



**COM DEV International Ltd.
Second Quarter Report – Fiscal 2010
For the Period Ended
April 30, 2010**



COM DEV Announces Second Quarter Fiscal 2010 Results

CAMBRIDGE, ON – June 10, 2010 – COM DEV International Ltd. (TSX:CDV) today announced second quarter financial results for the three month period ended April 30, 2010. All amounts are stated in Canadian dollars unless otherwise noted.

Second Quarter Highlights

- Revenue was \$60.4 million, compared to \$64.1 million in the second quarter of 2009.
- Gross margin was 22%, compared to 28% in Q2 2009.
- Net income was \$4.1 million, or \$0.05 per share, compared to \$4.9 million or \$0.07 per share for the second quarter of the prior year.
- Sequentially, revenue was up by 7%, and earnings improved by \$0.03 per share.
- New orders won in the second quarter totaled \$33 million, compared to \$50 million a year earlier and \$51 million in the first quarter of fiscal 2010. An additional \$45 million of follow-on orders are expected to result from Authorities to Proceed (ATPs) received in Q2 2010.
- Backlog at April 30, 2010 was \$128 million, compared to \$157 million three months earlier.

“Our commercial products business, which now generates over 60% of revenues, continues to perform very well,” said John Keating, CEO of COM DEV. “Cost increases we experienced on a limited number of programs in our other divisions, however, suppressed revenues and gross margins in the second quarter. Orders are likely to be in the same range as last year’s record levels, and we remain very encouraged about our longer-term opportunities, but we now expect annual revenue growth to be minimal for the current fiscal year and gross margins to be in the mid-20% range.”

Mr. Keating continued: “One of our key growth initiatives, exactEarth, continues to make very good progress. We signed additional countries to trial agreements, and demonstrated the operational effectiveness of our AIS technology by successfully detecting ships for security purposes during the Vancouver Olympics. The launch of our first two operational satellites is now expected in the fall, meaning the timing of our revenue stream is delayed, but we are pursuing alternatives to close that revenue gap.

“The funding of Radarsat Constellation in the recent federal budget could lead to over \$80 million of revenues for us over a five year period, but it might also result in deferring the start of the next significant optics program,” added Mr. Keating. “An important priority for us is to secure optics work for our COM DEV Canada division to replace the James Webb Space Telescope program which is nearing completion. The Canadian Space Agency’s proposed Long-Term Space Plan prioritizes a number of

programs that would most likely involve a role for COM DEV, but the Plan has not yet been funded. We are pursuing all possible avenues to win new orders for the division.”

Financial Review

COM DEV's fiscal 2010 second quarter revenues of \$60.4 million represented a decrease of \$3.7 million or 6% compared to the second quarter of 2009. The revenue split between the three market segments was 63% commercial, 25% civil and 12% military, compared to a 58/26/16 split in the second quarter of 2009. While underlying market conditions and the Company's historic success rate at winning new business provide the basis for revenue growth, an unfavourable shift in exchange rates and program execution on several contracts have been disappointing, and has resulted in a slower pace of realizing revenue than expected. As a result, management now expects year-over-year revenue growth to be minimal for fiscal year 2010.

COM DEV received new orders totaling \$33 million during the second quarter, of which 76% were commercial, 13% were civil, and 11% were military. While the dollar value of orders secured in Q2 2010 was below recent quarterly levels, follow-on orders expected to be realized from Authorities to Proceed (ATPs) received during the quarter grew significantly to \$45 million, compared to \$11 million in Q2 2009. COM DEV only includes these ATP amounts in orders and backlog once the final contracts are in place.

Order backlog at quarter-end was \$128 million, compared to backlog of \$157 million three months earlier, and \$173 million one year ago. These variations in backlog are consistent with historical patterns as the order profiles are typically lumpy in nature. Backlog was split between the Company's commercial, civil and military sectors at a ratio of 46%, 32% and 22% respectively, compared to 45%, 40% and 15% at April 30, 2009.

Gross margin was \$13.1 million in the second quarter, representing 22% of revenues, compared to \$17.8 million or 28% of revenues in the second quarter of 2009. The decrease in gross margin percentage was the result of cost increases on several programs and less favourable exchange rates.

Net research and development expense was \$2.3 million in the quarter, compared to \$4.5 million in the second quarter of 2009. The 49% decrease was achieved as a major project from last year has been completed and the Company has maintained a disciplined focus on the key priorities of its R&D technology roadmap.

