



COM DEV
INTERNATIONAL

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



COM DEV Announces Third Quarter FY2007 Results

CAMBRIDGE, ON – September 13, 2007 – COM DEV International Ltd. (TSX:CDV) today announced its third quarter financial results for the three-month period ended July 31, 2007. All amounts are stated in Canadian dollars.

Third Quarter Highlights

- Revenue was \$42.9 million, an increase of 4% from the \$41.2 million recorded in Q3 2006.
- Gross margin was 26%, compared to 29% in the third quarter of 2006.
- Net income was \$2.5 million, or \$0.04 per share, compared to a net income of \$6.4 million or \$0.10 per share a year earlier.
- New orders won in the third quarter totaled \$50 million, compared to \$43 million a year earlier and \$81 million in the second quarter of fiscal 2007.
- Backlog at quarter-end was a record \$135 million, compared to \$130 million at the end of Q2 2007.
- During the quarter COM DEV purchased a production facility in El Segundo, California and announced details of its planned expansion into the US government space market.

“The 8% currency shift this quarter impacted the bottom line by \$2.2 million. In addition, we made significant incremental investments in SG&A and R&D. We believe that, in the medium term, we will be able to overcome currency shifts, as we have in the past, through efficiency improvements and operational leverage. The robust nature of the marketplace, supported by our record backlog, and coupled with our investments in growth should all contribute towards increased revenue and improved profitability,” said John Keating, CEO of COM DEV. “We remain confident in our ability to achieve revenue growth of at least 10% this year and further growth next year. We have seen the fruits of our investment in our Ottawa business in the form of a \$39 million contract award – we think our latest investments will also deliver long-term shareholder value.”

Financial Review

COM DEV’s fiscal 2007 third quarter revenues of \$42.9 million represented an increase of \$1.7 million or 4% over the prior year period. The Company’s top line results continue to benefit from increasing levels of backlog and employees to address the workload. The strengthening of the Canadian dollar compared to Q3 2006 levels negatively impacted revenues by approximately \$1.8 million. The revenue split between the three sectors was 47% commercial, 33% civil and 20% military. Management continues to expect revenue growth of at least 10% in fiscal 2007.

The Company received new orders totaling \$50 million during the quarter, of which 94% were commercial and 6% were civil. With new orders exceeding revenues for the quarter, backlog increased to a new record high of \$135 million. Backlog was split between the Company's commercial, civil and military sectors at a ratio of 41%, 40% and 19% respectively, compared to 25%, 50% and 25% at the end of Q2 2007.

Gross profit was \$11.2 million in the third quarter, representing 26% of revenues, compared to \$12.1 million or 29% of revenues in Q3 2006. Absent the \$1.8 million impact of foreign exchange shifts, gross margin for the quarter would have been 29%.

Net research and development expense increased by \$1.4 million to \$3.0 million in Q3 2007 following the Company's recent strategic decision to expand its R&D program in order to pursue near and medium term growth opportunities.

Selling, general and administrative expense increased by \$1.4 million to \$5.2 million, due largely to the start-up of operations in California and corporate development-related costs. The majority of operational costs related to the California facility will continue to be reflected in the SG&A line until the facility begins to generate external revenue.

In addition to the \$1.8 million revenue impact of the strengthening Canadian dollar, COM DEV also recognized a \$0.4 million foreign exchange loss in the third quarter due to accounting requirements to translate US denominated balance sheet items. The total impact of the foreign exchange rate shift was \$2.2 million.

Net income was \$2.5 million in the third quarter of 2007, compared to \$6.4 million in the prior year's third quarter. The decrease can largely be explained by the aforementioned foreign exchange rate shift, increase in R&D spending and increase in SG&A expense. The combined negative impact on net income of those three items was \$4.6 million.

COM DEV ended the third quarter of 2007 with \$19.7 million of cash and equivalents compared to \$25.6 million at April 30, 2007. Cash generated from operating activities was \$0.4 million, compared to \$4.9 million in Q3 2006. The Company purchased \$15.5 million of capital assets in the quarter, primarily relating to the purchase of land, building and equipment in El Segundo. The Company borrowed \$11.2 million on its term debt facility, leaving approximately \$16.8 million of term debt facilities available.

The Company's basic share count averaged 67,702,157 in the third quarter, and stood at 67,861,678 on July 31, 2007.

Conference Call

A conference call will be held today, Thursday, September 13, 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.comdevintl.com) is a leading global designer and manufacturer of space hardware subsystems. With facilities in Canada, the United Kingdom and the United States, COM DEV 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.

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 and 9 month period ended July 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 September 12, 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.

USE OF NON-GAAP MEASURES

In this Management's Discussion and Analysis (MD&A), we provide information about contract backlog. Backlog measures are not defined by generally accepted accounting principles (GAAP) and our measurement of backlog may vary from that used by others. While we believe that long-term backlog trends serve as a useful metric for assessing the growth prospects for our business, backlog is not a guarantee of future revenues and provides no information about the timing on which future revenue may be recorded.

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 1083 people around the world as of July 31, 2007, compared to approximately 896 people as of July 31, 2006, and approximately 989 people as of April 30, 2007.

