

VALDOR FIBER OPTICS INC.
(the "Company")

MANAGEMENT DISCUSSION & ANALYSIS
(U.S. Dollars)
THREE MONTHS ENDED MARCH 31, 2006

1.1 Date of this Report

May 31, 2006

1.2 Overall Performance

During the quarter, the Company's working capital deficiency increased by \$138,016 from \$3,451,277 at the end of December 2005 to \$3,589,293 at the end of March 2006.

1.3 Selected Annual Information

N/A

1.4 Results of Operations

During the quarter the Company had a net loss of \$275,228 as compared to \$219,969 for the corresponding quarter ended March 31, 2005. The revenues have declined to \$149,401 as compared to \$252,163 for the quarter ended March 31, 2005. This is a result of the continued slow down in the fiber optics industry and limited access to additional working capital. As a result of better cost control measures expenses have declined to \$310,313 as compared to \$315,647 for the quarter ended March 31, 2005.

On January 18, 2006, Valdor Fiber Optics Inc. reported that they negotiated a non-brokered private placement with investors for CDN\$150,000 requiring the issuance of up to 1,500,000 units at a price of \$0.10 per unit, with each unit being comprised of one common share of Valdor and one non-transferable share purchase warrant. Each warrant allows the holder thereof to purchase one additional common share of Valdor at a price of CDN\$0.15 per share for a period of one year from the date of issuance of the units. The proceeds of the private placement will be used for marketing of Valdor's new line of fiber optic products and for general working capital. A finder's fee of CDN\$15,000 will be paid in respect to this private placement.

On February 8, 2006, Valdor Fiber Optics Inc. reported that management was aggressively signing up qualified distributors across the United States and International markets for the sale of Valdor's new *Service Enclosure* and the new *Field Termination Hand Tool Kits*. The new *Service Enclosure* will use Valdor's *IMPACT MOUNT Technology (IMT) Splice Connectors* with both single and multimode capabilities. The miniature design of the *IMT Splice Connectors* is especially suitable for high-density packaging applications. The new cost effective Hand Tools are ideal for field installation, especially in tight quarters. Valdor's *Service Enclosure* is designed for indoor and outdoor applications the enclosures will replace the expensive, existing connector panels that require racks, bulkheads and pigtail sub-assembly that need to be spliced with cable ends with costly splice equipment. The *Service Enclosure* will allow technicians the flexibility to quickly add or reduce lines by connecting or disconnecting the *IMT*

Splice Connectors mounted in the enclosure. Additional *IMT Splice Connector Cassettes* can be easily and economically added to the enclosure as additional lines are required. The multi-billion dollar market for Data /Telecom equipment, fiber to the home or premise (FTTH/FTTP) and city traffic camera systems are the targeted markets for these innovative products.

On February 28, 2006, Valdor Fiber Optics Inc. reported that the non-brokered Private Placement announced January 18, 2006 for 1,500,000 Units, has closed. A total of 1,500,000 Units at a price of CDN\$0.10 per unit have been subscribed for with total proceeds realized of CDN\$150,000. Each Unit consists of one common share of Valdor and one non-transferable one-year share purchase warrant. Each warrant allows the holder thereof to purchase one further common share of Valdor at a price of CDN\$0.15 if exercised on or before February 2, 2007. The 1,500,000 common shares issued are subject to a hold period expiring June 6, 2006. A finder's fee of CDN\$15,000 was paid in respect to this financing. The proceeds of the private placement will be used for marketing of Valdor's new line of fiber optic products which utilize its propriety and patented *IMPACT MOUNT™* and *HEPTOPORT™* technology and for general working capital. At the OFC/NFOEC 2006 Fiber Optic Conference being held in Anaheim California from March 7 to 9, 2006, Valdor will be displaying for the first time the Tri-HeptoWave WDM and its new Service Enclosure and Field Termination Hand Tool Kits. The targeted markets for these innovative products will be for fiber-to-the-curb (FTTC), fiber-to-the-home or premise (FTTH/FTTP) and city traffic camera systems, which is an established multi-billion dollar industry for Data/Telecom equipment.

On March 6, 2006, Valdor Fiber Optics Inc. reported Richard Lam was appointed Valdor's Worldwide Marketing Director and Overseas Product Coordinator for Valdor's new Service Enclosure and *Impact Mount™* Field Termination Splice Connectors. He will support the launching of the Tri-HeptoWave WDM (1310, 1490, 1550) product line that is being manufactured in Valdor's Shanghai facility (Valdor/Opeltech) as well as participate in Valdor's sales effort in signing up distributors worldwide. Mr. Lam was the founder of America Printing Company from 1978 to 1996 and since then has operated Shanghai Xanadu International Trading Company, which is doing business between the United States and China. He has been involved in all aspects of business development and marketing for both companies and has extensive experience in overseeing manufacturing projects between China and the United States.

