



Renewal Annual Information Form

**For the fiscal year ended
October 31, 2009**

January 11, 2010

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FORWARD-LOOKING STATEMENTS

This Annual Information Form contains statements that, to the extent they are not recitations of historical fact, constitute “forward-looking statements” within the meaning of applicable securities legislation. Forward-looking statements may include financial and other projections, as well as statements regarding our future plans, objectives or economic performance, or the assumptions underlying any of the foregoing. We use 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 us in light of our experience and our perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances. However, whether actual results and developments will conform to our expectations and predictions is subject to any number of risks, assumptions and uncertainties.

In evaluating any forward-looking statements in this Annual Information Form, you should specifically consider the various factors, including those contained under the section titled “ITEM 3.15. NARRATIVE DESCRIPTION OF THE BUSINESS — RISK FACTORS” below, which could cause actual events or results to differ materially from those indicated by our forward-looking statements. Unless otherwise required by applicable securities laws, we do not intend, nor do we undertake any obligation, to update or revise any forward-looking statements contained in this Annual Information Form to reflect subsequent information, events or circumstances or otherwise.

CURRENCY EXCHANGE RATE INFORMATION

This annual information form contains references to both US dollars and Canadian dollars. All dollar amounts referenced, unless otherwise indicated, are expressed in Canadian dollars and US dollars are referred to as “USD”.

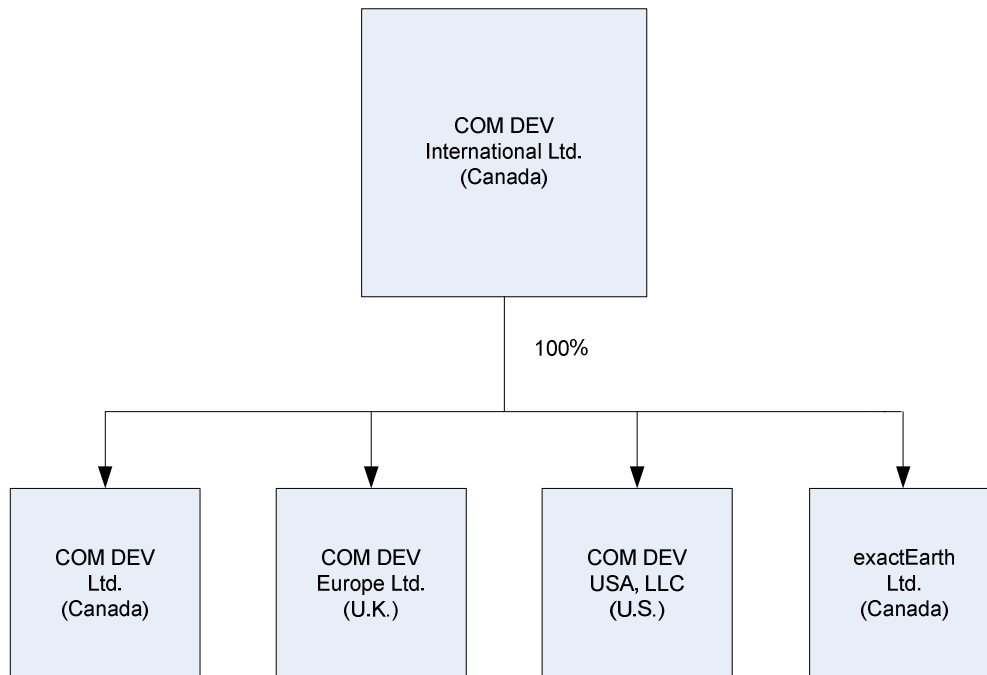
ITEM 1: INCORPORATION

1.1 Incorporation and Organization of the Issuer

COM DEV International Ltd. (“**COM DEV**” or the “**Company**”) was incorporated under the laws of Canada on June 25, 1993 as COM DEV Holdings Ltd. and changed its name to COM DEV International Ltd. by articles of amendment dated April 19, 1994. The business of the Company was originally carried on by COM DEV Ltd., which was incorporated under the laws of Canada on March 17, 1971. Effective June 9, 1994, pursuant to a Plan of Arrangement filed pursuant to the Canada Business Corporations Act, the Company acquired all of the outstanding shares of COM DEV Ltd. in exchange for newly issued shares of the Company. As a consequence, COM DEV Ltd. became a wholly owned subsidiary of the Company. By articles of amendment dated July 3, 1996, the common shares of COM DEV were subdivided on a four for one basis (such securities after the subdivision, the “**Common Shares**” and each a “**Common Share**”). The Company’s head office is located at 155 Sheldon Drive, Cambridge, Ontario, N1R 7H6. The Company’s telephone number is (519) 622-2300, and its facsimile number is (519) 622-2158.

1.2 Intercorporate Relationships

The following chart sets out the current corporate structure of COM DEV and its material subsidiaries, the jurisdictions of incorporation and the relevant percentage of the voting securities. None of the subsidiaries indicated has any outstanding non-voting securities. Non-operating holding subsidiaries, subsidiaries related to the discontinued operations and subsidiaries with less than 10% of the consolidated assets or less than 10% of the consolidated sales or operating revenue are not included.



ITEM 2: GENERAL DEVELOPMENT OF THE BUSINESS

2.1 General

The Company is a leading global designer, manufacturer and distributor of space-based wireless communications products and subsystems, as well as space science and optical instruments. The Company designs and manufactures advanced products such as multiplexers, filters, switches, batteries, Surface Acoustic Wave (“SAW”) devices and SAW-based Intermediate Frequency (“IF”) processors (BEAM*LINK® products), antenna subsystems, and electronic and optical instruments for Earth observation and space exploration programs. These products are sold to substantially all of the major satellite prime contractors, including Lockheed Martin, Thales Alenia Space, Space Systems/Loral, Orbital Sciences, Astrium, Northrop Grumman and Boeing, for use in commercial, civil, and defence related communications and space science satellites. The Company also sells its products to various government organizations around the world, including the Canadian Space Agency, the European Space Agency, the India Space Research Organization, and the China Association of Space Technology.

2.2 Developments in Three Fiscal Periods Ended October 31, 2009

- On February 1, 2007, the Company announced the expansion of its Cambridge, Ontario facility by 38,000 square feet at a cost of \$4 million.
- On May 22, 2007, the Company announced the purchase of a 46,000 square foot production facility in El Segundo, California for a purchase price of USD \$8.75 million.
- On November 12, 2007, the Company announced the execution of a strategic alliance agreement with GateHouse A/S of Aalborg, Denmark.
- On February 1, 2008, the Company reorganized itself into four operating divisions comprised of COM DEV International Products (such entity “CDIP”), COM DEV Canada (such entity “COM DEV Canada”), COM DEV Europe Ltd. (such entity, “COM DEV Europe”), and COM DEV USA, LLC (such entity, “COM DEV USA”). CDIP and COM DEV Canada are located within the COM DEV Ltd. subsidiary.
- On May 9, 2008, the Company announced that it closed its acquisition of the passive microwave devices product line of L-3 Communication Electron Technologies Inc. (“L-3 Electron”) for USD \$12.2 million. These assets were placed within COM DEV USA and relocated to COM DEV USA’s facility in El Segundo, California.
- On September 18, 2008, the Company completed the renegotiation and renewal of its operating credit agreement with Canadian Imperial Bank of Commerce. The resulting credit line availability was increased to \$27 million from \$17 million.
- On October 30, 2008, the Company and its subsidiaries completed a reorganization pursuant to which a leasing vehicle was wound up into an operating subsidiary in order to maximize the Company’s tax position.
- On December 10, 2008, the Company announced the appointment of John Keating as a director (such position, a “Director”) and the appointment of Terry Riedel as Vice-Chairman of the Company’s Board of Directors (such entity, the “Board”).