COM DEV designs and manufactures advanced microwave products for space satellites such as multiplexers, filters, switches, surface acoustic wave (SAW) devices, lithium ion batteries, signal processors, optical instruments, and space science instruments. 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 following analysis is related to the continuing operations of the Company unless otherwise noted.

OVERALL PERFORMANCE

The third quarter saw continuing progress for the Company on a number of fronts. Investment in the Company's new El Segundo facility continued, with ramp up activities generally tracking management's plan. The new facility is not expected to begin generating external revenue until fiscal 2008, and until that time, the majority of the operational costs are reflected in the SG&A line of the Company's Consolidated Statement of Operations, resulting in a temporary increase in these costs. In addition to the facility set-up activities, the El Segundo technical staff commenced work on an internal Research & Development project subsequent to the end of the fiscal quarter, essentially in line with the timeframe expected for the initiation of this intra-company project.

The retesting, rework and rebuild activities on the commercial project which experienced the previously announced technical problem in the second quarter, were virtually completed by the end of the third quarter. The majority of the equipment was shipped to the customer during the quarter. Final shipments to the customer were completed just subsequent to the end of the third quarter. Revenues for the quarter were suppressed slightly due to the impact of labour efforts directed at concluding this program, which otherwise would have been deployed on new, revenue generating programs. Even with the impact of this program on revenue generated in the quarter, management is confident in reconfirming its previous guidance for at least 10% revenue growth in fiscal 2007.

Management continued to invest in Research & Development at an increased rate in the third quarter, in support of strategic activities, which have been identified as future growth areas for the Company. As management develops and analyzes the markets and competitive situations associated with these early stage development activities, more information will be forthcoming.

Foreign exchange shifts impacted the Company's reported gross margins and net income during the quarter by \$1.8 million and \$2.2 million respectively as the Canadian dollar strengthened against its US dollar counterpart by slightly over 8% during the quarter.

Turning to the market outlook, during the third quarter of the Company's 2007 fiscal year 15 GEO-satellite programs were awarded in the global space market, bringing the year to date count to 30 awards during the Company's fiscal 2007. This compares with a year to date total of 28 GEO-satellite programs announced by the end of the prior year's third quarter. In the full 2006 fiscal year a total of 33 satellite programs were awarded. In the second quarter of fiscal 2007, 3 GEO-satellite programs were announced, and in the third quarter of fiscal 2006, 10 GEO-satellite programs were awarded in the market.

Approximately 1,057 transponders are estimated to be on board the 30 GEO-satellite programs announced year to date in the current fiscal year, compared with the roughly 974 count from the 28 GEO-satellite programs announced in the first nine months of fiscal 2006. Of the 30 GEO programs announced this fiscal year, COM DEV has already secured mandates on 15, and remains in the running on another 11. Of the 4 programs where COM DEV is not participating, 2 were not available to the Company due to export control restrictions.

The breakdown of satellite awards and transponders awarded between the three market sectors (commercial, civil, and military/defense) can be summarized as follows:

Sector	Three months ended July 31			
	2007		2006	
	Satellites	Transponders	Satellites	Transponders
Commercial	12	566	5	178
Civil	3	34	3	54
Military/Defense	0	0	2	128
Total	15	600	10	360

The Company had another quarter of outstanding order booking, with \$50 million in new contracts won during the quarter. Of the 15 GEO-satellite programs announced in the third quarter, COM DEV has received contract awards on 5, and is continuing to pursue 8 others. Comparable order booking numbers for the prior quarter were \$81 million, and for Q3 of fiscal 2006, new orders totaled \$43 million. Current bidding and negotiating activity remains very brisk.

Revenues in the third quarter grew by a modest 4.1% year over year, with \$42.9 million in revenue in the third quarter of fiscal 2007, compared with \$41.2 million in Q3 of 2006. Sequentially, revenues grew by 11.1% over the Company's reported Q2 revenue of \$38.6 million.

New business won in fiscal 2007 Q3 was weighted more heavily in the Space Products (Multiplexer and Switch) business units. Of the \$50 million in new orders won in the third quarter of 2007, 94% came from the commercial sector of the space market, and the remaining 6% from the civil sector. There were no new orders in the military segment during the quarter, which is not unexpected given the characteristics of this segment. This split compares to a split of 61%, 20%, and 19% in the third quarter of fiscal 2006 for the respective market segments, and a split of 27%, 60%, and 12%. This profile 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. This was evidenced in the \$39 million Q2 award in the civil segment, for the James Webb Space Telescope, which was reported last quarter.

The Company closed out Q3 2007 with another new record high backlog, at \$135 million, up from \$130 million in Q2 2007. Backlog at the end of the prior year's Q3 stood at \$105 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 Authorities to Proceed (ATPs), followed by full contract awards later. The composition of the Company's backlog at the end of Q3 2007 was 41%, 40%, 19% split between commercial, civil, and defense, compared with a split of 25%, 50%, 25% as at the end of Q2 2007, and 43%, 26%, 31% at the end of the third quarter a year ago.

