



COM DEV
INTERNATIONAL

COM DEV International Ltd.
First Quarter Report – Fiscal 2009
For the Period Ended
January 31, 2009

COM DEV Announces First Quarter Fiscal 2009 Results

CAMBRIDGE, ON – March 9, 2009 – COM DEV International Ltd. (TSX:CDV) today announced its first quarter financial results for the three-month period ended January 31, 2009. All amounts are stated in Canadian dollars unless otherwise noted.

First Quarter Highlights

- Revenue was \$56.5 million, an increase of 26% over the \$44.9 million recorded in the first quarter of 2008.
- Gross margin was 26%, compared to 24% in Q1 2008.
- Net income was \$4.4 million, or \$0.06 per share, compared to \$1.3 million or \$0.02 per share for the prior year period.
- New orders won in the first quarter totaled \$88 million, compared to \$33 million a year earlier and \$60 million in the fourth quarter of fiscal 2008.
- Backlog at January 31, 2009 was \$189 million, compared to \$158 million three months earlier.

“We got off to a very good start in 2009, recording the second highest revenue total in our history in what tends to be a seasonally slow quarter for us,” said John Keating, CEO of COM DEV. “High levels of new orders and a record backlog at quarter-end position us well for the rest of the year. The indicators we track continue to point to ongoing strength in the global space industry, despite challenges being seen in other sectors of the economy.”

Financial Review

COM DEV’s fiscal 2009 first quarter revenues of \$56.5 million represented an increase of \$11.6 million or 26% compared to the previous year. The revenue split between the three market segments was 59% commercial, 24% civil and 17% military, compared to a 64/23/13 split in the first quarter of 2008. Management continues to expect annual revenue growth of at least 10% in fiscal 2009.

COM DEV received new orders totaling \$88 million during the quarter, of which 51% were commercial, 12% were civil, and 37% were military. Military orders of \$33 million represented a record high for COM DEV in a single quarter. In Q1 2008 the Company booked \$33 million of new orders, with a commercial/civil/military split of 48/48/4.

Order backlog at quarter-end reached a record high of \$189 million, compared to a backlog of \$158 million at the end of Q4 2008 and \$133 million one year ago. Backlog was split between the Company’s commercial, civil and military sectors at a ratio of 44%, 35% and 21% respectively, compared to 45%,

42% and 12% three months earlier. The Company expects to convert approximately 77% of the total backlog into revenue during fiscal 2009.

Gross margin was \$14.7 million in Q1 2009, representing 26% of revenues, compared to \$10.9 million or 24% of revenues in Q1 2008. COM DEV made the decision this quarter to classify as SG&A, certain expenses that had previously been recorded as cost of revenue, in order to provide better visibility into total SG&A costs. Comparable figures from last year for both gross margin and SG&A have been adjusted upward by \$0.7 million in order to conform to the current classification of costs.

Gross research and development spending in Q1 2009 was \$3.8 million, representing a \$1 million increase from one year earlier, but a \$1.6 million decrease from Q4 2008 levels. Outside funding of \$1.0 million was up 25% from Q1 2008, but down \$1.9 million or 64% from Q4 2008, as program funding was completed for one of the Company's R&D projects. Net research and development expense was \$2.8 million in the quarter, compared to \$2.0 million in the first quarter of 2008.

Selling, general and administrative expenses were \$7.4 million in the first quarter, compared to \$6.8 million in Q1 2008, while as a percentage of total revenue, SG&A was 13%, down from 15% a year earlier. The year over year increase in SG&A expenses reflects the full operating status in 2009 of the Company's U.S. location, as well as divisional administration costs which were not present in Q1 2008. As mentioned above, the Company has modified the classification of costs that are included in SG&A, in order to provide management with better visibility of total SG&A spending. Comparable prior year figures for SG&A have been adjusted to conform to the current classification.

Net income for the quarter was \$4.4 million, up from \$1.9 million in Q1 2008, while earnings per share were \$0.06, compared to \$0.02 a year earlier.

COM DEV ended the quarter with \$9.2 million of cash and equivalents, compared to \$16.1 million at October 31, 2008. Operating activities used \$3.8 million of cash in Q1 2009, compared to \$13.3 million in the first quarter of 2008. COM DEV had outstanding debt of \$28.4 million at the end of Q1, including the current portion. In 2008, the Company increased its available line of credit to \$27 million from \$17 million, with the borrowing terms unchanged. At January 31, 2009, this facility was not drawn upon.

The Company's basic share count averaged 68,133,978 (fully diluted: 68,296,398) in the first quarter, and stood at 68,238,433 on January 31, 2009. Subsequent to the end of the quarter, the Company issued 7,797,000 new common shares to raise gross proceeds of \$23 million (approximately \$21.5 million net proceeds) in an equity offering.

Conference Call

A conference call will be held Monday, March 9, 2009 at 5:30 pm EST to discuss this announcement. To access the live webcast, please visit the Company's website at www.comdev.ca or www.newswire.ca for directions. Participants will require Windows Media Player™ to listen to the webcast.

About COM DEV

COM DEV International Ltd. (www.comdevintl.com) is a leading global designer and manufacturer of space hardware subsystems. With facilities in Canada, the United Kingdom and the United States, COM DEV manufactures advanced products and subsystems that are sold to major satellite prime contractors for use in communications, space science, remote sensing and military satellites.

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

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



INTRODUCTION

The following Management's Discussion and Analysis (MD&A) 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 notes thereto, for the three month period ended January 31, 2009 (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, 2008 ("the Consolidated Financial Statements"). The Unaudited Consolidated Financial Statements and the Consolidated Financial Statements (collectively, the "Financial Statements") have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and are reported in Canadian dollars. The information contained herein is dated as of March 3, 2009, 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, 2008 and other documents available on SEDAR at www.sedar.com.

This Management's Discussion and Analysis (MD&A) 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 management's 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.

COMMENT ON CURRENT GLOBAL ECONOMIC CONDITIONS

The current global financial market downturn has resulted in some of the world's best known financial institutions disappearing, as well as significant erosion of stock market values, and severe restrictions on credit availability. The volatile and uncertain economic environment presents many companies with new business challenges, not the least of which is communicating the impact of the current economic environment to its shareholders.

COM DEV has not seen a significant impact on its operations thus far as a result of the global financial crisis. The Company's customer base includes all of the world's largest satellite prime manufacturers, who are building satellites for satellite operators whose businesses are generally described as generators of significant cash. In addition to these satellite prime manufacturers as customers, the Company's strategic efforts to diversify into the government space sector have thus far been very successful, as evidenced by our revenue split, which is now roughly equal between the government and non-government sectors of the space market. With government departments now included in our customer base, management believes that it is well positioned with a diversified portfolio of financially healthy customers. Even with this kind of customer base, the Company continues to insure its foreign accounts receivable to the extent possible to minimize the risk of non-collection from these customers. Since this economic downturn began, the Company has not experienced any collection problems on accounts receivable.