- On February 5, 2009, the Company announced that it had entered into an agreement with a syndicate of underwriters led by Genuity Capital Markets and including GMP Securities L.P. and Paradigm Capital Inc. (collectively, the “**Underwriters**”) pursuant to which the Underwriters agreed to purchase 6,780,000 common shares from the Company at a price of \$2.95 per common share, representing an aggregate amount of issue of \$20,001,000 (such transaction, the “**2009 Offering**”). The Company also gave the Underwriters the option, until 30 days following closing of the 2009 Offering, to purchase up to an additional 1,017,000 common shares at the same offering price.
- On February 26, 2009, the Company announced that it completed the 2009 Offering in which the Underwriters purchased a total of 7,797,000 shares at a price of \$2.95 per common share. The total gross proceeds of the 2009 Offering equalled \$23,001,150.
- On March 31, 2009, the Company announced that it had been awarded a contract by the Boeing Company to supply passive microwave components for the next generation of NASA's tracking and data relay satellites. The value of the full contract was in excess of US\$20 million including an initial US\$1.6 million awarded during September 2008.
- On April 27, 2009, the Company announced that Terry Reidel had been appointed Chairman of the Board.
- On June 10, 2009, the Company announced that it had established a subsidiary, exactEarth Ltd. “**exactEarth**”), for the purpose of offering advanced space-based Automatic Identification System data services to competent maritime authorities around the world.
- On June 11, 2009, the Company announced that it had entered into an agreement to purchase a building in Cambridge, Ontario which comprises a total area of 30,000 square feet (such building, the “**Microsatellite Building**”). The Microsatellite Building contains the Company’s new microsatellite production facilities and related activities. The Microsatellite Building is also the primary base of operations for exactEarth.
- On September 29, 2009, the Company announced that it had been selected by the Ontario Chamber of Commerce as a 2009 winner of the Ontario Business Achievement Awards (the “**OBAA**”). Specifically, the Company won the OBAA Desjardins Award for Large Business, granted annually to a maximum of two Ontario-based companies that have demonstrated business excellence across a broad range of criteria.

Developments Since October 31, 2009

- On November 10, 2009, exactEarth announced that it had signed a long-term agreement with a non-government entity to provide its exactAIS™ service. The aggregate revenue exactEarth could obtain during the course of this seven-year agreement may be equal to, or in excess of, US\$37 million.
- On November 30, 2009, the Company announced preliminary financial results for the fourth quarter of fiscal 2009. The numbers reported reflected a \$4.3 million shortfall in both revenue and net income compared to the Company’s internal forecasted projections. This deficit was due to unanticipated challenges experienced by the COM DEV Canada division.
- On December 21, 2009, Mr. Keith Ainsworth resigned from the Board.
- On January 8, 2010, Mr. Claude Seguin was appointed to the Board.

ITEM 3: NARRATIVE DESCRIPTION OF THE BUSINESS

3.1 Glossary of Technical Terms and Company Names

Set forth below are certain terms defined as they are used in this annual information form:

Filter:	A device that passes signals at specific frequencies and rejects signals at other frequencies.
IF Processor:	A complex piece of equipment (subsystem) used onboard a multi-beam mobile communications satellite to process signals. It performs frequency conversion, filtering and connectivity switching. For the purposes of this definition, IF means an intermediate frequency of approximately 100 MHz to 1 GHz.
INMARSAT:	International Maritime Satellite Organization. INMARSAT 3 refers to the third generation of INMARSAT communications spacecraft.
Microwave:	A very short radio wavelength whose frequency is higher than 300 MHz (approximately 300 MHz - 100 GHz).
Multiplexers:	A piece of microwave equipment used onboard a communications satellite to split broadband signals into channelized frequency bands (input multiplexer) or combined channelized frequency bands into a broadband signal (output multiplexer).
Payload:	All of the equipment onboard a satellite. Satellites have two parts - the payload and the structure. The structure is commonly referred to as the “bus” and includes the physical walls (panels), the propellant tanks and the power and electrical subsystems including solar arrays. For a communications satellite the payload is essentially everything else including all the repeater equipment (filters, multiplexers, high-power amplifiers, switches, etc.) plus antenna subsystems.
RF:	Radio Frequency; RF refers to a frequency band.
SAW:	Surface Acoustic Wave. SAW is a mode of elastic (mechanical) wave, which propagates just below the surface of a piezoelectric material. This is the fundamental operating mechanism of SAW-based devices (filters, etc.), which use special metal deposits on the surface of the material to convert the mechanical wave into an electrical signal.
Switch:	Device used to connect a specific input port to a specific output port. Various input to output port connections can be made depending on the type and position of the switch.

Set forth below are the full names of certain corporations referred to in this annual information form:

Alcatel:	Alcatel Espace, an entity that is part of ThalesAlenia Space.
Alenia Spazio:	Alenia Spazio, an entity that is part of ThalesAlenia Space.

Astrium:	Astrium Ltd., a subsidiary of the European Aeronautic Defence and Space Company.
Boeing:	The Boeing Company.
EMS:	EMS Technologies, Inc.
ISRO	India Space Research Organization.
Lockheed Martin:	Lockheed Martin Corporation (formerly, RCA Ltd., RCA Astro, GE-Astro and Martin Marietta).
L3Com:	L-3 Communications Holdings, Inc.
Melco:	Mitsubishi Electric Co.
Orbital:	Orbital Sciences Corporation.
Space Systems/Loral:	Space Systems/Loral Inc. (formerly, Ford Aerospace), a subsidiary of Loral Space and Communications.
Northrop Grumman:	Northrop Grumman Space and Technology, a business sector of Northrop Grumman Corporation.
CAST:	China Association of Space Technology.

3.2 General

COM DEV is a leading global designer, manufacturer and distributor of space-based wireless communications products and subsystems, as well as earth observation, optics and science instruments. The Company focuses almost exclusively on supplying products to, and meeting the needs of, commercial customers such as Space Systems/Loral, Boeing, Lockheed Martin, Astrium and Thales Alenia Space, as well as civil and government agency customers. There are five key elements to the Company's strategy of meeting its customers' evolving needs:

- (a) ***Emphasize Research and Development.*** COM DEV believes that its continuing success in the international marketplace for space-based products is due in large part to its dedication to research and development. The Company on average spends approximately 8.0% of its revenue on research and development. In addition, research and development is also funded by the purchase commitments for the products under development.
- (b) ***Maximize Return on Technology Investment.*** In order to maximize the return on its investment in research and development, the Company seeks to use its technology in the broadest possible number of market applications. To implement this strategy, the Company seeks to leverage the Company's investment in research and development by promoting the sale of the Company's space-based products in related markets and investing in or acquiring emerging companies in related product fields where the transfer of COM DEV's space technology may enhance the competitiveness of such companies.
- (c) ***Expand Industry-Leading Manufacturing Processes.*** Cost and delivery time reduction in the Company's served markets is being driven by service providers who are striving to accelerate the introduction of new services to consumers at a competitive price. Since product failure after launch has

severe consequences, reliability has historically been the primary objective. The Company's strategy is to continue to focus on achieving its product reliability standards while simultaneously reducing the time and cost of manufacturing its products.

