end. Compared to year-end, receivables were $1.7 million lower at $37.7 million, and compared with the prior year's first quarter receivables of $31.1 million, were $6.5 million higher.

Overall, the Company delivered net income of $5.6 million in Q1 fiscal 2007, up from $4.2 million at the end of the first quarter a year ago, and up from $5.3 million in the prior quarter.

RESULTS OF OPERATIONS

Revenues

(in millions of dollars)	Three months ended January 31 2007	2006	% Change
Commercial satellite programs	$18.5	$16.0	15.6%
Civil (government) programs	$11.1	$ 8.7	27.6%
Military & defense programs	$ 9.9	$ 8.0	23.8%
Total Space revenues	$ 39.5	$32.7	20.8%

First quarter revenues for fiscal 2007 were strong despite being the shortest quarter of the Company's fiscal year, with a year over year growth rate of 20.8%. The increase in revenues over the prior year first quarter results was accomplished in the face of currency headwinds that saw the Canadian dollar strengthen year over year by 1.0%, once again demonstrating the positive impact that the high level of project activity currently underway within the organization can have on operations. The level of revenue performance in the first quarter is well above managements' guidance for a minimum revenue growth year over year of 10%. While this level of revenue growth early in the fiscal year increases management's confidence in the prospects for the full year, guidance for the year for minimum 10% growth remains unchanged at this point.

Backlog

(millions of dollars)	Jan. 31 2007	Jan. 31 2006
Commercial satellite programs	$ 26.9	$ 32.6
Civil (government) programs	$ 30.4	$ 34.5
Military & defense programs	$ 32.1	$ 33.8
Total Backlog	$ 89.4	$100.9

The backlog of work decreased by approximately $18.6 million from the October 31, 2006 level of $108 million, and from the same quarter a year earlier by $11.5 million. This is the first decline in the Company's quarterly reported backlog since the second quarter of fiscal 2005, and is largely due to a shift in the interval between prime contractor awards, and their awarding of contracts to equipment suppliers like COM DEV. Management has continually underscored the lumpy nature of the space business, noting that continued record backlog numbers were unlikely to continue indefinitely, even in a robust market. The underlying conditions for our market segments however, remain strong, and the softness in new orders awarded to the Company in the first quarter of this fiscal year was driven primarily by the aforementioned interval increase in the award of contracts, rather than the loss of any contract opportunities. Bidding and negotiation activity remain very high, and the Company is optimistic about the prospects for new orders for the remainder of the year.

Income from Operations and Net Income

(millions of dollars except EPS)	Three months ended January 31		
	2007	2006	% Change
Net income	$5.6	$4.2	33.3%
Earnings per share, basic and diluted	$0.08	$0.07	14.3%

Net income in the first quarter of 2007 was $5.6 million compared with $4.2 million in the comparable quarter of fiscal 2006. As noted earlier, continued high levels of gross margin performance, coupled with reductions in financial expenses, offset increases in selling, general and administrative expenses.

Gross Margin

(millions of dollars)	Three months ended January 31		
	2007	2006	% Change
Total gross margin	$11.3	$9.8	15.3%
Total gross margin %	28.6%	30.0%	(1.4%)

Gross margins for the first quarter remained in the range of management's prior broad guidance for mid to high twenty percent levels. The strengthening of the US dollar versus the prior quarter helped to keep gross margins in this range. Program execution was in line with management's expectations during the quarter, although the complexity of work being performed is increasing over time, with the inherent risk that margins going forward could see some softening if technical problems are encountered. We have seen some of these issues arise during the quarter, but they have generally been resolved in a manner that did not prevent the achievement of expected gross margins. Management keeps a watchful eye on all of the Company's major programs to minimize the impacts from unplanned events, but this does not eliminate the risk associated with technical problems on programs.

Research and Development (R&D)

(millions of dollars)	Three months ended January 31		
	2007	2006	% Change
Total R&D Spending before funding	$ 2.5	$ 2.2	13.6%
Total R&D Funding received	($1.0)	$(0.8)	25.0%
R&D, net of Funding	$1.5	$ 1.4	7.1%

The Company continued to invest in important R&D projects in the first quarter at a level that was virtually unchanged from the comparable prior year. These R&D projects are established as part of the Company's R&D technology roadmap that drives its internal research and development activities. This technology roadmap is reviewed quarterly against longer-term customer requirements, and potential new technologies that show promise in meeting those requirements.

It is important to note that R&D costs noted in the table above reflect only Company-funded research and development activities (net of external funding). Customer funded development costs are included in the Company's cost of sales figures.

Other Expenses

(millions of dollars)	Three months ended January 31		
	2007	2006	% Change
Selling, general & administrative expenses (SG&A)	$4.1	$3.6	13.9%
SG&A % of total revenue	10.4%	11.0%	(0.6%)
Interest (income) expense	($ 0.2)	$0.6	(133.3%)
Foreign exchange loss (gain)	$ 0.1	($0.3)	133.3%
Other expense	$ 0.1	$0.3	(66.7%)

Selling, General and Administrative

SG&A expenses for the first quarter of 2007 increased from the prior year first quarter level, as a result of increases in bid related costs, various compensation and benefits costs, consulting fees associated with Bill 198 compliance activities, and options expenses. Compared to the fourth quarter of fiscal 2006, SG&A expenses declined sequentially by $0.8 million, reflecting lower corporate administration costs primarily related to consulting costs and legal fees.

Interest Expense

With the 2006 retirement of the Company's $18 million convertible debenture, the Company is virtually debt free, and as a result, interest is now being earned on the Company's cash balances. There were no draws on the Company's operating line of credit, or term debt facilities during the quarter, with the result that $0.2 million in interest income was earned in the quarter.

