



COM DEV
INTERNATIONAL

COM DEV International Ltd.
First Quarter Report – Fiscal 2008
For the Period Ended
January 31, 2008



COM DEV Announces First Quarter FY2008 Results

CAMBRIDGE, ON – March 6, 2008 – COM DEV International Ltd. (TSX:CDV) today announced its first quarter financial results for the three-month period ended January 31, 2008. All amounts are stated in Canadian dollars unless otherwise noted.

First Quarter Highlights

- Revenue was \$44.9 million, an increase of 14% over the \$39.5 million recorded in Q1 2007.
- Gross margin was 22%, compared to 29% in the first quarter of 2007.
- Net income was \$1.4 million, or \$0.02 per share, compared to \$5.6 million or \$0.08 per share for the prior year period.
- New orders won in the first quarter totaled \$33 million, compared to \$22 million a year earlier and \$55 million in the fourth quarter of fiscal 2007.
- Backlog at quarter-end was \$133 million, compared to \$146 million at 2007 year-end.
- Subsequent to quarter-end COM DEV acquired the Passive Microwave Devices product line of L-3 Communications Electron Technologies Inc. for US\$12.2 million.

“For the third consecutive quarter, we established a new record for revenues recorded in a single quarter by COM DEV Space. The achievement is especially meaningful for having occurred in what is traditionally the slowest quarter of our fiscal year,” said John Keating, CEO of COM DEV. “While our profitability continues to be impacted by the start up costs of our U.S. operations, and an unfavourable currency environment, we expect to overcome both challenges this year, in part through ongoing strong growth. We remain confident in our estimate of 10 to 15% revenue growth on the year.”

Financial Review

COM DEV’s fiscal 2008 first quarter revenues of \$44.9 million represented an increase of \$5.4 million or 14% over the previous year. Historically, first quarter revenues are the lowest of the year. In Q1 2008 the Company benefited from high levels of backlog and more employees to address that workload. The revenue split between the three segments was 64% commercial, 23% civil and 13% military. Management continues to expect annual revenue growth of 10-15% in fiscal 2008.

New orders totaled \$33 million during the quarter, of which 48% were commercial, 48% were civil, and 4% were military. Backlog at quarter end was \$133 million, down sequentially for the first time in four quarters, but was 49% higher than the same quarter last year. Backlog was split between the Company’s commercial, civil and military sectors at a ratio of 53%, 37% and 10% respectively, compared to 57%, 30% and 13% at the end of fiscal 2007.

First quarter gross profit was \$10.1 million, compared to \$11.3 million in Q1 2007. The gross margin of 22%, while down from 29% a year earlier, represented an improvement from the 11% margin experienced in the fourth quarter of 2007, and was within management's guidance of the low 20% levels for early fiscal 2008. The Company expects to see margins continue to move towards its longer term margin guidance of mid to high twenty percent levels.

Selling, general and administrative expenses were \$6.1 million in the first quarter, an increase of \$2.0 million over the same period last year. The increase was attributable to \$1.1 million of expenses related to the start-up of operations in California, and \$0.8 million of costs associated with activity related to the Board appointed Special Committee's review of historic stock option granting practices.

Net research and development expense of \$2.0 million was 28% higher than the Q1 2007 amount. Total R&D spending (before funding) of \$2.8 million was below the levels seen in recent quarters, but management expects R&D spending to ramp up over the next three quarters, based on near and medium-term opportunities for product development and customer expansions.

Net income for the quarter was \$1.3 million, down from \$5.6 million in Q1 2007, while earnings per share were \$0.02, down from \$0.08 in Q1 2007.

COM DEV ended the first quarter of 2008 with \$14.3 million of cash and equivalents compared to \$31.7 million at October 31, 2007. Cash used in operating activities was \$13.3 million, compared to \$10.5 million of cash generated from operating activities in the previous quarter last year.

The Company's basic share count averaged 68,037,092 (fully diluted: 68,160,789) in the first quarter of fiscal 2008, and stood at 68,037,418 on January 31, 2008.

Conference Call

A conference call will be held today Thursday, March 6, 2008 at 5:30 pm EST 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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This news release contains statements that, to the extent they are not recitations of historical fact, may constitute “forward-looking statements” within the meaning of applicable Canadian securities laws. Forward-looking statements may include financial and other projections, as well as statements regarding COM DEV’s future plans, objectives or economic performance, or the assumptions underlying any of the foregoing. COM DEV uses words such as “may”, “would”, “could”, “will”, “likely”, “expect”, “anticipate”, “believe”, “intend”, “plan”, “forecast”, “project”, “estimate” and similar expressions to identify forward-looking statements. Any such forward-looking statements are based on assumptions and analyses made by COM DEV in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors COM DEV believes are appropriate under the relevant circumstances. However, whether actual results and developments will conform to COM DEV’s expectations and predictions is subject to any number of risks, assumptions and uncertainties. Many factors could cause COM DEV’s actual results, historical financial statements, or future events to differ materially from those expressed or implied by the forward-looking statements contained in this news release. These factors include, without limitation: the determinations made by the special committee of COM DEV’s board of directors which is charged with reviewing COM DEV’s historical stock option granting practices; the determinations made by outside advisors, auditors and others with respect to this ongoing review; unanticipated developments and delays encountered during this ongoing review; developments relating to COM DEV’s communication with the Ontario Securities Commission during this ongoing review; additional corrections that may be required based on factual findings and analysis obtained during this ongoing review; legal and accounting developments regarding stock option grants and interpretations of such guidance; fluctuations in currency exchange rates; delays in the purchasing decisions of COM DEV’s customers; the competition COM DEV faces in its industry and/or marketplace; and the possibility of technical, logistical or planning issues in connection with the deployment of COM DEV’s products or services.

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 consolidated financial statements, including the notes thereto, for the three month period ended January 31, 2008 (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, 2007 ("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 6, 2008, unless otherwise noted.