(d) ***Remain Independent of Any Single Industry Protocol.*** In each market in which the Company competes, it focuses on providing customers with products, subsystems and instruments that are compatible with all major technology standards. This "technology independence" positions the Company to address a broad range of markets and protects the Company from reliance on any single communications standard or protocol or any individual customer or project for its ongoing revenue. The Company's products are sold to all major prime contractors for communications satellites, and to civil and government agencies for space science and optical instruments and defence communications products.

(e) ***Continue to Enhance Long-Term Customer Relationships.*** The Company's products are generally customized to meet the specific needs of its OEM and government related customers. Given these unique requirements, the Company's strategy is to become highly involved in the product definition phase of a customer's design process. The Company intends to continue to enhance its close working relationship with its extensive group of customers in each of its commercial, civil, and defence market segments, and to establish early program involvement with new and existing customers to better understand next-generation product requirements. The Company also plans to continue to provide a high level of technical service and retain its commitment to customer focused research and development activities.

3.3 Revenue Analysis

For each of the two most recently completed financial years, the Company earned revenues as follows (in millions of dollars):

	Year ended October 31	
	2009	2008
Commercial satellite programs	\$138.3 (58%)	\$126.9 (60%)
Civil (government) programs	\$62.5 (26%)	\$53.1 (25%)
Military & defence programs	\$39.6 (16%)	\$30.3 (15%)
Total Space revenues	\$240.4 (100%)	\$210.3 (100%)

3.4 Research and Development

COM DEV's continued success in the space market is due in part to its investment in research and development. COM DEV's management and scientists analyze trends in evolving services, identify barriers that may restrain that evolution and develop products to remove those barriers. The Company's strategy seeks to provide broad market applications for products derived from its technology base.

During the past three years, the Company has spent, on average, approximately 8.0% of revenues on research and development activities. Product development research is often funded by purchase commitments for the product under development. The Company also endeavours to take advantage of specific government programs to support its research where available. In fiscal year 2009, the Company funded \$13.6 million on research and development and in fiscal year 2008, it funded \$9.6 million in research and development. These expenditures comprise three categories: (i) long-term research; (ii)

applications of new technologies to the development of new products; and (iii) development of technology enhancements of existing products.

3.5 Intellectual Property

The policy of the Company is to apply for patents or other appropriate proprietary or statutory protection when it develops valuable new or improved technology. To date, the Company has over 200 patents related to its products and technologies. COM DEV believes that the rapid pace of technological change in the communications industry makes patent and trade secret protection important, but this protection must be supported by other factors including the expansion of the intellectual capital of its personnel, new product introductions and frequent product enhancements.

3.6 Environmental Matters

The Company's policy is to conduct its operations in a manner that complies with all legal requirements regarding health, safety and the environment. In 2003, the Company received ISO 14001 and OHSAS 18000 accreditation for its Environmental and Health and Safety processes. An environmental committee of employees monitors environmental matters at each of the Company's facilities and reports to the president on a periodic basis. The Company has no remedial activities or investigations underway.

3.7 Facilities and Manufacturing

The Company occupies a 211,000 square foot facility in two adjacent buildings in Cambridge, Ontario designed and built for the manufacture and testing of equipment destined for space applications. The facility is owned by the Company and is equipped with vibration equipment, thermal vacuum chambers and other specialized equipment to simulate the conditions that the Company's products will experience during launch and while operating in space. The Company's facilities ensure that it is capable of providing its customers with products fully tested to withstand the rigors of a rocket launch and operation in the harsh space environment. During the 2007 fiscal year, the Company expanded this facility through the construction of 38,000 square feet of space, half of which is used for production lab purposes, while the other half is used for engineering, research and development activities and corporate development resources. During the 2009 fiscal year, the Company acquired an additional 30,000 square feet of production capacity through its acquisition of the Microsatellite Building. COM DEV Europe also owns a 14,700 square foot space facility in Aylesbury, United Kingdom and COM DEV USA owns a 46,600 square foot production facility in El Segundo, California. The Company also leases a 19,700 square foot space facility in Ottawa. COM DEV Xi'an, which is a joint venture of COM DEV and of the Xi'an Institute of Space Radio Technology in China, leases a 17,500 square foot facility in Xi'an, China.

Parts are fabricated at the Cambridge, Ontario site, or procured externally. These parts are then assembled into components in "clean room" production facilities in any of the Company's space facilities. Given the unique requirements of building products for space, the Company has developed an extensive in-house automated testing system to simulate launch and in-orbit conditions. In most cases, these components are integrated and tested as higher-level subsystems prior to shipment to the customer.

Production capability and processes are becoming more sophisticated to address the growing volumes and shorter lead times in the satellite industry. The Company has developed an automated process for testing and tuning and has developed processes for higher volume repeat production. This automation has allowed COM DEV to reduce production time for certain core products, and effectively increase its productive capacity.

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.

3.8 Employees

As at October 31, 2009, the Company employed approximately 1,337 individuals, of whom: (i) approximately 76% were located at the Cambridge, Ontario facilities; (ii) approximately 7% were located at the Company's facility in Aylesbury, England, (iii) approximately 10% were located in at the Company's facility in El Segundo, California; (iv) approximately 5% were located at the Company's facility in Ottawa; and (v) approximately 2% were located at the Company's facility in Xi'an, China.

The Company has a policy of entering into confidentiality and non-disclosure agreements with its employees and limiting access to and dissemination of its proprietary technology. Approximately 578 of the employees are COM DEV shareholders. COM DEV considers its relationship with its employees to be good.

3.9 Markets

The Company's products are sold globally to commercial manufacturers of satellites, and to civil and government agencies around the world. Approximately 80% of the Company's revenue is derived from markets outside of Canada. The commercial market in which the Company operates has historically expanded in terms of overall volume and types of products required for the latest generation of satellites. However, the commercial market tends to be cyclical in nature. It is difficult for even the largest prime contractor to remain at the forefront of technology for such a wide range of products and components in a rapidly changing satellite market. As such, the Company's customers are increasingly outsourcing products they previously produced internally to trusted external manufacturers which specialize in certain products. The civil and defence markets in which the Company operates grow at rates that approximate macroeconomic growth rates in those countries in which such civil and defence markets exist. The Company has had success in penetrating these markets and in increasing its market share in recent years. As a result, revenue growth has significantly outpaced the underlying market growth rates in the civil and defence market segments.

3.10 Products and Services

The Company designs and manufactures multiplexers, switching networks and antenna subsystems, which account for a substantial portion of the payload hardware on a typical communications satellite. In addition, the Company designs and manufactures space science and optical instruments for the civil space market. With more than 750 commercial communications satellites carrying COM DEV equipment onboard, COM DEV equipment provides the backbone for the overwhelming majority of space-based communications and transmissions related to activities as diverse as satellite long-distance calls, television broadcasts, and information transmitted via science and exploration satellites.

