



COM DEV
INTERNATIONAL

**COM DEV International Ltd.
Second Quarter Report – Fiscal 2008
For the Period Ended
April 30, 2008**



COM DEV Announces Second Quarter FY2008 Results

CAMBRIDGE, ON – June 12, 2008 – COM DEV International Ltd. (TSX:CDV) today announced its second quarter financial results for the three-month period ended April 30, 2008. All amounts are stated in Canadian dollars unless otherwise noted.

Second Quarter Highlights

- Revenue was \$54.2 million, an increase of 40% over the \$38.6 million recorded in Q2 2007.
- Gross margin was 22%, compared to 19% in the second quarter of 2007.
- Net income was \$2.0 million, or \$0.03 per share, compared to a loss of \$1.4 million, or \$0.02 per share, in the same period last year.
- New orders won in the second quarter were \$42 million, compared to \$81 million a year earlier and \$33 million in the first quarter of fiscal 2008.
- Backlog at quarter-end was \$120 million, compared to \$133 million at the end of Q1 2008.
- Subsequent to the end of the quarter, COM DEV announced that it had completed its US\$12.2 million acquisition of the Passive Microwave Devices product line from L-3 Communications.

“Our record revenues for the quarter reflect our recent success both in winning new business and adding the production capacity to manage it,” said John Keating, CEO of COM DEV. “Margins and overall profitability, while in line with our expectations, have been constrained by the currency environment and by strategic decisions we’ve made to invest in some very promising growth initiatives. We expect to see improvements by the end of the fiscal year as COM DEV USA begins generating revenue to offset its expenses, and as more of our workload has been contracted under current levels of exchange rates.”

Financial Review

COM DEV’s fiscal 2008 second quarter revenues of \$54.2 million represented an increase of \$15.6 million or 40% over the previous year. This marks a new record for space revenues in a single quarter, exceeding the previous record, set one quarter earlier, by more than \$9 million. Revenues grew sequentially by 21%, compared to \$44.9 million in the first quarter of 2008. Management continues to expect year over year revenue growth of 15% to 20%.

In the second quarter, new orders totaled \$42 million, of which 64% were commercial, 34% were civil, and 2% were military. Backlog at quarter end was \$120 million, down from \$133 million at the end of the previous quarter and \$130 million one year ago. Backlog was split between the Company’s commercial, civil and military sectors at a ratio of 54%, 39% and 7% respectively, compared to 53%, 37% and 10% three months earlier.

Second quarter gross margin was 22%, consistent with Q1 2008, and up from 19% in Q2 2007. Margins were suppressed in last year's second quarter by a \$5.1 million charge incurred due to a program cost overrun. Gross margin for Q2 2008 was in line with management's guidance of the low twenty percent levels for early fiscal 2008. As a greater portion of revenues reflect orders won in the current exchange rate environment, management expects that margins will continue towards long term guidance of mid to high twenty percent levels.

Selling, general and administrative expenses for the second quarter were \$7.6 million, compared to \$5.0 million in the same quarter last year and \$6.1 million in Q1 2008. Increased SG&A expenses can be attributed in part to \$1.2 million in activities related to the start-up of operations in El Segundo, California, \$0.75 million of costs associated with the Board-appointed Special Committee's review of historic stock option granting practices, and higher than normal bid & proposal costs. Management expects that SG&A costs will begin to moderate as operations ramp up in El Segundo and the review of the Company's historic stock option granting practices is completed.

Net research and development expense was \$2.9 million the quarter, compared to \$2.7 million in Q2 2007. Total R&D spending (before funding) of \$4.6 million returned to levels similar to those recorded in the latter part of fiscal 2007. Based on activities associated with Automatic Identification System (AIS) work, micro-satellite development and roadmap growth activities, management expects R&D spending levels for the rest of fiscal 2008 to be similar to those seen in the current quarter.

Net income for the quarter was \$2.0 million, up from a net loss of \$1.4 million in Q2 2007, while earnings per share were \$0.03, compared to (\$0.02) a year earlier.

COM DEV ended the second quarter of 2008 with \$8.9 million of cash and equivalents, compared to \$14.3 million at January 31, 2008. Cash used in operating activities was \$1.9 million, compared to \$13.1 million of cash generated from operating activities a year earlier.

The Company's basic share count averaged 68,059,648 (fully diluted: 68,220,957) in the second quarter of fiscal 2008, and stood at 68,069,688 on June 10, 2008.

Conference Call

A conference call will be held Thursday, June 12, 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.

Contact information:

Gary Calhoun
Chief Financial Officer
Tel: (519) 622-2300 ext. 2826
Fax: (519) 622-2158
gary.calhoun@comdev.ca

Jeff Codispodi
The Equicom Group
Tel: (416) 815-0700 ext. 261
Fax: (416) 815-0080
jcodispodi@equicomgroup.com

COM DEV, COM DEV International Products, COM DEV USA and COM DEV Europe are registered trademarks of COM DEV International Ltd. 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 and six month period ended April 30, 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 June 10, 2008, unless otherwise noted.

CAUTION REGARDING FUTURE ORIENTED FINANCIAL INFORMATION

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", "guidance", 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.

This Management's Discussion and Analysis contains Future Oriented Financial Information (FOFI) in several areas, notably: in discussing R&D spending levels, SG&A spending, revenue growth guidance, and gross margin trending. Readers are again cautioned that this FOFI is provided solely to provide a view of the operations through the eyes of management, based on managements' current expectations in these areas, and should not be used for any other purpose. Readers are reminded that, as noted above, FOFI are not guarantees of future performance, and should not be considered such, since actual results may differ materially from those expressed in the FOFI.