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, 2007 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 1,119 people around the world as of January 31, 2008, compared to approximately 939 people as of January 31, 2007, and approximately 1,082 people as of October 31, 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 first 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 during the quarter. Subsequent to the end of the first quarter, the Company announced that it had signed an agreement to purchase the Passive Microwave Devices (PMD) product line from L-3 Communications Ltd. This acquisition, once completed, is expected to significantly accelerate the ramp up of our El Segundo operations. Excluding integration and transaction costs, it is now expected that our U.S. operations including the integrated PMD product line, will be profitable for fiscal 2008. Previously, it was expected that the Company's U.S. operations would not begin generating external revenue until the second half of fiscal 2008, and would not be full year profitable until the Company's fiscal 2009.

The production yields in the Company's Switch product line, which suffered in Q4 of fiscal 2007, rebounded to normal levels in Q1 of fiscal 2008.

Revenue levels in Q1 of fiscal 2008 grew by 3.4% sequentially from the prior quarter, and 13.8% over Q1 of fiscal 2007. Historically, the Company's Q1 is the lowest revenue quarter of the year.

After three quarters of increased investment in Research & Development activities, spending levels in Q1 fiscal 2008 reflected more historic levels, with spending of \$2.8 million, compared with \$2.5 million in Q1 of fiscal 2007, and \$4.0 million in Q4 of fiscal 2007. Management expects overall quarterly gross spending on its Research & Development activities to return to a level similar to that seen in the latter part of fiscal 2007 as it continues its efforts in development of Automatic Identification System (AIS) technology, and micro-satellite capabilities.

Selling, general & administrative (SG&A) costs exceeded management expectations as a result of the costs of activity related to the Board appointed Special Committee's review of historic stock option granting practices. Costs incurred in Q1 related to this work totaled approximately \$0.8 million. Once the work of the special committee is completed, management anticipates that the Company's SG&A costs will return to expected levels.

Foreign exchange shifted favourably during Q1, positively impacting the Company's reported gross margins and net income during the quarter by \$2.8 million and \$2.2 million respectively as the Canadian dollar weakened against its US dollar counterpart by approximately 5.9% during the quarter. Compared with Q1 2007, the Canadian dollar remains 17.3% stronger based on quarter ending spot rates of exchange.

Turning to the market outlook, during the first quarter of the Company's 2008 fiscal year 13 GEO-satellite programs were awarded in the global space market. This compares with 10 GEO-satellite programs announced by the end of the prior year's first quarter. In the full 2007 fiscal year a total of 32 satellite programs were awarded. In the fourth quarter of fiscal 2007, 2 GEO-satellite programs were announced in the market.

Approximately 464 transponders are estimated to be on board the 13 GEO-satellite programs announced in Q1 of the current fiscal year, compared with approximately 326 on the 10 GEO-satellite programs announced in the first quarter of fiscal 2007. Of the 13 GEO programs announced this quarter, COM DEV has secured mandates on 3, and remains in the running on another 9.

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 January 31			
	2008		2007	
	Satellites	Transponders	Satellites	Transponders
Commercial	9	296	6	284
Civil	2	40	4	42
Military/Defense	2	128	0	0
Total	13	464	10	326

After three consecutive quarters of order activity near or above \$50 million per quarter, the pace of contract awards in Q1 slowed to \$32.7 million. While this is down sequentially from \$55 million in Q4 of fiscal 2007, it is approximately 48% above the level seen in Q1 of the prior year, when new orders totaled \$22 million. Current bidding and negotiating activity continues to be very brisk.

Revenues in the first quarter grew by 13.8% year over year, with \$44.9 million in revenue in the first quarter of fiscal 2008, compared with \$39.5 million in Q1 of 2007. Sequentially, revenues grew by 3.4% over the Company's reported Q4 revenue of \$43.4 million. Historically, revenues in the first quarter of the fiscal year are the lowest of the year, and thus the sequential growth from Q4 of fiscal 2007 leaves management confident in its guidance for year over year revenue growth of 10% to 15%.

New business won in fiscal 2008 Q1 was weighted more heavily in the Space Products (Multiplexer and Switch) business units. Of the \$32.7 million in new orders won in the first quarter of 2008, 48% came from the commercial sector of the space market, 48% came from the civil sector, and the remaining 4% came from the defense sector. This split compares to a split of 49%, 21%, and 30% in the first quarter of fiscal 2007 for the respective market segments, and a 100% commercial sector weighting for Q4 fiscal 2007. 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.

The Company closed out Q1 2008 with backlog at \$133 million, down from the record high level of \$146 million at the end of Q4 fiscal 2007, but 49% above the backlog of \$89 million at the end of Q1 during fiscal 2007. 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 Q1 2008 was 53%, 37%, 10% split between commercial, civil, and defense, compared with a split of 57%, 30%, 13% as at the end of Q4 2007, and 30%, 34%, 36% at the end of the first quarter a year ago.

Foreign exchange shifts were significant again in Q1 of fiscal 2008, but positively impacted the Company's quarterly gross margins and net income by \$2.8 million and \$2.2 million respectively. According to the Bank of Canada, the average value of the Canadian dollar in the Company's fiscal Q1 was US\$1.0059, compared with an average value of US\$0.9812 in the fourth quarter of fiscal 2007. This represents a weakening of the Canadian dollar of \$0.0247, or about 2.5% from the prior fiscal quarter. On a year-to-year basis, the Canadian dollar strengthened by approximately 17.3% in the first quarter, as the exchange rate at the end of Q1 of fiscal 2007 was \$0.8496, compared with a 2008 Q1 ending spot rate of \$0.9962.

The Q1 2008 gross margins of 22.4%, reflected a rebound from the 11% margins experienced in the fourth quarter, and are within managements' guidance of the low twenty percent levels for the early part of fiscal 2008. Prior year Q1 gross margins were 28.6%. The Company expects to see margins continue to move towards its longer term margin guidance of mid to high twenty percent levels, based on an expectation for a moderation in the strengthening of the Canadian dollar, improved utilization of expansion space in Cambridge, an accelerated ramp up of the Company's U.S. operations, and new business being bid, and won, at more current exchange rates.