The convertible debentures attracted interest at an annual rate of 6.75% until their retirement in June, 2006.

Foreign Exchange

The foreign exchange loss in the first quarter of 2007 was $0.1 million, compared with a gain of $0.3 million in the first quarter of 2006. The translation gain on US denominated balance sheet items was offset by forward contracts that the Company had in place during the year as part of its foreign exchange risk management strategy. Foreign exchange amounts on the statement of operations include realized and unrealized gains and losses. This does not include the impact of foreign exchange fluctuations on gross margins.

Financial Position

The following chart outlines the significant changes in the balance sheet between October 31, 2006 and January 31, 2007:

(in millions of dollars)	Increase/ (Decrease)	Explanation
Cash and cash equivalents	($10.5)	Refer to Statement of Cash Flows
Accounts receivable	(1.7)	Normal billings in the first quarter, commensurate with business levels, coupled with good collection performance.
Inventory	9.1	General increase in workload as projects activities ramp up. This inventory will translate to Receivables and cash over the normal course of business.
Prepaid and other	(0.1)	Normal run off of prepaid insurance and other prepaids.
Capital assets	(0.7)	Capital additions of $0.7 million in normal course of business, less normal depreciation.
Intangible assets	-	
Accounts payable and accrued	(7.4)	Normal accounts payable payments cycle, including capital asset purchases.
Deferred revenue	(3.5)	Program execution catching up on advance billings.
Current portion of loans payable	(0.1)	Normal reduction as per scheduled repayments.
Current liabilities – discontinued ops	(0.1)	Leased facility formerly used by the Wireless group
Long term loans payable	(0.2)	Normal reduction as per scheduled repayments.
Non-controlling interest	-	Presentation to reflect full consolidation of COM DEV X'ian, with minority interest elimination.
Shareholders' equity	7.3	Net income, currency translation adjustment, and shares issued through options .

Liquidity and Capital Resources

(in millions of dollars)	Three months ended January 31		
	2007	2006	% Change
Cash provided by (used in) operating activities	($10.5)	$8.5	(223.5%)
Net increase (decrease) in cash	($10.5)	$2.3	(556.5%)
Property and equipment additions	$ 0.7	$0.5	40.0%
Business acquisition	$ -	$5.3	.

The Company used $10.5 million of cash in operating activities in the first quarter of 2007, compared with $8.5 million generated a year earlier. The Company invested $18.2 million in working capital in the quarter, as net inventories/deferred revenue grew by $12.6 million over the prior quarter's level, and accounts payable declined by $7.4 million. This working capital increase is reflective of the amount of work being progressed through the Company's operations as it satisfies its customers' orders. Cash used in the first quarter is in comparison to the prior year first quarter when $8.5 million cash was generated from operations. The Company expects to invest a total of $11.2 million in capital equipment, and building expansion activities during fiscal 2007 as it ramps up to meet not just current, but expected future demand for the Company's products.

The Company has a $17.0 million operating credit facility, including a treasury risk management facility to facilitate hedging of currency related risks arising in the normal course of operations. Under this facility, the Company is required to maintain certain financial ratios, which the Company has met as of January 31, 2007. The Company also has $28 million in available term debt facilities, which it has not drawn.

Off-balance Sheet Arrangements

The Company has no off-balance sheet arrangements as at the end of the first quarter of the 2007 fiscal year.

Related Party Transactions

None

Proposed Transactions

None.

Contractual Obligations

(in thousands of dollars)	Payments Due by Fiscal Period				
	Total	2007	2008 to 2009	2010 to 2011	2012 & beyond
Long-term debt*	$ 444	$ -	$ 148	$ 148	$ 148
Operating leases	$ 7,142	$ 1, 555	$ 3,491	$ 2,096	$ -
Capital leases	$ 95	$ 95	$ -	$ -	$ -
Purchase obligations**	$ -	$ -	$ -	$ -	$ -
Other Long-term obligations	$ -	$ -	$ -	$ -	$ -
Total contractual obligations	$ 7,681	$ 1,650	$ 3,639	$ 2,244	$ 148

* long term debt appears on the balance sheet using the effective interest rate method of valuation in accordance with recent GAAP pronouncements. The figure appearing in this chart reflects the actual amount of the long term debt payments that will be made over time.

** defined as an agreement to purchase goods and services that is enforceable and legally binding on the Company and that specifies all significant terms including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transactions.

Financial Instruments and Other Instruments

The Company realizes a significant portion of its revenues in United States dollars and incurs most of its expenses in Canadian dollars. The Company utilizes forward foreign exchange contracts to hedge the net cash flow risk associated with forecasted transactions in foreign currencies but does not enter into derivatives for speculative purposes. The Company utilizes derivative instruments to manage the risk associated with anticipated cash flows that will be denominated in foreign currencies. The Company does not designate or measure the effectiveness of the derivative instruments as hedges or specific firm commitments or forecasted transactions and accordingly does not meet the requirements of CICA Handbook Section 3865. The Company generally uses foreign exchange put options and related call options to manage foreign currency risk related to sales to customers in the United States and United Kingdom.

Derivative financial instruments are carried at their fair values. Realized and unrealized gains and losses associated with the derivative instruments are included in foreign exchange gain or loss in the consolidated Statement of Operations.

On January 31, 2007 the Company had outstanding forward foreign currency call options with a notional value of $28.2 million maturing within a year at an average exchange rate of $1.1297 (January 31, 2006: $24.1 million at 1.1747). The Company had outstanding forward foreign currency put options with a notional value of $42.6 million maturing within a year at an average exchange rate of $1.1521 (January 31, 2006: $36.2 million at 1.1768). The Company is exposed to credit risk on derivative financial instruments arising from the potential for counterparties to default on their contractual obligations to the Company. The Company minimizes this risk by limiting counterparties to these contracts to Canadian Schedule A Chartered Banks.