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. The Company measures backlog as the sum of all customers' orders at contract value (including the contract value of change notices subsequently received) to date, less revenue recognized against those orders, plus or minus the impact of foreign exchange fluctuations on orders denominated in foreign currency. The Company includes in its backlog determination, only those amounts that are covered by contracts. 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 1,123 people around the world as of April 30, 2008, compared to approximately 989 people as of April 30, 2007, and approximately 1,119 people as of January 31, 2008.

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 second 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 aimed at concluding the asset purchase related to L-3 Communications Ltd's Passive Microwave Devices (PMD) product line. This had the effect of slowing greenfield activities, with a resulting increase in Selling, General & Administrative (SG&A) expenses for the US operations. Subsequent to the end of the second quarter, the Company announced that it had received US regulatory approval to conclude the purchase of the PMD product line, and the transaction closed on May 9, 2008.

Revenue levels in Q2 of fiscal 2008 grew by 20.7% sequentially from the prior quarter, and 40.4% over Q2 of fiscal 2007. This marks the fourth quarter in a row where record space revenue levels for the Company have been achieved.

Research & Development activities continued in support of the Company's strategic technology roadmap, Automatic Identification System (AIS) technology, and micro-satellite capabilities. Gross spending in Q2 of fiscal 2008 was \$4.6 million and marked the return to levels similar to those in the latter part of fiscal 2007. Q2 gross spending was 64.3% above the prior quarter level of \$2.8 million, while year over year spending increased by 12.2% from the \$4.1 million spent in Q2 of fiscal 2007. Management expects* overall quarterly gross spending on its Research & Development activities to stay at a level similar to this quarter for the remainder of the year.

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 Q2 related to this work totaled approximately \$0.75 million. These costs will cease once the review is completed. In addition SG&A costs associated with the Company's U.S. operations were higher than anticipated for the quarter due to the significant level of resources being dedicated to preparation for the integration of the PMD product line acquisition, rather than on revenue generating work. The impact on Q2 SG&A costs was approximately \$1.2 million. As the US operations integrate the PMD product line business, management expects* a higher proportion of costs to flow into cost of goods sold rather than SG&A, since more resources will now be devoted to the completion of external customer work.

Foreign exchange was essentially unchanged from the prior quarter, but year over year the US dollar was approximately 14% weaker in Q2 of fiscal 2008 versus fiscal 2007 Q2, based on Bank of Canada statistics. For additional discussion on foreign exchange risk, please see the Business Risks and Prospects later in this Management's Discussion and Analysis.

Turning to the market outlook, during the second quarter of the Company's 2008 fiscal year seven GEO-satellite programs were awarded in the global space market. This compares with three GEO-satellite programs announced by the end of the prior year's second quarter. In the full 2007 fiscal year a total of 32 satellite programs were awarded. In the first quarter of fiscal 2008, 14 GEO-satellite programs were announced in the market.

* Future oriented financial information (FOFI). Please refer to Caution Regarding FOFI on Page 1 of this document.

Approximately 352 transponders are estimated to be on board the seven GEO-satellite programs announced in Q2 of the current fiscal year, compared with approximately 92 on the three GEO-satellite programs announced in the second quarter of fiscal 2007. Of the seven GEO programs announced this quarter, COM DEV has secured mandates on two, and remains in the running on the remaining five.

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 April 30			
	2008		2007	
	Satellites	Transponders	Satellites	Transponders
Commercial	6	289	2	68
Civil	1	63	1	24
Military/Defense	0	0	0	0
Total	7	352	3	92

The pace of contract awards in Q2 increased to \$42.4 million, up from \$32.7 million in the prior quarter, but down from the record level of \$80.5 million seen in Q2 of fiscal 2007. Noteworthy in the \$80.5 million of orders booked in Q2 of 2007 was a single \$39 million contract received for the James Webb Space Telescope. Absent this single large contract, orders were slightly higher in Q2 of the current fiscal year than the same quarter the year before. Current bidding and negotiating activity continues to be very brisk.

Revenues in the second quarter grew by 40.4% year over year, with \$54.2 million in revenue in the second quarter of fiscal 2008, compared with \$38.6 million in Q2 of 2007. Sequentially, revenues grew by 20.7% over the Company's reported Q1 revenue of \$44.9 million. The growth in Q2 revenues leaves management confident in its estimate* for year over year revenue growth of 15% to 20%.

New business won in fiscal 2008 Q2 was again weighted more heavily in the Space Products (Multiplexer and Switch) business units. Of the \$42.4 million in new orders won in the second quarter of 2008, 64% came from the commercial sector of the space market, 34% came from the civil sector, and the remaining 2% came from the defense sector. This split compares to a split of 28%, 60%, and 12% in the second quarter of fiscal 2007 for the respective market segments, and a 48%, 48%, and 4% split for Q1 fiscal 2008. 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 Q2 2008 with backlog at \$120 million, down from the Q1 2008 backlog of \$133 million and the prior year Q2 backlog of \$130 million. As noted earlier, the level of bidding and negotiation activity remains 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 Q2 2008 was 54%, 39%, 7% split between commercial, civil, and defense, compared with a split of 53%, 37%, 10% as at the end of Q1 2008, and 25%, 50%, 25% at the end of the second quarter a year ago.

The Q2 2008 gross margins of 22.0%, reflected a slight decline from 22.4% margins experienced in the first quarter, and are within managements' guidance of the low twenty percent levels for the early part of fiscal 2008. Prior year Q2 gross margins were 18.8%, but this margin level reflected the negative impact of a one-time \$5.1 million charge. The Company expects* to see margins continue to move towards its longer-term margin guidance* of mid to high twenty percent levels, as a greater portion of revenue reflects orders which were won in a more current foreign exchange environment.