Selling expenses were \$3.1 million in the second quarter, compared to \$2.4 million in Q2 2009. The increase was due to a higher level of bidding costs in support of increased bidding activity, higher business development and sales and marketing costs in exactEarth and the COM DEV Canada division, and an increase in commission costs. General and administrative expenses were \$4.9 million, compared with \$5.7 million in Q2 2009, as the Company placed increased scrutiny on G&A spending throughout the organization.

Net income for the quarter was \$4.1 million, compared to \$4.9 million in Q2 2009, while earnings per share were \$0.05, compared to \$0.07 a year earlier. Net income in Q2 2010 included a \$1.5 million foreign exchange gain, compared to a foreign exchange loss of \$0.3 million a year earlier, as gains from the Company's hedging program more than offset the negative impact of translation of foreign denominated balance sheet items.

COM DEV ended the quarter with \$10.4 million of cash and equivalents, compared to \$18.2 million at January 31, 2010. Operating activities generated \$2.1 million of cash in the second quarter. Financing activities used \$1.6 million of cash, while investing activities used \$8.3 million of cash. At April 30, 2010, COM DEV had outstanding debt of \$15.7 million including the current portion, and the Company's \$32 million credit facility was not drawn upon.

The Company's basic share count stood at 76,156,127 on June 9, 2010 (fully diluted: 77,799,909).

Conference Call

A conference call will be held Thursday, June 10, 2010 at 5:00 pm EDT to discuss this announcement. To access the live webcast, please visit the Company's website at www.comdevintl.com or www.newswire.ca for directions. Participants will require Windows Media Player™ to listen to the webcast.

About COM DEV

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

Contact information:

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

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

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: uncertainty in the global economic environment; 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 April 30, 2010 (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, 2009 ("the Consolidated Financial Statements"). The Unaudited Consolidated Financial Statements and the Consolidated Financial Statements (collectively, the "Financial Statements") have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and are reported in Canadian dollars. The information contained herein is dated as of June 9, 2010, 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, 2009 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

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.

OVERVIEW

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 1,359 people around the world as of April 30, 2010, compared to 1,293 people as of April 30, 2009.

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. Recently, the Company has begun to position itself for the sale of information from its own satellites, which are scheduled to launch in 2010.

OVERALL PERFORMANCE

During the Company's second quarter of fiscal year 2010, four satellite programs were awarded in the global space market, compared with four in the same quarter of fiscal 2009. The number of transponders on these satellites totaled 103 in the second quarter of fiscal 2010, representing a 52 % decrease from the 216 transponders awarded in the global market in fiscal Q2 2009. The 113 decrease in the absolute number of transponders was seen in the commercial sector. The breakdown of satellites and transponders awarded between the three market sectors (commercial, civil, and military/defense) can be summarized as follows:

Sector	Three months ended April 30			
	2010		2009	
	Satellites	Transponders	Satellites	Transponders
Commercial	1	51	3	192
Civil	2	32	1	24
Military/Defense	1	20	-	-
Total	4	103	4	216

Of the four satellite programs announced in Q2 fiscal 2010, COM DEV is in the running to secure work on all four programs. This compares to fiscal Q2 2009, when of the four satellites announced in the market and COM DEV was able to secure work on all four.

In Q2 2010, the Company received orders for a total of \$32.7 million in new business, compared with \$49.6 million in the second quarter of the previous year. While the dollar value of orders secured in Q2 2010 was significantly below recent quarterly levels, follow on orders, expected to be realized from Authority to Proceed (ATP) orders received in Q2 grew significantly. ♦ More details are provided in the next paragraph. Of the \$32.7 million in new orders won in Q2 2010, 76% came from the commercial sector of the space market, 13% from the civil sector, and 11% from the military/defense sector. By comparison, of the \$49.6 million in business won in Q2 2009, 63% came from the commercial sector, 29% from the civil sector and the remaining 8% from the military sector.

Included in the \$32.7 million of new orders received in fiscal Q2 2010 are orders received under 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 the 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 fiscal Q2 2010, the amount of potential order value in excess of ATP, which management expects to realize,

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

stood at \$46.8 million.* This compares to \$11.3 million at the end of fiscal Q2 2009 and \$1.2 million at the end of fiscal Q1 2010. The expected full contract amounts are based on bid values, and the historically high percentage of ATPs being ultimately turned into full contract values.