Summary of Quarterly Financial Information(Unaudited)

(in thousands of dollars, except earnings per share figures)

Fiscal 2007 Quarters	January 31	April 30	July 31	October 31	Total
Total Revenue	$39,454				
Net Income - Total	$5,619				
Net Income per share (basic and diluted)	$0.08				

Fiscal 2006 Quarters	January 31	April 30	July 31	October 31	Total
Total Revenue	$32,707	$38,162	$41,228	$41,676	$153,773
Net Income – Total	$4,188	$5,362	$6,377	$5,275	$21,202
Net Income per share (basic and diluted)	$0.07	$0.09	$0.10	$0.08	$0.34

Fiscal 2005 Quarters	January 31	April 30	July 31	October 31	Total
Total Revenue	$30,212	$32,402	$31,181	$29,839	$123,634
Net Income – Total	$186	$1,771	$1,621	$1,612	$5,190
Net Income per share (basic and diluted)	$-	$0.03	$0.03	$0.03	$0.09

Historically, the Company's results have been lowest in the first quarter. This is due to the fact that the first quarter has the lowest number of working days in it due to the operations shutting down over the Christmas period for maintenance and vacation. Since the Company reports revenue on a percentage of completion basis, the lower number of workdays translates to less revenue.

Critical Accounting Estimates

The preparation of the Company's consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. These estimates are based upon management's historical experience and various other assumptions that are believed by management to be reasonable under the circumstances. Such assumptions and estimates are evaluated on an ongoing basis and form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates.

Management believes the following critical accounting policies affect its more significant estimates and assumptions used in the preparation of its consolidated financial statements.

Revenue Recognition

The Company generally provides goods and services to its customers under long-term contracts. The Company recognizes revenue on long-term contracts on the percentage of completion basis, based on costs incurred relative to the estimated total contract costs. Losses on such contracts are accrued when the estimate of total costs indicates that a loss will be realized. Contract billings in excess of cost and accrued profit margins are included as deferred revenue and included in current liabilities.

A portion of the Company's revenue is derived from the sale of goods and services on short-term agreements and purchase orders as well as "cost-plus" government contracts. The revenue from short-term agreements and purchase orders are recognized when the goods and services are delivered to the customer and collection is reasonably assured. Cost-plus contract revenue is recognized as eligible costs are incurred on the applicable contracts.

Inventory

Raw materials are valued at the lower of cost and replacement cost, with cost determined on a weighted average basis. Contracts in process are valued at cost plus accrued profit margins, minus billings issued to date and the full amount of any anticipated losses. The Company's policy for the valuation of raw materials and stores inventory includes a determination of obsolete or slow moving inventory. The business environment in which the Company operates is subject to long lead-time order requirements for components and changes in technology and customer demands. The Company performs a detailed assessment of raw materials and stores inventories each reporting period, including the age, and anticipated demand for the inventory. If management believes that demand no longer allows the Company to sell inventories above cost or at all, it provides a reserve against this inventory for all or a portion of the carrying value of the inventory, based on an aging schedule, or specific knowledge related to specific inventory items.

Project Costs to Complete

At the outset of each customer project, an estimate of the total expected cost to complete the scope of work under contract is made. During the course of the projects, these estimates are reviewed and revised to reflect current expectations of cost to complete, and total cost. These estimates are based on specific knowledge of the status of the project, as well as historic understanding of costs on similar projects. Cost elements include material, direct labour, and overhead costs, with labour and overhead costs being determined using pre-determined costing rates applied to estimated labour hours required to complete the scope of work under contract. These estimates are reviewed on a monthly and quarterly basis to ensure the estimates reflect the current expectations for total costs, however this is not a guarantee that unforeseen or additional costs could be incurred, which would have an impact on project total cost, reported revenue, and gross margins. Management believes it has a review procedure in place to ensure the validity of these estimates at the time they are made.

Useful Life of Intangible and Long-Term Assets

The Company has established policies for determining the useful life of its intangible and long-term assets, and amortizes the costs of these assets over those useful lives. The useful life for each category of asset is determined based on the expectation of its ability to continue to generate revenues, and thus, cash flows for the Company. This ability is tested periodically to ensure the conditions still exist to allow the asset to be reflected at its net-recorded value in the accounts of the Company, and any impairment to the valuation is reflected in the accounts at the time the impairment is determined.

Income Tax Liabilities

The Company establishes a tax provision based on its calculation of taxable income in any year. Occasionally the Company is subjected to audits by various federal and provincial agencies. When adjustments are proposed, the Company assesses its position with respect to the issue, and when it considers the Company's position to be correct, may object to proposed adjustments. Management estimates the likelihood of succeeding in its position, and where appropriate, provides for amounts estimated to be payable, or reports in notes to the Company's financial statements.

Contract Penalties

In some cases, the Company enters into contracts with its customers for the delivery of equipment, where penalties are incurred for late delivery. When the Company wins these orders, it assumes that the cost of the penalties will not be incurred unless the project schedule indicates that contracted delivery dates will not be met. At that time, the individual projects are charged with the cost associated with expected penalties.

Changes in Accounting Policies including Initial Adoption

Financial Instruments Disclosures and Capital Disclosures

In December 2006, the Accounting Standards Board issued three new Sections which provide a complete set of disclosure and presentation requirements for financial instruments: CICA 3862, Financial Instruments – Disclosures, CICA 3863, Financial Instruments – Presentation; and CICA 1535, Capital Disclosures. CICA 3862 is the Canadian equivalent to IFRS 7, Financial Instruments – Disclosure, and replaces the disclosure portion of CICA 3861, Financial Instruments – Disclosure and Presentation. The new standard places increased emphasis on disclosures about risks associated with both recognized and unrecognized financial instruments and how these risks are managed. It is also intended to remove any duplicate disclosures and simplify the disclosures about concentrations of risk, credit risk, liquidity risk and price risk currently found in CICA 3861. CICA 3863 carries forward the presentation requirements from CICA 3861, unchanged.