* Future oriented financial information (FOFI). Please refer to Caution Regarding FOFI on Page 1 of this document.

Overall operating expenses increased by \$2.8 million from Q2 2007, due to increased SG&A costs. Compared to the first quarter of fiscal 2008, operating expenses increased by approximately \$2.4 million, driven by an increase of \$1.8 million in SG&A, and a \$0.6 million increase in research and development net spending.

COM DEV ended the second quarter of fiscal 2008 with \$8.9 million of cash and equivalents, down from \$14.3 million at January 31, 2008, and down from the comparable prior year second quarter balance of \$25.6 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 second quarter is attributable to an increase in working capital, primarily through increased accounts receivable, and inventory in process, partially offset by increased accounts payable. Accounts receivable at the end of Q2 stood at \$50.3 million, compared with \$34.7 million at the end of the prior quarter, and \$37.4 million in the comparable Q2 of fiscal 2007. The Company's \$17 million operating line of credit remained undrawn 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 its term debt facility, used to purchase the EI Segundo facility in Q3 of fiscal 2007, and has made regular quarterly repayments against that draw since then. Subsequent to the end of Q2 the Company drew \$14 million USD on its term debt facility to finance the Passive Microwave Devices product line acquisition from L-3 Communications.

Overall, the Company realized a net income of \$2.0 million, compared to a net income of \$1.3 million in the prior quarter, and a loss of \$1.4 million in Q2 2007.

RESULTS OF OPERATIONS

Revenues

(in millions of dollars)	Three months ended April 30		
	2008	2007	% Change
Commercial satellite programs	\$33.0	\$17.3	90.8%
Civil (government) programs	\$14.9	\$12.0	24.2%
<u>Military & defense programs</u>	<u>\$ 6.3</u>	<u>\$ 9.3</u>	<u>(32.3%)</u>
<u>Total Space revenues</u>	<u>\$ 54.2</u>	<u>\$38.6</u>	<u>40.4%</u>

Second quarter revenues for fiscal 2008, at \$54.2 million, strengthened sequentially from Q1 revenues of \$44.9 million, as the Company continued to benefit from higher levels of backlog, and more employees to address that workload. This level of revenue marks a new record for Company Space revenue, exceeding the previous record by more than \$9 million. Second quarter revenue levels were positively affected by the purchase of a significant amount of material in the quarter, which immediately converted to revenue on receipt. Year-over-year, Q1 revenues increased by 40.4%. Management maintains its full year revenue growth guidance* for between 15% and 20% growth in fiscal 2008.

Backlog

(millions of dollars)	Apr. 30 2008	Apr. 30 2007
Commercial satellite programs	\$ 64.4	\$ 32.6
Civil (government) programs	\$ 47.2	\$ 64.4
<u>Military & defense programs</u>	<u>\$ 8.4</u>	<u>\$ 33.0</u>
<u>Total Backlog</u>	<u>\$120.0</u>	<u>\$130.0</u>

The backlog of work at the end of Q2 2008, at \$120 million, decreased slightly from the prior year Q2 level of \$130 million, and from the 2008 Q1 backlog of \$133 million. 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

* Future oriented financial information (FOFI). Please refer to Caution Regarding FOFI on Page 1 of this document.

until the next major award. The underlying conditions for our market segments remain strong, bidding and negotiation activity remain very high, and the Company is optimistic about the prospects for new orders for the remainder of the year.

Income from Continuing Operations and Net Income
(millions of dollars except EPS)

	Three months ended April 30		
	2008	2007	% Change
Income/(Loss) from continuing operations	\$2.0	(\$0.5)	500.0%
Income/(Loss) from discontinued operations	\$ -	(\$0.9)	
Net Income/(Loss)	\$2.0	(\$1.4)	242.9%
Earnings per share, basic and diluted	\$0.03	(\$0.02)	250.0%

Net income in the second quarter of 2008 was \$2.0 million compared with a loss of \$1.4 million in the comparable quarter of fiscal 2007. Sequentially, net income for Q2 of 2008 increased from the \$1.3 million net income posted in Q1. The significant factors impacting Q2 net income performance included a negative impact of approximately \$1.2 million related to the continued ramp up of our operations in El Segundo, California, and \$0.6 million in costs associated with the Special Committee's review of historic stock option granting practices.

Gross Margin

(millions of dollars)	Three months ended April 30		
	2008	2007	% Change
Total gross margin	\$12.0	\$7.2	66.7%
Total gross margin %	22.0%	18.8%	3.2%

Gross margins for the second quarter reflect the impact of zero gross margins on a loss program identified in Q4 2007, and on which work continued in Q2 2008, as well as continued work on orders that were won in more favourable exchange conditions. In addition, gross margins in the current quarter were somewhat suppressed by the higher than normal level of material content, which attracts margins below average levels. Gross margins for the prior quarter were 22.4%, and for the comparable Q2 2007 were 18.8% after reflecting the negative impact of a \$5.1 million one-time charge from a production problem encountered in fiscal 2007 Q2. 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 April 30		
	2008	2007	% Change
Total R&D Spending before funding	\$ 4.6	\$ 4.1	12.2%
Total R&D Funding received	(\$ 1.7)	(\$1.4)	21.4%
R&D, net of Funding	\$ 2.9	\$ 2.7	7.4%

The Company's research and development activities returned to levels similar to those seen in the latter part of fiscal 2007, and management expects* its activities associated with Automatic Identification System (AIS) work, micro-satellite development, and the Company's normal technology roadmap activities, will keep remaining quarterly R&D spending at levels similar to those seen in the current quarter. 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 Q2 2008 of \$2.9 million is 7.4% above the level seen in the prior year's Q2, and 45.0% above the Q1 2008 net spending level of \$2.0 million.