The Company closed out the second quarter of fiscal 2010 with backlog totaling \$128.3 million, which represents a 26% decrease over the Q2 2009 closing backlog of \$173.2 million. However, if rather than securing ATPs in the quarter, the Company had realized full contract awards at expected levels, backlog at the end of Q2 2010 would have stood at \$175.1 million. This represents only a 5% decline from the comparable Q2 2009 figure of \$184.5 million calculated on the same basis. Approximately 36% of the Q2 2010 closing backlog is currently expected to be realized beyond the end of the Company's 2010 fiscal year,* compared to approximately 34% of the closing fiscal Q2 2009 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 volatility of foreign currencies continued to have an impact on the business during Q2 2010. According to the Bank of Canada, the average USD/CAD exchange rate during Q2 2010 was 1.0281, which compares to the Q2 2009 average of 1.2442. The hedging program in place at the Company had a positive impact on Q2 2010 net income of \$3.0 million, while in 2009 it had a positive impact on Q2 net income of \$3.4 million.

Gross margins for the quarter declined from a year earlier, averaging 21.6% in Q2 2010 compared with 27.7% in Q2 2009. This decline can be attributed to program cost increases on several programs and lower exchange rates.

Net research and development for Q2 2010 was \$2.3 million, compared to \$4.5 million in Q2 2009. The current quarter spending represents 3.8% of revenues, compared with 7.1% of revenues in fiscal Q2 2009. The Company remains committed to its R&D technology roadmap and is reviewing its R&D projects to ensure that they are still aligned with overall corporate objectives and strategies

The Company's \$32 million operating line of credit remains undrawn at the end of fiscal Q2 2010 except for \$0.1 million (\$0.9 million in 2009) 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 was almost fully drawn to complete the Company's 2007 / 2008 expansion into the U.S. Payments against this credit facility are being made in accordance with the terms of the agreement.

During Q2 2010, the Company announced that it had purchased substantially all of the assets of Routes AstroEngineering ("Routes"), a privately owned, Ottawa-based company specializing in the design and manufacture of advanced instruments for space science research applications. The acquisition provides COM DEV with technologies that support its microsatellite initiative, including solar array power systems, satellite mass memory units, and detector read-out electronics. The total purchase price was \$1.5 million. Additional information can be found in note 5 of the interim consolidated financial statements.

On April 28, 2010, the Company purchased the remaining non-controlling interest of the Xian subsidiary. The total purchase price was \$0.6 million and resulted in the Company now holding 100% ownership. Refer to note 5 for additional information.

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

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

RESULTS OF OPERATIONS

Revenues

<u>(in millions of dollars)</u>	Three months ended April 30		
	<u>2010</u>	<u>2009</u>	<u>% change</u>
Commercial satellite programs	\$ 38.0	\$ 37.1	2.4%
Civil (government) programs	\$ 15.1	\$ 16.5	(8.5%)
Military and defense programs	\$ 7.3	\$ 10.5	(30.5%)
Total space revenues	\$ 60.4	\$ 64.1	(5.8%)

Total revenue for the Company in Q2 2010 was \$60.4 million compared to \$64.1 million in Q2 2009. Management had previously indicated its expectations for year over year revenue growth of at least 10%. While underlying market conditions and the Company's historic success rate at winning new business provide the basis for revenue growth, less favourable exchange rates on U.S. Dollar contracts in Q2 2010 compared to Q2 2009 and program execution on several contracts have been disappointing, and has resulted in a slower pace of realizing revenue than expected, with the result that management now expects year over year growth to be minimal for fiscal year 2010.♦

Backlog

<u>(in millions of dollars)</u>	Three months ended April 30		
	<u>2010</u>	<u>2009</u>	<u>% change</u>
Commercial satellite programs	\$ 58.5	\$ 77.6	(24.6%)
Civil (government) programs	\$ 41.5	\$ 71.1	(41.6%)
Military and defense programs	\$ 28.3	\$ 24.5	15.5%
Total backlog	\$ 128.3	\$ 173.2	(25.9%)

Backlog provides a measure of orders for which revenue has not yet been recognized. As such, backlog is influenced by the timing of orders and of revenues. The Company's backlog of work decreased from the April 30, 2009 level by \$44.9 million, or 25.9%. These variations in backlog are consistent with historical patterns as the order profiles are typically lumpy in nature.

Net Income

<u>(in millions of dollars except earnings per share)</u>	Three months ended April 30		
	<u>2010</u>	<u>2009</u>	<u>% change</u>
Net income	\$ 4.1	\$ 4.8	(14.6%)
Earnings per share, basic and diluted	\$ 0.05	\$ 0.07	(28.6%)

Net income in Q2 2010 was \$4.1 million compared with \$4.8 million in Q2 2009. There were a number of factors that impacted net income in the quarter. Lower gross margins and higher selling costs were offset by lower net research and development costs, lower G&A costs and a foreign exchange gain. Each of these is discussed later in this document.