The uplink antenna receives the RF communications traffic from Earth, the receiver amplifies the signal, the input multiplexer separates the communications traffic into the required channels, the switching network performs the required routing of the traffic, high-power amplifiers boost the signal power, and output multiplexers recombine the signals into the desired beams for transmission back to Earth through the downlink antenna. In addition, multi-satellite constellations employ cross-link antennas, which establish high-data-rate links between the satellite and the ground (gateway antennas) and from satellite to satellite (intersatellite links).

COM DEV's current core product competencies in the commercial and defence communications market segments are microwave filters and multiplexers and space-qualified microwave switches. The Company's newer product families, targeted primarily for the civil market segment include intermediate and high frequency products, space science and optical instruments, and antenna subsystems. Each of these products is described in more detail below.

(a) ***Multiplexers and Filters.*** Microwave filters are used extensively in the input and output multiplexers of a communications satellite payload. Their primary function is to segment the microwave signal passing through the payload to facilitate routing, processing and amplification. The performance of a communications satellite payload (i.e., the quality of the transmitted signal) is governed by the characteristics of these multiplexers and filters.

Microwave filters and multiplexers were the Company's first core products. It has supplied filters and multiplexers to every major commercial satellite prime contractor for use in communications satellites. It has recently expanded these offerings into the defence communications market segment. Management believes that the Company is currently one of the largest independent manufacturers of space-qualified multiplexers and filters in the world. The Company manufactures a full line of these products covering all the frequency bands used by commercial communications satellites, and has made inroads into the defence markets around the world for these products as well.

(b) ***Space Qualified Microwave Switches.*** The microwave switches manufactured by COM DEV perform two main functions in satellite payloads: (i) low loss routing of microwave signals for connectivity or to meet changing payload traffic patterns; and (ii) providing redundancy switching networks. These redundancy switches redirect signals to backup equipment, such as alternate high-power amplifiers, should a failure occur in the primary equipment. Since these switches are used in critical parts of the system and are employed in large quantities, reliability and low mass are key performance measures.

COM DEV designs, manufactures and markets a broad range of waveguide and coaxial switches. It entered this market in the mid-1980s with a limited line of waveguide switches, which gained acceptance as a result of their reliability and light weight. The Company's products take advantage of advanced materials, patented designs and proven manufacturing processes which offer a high performance-to-mass ratio and enhanced reliability due to fewer moving parts.

Management believes that COM DEV is currently the largest independent manufacturer of microwave switches for space applications. Its switches are purchased by substantially all of the major satellite prime contractors. The Company has increased switch production capacity over the past several years, and is well positioned to address increased demand.

(c) ***IF Products.*** An IF processor is a complex subsystem used onboard a multi-beam mobile communications satellite to process signals. It performs frequency conversion, filtering and connectivity switching. The demand for increased capacity has led to a new class of satellite payloads which use a greater number of antenna beams and much narrower channel bandwidths to allow the same channel frequencies to be "reused" in different areas of the satellite coverage. The narrower channel bandwidths and the associated frequency conversions required by these multi-beam payloads are accomplished through the use of the Company's SAW technology.

This technology was first employed on the INMARSAT 3 series. The Company designed and manufactured IF processors which were a combination of IF converters and microwave switch matrices. These processors, which performed the channelization and "switchboard" functions onboard this multi-

beam satellite, demonstrated to the marketplace the viability of this technology. All five satellites in the series have been launched and are operating successfully in orbit.

To address the increase in the usage of multibeam satellite systems, the Company has developed the BEAM*LINK® product. A multibeam satellite system increases the coverage, capacity and signal quality by employing antennas with multiple beams. Conventional multibeam satellites create and switch such beams on a full transponder (channel) basis. This makes it less cost effective to carry modern traffic, such as compressed digital video which occupy typically half to a quarter of a transponder since the first user of a transponder monopolizes the routing of the signal from a given uplink beam to a downlink beam. This is analogous to selecting a bus route based on the travel intention of the first passenger. BEAM*LINK® is a radio frequency electronic subsystem technology that divides transponder channels into multiple subchannels, which can then be independently routed to a variety of beams on a multibeam satellite. The power of BEAM*LINK® enables the greater exploitation of the capacities of multibeam satellites by matching the onboard switch “currency of bandwidth” to the needs of the traffic, without the inefficiencies described above. With BEAM*LINK®, the service provider no longer has to try to fill space on a transponder with a predefined link, since the origin and destination beams of the users become less important. This flexibility allows the service provider to increase the fill factor of the satellite beyond traditional levels and, moreover, the routing of users can be electronically switched from the ground as usage patterns and users change over time. Having the ability to handle simultaneous customers (higher fill factor) with BEAM*LINK®, for some applications provides the potential for higher revenue for the satellite operators. By early 2002, COM DEV had successfully delivered a total of eight models of the BEAM*LINK® product for the Anik F2 satellite.

(d) **SAW Products.** The aforementioned SAW filter design and manufacturing capability that exists within COM DEV will be exploited for other space-based applications and niche commercial market opportunities. A concerted effort to upgrade manufacturing equipment and design capability was implemented in 2000 and 2001, with the anticipation that new contracts for SAW filters could be received in the years to come, creating an opportunity for a new revenue stream outside COM DEV’s traditional space market. To date, the Company’s success in this product line has been limited.

(e) **Automatic Identification System.** An Automatic Identification System (“AIS”) is a system of communications designed to prevent ships from colliding with one another. By broadcasting key details every few seconds about their current position, heading and speed, passing ships can select a safe course even when conditions prevent visual contact. Over 70,000 ships worldwide are already equipped with AIS transmitters, but the curvature of the Earth limits reception of the signals to approximately 25 nautical miles for terrestrial-based receivers. The Company’s subsidiary, exactEarth has developed a product known as exactAIS™, in which the receivers of the AIS signals are placed within microsatellites located in space. This allows exactAIS™ to receive AIS signals within a 5,000 kilometer field of view at any given time. The first two microsatellites are expected to be launched in the 2010 calendar year, and exactEarth expects to begin the provision of its exactAIS™ service during the second quarter of the 2010 calendar year. The partners of exactEarth include: (i) the Company, (ii) University of Toronto Institute of Aerospace Studies Space Flight Lab; (iii) Gatehouse A/S; and (iv) the Indian Space Research Organisation. The Company also has a contract from the Canadian Space Agency and Department of National Defence to build an advanced demonstration microsatellite containing a second generation AIS payload and a low data rate two way communications payload for maritime applications.

3.11 Sales and Marketing

The Company works closely with its customers from initial concept to production. Customers develop relationships with all levels of personnel at the Company, including management, engineers and a field sales force located within close proximity to the customer. This approach results in a continuous

channel of communication between the Company and its customers. The Company also establishes multi-level relationships with service providers, which enable it to anticipate prime contractors' positions on upcoming contracts and appropriately focus the Company's sales and marketing resources.