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.

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Other Expenses

(millions of dollars)	Three months ended April 30		
	2008	2007	% Change
Selling, general & administrative expenses (SG&A)	\$7.6	\$5.0	52.0%
SG&A % of total revenue	14.0%	12.9%	1.1%
Interest income	\$ 0.2	\$0.2	-
Foreign exchange gain	\$ 0.5	\$0.1	400.0%
Other expense	\$ 0.1	\$0.2	(50.0%)

Selling, General and Administrative

SG&A expenses for the second quarter of 2008 increased 58.0% from Q2 2007, and by 25% from Q1 2008. The ramp up activities related to the Company's expansion into the U.S., resulted in \$1.2 million in SG&A in the U.S. operations. The ongoing review of the Company's historic stock option granting practices resulted in approximately \$0.75 million of cost being incurred in the second quarter this year. Additional non-recurring costs include recruitment fees associated with the search for directors for the U.S. operations, and higher than normal bidding costs. Comparable SG&A for Q2 2007 were \$5.0 million. Management expects* that its SG&A costs will start to moderate as the California operations increase the level of work on customer contracts, and research and development work. With the acquisition of the PMD product line completed, the ramp up to production at the El Segundo facility will accelerate, and this is expected to result in absorption of costs that would otherwise have been categorized as SG&A. In addition, once the current review of the Company's historic stock option granting practices is complete, the associated costs are expected* to cease.

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 3.0% per annum.

Other Expense

Other expense includes bank fees and Export Development Canada (EDC) accounts receivable insurance premiums. The Company insures its customer receivables with EDC to the extent possible in order to mitigate the risk of non-collection.

Foreign Exchange

The foreign exchange gain in the second quarter of 2008 was \$0.5 million, compared with \$0.1 million in Q2 2007, and a loss of \$0.6 million in the first quarter of 2008. The exchange gain posted in the second quarter results primarily from both realized and unrealized gains on the Company's foreign exchange hedges, with an insignificant amount related to translations of foreign currency denominated balance sheet items. Foreign exchange gains or losses included in this section of the Income Statement do not include the impact of foreign exchange fluctuations on gross margins. Those are reflected in revenue and gross margin. For additional discussion on foreign exchange impacts and risk, refer to the Business Risks and Prospects section later in this Management Discussion & Analysis.

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Financial Position

The following chart outlines the significant changes in the balance sheet between January 31, 2008 and April 30, 2008:

(in millions of dollars)	Increase/ (Decrease)	Explanation
Cash and cash equivalents	(\$5.4)	Refer to Statement of Cash Flows
Accounts receivable	15.6	Higher billings in Q2 based on milestones, and normal collections.
Inventory	5.0	Project inventory increased as a result of higher volume customer work in house. This inventory will translate to Receivables and cash over the normal course of business.
Prepaid and other	(0.3)	decrease in mark to market valuation of forward contracts.
Income taxes recoverable	0.7	payment on account of disputed tax assessments.
Capital assets	0.9	Normal capital additions during the quarter less normal depreciation.
Deferred acquisition costs	1.0	Acquisition related costs associated with the Company's purchase of the PMD product line from L-3 Communications.
Accounts payable and accrued	14.4	Normal accounts payable payments cycle, coupled with higher volumes of work flowing through the Company.
Deferred revenue	1.3	Higher 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	-	Expected pay-out of final liabilities.
Long term loans payable	(0.5)	Normal repayments on GE term loan.
Shareholders' equity	2.3	Net income for Q2 plus ESOP shares issued

Liquidity and Capital Resources

(in millions of dollars)	Three months ended April 30		
	2008	2007	% Change
Cash flows (used in)/from operating activities	(\$ 1.9)	\$13.1	(114.5%)
Net (decrease)/increase in cash	(\$ 5.4)	\$10.4	(151.9%)
Property and equipment additions	\$ 2.7	\$ 2.5	8.0%

The Company used \$1.9 million of cash in operating activities in the second quarter of 2008, compared with \$13.1 million generated a year earlier. The Company invested \$6.0 million in working capital in the quarter, as accounts receivable and inventories grew by \$20.6 million over the prior quarter's level, while deferred revenue increased by \$1.3 million, and accounts payable increased by \$14.4 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 \$21 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. Subsequent to the end of the second quarter, the Company drew on the term debt facility by US \$14 million to complete the acquisition of the PMD product line from L-3 Communications Ltd.

Off-balance Sheet Arrangements

The Company has no off-balance sheet arrangements as at the end of the second 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 received regulatory approval subsequent to the end of the Company's second quarter, and closed on May 9, 2008. 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*	\$ 9,154	\$ 886	\$ 4,099	\$ 4,112	\$ 57
Operating leases	\$ 7,710	\$ 2,174	\$ 4,787	\$ 749	\$ -
Capital leases	\$ -	\$ -	\$ -	\$ -	\$ -
Purchase obligations**	\$ -	\$ -	\$ -	\$ -	\$ -
Other Long-term obligations	\$ -	\$ -	\$ -	\$ -	\$ -
Total contractual obligations	\$ 16,864	\$ 3,060	\$ 8,886	\$ 4,861	\$ 57

* 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 April 30, 2008 the Company had outstanding forward foreign currency call options with a notional value of \$25.6 million maturing within a year at an average exchange rate of \$1.0278 (April 30, 2007: \$16.6 million at 1.131). The Company had outstanding forward foreign currency put options with a notional value of \$34.6 million maturing within a year at an average exchange rate of \$1.0430 (April 30, 2007: \$25.1 million at 1.1548). 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	\$54,165			
Net Income – Total	\$1,345	\$1,964			
Net Income per share (basic and diluted)	\$0.02	\$0.03			

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.