Management continues to see significant bidding activity in the marketplace. While it is possible that a prolonged economic downturn could make it more likely that some satellite programs become delayed, we have not seen significant evidence of this to date. Unlike many other industries, where there is significant discretion on timing of business decisions, the commercial space industry faces the reality that satellites have a limited life expectancy. Satellite operators must replace their satellite fleets over time if they are to continue to provide not just new services, but current services that are provided to their customers. While this does not make the space industry immune to the effects of the current economic crisis, the current replacement cycle that the industry is in has perhaps at least partly lessened any impact in our industry to date. Management will continue to monitor market activity and trends in our industry, in order to be able to react in a timely fashion should we see a decline in the level of new business activity.

The current global economic conditions have not caused the Company to alter its strategic plans. Since 2002, management has described its intent to maintain its leadership position in the commercial satellite equipment market, and to expand its presence in the civil and defense space markets. This broad strategic plan has led to two acquisitions: one in 2005 which established the Company's position as the leading Canadian provider of space science and optical instruments, and one in 2008 when we accelerated its expansion into the U.S. market through a product line acquisition in California. Our current focus is to expand its market share in each of these businesses, while at the same time continuing to develop technologies in support of market needs.

The Company utilized its term debt facility to finance its U.S. expansion, and is repaying this debt according to the repayment schedule, over five years. There is no adverse economic change language in the loan agreement, which means that as long as the Company continues to repay the loan according to the established repayment schedule, an adverse material economic change will not result in the lender calling the loan. This provides management with confidence that this term loan should not cause concern about the Company's liquidity.*

The Company renegotiated its operating credit facility with the Canadian Imperial Bank of Commerce during the fourth quarter of fiscal 2008, increasing the Company's maximum available operating credit line from \$17 million to \$27 million. The covenants associated with that agreement were renegotiated at the same time. The covenants on the operating line include a current ratio minimum, a leverage ratio maximum, and a fixed charge coverage ratio minimum. The Company is well within all covenant ratio requirements at the end of the current fiscal quarter. The operating line of credit remained undrawn at the end of the quarter and available to the Company to support its operations as required.

Subsequent to the end of Q1, the Company issued 7,797,000 common shares in a bought deal transaction with a syndicate of underwriters. Gross proceeds of the transaction, which was completed on February 26, 2009, were \$23.0 million.

For a more complete analysis of risks faced by the Company, and additional comments on the global economic environment, please refer to the section "Business Risks and Prospects", included later in this MD&A.

USE OF NON-GAAP MEASURES

In this MD&A, we provide information about orders and contract backlog. Orders and backlog measures are not defined by Canadian generally accepted accounting principles (GAAP) and our measurement of them may vary from that used by others. The Company measures orders as the sum of fully executed contracts from our customers. 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.

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

OVERVIEW – CONTINUING OPERATIONS

COM DEV is a leading global designer, manufacturer and distributor of space communications and space science 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; and Xian, China. The Company's common shares trade on The Toronto Stock Exchange under the symbol "CDV". COM DEV employed 1,243 people around the world as of January 31, 2009, compared to 1,119 people as of January 31, 2008, and 1,206 people as of October 31, 2008.

COM DEV designs and manufactures advanced instruments and microwave products for space satellites such as multiplexers, filters, switches, surface acoustic wave (SAW) devices, signal processors, satellite payloads, and micro-satellite spacecraft. The products are sold to substantially all of the major satellite prime contractors for use in commercial communications, military/defense communications and space science satellites.

OVERVIEW – DISCONTINUED OPERATIONS

Two additional divisions are treated as discontinued operations in the 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

During the Company's 2009 fiscal first quarter, nine satellite programs were awarded in the global space market, compared with 13 in fiscal Q1 2008. The number of transponders on these satellites totaled 363 in Q1 of fiscal 2009, representing a 21.8% decrease from the 464 transponders awarded in the global market in Q1 of fiscal 2008. In Q4 2008 five satellites were awarded with a total of 175 transponders. A more detailed discussion can be found in "Results of Operations". The breakdown of satellite awards and transponders awarded between the three market sectors (commercial, civil, and military/defense) can be summarized as follows:

<u>Sector</u>	Three months ended January 31			
	<u>Satellites</u>	<u>Transponders</u>	<u>Satellites</u>	<u>Transponders</u>
Commercial	7	271	9	296
Civil	1	28	2	40
Military/Defense	1	64	2	128
Total	9	363	13	464

Of the nine satellite programs announced in Q1 fiscal 2009, COM DEV has secured work on five, and is still in the running for work on the remaining four programs. This compares to Q1 fiscal 2008, when of the 13 satellites announced in the market, COM DEV had secured work on 8 to date, and was still pursuing work on 4 others. In Q4 2008 the Company won work on all five of the satellites awarded.

In Q1 2009, the Company's workload continued to be balanced between commercial and non-commercial projects. The Company received orders for a total of \$88.0 million in new business during Q1, compared with \$32.7 million in Q1 of the previous year, and \$60.0 million in Q4 of fiscal 2008. The profile of this new business reflects the continuing strength of the commercial market segment in Q1 2009, and the Company's ability to capitalize on this

available work. Of the \$88.0 million in new orders won in Q1 2009, 51% came from the commercial sector of the space market, 12% from the civil sector, and 37% from the military/defense sector. By comparison, of the \$32.7 million in business won in Q1 2008, 48% came from the commercial sector, with the civil and military/defense sectors accounting for 48% and 4% respectively. In Q4 2008, the comparable segment split was 61%, 20% and 19%.

Included in the \$88.0 million of new orders received in Q1 fiscal 2009 are orders received under Authority to Proceed (ATP). In recent years, as delivery schedules have become more critical, customers are increasingly using ATPs as a way to start a subcontractor working, under contract, on a program while the full contract negotiations are concluded. COM DEV includes only work for which it has contractual coverage in its reported orders and backlog. In the case of ATP awards, the Company includes only the value of the ATP, not the expected full value of the contract. Only after contract negotiations are completed, and the customer has awarded COM DEV the full contract, does the Company include the value above the ATP in its orders and backlog. At the end of Q1 fiscal 2009, the amount of potential order value in excess of ATP, which management expects to realize, stood at \$37.2 million.* This compares to \$7.8 million at the end of Q1 fiscal 2008, and \$48.1 million at the end of Q4 fiscal 2008. The expected full contract amounts are based on bid values, and the historically high percentage of ATPs being ultimately turned into full contract values.