3.12 Customers

The satellite communications infrastructure industry is dominated by a relatively small number of satellite prime contractors, and government agencies, many of which have long-standing relationships with the Company. All of the following continue to be customers at the present time:

<u>COM DEV Customer</u>	<u>Customer Since</u>	<u>Location</u>
Lockheed Martin.....	1975	United States
Space Systems/Loral.....	1975	United States
Boeing.....	1979	United States
EMS.....	1982	Canada
Alenia Spazio.....	1982	Italy
Astrium.....	1982	France/U.K./Germany
European Space Agency.....	1984	Europe
NASA (Jet Propulsion Laboratories).....	1985	United States
Northrop Grumman.....	1987	United States
Canadian Space Agency.....	1987	Canada
Alcatel.....	1988	France
NEC.....	1990	Japan
Melco.....	1990	Japan
Orbital.....	1995	United States
CMC.....	1997	Canada
ISRO.....	2001	India
CAST.....	2001	China
NT Space.....	2003	Japan

In addition to close relationships with satellite prime contractors, the Company has also established relationships with service providers. By working closely with these end users, the Company is able to better understand the demand for new services and develop equipment to make these services possible. In addition, the Company focuses on building relationships with important suppliers in order to accelerate the commercialization of new products, which use advanced materials.

3.13 Financial Information

In fiscal 2009 and 2008, revenues from the commercial market sector accounted for 58% and 60%, respectively, of the Company's consolidated revenue. For the same periods, revenues from the civil market sector accounted for 26% and 25%, respectively, of the Company's consolidated revenue. For the same periods, revenues from the military/defence market sector accounted for 16% and 15%, respectively, of the Company's consolidated revenue. In fiscal 2009, there were four customers that each accounted for over 10% of the consolidated revenue. In fiscal 2008, there were five customers that each accounted for over 10% of the consolidated revenue. The top four customers in fiscal 2009 represented over 60% of the Company's consolidated revenue, with the top customer representing 19% of the Company's consolidated revenue. The top four customers in fiscal 2008 represented over 54% of the Company's consolidated revenue, with the top customer representing 17% of the Company's consolidated revenue.

3.14 Competition

For new competitors in the Company's markets, the barriers to entry are high. In an industry where component failures cannot be rectified after launch, having a track record for product reliability in space applications is a necessity. Management believes that the Company's lengthy track record for quality and reliability and its long-standing relationships with all of the major prime contractors give it a significant competitive advantage. In addition, the capital cost of establishing the necessary technology base and specialized production facilities represent a substantial barrier to entry for potential competitors.

COM DEV has specialized in supplying its products to substantially all of the major prime contractors of satellites, as well as selected government agencies around the world. Many of the prime contractors produce, or have the capability to produce, many of the products manufactured by the Company. As a result, the primary potential competitors to the Company in the commercial satellite market segment are the satellite systems vendors themselves who elect to internally design and manufacture their own subsystems. However, since it is difficult for the prime contractors to remain in the forefront of technology for the breadth of products utilized in satellites, they are increasingly outsourcing products to specialists such as COM DEV. The ability to sell components to all of the prime contractors has allowed the Company to produce its products in large quantities, thereby providing cost advantages compared to the prime contractors' internal production capabilities. With regard to its commercial market core products, the Company has one "independent" supplier competitor; a division of Astrium in Europe called Tesat, which has an estimated market share of 10% to 20%.

3.15 Risk Factors

(a) *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: (i) market acceptance of its existing products; and (ii) 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.

(b) ***Reliance on Significant Customers and Credit Concentration.*** The satellite industry is characterized by a small number of prime contractors, which represent 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, or experience financial or operational difficulties, the overall orders of the Company may decrease and this development could adversely affect the Company's operations and 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. In addition, while the Company's accounts receivable tend to be concentrated, many of its customer receivables, by virtue of their non-Canadian status are insured with Export Development Canada ("**EDC**"). The Company expects to be able to continue to access receivables insurance through EDC. However, there is no assurance that EDC will provide this insurance to the Company. Any credit loss caused by the failure of the Company to secure receivables insurance through EDC could have a material adverse affect on the Company's business, and its financial condition.

(c) ***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.

(d) ***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. During the fourth quarter of fiscal 2009, the COM DEV Canada division experienced problems with its project management processes and also experienced challenges with some of its subcontractors. These problems and challenges have since been resolved in a satisfactory manner. 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.

(e) ***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 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.

(f) ***Dependence on Key Personnel.*** The Company is highly dependent on its ability to attract and retain qualified technical and engineering personnel who are able to provide outstanding service to the Company. The competition for such personnel is intense and the loss of particular people, 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.

(g) ***Product Failure.*** COM DEV 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.

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

(i) ***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 potential new entrants into the marketplace where the Company competes.

(j) ***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 its strategic plans 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.

Recent events have demonstrated that businesses and industries throughout the world are very tightly connected to each other. Thus, events seemingly unrelated to the Company or to its industry, such as the recent extraordinary developments in global financial markets, may adversely affect the Company over the course of time. For example, rapid changes to foreign currency exchange rates may adversely affect the Company's financial results. Credit contraction in financial markets may hurt the Company's ability to access credit in the event that it identifies an acquisition opportunity or some other opportunity that would require a significant investment in resources. Government payments to support financial institutions and other distressed industries may reduce the amount of money governmental agencies have to spend on space and defence related projects. A reduction in credit, combined with reduced economic activity, may adversely affect prime contractors and other businesses that collectively constitute a significant portion of the Company's customer base. As a result, these customers may need to reduce their purchases of COM DEV's products or services, or the Company may experience greater difficulty in

receiving payment for the products or services that these customers purchase from the Company. Any of these events, or any other events caused by turmoil in world financial markets, may have a material adverse effect the Company's business, operating results, and financial condition.

(k) **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. For example, the 2009 Offering increased the number of common shares of the Company by approximately 11.5%. 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.

(l) **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.

(m) **Foreign Exchange Risk.** COM DEV 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 Pound or Euro against the Canadian dollar would result in lower revenues and margins for the Company when stated in Canadian dollars. For example, the Company estimates that for the 2009 fiscal year its revenues and its gross profit were each reduced by approximately \$1.9 million due to the strengthening of the Canadian dollar compared to the U.S. dollar during this period. Changes in the Canadian dollar/U.S. dollar exchange rate over the past few years demonstrate a recent, material increase in the volatility of these exchange rates compared to the long-term trend, and underscores the importance of designing and implementing an effective currency exchange hedging strategy. COM DEV does engage in hedging a portion of its U.S. dollar-denominated net cash flows.

(n) **Labour and Other Cost 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 a reduction in the amount of labour used on projects, and consequently, revenue recognized for such quarter. 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.

(o) **Tax Assessments.** During fiscal 2006, Company was subject to audits by Canada Revenue Agency and by the Ontario Ministry of Finance. As a result of the audits, assessments to prior year returns have been received for capital taxes and for corporate minimum taxes. The Company considered the assessments and opposed several matters on the basis of its interpretation of the tax rules and made submissions to the tax authorities on this basis. The Company's position has been accepted by the tax authorities in all matters, with one exception. The final matter has yet to be resolved. The Company is currently unable to determine the likelihood of success of its remaining objection to the assessments. The disputed tax amounts total \$3.296 million including 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 by offset against future tax amounts, there is no guarantee that this will be the case.

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

(q) **New Market Risks.** The Company has identified, as part of its strategic direction, civil/government, and military/defence 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, combined with recent developments in several key political environments, that the Company's investment and efforts in these markets will be successful. Failure to succeed in the civil/government and military/defence markets may adversely affect the Company's future business, financial condition and operating results. In addition, the Company has identified AIS as a promising area for profitable growth, and it has determined that exactEarth will be an integral part of its future strategic direction. The Company has committed or invested over \$30 million towards the establishment and development of exactEarth, an amount that is equal to approximately 19% of the total shareholder's equity of the Company. If the Company's investment in exactEarth does not obtain the desired return, management believes that the Company may be able to recover a portion of its investment; however, the inability of the Company to achieve its investment objective in its exactEarth subsidiary may lead to a material adverse effect on the Company's business, operations and prospects.