CICA 1535 converges with the capital disclosures amendments to IAS 1, Presentation of Financial Statements.

CICA 1535 applies to all entities regardless of whether they have financial instruments and are subject to external capital requirements. The new Section requires disclosure of information about an entity's objectives, policies and processes for managing capital, as well as quantitative data about capital and whether the entity has complied with any capital requirements.

These standards are applicable for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

Changes in Accounting Policies and Estimates, and Errors

In July 2006, the Accounting Standards Board issued a new Section, Changes in Accounting Policies and Estimates, and Errors. This standard affects when an accounting policy may be changed, how any resulting changes are to be applied, and what disclosures must be made. Adoption is for fiscal years beginning on or after January 1, 2007. The impact of the adoption of this standard on the consolidated results of operations or financial position is not expected to be material. Adoption will not be required until the Company's fiscal 2008.

Non-monetary Transactions

In June 2005, the CICA released Handbook Section 3861, Non-monetary Transactions, effective for fiscal years beginning on or after January 1, 2006. This standard requires that non-monetary transactions be measured at fair value unless they meet one of four very specific criteria. Commercial substance replaces culmination of the earnings process as the test for fair value measurement. A transaction is deemed to have commercial substance if it causes an identifiable, measurable change in the economic circumstances of the entity. Commercial substance is a function of the cash flows expected by the reporting entity. The impact from the adoption of this standard on the consolidated results of operations or financial position of the Company is not material.

Hedges

In April 2005, the CICA issued Section 3865 of the CICA Handbook, Hedges, which effective for years beginning on or after October 1, 2006. This section establishes standards for when and how hedge accounting may be applied. Hedging is an activity designed to modify an entity's exposure to one or more risks. Hedge accounting modifies the normal basis for recognizing the gains, losses, revenues and expenses associated with a hedged item in an entity's statement of operations. It ensures that the counterbalancing gains, losses, revenues and expenses are recognized in the same period. The Company implemented this new standard effective November 1, 2006.

The Company does not designate its forward foreign exchange contracts as hedges, and as a result, the impact of this standard on the consolidated results of operations or financial position of the Company is not material.

Comprehensive Income

CICA 1530 Comprehensive Income sets the standards for the reporting and display of comprehensive income. Comprehensive income is defined as the change in equity (net assets) of an enterprise during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period, except those resulting from investment by owners and distributions to owners. A statement of comprehensive income is included in a full set of financial statements for both interim and annual periods. The new statement presents net income and each component to be recognized in other comprehensive income. These components include, for example, exchange gains and losses arising on translation of the financial statements of self-sustaining foreign operations, which are currently included in a separate component of shareholders' equity. This standard is effective for years beginning on or after October 1, 2006, and the Company implemented the requirements of this standard effective November 1, 2006.

Financial Instruments – Recognition and Measurement

In January 2005, the CICA released Handbook Section 3855, Financial Instruments – Recognition and Measurement, effective for all annual and interim periods beginning on or after October 1, 2006. All financial instruments must be classified into prescribed categories and reclassification is rarely possible. Classification determines how each instrument is measured and how gains and losses are recognized. Entities are permitted a "fresh start" in applying the new standards for classification of financial assets and liabilities. Any adjustments to carrying amounts are recognized as adjustments to opening retained earnings or, in the case of assets classified as available for sale or amounts previously deferred in respect of cash flow hedges which will be re-designated as new cash flow hedges, to other comprehensive income. The Company adopted this new standard effective November 1, 2006. The impact of this standard on the consolidated results of operations or financial position of the Company is not material.

Business Risks and Prospects

New Products and Technological Change

The market for the Company's products is characterized by rapidly changing technology involving industry standards and frequent new product introductions. The Company's success will depend upon market acceptance of its existing products and its ability to enhance its existing products and to introduce new products and features to meet changing customer requirements. There can be no assurance that the Company will be successful in identifying, developing, manufacturing and marketing new products or enhancing its existing products. The Company's business will be adversely affected if the Company incurs delays in developing new products or enhancements or if such products or enhancements do not gain market acceptance. In addition, there can be no assurance that products or technologies developed by others will not render the Company's products or technologies non-competitive or obsolete.

Reliance on Significant Customers and Credit Concentration

The satellite industry is characterized by a small number of prime contractors, which represents most of the Company's customer base. The relatively small number of customers leads to a concentration of the Company's revenues and accounts receivable. If one or more customers were to delay, reduce or cancel orders, the overall orders of the Company may fluctuate and could adversely affect the Company's operations and financial condition. While the Company's accounts receivable tend to be concentrated, many of our customer receivables, by virtue of their non-Canadian status are insured with Export Development Canada ("EDC"). While the Company expects to be able to continue to access receivables insurance through EDC, there is no assurance that this will be the case, and any subsequent credit loss could have a material adverse affect on the business, and its financial condition. COM DEV is increasing its penetration with a number of smaller satellite manufacturers, as well as in satellite market segments outside the traditional commercial communications sector, to help mitigate the risk associated with having a small number of customers.