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

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

For the three months ended April 30	2010	2009
Revenue (note 10)	\$ 60,415	\$ 64,104
Cost of revenue	47,364	46,338
Gross margin	<u>13,051</u>	<u>17,766</u>
Research and development costs	3,022	5,525
Research and development recovery	728	987
Net research and development	<u>2,294</u>	<u>4,538</u>
Selling expenses	3,124	2,364
General expenses	4,871	5,718
Operating income	<u>2,762</u>	<u>5,146</u>
Interest expense (income)	141	(101)
Foreign exchange (gain) loss	(1,457)	315
Other (income) expense	(24)	99
Net income	<u>\$ 4,102</u>	<u>\$ 4,833</u>
Attributable to:		
Equity holders of the parent	\$ 4,105	\$ 4,853
Non-controlling interest (note 5(b))	<u>(3)</u>	<u>(20)</u>
	<u>\$ 4,102</u>	<u>\$ 4,833</u>
Earnings per share (note 7(e))		
Basic and diluted earnings per share	\$0.05	\$0.07

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

For the six months ended April 30	2010	2009
Revenue (note 10)	\$ 117,102	\$ 120,615
Cost of revenue	90,626	88,171
Gross margin	<u>26,476</u>	<u>32,444</u>
Research and development costs	6,707	9,371
Research and development recovery	1,496	2,031
Net research and development	<u>5,211</u>	<u>7,340</u>
Selling expenses	5,777	4,400
General expenses	11,170	11,075
Operating income	<u>4,318</u>	<u>9,629</u>
Interest expense	288	322
Foreign exchange gain	(2,421)	(87)
Other expense	122	207
Net income	<u>\$ 6,329</u>	<u>\$ 9,187</u>
Attributable to:		
Equity holders of the parent	\$ 6,350	\$ 9,207
Non-controlling interest (note 5(b))	<u>(21)</u>	<u>(20)</u>
	<u>\$ 6,329</u>	<u>\$ 9,187</u>
Earnings per share (note 7(e))		
Basic and diluted earnings per share	\$0.08	\$0.13

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

	As at April 30, 2010	As at October 31, 2009
Assets		
Current		
Cash and cash equivalents	\$ 10,403	\$ 21,404
Accounts receivable	38,835	53,674
Inventory (note 4)	62,698	51,114
Prepays and other	5,680	3,112
Income taxes recoverable	5,389	4,615
Future income tax assets - current	6,192	6,192
	<u>129,196</u>	<u>140,111</u>
Property, plant and equipment	72,042	69,537
Intangible assets	24,598	21,459
Goodwill	2,242	2,388
Future income tax assets - long term	1,881	1,723
Total assets	<u>\$ 229,960</u>	<u>\$ 235,218</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 27,048	\$ 32,939
Deferred revenue	22,608	22,510
Current portion of loans payable	6,279	6,587
	<u>55,935</u>	<u>62,036</u>
Long term		
Loans payable	9,388	13,401
Employee future benefits	1,830	1,872
	<u>11,218</u>	<u>15,273</u>
Total liabilities	<u>67,153</u>	<u>77,309</u>
Shareholders' equity		
Share capital (note 7(a))	346,068	345,885
Contributed surplus	3,071	2,804
Deficit	(182,409)	(188,759)
Non-controlling interest (note 5(b))	-	486
Accumulated other comprehensive income	(3,923)	(2,507)
Total shareholders' equity	<u>162,807</u>	<u>157,909</u>
Total liabilities and shareholders' equity	<u>\$ 229,960</u>	<u>\$ 235,218</u>

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

For the three months ended April 30	2010	2009
Operating activities		
Net income	\$ 4,102	\$ 4,833
Amortization	2,626	2,842
Gain on disposal of assets	-	(26)
Defined benefit plan expenses (note 11)	165	119
Defined benefit plan contributions	(193)	(156)
Stock compensation expense (note 7)	245	210
Employee stock ownership plan awards (note 7)	46	43
Unrealized foreign exchange gain on derivatives	(1,854)	(2,426)
	<u>5,137</u>	<u>5,439</u>
Net change in non-cash working capital items	<u>(3,010)</u>	<u>1,704</u>
Operating activities	<u>2,127</u>	<u>7,143</u>
Financing activities		
Shares issued	-	21,615
Repayment of long term debt	(1,647)	(2,045)
Financing activities	<u>(1,647)</u>	<u>19,570</u>
Investing activities		
Acquisition of property, plant and equipment	(3,862)	(1,432)
Proceeds on disposal of property, plant, and equipment	-	26
Acquisition of intangible assets	(2,311)	(2,164)
Business acquisitions (note 5)	(2,127)	(140)
Investing activities	<u>(8,300)</u>	<u>(3,710)</u>
Effect of exchange rate changes on cash	<u>(5)</u>	<u>(350)</u>
Net (decrease) increase in cash	(7,825)	22,653
Cash and cash equivalents, beginning of period	18,228	9,243
Cash and cash equivalents, end of period	<u><u>\$ 10,403</u></u>	<u><u>\$ 31,896</u></u>
Interest paid	<u>\$ 146</u>	<u>\$ 252</u>
Taxes paid	<u>\$ -</u>	<u>\$ -</u>