(r) **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. 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.

3.16 Legal Proceedings

The Company is not aware of any current or pending legal proceedings or actions which may have a material adverse effect on the Company, nor is the Company aware of any claim or other threatened legal action which may have a material adverse effect on the Company.

ITEM 4: DIVIDENDS

The Company's current intention is to reinvest its earnings to finance the growth of its business. The Company does not intend to pay dividends on its Common Shares for the foreseeable future. The Company's Board may review this policy from time to time having regard to the Company's financial condition, financial requirements and other factors considered relevant.

ITEM 5: DESCRIPTION OF CAPITAL STRUCTURE

The Company has authorized an unlimited number of preferred shares of which there are none issued and outstanding. The Company has authorized an unlimited number of Common Shares, of which there were 76,100,289 outstanding as at the fiscal year ended October 31, 2009.

ITEM 6: MANAGEMENT'S DISCUSSION AND ANALYSIS

The information contained under "Management's Discussion and Analysis" in the Annual Report to shareholders for the year ended October 31, 2009 is incorporated herein by reference. See Item 13: - GENERAL.

ITEM 7: MARKET FOR SECURITIES

The Company's securities are listed and posted for trade on the Toronto Stock Exchange under the symbol CDV. For each month of the most recently completed fiscal year, the following table highlights the price ranges and trading volumes, for the Company's Common Shares:

<u>Date</u>	<u>Open</u>	<u>High</u>	<u>Low</u>	<u>Close</u>	<u># of Trades</u>	<u>Volume Traded</u>
November-08	\$3.61	\$3.69	\$2.21	\$2.65	2,305	2,196,405
December-08	\$2.40	\$3.24	\$2.26	\$3.16	2,643	1,905,467
January-09	\$3.28	\$3.40	\$3.00	\$3.13	1,595	2,629,984
February-09	\$3.12	\$3.23	\$2.75	\$2.78	1,385	2,082,731
March-09	\$2.79	\$3.30	\$2.54	\$3.22	1,978	2,174,497
April-09	\$3.17	\$3.98	\$3.17	\$3.90	2,291	2,476,185
May-09	\$3.90	\$3.90	\$3.15	\$3.56	2,361	4,222,763
June-09	\$3.69	\$3.69	\$2.81	\$2.87	2,901	4,340,816
July-09	\$2.88	\$3.27	\$2.86	\$3.09	2,453	3,895,051
August-09	\$3.08	\$3.08	\$2.62	\$2.64	1,492	2,878,165
September-09	\$2.65	\$3.04	\$2.52	\$2.79	7,210	21,302,901
October-09	\$2.78	\$3.24	\$2.68	\$3.07	5,229	18,961,426

ITEM 8: DIRECTORS AND OFFICERS

The name, municipality of residence, position held with the Company, committee positions held, and principal occupation of each of the Directors and officers of the Company are as follows:

<u>Name and Municipality of Residence and Principal Occupation</u>	<u>Position with The Company</u>	<u>Director Since</u>
Terry Reidel ^{(1), (2), (4)} Kitchener, Ontario Chairman of the Board COM DEV International Ltd.	Chairman	2007
Keith Ainsworth ^{(1), (4), (5)} Cambridge, Ontario	Director	1993
Douglas Wright ^{(1), (4), (5)} Waterloo, Ontario President Emeritus, University of Waterloo	Director	1993
Peter Scovell ^{(3), (4)} Ottawa, Ontario President Newlyn Technologies Ltd.	Director	2000
Kym Anthony ^{(2), (4)} Toronto, Ontario Chairman, DFGIA Inc., New York & Deputy Chairman Research Capital Holding Corp.	Director	2001
Christopher O'Donovan ^{(2), (4)} Waterloo, Ontario Lecturer University of Waterloo	Director	2003
James Adamson ^{(1), (3), (4)} Monarch, Montana, USA President and Chief Executive Officer Monarch Precision, LLC	Director	2007
John Keating Cambridge, Ontario Chief Executive Officer COM DEV International Ltd.	Chief Executive Officer, Director	2008

Gary Calhoun Lynden, Ontario Chief Financial Officer COM DEV International Ltd.	Chief Financial Officer	N/A
Michael Pley Ayr, Ontario Chief Operating Officer COM DEV International Ltd.	Chief Operating Officer	N/A
David Lizius Guelph, Ontario President COM DEV Canada	President of Subsidiary COM DEV Ltd.	N/A
Michael Williams New Dundee, Ontario President COM DEV International Products	President of Operating Division COM DEV International Products	N/A
Dan White Palos Verdes, California, USA President COM DEV USA	President of Subsidiary COM DEV USA, LLC	N/A
Rob Spurrett Harwell, England Managing Director COM DEV Europe	Managing Director of Subsidiary COM DEV Europe Ltd.	N/A
Paul Dyck Guelph, Ontario Vice President – Human Resources COM DEV International Ltd.	Vice President	N/A
Peter Mabson Cambridge, Ontario Vice President – Corporate Development COM DEV International Ltd. and President exactEarth Ltd.	Vice President and President of Subsidiary exactEarth Ltd.	N/A
Tony Stajcer Cambridge, Ontario Vice President – Corporate R&D	Vice President	N/A
John Stuart Aylesbury, England Vice President – Corporate Business Development	Vice President	N/A

Notes:

- (1) Member of Corporate Governance Committee.
- (2) Member of Audit Committee.
- (3) Member of the Human Resources and Compensation Committee.
- (4) Member of the Nominating Committee.
- (5) Mr. Keith Ainsworth was initially appointed as director of the Company's predecessor company, COM DEV Ltd. in 1974. Mr. Douglas Wright was initially appointed as director of the Company's predecessor company, COM DEV Ltd. in 1987.

During the past five years, all of the Directors and officers of the Company have held their present principal occupations noted opposite their respective names or other positions with the same organizations, except for: (i) Kym Anthony, who was President and CEO of Dundee Wealth Management until 2007, and previous to that was President and CEO of National Bank Financial until 2005; (ii) Terry Reidel, who was President and Chief Operating Officer of Kuntz Electroplating Incorporated from 2002 until 2008; (iii) Paul Dyck, who was Vice President, Human Resources at Toromont Energy Systems Inc. ("**Toromont**") prior to joining the Company, and was Vice President, Human Resources at the Armstrong Group of Companies prior to joining Toromont; (iv) Rob Spurrett, who was Director of the Space Products Division of ABSL Power Solutions Limited prior to joining the Company; and (v) Dan White, who was Vice President, Engineering with DataPath, Inc. ("**Datapath**") prior to joining the Company, and was Director of Satellite Payload Engineering with Lockheed Martin prior to joining Datapath.

ITEM 9: INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Company is not aware of any interest in any material transaction, direct or indirect, completed in the year ended October 31, 2009, of any Director or executive officer of the Company, or any person beneficially owing, directly or indirectly more than 10% of the Company's voting securities, or any associate or affiliate thereof.

As at October 31, 2009, the Directors and senior officers of the Company as a group beneficially owned, directly or indirectly, or exercised control or direction over 5,734,660 (7.5%) of the outstanding Common Shares.