Future Income Tax Assets:

In assessing the realizable amount of future tax assets, management considers whether it is more likely than not that some portion or all the benefits of the future income tax assets will be realized. In making its determination of whether the benefits are more likely than not to be realized, the Company considers its recent past financial performance, its forecast for near term earnings, and the availability of discretionary tax deductions. When in managements' judgment it is more likely than not that some portion of the benefits will be realized, that portion of the future income tax assets are reflected as an asset in the Company's Balance Sheet. Any amount of the potential benefits of the future income tax assets, beyond that which is judged as more likely than not to be realized, has a valuation reserve established to offset it, and it does not appear on the Company's Balance Sheet. Management applies the "more likely than not" test on a quarterly basis, and adjusts the balances based on the outcome of that judgment test in order to ensure only those amounts that are more likely than not to be realized remain on the Company's Balance Sheet.

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.

International Financial Reporting Standards

In January 2006, the Accounting Standards Board announced its decision to require all Publicly Accountable Enterprises to report under International Financial Reporting Standards for years beginning on or after January 1, 2011. After that date, the basis for financial reporting by Canadian Publicly Accountable Enterprises will change significantly, from current Canadian Generally Accepted Accounting Principles to International Financial Reporting Standards. These changes are part of a worldwide shift to International Financial Reporting Standards (IFRS); they are intended to facilitate global capital flows and bring greater clarity and consistency to financial reporting in the global marketplace.

The change from Canadian GAAP to International Financial Reporting Standards will apply to COM DEV International Ltd., as a public company for the Company's 2012 fiscal year. The Company is currently considering its approach to addressing this significant change in financial reporting standards.

Business Risks and Prospects

New Products and Technological Change

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

Reliance on Significant Customers and Credit Concentration

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

Fluctuations in Operating Results

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

The Company's expense levels are based in significant part on its expectations regarding future revenues. Accordingly, the Company may be unable to adjust spending in a timely manner to compensate for any unexpected

revenue shortfall. Any significant revenue shortfall could therefore have a material adverse effect on the Company's results of operations.

Project Performance

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, but does not enter into derivative instruments as hedges, and does not meet the requirements of CICA Handbook 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. The majority of the Company's foreign exchange risk resides with U.S. dollar 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 U.S. dollar exchange rate, various exchange rates are entered into models, which considered the valuation impact to our customer contracts, hedging contracts, U.S. dollar cash balances and U.S. denominated monetary balance sheet items. In the three and six months ended April 30, 2008 the impact had the U.S. dollar appreciated in value by 5% would have been an increase in profit before taxes of \$0.436 million and \$0.805 million respectively in 2008 (\$1.201 million and \$2.188 million in 2007). Had the U.S. dollar depreciated by 5%, the impact would have been a decrease in profit before tax of \$0.868 million and \$1.226 million respectively in 2008 (\$0.889 million and \$1.932 million in 2007)

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.

National 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 April 30, 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 June 10, 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 Operations
(Canadian dollars in thousands, except for per share figures)
Unaudited

For the three months ended April 30	2008	2007
Continuing Operations		
Revenue	\$ 54,165	\$ 38,590
Cost of revenue	42,266	31,353
Gross margin	<u>11,899</u>	<u>7,237</u>
Research and development costs	4,633	4,129
Research and development recovery	<u>1,673</u>	<u>1,384</u>
Net research and development	2,960	2,745
Selling and general expenses	<u>7,580</u>	<u>4,997</u>
Operating income (loss)	1,359	(505)
Interest income	(168)	(159)
Foreign exchange gain	(544)	(50)
Other expense	<u>109</u>	<u>221</u>
Income (loss) before non-controlling interest	1,962	(517)
Non-controlling interest	<u>(2)</u>	<u>(27)</u>
Income (loss) from continuing operations	1,964	(490)
Provision for discontinued operations	-	934
Net income (loss)	<u>\$ 1,964</u>	<u>\$ (1,424)</u>
Earnings (loss) per share (note 4c)		
Basic and diluted earnings (loss) per share from continuing operations	\$0.03	(\$0.01)
Basic and diluted loss per share from discontinued operations	\$0.00	(\$0.01)
Basic and diluted earnings (loss) per share	\$0.03	(\$0.02)

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

For the six months ended April 30	2008	2007
Continuing Operations		
Revenue	\$ 99,045	\$ 78,044
Cost of revenue	77,083	59,524
Gross margin	<u>21,962</u>	<u>18,520</u>
Research and development costs	7,407	6,655
Research and development recovery	<u>2,430</u>	<u>2,338</u>
Net research and development	4,977	4,317
Selling and general expenses	<u>13,692</u>	<u>9,093</u>
Operating income	3,293	5,110
Interest income	(231)	(377)
Foreign exchange loss	26	73
Other expense	<u>176</u>	<u>276</u>
Income before non-controlling interest	3,322	5,138
Non-controlling interest	<u>13</u>	<u>9</u>
Income from continuing operations	3,309	5,129
Provision for discontinued operations	-	934
Net income	<u>\$ 3,309</u>	<u>\$ 4,195</u>
Earnings per share (note 4c)		
Basic and diluted earnings per share from continuing operations	\$0.05	\$0.07
Basic and diluted loss per share from discontinued operations	\$0.00	(\$0.01)
Basic and diluted earnings per share	\$0.05	\$0.06