In addition to maintaining a balanced distribution of work between the commercial and non-commercial market sectors, the Company also continued to achieve diversification in its geographic markets. In Q1 2009, 12% of the Company's new orders were from Europe, 58% from the United States, 22% from Canada, and 8% from the rest of the world (ROW). This compares to 16%, 39%, 42% and 3% respectively in Q1 2008, and 35%, 56%, 1% and 8% respectively in Q4 2008, again demonstrating that the Company's products continue to successfully penetrate the world's major satellite markets.

The Company closed out Q1 2009 with record backlog totaling \$188.7 million, which represents a 41.6% increase over the 2008 Q1 backlog of \$133.3 million. It is also 19.3% higher than the Q4 2008 backlog of \$158.2 million. Approximately 23% of the Q1 2009 backlog is currently expected to be realized beyond the end of the Company's 2009 fiscal year,* compared to approximately 17% of the closing fiscal 2008 backlog being realized beyond the end of its 2009 fiscal year. The expected amount of backlog to be realized beyond the upcoming fiscal year is based on the current projections for project performance.

The U.S. dollar continued to have an impact on the business during Q1 2009, but to a lesser extent than in recent periods. During the first quarter of fiscal 2009, the U.S. to Canadian dollar exchange rate averaged \$1.2266, based on the daily closing spot rates as reported by the Bank of Canada. This compares to Q1 fiscal 2008 where, according to Bank of Canada statistics, the U.S. dollar averaged \$0.9941 on the same basis, and \$1.1001 for Q4 of fiscal 2008. In Q1 2009, the strengthening of the U.S. dollar versus the prior quarter had the effect of increasing revenues by \$0.9 million, compared to Q1 2008, when the shift in the U.S. dollar exchange rate had the effect of increasing revenues by \$2.8 million. Most of the revenue impact in each year flowed through to gross margin as a result of the low level of U.S. sourced material in most programs. In Q1 2009, the foreign exchange options valuation had a positive impact on net income of \$0.2 million, while in Q1 2008 it had a negative impact on net income of \$1.3 million. In Q4 2008 the negative impact was \$3.1 million.

Gross margins for Q1 improved over the same period of the prior year, averaging 26.0% in 2009 compared with 24.3% in 2008. This improvement in gross margins reflects the positive impacts of a stronger U.S. dollar, and higher volumes of work flowing through the organization during the period. In Q4 2008 gross margins were 29.0%.

In 2009, the Company continued its Research & Development ("R&D") efforts on the development of a micro-satellite capability, which initially, will be targeted at the Canadian government market. In addition, work continued on its Automatic Identification System (AIS) technology, and its technology roadmap driven programs. R&D spending for Q1 2009 reached \$3.8 million, compared to \$2.8 million in Q1 2008, and \$5.4 million in Q4 2008. The

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

current quarter spending represents 6.8% of revenues, compared with 6.2% of revenues in Q1 2008, and 9.0% of revenues in Q4 2008.

The Company invested \$1.3 million in capital assets in Q1 2009, compared with \$3.5 million in Q1 2008, and \$4.0 million in Q4 2008. The reduced level of capital investment in Q1 reflects the fact that most of the expansion spending associated with the establishment of the Company's U.S. operations has been completed.

The Company's operating line of up to \$27 million remains undrawn at the end of Q1 fiscal 2009 except for \$0.9 million in the form of guarantee letters issued to customers in the normal course of operations by the bank on behalf of the Company. The Company also has a term debt facility of \$30 million through GE Capital Solutions, which has been almost fully drawn to complete the Company's expansion efforts into the U.S. The Company drew on \$11.0 million of this term debt facility in 2007 for the purchase of the land and building in California, and drew a further \$18.2 million in 2008 to complete its Passive Microwave Devices (PMD) acquisition and related activities. Payments against this credit facility are being made in accordance with the terms of the agreement.

For a more complete analysis of risks faced by the Company, please refer to the section "Business Risks and Prospects", included later in this MD&A.

RESULTS OF OPERATIONS

Revenues

<u>(in millions of dollars)</u>	Three months ended January 31		
	2009	2008	% change
Commercial satellite programs	\$ 33.4	\$ 28.6	16.8%
Civil (government) programs	\$ 13.5	\$ 10.5	28.6%
Military and defense programs	\$ 9.6	\$ 5.8	65.5%
Total space revenues	\$ 56.5	\$ 44.9	25.8%

Total revenue for the Company for Q1 2009 was \$56.5 million compared to \$44.9 million in Q1 2008, and \$59.8 million in Q4 2008. Year over year revenue growth is attributed to a combination of underlying market strength, as evidenced by the high level of backlog and orders in Q1; U.S. operations generating revenue for the entire quarter in 2009, as compared with minimal revenues in Q1 of the prior year; and the availability of expanded capacity at the Company's Cambridge facility in Q1 2009, which was only starting to come on-stream in the prior year Q1. Looking at the Company's underlying markets, management's outlook remains generally positive, with no weakening of the demand drivers evident to date. Based on current market activity levels, the full operational status of the Company's U.S. operations, and the Company's historic success rate at winning new business, management has indicated that it expects 2009 revenue to grow by at least 10% over fiscal 2008. *

Backlog

<u>(in millions of dollars)</u>	Jan. 31	Jan. 31	% change
	2009	2008	
Commercial satellite programs	\$ 83.8	\$ 70.4	19.0%
Civil (government) programs	\$ 65.5	\$ 49.0	33.7%
Military and defense programs	\$ 39.4	\$ 13.9	183.5%
Total space backlog	\$ 188.7	\$ 133.3	41.6%

The Company's backlog of work increased from the Q1 2008 level by \$55.4 million, or 41.6%, with growth coming from all three sectors of the market. In the prior year Q1, backlog growth came from the commercial and civil sectors, which grew by 161.7% and 61.2% respectively, while the military sector backlog declined in the prior year Q1 by 56.7%. The Q1 2009 backlog exceeded the Q4 2008 backlog of \$158.2 million by \$30.5 million, or 19.3%. As noted earlier, the value of expected ultimate contracts in excess of the ATP values included in the Q1 backlog amounts to \$37.2 million* compared with \$48.1 million and \$7.8 million at the end of Q4 2008 and Q1 2008

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

respectively. The expected full contract amounts are based on bid values, and the historically high percentage of ATPs being ultimately turned into full contract values.