Foreign exchange shifts in the quarter were significant, negatively impacting the Company's quarterly gross margins and net income by \$1.8 million and \$2.2 million respectively. According to the Bank of Canada, the average value of the Canadian dollar in the Company's fiscal Q3 was US\$0.9340, compared with an average value of US\$0.8636 in the second quarter of fiscal 2007. This represents a strengthening of the Canadian dollar of \$0.0704, or over 8% from the prior fiscal quarter. On a year-to-year basis, the Canadian dollar strengthened by approximately 4.4% in the third quarter, as the currency shifted to US\$0.9340 from US\$0.8947.

The Q3 2007 gross margins of 26.2%, while reflecting a rebound from the 19% margins experienced in the second quarter, and while being within managements' guidance of the low end of mid to high twenty percent levels, is well below the 29% to 30% levels that the Company has seen in recent quarters. Prior year Q3 gross margins were 29%. With the previously mentioned problem program now delivered, the Company expects to see margins continue to normalize, although pressure from recent strengthening of the Canadian dollar and ongoing expansion activities will continue to have potentially suppressive effects on margins.

Overall operating expenses increased by \$2.8 million from Q3 2006, due to a \$1.4 million increase in net research and development costs, and a \$1.4 million increase in selling, general and administrative costs. Compared to the second quarter of fiscal 2007, operating expenses increased by approximately \$0.4 million, driven primarily by increased spending on research and development projects in Cambridge, and selling, general and administrative costs in El Segundo, as the business continues to execute its strategic growth plans in the United States.

COM DEV ended the third quarter of fiscal 2007 with \$19.7 million of cash and equivalents, down from \$25.6 million at April 30, 2007, and up from the comparable prior year third quarter balance of \$15.3 million. The Company's cash resources are held in bank accounts at the Canadian Imperial Bank of Commerce. The Company does not engage in speculative investments with its cash resources. If the Company holds cash balances that are above its expected near term requirements, it may on occasion, buy bank term deposit certificates, which normally do not have maturity dates beyond 30 days. The Company does not invest in any other commercial paper, and therefore is not exposed to the risk of recent events in the financial markets. The decrease in cash balance at the end of the third quarter is attributable to an increase in working capital, primarily through increased accounts receivable

related to customer billings still to be turned into cash. Accounts receivable at the end of Q3 stood at \$49.3 million, compared with \$37.4 million at the end of the prior quarter, and \$43.9 million in the comparable Q3 of fiscal 2006. The level of accounts receivable at the end of Q3 is not a concern to management. The increase experienced this quarter is an indication of the level of new orders being won, and the billing profiles on these contracts. The Company's \$17 million operating line of credit remained untouched at quarter-end. The Company drew on its term debt facility in the current quarter to fund the purchase of the Company's new facility in El Segundo, California. The total draw was \$10 million USD (approximately \$11.2 million CDN), leaving approximately \$16.8 million of term debt facilities available to the Company.

Overall, the combined impacts of foreign exchange rate shifts, specific investments in R&D, and the continued ramp-up of the Company's US operations, resulted in a net income of \$2.5 million, compared to a loss of \$1.4 million in the prior quarter, and a net income of \$6.4 million in Q3 2006.

RESULTS OF OPERATIONS

Revenues

(in millions of dollars)	Three months ended July 31		
	2007	2006	% Change
Commercial satellite programs	\$20.3	\$21.4	(5.1%)
Civil (government) programs	\$14.1	\$11.0	28.2%
Military & defense programs	\$ 8.5	\$ 8.8	(3.4%)
Total Space revenues	\$ 42.9	\$41.2	4.1%

Third quarter revenues for fiscal 2007, at \$42.9 million, strengthened sequentially from Q2 revenues of \$38.6 million, as the Company benefited from higher levels of backlog, and more employees to address that workload. This level of revenue was achieved in the face of a significant strengthening of the Canadian dollar versus the U.S. dollar, which negatively impacted revenues by approximately \$1.8 million. In addition, as the Company concluded its efforts on project rework and testing related to the problem program discussed earlier, it was able to dedicate more employees to revenue generating work during the latter part of the quarter. Year over year, Q3 revenues increased by 4.1% over fiscal 2006 levels. On a year to date basis, revenues of \$120.9 million represent an increase of 7.9% over the first nine months of fiscal 2006. While this growth is below management's "minimum 10% growth" guidance, the guidance has been reconfirmed for full year revenue level.

Backlog

(millions of dollars)	July 31	July 31
	2007	2006
Commercial satellite programs	\$ 55.8	\$ 45.1
Civil (government) programs	\$ 54.3	\$ 27.0
Military & defense programs	\$ 25.1	\$ 33.1
Total Backlog	\$135.2	\$105.2

The backlog of work at the end of Q3 2007, at \$135.2 million, increased by approximately \$5 million from the Q2 2007 level of \$130 million, and by \$30 million from the Q3 2006 level of \$105 million. The ending backlog of \$135 million is another high water mark for backlog in the Company's history, surpassing the previous high of \$130 million last quarter. Management has continually underscored the lumpy nature of the space business, noting that as more civil and defense work is won, backlog numbers are likely to see periods of large increase, followed by periods where no significant contracts are awarded, and a downward drift in backlog until the next major award. The underlying conditions for our market segments remain strong, 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 Continuing Operations and Net Income
(millions of dollars except EPS)