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

For the six months ended April 30	2010	2009
Operating activities		
Net income	\$ 6,329	\$ 9,187
Amortization	5,243	5,691
Loss (gain) on disposal of assets	53	(26)
Defined benefit plan expenses (note 11)	335	237
Defined benefit plan contributions	(390)	(309)
Stock compensation expense (note 7)	522	386
Employee stock ownership plan awards (note 7)	103	97
Unrealized foreign exchange gain on derivatives	(2,801)	(2,635)
	<u>9,394</u>	<u>12,628</u>
Net change in non-cash working capital items	<u>(3,080)</u>	<u>(9,281)</u>
Operating activities	<u>6,314</u>	<u>3,347</u>
Financing activities		
Shares issued	-	21,873
Repayment of long term debt	<u>(3,231)</u>	<u>(3,615)</u>
Financing activities	<u>(3,231)</u>	<u>18,258</u>
Investing activities		
Acquisition of property, plant and equipment	(6,562)	(1,881)
Proceeds on disposal of property, plant and equipment	1	26
Acquisition of intangible assets	(5,281)	(3,107)
Business acquisitions (note 5)	<u>(2,127)</u>	<u>(140)</u>
Investing activities	<u>(13,969)</u>	<u>(5,102)</u>
Effect of exchange rate changes on cash	<u>(115)</u>	<u>(709)</u>
Net increase (decrease) in cash	(11,001)	15,794
Cash and cash equivalents, beginning of period	<u>21,404</u>	<u>16,102</u>
Cash and cash equivalents, end of period	<u><u>\$ 10,403</u></u>	<u><u>\$ 31,896</u></u>
Interest paid	<u>\$ 308</u>	<u>\$ 575</u>
Taxes paid	<u>\$ 158</u>	<u>\$ -</u>

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

For the six months ended April 30, 2010	Total	Deficit	Accumulated Other Comprehensive Income	Share Capital	Non-controlling interest	Contributed Surplus
Balance, October 31, 2009	\$ 157,909	\$ (188,759)	\$ (2,507)	\$ 345,885	\$ 486	\$ 2,804
Comprehensive income						
Net Income	6,329	6,350	-	-	(21)	-
Foreign currency translation adjustments (net of taxes of \$nil)	(1,416)	-	(1,416)	-	-	-
	<u>4,913</u>	<u>6,350</u>	<u>(1,416)</u>	<u>-</u>	<u>(21)</u>	<u>-</u>
Common stock issued	-	-	-	183	-	(183)
Value of ESOP awards	103	-	-	-	-	103
Minority interest purchase adjustment (note 5(b))	(640)	-	-	-	(465)	(175)
Expense recognized for stock-based compensation	522	-	-	-	-	522
Balance, April 30, 2010	<u>\$ 162,807</u>	<u>\$ (182,409)</u>	<u>\$ (3,923)</u>	<u>\$ 346,068</u>	<u>\$ -</u>	<u>\$ 3,071</u>

For the six months ended April 30, 2009	Total	Deficit	Accumulated Other Comprehensive Income	Share Capital	Non-controlling interest	Contributed Surplus
Balance, October 31, 2008	\$ 121,584	\$ (204,065)	\$ (729)	\$ 323,975	\$ 524	\$ 1,879
Comprehensive income						
Net Income	9,187	9,207	-	-	(20)	-
Foreign currency translation adjustments (net of taxes of \$nil)	(833)	-	(833)	-	-	-
	<u>8,354</u>	<u>9,207</u>	<u>(833)</u>	<u>-</u>	<u>(20)</u>	<u>-</u>
Common stock issued	21,873	-	-	22,032	-	(159)
Value of ESOP awards	97	-	-	-	-	97
Expense recognized for stock-based compensation	386	-	-	-	-	386
Balance, April 30, 2009	<u>\$ 152,294</u>	<u>\$ (194,858)</u>	<u>\$ (1,562)</u>	<u>\$ 346,007</u>	<u>\$ 504</u>	<u>\$ 2,203</u>

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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 on a basis consistent with prior periods except for the effects of adopting new accounting standards, as described in note 2, and certain disclosures required for annual financial statements that 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, and future income tax assets, valuation of employee future benefits liabilities, and contingencies. Actual results could 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, 2009. 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 Ltd. ("CDL"), COM DEV Europe Limited ("CDE"), COM DEV USA LLC ("CDU"), COM DEV US Property LLC ("CD US Property"), COM DEV Consulting Ltd. ("CD Consulting"), exactEarth Ltd., and Xi'an COM DEV Microwave Electronics Co. Ltd. ("Xian").

2. Changes in Accounting Standards

Business Combinations, Consolidated Financial Statements, and Non-Controlling Interests

Effective November 1, 2009, the Company prospectively early adopted CICA Handbook Section 1582, Business Combinations and retrospectively early adopted Section 1601, Consolidated Financial Statements and Section 1602, Non-controlling Interests. Section 1601 establishes standards for preparing consolidated financial statements after the acquisition date. Section 1602 establishes standards for the accounting and presentation of non-controlling interest. These new standards must be adopted concurrently with Section 1582. Section 1582 provides clarification as to what an acquirer must measure when it obtains control of a business, the basis of valuation and the date at which the valuation should be determined. Acquisition-related costs must be accounted for as expenses in the periods they are incurred, except for costs incurred to issue debt or share capital. As at November 1, 2009 there was no impact of adopting CICA Handbook Sections 1582 or 1601. However, by adopting Section 1602 there was a change in presentation

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of non-controlling interest on the Consolidated Balance Sheet to report it as a component of shareholders' equity and a change to the Consolidated Statement of Operations to exclude non-controlling interest from net income and present it separately.

3. Future Accounting Changes:

International Financial Reporting Standards

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 will follow a four key phase approach to ensure successful conversion to International Financial Reporting Standards.

The four phases are:

- 1) IFRS diagnostic impact assessment
- 2) Design and Planning
- 3) Solution development
- 4) Implementation

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>Apr. 30, 2010</u>	<u>Oct. 31, 2009</u>
Raw Materials	\$12,876	\$14,577
Contracts in process – costs and profits earned in excess of progress billings	49,822	36,537
Total Inventory	<u>\$62,698</u>	<u>\$51,114</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 and six months ended April 30, 2010 was \$1,403 and \$2,627 (\$1,341 and \$2,576 in 2009). The amount charged to net income and included in cost of revenue for the write-down of raw material inventory for valuation issues during the three and six months ended April 30, 2010 was \$192 and \$586 (\$192 and \$531 in 2009). There was a reduction in the cost of revenue for a reversal of previous write-downs of raw material inventory for the three and six months ended April 30, 2010 of \$859 (nil in 2009).

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5. Acquisitions

a) Routes AstroEngineering Ltd.

On April 15, 2010, the Company purchased substantially all of the assets of Routes AstroEngineering Ltd. for cash consideration. The bargain purchase transaction resulted in a gain due to unusual liquidity concerns of the seller.

The business combination has been accounted for using the purchase method and the Company has included the results of operations in its consolidated financial statements from the date of acquisition effective April 15, 2010.

The fair value of the assets acquired and the liabilities assumed as agreed upon by the parties is summarized in the following table:

Total purchase price	\$ 1,487
Allocated to:	
Equipment	\$ 23
Land and building	1,200
Current assets	672
Current liabilities	(112)
Net assets acquired	\$ 1,783
Gain from bargain purchase	296

The gain of \$296 resulting from the excess of fair value of net assets acquired over the purchase price is recognized in other income, and direct costs of the acquisition of \$170 are included in other (income) expense on the Consolidated Statements of Operations.

Current assets include provisional amounts for Scientific Research and Experimental Development ("SRED") refundable tax credits. The amounts recognized have been determined provisionally and may change subject to review by the Canada Revenue Agency ("CRA").

The current liabilities consist of provisional amounts payable for consulting work completed on SRED refundable tax credits and consideration payable to the former owners, both contingent upon receipt of SRED refundable tax credits. These amounts have been determined provisionally and may change subject to amounts received for SRED refundable tax credits.

b) Xian

On April 28, 2010 the Company achieved 100% ownership of Xian by purchasing the non-controlling interest for cash consideration of \$640. In accordance with the adoption of CICA Handbook Section 1602, Non-controlling Interests, changes in a parent's ownership in a

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subsidiary that do not result in a loss of control are accounted for as equity transactions. In connection with the acquisition, \$175 was charged to contributed surplus as follows:

Total purchase price	\$ 640
Less: non-controlling interest at date of purchase	465
Excess to contributed surplus	<u>\$ 175</u>

6. Government Assistance

During the period, the Company entered into an agreement to receive a conditional grant from The Ministry of Economic Development and Trade under the Next Generation of Jobs Fund up to a maximum of \$12,228 for eligible project costs during the period from May 2009 to May 2014. The grant is conditional upon maintaining a minimum number of employees and project investment. There are repayment provisions if these conditions are not met. The Company has accrued amounts receivable of \$854 during the period, of which \$559 was credited against property, plant, and equipment and \$295 was applied against project costs included in the cost of revenue.