ITEM 10: TRANSFER AGENTS AND REGISTRARS

The Company's transfer agent and registrar is Computershare Trust Company of Canada, 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1.

ITEM 11: MATERIAL CONTRACTS

The Company has not entered into any material contracts for the year ended October 31, 2009 with the exception of: (i) an underwriting agreement dated February 11, 2009 between the Company and the Underwriters with respect to the 2009 Offering (this transaction was referenced in greater detail in Item 2.2 above), (ii) the contracts and agreements associated with the acquisition of the Microsatellite Building (this transaction was referenced in greater detail in Item 2.2 above); and (iii) contracts entered into in the normal course of business.

ITEM 12: ADDITIONAL INFORMATION

12.1 Audit Committee

The following disclosure is provided in accordance with Multilateral Instrument 52-110 - Audit Committees (“MI 52-110”).

The audit committee of the Board (the “**Audit Committee**”) is responsible for overseeing the integrity of the Company’s financial statements, reviewing financial reports and other financial information, recommending the appointment and reviewing and appraising the audit efforts of the Company’s external auditors, overseeing and monitoring the Company’s financial reporting processes and internal controls, the Company’s processes to manage business and financial risk and its compliance with legal, ethical and regulatory requirements and encouraging improvement of and adherence to the Company’s policies, procedures and practices.

The Audit Committee’s charter sets out its responsibilities and duties, qualifications for membership, procedures for committee member removal and appointment and reporting to the Board. A copy of the charter is attached to this Annual Information Form as Schedule “A”.

The Audit Committee is comprised of three Directors, all of whom are independent Directors: Kym Anthony (Chairman), Christopher O’Donovan, and Terry Reidel. In addition to being independent Directors as described above, all members of the Company’s Audit Committee must meet an additional “independence” test under MI 52-110 in that their Directors’ fees are the only compensation they, or their firms, receive from the Company and that they are not affiliated with the Company. All members of the Audit Committee are financially literate within the meaning of MI 52-110.

12.2 Relevant Experience

Set out below is a description of the education and experience of each audit committee member that is relevant to the performance of his responsibilities as an audit committee member.

Terry Reidel is a Fellow Chartered Accountant who had a 39-year career at Ernst & Young, LLP. He earned his CA designation from Queen’s University in 1967. From 2002 until 2008, he served as President and Chief Operating Officer of Kuntz Electroplating Incorporated, a privately owned automotive plating and metal finishing company located in Waterloo, Ontario which was founded in 1948 and which had, at the relevant time, 650 employees. He joined Kuntz Electroplating in March of 2001 as Vice President - Finance. Terry Reidel is also a director of Linamar Corporation and Economical Mutual Insurance Company.

Kym Anthony is fully conversant in financial statement interpretation and evaluation by virtue of: (i) his postgraduate MBA degree, (ii) his experiences as a former senior executive with Dundee Wealth Management, (iii) his previous position as a senior executive with National Bank Financial, and (iv) his current roles as both Chairman of DFGIA Inc. and as Deputy Chairman of Research Capital Holding Corp.

Christopher O’Donovan has been a member of the faculty at the University of Waterloo, as a lecturer in physics, since 2000. The Company expects that Dr. O’Donovan will obtain sufficient financial literacy necessary to meet the rigorous standards set by the Audit Committee Charter (referenced in Section 12.3 below) during the 2010 fiscal year. Pursuant to Section 3.9 of National Instrument 52-110, the Board has determined that Dr. O’Donovan’s appointment to the Audit Committee will not materially affect the ability of the Audit Committee to act independently and to satisfy the other requirements of National Instrument 52-110.

12.3 Pre-Approval Policies and Procedures

The Board has adopted an Audit Committee Charter, the current form of which is attached to this Annual Information Form as Schedule “A”, which includes responsibilities regarding the provision of non-audit services by the Company’s external auditors. This policy encourages consideration of whether the provision of services other than audit services is compatible with maintaining the auditor’s independence and requires Audit Committee pre-approval of permitted audit and audit-related services.

12.4 External Auditor Services Fees

(a) **Audit Fees.** The aggregate audit fees billed by the Company’s external auditors for the year ended October 31, 2009 were \$272,000 and for the year ended October 31, 2008 were \$257,000. The work performed by the Company’s external auditors included the statutory audit of COM DEV Europe for the year ended October 31, 2009, as well as the audit of COM DEV International Ltd. for the year ended October 31, 2009.

(b) **Audit-Related Fees.** The aggregate audit-related fees billed by the Company’s external auditors for the year ended October 31, 2009 were \$57,000. The aggregate audit-related fees billed by the Company’s external auditors for the year ended October 31, 2008 were \$55,500.

(c) **Tax Fees.** The external auditor for COM DEV Europe was paid a fee of £4,000 for tax return preparation at COM DEV Europe for the year ended October 31, 2009. The external auditor for COM DEV Europe was paid a fee of £4,000 for tax return preparation at COM DEV Europe for the year ended October 31, 2008.

(d) **Non-Audit Fees.** During the year ended October 31, 2009, the Company’s external auditors provided assistance with the prospectus in connection with the share offering completed in February 2009. The work performed by the Company’s external auditors related to this project included, but was not limited to, translation services. The Company’s external auditors charged \$85,200 in fees for performing the work associated with this project. In addition, during the year ended October 31, 2009, the Company’s external auditors provided assistance in applying agreed upon test procedures with respect to internal control over financial reporting. The Company’s external auditors charged \$44,000 in fees for performing the work associated with this project. During the year ended October 31, 2008, the Company’s external auditors provided assistance with the establishment of an Enterprise Risk Assessment process. The Company’s external auditors charged \$50,000 in fees for providing this non-audit related work.

ITEM 13: GENERAL

Management’s Discussion and Analysis is set out in the Company’s 2009 Annual Report and is incorporated herein by reference.

The Company shall provide to any person, upon written request to the Secretary of the Company at 155 Sheldon Drive, Cambridge, Ontario N1R 7H6:

(a) when the securities of the Company are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus has been filed in respect of a distribution of its securities:

- (i) one copy of the Annual Information Form (“**AIF**”) of the Company, together with one copy of any document, or the pertinent pages of any document, incorporated by reference within the AIF;
 - (ii) one copy of the comparative financial statements of the Company for its most recently completed financial year together with the accompanying report of the auditors and one copy of any interim financial statements of the Company subsequent to the financial statements for its recently completed financial year;
 - (iii) one copy of the information circular of the Company in respect of its most recent annual meeting of shareholders that involved the election of Directors or one copy of any annual filing prepared in lieu of that information circular, as applicable; and
 - (iv) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under (i) to (iii) above; or
- (b) at any other time, one copy of any of the documents referred to in (a)(i), (ii) and (iii) above, provided the Company may require the payment of a reasonable charge if the request is made by a person who is not a security holder of the Company.

Additional information including Directors’ and officers’ remuneration and indebtedness to the Company, principal holders of the securities of the Company, options to purchase securities and interests of insiders in material transactions will be contained in the Company’s information circular for the shareholders meeting for fiscal 2009. Additional financial information is provided in the Company’s consolidated financial statements and notes thereto for the year ended October 31, 2009.

Additional information relating to the Company may be found on SEDAR at www.sedar.com.