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

	As at April 30, 2008	As at October 31, 2007
Assets		
Current		
Cash and cash equivalents	\$ 8,875	\$ 31,713
Accounts receivable	50,336	35,523
Inventory	38,148	25,611
Prepays and other	2,491	4,864
Income taxes recoverable	2,231	956
Future income tax assets - current	3,957	3,957
	<u>106,038</u>	<u>102,624</u>
Capital assets	57,467	54,890
Intangible assets	4,016	3,939
Deferred acquisition costs (note 9)	997	-
Future income tax assets - long term	3,958	3,958
Total assets	<u>\$ 172,476</u>	<u>\$ 165,411</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 33,399	\$ 25,435
Deferred revenue	18,886	23,204
Current portion of loans payable	1,898	1,720
Current liabilities - discontinued operations	128	399
	<u>54,311</u>	<u>50,758</u>
Long term		
Loans payable	7,256	7,692
	<u>7,256</u>	<u>7,692</u>
Total liabilities	<u>61,567</u>	<u>58,450</u>
Non-controlling interest	<u>550</u>	<u>537</u>
Shareholders' equity		
Share capital (note 4a)	323,975	323,862
Contributed surplus	1,383	999
Deficit	(213,135)	(216,444)
Accumulated other comprehensive income	(1,864)	(1,993)
Total shareholders' equity	<u>110,359</u>	<u>106,424</u>
Total liabilities and shareholders' equity	<u>\$ 172,476</u>	<u>\$ 165,411</u>

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

For the three months ended April 30	2008	2007
Cash flows (used in) from operating activities		
Net income (loss) from continuing operations	\$ 1,964	\$ (490)
Amortization	2,025	1,811
(Gain) loss on disposal of assets	(211)	98
Stock compensation expense	233	252
Unrealized foreign exchange loss on long term debt	81	-
Non-controlling interest	(2)	(27)
	<u>4,090</u>	<u>1,644</u>
Net change in non-cash working capital items	(5,951)	11,448
Cash flows (used in) from operating activities	<u>(1,861)</u>	<u>13,092</u>
Cash flows (used in) from financing activities		
Shares issued	111	121
Repayment of long term debt	(502)	(61)
Cash flows (used in) from financing activities	<u>(391)</u>	<u>60</u>
Cash flows used in investing activities		
Acquisition of capital assets	(2,745)	(2,465)
Proceeds on disposal of capital assets	213	22
Acquisition of intangible assets	(208)	(107)
Business acquisition (note 9)	(297)	-
Cash flows used in investing activities	<u>(3,037)</u>	<u>(2,550)</u>
Effect of exchange rate changes on cash	<u>(102)</u>	<u>(179)</u>
Net (decrease) increase in cash from continuing operations	(5,391)	10,423
Net cash used in discontinued operations	-	(28)
Net (decrease) increase in cash	<u>(5,391)</u>	<u>10,395</u>
Cash and cash equivalents, beginning of period	14,266	15,203
Cash and cash equivalents, end of period	<u>\$ 8,875</u>	<u>\$ 25,598</u>
Interest paid	<u>\$ 249</u>	<u>\$ 16</u>

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

For the six months ended April 30	2008	2007
Cash flows (used in) from operating activities		
Net income from continuing operations	\$ 3,309	\$ 5,129
Amortization	3,944	3,607
(Gain) loss on disposal of assets	(211)	98
Stock compensation expense	495	511
Unrealized foreign exchange loss on long term debt	643	-
Non-controlling interest	13	9
	<u>8,193</u>	<u>9,354</u>
Net change in non-cash working capital items	<u>(23,230)</u>	<u>(6,776)</u>
Cash flows (used in) from operating activities	<u>(15,037)</u>	<u>2,578</u>
Cash flows (used in) from financing activities		
Shares issued	113	667
Repayment of long term debt	(902)	(223)
Cash flows (used in) from financing activities	<u>(789)</u>	<u>444</u>
Cash flows used in investing activities		
Acquisition of capital assets	(6,217)	(3,170)
Proceeds on disposal of capital assets	213	22
Acquisition of intangible assets	(317)	(174)
Business acquisition (note 9)	(374)	-
Cash flows used in investing activities	<u>(6,695)</u>	<u>(3,322)</u>
Effect of exchange rate changes on cash	<u>(46)</u>	<u>311</u>
Net (decrease) increase in cash from continuing operations	(22,567)	11
Net cash used in discontinued operations	<u>(271)</u>	<u>(124)</u>
Net decrease in cash	<u>(22,838)</u>	<u>(113)</u>
Cash and cash equivalents, beginning of period	31,713	25,711
Cash and cash equivalents, end of period	<u>\$ 8,875</u>	<u>\$ 25,598</u>
Interest paid	<u>\$ 468</u>	<u>\$ 26</u>

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

For the six months ended April 30, 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	3,309	3,309	-	-	-
Foreign currency translation adjustments (net of taxes of \$nil)	129	-	129	-	-
	<u>3,438</u>	<u>3,309</u>	<u>129</u>	<u>-</u>	<u>-</u>
Common stock issued	2			113	(111)
Value of ESOP awards	96	-	-	-	96
Expense recognized for share options	399	-	-	-	399
Balance, April 30, 2008	<u>\$ 110,359</u>	<u>\$ (213,135)</u>	<u>\$ (1,864)</u>	<u>\$ 323,975</u>	<u>\$ 1,383</u>
<hr/>					
For the six months ended April 30, 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	4,195	4,195	-	-	-
Foreign currency translation adjustments (net of taxes of \$nil)	417	-	417	-	-
	<u>4,612</u>	<u>4,195</u>	<u>417</u>	<u>-</u>	<u>-</u>
Common stock issued	667	-	-	1,201	(534)
Value of ESOP awards	95	-	-	-	95
Expense recognized for share options	416	-	-	-	416
Balance, April 30, 2007	<u>\$ 98,710</u>	<u>\$ (223,128)</u>	<u>\$ (868)</u>	<u>\$ 322,149</u>	<u>\$ 557</u>

COM DEV INTERNATIONAL LTD
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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1. Summary of Significant Accounting Policies

These interim consolidated 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 interim 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 interim consolidated 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) Comprehensive Income

Effective November 1, 2006, the Company adopted the requirements of the Canadian Institute of Accountants ("CICA") Handbook Section 1530, Comprehensive Income. This section establishes standards for reporting and display of comprehensive income. This section has been applied in accordance with the transitional provisions, which requires restatement of prior periods for certain items. Therefore, the prior period has been reclassified to include the foreign currency translation of self-sustaining foreign operations, which is the only component of Accumulated Other Comprehensive Income ("AOCI").