Overall operating expenses increased by \$2.4 million from Q1 2007, due to a \$0.4 million increase in net research and development costs, and a \$2.0 million increase in selling, general and administrative costs. Compared to the fourth quarter of fiscal 2007, operating expenses increased by approximately \$2.2 million, driven by \$2.8 million of investment tax credits recognized in the fourth quarter as an offset to research and development costs. In addition, in the current quarter, approximately \$0.8 million in costs associated with the Board appointed Special Committee's work in review of the Company's historic stock option granting process were incurred. No such costs were incurred in prior periods.

COM DEV ended the first quarter of fiscal 2008 with \$14.3 million of cash and equivalents, down from \$31.7 million at October 31, 2007, and down from the comparable prior year first quarter balance of \$15.2 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 first quarter is attributable to an increase in working capital, primarily through increased project inventory in process, reduced deferred revenue, and reduced accounts payable. Accounts receivable at the end of Q1 stood at \$34.7 million, compared with \$35.5 million at the end of the prior quarter, and \$37.7 million in the comparable Q1 of fiscal 2007. The Company's \$17 million operating line of credit remained untouched at quarter-end. The Company had no new draws on its term debt facility in the current quarter. The Company made a draw of \$10 million USD on the Company's term debt facility, used to purchase the El Segundo facility in Q3 of fiscal 2007, and has made regular quarterly repayments against that draw since then.

Overall, the Company realized a net income of \$1.3 million, compared to a net income of \$4.1 million in the prior quarter, and a net income of \$5.6 million in Q1 2007.

RESULTS OF OPERATIONS

Revenues

(in millions of dollars)	Three months ended January 31		
	2008	2007	% Change
Commercial satellite programs	\$28.6	\$18.5	54.6%
Civil (government) programs	\$10.5	\$11.1	(5.4%)
Military & defense programs	\$ 5.8	\$ 9.9	(41.4%)
Total Space revenues	\$ 44.9	\$39.5	13.7%

First quarter revenues for fiscal 2008, at \$44.9 million, strengthened sequentially from Q4 revenues of \$43.4 million, as the Company continued to benefit from higher levels of backlog, and more employees to address that workload. This level of revenue was achieved in what traditionally is the lowest revenue quarter of each year. The weakening of the Canadian dollar versus the U.S. dollar had a positive impact on revenues of approximately \$2.8 million. Year-over-year, Q1 revenues increased by 13.8%. Management maintains its revenue growth guidance for between 10% and 15% growth year over year.

Backlog

(millions of dollars)	Jan. 31	Jan. 31
	2008	2007
Commercial satellite programs	\$ 70.4	\$ 26.9
Civil (government) programs	\$ 49.0	\$ 30.4
Military & defense programs	\$ 13.9	\$ 32.1
Total Backlog	\$133.3	\$ 89.4

The backlog of work at the end of Q1 2008, at \$133.3 million, decreased slightly for the first time in four quarters, but is 49% higher than at the end of Q1 2007, when backlog stood at \$89 million. Sequentially, backlog declined from the record high level of \$146 million at the end of Q4 2007. 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.

Net Income

(millions of dollars except EPS)	Three months ended January 31		
	2008	2007	% Change
Net Income/(Loss)	\$1.3	\$5.6	(76.8%)
Earnings per share, basic and diluted	\$0.02	\$0.08	(75.0%)

Net income in the first quarter of 2008 was \$1.3 million compared with income of \$5.6 million in the comparable quarter of fiscal 2007. Sequentially, net income for Q1 of 2008 declined from the \$4.1 million net income posted in Q4. Net income for Q4 2007 benefited from the recognition of a portion of the future tax benefits associated with net operating loss carry forward, and investment tax credit balances. The significant factors impacting Q1 net income performance included a positive impact of \$2.2 million stemming from the recent weakening of the Canadian dollar during the quarter, a negative impact of approximately \$1.1 million related to the continued ramp up of our operations in El Segundo, California, and \$0.8 million in costs associated with the Special Committee's review of historic stock option granting practices.

Gross Margin

(millions of dollars)	Three months ended January 31		
	2008	2007	% Change
Total gross margin	\$10.1	\$11.3	(10.6%)
Total gross margin %	22.4%	28.6%	(6.2%)

Gross margins for the first quarter reflect approximately \$2.8 million positive impact of foreign exchange shifts in the quarter, and the impact of zero gross margins on a loss program identified in Q4 2007, and on which work continued in Q1 2008. Gross margins for the prior quarter were 11%, and for the comparable Q1 2007 were 28.6%. Management had previously indicated that it expected gross margins in the early part of fiscal 2008 to be in the low 20% range.

Research and Development (R&D)

(millions of dollars)	Three months ended January 31		
	2008	2007	% Change
Total R&D Spending before funding	\$ 2.8	\$ 2.5	12.0%
Total R&D Funding received	(\$ 0.8)	\$(1.0)	(20.0%)
R&D, net of Funding	\$ 2.0	\$ 1.5	33.3%

The Company's research and development activities slowed in Q1 2008 from recent high levels over the prior three quarters, but management expects those activities to ramp up over the remainder of fiscal 2008, based on near and medium term opportunities to grow through both customer, and product offering expansions. Management has indicated that it intends to continue with development of its AIS solution, as well as exploring its possible role in the developing micro-satellite market. 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 Q1 2008 of \$2.0 million is 33% above the level seen in the prior year's Q1, and 285% above the Q4 2007 net spending level of \$0.5 million, although Q4 2007 net spending was reduced by the impact of recognizing approximately \$2.8 million in investment tax credits.