On March 30, 2006, Valdor Fiber Optics Inc. reported that the OFC/NFOEC 2006 conference (Optical Fiber Communication /National Fiber Optic Engineers Conference) held in March 2006, Anaheim, California was a great success. The conference provided Valdor with an opportunity to introduce its new line of FTTX products to the marketplace. Following the conference, Valdor has been signing up more distributors for marketing and promoting the sale of its new Field Termination Hand Tool Kit. This includes the new Service Enclosure, Restoration Splice and Valdor's standard *Impact Mount™* (IMT) connectors (ST, SC, SP, SMA) for both single mode and multimode. All of these products are targeted at the FTTX markets. Orders are now being received from Remotec, Inc., a division of Northrop Grumman Corporation, for the new ST/SP Complete Hand Tool Kits with Repair Splice for their robotic program for bomb detection. The Hand Tool Kits were first introduced at the OFC/NFOEC 2006 conference. Valdor has commenced a new project for the custom-design of a multi-fiber flexible enclosure utilizing the IMT Field Termination technology. This enclosure will be used when a quick repair (less than 15 minutes) is required to restore a four-fiber OCC cable commonly used in multimedia applications in various locations where they have TV and entertainment centers.

1.5 Summary of Quarterly Results

The quarterly financial statements are prepared in accordance with Canadian GAAP but are stated in U.S. Dollars.

FOR THE THREE MONTHS ENDED

	March 31, 2006	December 31, 2005	September 30, 2005	June 30, 2005
Revenues	\$149,401	\$ 203,741	\$182,285	\$237,908
Net Income (Loss)	(\$275,228)	(\$311,019)	(\$191,365)	(\$267,393)
Per Share – Basic	(\$0.01)	(\$0.01)	(\$0.00)	(\$0.01)
Diluted	(\$0.01)	(\$0.01)	(\$0.00)	(\$0.01)

FOR THE THREE MONTHS ENDED

	March 31, 2005	December 31, 2004	September 30, 2004	June 30, 2004
Revenues	\$252,163	\$201,897	\$217,415	\$381,942
Net Income (Loss)	(\$219,969)	(\$173,276)	(\$265,359)	(\$215,820)
Per Share - Basic	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)
Diluted	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)

The Company had revenues of \$149,401 during the first quarter from sales of its fiber optics products against \$112,055 in direct costs of sale for a gross profit of \$37,346. A further \$310,313 was expended during the first quarter for general and administrative expenditures, marketing, research and development, amortization and interest charges resulting in a loss from operations of \$272,967 for the quarter.

1.6 Liquidity

The Company's working capital deficiency as at March 31, 2006 was \$3,589,293 as compared to a working capital deficiency of \$5,119,042 as at March 31, 2005, a decrease of \$1,529,749.

At present the Company believes it has sufficient funds available from revenues and financing to cover basic overhead expenses for the next twelve months. The Board of Directors is reviewing potential business opportunities for the Company's patented HeptoPort™ and Impact Mount™ technology and other options available relating to utilization of the potential financing by the Company. Readers are cautioned that a number of factors beyond the control of the Company could result in the Company not being able to sustain its current position or not being able to find appropriate opportunities for the HeptoPort™ and Impact Mount™ technology or securing a financing necessary to pursue such opportunities. Such factors could include adverse economic conditions, political and regulatory concerns and key individual staffing problems amongst others.

1.7 Capital Resources

During the reporting period the Company remains dependant upon funds provided by directors, business associates and equity markets for financing. However, assuming that the company continues to maintain its current level of sales and administrative and general expenditures, it should be able to cover its normal overhead expenses for the next twelve months.

1.8 Off Balance Sheet Arrangements

None.

1.9 Transactions with Related Parties

The Company incurred the following revenues and expenses with directors and officers of the Company and companies with common directors:

	Period ended March 31,	
	<u>2006</u>	<u>2005</u>
Management fees	\$ 7,798	\$ 7,338
Office and miscellaneous - secretarial services	1,430	1,345
Rent	2,599	2,446
Salaries, wages and benefits	<u>18,969</u>	<u>14,769</u>
	<u>\$ 30,796</u>	<u>\$ 25,898</u>

These transactions were measured by the exchange amount which is the amount agreed upon by the transacting parties.

Included in prepaid expenses at March 31, 2006 is \$856 (December 31, 2005: \$827) of rent prepaid to a company with a common director.

Fourth Quarter

Not Applicable.

1.10 Proposed Transactions

During 2004, Valdor entered into an Equity Agreement (“Agreement”) with the shareholders of Shanghai OPEL Technologies Inc. (“Opeltech”), whereby Valdor will have the right to acquire up to 100% of the shares of Opeltech. Under the terms of the Agreement, Valdor has agreed to issue 5,000,000 common shares of its capital stock to the equity owners of Opeltech in exchange for a 60% equity interest in Opeltech. Valdor will have the right to receive the remaining 40% interest of Opeltech, subject to the Company achieving certain performance criteria. As part of the terms of the Agreement, Opeltech will be renamed Valdor Shanghai Inc. and will handle all sales and marketing in the Asia Pacific fiber optic market, further establishing Valdor’s foothold. Opeltech’s acquisition adds additional optical and printed circuit board assembly to Valdor’s fiber optic manufacturing capabilities. The Agreement is subject to certain conditions including but not limited to, the approval of the Board of Directors of both companies, the receipt by Opeltech of a Business License from the Chinese regulatory authorities and the approval from the TSX Venture Exchange. Both parties have agreed that the basic terms of the agreement are in good standing while further due-diligence continues by both parties.

1.12 Critical Accounting Estimates

None

1.13 Changes in Accounting Policy

None

1.14 Financial and Other Instruments

None

1.15 Other

Legal Matters - Nil

Capitalization as at March 31, 2006 and May 31, 2006

Capital Stock	Number
Common Shares	54,526,549
Options	5,156,266
Warrants	1,500,000

SUBSEQUENT EVENTS

None to report.