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b) 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. CICA Handbook Section 3862 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. CICA Handbook Section 3863 carries forward the presentation requirements of CICA Handbook Section 3861. The new disclosures are included in note 6.

Effective November 1, 2006, the Company adopted the requirements of 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 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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c) 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 7.

3. Future Accounting Changes:

a) Inventories (CICA 3031)

CICA 3031, Inventories ("CICA 3031"), replaces CICA 3030, Inventories. The main features of CICA 3031 are: (1) measurement of inventories at the lower of cost and net realizable value, with guidance on the determination of cost, including allocation of overheads and other costs to inventory; (2) cost of inventories of items that are not ordinarily interchangeable, and goods or services produced and segregated for specific projects, assigned by using a specific identification of the individual costs; (3) consistent use (by type of inventory with similar nature and use) of either the first-in, first-out (FIFO) or weighted-average cost formula; (4) reversal of previous write-downs to net realizable value when there is a subsequent increase in value of inventories; and (5) possible classification of major spare parts and servicing stand-by equipment as property, plant and equipment (CICA 3061 – Property, Plant and Equipment, was amended to reflect this change). The Company is currently evaluating the impact of adoption of this new section. The effective date of adopting this new section is November 1, 2008.

b) Goodwill and Intangible Assets (CICA 3064)

In February 2008, the CICA issued new CICA 3064, Goodwill and Intangible Assets, replacing CICA 3062, Goodwill and Other Intangible Assets, and CICA 3450, Research and Development Costs. New Section 3064 addresses when an internally developed intangible asset meets the criteria for recognition as an asset. The CICA also issued amendments to Section 1000, Financial Statement Concepts, and Accounting Guideline AcG-11, Enterprises in the Development Stage. EIC-27, Revenues and Expenditures during the Pre-operating Period, will not apply to entities that have adopted Section 3064. The objectives of the changes are to reinforce a principle-based approach to the recognition of costs as assets and to clarify the application of the concept of matching revenues and expenses in CICA 1000. Collectively, these changes bring Canadian practice closer to IFRS and U.S. GAAP by eliminating the practice of recognizing as assets a variety of startup, pre-production and similar costs that do not meet the definition and recognition criteria of an asset. Consequently, such costs will be expensed as incurred. The Company is currently evaluating the impact of adoption of this new section. The effective date of adopting this new section is November 1, 2008.

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4. Share Capital and Earnings Per Share

a) Issued Capital

The following details the issued and outstanding common shares for the six months ended April 30, 2008.

	<u>Number</u>	<u>Amount</u>
Balance, October 31, 2007	68,035,418	\$323,862
Issuance of common shares (i)	2,000	2
Shares issued through employees plan (ii)	32,270	111
Balance, April 30, 2008	<u>68,069,688</u>	<u>\$323,975</u>

The value of Employee Stock Ownership Plan (“ESOP”) shares amortized to compensation expense but not yet issued at quarter-end was \$42 (\$44 in 2007) and in the six months ended April 30th was \$96 (\$95 in 2007). This amount is included in contributed surplus.

- (i) During the three months ended April 30, 2007, the Company issued 31,700 common shares to satisfy the equivalent number of stock options exercised of which 3,200 of the options represent options issued after November 1, 2003. In the three months ended April 30, 2008, there weren’t any stock options exercised. During the six months ended April 30, 2008, the Company issued 2000 (220,150 in 2007) common shares to satisfy the equivalent number of stock options exercised of which none (64,800 in 2007) of the options represent options issued after November 1, 2003.
- (ii) On February 28th, the Company issued 32,270 (80,748 in 2007) common shares under the ESOP.

The maximum number of shares outstanding if all options were exercised and ESOP shares were issued is 70,024,049.

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 and six months ended April 30, 2008 and 2007, the Company did not grant any options.

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The estimated fair value of the options is amortized to expense over the vesting period of the options. In the three months ended April 30th, compensation expense of \$191 (\$208 in 2007) was recognized. During the six months ended April 30th, compensation expense of \$399 (\$416 in 2007) was recognized. This amount was added to contributed surplus.

As at April 30, 2008, there were 1,898,099 options outstanding with exercise prices ranging from \$1.27 to \$10.95. Of the options outstanding, 1,268,802 shares have vested.

c) Earnings Per Share

The following tables sets forth the computation of basic and diluted earnings per share for the three and six months ended April 30:

	3 months ended April 30	
	2008	2007
Numerator for basic and diluted earnings (loss) per share available to common stockholders		
Basic and diluted net income (loss) attributed to common stockholders	\$ 1,964	\$ (490)
Provision for discontinued operations	-	(934)
Net income (loss) attributable to common stockholders	<u>\$ 1,964</u>	<u>\$ (1,424)</u>
Denominator for basic earnings (loss) per share- weighted average shares outstanding	<u>68,059,648</u>	<u>67,585,551</u>
Effect of dilutive securities		
ESOP	24,888	-
Employee stock options	136,421	-
Potential dilutive common shares	<u>161,309</u>	<u>-</u>
Denominator for diluted earnings (loss) per share – adjusted weighted average shares and assumed conversions	<u>68,220,957</u>	<u>67,585,551</u>
Earnings (loss) per share		
Basic and diluted (loss) earnings per share from continuing operations	\$0.03	\$(0.01)
Basic and diluted loss per share from discontinued operations	\$0.00	\$(0.01)
Basic and diluted earnings (loss) per share	\$0.03	\$(0.02)

The ESOP and stock options are excluded from the denominator in the 3 months ended April 30 2007, as they are anti-dilutive.