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		
	2008	2007	% Change
Selling, general & administrative expenses (SG&A)	\$6.1	\$4.1	48.8%
SG&A % of total revenue	13.6%	10.4%	3.2%
Interest income	\$ 0.1	\$0.2	(50.0%)
Foreign exchange loss	\$ 0.6	\$0.1	500.0%
Other expense	\$ 0.1	\$0.1	- .

Selling, General and Administrative

SG&A expenses for the first quarter of 2008 increased 48.8% from Q1 2007, primarily as a result of two factors. The ramp up activities related to the Company's expansion into the U.S., resulted in \$0.9 million in SG&A in the U.S. operation. In addition Q1 2008 expenditures in SG&A include approximately \$0.8 million in cost associated with the review of historic stock option granting practices. Comparable SG&A for Q4 2007 were \$5.3 million. Management expects that its SG&A costs will continue to run at levels higher than historically seen until the California operations increase the level of work on customer contracts, and research and development work. Once the acquisition of the PMD product line is completed, the ramp up to production at the El Segundo facility will be accelerated, and this could help to absorb costs that would otherwise have been categorized as SG&A.

Interest Expense

There were no draws on the Company's operating line of credit during the quarter, and no new draws on the Company's term debt facilities. Interest on this term debt is calculated at LIBOR plus 2.25% per annum.

Foreign Exchange

The foreign exchange loss in the first quarter of 2008 was \$0.6 million, compared with \$0.1 million in Q1 2007, and a gain of \$0.4 million in the fourth quarter of 2007. The positive \$2.8 million impact on revenues and gross margins, from the weakening during Q1 of the Canadian dollar, was partly offset at the net income level by \$1.3 million in exchange losses on hedge contract valuations, which, due to the shift in exchange rates, had a lower value than in the prior quarter. This impact was reduced by translation gains of \$0.7 million on US denominated balance sheet items. 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, 2007 and January 31, 2008:

(in millions of dollars)	Increase/ (Decrease)	Explanation
Cash and cash equivalents	(\$17.5)	Refer to Statement of Cash Flows
Accounts receivable	(0.8)	Lower billings in Q1 based on milestones, and normal collections.
Inventory	7.5	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	(2.0)	reduction in mark to market valuation of forward contracts.
Income taxes recoverable	0.5	payment on account of disputed tax assessments.
Capital assets	1.7	Normal capital additions during the quarter less normal depreciation.
Accounts payable and accrued	(6.5)	Normal accounts payable payments cycle.
Deferred revenue	(5.7)	Less customer billings in advance of work performed. This balance tends to fluctuate with order levels.
Current portion of loans payable	0.1	Current portion of draw on term debt facility for land and building.

Current liabilities – discontinued ops	(0.3)	Expected play-out of final liabilities.
Shareholders' equity	1.7	See Statements of Changes in Equity

Liquidity and Capital Resources

(in millions of dollars)	Three months ended January 31		
	2008	2007	% Change
Cash used in operating activities	\$13.3	\$10.5	26.7%
Net decrease in cash	\$17.4	\$10.5	65.7%
Property and equipment additions	\$ 3.5	\$ 0.7	400.0%

The Company used \$13.3 million of cash in operating activities in the first quarter of 2008, compared with \$10.5 million used a year earlier. The Company invested \$17.4 million in working capital in the quarter, as contracts in process inventories grew by \$7.5 million over the prior quarter's level, deferred revenue decreased by \$5.7 million, and accounts payable declined by \$6.5 million versus the prior quarter.

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. The Company also has \$30 million in term debt facilities, of which, approximately \$20 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 of 2007.

Off-balance Sheet Arrangements

The Company has no off-balance sheet arrangements as at the end of the first quarter of the 2008 fiscal year.

Related Party Transactions

None

Proposed Transactions

On February 12, 2008, the Company announced the acquisition of the Passive Microwave Devices product line of L-3 Communications Electron Technologies Inc. "ETI-PMD" for \$12.2 million. The Company plans to finance the ETI-PMD purchase through existing cash resources and borrowing facilities. The ETI-PMD transaction, which is subject to regulatory approval, is expected to close within the next three months. The purchase price allocation has not yet been finalized and the final purchase price will be subject to certain closing adjustments.

Contractual Obligations

(in thousands of dollars)	Total	Payments Due by Fiscal Period			
		2008	2009 to 2010	2011 to 2012	2013 & beyond
Long-term debt*	\$ 9,574	\$ 1,387	\$ 4,036	\$ 4,085	\$ 66
Operating leases	\$ 7,758	\$ 2,226	\$ 4,783	\$ 749	\$ -
Capital leases	\$ -	\$ -	\$ -	\$ -	\$ -
Purchase obligations**	\$ -	\$ -	\$ -	\$ -	\$ -
Other Long-term obligations	\$ -	\$ -	\$ -	\$ -	\$ -
Total contractual obligations	\$ 17,332	\$ 3,613	\$ 8,819	\$ 4,834	\$ 66

* 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, 2008 the Company had outstanding forward foreign currency call options with a notional value of \$40.9 million maturing within a year at an average exchange rate of \$1.0270 (January 31, 2007: \$28.2 million at 1.1297). The Company had outstanding forward foreign currency put options with a notional value of \$55.3 million maturing within a year at an average exchange rate of \$1.0415 (January 31, 2007: \$42.6 million at 1.1521). 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 2008 Quarters	January 31	April 30	July 31	October 31	Total
Total Revenue	\$44,880				
Net Income – Total	\$1,345				
Net Income per share (basic and diluted)	\$0.02				

Fiscal 2007 Quarters	January 31	April 30	July 31	October 31	Total
Total Revenue	\$39,454	\$38,590	\$42,899	\$43,387	\$164,330
Net income/(Loss) from continuing operations	\$5,619	(\$490)	\$2,544	\$4,180	\$11,853
Loss from discontinued operations	\$-	(\$934)	\$-	(\$40)	(\$974)
Net income/(Loss) - Total	\$5,619	(\$1,424)	\$2,544	\$4,140	\$10,879
Net Income per share (basic and diluted)	\$0.08	(\$0.02)	\$0.04	\$0.06	\$0.16

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

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 & Presentation

In December 2006, the CICA released Handbook Section 3862 & 3863, Financial Instruments – Disclosures & Presentation, effective for all annual and interim periods beginning on or after November 1, 2007, and accordingly, the Company has adopted these new Handbook Sections in Q1 of its 2008 fiscal year. CICA Handbook Section 3862 includes required disclosures for the assessment of the significance of financial instruments for an entity's financial position and performance and of the extent of risks arising from financial instruments to which the Company is exposed and how the Company manages those risks. CICA Handbook Section 3863 carries forward the presentation requirements of CICA Handbook Section 3861.