Fluctuations in Operating Results

The Company's revenues and earnings fluctuate from quarter to quarter, or year to year, based on customer requirements and the timing of orders. While the Company recognizes revenue on a percentage of completion basis for long-term contracts, it has experienced fluctuations in its quarterly operating results and anticipates that such fluctuations may continue. The Company’s revenue is derived in large part from long-term fixed price contracts, some of which are subject to significant technology risk. As a result, the Company’s financial reporting relies upon management's estimates of earned revenues and the costs required to complete the project. Revision to the estimates used in the preparation of the Company’s financial results could have a material impact on financial results of future periods. There can be no assurance that levels of profitability will not vary significantly among quarterly or annual periods. The Company's operating results may fluctuate as a result of many factors, including increased competition, the size and timing of significant customer orders, cancellations of significant projects by customers, changes in operating expenses, changes in the Company's strategy, personnel changes, foreign currency exchange rates and general economic and political factors.

The Company's expense levels are based in significant part on its expectations regarding future revenues. Accordingly, the Company may be unable to adjust spending in a timely manner to compensate for any unexpected revenue shortfall. Any significant revenue shortfall could therefore have a material adverse effect on the Company's results of operations.

Project Performance

The Company’s ability to continue to meet contractual delivery milestones is an important factor in retaining our customers’ confidence. The ability of the Company to perform on customer projects in accordance with requirements, including delivery milestone adherence, could have a material adverse effect on the Company’s business, operations and prospects.

Sources of Supply

The Company uses some subcomponents for which there is only a single source of supply. As a result, the Company may occasionally suffer shortages of such subcomponents, which shortages may have short-term adverse effects on the Company's sales. Although the Company seeks to reduce exposure to single source suppliers through a continual evaluation of competent alternate sources of supply, loss of certain of these suppliers, or the inability of certain of these suppliers to deliver to the Company on a timely basis, could have a material adverse effect on the Company’s operations and prospects.

Dependence on Key Personnel

The Company is highly dependent on the continued service of and its ability to attract and retain qualified technical and engineering personnel. The competition for such personnel is intense and the loss of particular persons, as well as the failure to recruit additional key technical personnel in a timely manner, could have a material adverse effect on the Company's business.

Product Failure

COM DEV operates in a market where product reliability is essential. While the Company enjoys a reputation for product reliability, any significant product failure could materially affect the Company's reputation, revenue and future business prospects.

Failure to Perform Contracts

Contracts for the Company’s products may include penalties and/or incentives related to performance, which could materially affect operating results. Management provides for any anticipated penalty costs in its estimates of the costs to complete a contract and the contract generally limits any penalties to 5% or less of the contract value. The Company’s products are complex, use sophisticated technologies and often involve a lengthy development and manufacturing cycle. In addition, these products are integral to the customer's satellite payload and alternate sources of supply may not be available in the time required, or at all. Consequently, any failure by the Company to satisfy its contractual obligations could trigger losses in excess of the value of the contract. Since the Company often works on large individual contracts, the claims against the Company could be material.

Competition

COM DEV's competitors, who are generally its customers, are larger, better capitalized and have greater resources than the Company. The Company believes that its ability to compete depends in part on a number of competitive factors, some of which are outside its control, such as innovative products or cost-saving production techniques developed by the Company's competitors. There can be no assurance that the Company will be able to compete successfully with its existing competitors or with new competitors.

Changing Business Conditions

The Company's future operating results will substantially depend on the ability of its officers and key employees to manage changing business conditions and to implement and improve its operational, financial control and reporting systems. If the Company is unable to respond to and manage changing business conditions, the quality of the Company's services, its ability to retain key personnel and its results of operations could be materially adversely affected.

Future Capital Requirements

The Company's future capital requirements will depend on many factors, including the development of new products, the progress of the Company's research and development efforts, the rate of expansion and the status of competitive products. Depending on these factors, the Company may require additional financing which may or may not be available on acceptable terms. If additional funds are raised by issuing equity securities, dilution to the existing shareholders may result. If adequate funds are not available, the Company may not be able to achieve its growth objectives and operational targets, which could have a material adverse effect on the Company's business.

Risks Associated with Intellectual Property

The Company's success is dependent upon proprietary technology. The Company relies upon patent protection to protect its proprietary technology. In addition, the Company attempts to protect its trade secrets and other proprietary information through agreements with customers, suppliers, employees and consultants and other security measures. There can be no assurance that the steps taken by the Company in this regard will be adequate to prevent misappropriation or independent third-party development of its technology. Furthermore, the laws of certain countries in which the Company sells its products do not protect the Company's intellectual property rights to the same extent, as do the laws of Canada or the United States.

Although the Company believes that its products and technology do not infringe patents or other proprietary rights of others, there can be no assurance that third parties will not claim that the Company's current or future products infringe the patents or other proprietary rights of others. Any such claim, with or without merit, could result in costly litigation or could require the Company to enter into royalty or licensing agreements. Such royalty or licensing agreements, if required, may not be available on terms acceptable to the Company or at all.

Foreign Exchange Risk

The Company carries on a significant portion of its business in the United States and elsewhere outside Canada, and the majority of its sales outside of Canada are made in U.S. dollars. Any weakening in the value of the U.S. dollar, British Pounds or Euro against the Canadian dollar would result in lower revenues and margins for the Company when stated in Canadian dollars. The Company does engage in hedging a portion of its U.S. dollar-denominated net cash flows. Management remains concerned about the strengthening Canadian dollar, and is actively targeting efficiency improvements in its operations, both in terms of productivity and cost control. These measures will continue to be taken regardless of the currency environment.

Seasonal Volatility

The Company recognizes revenue based on percentage of completion in accordance with its stated accounting policy. Since the recognition of revenue is determined by costs incurred on projects compared to total expected costs, and since a large portion of the Company's project costs are labour, any quarter with fewer working days will cause suppression in labour effort exerted on projects, and consequently, revenue recognized. Typically, the Company slows production during the Christmas holiday season to provide time for maintenance and facilities improvements to take place. As a result, the Company's first quarter revenues are typically the lowest of the year.