	Three months ended July 31		
	2007	2006	% Change
Net Income/(Loss)	\$2.5	\$6.4	(60.9%)
Earnings per share, basic and diluted	\$0.04	\$0.10	(60.0%)

Net income in the third quarter of 2007 was \$2.5 million compared with income of \$6.4 million in the comparable quarter of fiscal 2006. Sequentially, Q3 of 2007 showed a rebound from the \$1.4 million net loss posted in Q2, as the impact of the problem program noted earlier worked through the organization. The significant factors impacting our Q3 net income performance included a negative impact of \$2.2 million stemming from the major strengthening of the Canadian dollar during the quarter, continued and deliberate high levels of R&D spending, which were approximately \$1.2 million above historic levels, and an impact of approximately \$1.1 million related to the continued ramp up of our operations in El Segundo, California. Absent these impacts, net income for the quarter would have been approximately \$7.1 million, or \$0.10 per share.

Gross Margin

(millions of dollars)	Three months ended July 31		
	2007	2006	% Change
Total gross margin	\$11.2	\$12.1	(7.4%)
Total gross margin %	26.2%	29.3%	(3.1%)

Gross margins for the third quarter reflect the approximate \$1.8 million impact of foreign exchange shifts in the quarter. Absent the foreign exchange impact, gross margins for the quarter would have been 29%, compared to the actual 26.2% posted for the quarter. Gross margins for the prior quarter were 18.8%. Management had previously indicated that foreign exchange fluctuations from a strengthening Canadian dollar could keep margins at the low end of the guidance range of mid to high twenty percent levels.

Research and Development (R&D)

(millions of dollars)	Three months ended July 31		
	2007	2006	% Change
Total R&D Spending before funding	\$ 4.3	\$ 2.6	65.4%
Total R&D Funding received	(\$ 1.3)	\$(1.0)	30.0%
R&D, net of Funding	\$ 3.0	\$ 1.6	87.5%

The Company made the decision in the second quarter to expand its R&D program activity based on near and medium term opportunities to grow through both customer, and product offering expansions. Spending continued on these initiatives during Q3 of fiscal 2007 at a level slightly above those seen in the previous quarter. As noted earlier, the impact of this increased investment in R&D activities was approximately \$1.3 million above historic quarterly levels. While there is no guarantee that the objectives of this expanded program will succeed, management believes that investment in R&D is important for the future growth of the Company, and that the programs added are important opportunities, and in line with our strategic objectives. Net R&D spending in Q3 2007 of \$3.0 million is 88% above the level seen in the prior year's Q3, and 11% above the Q2 2007 net spending level of \$2.7 million. Management is expecting to spend on R&D programs at similar net levels as seen in this quarter for the remainder of the current year, and then will reassess its overall R&D program as part of its normal business planning activities for next fiscal year.

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 July 31		
	2007	2006	% Change
Selling, general & administrative expenses (SG&A)	\$5.2	\$3.8	36.8%
SG&A % of total revenue	12.0%	9.1%	2.9%
Interest (income) expense	(\$ 0.1)	\$0.2	(150.0%)
Foreign exchange loss (gain)	\$ 0.4	(\$0.2)	300.0%
Other expense	\$ 0.1	\$0.3	(66.7%)

Selling, General and Administrative

SG&A expenses for the third quarter of 2007 increased from the prior year third quarter level, as a result of increases in spending related to the start-up of operations in El Segundo, and Corporate Development related costs. Compared to the second quarter of fiscal 2007, SG&A expenses increased sequentially by \$0.2 million, reflecting continued ramp-up activity in El Segundo. Management expects that its SG&A costs will continue to run at levels higher than historically seen until the California operations commence work on customer contracts, and research and development work. Until this happens, with the exception of capital expenditures, all costs associated with the COM DEV USA operations are being reflected in SG&A. As noted earlier, an internal R&D project has been initiated at COM DEV USA subsequent to the end of the third quarter.

Interest Expense

There were no draws on the Company's operating line of credit during the quarter, however, the Company did draw \$11.2 million (\$10 million U.S. dollars) on its term debt facilities during the quarter which was applied to the purchase of land and building in El Segundo. Interest on this term debt is calculated at LIBOR plus 2.25% per annum.

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 third quarter of 2007 was \$0.4 million, compared with a \$0.1 million gain in Q2 2007, and a gain of \$0.2 million in the third quarter of 2006. The translation loss on US denominated balance sheet items was partly offset by forward contracts that the Company had in place during the period 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 April 30, 2007 and July 31, 2007:

(in millions of dollars)	Increase/ (Decrease)	Explanation
Cash and cash equivalents	(\$ 5.9)	Refer to Statement of Cash Flows
Accounts receivable	11.9	High level of billings in the third quarter, commensurate with business levels, but which occurred later in the quarter, resulting in higher receivables at the end of the quarter.
Inventory	3.9	Project inventory increased as a result of higher volume customer work in house. This inventory will translate to Receivables and cash over the normal course of business.
Prepaid and other	(0.2)	Normal insurance renewal period, and other prepaids.