SCHEDULE “A”

AUDIT COMMITTEE CHARTER

COM DEV International Ltd Audit Committee Charter

A. PURPOSE AND SCOPE

The primary function of the Audit Committee (the “**Committee**”) is to (a) assist the board of directors (the “**Board**”) in fulfilling its responsibilities by reviewing: (i) the financial reports provided by the Company to the Regulatory Bodies (as defined below), the Company’s shareholders or to the general public, and (ii) the Company’s internal financial and accounting controls, (b) oversee the engagement of, and work performed by, any independent public accountants, and (c) recommend, establish and monitor procedures including without limitation relating to Risk Management designed to improve the quality and reliability of the disclosure of the Company’s financial condition and results of operations.

B. COMPOSITION

The Committee shall be comprised of a minimum of three directors as appointed by the Board, each of whom shall be an “unrelated director” as such term is defined in the Toronto Stock Exchange (the “**TSX**”) Company Manual from time to time (the “**Manual**”), and each of whom shall meet the audit committee composition requirements promulgated by the TSX, any other exchange upon which securities of the Company are traded, or any governmental or regulatory body exercising authority over the Company (each a “**Regulatory Body**” and collectively, the “**Regulatory Bodies**”), as in effect from time to time, and each member of the Committee shall be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgement as a member of the Committee.

All members of the Committee shall be able to read and understand fundamental financial statements, including a balance sheet, cash flow statement and income statement. At least one member of the Committee shall have employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience or background which results in the individual’s financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities. Further, no later than the earliest time required by any Regulatory Body, at least one member of the Committee shall qualify as a “financial expert” (as such term is defined in the Manual or by a Regulatory Body, from time to time).

To the extent permitted by the Regulatory Bodies, the Board of Directors may appoint one member who is not an “unrelated director” as set forth above and who does not own or control 20% or more of the Company’s voting securities and who is not a current employee of the Company or an immediate family member of such employee if the Board, under exceptional and limited circumstances, determines that membership on the Committee by the individual is required in the best interests of the Company and its shareholders. The Board shall disclose in the next proxy statement after such determination the nature of the relationship and the reasons for the determination. Any member of the Committee appointed to the Committee pursuant to this exception shall not be permitted to serve as the Chair of the Committee and shall not be permitted to serve on the Committee for a period of more than two years.

The members of the Committee shall be elected by the Board at the meeting of the Board of Directors following each annual meeting of the shareholders and shall serve until their successors shall be duly elected and qualified or until their earlier death, resignation or removal. Unless a Chair is elected by the

full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership.

C. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties the Committee shall:

Document Review

1. Review and assess the adequacy of this Charter periodically as conditions dictate, but at least annually (and update this Charter if and when appropriate).
2. Review with representatives of management and representatives of the Company's independent accounting firm the Company's audited annual financial statements prior to their filing. After such review and discussion, the Committee shall recommend to the Board whether such audited financial statements should be included in the Company's Annual Report. The Committee shall also review the Company's interim financial statements prior to their filing and such other financial reports and filings as may be required by any other Regulatory Body.
3. Take steps designed to insure that the independent accounting firm reviews the Company's interim financial statements prior to their inclusion in the Company's interim reports and such other financial reports and filings as may be required by any other Regulatory Body.
4. Review and assess the performance of the Chief Financial Officer and provide recommendations to the chief executive officer and Compensation Committee with respect to the award of any monetary bonus, if applicable, in accordance with the Incentive Program established by the Compensation Committee.

Independent Accounting Firm

1. The Committee shall be directly responsible for the selection, compensation and oversight of any independent accounting firm engaged by the Company for the purpose of preparing or issuing an audit report or related work. The Committee shall have the ultimate authority and responsibility to select, evaluate and, when warranted, replace such independent accounting firm (or to recommend such replacement for stockholder approval in any proxy statement).
2. Resolve any disagreements between management and the independent accounting firm as to financial reporting matters.
3. Instruct the independent accounting firm that it should report directly to the Committee on matters pertaining to the work performed during its engagement and on matters required by the rules and regulations of any applicable Regulatory Body.
4. On an annual basis, receive from the independent accounting firm a formal written statement identifying all relationships between the independent accounting firm and the Company. The Committee shall actively engage in a dialogue with the independent accounting firm as to any disclosed relationships or services that may impact its independence. The Committee shall take appropriate action to oversee the independence of the independent accounting firm.

5. On an annual basis, discuss with representatives of the independent accounting firm the matters required to be discussed by the rules, regulations and guidelines governing the independent accounting firm.
6. Meet with the independent accounting firm prior to the audit to review the planning and staffing of the audit and consider whether or not to approve the auditing services proposed to be provided.
7. Evaluate the performance of the independent accounting firm and consider the discharge of the independent accounting firm when circumstances warrant. The independent accounting firm shall be ultimately accountable to the Board and the Committee.
8. Consider in advance whether or not to approve any non-audit services to be performed by the independent accounting firm which are required to be approved by the Committee pursuant to the rules and regulations of any applicable Regulatory Body.

Financial Reporting Process

1. In consultation with the independent accounting firm and management, review annually the adequacy of the Company's internal financial and accounting controls.
2. Require the Company's chief executive officer and chief financial officer to submit, as required by Regulatory Bodies, and prior to the filing of the Annual Report or any interim reports, a report, dated no earlier than 10 days prior to the date of filing of the Annual Report or any interim reports, to the Committee which evaluates the design and operation of the Company's internal financial and accounting controls, and which discloses (a) any significant deficiencies discovered in the design and operation of the internal controls which could adversely affect the Company's ability to record, process, summarize, and report financial data; and (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls. The Committee shall direct the actions to be taken and/or make recommendations to the Board of actions to be taken, to the extent such report indicates the finding of any significant deficiencies in internal controls or fraud.
3. Regularly review the Company's critical accounting policies and accounting estimates resulting from the application of these policies and inquire at least annually of both the Company's management and the independent accounting firm as to whether either has any concerns relative to the quality or aggressiveness of management's accounting policies.

Compliance

1. To the extent deemed necessary by the Committee, it shall have the authority to engage outside counsel, independent accounting consultants and/or other experts, in each case at the Company's expense, to review any matter under its responsibility.
2. Establish procedures for (a) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submissions by employees of the Company of concerns regarding questionable accounting or auditing matters.
3. Investigate any allegations that any officer or director of the Company, or any other person acting under the direction of any such person, took any action to fraudulently influence, coerce, manipulate, or mislead any independent public or certified accountant engaged in the

performance of an audit of the financial statements of the Company for the purpose of rendering such financial statements materially misleading and, if such allegations prove to be correct, take or recommend to the Board appropriate disciplinary action.

4. The Committee shall ensure that any options grants approved by the Board were issued at the grant date with the appropriate exercise price and the correct amount of options provided in total.

Reporting

1. Prepare, in accordance with the rules of any Regulatory Body, a written report of the audit committee to be included in the Company's annual proxy statement for each annual meeting of shareholders.
2. Instruct the Company's management to disclose in its Annual Report and in any interim reports the approval by the Committee of any non-audit services performed by the independent accounting firm, and review the substance of any such disclosure.

Conflicts of Interest

1. Review all related party transactions involving executive officers and members of the Board and, as required by any Regulatory Body, consider approval of such transactions, or recommendation for approval to the Corporate Governance Committee of the Company.

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles.