

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 audited consolidated financial statements including the notes thereto for the year ended October 31, 2009 ("the Consolidated Financial Statements"). The Consolidated 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 January 11th, 2010.

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 1,337 people around the world as of October 31, 2009, compared to 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. 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 2009 fiscal year, 29 satellite programs were awarded in the global space market, compared with 35 in fiscal 2008. The number of transponders on these satellites totaled 1,406 in fiscal 2009, representing a 13% increase from the 1,240 transponders awarded in the global market in fiscal 2008. The increase in the absolute number of transponders was seen in the commercial and civil sectors. The breakdown of satellites and transponders awarded between the three market sectors (commercial, civil, and military/defense) can be summarized as follows:

Sector	Years ended October 31			
	2009		2008	
	Satellites	Transponders	Satellites	Transponders
Commercial	22	1,064	25	941
Civil	6	278	6	163
Military/Defense	1	64	4	136
Total	29	1,406	35	1,240

Of the 29 satellite programs announced in fiscal 2009, COM DEV has secured work on 20, and is still in the running for work on an additional seven programs. This compares to fiscal 2008, when of the 35 satellites announced in the market, COM DEV has secured work on 26 to date, and is still pursuing work on two others.

The Company's 2009 workload continued to be balanced between commercial and non-commercial projects. The Company received orders for a total of \$249.0 million in new business during the year, compared with \$230.1 million the previous year. The profile of this new business reflects the continuing strength of the commercial market segment in 2009, and the Company's ability to capitalize on this available work. Of the \$249.0 million in new orders won in 2009, 55% came from the commercial sector of the space market, 23% from the civil sector, and 22% from the military/defense sector. By comparison, of the \$230.1 million in business won in 2008, 50% came from the commercial sector, with the civil and military/defense sectors accounting for 36% and 14% respectively.

Included in the \$249.0 million of new orders received in 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 fiscal 2009,

the amount of potential order value in excess of ATP, which management expects to realize, stood at \$7.0 million.* This compares to \$48.1 million at the end of fiscal 2008. The expected full contract amounts are based on bid values, and the historically high percentage of ATP's 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 2009, 19% of the Company's new orders were from Europe, 57% from the United States, 13% from Canada, and 11% from the rest of the world (ROW). This compares to 24%, 38%, 30% and 8% respectively in 2008, again demonstrating that the Company's products continue to successfully penetrate the world's major satellite markets.

The Company closed out the fiscal year 2009 with backlog totaling \$163.3 million, which represents a 3.2% increase over the 2008 year end closing backlog of \$158.2 million. Approximately 11% of the 2009 year end closing backlog is currently expected to be realized beyond the end of the Company's 2010 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 volatility of the U.S. dollar continued to impact the business during 2009. According to the Bank of Canada, the average exchange rate during the fiscal year 2009 was 1.1695 which compares to the 2008 fiscal year average of 1.0268. The U.S. dollar saw significant weakening in the second half of the year with the U.S. dollar exchange rate averaging 1.0754. In 2009, the weakening of the U.S. dollar had the effect of decreasing revenues by \$1.9 million, compared to 2008, when a strengthening U.S. dollar had the effect of increasing revenues by \$8.3 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. The hedging program in place at the Company had a positive impact on net income of \$3.6 million, while in 2008 it had a negative impact on net income of \$6.0 million.

Gross margins for the year improved over the prior year, averaging 27.0% in 2009 compared with 25.7% in 2008. This improvement in gross margins reflects several factors, including higher volumes of work flowing through the organization during the year, and from the El Segundo operation which was fully online starting in the first quarter of 2009.

R&D spending for 2009 reached \$17.5 million, compared to \$17.4 million in 2008. The current year spending represents 7.3% of revenues, compared with 8.3% of revenues in fiscal 2008. The Company remains committed to its R&D technology roadmap.

The Company made significant investments during 2009, in support of its growth objectives. In total, \$20.6 million in capital was invested in equipment and capacity in our Canadian and U.S. operations, including a 30,000 square foot building, and continued development of key technology needed in the Company's Mission Development Group (MDG) and in its exactEarth subsidiary. The acquired building is located in Cambridge, and is used to provide office and lab space to the Company's MDG and exactEarth operations. In 2008, the Company invested a total of \$27.3 million through a combination of its acquisition of the Passive Microwave Devices product line from L-3 Communications and its investment in equipment and capacity expansion in Cambridge, El Segundo, Ottawa and Aylesbury.

The Company's \$32 million operating line of credit remains undrawn at the end of fiscal 2009 except for \$1.0 million (\$0.9 million in 2008) 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 2007 expansion into the U.S. 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.

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

SELECTED ANNUAL INFORMATION** (prepared in accordance with Canadian GAAP)

(in thousands of dollars, except per share amounts)	Years ended October 31		
	2009	2008	2007
Revenue	\$ 240,410	\$ 210,348	\$ 164,330
Net income – continuing operations	\$ 15,306	\$ 12,379	\$ 11,853
Earnings per share, basic & diluted – continuing operations*	\$ 0.21	\$ 0.18	\$ 0.17
Net Income	\$ 15,306	\$ 12,379	\$ 10,879
Earnings per share, basic & diluted*	\$ 0.21	\$ 0.18	\$ 0.16
Total assets	\$ 235,218	\$ 203,529	\$ 165,411
Long term financial liabilities	\$ 15,273	\$ 25,447	\$ 7,692
Cash dividends declared	\$ -	\$ -	\$ -

* for a complete reconciliation of 2008 and 2009 earnings per share, please refer to Note 13 in the Notes to Consolidated Financial Statements

** for 2008 to 2009 year to year variation commentaries, see the additional comments included in Results Of Operations sections below.

RESULTS OF OPERATIONS

Revenues

(in millions of dollars)	Years ended October 31		
	2009	2008	% change
Commercial satellite programs	\$ 138.3	\$ 126.9	9.0%
Civil (government) programs	\$ 62.5	\$ 53.1	17.6%
Military and defense programs	\$ 39.6	\$ 30.3	30.8%
Total space revenues	\$ 240.4	\$ 210.3	14.3%

Total revenue for the Company for 2009 was \$240.4 million compared to \$210.3 million in 2008. The growth of revenue in all sectors was a result of the high level of backlog at the start of 2008, strong order bookings and the sound contribution of the El Segundo operation to the 2009 revenues. 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, and the Company's historic success rate at winning new business, management has indicated that it expects 2010 revenue to grow by at least 10% over fiscal 2009. ♦

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

Backlog

	Years Ended October 31		
(in millions of dollars)	<u>2009</u>	<u>2008</u>	<u>% change</u>
Commercial satellite programs	\$ 70.9	\$ 71.9	(1.4%)
Civil (government) programs	\$ 59.3	\$ 66.7	(11.0%)
Military and defense programs	\$ 33.1	\$ 19.6	68.9%
Total backlog	\$ 163.3	\$ 158.2	3.2%

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 increased from the October 31, 2008 level by \$5.1 million, or roughly 3.2%. All of the increase was from the military sector, compared with the prior year, when all of the growth in year-end backlog came from the non-commercial sectors. The commercial sector backlog remained relatively constant from prior year showing a slight decrease from \$71.9 million in 2008 to \$70.9 million in 2009. The civil sector backlog decreased from \$66.7 million at October 31, 2008, to \$59.3 million at the end of the current fiscal year.

Net Income

	Years ended October 31		
(in millions of dollars except earnings per share)	<u>2009</u>	<u>2008</u>	<u>% change</u>
Net income	\$ 15.3	\$ 12.4	23.4%
Earnings per share, basic and diluted	\$ 0.21	\$ 0.18	16.7%

Net income in 2009 was \$15.3 million compared with \$12.4 million in 2008. There were a number of factors that impacted net income in 2009. Of primary significance was a 14.3% growth in revenue, at a 1.3% higher average gross margin than in 2008. The resulting \$10.7 million in additional gross margin was partly offset by lower R&D funding received, spending on Selling, General & Administrative (SG&A) and foreign exchange loss costs. Each of these is discussed later in this document.

Gross Margin

	Years ended October 31		
(in millions of dollars)	<u>2009</u>	<u>2008</u>	<u>% change</u>
Total gross margin	\$ 64.9	\$ 54.1	19.8%
Total gross margin %	27.0%	25.7%	1.3%

Gross margins for 2009 averaged 27.0% compared to 25.7% in 2008. The 1.3% increase in average gross margin percentage was mainly the result of higher production throughput in the Cambridge and El Segundo operations; however, disappointing performance in two of our domestic government programs had a negative impact on 2009 gross margins.

In Q1 2009, COM DEV began classifying certain expenses as SG&A that had previously been recorded as cost of revenue. As a result, both gross margin and SG&A are \$4.2 million higher in 2009 than they would have been under the previous presentation methods. For purposes of comparability, 2008 results are presented in this MD&A and in the accompanying financial statements using the current classification system, and therefore these cost of revenue, gross margin, and SG&A figures differ from the results first announced one year ago.

Research and Development (R&D)

(in millions of dollars)	Years ended October 31		
	2009	2008	% change
Total R&D spending before funding	\$ 17.5	\$ 17.4	0.5%
Total R&D funding received	\$ (3.9)	\$ (7.8)	(50.0%)
R&D, net of funding	\$ 13.6	\$ 9.6	42.0%

Fiscal year 2009 R&D spending remained on par with 2008. The amount of R&D funding received fell by 50% from 2008 levels due mainly to a drop off of funding on a domestic government R&D program. 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. 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

(in millions of dollars)	Years ended October 31		
	2009	2008	% change
Selling, general and administrative expenses (SG&A)	\$ 33.1	\$ 29.5	12.7%
SG&A % of total revenue	13.8%	14.0%	(0.2%)
Interest expense / (income)	\$ 0.5	\$ 0.8	(37.5%)
Foreign exchange loss	\$ 2.0	\$ 1.4	42.9%
Other expense	\$ 0.4	\$ 0.5	(20.0%)

Selling, General and Administrative

SG&A expenses for 2009 were \$33.1 million compared with \$29.5 million in 2008. The increase in costs is attributable to start up activities in the exactEarth subsidiary, to SG&A expenses at the El Segundo facility and to selling costs that were \$1.2 million higher during the year versus 2008 as a result of the high level of bidding activity.

Interest (Income)/Expense

The Company incurred interest charges of \$0.5 million in fiscal 2009, compared with interest charges of \$0.8 million in fiscal 2008. The term debt attracts interest at rates varying from LIBOR plus 225 bps to LIBOR plus 360 bps.

Foreign Exchange

The foreign exchange loss in 2009 was \$2.0 million, compared with a loss of \$1.4 million in 2008. Foreign exchange amounts in the Consolidated Statement 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. For the year, the impact from the mark to market valuations on the U.S. dollar hedge contracts was an unrealized exchange gain of \$3.6 million, compared to an unrealized exchange loss of \$6.0 million in fiscal 2008. The impact of translation of foreign denominated balance sheet items during the year was a loss of \$5.6 million, compared to a gain of \$4.6 million in 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 October 31, 2009:

(in millions of dollars)	Increase/ (Decrease)	Explanation
Cash and cash equivalents	5.3	Refer to Statement of Cash flows
Accounts receivable	12.6	Higher billing levels due to increased level of work. Collection levels are consistent with higher level of billings.
Inventory	5.2	Project inventory increased by \$4.2 million, general inventory increased by \$1.0 million.
Prepaid and other	1.3	Prepaid VAT increased by \$0.5 million, prepaid software maintenance increased by \$0.2 million, and hedge contracts mark-to-market was higher by \$0.6 million.
Income taxes recoverable	1.8	Payments on account of disputed tax assessments.
Property, plant & equipment	2.7	Normal capital additions through year, less normal depreciation.
Intangible assets	2.8	Development of technology to be used in the AIS initiative less normal amortization on all intangible assets.
Goodwill	(0.1)	Adjustment to purchase price of the PMD product line.
Accounts payable and accrued liabilities	2.5	Normal accounts payable payment cycle, on a higher level of purchasing activity due to higher volume of work at the Company.
Deferred revenue	7.7	On certain projects, customer billings are allowed in advance of the work being performed. The balance will naturally fluctuate with differences in order profiles, progress on contracts and billing milestone schedules.
Current portion of loans payable	0.4	Current portion of draws on term debt facility for land, building, and the PMD acquisition.
Loans payable	(9.8)	Normal payments on term debt facility and the impact from lower exchange rate at the end of 2009.
Employee future benefits	(0.4)	Benefits obligations related to employees of the acquired PMD product line from L-3 Communications.
Share capital	21.9	Issuance of shares in February 2009 for net proceeds of \$21.5 million plus issuance of shares to satisfy Employee Share Ownership Plan (ESOP) commitments.
Contributed surplus	0.9	Value of the ESOP awards, and expense recognized on stock based Long Term Incentive Plan arrangements.
Deficit	15.3	Net Income for the year.
Accumulated other comprehensive income	(1.8)	Foreign currency translation of self-sustaining subsidiaries.

Liquidity and Capital Resources

(in millions of dollars)	Years ended October 31		
	2009	2008	% change
Cash (used in) / from operating activities	\$ 10.1	\$ (1.3)	n/a
Net (decrease) / increase in cash	\$ 5.3	\$ (15.6)	n/a
Property, Plant and Equipment additions	\$ 12.8	\$ 9.6	(33.3%)
Business acquisition	\$ 0.0	\$ 13.5	(100%)

The Company generated \$10.1 million of cash from operating activities in 2009, compared with 2008 when \$1.3 million was used. The Company invested \$14.3 million in working capital in 2009 which compares to the \$32.1 million invested in working capital in 2008.

The Company renegotiated its operating line of credit facility with the Canadian Imperial Bank of Commerce in 2009, with the result being an increase in the available credit line from \$27 million to its new level of \$32 million, which was not drawn upon throughout fiscal 2009, except for \$1.0 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 October 31, 2009.

In addition, the Company has a term credit facility 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.

In the second quarter of 2009 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. Net proceeds were approximately \$21.5 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 disclosed in the Notes to the Consolidated Financial Statements, as at the end of the 2009 fiscal year.

Transactions with Related Parties

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

Fourth Quarter

The Company booked \$67.0 million in new orders in the fourth quarter of fiscal 2009, compared with approximately \$60.0 million in the fourth quarter of 2008. The book-to-bill ratio for the quarter was 1.15, compared to 1.00 in the fourth quarter of fiscal 2008. It is important to note that contract awards in the space market are typically characterized as lumpy, which historically has resulted in uneven new order levels on a quarter-by-quarter basis. Revenues for the fourth quarter were \$58.3 million, compared with \$61.2 million in the prior quarter, and \$59.8 million in the fourth quarter of fiscal 2008. Gross margins were 24.7% in the fourth quarter, down from 29.3% in the prior quarter, and down from 28.7% in the fourth quarter of fiscal 2008. The decrease in fourth quarter margins reflected the impact of significant cost growth on two Canadian government projects.

During the fourth quarter, the Company generated \$12.8 million in cash from operating activities, compared with the prior quarter where the Company used \$6.2 million in cash from operating activities. In the fourth quarter of 2008, the Company generated \$11.5 million in cash from operating activities.

The Company invested \$10.9 million in capital asset and in intangible asset additions during the fourth quarter of 2009. The Company invested \$4.0 million in capital assets during the fourth quarter of fiscal 2008 and \$4.3 in the third quarter of 2009. The Company ended the quarter with \$21.4 million in cash, compared with \$19.8 million at the end of the prior quarter, and \$16.1 million at the end of the fourth quarter of fiscal 2008.

Proposed Transactions

While the Company continues to evaluate potential business expansion initiatives, it has no firm proposed transactions as at October 31, 2009.

Contractual Obligations

(in thousands of dollars)	Total	2010	2011	2012	2013	2014	2015 & beyond
Long-term debt *	\$ 19,988	\$ 6,587	\$ 6,789	\$ 5,218	\$ 1,394	\$ 0	\$ 0
Operating leases	\$ 2,916	\$ 1,954	\$ 767	\$ 195	\$ 0	\$ 0	\$ 0
Capital leases	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Purchase obligations **	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other long-term obligations ***	\$ 5,302	\$ 132	\$ 179	\$ 252	\$ 337	\$ 460	\$ 3,942
Total contractual obligations	\$ 28,206	\$ 8,673	\$ 7,735	\$ 5,665	\$ 1,731	\$ 460	\$ 3,942

* 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 loss" in the Consolidated Statements of Operations. In 2009, the gain from appreciation in fair value of the Company's hedge options was \$3.6 million, compared to a loss of \$6.0 million in 2008.

On October 31, 2009, the Company had outstanding foreign exchange call options with a notional value of \$92.3 million maturing at an average exchange rate of \$1.0885 (October 31, 2008: \$42.8 million at \$1.1383). The Company had outstanding foreign exchange put options with a notional value of \$123.9 million at an average exchange rate of \$1.1237 (October 31, 2008: \$59.2 million at \$1.1703). 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	April 30	July 31	October 31	Total
Total revenue	\$ 56,511	\$ 64,104	\$ 61,451	\$ 58,344	\$ 240,410
Net income – total	\$ 4,354	\$ 4,853	\$ 5,241	\$ 858	\$ 15,306
Net income per share (basic and diluted)	\$ 0.06	\$ 0.07	\$ 0.07	\$ 0.01	\$ 0.21

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

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 2009 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.

COM DEV is receiving assistance from Ernst & Young LLP ("E&Y") with the Company's IFRS conversion project. The Company will follow a five key phase approach to ensure successful conversion to International Financial Reporting Standards. The five phases are:

1. IFRS diagnostic impact assessment

Perform a high level review to identify significant differences between Canadian Generally Accepted Accounting Principles ("GAAP"), as adopted by COM DEV, and IFRS.

Status: This Phase is substantially complete. The findings of the diagnostic assessment are that there are several areas that may require a significant degree of effort to quantify the impact on the opening balance sheet and to put in place procedures and controls to efficiently and effectively address the particular IFRS difference on an ongoing basis.

These areas include the following:

- Property, Plant and Equipment
- Impairment of Long Lived Assets
- Business Combinations
- Revenue Recognition
- Income Taxes
- Foreign Currency Translation
- Employee Benefits

2. Design and Planning

Using the outputs from the diagnostic assessment, a master plan for the conversion project will be compiled. This plan will include schedules, resource requirements and output specifications.

Status: Detailed plan, with estimates of resource requirements, has been carried out. Scheduling of resources to be finalized in Q1 of 2010.

3. Solution development

This phase will carry out a full assessment of the changes required to accounting and business systems in order to migrate to IFRS. This phase will include completing formal authorization process to approve recommended accounting policy changes and training processes across the Company's divisions.

Status: Not started. Phase 3 is expected to be carried out between Q1 and Q3 of fiscal year 2010.

4. Implementation

This phase will implement the identified solutions identified in Phase 3. The culmination of this phase will be collection of all the financial information necessary to produce IFRS-compliant financial statements, embedding IFRS in business processes and Audit Committee approval of IFRS financial statements.

Status: Not started. Phase 4 is expected to be carried out between Q2 and Q4 of fiscal year 2010.

5. Post implementation review.

This will phase will be to ensure on-going compliance with IFRS and to take into account the changing IFRS landscape.

Status: Not started.

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

In 2009, the CICA issued three new accounting standards which are aligned with International Financial Reporting Standards ("IFRS"): CICA Handbook Section 1582, Business Combinations, 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. This new standard will be applicable for acquisitions the Company completes on or after November 1, 2011 although adoption in 2010 is permitted to facilitate the transition to IFRS in 2011.

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 2 to the 2009 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. As required by the standard, the Company has retroactively reclassified computer software assets and internally developed technology on the consolidated balance sheets from property, plant and equipment to intangible assets. 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, Inventories, which replaces CICA Handbook Section 3030. The new standard does not apply to the Company's contracts in progress. The standard prescribes the measurement of inventory at the lower of cost and net realizable value. Items that are written down to net realizable value are required to be adjusted back up to cost if there is a subsequent increase in the net realizable value. Other than additional required disclosures, which are provided in note 1(d) and note 4, there was no material impact on the consolidated financial statements.

Credit risk and the fair value of financial assets and financial liabilities

On November 1, 2008, the Company adopted EIC issued Abstract No. 173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. EIC-173 requires an entity to take into account its own credit risk and that of the relevant counterparties when determining the fair value of financial assets and financial liabilities, including derivative instruments. The new guidance did not have a material impact on the consolidated financial statements.

Financial Instruments – Disclosures & Presentation

In December 2006, the CICA released Handbook Section 3862 and 3863, Financial Instruments – Disclosures & Presentation, effective for all annual and interim periods beginning on or after November 1, 2007, and accordingly, the Company adopted these new Handbook Sections in its 2008 fiscal year. These new Handbook Sections include required disclosures for the assessment of the significance of financial instruments for an entity's financial position and performance and of the extent of risks arising from financial instruments to which the Company is exposed and how the Company manages those risks. CICA Handbook Section 3863 carries forward the presentation requirements of CICA Handbook Section 3861. There was no impact on the Company's results as a result of the adoption of these new standards was not material. In 2009, the Company adopted an amendment to CICA Handbook Section 3862, Financial Instruments – Disclosures, that provides improvements to fair value and liquidity risk disclosures. The new disclosures are included in note 10. The new guidance has not affected the consolidated financial position or net income of the Company. Comparative information is not required in the year of adoption.

Changes in Accounting Policies and Estimates, and Errors

In July 2006, the Accounting Standards Board issued a new Section, Changes in Accounting Policies and Estimates, and Errors. This standard affects when an accounting policy may be changed, how any resulting changes are to be applied, and what disclosures must be made. Adoption is for fiscal years beginning on or after January 1, 2007, which resulted in the Company adopting this Section in its fiscal year 2008. The impact of the adoption of this standard on the consolidated results of operations or financial position was not material.

Capital Disclosures

In December 2006, the CICA released Handbook Section 1535, Capital Disclosures, effective for all annual and interim periods beginning on or after November 1, 2007, and accordingly, the Company adopted this new Section in its 2008 fiscal year. This new Section establishes standards for disclosing information about an entity's capital and how it is managed. The entity's disclosure should include information about its objectives, policies and processes for managing capital, and disclose whether or not it has complied with any capital requirements to which it is subject and the consequences of non-compliance. There was no impact on the Company's results from adopting this new standard. For further information, see Note 11 to the 2009 audited 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.

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. A current example of this is the Company's efforts to exploit its Automatic Identification System (AIS) detection and de-collision capabilities by entering the AIS data sales market through its new subsidiary Company, exactEarth Ltd. 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 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

Company's products are complex, use sophisticated technologies and often involve a lengthy development and manufacturing cycle. In addition, these products are integral to the customer's satellite payload and alternate sources of supply may not be available in the time required, or at all. Consequently, any failure by the Company to satisfy its contractual obligations could trigger losses in excess of the value of the contract. Since the Company often works on large individual contracts, the claims against the Company could be material.

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 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 \$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 regulatory environment places strict controls over receipt, use, transfer, and export of technology, material, and equipment. While the Company understands the requirements of these controls and regulations, there is no assurance that these regulations, or their interpretations by regulatory authorities, will not change in a way that would cause a material adverse effect to the Company's business, operations and prospects.

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.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable, but not absolute, assurance that material information required to be publicly disclosed by a public company is communicated in a timely manner to senior management to enable them to make timely decisions regarding public disclosure of such information. We have conducted an evaluation of our disclosure controls and procedures as of October 31, 2009 under the supervision, and with the participation of, our Chief Executive Officer and our Chief Financial Officer. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures (as this term is defined in the rules adopted by Canadian securities regulatory authorities) are effective in providing reasonable assurance that material information relating to COM DEV is made known to them and information required to be disclosed by us is recorded, processed, summarized and reported within the time periods specified under applicable law.

Management's Annual Report on Internal Control over Financial Reporting

Internal control over financial reporting is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Additionally, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Our management used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework to evaluate the effectiveness of internal control over financial reporting. Our Chief Executive Officer and our Chief Financial Officer have assessed the effectiveness of our internal control over financial reporting and concluded that, as at October 31, 2009, such internal control over financial reporting is effective and that there were no material weaknesses.

Changes in Internal Controls over Financial Reporting

There have been no changes in our internal controls over financial reporting that occurred during 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Outstanding Share Data

Details of the Company's outstanding share data as of January 11, 2010 are as follows:

Common shares	76,100,289
Options on common shares	1,664,339

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