Net Income

<u>(in millions of dollars except earnings per share)</u>	Three months ended January 31		
	2009	2008	% change
Net income	\$ 4.4	\$ 1.3	238.5%
Earnings per share, basic and diluted	\$ 0.06	\$ 0.02	200.0%

Net income in Q1 2009 was \$4.4 million compared with \$1.3 million in Q1 2008, and \$4.8 million in Q4 2008. There were a number of factors that impacted net income in Q1 2009. Of primary significance was 25.8% growth in revenue, at 1.7% higher average gross margins than in Q1 2008. The resulting \$3.8 million in additional gross margin was partly offset by higher spending on Selling, General & Administrative (SG&A), Research & Development, and Interest costs. The Q1 2009 net income was slightly below Q4 2008 net income of \$4.8 million. Each of these is discussed later in this document

Gross Margin

<u>(in millions of dollars)</u>	Three months ended January 31		
	2009	2008	% change
Total gross margin	\$ 14.7	\$ 10.8	36.1%
Total gross margin %	26.0%	24.1%	1.9%

Gross margins for Q1 2009 averaged 26.0% compared to 24.1% in Q1 2008 and 28.8% in Q4 2008. Q1 gross margins reflect approximately \$0.9 million positive impact of foreign exchange shifts in the quarter. In addition, Q1 2009 saw revenue and positive gross margin contribution from the Company's U.S. operations in California. In the prior year Q1, the U.S. operations had not begun to ramp up in any significant way. In the fourth quarter of fiscal 2008, the U.S. dollar strengthened significantly, benefiting gross margins in that quarter by \$3.9 million. Capacity increases were completed during fiscal 2008 at the Company's Cambridge and El Segundo facilities were fully on-line in Q1 2009, providing the organization with the ability to realize higher production throughput, thus generating better gross margins. While some programs encountered cost growth during Q1 2009, the higher volume of production resulted in less impact to overall gross margins from programs where cost growth was incurred.

In Q1 2009, COM DEV began classifying as SG&A certain expenses that had previously been recorded as cost of revenue. As a result, both gross margin and SG&A are \$0.7 million higher in Q1 2009 than they would have been under the previous presentation methods. For purposes of comparability, Q1 2008 results are presented in this MD&A and in the accompanying financial statements using the current classification system, and therefore the cost of revenue, gross margin and SG&A figures differ from the results first announced one year ago. The Q4 2008 impact of this change in presentation increased both SG&A and gross margins by \$1.1 million from the results previously announced.

Research and Development (R&D)

<u>(in millions of dollars)</u>	Three months ended January 31		
	2009	2008	% change
Total R&D spending before funding	\$ 3.8	\$ 2.8	35.7%
Total R&D funding received	\$ (1.0)	\$ (0.8)	25.0%
R&D, net of funding	\$ 2.8	\$ 2.0	40.0%

The Company has an established R&D technology roadmap that drives its internal research and development activities. This technology roadmap is reviewed semi-annually against longer term customer requirements, and potential new technologies that show promise in meeting those requirements. While the Company works to secure outside funding for its R&D efforts, in the absence of funding, it maintains its focus on the activities that form the Company's technology roadmap. In Q1 2009, the level of spending for R&D activities increased by 35.7% from Q1

2008 levels, but was down \$1.6 million or 28.8% from Q4 2008 levels. Outside funding increased by \$0.2 million from Q1 2008 levels, but was down \$1.9 million or 64.1% from Q4 2008 levels. The significant decline in outside funding from Q4 to Q1 is the result of program funding being completed for one of the Company's R&D projects. The Company will continue to work closely with all available sources of outside funding to defray the costs of its R&D efforts, and maintains its commitment to technological leadership in its industry. It is important to note that R&D costs noted in the table above reflect only Company-funded research and development activities (net of any external offset funding received). Customer-funded development costs are included in the Company's cost of revenue figures.

Other Expenses

<u>(in millions of dollars)</u>	Three months ended January 31		
	2009	2008	% change
Selling, general and administrative expenses (SG&A)	\$ 7.4	\$ 6.8	8.8%
SG&A % of total revenue	13.1%	15.5%	(2.4%)
Interest expense / (income)	\$ 0.4	\$ (0.1)	500.0%
Foreign exchange (gain) loss	\$ (0.4)	\$ 0.6	(166.7%)
Other expense	\$ 0.1	\$ 0.1	-

Selling, General and Administrative

SG&A expenses for Q1 2009 were \$7.4 million compared with \$6.8 million in Q1 2008. The year over year increase in SG&A expenses reflects the full operating status in 2009 of the Company's U.S. location, as well as divisional administration costs which were not present in Q1 2008. As mentioned above, beginning with Q1 2009, the Company has modified the classification of costs that are included in SG&A, in order to provide management with better visibility of total SG&A spending. Comparable prior year figures for SG&A have been adjusted to conform to the current classification.

Interest (Income)/Expense

The Company incurred interest charges of \$0.4 million in Q1 2009, compared with \$0.5 million in Q4 2008, and interest income of \$0.1 million in Q1 2008. In May 2008 the Company drew on its term debt facility by \$18.2 million to finance the purchase of the PMD product line from L-3 Communications in California. The resulting higher level of term debt outstanding, coupled with lower cash balances throughout the year, resulted in the shift from interest income earned in early 2008 to interest expense in the latter part of 2008, and again in 2009. The term debt attracts interest at rates varying from LIBOR plus 225 bps to LIBOR plus 360 bps.

Foreign Exchange

The foreign exchange gain in Q1 2009 was \$0.4 million, compared with a loss of \$0.6 million in Q1 2008, and a loss of \$1.5 million in Q4 2008. Foreign exchange amounts on the Consolidated Statements of Operations include realized and unrealized gains and losses that result from balance sheet translation of foreign denominated balances, and mark to market valuation adjustments on the Company's outstanding U.S. dollar hedge contracts. They do not include the impact of foreign exchange fluctuations on customer program values, and their resulting profitability, which is reflected in the revenue, cost of revenue, and gross margin sections of the Consolidated Statement of Operations. The impact from the mark to market valuations on the U.S. dollar hedge contracts was an unrealized exchange gain of \$0.2 million, compared to unrealized exchange losses of \$1.3 million, and \$3.1 million in Q1 and Q4 respectively of fiscal 2008. The impact of translation of foreign denominated balance sheet items and realized impacts on exercise of hedge options during the quarter was a gain of \$0.2 million, compared to a gain of \$0.7 million in Q1 2008, and a loss of \$1.8 million in Q4 2008.

Other Expense

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

Financial Position

The following chart outlines the significant changes in the balance sheet between October 31, 2008 and January 31, 2009:

(in millions of dollars)	Increase/ (Decrease)	Explanation
Cash and cash equivalents	\$ (6.9)	Refer to Statement of Cash Flows
Accounts receivable	(4.6)	Lower billing combined with normal collection activity.
Inventory	15.4	Project inventory increase of \$14.4 million, which supports specific work for customer contracts, and which will ultimately turn into accounts receivable and cash. This increase is in line with the increase in orders and backlog within the organization. General inventory increase of \$1.0 million in support of overall level of work within the organization. This inventory is not specifically identified to a customer contract, but is generally expected to be required as a normal part of project execution.
Prepaid and other	0.2	Increase in mark to market valuation of U.S. dollar hedge contracts.
Income taxes recoverable	0.5	Payments on account of disputed tax assessments.
Property, plant & equipment	(0.8)	Normal capital additions during the quarter, less normal depreciation.
Intangible assets	(0.2)	Normal amortization for the period.
Accounts payable and accrued liabilities	(7.7)	Normal accounts payable payment cycle.
Deferred revenue	7.9	Higher customer billings in advance of work being performed. This balance fluctuates with order levels, and billing profiles on each order.
Current portion of loans payable	0.3	Current portion of draws on term debt facility for land, building, and the PMD acquisition.
Loans payable	(1.4)	Repayments towards draws on the Company's term debt facility.
Share capital	0.3	Issuance of shares to satisfy options exercised in the quarter.
Contributed surplus	0.2	Value of Employee Share Purchase Plan awards, and expense recognized on stock options, net of amount transferred on options exercise..
Deficit	(4.4)	Net income for the quarter.
Accumulated other comprehensive income	0.4	Foreign currency translation of self-sustaining subsidiaries.

Liquidity and Capital Resources

(in millions of dollars)	Three months ended January 31		
	2009	2008	% change
Cash used in operating activities	\$ 3.8	\$ 13.3	(71.4%)
Net decrease in cash	\$ 6.9	\$ 17.4	(60.3%)
Property and equipment additions	\$ 1.3	\$ 3.5	(62.9%)

The Company used \$3.8 million of cash for operating activities in Q1 2009, compared with Q1 2008 when \$13.3 million was used, and with Q4 2008 when \$11.3 million was generated from operating activities. The Company invested \$11.2 million in non-cash working capital in Q1 2009, compared with an investment of \$17.4 million in the same quarter of 2008. In Q4 2008, working capital generated \$2.7 million in cash.

In 2008 the Company renegotiated its operating line of credit facility with the Canadian Imperial Bank of Commerce, with the result being an increase in the available credit line from \$17 million to its new maximum level of \$27 million. The credit facility was not drawn upon throughout Q1 2009, except for \$0.9 million in the form of guarantee letters issued to customers in the normal course of operations by the bank on behalf of the Company. In addition to this operating line of credit, the Company also has a treasury risk management facility to facilitate hedging of currency related risks arising in the normal course of operations. Under these facilities, the Company is required to maintain certain financial ratios, which the Company has met as of January 31, 2009.

In addition, the Company has term credit facilities totaling \$30 million (2008: \$30 million) to support its strategic and capital initiatives. The Company drew \$10.0 million USD in support of the Company's acquisition of a production facility in El Segundo, California, during the third quarter of 2007. In the third quarter of fiscal 2008 the Company further drew on the term debt facility by \$18.0 million USD to complete the acquisition of the PMD product line from L-3 Communications Ltd., and to complete additional build-out work on the building in El Segundo. The term debt draws are at interest rates that range from LIBOR plus 225 bps to LIBOR plus 360 bps.

Subsequent to the end of Q1, the Company issued 7,797,000 common shares in a bought deal transaction with a syndicate of underwriters. Gross proceeds of the transaction, which was completed on February 26, 2009, were \$23.0 million. The proceeds will be used primarily to progress the commercialization of the Company's strategic Automatic Identification System technology, with the remainder to be available for general corporate purposes.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements, other than operating leases, primarily related to buildings and computers, and not materially changed from the disclosure in the Notes to the Audited Consolidated Financial Statements, as at the end of the 2008 fiscal year.

Transactions with Related Parties

The Company had no transactions with related parties in Q1 2009.

Proposed Transactions

While the Company continues to evaluate potential business expansion initiatives, it has no firm proposed transactions as at January 31, 2009, other than the equity transaction previously described.

Contractual Obligations

(in thousands of dollars)	Total	2009	2010	2011	2012	2013	2014 & beyond
Long-term debt *	\$28,367	\$ 4,731	\$ 6,731	\$ 7,185	\$ 6,926	\$ 2,794	\$ -
Operating leases	\$ 4,469	\$ 1,705	\$ 1,879	\$ 880	\$ 5	\$ -	\$ -
Capital leases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Purchase obligations **	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other long-term obligations ***	\$ 3,581	\$ 101	\$ 83	\$ 123	\$ 172	\$ 243	\$ 2,859
Total contractual obligations	\$36,417	\$ 6,537	\$ 8,693	\$ 8,188	\$ 7,103	\$ 3,037	\$ 2,859

* long-term debt appears on the balance sheet using the effective interest rate method of valuation in accordance with recent GAAP pronouncements.

** 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.

*** Includes expected future benefit payments to certain employees under a defined benefit pension plan.

Financial Instruments and Other Instruments

The Company realizes a significant portion of its revenues in U.S. dollars and incurs most of its expenses in Canadian dollars. The Company utilizes foreign exchange options 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 of specific firm commitments or forecasted transactions and, accordingly, does not meet the requirements of CICA Handbook Section 3865, Hedges, to apply hedge accounting. 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) loss" in the Consolidated Statements of Operations. In Q1 2009, the impact from the change in fair value of the Company's hedge options was a gain of \$0.2 million, compared to a loss of \$1.3 million in Q1 2008, and a loss of \$3.1 million in Q4 2008.

On January 31, 2009, the Company had outstanding foreign exchange call options with a notional value of \$36.5 million maturing within a year at an average exchange rate of \$1.1554 (January 31, 2008: \$40.9 million at \$1.0270). The Company had outstanding foreign exchange put options with a notional value of \$50.6 million maturing within a year at an average exchange rate of \$1.1895 (January 31, 2008: \$55.3 million at \$1.0415). 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 2009 Quarters	January 31				Total
Total revenue	\$ 56,511				\$ 56,511
Net income – total	\$ 4,354				\$ 4,354
Net income per share (basic and diluted)	\$ 0.06				\$ 0.06

Fiscal 2008 Quarters	January 31	April 30	July 31	October 31	Total
Total revenue	\$ 44,880	\$ 54,165	\$ 51,483	\$ 59,820	\$ 210,348
Net income – total	\$ 1,345	\$ 1,964	\$ 4,285	\$ 4,785	\$ 12,379
Net income per share (basic and diluted)	\$ 0.02	\$ 0.03	\$ 0.06	\$ 0.07	\$ 0.18

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
Net income/(loss) per share (basic and diluted) from continuing operations	\$ 0.08	\$ (0.01)	\$ 0.04	\$ 0.06	\$ 0.17
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

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

Critical Accounting Estimates

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

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

Revenue Recognition

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

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

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 historical 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. For a complete description of carry-forward tax balances, the future tax asset, and associated valuation reserve against that future tax asset, see Note 5 to the 2008 audited Consolidated Financial Statements.

Contract Penalties

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

Changes in Accounting Policies including Initial Adoption

International Financial Reporting Standards (IFRS)

The Canadian Institute of Chartered Accountants' (CICA) Accounting Standards Board has announced that Canadian publicly accountable enterprises will adopt IFRS as issued by the International Accounting Standards Board effective for fiscal years beginning on or after January 1, 2011 and therefore will commence in the first quarter of the Company's 2012 fiscal year with comparative figures. The Company is in the process of developing a plan for the implementation of IFRS, and it is expected that this plan will take into consideration, amongst other things:

- Identification of differences in Canadian GAAP and IFRS accounting policies and choices and their impacts on the Company's consolidated financial statements.
- Selection of the Company's continuing IFRS policies.
- Changes in note disclosures.
- Information technology and data system requirements.

- Disclosure controls and procedures, including investor relations and external communications plans related to the IFRS conversion.
- Identification of impacts of IFRS conversion on Internal Controls over Financial Reporting.
- Financial reporting expertise requirements, including training of personnel.
- Impacts on other business activities that may be influenced by GAAP measures, such as debt covenants.

It is not practically possible at this time to quantify the impact of these differences. The Company expects to make changes to processes and systems before the 2011 fiscal year, in time to enable the Company to record transactions under IFRS for comparative purposes in the 2012 financial year reporting.

Initial training of key personnel in IFRS is taking place beginning in Q2 of fiscal 2009, after which, the schedule for major implementation activities will begin to be developed.

Goodwill and Intangible Assets

In February 2008, the CICA released Handbook Section 3064, Goodwill and Intangible Assets, replacing the previous CICA Handbook Sections 3062 (Goodwill and Intangible Assets), and 3450 (Research and Development Costs). 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. See Note 3 to the 2008 audited Consolidated Financial Statements for additional description of the requirements of this Handbook Section 3064. The effective date of adopting this new section for the Company was November 1, 2008. The impact of adopting this standard did not have any effect on the Company's Consolidated Statement of Operations.

Inventories

On November 1, 2008, the company adopted the requirements of the CICA Handbook Section 3031. The new standard does not apply to the Company's contracts in progress. Inventories are valued at the lower of cost on a weighted average basis and net realizable value. There was no material impact on the interim consolidated financial statements as a result of adoption of this new Handbook Section. For further information, see Note 2 to the Unaudited Consolidated Financial Statements.

Business Risks and Prospects

Global Economic Environment

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 on the Company's business, operating results, and financial condition.

For additional comments on the impact of the current global economic environment, please see the comments included on page 1 of this document.

New Products and Technological Change

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

Reliance on Significant Customers and Credit Concentration

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

Fluctuations in Operating Results

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

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

Project Performance

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, the 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, and is actively targeting efficiency improvements in its operations, both in terms of productivity and cost control. These measures will continue to be taken regardless of the currency environment. The Company also seeks to contract in Canadian dollars in its Canadian operations wherever possible.

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 a 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 approximately \$3.3 million, including accrued interest. Any amount of tax liability arising from these assessments will be recorded when the probable amounts can be determined. While the Company expects that if it is required to pay additional taxes, a significant amount will be recoverable against future tax amounts, there is no guarantee that this will be the case.

Timing Risks

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 and other regulatory environments place 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

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 civil judgment levied against the Company as a result of private litigation could have a material adverse effect on the Company's business, operations, finances or prospects.

Enterprise Risk Management

During the prior year, management established the position of Director, Enterprise Risk Management to oversee the Company's assessment of the various significant risks it faces, and to coordinate and facilitate the establishment of risk mitigation actions and plans.

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 fiscal Q1 2009, and concluded that such disclosure controls and procedures are effective.

There have been no changes in COM DEV's internal control over financial reporting during the quarter ended January 31, 2009, that have materially affected, or are reasonably likely to materially affect its internal control over financial reporting.

Outstanding Share Data

Details of the Company's outstanding share data as of March 3, 2009 are as follows:

Common shares	76,035,432
Options on common shares	1,323,599

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 January 31	2009	2008
Revenue	\$ 56,511	\$ 44,880
Cost of revenue	\$ 41,833	\$ 34,081
Gross margin	<u>14,678</u>	<u>10,799</u>
Research and development costs	3,846	2,774
Research and development recovery	1,044	757
Net research and development	<u>2,802</u>	<u>2,017</u>
Selling and general expenses	7,393	6,848
Operating income	<u>4,483</u>	<u>1,934</u>
Interest expense (income)	423	(63)
Foreign exchange (gain) loss	(402)	570
Other expense	<u>108</u>	<u>67</u>
Income before non-controlling interest	4,354	1,360
Non-controlling interest	<u>(0)</u>	<u>15</u>
Net income	<u><u>\$ 4,354</u></u>	<u><u>\$ 1,345</u></u>
Earnings per share (note 6c)		
Basic and diluted earnings per share	\$0.06	\$0.02

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

	As at January 31, 2009	As at October 31, 2008
Assets		
Current		
Cash and cash equivalents	\$ 9,243	\$ 16,102
Accounts receivable	36,458	41,085
Inventory (note 4)	61,316	45,941
Prepays and other	1,939	1,772
Income taxes recoverable	3,309	2,819
Future income tax assets - current	3,957	3,957
	<u>116,222</u>	<u>111,676</u>
Property, plant and equipment	71,184	71,960
Intangible assets (note 5)	13,173	13,413
Goodwill (note 5)	2,568	2,522
Future income tax assets - long term	3,958	3,958
Total assets	<u>\$ 207,105</u>	<u>\$ 203,529</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 27,764	\$ 35,467
Deferred revenue	22,754	14,828
Current portion of loans payable	6,503	6,203
	<u>57,021</u>	<u>56,498</u>
Long term		
Loans payable	21,864	23,223
Employee future benefits	2,229	2,224
	<u>24,093</u>	<u>25,447</u>
Total liabilities	<u>81,114</u>	<u>81,945</u>
Non-controlling interest	<u>524</u>	<u>524</u>
Shareholders' equity		
Share capital (note 6a)	324,261	323,975
Contributed surplus	2,080	1,879
Deficit	(199,711)	(204,065)
Accumulated other comprehensive income	(1,163)	(729)
Total shareholders' equity	<u>125,467</u>	<u>121,060</u>
Total liabilities and shareholders' equity	<u>\$ 207,105</u>	<u>\$ 203,529</u>

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

For the three months ended January 31	2009	2008
Operating activities		
Net income from continuing operations	\$ 4,354	\$ 1,344
Amortization	2,849	1,919
Stock compensation expense	230	262
Unrealized foreign exchange (gain) loss on long term debt	(15)	562
Non-controlling interest	(0)	15
	<u>7,418</u>	<u>4,103</u>
Net change in non-cash working capital items	<u>(11,179)</u>	<u>(17,356)</u>
Operating activities	<u>(3,761)</u>	<u>(13,253)</u>
Financing activities		
Shares issued	258	2
Repayment of long term debt	(1,570)	(400)
Financing activities	<u>(1,312)</u>	<u>(398)</u>
Investing activities		
Acquisition of capital assets	(1,297)	(3,472)
Acquisition of intangible assets	(120)	(109)
Investing activities	<u>(1,417)</u>	<u>(3,581)</u>
Effect of exchange rate changes on cash	<u>(369)</u>	<u>56</u>
Net decrease in cash from continuing operations	(6,859)	(17,176)
Net cash used in discontinued operations	-	(271)
Net decrease in cash	<u>(6,859)</u>	<u>(17,447)</u>
Cash and cash equivalents, beginning of period	16,102	31,713
Cash and cash equivalents, end of period	<u>\$ 9,243</u>	<u>\$ 14,266</u>
Interest paid	<u>\$ 449</u>	<u>\$ 218</u>