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	6 months ended April 30	
	2008	2007
Numerator for basic and diluted earnings per share available to common stockholders		
Basic and diluted net income attributed to common stockholders	\$ 3,309	\$ 5,129
Provision for discontinued operations	-	(934)
Net income attributable to common stockholders	\$ 3,309	\$ 4,195
Denominator for basic earnings per share- weighted average shares outstanding	68,048,247	67,478,863
Effect of dilutive securities		
ESOP	32,078	53,268
Employee stock options	141,859	596,982
Potential dilutive common shares	173,937	650,250
Denominator for diluted earnings per share – adjusted weighted average shares and assumed conversions	68,222,184	68,129,113
Earnings per share		
Basic and diluted earnings per share from continuing operations	\$0.05	\$ 0.07
Basic and diluted loss per share from discontinued operations	\$0.00	\$(0.01)
Basic and diluted earnings per share	\$0.05	\$ 0.06

5. Income Tax Expense

Operating loss carry forward amounts have offset current income tax expenses in the three and six months ended April 30, 2008. The balance of the net future income tax asset remains unchanged from October 31, 2007.

6. 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 April 30, 2008 of \$298 (\$346 in 2007). The fair value of the GE Capital loan, included in loans payable, approximates the carrying value due to its variable interest rate.

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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 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 three and six months ended April 30, 2008, the fair value of derivatives classified as held-for-trading decreased by \$343 and \$2,672 respectively, and increased by \$1,413 and \$242 for the comparative periods in 2007.

At April 30, 2008 approximately 142% of cash and cash equivalents, 48% of accounts receivables, and 32% of accounts payable and accrued liabilities are denominated in foreign currencies (April 30, 2007 – 40%, 60%, and 25%, respectively). These foreign currencies include the U.S. dollar, British Pound, and Euro.

As at April 30, 2008, the Canadian dollar amount that could be received under Canadian / U.S. foreign currency call options was \$25,593 (\$16,624 in 2007) and the amount that could be paid under foreign currency put options was \$34,628 (\$25,110 in 2007). The average contractual exchange rate on the call options was 1.0278 and on the put options was 1.0430. The settlement dates of all the outstanding contracts were less than one year. The exchange rate at April 30 was 1.0163 (1.116 in 2007).

The Company recorded realized gains of \$476 and \$779 for the three and six months ended April 30, 2008, compared to losses of \$96 and \$412 for the same period in 2007, on foreign currency options that have been included in "foreign exchange gain" and "foreign exchange loss" on the Consolidated Statements of Operations. At April 30, 2008 the fair value of option contracts of \$310 (\$2,983 October 31, 2007) is included in "Prepays and other" on the Consolidated Balance Sheet.

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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. In the three and six months ended April 30, the impact had the US dollar appreciated in value by 5% would have been an increase in profit before taxes of \$436 and \$805 respectively in 2008 (\$1,201 and \$2,188 in 2007). Had the US dollar depreciated by 5%, the impact would have been a decrease in profit before tax of \$868 and \$1,226 respectively in 2008 (\$889 and \$1,932 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 for the three and six months ended April 30 from a 50 basis point increase in interest rates would have been a decrease in the profit before tax of \$11 and \$22 respectively (nil in 2007) and an increase in profit before tax of \$11 and \$22 respectively (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 impaired and therefore the Company does not have an impairment allowance. Two customers comprise 54% of accounts receivable as at April 30, 2008 whereas three customers comprised 52% as at April 30, 2007. Three customers comprise 57% and 51% of revenue for the three and six months ended April 30, 2008 and April 30, 2007.

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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 April 30, 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>
April 30, 2008					
Interest bearing loans and borrowing	-	521	1,377	7,256	9,154
Trade and other payables	2,802	26,095	4,502	-	33,399
Discontinued Operations	-	1	127	-	128
Total	<u>2,802</u>	<u>26,617</u>	<u>6,006</u>	<u>7,256</u>	<u>42,681</u>
October 31, 2007					
Interest bearing loans and borrowing	-	650	1,070	7,692	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>7,770</u>	<u>35,246</u>

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7. 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.

8. Segmented Information

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

Geographic Information

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

	3 months ended April 30		6 months ended April 30	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenue from external customers				
Canada	\$12,645	\$7,822	\$18,900	\$15,200
U.S.A.	23,857	14,269	48,604	26,963
United Kingdom	15,513	14,209	27,262	31,250
Other	2,150	2,290	4,279	4,631
	<u>\$54,165</u>	<u>\$38,590</u>	<u>\$99,045</u>	<u>\$78,044</u>

9. Subsequent Events

On May 9, 2008, The Company announced the closing of the acquisition of the Passive Microwave Devices product line of L-3 Communications Electron Technologies Inc. "ETI-PMD" for \$12,200. The Company financed the ETI-PMD purchase through existing cash resources and borrowing facilities. The purchase price allocation has not yet been finalized and the final purchase price will be subject to certain closing adjustments. \$997 of costs related directly to the acquisition is included in "deferred acquisition costs" on the Consolidated Balance Sheet of which \$374 has been paid as at April 30, 2008.