7. Share Capital and Earnings Per Share

a) Issued Capital

The following details the issued and outstanding common shares for the six months ended April 30, 2010.

	<u>Number</u>	<u>Amount</u>
Balance, October 31, 2009	76,100,289	\$345,885
Issuance of common shares (i)	-	-
Shares issued through employee plan (ii)	55,838	183
Balance, April 30, 2010	<u>76,156,127</u>	<u>\$346,068</u>

- (i) During the three and six months ended April 30, 2010, there were no stock options exercised. In the three months ended April 30, 2009, the Company issued 29,600 common shares to satisfy the equivalent of stock options exercised of which all of these options were issued after November 1, 2003. During the six months ended April 30, 2009, the Company issued 215,100 common shares to satisfy the equivalent number of stock options exercised of which 62,000 of the options represent options issued after November 1, 2003.
- (ii) On February 28, 2010, the Company issued 55,838 (35,256 in 2009) common shares under the Employee Stock Ownership Plan ("ESOP").

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The maximum number of shares outstanding if all options were exercised, and ESOP shares were issued is 77,799,909.

b) Employee Stock Ownership Plan

The value of ESOP shares amortized to compensation expense but not yet issued in the three and six months ended April 30, 2010, was \$46 and \$103 (\$43 and \$97 in 2009). These amounts are included in contributed surplus.

c) Stock Based Compensation

In the three months ended April 30, 2010, the Company did not grant any options. The Company granted 13,548 options in the six months ended April 30, 2010. No options were issued in the three and six months ended April 30, 2009.

Options granted vest over three years, and vested options can be exercised over a five-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 7,158,676.

The fair value of options issued was estimated at the date of grant, using the Black-Scholes Option Model with the following weighted average assumptions:

	<u>For the six months ended</u> <u>April 30, 2010</u>
Risk-free interest rate	2.66%
Dividend yield	0.00%
Volatility	47.3%
Expected life of options	5 years
Weighted average fair value of options granted	<u>\$1.67</u>
Weighted average exercise price of options granted	<u>\$3.78</u>

The estimated fair value of the options is amortized to expense over the vesting period of the options. In the three and six months ended April 30, 2010, compensation expense of \$39 and \$108 (\$138 and \$315 in 2009) was recognized. These amounts were added to contributed surplus.

As at April 30, 2010, the options outstanding had exercise prices ranging from \$1.90 to \$5.14 with a weighted average exercise price of \$3.55 and a weighted average contractual life of 1.52 years.

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The following details the options for the six months ended April 30, 2010.

	2010		2009	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Balance as at October 31,	1,664,339	\$3.56	1,509,099	\$3.33
Granted	13,548	\$3.78	-	-
Exercised	-	-	(185,500)	\$1.39
Expired	(66,860)	\$4.01	(29,600)	\$2.40
Forfeited	(45,900)	\$3.32	-	-
Balance as at April 30	1,565,127	\$3.55	1,293,999	\$3.60
Vested	1,227,139		1,103,265	

d) Long Term Incentive Plans

The following details the RSUs and PSUs for the six months ended April 30:

	2010		2009	
	RSUs	PSUs	RSUs	PSUs
Balance as at October 31,	635,106	151,589	-	-
Granted	4,420	31,509	460,236	-
Forfeited	(3,068)	(3,068)	-	-
Balance as at April 30	636,458	180,030	460,236	-
Weighted fair value of units granted in the period	\$3.78	\$3.78	\$2.79	\$-

In the three and six months ended April 30, 2010, compensation expense of \$206 and \$414 (nil and \$71 in 2009) was recognized. These amounts were added to contributed surplus.

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e) Earnings Per Share

The following tables set forth the computation of basic and diluted earnings per share for the three and six months ended April 30, 2010.