Capital Disclosures

In December 2006, the CICA released Handbook Section 1535 – Capital Disclosures, effective for all annual and interim periods beginning on or after November 1, 2007, and accordingly, the Company adopted this new Handbook Section in Q1 of its 2008 fiscal year. This new Handbook Section establishes standards for disclosing information about an entity's capital and how it is managed. The entity's disclosure should include information about its objectives, policies and processes for managing capital, and disclose whether or not it has complied with any capital requirements to which it is subject and the consequences of non-compliance.

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, and therefore the Company has adopted this new Section, effective with Q1 fiscal 2008. There was no impact on the Unaudited Consolidated Financial Statements as a result of adopting this standard.

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 adoption of this standard did not have a significant impact on the consolidated results of operations or financial position of the Company.

Hedges

In April 2005, the CICA issued Section 3865 of the CICA Handbook, Hedges, which is effective for years beginning on or after October 1, 2006, and which the Company adopted in its fiscal year 2007. See Note 2 to the 2007 audited Consolidated Financial Statements for a full description of this change, and its impacts on the Company's results. 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. Since the Company does not designate its forward foreign exchange contracts as hedges the impact of this standard on the consolidated results of operations or financial position of the Company was not material.

Comprehensive Income

In the fiscal year 2007, the Company adopted CICA 1530 Comprehensive Income, which set the standards for the reporting and display of comprehensive income. See Note 2 to the 2007 audited Consolidated Financial Statements for a description of the impact of adoption. 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 would 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 became effective for years beginning on or after October 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, and accordingly, the Company adopted this new Handbook Section 3855 in its fiscal year 2007. 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. See Note 2 to the 2007 audited Consolidated Financial Statements for additional description of the requirements of this Handbook Section 3855, including standards pertaining to stand-alone, and embedded derivatives.

Inventories

In June 2007, the CICA released Handbook Section 3031 – Inventories. This new standard, with an effective date for adoption of November 1, 2008 provides more guidance on the measurement and disclosure requirements for inventories than the previous CICA Handbook Section 3030, and is currently being evaluated by the Company to determine the impact of its adoption.

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

In 2007 the Company experienced technical difficulties on one customer program, which were subsequently resolved to the satisfaction of that customer, avoiding any long-term damage to the relationship with that customer. Any inability of the Company to execute customer projects in accordance with requirements, including adherence to delivery timetables, 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 Space operates in a market where product reliability is essential. While the Company enjoys a strong 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 Space division'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 Space division 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. The Company has recently expanded into the U.S. with the purchase of a facility to be used to design, engineer, and produce equipment for its customers involved in U.S. government satellite programs. The inability to effectively address this new market could result in a material adverse effect on the results of the Company's operations.

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 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 \$4.4 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.

Risks Arising from the Independent Committee's Review of the Company's Historical Stock Option Granting Practice

On November 29, 2007, the Company announced the formation of a special committee comprised of two independent directors (the "Special Committee") to commence a review of Com Dev's historical stock option granting practices. The Special Committee is being assisted in its task by independent counsel and by independent accounting consultants. The Company, the Special Committee and independent counsel have met with the Ontario Securities Commission (the "OSC") to apprise the OSC of the review process to be undertaken by the Special Committee. The Special Committee will make recommendations to the Company's Board with respect to reviewing and revising COM DEV's stock option granting procedures and corporate governance policies as may be required following completion of the review. Although the Special Committee's review is continuing, as a result of their work in the review of stock options granted between November 1, 2003 and the present date, no material adjustments to, or restatements of the Company's financial statements will be required. While the Company is currently not aware of any investigation by the OSC of the Company's historical stock option granting practices, such an investigation could take place and could lead to an enforcement action in which the Company could be subject to both civil and quasi-criminal penalties. Also, while the Company is not currently aware of any litigation initiated by private parties regarding the Company's historical stock option granting practices, such activity could be initiated in the future and could lead to a civil or equitable judgment levied against the Company. The results of any OSC investigation or enforcement action against the Company, or the results of any civil judgment levied against the Company as a result of private litigation could each have a material adverse effect on the Company's business, operations, finances or 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, 2008, 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 6, 2008 are as follows:

Common shares	68,069,688
Options on common shares	1,898,099

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

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

For the three months ended January 31, 2008	Total	Deficit	Accumulated Other Comprehensive Income	Share Capital	Contributed Surplus
Balance, October 31, 2007	\$ 106,424	\$ (216,444)	\$ (1,993)	\$ 323,862	\$ 999
Comprehensive income					
Net Income	1,345	1,345	-	-	-
Foreign currency translation adjustments (net of taxes of \$nil)	65	-	65	-	-
	<u>1,410</u>	<u>1,345</u>	<u>65</u>	<u>-</u>	<u>-</u>
Common stock issued	2			2	-
Value of ESOP awards	54	-	-	-	54
Expense recognized for share options	208	-	-	-	208
Balance, January 31, 2008	<u>\$ 108,098</u>	<u>\$ (215,099)</u>	<u>\$ (1,928)</u>	<u>\$ 323,864</u>	<u>\$ 1,261</u>
<hr/>					
For the three months ended January 31, 2007					
Balance as reported, October 31, 2006	\$ 92,807	\$ (227,436)	\$ (1,285)	\$ 320,948	\$ 580
Opening deficit adjustment (note 2)	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>
Comprehensive income					
Net Income	5,619	5,619	-	-	-
Foreign currency translation adjustments (net of taxes of \$nil)	771	-	771	-	-
	<u>6,390</u>	<u>5,619</u>	<u>771</u>	<u>-</u>	<u>-</u>
Common stock issued	546	-	-	602	(56)
Value of ESOP awards	51	-	-	-	51
Expense recognized for share options	208	-	-	-	208
Balance, January 31, 2007	<u>\$ 100,115</u>	<u>\$ (221,704)</u>	<u>\$ (514)</u>	<u>\$ 321,550</u>	<u>\$ 783</u>