Tax Assessments

The Company has recently undergone audits by Canada Revenue Agency and the Ontario Ministry of Finance. As a result of the audits, several adjustments to prior year returns have been proposed for capital taxes and corporate minimum taxes. The Company has considered the proposed assessments and opposes several matters on the basis of its interpretation of the tax rules and has made submission to the tax authorities on this basis. The Company is currently unable to determine the likelihood of success of its objection to the proposed assessments. The disputed tax amounts total $4.1 million, including accrued interest. Any amount of tax liability arising from these assessments will be recorded when the probable amounts can be determined. While the Company expects that if it is required to pay additional taxes, a significant amount will be recoverable against future tax amounts, there is no guarantee that this will be the case.

Cyclical Volatility

There can be no assurance that the market demand for the Company's products will translate into orders within the timeframes anticipated. The timing and extent of satellite procurement, and the Company's ability to secure project orders stemming from anticipated satellite procurement activity could have a material adverse effect on the Company's business, operations and prospects.

New Market Risks

The Company has identified, as part of its strategic direction, civil/government, and military/defense markets for its product and service offerings. While the Company has seen some success in initial penetration into these markets, there can be no assurance, given the Company's limited experience and operating history in these markets, that the Company's investment and efforts in these markets will be successful. Failure to succeed in the civil/government and military/defense markets may adversely affect the Company's future business, financial condition and operating results.

Regulatory Environment for Technology and Materials

Certain of the Company's programs are subjected to export controls either domestically or through International Traffic in Arms Regulations (ITAR). This regulatory environment places strict controls over receipt, use, transfer, and export of technology, material, and equipment. While the Company understands the requirements of these controls and regulations, there is no assurance that these regulations, or their interpretations by regulatory authorities, will not change in a way that would cause a material adverse effect to the Company's business, operations and prospects.

Multilateral Instrument 52-109 Disclosure

The Chief Executive Officer and Chief Financial Officer of COM DEV International Ltd are responsible for designing and maintaining disclosure controls and procedures and internal control over financial reporting for the issuer, and have:

(a) designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, is made known to management by others within the Company, particularly during the period in which the annual filings are being prepared;

(b) designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP; and

(c) evaluated the effectiveness of the issuer's disclosure controls and procedures as of the end of the period; and concluded that such disclosure controls and procedures are effective.

There have been no changes in COM DEV's internal control over financial reporting during the quarter ended January 31, 2007, that have materially affected, or are reasonably likely to materially affect its internal control over financial reporting.

Outstanding Share Data

Details of the Company's outstanding share data as of March 13, 2007 are as follows:

Common shares	67,610,538
Options on common shares	2,398,519

Each option is exercisable for one common share of the Company.

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

	As at January 31, 2007	As at October 31, 2006
Assets		
Current		
Cash and cash equivalents	$ 15,203	$ 25,711
Accounts receivable	37,654	39,372
Inventory	33,396	24,302
Prepaids and other	1,926	2,016
Income taxes recoverable	383	383
	88,562	91,784
Capital assets	36,223	36,950
Intangible assets	4,147	4,165
Total assets	$ 128,932	$ 132,899
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 16,752	$ 24,145
Deferred revenue	9,456	13,004
Current portion of loans payable	169	265
Current liabilities - discontinued operations	1,626	1,721
	28,003	39,135
Long term		
Loans payable	266	444
Long term liabilities - discontinued operations	35	36
	301	480
Total liabilities	28,304	39,615
Non-controlling interest	513	477
Shareholders' equity		
Share capital (note 4)	321,550	320,948
Contributed surplus	783	580
Deficit	(221,704)	(227,436)
Accumulated other comprehensive income	(514)	(1,285)
Total shareholders' equity	100,115	92,807
Total liabilities and shareholders' equity	$ 128,932	$ 132,899

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

For the three months ended January 31	2007	2006
Revenue	$ 39,454	$ 32,707
Cost of revenue	28,171	22,902
Gross margin	11,283	9,805
Research and development costs	2,526	2,206
Research and development recovery	954	784
Net research and development	1,572	1,422
Selling and general expenses	4,096	3,582
Operating income	5,615	4,801
Interest (income) expense	(218)	555
Foreign exchange loss (gain)	123	(288)
Other expense	55	319
Income before non-controlling interest	5,655	4,215
Non-controlling interest	36	27
Net income	$ 5,619	$ 4,188
Earnings per share (note 4c)		
Basic and diluted earnings per share	$0.08	$0.07

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

For the three months ended January 31	2007	2006
Cash flows (used in) from operating activities		
Net income from continuing operations	$ 5,619	$ 4,188
Amortization	1,796	1,684
Loss on disposal of assets	-	(26)
Convertible debenture - accretion and interest	-	187
Stock compensation expense	259	78
Non-controlling interest	36	27
	7,710	6,138
Net change in non-cash working capital items	(18,224)	2,391
Cash flows (used in) from operating activities	(10,514)	8,529
Cash flows from (used in) financing activities		
Shares issued	546	-
Repayment of long term debt	(162)	(178)
Cash flows from (used in) financing activities	384	(178)
Cash flows (used in) from investing activities		
Acquisition of capital assets	(705)	(478)
Proceeds on disposal of capital assets	-	27
Acquisition of intangible assets	(67)	(68)
Business acquisition	-	(5,261)
Cash flows used in investing activities	(772)	(5,780)
Effect of exchange rate changes on cash	490	(130)
Net (decrease) increase in cash for continuing operations	(10,412)	2,441
Net cash used in discontinued operations	(96)	(114)
Net (decrease) increase in cash	(10,508)	2,327
Cash and cash equivalents, beginning of period	25,711	6,179
Cash and cash equivalents, end of period	$ 15,203	$ 8,506
Interest paid	$ 10	$ 712