Capital assets	13.7	Purchase of land and building in El Segundo, plus expansion of the Cambridge facility to meet business needs, less normal depreciation.
Accounts payable and accrued	2.6	Normal accounts payable payments cycle, including capital asset purchases, and building expansion.
Deferred revenue	13.9	New programs won, and resulting cash profiles.
Current portion of loans payable	2.0	Current portion of draw on term debt facility for land and building.
Current liabilities – discontinued ops	(2.1)	Final settlement on wireless facility lease in U.K.
Long term loans payable	8.8	Long term portion of draw on term facility for land and building.
Shareholders' equity	3.4	Net income, currency translation adjustment, and shares issued through options

Liquidity and Capital Resources

(in millions of dollars)

	Three months ended July 31		
	2007	2006	% Change
Cash provided by operating activities	\$ 0.4	\$4.9	322.6%
Net increase (decrease) in cash	(\$ 5.9)	\$4.3	316.0%
Property and equipment additions	\$15.5	\$1.3	525.0%
Increase in long term debt	\$11.0	\$ -	

The Company generated \$0.4 million of cash from operating activities in the third quarter of 2007, compared with \$4.9 million generated a year earlier. The Company invested \$4.1 million in working capital in the quarter, as accounts receivable grew by \$11.9 million over the prior quarter's level, project inventory grew by \$3.9 million and accounts payable decreased by \$2.6 million. This was partly offset as deferred revenue increased by \$13.9 million. The Company expects to invest a total of \$22.5 million in capital equipment, building expansion activities, and new land and building acquisition in the U.S. during fiscal 2007 as it ramps up to meet not just current, but expected future demand for the Company's products. To date, the investment in the US operations has consisted of the purchase of land and building for approximately \$10 million CDN, and operating costs incurred by the business of approximately \$2.3 million CDN. Both of these are in line with the business plan for the California operations.

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 July 31, 2007. The Company also has \$28 million in term debt facilities, of which, \$16.8 million is still available at the end of the fiscal quarter. The Company drew CDN \$11.2 million (\$10 million U.S. dollars) in support of the Company's acquisition of a production facility in El Segundo, California during the third quarter.

Off-balance Sheet Arrangements

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

Related Party Transactions

None

Proposed Transactions

None

Contractual Obligations

(in thousands of dollars)

	Total	Payments Due by Fiscal Period			
		2007	2008 to 2009	2010 to 2011	2012 & beyond
Long-term debt*	\$11,223	\$ 602	\$ 1,924	\$ 2,069	\$ 6,628
Operating leases	\$ 5,331	\$ 423	\$ 2,753	\$ 2,155	\$ -
Capital leases	\$ 7	\$ 7	\$ -	\$ -	\$ -
Purchase obligations**	\$ -	\$ -	\$ -	\$ -	\$ -
Other Long-term obligations	\$ -	\$ -	\$ -	\$ -	\$ -
Total contractual obligations	\$ 16,561	\$ 1,032	\$ 4,677	\$ 4,224	\$ 6,628

* 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 July 31, 2007 the Company had outstanding forward foreign currency call options with a notional value of \$5.8 million maturing within a year at an average exchange rate of \$1.136 (July 31, 2006: \$14.2 million at 1.1485). The Company had outstanding forward foreign currency put options with a notional value of \$8.7 million maturing within a year at an average exchange rate of \$1.1639 (July 31, 2006: \$21.1 million at 1.1571). 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	\$38,590	\$42,899		\$120,943
Net Income/(Loss) from continuing operations	\$5,619	(\$490)	\$2,544		\$7,673
Income/(Loss) from discontinued operations	-	(\$934)	-		(\$934)
Net Income/(Loss) – Total	\$5,619	(\$1,424)	\$2,544		\$6,739
Net Income/(Loss) per share (basic and diluted)	\$0.08	(\$0.02)	\$0.04		\$0.10

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

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 effect 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, and technical performance 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 \$4.3 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 July 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 September 12, 2007 are as follows:

Common shares	67,920,778
Options on common shares	2,058,279

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

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

For the three months ended July 31	2007	2006
Revenue	\$ 42,899	\$ 41,229
Cost of revenue	31,676	29,145
Gross margin	<u>11,223</u>	<u>12,084</u>
Research and development costs	4,292	2,601
Research and development recovery	1,277	954
Net research and development	<u>3,015</u>	<u>1,647</u>
Selling and general expenses	5,160	3,761
Operating income	<u>3,048</u>	<u>6,676</u>
Interest (income) expense	(59)	217
Foreign exchange loss (gain)	441	(189)
Other expense	109	265
Income before non-controlling interest	<u>2,557</u>	<u>6,383</u>
Non-controlling interest	13	6
Net income	<u><u>\$ 2,544</u></u>	<u><u>\$ 6,377</u></u>
Earnings per share (note 3c)		
Basic and diluted earnings per share	\$0.04	\$0.10