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	2008	2007
Revenue	\$ 44,880	\$ 39,454
Cost of revenue	34,817	28,171
Gross margin	<u>10,063</u>	<u>11,283</u>
Research and development costs	2,774	2,526
Research and development recovery	757	954
Net research and development	<u>2,017</u>	<u>1,572</u>
Selling and general expenses	6,112	4,096
Operating income	1,934	5,615
Interest income	(63)	(218)
Foreign exchange loss	570	123
Other expense	67	55
Income before non-controlling interest and income taxes	<u>1,360</u>	<u>5,655</u>
Non-controlling interest	15	36
Income tax expense (note 4)	-	-
Net income	<u>\$ 1,345</u>	<u>\$ 5,619</u>
Earnings per share (note 3c)		
Basic and diluted earnings per share	\$0.02	\$0.08

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

	As at January 31, 2008	As at October 31, 2007
Assets		
Current		
Cash and cash equivalents	\$ 14,266	\$ 31,713
Accounts receivable	34,717	35,523
Inventory	33,154	25,611
Prepays and other	2,831	4,864
Income taxes recoverable	1,499	956
Future income tax assets - current	3,958	3,957
	<u>90,425</u>	<u>102,624</u>
Capital assets	56,564	54,890
Intangible assets	3,936	3,939
Future income tax assets - long term	3,958	3,958
Total assets	<u>\$ 154,883</u>	<u>\$ 165,411</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 18,986	\$ 25,435
Deferred revenue	17,545	23,204
Current portion of loans payable	1,846	1,720
Current liabilities - discontinued operations	128	399
	<u>38,505</u>	<u>50,758</u>
Long term		
Loans payable	7,728	7,692
	<u>7,728</u>	<u>7,692</u>
Total liabilities	<u>46,233</u>	<u>58,450</u>
Non-controlling interest	<u>552</u>	<u>537</u>
Shareholders' equity		
Share capital (note 3a)	323,864	323,862
Contributed surplus	1,261	999
Deficit	(215,099)	(216,444)
Accumulated other comprehensive income	(1,928)	(1,993)
Total shareholders' equity	<u>108,098</u>	<u>106,424</u>
Total liabilities and shareholders' equity	<u>\$ 154,883</u>	<u>\$ 165,411</u>

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

For the three months ended January 31	2008	2007
Cash flows used in operating activities		
Net income from continuing operations	\$ 1,346	\$ 5,619
Amortization	1,919	1,796
Stock compensation expense	262	259
Unrealized foreign exchange loss on long term debt	562	-
Non-controlling interest	15	36
	<u>4,104</u>	<u>7,710</u>
Net change in non-cash working capital items	<u>(17,356)</u>	<u>(18,224)</u>
Cash flows used in operating activities	<u>(13,252)</u>	<u>(10,514)</u>
Cash flows (used in) from financing activities		
Shares issued	2	546
Repayment of long term debt	(400)	(162)
Cash flows (used in) from financing activities	<u>(398)</u>	<u>384</u>
Cash flows used in investing activities		
Acquisition of capital assets	(3,472)	(705)
Acquisition of intangible assets	(109)	(67)
Cash flows used in investing activities	<u>(3,581)</u>	<u>(772)</u>
Effect of exchange rate changes on cash	56	490
Net decrease in cash from continuing operations	(17,175)	(10,412)
Net cash used in discontinued operations	(271)	(96)
Net decrease in cash	(17,446)	(10,508)
Cash and cash equivalents, beginning of period	31,713	25,711
Cash and cash equivalents, end of period	<u>\$ 14,267</u>	<u>\$ 15,203</u>
Interest paid	<u>\$ 218</u>	<u>\$ 10</u>

COM DEV INTERNATIONAL LTD
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JANUARY 31, 2008 and 2007
(Canadian dollars in thousands, except for per share figures)
Unaudited

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, impairment of long-lived assets, determination of net recoverable value of assets, contracts in progress, income taxes, future income tax assets, and contingencies. Actual results may differ from these estimates. 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, 2007, 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"), COM DEV US Property LLC, COM DEV Consulting Ltd., and 6645348 Canada Inc., and its 70% owned subsidiary, COM DEV Microwave Electronics Company Limited ("Xian").

2. Changes in Accounting Standards

a) Financial Instruments

On November 1, 2007, the Company adopted the requirements of the Canadian Institute of Accountants ("CICA") Handbook Section 3862, Financial Instruments – Disclosures and CICA Handbook Section 3863, Financial Instruments – Presentation, which modify the disclosure and presentation requirements for CICA Handbook Section 3861. These sections have been applied in accordance with the transitional provisions, which do not require restatement of prior periods. The CICA Handbook Section 3861 requires disclosure that enables users of the financial statements to evaluate the significance of the Company's financial instruments and the nature and extent of risks arising from those financial instruments. The CICA Handbook Section 3863 carries forward the presentation requirements of CICA Handbook Section 3861. The new disclosures are included in note 5.