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

For the three months ended January 31	Total	Deficit	Accumulated Other Comprehensive Income	Share Capital	Contributed Surplus	Convertible Debentures Holder's Conversion Option
Balance, October 31, 2005	$ 50,257	$ (248,638)	$ (1,304)	$ 296,567	$ 296	$ 3,336
Comprehensive income						
Net Income	4,188	4,188	-	-	-	-
Foreign currency translation adjustments	(242)	-	(242)	-	-	-
	3,946	4,188	(242)	-	-	-
Value of ESOP awards	46	-	-	-	46	-
Expense recognized for share options	32	-	-	-	32	-
Balance, January 31, 2006	$ 54,281	$ (244,450)	$ (1,546)	$ 296,567	$ 374	$ 3,336
Balance, October 31, 2006	$ 92,807	$ (227,436)	$ (1,285)	$ 320,948	$ 580	$ -
Opening deficit adjustment (note 2b)	113	113	-	-	-	-
Adjusted balance October 31, 2006	92,920	(227,323)	(1,285)	320,948	580	-
Comprehensive income						
Net Income	5,619	5,619	-	-	-	-
Foreign currency translation adjustments (net of taxes of $nil)	771	-	771	-	-	-
	6,390	5,619	771	-	-	-
Common stock issued	546	-	-	602	(56)	-
Value of ESOP awards	51	-	-	-	51	-
Expense recognized for share options	208	-	-	-	208	-
Balance, January 31, 2007	$ 100,115	$ (221,704)	$ (514)	$ 321,550	$ 783	$ -

COM DEV INTERNATIONAL LTD
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JANUARY 31, 2007 and 2006
(Canadian dollars in thousands, except for per share figures)

1. Summary of Significant Accounting Policies

These unaudited, consolidated, interim financial statements of COM DEV International Ltd. (the “Company”), have been prepared by management in accordance with Canadian generally accepted accounting principles except that certain disclosures required for annual financial statements have not been included. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates include, but are not limited to, the value of contract work in progress and recognition of revenue related to the percentage of completion of contract work, the accounting for doubtful accounts, amortization, determination of net recoverable value of assets, deferred revenue, taxes and contingencies. These unaudited consolidated financial statements have been prepared using the accounting policies as, and should be read in conjunction with, the audited consolidated financial statements for the year ended October 31, 2006, except for the adoption of the new accounting standards included in note 2 herein. All financial amounts are expressed in thousands of Canadian dollars, except per share information or as otherwise indicated. These consolidated interim financial statements have, in management’s opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies.

The consolidated financial statements include the accounts of all of the Company’s subsidiaries with inter-company transactions and balances eliminated. The Company’s principal wholly owned subsidiaries are COM DEV Limited (“CDL”), and COM DEV Europe Limited (“CDE”), and, its 70% owned subsidiary, COM DEV Microwave Electronics Company Limited (“Xian”). COM DEV Europe Limited is a self-sustaining foreign subsidiary.

2. Changes in Accounting Standards

a) Comprehensive Income

On November 1, 2006, the Company adopted the requirements of the Canadian Institute of Accountants (“CICA”) Handbook Section 1530, Comprehensive Income. This section establishes standards for reporting and display of comprehensive income. This section has been applied in accordance with the transitional provisions, which requires restatement of prior periods for certain items. Therefore, the prior period has been restated to include the foreign currency translation, which is the only component of ‘other comprehensive income’.

b) Financial Instruments

On November 1, 2006, the Company adopted the requirements of the CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement and Section 3861, Financial Instrument Disclosure and Presentation. These sections have been applied in accordance with the transitional provisions, which do not require restatement of prior periods. The Company has recorded all financial assets and liabilities at fair value effective November 1, 2006. As a result, opening retained earnings has been adjusted to reflect required adjustments of the previous carrying amounts.

(Canadian dollars in thousands, except for per share figures)

The Company, in the management of its foreign currency exposures, utilizes derivative financial instruments. The Company does not designate or measure the effectiveness of the utilized derivative financial instruments as hedges of specific firm commitments or forecasted transactions.

The Company generally uses foreign exchange put options and related call options to manage foreign currency risk related to sales to customers in the United States and United Kingdom. Derivative financial instruments are carried at their fair values. Realized and unrealized gains and losses associated with derivative instruments are included in foreign exchange gain or loss in the Consolidated Statements of Operations.

3. Acquisition

On November 28, 2005, the Company purchased certain assets of the former EMS Space & Technologies Division from MacDonald, Dettwiler and Associates Ltd (MDA). There was a provision in the agreement for an additional $1,000 to be paid to MDA if certain contracts were awarded before January 1, 2007. This amount has not been included in the consideration paid, as there were no further contracts awarded.

Final negotiation of the purchase price and related allocations for this acquisition have not been completed, however, any subsequent adjustments, which are not considered to be material, will be made through the Consolidated Statements of Operations.

4. Share Capital and Earnings Per Share

a) Issued Capital

The following details the issued and outstanding common shares for the three months ended January 31, 2007.

	Number	Amount
Balance, October 31, 2006	67,329,340	$320,948
Issuance of common shares (i)	188,450	602
Balance, January 31, 2007	67,517,790	$321,550

The value of Employee Stock Ownership Plan (“ESOP”) shares amortized to compensation expense but not yet issued at quarter-end was $51 ($46 in 2006). This amount is included in contributed surplus.

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(Canadian dollars in thousands, except for per share figures)

(i) During the quarter ended January 31, 2007, the Company issued 188,450 (nil in 2006) common shares to satisfy the equivalent number of stock options exercised of which 61,600 options represent options issued after November 1, 2003.