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

For the nine months ended July 31	2007	2006
Revenue	\$ 120,943	\$ 112,097
Cost of revenue	91,200	78,703
Gross margin	<u>29,743</u>	<u>33,394</u>
Research and development costs	10,947	7,697
Research and development recovery	3,615	2,795
Net research and development	<u>7,332</u>	<u>4,902</u>
Selling and general expenses	14,253	11,048
Operating income	<u>8,158</u>	<u>17,444</u>
Interest (income) expense	(436)	1,263
Foreign exchange loss (gain)	514	(485)
Other expense	<u>385</u>	<u>661</u>
Income before non-controlling interest	7,695	16,005
Non-controlling interest	<u>22</u>	<u>78</u>
Income from continuing operations	7,673	15,927
Provision for discontinued operations	934	-
Net income	<u>\$ 6,739</u>	<u>\$ 15,927</u>
Earnings per share (note 3c)		
Basic and diluted earnings per share	\$0.10	\$0.26

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

	As at July 31, 2007	As at October 31, 2006
Assets		
Current		
Cash and cash equivalents	\$ 19,688	\$ 25,711
Accounts receivable	49,272	39,372
Inventory	34,447	24,302
Prepays and other	2,389	2,016
Income taxes recoverable	383	383
	106,179	91,784
Capital assets (note 7)	50,412	36,950
Intangible assets	4,156	4,165
Total assets	\$ 160,747	\$ 132,899
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 20,599	\$ 24,145
Deferred revenue	25,947	13,004
Current portion of loans payable (note 6)	2,058	265
Current liabilities - discontinued operations	378	1,721
	48,982	39,135
Long term		
Loans payable (note 6)	9,079	444
Long term liabilities - discontinued operations	48	36
	9,127	480
Total liabilities	58,109	39,615
Non-controlling interest	499	477
Shareholders' equity		
Share capital (note 3)	323,174	320,948
Contributed surplus	766	580
Deficit	(220,584)	(227,436)
Accumulated other comprehensive income	(1,217)	(1,285)
Total shareholders' equity	102,139	92,807
Total liabilities and shareholders' equity	\$ 160,747	\$ 132,899

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

For the three months ended July 31	2007	2006
Cash flows from operating activities		
Net income from continuing operations	\$ 2,544	\$ 6,377
Amortization	1,672	1,859
Gain on disposal of assets	-	(8)
Convertible debenture - accretion and interest	-	581
Stock compensation expense	247	150
Non-controlling interest	13	6
	<u>4,476</u>	<u>8,965</u>
Net change in non-cash working capital items	<u>(4,079)</u>	<u>(4,031)</u>
Cash flows from operating activities	<u>397</u>	<u>4,934</u>
Cash flows from financing activities		
Shares issued	987	891
Convertible debentures principal redemption	-	(46)
Advance of long term debt	10,988	-
Repayment of long term debt	(389)	(103)
Cash flows from financing activities	<u>11,586</u>	<u>742</u>
Cash flows from investing activities		
Acquisition of capital assets	(15,506)	(1,311)
Proceeds on disposal of capital assets	-	8
Acquisition of intangible assets	(77)	(86)
Cash flows used in investing activities	<u>(15,583)</u>	<u>(1,389)</u>
Effect of exchange rate changes on cash	<u>(169)</u>	<u>101</u>
Net (decrease) increase in cash for continuing operations	(3,769)	4,388
Net cash used in discontinued operations	<u>(2,141)</u>	<u>(103)</u>
Net (decrease) increase in cash	(5,910)	4,285
Cash and cash equivalents, beginning of period	25,598	10,983
Cash and cash equivalents, end of period	<u>\$ 19,688</u>	<u>\$ 15,268</u>
Interest paid	<u>\$ 14</u>	<u>\$ 116</u>

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

For the nine months ended July 31	2007	2006
Cash flows from operating activities		
Net income from continuing operations	\$ 7,673	\$ 15,927
Amortization	5,280	5,380
Loss (gain) on disposal of assets	98	(34)
Convertible debenture - accretion and interest	-	960
Stock compensation expense	758	335
Non-controlling interest	22	78
	<u>13,831</u>	<u>22,646</u>
Net change in non-cash working capital items	<u>(10,856)</u>	<u>(6,051)</u>
Cash flows from operating activities	<u>2,975</u>	<u>16,595</u>
Cash flows from financing activities		
Shares issued	1,654	935
Convertible debentures principal redemption	-	(46)
Advance of long term debt	10,988	-
Repayment of long term debt	(612)	(385)
Cash flows from financing activities	<u>12,030</u>	<u>504</u>
Cash flows from investing activities		
Acquisition of capital assets	(18,676)	(2,197)
Proceeds on disposal of capital assets	22	35
Acquisition of intangible assets	(251)	(196)
Business acquisition	-	(5,261)
Cash flows used in investing activities	<u>(18,905)</u>	<u>(7,619)</u>
Effect of exchange rate changes on cash	<u>142</u>	<u>(24)</u>
Net (decrease) increase in cash for continuing operations	(3,758)	9,456
Net cash used in discontinued operations	<u>(2,265)</u>	<u>(367)</u>
Net (decrease) increase in cash	(6,023)	9,089
Cash and cash equivalents, beginning of period	25,711	6,179
Cash and cash equivalents, end of period	<u>\$ 19,688</u>	<u>\$ 15,268</u>
Interest paid	<u>\$ 40</u>	<u>\$ 897</u>

COM DEV International Ltd.
Consolidated Statements of Changes in Equity
(Canadian dollars in thousands)
Unaudited