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

For the three months ended January 31, 2009	Total	Deficit	Accumulated Other Comprehensive Income	Share Capital	Contributed Surplus
Balance, October 31, 2008	\$ 121,060	\$ (204,065)	\$ (729)	\$ 323,975	\$ 1,879
Comprehensive income					
Net Income	4,354	4,354	-	-	-
Foreign currency translation adjustments (net of taxes of \$nil)	(434)	-	(434)	-	-
	<u>3,920</u>	<u>4,354</u>	<u>(434)</u>	<u>-</u>	<u>-</u>
Common stock issued	257			286	(29)
Value of ESOP awards	54	-	-	-	54
Expense recognized for share options	176	-	-	-	176
Balance, January 31, 2009	<u>\$ 125,467</u>	<u>\$ (199,711)</u>	<u>\$ (1,163)</u>	<u>\$ 324,261</u>	<u>\$ 2,080</u>
<hr/>					
For the three months ended January 31, 2008					
Balance, October 31, 2007	\$ 106,424	\$ (216,444)	\$ (1,993)	\$ 323,862	\$ 999
Comprehensive income					
Net Income	1,345	1,345	-	-	-
Foreign currency translation adjustments (net of taxes of \$nil)	65	-	65	-	-
	<u>1,410</u>	<u>1,345</u>	<u>65</u>	<u>-</u>	<u>-</u>
Common stock issued	2	-	-	2	-
Value of ESOP awards	54	-	-	-	54
Expense recognized for share options	208	-	-	-	208
Balance, January 31, 2008	<u>\$ 108,098</u>	<u>\$ (215,099)</u>	<u>\$ (1,928)</u>	<u>\$ 323,864</u>	<u>\$ 1,261</u>

COM DEV INTERNATIONAL LTD
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JANUARY 31, 2009 and 2008
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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 consolidated 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 determination of doubtful accounts, impairment of long-lived assets, intangibles, and goodwill, useful lives of intangible assets and property, plant, and equipment, determination of net recoverable value of assets, contracts in progress, future income tax assets, valuation of employee future benefits liabilities, and contingencies. Actual results may differ from these estimates. These interim consolidated financial statements do not conform in all respects to the requirements of generally accepted accounting principles for annual financial statements and should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended October 31, 2008, 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 its 70% owned subsidiary, COM DEV Microwave Electronics Company Limited ("Xian").

2. Changes in Accounting Standards

Inventories (CICA 3031)

On November 1, 2008, the company adopted the requirements of the CICA Handbook Section 3031. The new standard does not apply to the Company's contracts in progress. Inventories are valued at the lower of cost on a weighted average basis and net realizable value. Cost of raw materials includes the purchase cost and the cost incurred in bringing each product to its present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Items that are written down to net realizable value are adjusted back up to cost if there is a subsequent increase in the net realizable value. The majority of inventory is raw materials and component parts held for use in the contracts in progress projects and are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. There was no material impact on the interim consolidated financial statements.

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3. Future Accounting Changes:

International Financial Reporting Standards (IFRS)

The CICA Accounting Standards Board has announced that Canadian publically accountable enterprises will adopt IFRS as issued by the International Accounting Standards Board effective for fiscal years beginning on or after January 1, 2011 and therefore will commence in the first quarter of the Company's 2012 fiscal year with comparative figures. The Company is in the process of developing a plan for the implementation of IFRS, and it is expected that this plan will take into consideration, amongst other things:

- Identification of differences in Canadian GAAP and IFRS accounting policies and choices and their impacts on the Company's Consolidated Financial Statements.
- Selection of the Company's continuing IFRS policies.
- Changes in note disclosures.
- Information technology and data systems requirements.
- Disclosure controls and procedures, including investor relations and external communications plans related to the IFRS conversion.
- Identification of impacts IFRS conversion on Internal Controls over Financial Reporting.
- Financial reporting expertise requirements, including training of personnel.
- Impacts on other business activities that may be influenced by GAAP measures, such as debt covenants.

It is not practically possible at this time to quantify the impact of these differences. The Company expects to make changes to processes and systems before the 2011 fiscal year, in time to enable the Company to record transactions under IFRS for comparative purposes in the 2012 financial year reporting.

4. Inventory

Inventory is comprised of:

	<u>Jan. 31, 2009</u>	<u>Oct. 31, 2008</u>
Raw Materials	\$14,647	\$13,626
Contracts in process – costs and profits earned in excess of progress billings	46,669	32,315
Total Inventory	<u>\$61,316</u>	<u>\$45,941</u>

The amount of inventory recognized as an expense and included in cost of revenue accounted for other than by percentage-of-completion method during the three months ended January 31, 2009 was \$1,235 (\$961 in 2008). The amount charged to net income and included in cost of revenue for the write-down of inventory for valuation issues during the three months ended January 31, 2009 was \$339 (\$110 in 2008).

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5. Acquisition

Effective May 9, 2008, the Company purchased certain assets of the Passive Microwave Devices product line of L-3 Communications Electron Technologies Inc. "ETI-PMD".

There are certain purchase adjustments still to be finalized. Final negotiation of the purchase price and related allocations for this acquisition have not been completed, however, any subsequent adjustments will be made through the purchase equation.

6. Share Capital and Earnings Per Share

a) Issued Capital

The following details the issued and outstanding common shares for the three months ended January 31, 2009.

	Number	Amount
Balance, October 31, 2008	68,052,933	\$323,975
Issuance of common shares (i)	185,500	286
Balance, January 31, 2009	68,238,433	\$324,261

The value of Employee Stock Ownership Plan ("ESOP") shares amortized to compensation expense but not yet issued at quarter-end was \$54 (\$54 in 2008). This amount is included in contributed surplus.

- (i) In the three months ended January 31, 2009, The Company issued 185,500 (2,000 in 2008) common shares to satisfy the equivalent number of stock options exercised of which 32,400 of the options represent options issued after November 1, 2003 (nil in 2008).

The maximum number of shares outstanding if all options were exercised and ESOP shares were issued is 69,642,838.

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 exercise price of any options granted is no less than the closing price of the Company's common shares at the date of the grant. In the three months ended January 31, 2009 and 2008, the Company did not grant any options.

Options granted vest over three years, and vested options can be exercised over a five-

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year period from the date of issue. The maximum number of shares authorized for grant under the option plan is 9.4% of the outstanding shares issued or 6,414,413.

The estimated fair value of the options is amortized to expense over the vesting period of the options. In the three months ended January 31, compensation expense of \$176 (\$208 in 2008) was recognized. This amount was added to contributed surplus.

As at January 31, 2009, there were 1,323,599 options outstanding with exercise prices ranging from \$1.90 to \$5.14. Of the options outstanding, 1,038,635 shares have vested.

c) Earnings Per Share

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

	3 months ended January 31	
	2009	2008
Numerator for basic and diluted earnings per share available to common stockholders		
Net income attributable to common stockholders	\$4,354	\$ 1,345
Denominator for basic earnings per share-weighted average shares outstanding	68,133,978	68,037,092
Effect of dilutive securities		
ESOP	49,527	39,111
Employee stock options	112,893	84,586
Potential dilutive common shares	162,420	123,697
Denominator for diluted earnings per share – adjusted weighted average shares and assumed conversions	68,296,398	68,160,789
Earnings per share		
Basic and diluted earnings per share	\$0.06	\$0.02

7. Income Tax Expense

Operating loss carry forward amounts have offset current income tax expenses in the three months ended January 31, 2009. The balance of the net future income tax asset remains unchanged from October 31, 2008. For the three months ended January 31, 2009 the Company's effective income tax rate differs from the combined Canadian basic federal and provincial income tax rate of 33.08% (January 31, 2008 – 34.18%) primarily as a result of the utilization of unrecognized loss carryforwards in Canada, the U.S. and the U.K.

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8. Financial Instruments

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 at January 31, 2009 of \$262 (\$295 in 2008) that approximates the carrying value of \$242. The fair value of the Government of Canada loan is calculated using discounted cash flows with a discount rate comprised of the Bank of Canada prime rate plus 2% which is indicative of the Company's borrowing rate. The fair value of the GE Capital loans, included in loans payable, approximates the carrying value due to their variable interest rate terms policy.

The Company's derivatives, which are not designated in hedging relationships, are classified as held-for-trading and the changes in fair value are recognized in the Consolidated Statements of Operations. During the three months ended January 31, 2009, the fair value of derivatives classified as held-for-trading increased by \$209 (decreased by \$2,329 in 2008).

At January 31, 2009 approximately 102% of cash and cash equivalents, 66% of accounts receivables, 41% of accounts payable and accrued liabilities, and 99% of loans payable are denominated in foreign currencies (January 31, 2008 – 79%, 51%, 32%, and 96%, respectively). These foreign currencies include the U.S. dollar, British Pound, and Euro.

The Company is exposed to foreign exchange risk on the following cash, accounts receivable, accounts payable, and loans denominated in foreign currencies:

<u>Currency</u>	<u>Cash</u>	<u>Accounts Receivable</u>	<u>Accounts Payable</u>	<u>Loans</u>
USD	5,154	21,999	8,812	28,322
GBP	394	700	754	-
EUR	-	1,190	534	-

As at January 31, 2009, the Canadian dollar amount that could be received under Canadian / U.S. foreign currency call options was \$36,509 (\$40,900 in 2008) and the amount that could be paid under foreign currency put options was \$50,554 (\$55,330 in 2008). The average contractual exchange rate on the call options was 1.1554 and on the put options was 1.1895. The settlement dates of all the outstanding contracts are distributed over the next two years. The exchange rate at January 31 was 1.2265 (1.0070 in 2008).

In the three months ended January 31, 2009 the Company recorded a net realized loss of \$1,298 (net realized gain of \$303 in 2008) and net unrealized gain of \$209 (net unrealized loss of \$2,329 in 2008) on foreign currency options that have been included in "foreign exchange (gain) loss" in the Consolidated Statements of Operations. At January 31, 2009 the fair value of option contracts of \$2,806 (October 31, 2008 \$3,015) is included in "Accounts payable and

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accrued liabilities” on the Consolidated Balance Sheet.

There are trade accounts receivable balances past due but no amounts are considered impaired and therefore the Company does not have an impairment allowance. Four customers comprise 60% of accounts receivable as at January 31, 2009 whereas three customers comprised 51% as at January 31, 2008. Four customers comprise 56% of revenue for the three months ended January 31, 2009 and January 31, 2008.

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

9. 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 is a leading global designer and manufacturer of space hardware subsystems. With facilities in Canada, the United Kingdom, and the United States, the Space Division designs and manufactures advanced products and subsystems that are sold to the major satellite prime contractors for use in communications, space science, remote sensing and military markets.

Geographic Information

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

	3 months ended January 31	
	<u>2009</u>	<u>2008</u>
Revenue from external customers		
Canada	\$9,646	\$6,255
U.S.A.	30,530	24,747
United Kingdom	13,383	11,749
Other	2,952	2,129
	<u>\$56,511</u>	<u>\$44,880</u>

10. Employee Future Benefit Plans

The Company provides certain pension and other future employee benefits to eligible participants upon retirement.

CDE Pension Benefits

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The Company's U.K. subsidiary has a defined contribution pension plan for its employees. The Company's contributions, which are based on the contributions by employees, were \$97 in the three months ended January 31, 2009 (\$108 in 2008) and have been included in "Selling and General Expenses" on the Consolidated Statements of Operations.

CDU Pension Benefits

The Company's US subsidiary has a defined benefit plan that has four different benefit structures that cover former L-3 Electron Technologies Employees.

In the three months ended January 31, 2009, the Company incurred benefits expenses of \$80 related to the plan (\$nil in 2008) and have been included in "Selling and General Expenses" on the Consolidated Statements of Operations.

Non-Pension Benefits

The Company provides non-pension retirement benefits including medical and vision benefits for eligible retirees, their spouses and qualified dependents for its US subsidiary on an accrual basis.

In the three months ended January 31, 2009, the Company incurred non-pension benefits expenses of \$40 related to the plan (\$nil in 2008) and have been included in "Selling and General Expenses" on the Consolidated Statements of Operations.

11. Subsequent Events

The Company entered into an agreement with a syndicate of underwriters led by Genuity Capital Markets and including GMP Securities L.P. and Paradigm Capital Inc. Under the agreement, the syndicate has agreed to purchase 6,780,000 and exercised the option of an additional 1,017,000 of common shares from the Company at a price of \$2.95 per common share, representing an aggregate gross amount of consideration of \$23,001. The transaction has received all necessary regulatory and stock exchange approvals and closed on February 26, 2009.

Net proceeds of the offering will be used to pursue strategic opportunities, including progressing the commercialization of Company's Automatic Identification System (AIS) technology.

12. Comparative Consolidated Financial Statements

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