The maximum number of shares outstanding if all options were exercised and ESOP shares were issued is 70,002,440.

b) Stock Based Compensation

The Company employs a fair value based method of accounting for all options issued to employees or directors on or after November 1, 2003. The Company recognizes compensation cost for all stock options granted to employees and directors under its stock option plan after that date. The option exercise price is the fair value of the Company's common shares at the date of issue. In the three months ended January 31, 2007, the Company did not grant any options. For the three months ended January 31,

2006, the Company granted 548,000 options

The estimated fair value of the options is amortized to expense over the vesting period of the options. In the quarter ended January 31, 2007 compensation expense of $208 ($32 in 2006) was recognized. This amount was added to contributed surplus.

As at January 31, 2007, there were 2,410,519 options outstanding with exercise prices ranging from $0.97 to $13.75. Of the options outstanding, 1,117,440 shares have vested.

Pro Forma Information

CICA 3870 *Stock Based Compensation and Other Stock-Based Payments*, requires proforma disclosures of net income and earnings per share, as if the fair value method, as opposed to the intrinsic value method of accounting for employee stock options, had been applied to options granted to employees between February 1, 2002 and November 1, 2003.

	For the three months ended January 31, 2007	January 31, 2006
Net income – as reported	$ 5,619	$ 4,188
Additional pro forma stock-based compensation costs for the period	--	(103)
Basic and diluted net income – pro forma	$ 5,619	$ 4,085
Pro forma earnings per common share:		
Basic and diluted	$ 0.08	$ 0.07
Weighted average number of shares:		
Basic	67,375,654	59,912,161
Diluted	68,164,459	60,400,948

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(Canadian dollars in thousands, except for per share figures)

c) Earnings Per Share

The following tables sets forth the computation of basic and diluted earnings per share for the three months ended January 31:

	3 months ended January 31	
	2007	**2006**
Numerator for basic and diluted earnings per share available to common stockholders		
Basic and diluted net income attributed to common stockholders	$ 5,619	$ 4,188
Denominator for basic earnings per share- weighted average shares outstanding	67,375,654	59,912,161
Effect of dilutive securities		
ESOP	65,800	60,238
Employee stock options	723,005	298,535
Potential dilutive common shares	788,805	358,773
Denominator for diluted earnings per share – adjusted weighted average shares and assumed conversions	68,164,459	60,270,934
Earnings per share		
Basic and diluted earnings per share	$0.08	$0.07

The convertible debenture is excluded from the denominator in 2006, as it is anti-dilutive.

5. Financial Instruments

For the Company's cash and cash equivalents, accounts receivables, accounts payable and accrued liabilities, the fair values approximate their respective carrying amounts due to their short maturities. The fair values of foreign currency call and put option contracts have been estimated using market quoted rates of foreign currencies. The Government of Canada loan, included in loans payable, has a fair value and carrying value, as at January 31, 2007 of $340. The carrying value as at November 1, 2006 of $518 was adjusted through the opening retained earnings to a fair value of $405. The fair values of capital lease obligations, included in loans payable, and discontinued operations liabilities approximate carrying values.

The Company is exposed to foreign exchange risk as a result of transactions in currencies other than its functional currency, the Canadian dollar. The majority of the Company's revenues are transacted in U.S. dollars. Portions of the revenues are denominated in Canadian dollars, British Pounds, and Euros. Purchases of raw materials, and other expenses, consisting primarily of the majority of salaries, certain operating costs and manufacturing overhead, are incurred primarily in Canadian dollars. At January 31, 2007 approximately 43% of cash and cash equivalents, 51% of accounts receivables, and 12% of accounts payable and accrued liabilities are denominated in foreign currencies (January 31, 2006 – 71%, 67%, and 27%, respectively).

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(Canadian dollars in thousands, except for per share figures)

These foreign currencies include the U.S. dollar, British Pound, and Euro.

As at January 31, 2007, the Canadian dollar amount that could be received under Canadian / U.S. foreign currency call options was $28,243 ($24,081 in 2006) and the amount that could be paid under foreign currency put options was $42,629 ($36,184 in 2006). The average contractual exchange rate on the call options was 1.1297 and on the put options was 1.1521. The settlement dates of all the outstanding contracts were less than one year. The exchange rate at January 31 was 1.1799 (1.1496 in 2006).

The Company recorded realized losses of $316 for the three months ended January 31, 2007, compared to gains of $119 for the same period in 2006, on foreign currency options that have been included in “foreign exchange loss (gain)” on the Consolidated Statements of Operations. At January 31, 2007 the fair value of option contracts of ($1,115) is included in “Accounts payable and accrued liabilities” on the Consolidated Balance Sheet. At January 31, 2006 the fair value of option contracts of $530 is included in “Prepaids and other” on the Consolidated Balance Sheet.

The Company, in the normal course of business, monitors the financial condition of its customers and reviews credit history of each new customer. The Company manages the collection risk on foreign receivables by carrying credit insurance that insures 90% of receivables, primarily those from foreign customers, to protect against commercial and political risk. Three customers comprise 61% of accounts receivable as at January 31, 2007. (Three customers comprised 51% as at January 31, 2006). Four customers comprise 53% of revenue for the quarter ended January 31, 2007. (Three customers comprised 64% of the revenue for the quarter ended January 31, 2006).

6. 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.

Geographic Information

Revenue by customer is based on where the customer is located.

	3 months ended January 31	
	2007	2006
Revenue from external customers		
Canada	7,378	5,150
U.S.A.	12,694	16,070
United Kingdom	17,041	7,224
Other	2,341	4,263
	$39,454	$32,707

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7. Comparative Consolidated Financial Statements

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the current year consolidated financial statements.

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