For the nine months ended July 31	Total	Deficit	Accumulated Other Comprehensive Income	Share Capital	Contributed Surplus	Convertible Debentures Holder's Conversion Option
Balance as reported, October 31, 2005	\$ 50,257	\$ (248,638)	\$ (1,304)	\$ 296,567	\$ 296	\$ 3,336
Comprehensive income						
Net Income	15,927	15,927	-	-	-	-
Foreign currency translation adjustments (net of taxes of \$nil)	6	-	6	-	-	-
	<u>15,933</u>	<u>15,927</u>	<u>6</u>	<u>-</u>	<u>-</u>	<u>-</u>
Common stock issued	18,848			22,307	(123)	(3,336)
Value of ESOP awards	120	-	-	-	120	-
Expense recognized for share options	215	-	-	-	215	-
Balance, July 31, 2006	<u>\$ 85,373</u>	<u>\$ (232,711)</u>	<u>\$ (1,298)</u>	<u>\$ 318,874</u>	<u>\$ 508</u>	<u>\$ -</u>
Balance as reported, October 31, 2006	\$ 92,807	\$ (227,436)	\$ (1,285)	\$ 320,948	\$ 580	\$ -
Opening deficit adjustment (note 2b)	113	113	-	-	-	-
Adjusted balance October 31, 2006	<u>92,920</u>	<u>(227,323)</u>	<u>(1,285)</u>	<u>320,948</u>	<u>580</u>	<u>-</u>
Comprehensive income						
Net Income	6,739	6,739	-	-	-	-
Foreign currency translation adjustments (net of taxes of \$nil)	68	-	68	-	-	-
	<u>6,807</u>	<u>6,739</u>	<u>68</u>	<u>-</u>	<u>-</u>	<u>-</u>
Common stock issued	1,654	-	-	2,226	(572)	-
Value of ESOP awards	134	-	-	-	134	-
Expense recognized for share options	624	-	-	-	624	-
Balance, July 31, 2007	<u>\$ 102,139</u>	<u>\$ (220,584)</u>	<u>\$ (1,217)</u>	<u>\$ 323,174</u>	<u>\$ 766</u>	<u>\$ -</u>

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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"), COM DEV Europe Limited ("CDE"), COM DEV USA LLC ("CDU"), and COM DEV US Property LLC, and its 70% owned subsidiary, COM DEV Microwave Electronics Company Limited ("Xian").

2. Changes in Accounting Standards

a) Comprehensive Income

Effective 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 reclassified to include the foreign currency translation, which is the only component of 'other comprehensive income'.

b) Financial Instruments

Effective 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

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reflect required adjustments of the previous carrying amounts.

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. Share Capital and Earnings Per Share

a) Issued Capital

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

	Number	Amount
Balance, October 31, 2006	67,329,340	\$320,948
Issuance of common shares (i)	451,590	1,751
Shares issued through employees plan (ii)	80,748	475
Balance, July 31, 2007	67,861,678	\$323,174

The value of Employee Stock Ownership Plan ("ESOP") shares amortized to compensation expense but not yet issued in the quarter was \$39 (\$34 in 2006) and in the nine months ended July 31st was \$134 (\$120 in 2006). This amount is included in contributed surplus.

- (i) During the nine months ended July 31st, the Company issued 451,590 (683,600 in 2006) common shares to satisfy the equivalent number of stock options exercised of which 100,040 (nil in 2006) options represent options issued after November 1, 2003 with a value of \$97 (nil in 2006).
- (ii) On February 28th, the Company issued 80,748 (51,708 in 2006) common shares under the ESOP.

The maximum number of shares outstanding if all options were exercised and ESOP shares were issued is 70,010,981.

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

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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 nine months ended July 31st, 2007, the Company did not grant any options. For the nine months ended July 31st, 2006, the Company granted 1,497,879 options.

The estimated fair value of the options is amortized to expense over the vesting period of the options. In the three months ended July 31st, compensation expense of \$208 (\$116 in 2006) was recognized. During the nine months ended July 31st, compensation expense of \$624 (\$215 in 2006) was recognized. This amount was added to contributed surplus.

As at July 31st, 2007, there were 2,117,379 options outstanding with exercise prices ranging from \$0.97 to \$10.95. Of the options outstanding, 1,218,652 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	
	July 31,	July 31,
	2007	2006
	<u> </u>	<u> </u>
Net income – as reported	\$ 2,544	\$ 6,377
Additional pro forma stock-based compensation costs for the period	--	(103)
Basic net income – pro forma	<u>\$ 2,544</u>	<u>\$ 6,274</u>
Convertible debenture interest	--	165
Convertible debenture accretion	--	111
Diluted net income – pro forma	<u>\$ 2,544</u>	<u>\$ 6,550</u>
Pro forma earnings per common share:		
Basic and diluted	\$ 0.04	\$ 0.10
Weighted average number of shares:		
Basic	67,702,157	62,877,901
Diluted	68,129,508	67,345,834