	3 months ended April 30	
	2010	2009
Numerator for basic and diluted earnings per share – net income	\$4,105	\$4,853
Denominator for basic earnings per share- weighted average shares outstanding	76,138,560	73,790,688
Effect of dilutive securities		
ESOP	40,300	33,212
Employee stock options	87,556	185,730
Potential dilutive common shares	127,856	218,942
Denominator for diluted earnings per share – adjusted weighted average shares and assumed conversions	76,266,416	74,009,630
Basic and diluted earnings per share	\$0.05	\$0.07
	6 months ended April 30	
	2010	2009
Numerator for basic and diluted earnings per share – net income	\$6,350	\$9,207
Denominator for basic earnings per share- weighted average shares outstanding	76,119,107	70,915,454
Effect of dilutive securities		
ESOP	51,583	41,505
Employee stock options	139,856	169,924
Potential dilutive common shares	191,439	211,429
Denominator for diluted earnings per share – adjusted weighted average shares and assumed conversions	76,310,546	71,126,883
Basic and diluted earnings per share	\$0.08	\$0.13

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8. Income Tax Expense

Operating loss carry forward amounts have offset current income tax expenses in the six months ended April 30, 2010. For the six months ended April 30, 2010 the Company's effective income tax rate differs from the combined federal and provincial income tax rate of 31.5% (33.08% for 2009) as a result of the utilization of unrecognized Scientific Research & Experimental Development tax pools and loss carry forwards in Canada, the U.S. and the U.K. The balance of the net future income tax asset increased \$158 from October 31, 2010.

9. Financial Instruments

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 April 30, 2010, of \$204 (\$267 in 2009) that approximates the carrying value of \$193. 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.

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 and six months ended April 30, 2010, the fair value of derivatives classified as held-for-trading increased by \$1,854 and \$2,801 (\$2,426 and \$2,635 in 2009).

At April 30, 2010 approximately 40% of cash and cash equivalents, 51% of accounts receivables, and 36% of accounts payable and accrued liabilities are denominated in foreign currencies (43%, 55%, and 37% respectively as at October 31, 2009). 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:

Currency	Cash	Accounts Receivable	Accounts Payable
USD	\$ 3,751	\$ 14,860	\$ 8,561
GBP	£ 159	£ 268	£ 751
EUR	-	€ 3,079	€ 229

As at April 30, 2010, the Canadian dollar amount that could be received under Canadian / U.S. foreign currency call options was \$55,223 (\$25,271 in 2009) and the amount that could be paid under foreign currency put options was \$73,819 (\$35,552 in 2009). The average contractual exchange rate on the call options was 1.0839 and on the put options was 1.1142. The settlement

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dates of all the outstanding contracts are distributed over the next two years. The exchange rate at April 30, 2010 was 1.0158 (1.1859 in 2009).

In the three and six months ended April 30, 2010, the Company recorded a net realized gain of \$1,097 and \$1,836 (net realized loss of \$972 and \$2,270 in 2009) and net unrealized gain of \$1,854 and \$2,801 (\$2,426 and \$2,635 in 2009) on foreign currency options that have been included in "foreign exchange gain" in the Consolidated Statements of Operations. At April 30, 2010, the fair value of option contracts of \$3,425 (\$624 at October 31, 2009) is included in "Prepays and other" in the Consolidated Balance Sheets.

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 57% of accounts receivable as at April 30, 2010 (61% as at October 31, 2009). During the three and six months ended April 30, 2010, four customers comprise 61% (58% and 57% in 2009) of revenue.

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.

10. 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 April 30		6 months ended April 30	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenue from external customers				
Canada	\$13,219	\$10,521	\$23,283	\$20,167
U.S.A.	30,895	37,184	60,001	67,714
United Kingdom	10,910	11,449	22,412	24,832
Other	5,391	4,950	11,406	7,902
	<u>\$60,415</u>	<u>\$64,104</u>	<u>\$117,102</u>	<u>\$120,615</u>

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11. Employee Future Benefit Plans

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

CDE Pension Benefits

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 \$114 and \$225 for the three and six months ended April 30, 2010, (\$98 and \$195 in 2009) and have been included in "General Expenses" in the Consolidated Statements of Operations.

CDU Pension Benefits

The Company's U.S. subsidiary has a defined benefit plan that has four different benefit structures that cover former L-3 Communications Electron Technologies' employees.

During the three and six months ended April 30, 2010, the Company incurred benefit expenses of \$127 and \$257 related to the plan (\$78 and \$155 in 2009) and have been included in "General Expenses" in 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 U.S. subsidiary on an accrual basis.

During the three and six months ended April 30, 2010, the Company incurred non-pension benefits expenses of \$38 and \$78 related to the plan (\$41 and \$82 in 2009) and have been included in "General Expenses" in the Consolidated Statements of Operations.

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 period interim consolidated financial statements.