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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 were applied in accordance with the transitional provisions, which do not require restatement of prior periods. The Company has recorded all financial instruments at fair value or amortized

cost based upon their classification effective November 1, 2006. As a result, the opening deficit on November 1, 2006 was adjusted to reflect required adjustments of the previous carrying amounts. Under the new standard, all financial instruments are initially recorded on the Consolidated Balance Sheets at fair value except for certain related party transactions. They are subsequently valued either at fair value or amortized cost depending on the classification selected for the financial instrument. Financial assets are classified as “held-for-trading”, “held-to-maturity”, “available-for-sale” or “loans and receivables” and financial liabilities are classified as either “held-for-trading” or “other liabilities”. Financial assets and liabilities classified as held-for-trading are measured at fair value with changes in fair value recorded in the Consolidated Statements of Operations. Financial assets classified as “loans and receivables”, and “other financial liabilities” are carried at amortized cost using the effective interest rate method. The Company does not have any financial instruments classified as “held-to-maturity”.

The Company has classified its financial instruments as follows:

- Cash and cash equivalents are classified as held-for trading.
- Accounts receivable are classified as loans and receivables.
- Bank indebtedness is classified as held-for-trading.
- Accounts payable and accrued liabilities and long-term debt are classified as other liabilities.
- Derivative financial instruments are classified as held-for-trading.

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Embedded Derivatives

In addition to recognizing all stand-alone derivative financial instruments at fair value, CICA Handbook Section 3855 requires embedded derivatives, which are components included in a non-derivative host contract that have features similar to derivatives, to be accounted for separately when their economic characteristics and risks are not closely related to the host instrument and the combined contract is not recorded at fair value. These embedded derivatives are measured at fair value with subsequent changes recorded in the Consolidated Statements of Operations in relation to the host contract. The Company enters into certain non-financial instrument contracts, which contain embedded foreign currency derivatives. Where the contract is not leveraged, does not contain an option feature and is denominated in a currency that is commonly used in the economic environment where the transaction takes place, the embedded derivative is not accounted for separately from the host contract. As allowed under CICA Handbook Section 3855, the Company elected November 1, 2003 as the transition date for embedded derivatives and only reviewed contracts entered into after that date. Changes in the fair value of embedded derivatives will be recognized on a basis consistent with the host contract in the Consolidated Statements of Operations.

Hedging

CICA Handbook Section 3865 specifies the criteria that must be met in order for hedge accounting to be applied and the accounting for each of the permitted hedging strategies. If the derivative is designated as a fair value hedge, changes in fair value of the hedged item attributable to the hedged risk are recognized in the Consolidated Statements of Operations.

If the derivative is designated as a cash flow hedge, the effective portions of the change in the fair value of the derivative are initially recorded in Accumulated Other Comprehensive Income ("AOCI") and are reclassified to the Consolidated Statements of Operations when the hedged item is recognized.

Transition Adjustments

The impact of adopting the new standards as at November 1, 2006 was as follows:

- \$1,285 of net foreign currency losses that were previously presented as a separate item in shareholders' equity has been reclassified to AOCI.
- The carrying value of the Government of Canada loan of \$518, included in loans payable as at November 1, 2006, was adjusted through the opening deficit to amortized cost of \$405 using the effective interest rate method as if the loan had been recorded at fair value at inception.

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b) Capital Disclosures

On November 1, 2007, the Company adopted the requirements of the CICA Handbook Section 1535, Capital Disclosures. This new standard requires the Company to make new disclosures to enable users of the financial statements to evaluate the Company's objectives, policies and processes for managing capital. These new disclosures are shown in note 6.

3. 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, 2008.

	Number	Amount
Balance, October 31, 2007	68,035,418	\$323,862
Issuance of common shares (i)	2,000	2
Balance, January 31, 2008	68,037,418	\$323,864

The value of Employee Stock Ownership Plan ("ESOP") shares amortized to compensation expense but not yet issued at quarter-end was \$54 (\$51 in 2007). This amount is included in contributed surplus.

- (i) During the quarter ended January 31, 2008, the Company issued 2,000 (188,450 in 2007) common shares to satisfy the equivalent number of stock options exercised of which none (61,600 in 2007) of the 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 70,007,661.

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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, 2008 and 2007, the Company did not grant any 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, 2008 and 2007 compensation expense of \$208 was recognized. This amount was added to contributed surplus.

As at January 31, 2008, there were 1,898,099 options outstanding with exercise prices ranging from \$1.27 to \$10.95. Of the options outstanding, 1,174,572 shares have vested.

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	
	2008	2007
Numerator for basic and diluted earnings per share available to common stockholders		
Basic and diluted net income attributed to common stockholders	\$ 1,345	\$ 5,619
Denominator for basic earnings per share- weighted average shares outstanding	68,037,092	67,375,654
Effect of dilutive securities		
ESOP	39,111	65,800
Employee stock options	84,586	723,005
Potential dilutive common shares	123,697	788,805
Denominator for diluted earnings per share – adjusted weighted average shares and assumed conversions	68,160,789	68,164,459
Earnings per share		
Basic and diluted earnings per share	\$0.02	\$0.08

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4. Income Tax Expense

Current income tax expenses in the quarter have been offset by operating loss carry forward amounts. The balance of the net future income tax asset remains unchanged from October 31, 2007.

5. Financial Instruments – Risk Management Objectives and Policies

For the Company's cash and cash equivalents, accounts receivables, accounts payable and accrued liabilities and discontinued operations 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 that approximates the carrying value, as at January 31, 2008 of \$366 (\$340 in 2007). The fair value of the GE Capital loan, included in loans payable, approximates the carrying value due to its variable interest rate.

Foreign Currency Risk

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. 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 - Hedges. 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. Management policy is to hedge between 75% and 100% of expected USD net cash flows.

The Company's derivatives, which are not designated in hedging relationships, are classified as held-for-trading and the changes are recognized in the Consolidated Statements of Operations. During the quarter ended January 31, 2008, the fair value of derivatives classified as held-for-trading decreased by \$2,329 (\$1,171 in 2007).