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	For the nine months ended July 31, 2007	July 31, 2006
Net income – as reported	\$ 6,739	\$ 15,927
Additional pro forma stock-based compensation costs for the period	--	(309)
Basic net income – pro forma	<u>\$ 6,739</u>	<u>\$ 15,618</u>
Convertible debenture interest	--	772
Convertible debenture accretion	--	490
Diluted net income – pro forma	<u>\$ 6,739</u>	<u>\$ 16,880</u>
Pro forma earnings per common share:		
Basic and diluted	\$ 0.10	\$ 0.26
Weighted average number of shares:		
Basic	67,554,112	60,927,042
Diluted	68,109,707	66,885,122

c) Earnings Per Share

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

	3 months ended July 31	
	2007	2006
Numerator for basic and diluted earnings per share available to common stockholders		
Income from continuing operations	<u>\$ 2,544</u>	<u>\$ 6,377</u>
Convertible debenture interest	--	165
Convertible debenture accretion	--	111
Net income attributable to common stockholders	<u>\$ 2,544</u>	<u>\$ 6,653</u>
Denominator for basic earnings per share- weighted average shares outstanding	<u>67,702,157</u>	<u>62,877,901</u>
Effect of dilutive securities		
ESOP	28,070	50,993
Employee stock options	399,281	642,841
Convertible debentures	--	3,081,623
Potential dilutive common shares	<u>427,351</u>	<u>3,775,457</u>
Denominator for diluted earnings per share – adjusted weighted average shares and assumed conversions	<u>68,129,508</u>	<u>66,653,358</u>
Earnings per share		
Basic and diluted earning per share	\$0.04	\$0.10

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	9 months ended July 31	
	2007	2006
Numerator for basic and diluted earnings per share available to common stockholders		
Income from continuing operations	\$ 7,673	\$ 15,927
Convertible debenture interest	--	772
Convertible debenture accretion	--	490
Diluted net income from continuing operations attributed to common stockholders	\$ 7,673	\$ 17,189
Loss from discontinued operations	(934)	--
Net income attributable to common stockholders	\$ 6,739	\$ 17,189
Denominator for basic earnings per share- weighted average shares outstanding	67,554,112	60,927,042
Effect of dilutive securities		
ESOP	44,775	54,700
Employee stock options	510,820	279,067
Convertible debentures	--	4,817,398
Potential dilutive common shares	555,595	5,151,165
Denominator for diluted earnings per share – adjusted weighted average shares and assumed conversions	68,109,707	66,078,207
Earnings per share		
Basic and diluted earnings per share from continuing operations	\$ 0.11	\$0.26
Basic and diluted loss per share from discontinued operations	\$(0.01)	\$0.00
Basic and diluted earning per share	\$ 0.10	\$0.26

4. Discontinued Operations

The Company increased the provision for discontinued operations by \$934 (nil in 2006). The provision was increased to account for the higher than expected costs of final discharge of the lease obligations related to the Dunstable facility.

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 July 31, 2007 of \$351. 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 fair value of the GE Capital loan, included in loans payable, approximates the carrying value due to its variable interest rate.

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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 July 31st, 2007 approximately 64% of cash and cash equivalents, 63% of accounts receivables, and 43% of accounts payable and accrued liabilities are denominated in foreign currencies (July 31, 2006 – 108%, 65%, and 35%, respectively).

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

As at July 31, 2007, the Canadian dollar amount that could be received under Canadian / U.S. foreign currency call options was \$5,792 (\$14,236 in 2006) and the amount that could be paid under foreign currency put options was \$8,729 (\$21,113 in 2006). The average contractual exchange rate on the call options was 1.1358 and on the put options was 1.1639. The settlement dates of all the outstanding contracts were less than one year. The exchange rate at July 31 was 1.0668 (1.1316 in 2006).

The Company recorded realized gains of \$571 and \$159 for the three and nine months ended July 31, 2007 respectively, compared to gains of \$335 and \$708 for the same periods in 2006, on foreign currency options that have been included in "foreign exchange loss (gain)" on the Consolidated Statements of Operations. At July 31, the fair value of option contracts of \$382 (\$236 in 2006) is included in "Prepays 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 54% of accounts receivable as at July 31, 2007 (51% as at July 31, 2006). Four customers comprise 55% of revenue for the nine months ended July 31, 2007 and July 31, 2006.

6. Loans Payable

On May 15, 2007 the Company borrowed \$10,000 USD from GE Capital Solutions for the acquisition of the land, building, and production equipment in El Segundo, California. The loan is being amortized over 5 years with quarterly payments of principal and interest. The interest rate is calculated at LIBOR plus 2.25%. At July 31, 2007 the current portion of the loan is \$1,977 (\$1,862 USD) comprised of \$1,816 (\$1,710 USD) of principal, and \$161 (\$152 USD) of interest. The long-term portion of the loan is \$8,802 (\$8,290 USD).

7. Capital Assets

Included in capital assets is \$3,628 of buildings that has not yet commenced being depreciated as they are under construction.

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8. 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 July 31		9 months ended July 31	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenue from external customers				
Canada	\$8,124	\$9,797	\$23,324	\$22,165
U.S.A.	12,906	15,819	39,869	49,475
United Kingdom	19,151	12,559	50,401	29,818
Other	<u>2,718</u>	<u>3,054</u>	<u>7,349</u>	<u>10,639</u>
	<u>\$42,899</u>	<u>\$41,229</u>	<u>\$120,943</u>	<u>\$112,097</u>