At January 31, 2008 approximately 79% of cash and cash equivalents, 51% of accounts receivables, and 32% of accounts payable and accrued liabilities are denominated in foreign currencies (January 31, 2007 – 43%, 51%, and 12%, respectively). These foreign currencies include the U.S. dollar, British Pound, and Euro.

As at January 31, 2008, the Canadian dollar amount that could be received under Canadian /

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U.S. foreign currency call options was \$40,900 (\$28,243 in 2007) and the amount that could be paid under foreign currency put options was \$55,330 (\$42,629 in 2007). The average contractual exchange rate on the call options was 1.0270 and on the put options was 1.0415. The settlement dates of all the outstanding contracts were less than one year. The exchange rate at January 31 was 1.0070 (1.1799 in 2007).

The Company recorded realized gains of \$303 for the three months ended January 31, 2008, compared to losses of \$316 for the same period in 2007, on foreign currency options that have been included in "foreign exchange loss" on the Consolidated Statements of Operations. At January 31, 2008 the fair value of option contracts of \$653 (\$2,983 October 31, 2007) is included in "Prepays and other" on the Consolidated Balance Sheet.

The majority of the Company's foreign exchange risk resides with U.S dollars transactions, with minimal impact on transactions in British Pounds and Euros. To evaluate the sensitivity of profit before tax to a reasonably possible change in the US dollar exchange rate, various exchange rates were entered into models which considered the valuation impact to our customer contracts, hedging contracts, US dollar cash balances and US denominated monetary balance sheet items. The impact as at January 31, had the US dollar appreciated in value by 5%, would have been an increase in profit before taxes of \$369 in 2008 (\$987 in 2007). Had the US dollar depreciated by 5%, the impact would have been a decrease in profit before tax of \$358 in 2008 (\$1,043 in 2007).

Interest Rate Risk

The Company's exposure to the risk in market interest rates relates primarily to the Company's long-term debt obligation with GE Capital Solutions with a floating interest rate. The Company did not have an exposure to the risk in market interest rates until the 3rd quarter of 2007 when the Company borrowed \$10,000 USD against the term loan facilities provided by GE Capital Solutions.

The Company's policy is to review its borrowing requirements on a continual basis and to enter into fixed or variable interest rate borrowing arrangements as required.

To evaluate the sensitivity of profit before tax from possible changes in interest rates, the impact of an interest rate change was modeled on the floating rate borrowings while all other variables were held constant. Based on these assumptions, the impact as at January 31 from a 50 basis point increase in interest rates would have been a decrease in the profit before tax of \$11 (nil in 2007) and an increase in profit before tax of \$11 (nil in 2007) if there had been a 50 basis point decrease.

Credit Risk

The Company, in the normal course of business, monitors the financial condition of its customers and reviews the credit history of each new customer. The Company manages the collection risk on foreign receivables by carrying credit insurance through Export Development Canada that insures 90% of receivables, primarily those from foreign customers, to protect against commercial and political risk. Trade receivables are non-interest bearing and are generally on 30-60 day terms. There are balances past due but no amounts are considered

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impaired and therefore the Company does not have an impairment allowance. Three customers comprise 51% of accounts receivable as at January 31, 2008 (61% as at January 31, 2007). Four customers comprise 56% of revenue for the quarter ended January 31, 2008 (53% for the quarter ended January 31, 2007).

The Company has reviewed its outstanding trade receivables in detail and has determined that the aging profiles are within historical expectations. The Company has historically had no impairment of its trade receivables.

Liquidity Risk

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of its financial assets (eg. accounts receivables, other financial assets), liabilities (eg. payables, loans), and projected cash flows from operations. The Company's objective is to maintain a balance between continuity of funding and flexibility through borrowing facilities available through the Company's bank and GE Capital Solutions, finance leases and employment purchase contracts. The Company's bank facility includes a treasury risk management facility to facilitate hedging of currency related risks arising in the normal course of operations.

The Company's policy is to ensure adequate funding is available from operations, established lending facilities and other sources as required. As at January 31, 2008, the Company has operating credit facilities of \$17,000 which have been approved but not drawn upon.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

	<u>On Demand</u>	<u>< 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>Total</u>
January 31, 2008					
Interest bearing loans and borrowing	-	508	1,338	7,728	9,574
Trade and other payables	1,590	12,621	4,775	-	18,986
Discontinued Operations	-	79	49	-	128
Total	<u>1,590</u>	<u>13,209</u>	<u>6,162</u>	<u>7,728</u>	<u>28,688</u>
October 31, 2007					
Interest bearing loans and borrowing	-	650	1,070	7,691	9,412
Trade and other payables	4,375	15,120	5,940	-	25,435
Discontinued Operations	-	272	49	78	399
Total	<u>4,375</u>	<u>16,042</u>	<u>7,059</u>	<u>7,769</u>	<u>35,246</u>

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6. Capital Management

The primary objectives of the Company's capital management are:

- to ensure that it maintains strong credit ratings and exceeds its borrowing covenants in order to support its business and maximize shareholder value, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk undertaken.

The Company reviews its capital structure quarterly and makes adjustments as necessary.

7. 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	
	<u>2008</u>	<u>2007</u>
Revenue from external customers		
Canada	6,255	7,378
U.S.A.	24,747	12,694
United Kingdom	11,749	17,041
Other	<u>2,129</u>	<u>2,341</u>
	<u><u>\$44,880</u></u>	<u><u>\$39,454</u></u>

8. Subsequent Events

On February 12, 2008, the Company announced the acquisition of the Passive Microwave Devices product line of L-3 Communications Electron Technologies Inc. "ETI-PMD" for \$12,200. The Company plans to finance the ETI-PMD purchase through existing cash resources and borrowing facilities. The ETI-PMD transaction, which is subject to regulatory approval, is expected to close within the next three months. The purchase price allocation has not yet been finalized and the final purchase price will be subject to certain closing adjustments.