

Form 51-102F1

VALDOR FIBER OPTICS INC.
(the "Company")

MANAGEMENT DISCUSSION & ANALYSIS
(U.S. Dollars)
SIX MONTHS ENDED JUNE 30, 2006

1.1 Date of this Report

August 29, 2006

1.2 Overall Performance

During the quarter, the Company's working capital deficiency decreased by \$80,575 from \$3,451,277 at the end of December 2005 to \$3,370,702 at the end of June 2006.

1.3 Selected Annual Information

N/A

1.4 Results of Operations

During the quarter the Company had a net income of \$212,473 as compared to a loss of \$267,393 for the corresponding quarter ended June 30, 2005. The income is a result of a gain of \$417,735 on the disposition of its limited partnership investment. The revenues have declined to \$234,940 as compared to \$237,908 for the quarter ended June 30, 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 \$221,645 as compared to \$365,223 for the quarter ended June 30, 2005.

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

	June 30, 2006	March 31, 2006	December 31, 2005	September 30, 2005
Revenues	\$239,940	\$149,401	\$ 203,741	\$182,285
Net Income (Loss)	\$212,473	(\$275,228)	(\$311,019)	(\$191,365)
Per Share – Basic	\$0.00	(\$0.01)	(\$0.01)	(\$0.00)
Diluted	\$0.00	(\$0.01)	(\$0.01)	(\$0.00)

FOR THE THREE MONTHS ENDED

	June 30, 2005	March 31, 2005	December 31, 2004	September 30, 2004
Revenues	\$237,908	\$252,163	\$201,897	\$217,415
Net Income (Loss)	(\$267,393)	(\$219,969)	(\$173,276)	(\$265,359)
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 \$234,940 during the second quarter from sales of its fiber optics products against \$195,256 in direct costs of sale for a gross profit of \$39,684. A further \$221,645 was expended during the second quarter for general and administrative expenditures, marketing, research and development, amortization and interest charges resulting in a loss from operations of \$181,961 for the quarter.

1.6 Liquidity

The Company's working capital deficiency as at June 30, 2006 was \$3,370,702 as compared to a working capital deficiency of \$5,238,846 as at June 30, 2005, a decrease of \$1,868,144.

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 HeptoPortTM and Impact MountTM 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 HeptoPortTM and Impact MountTM 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:

	Six months ended June 30,	
	<u>2006</u>	<u>2005</u>
Management fees	\$ 15,814	\$ 14,572
Office and miscellaneous - secretarial services	2,899	2,671
Rent	5,271	4,857
Salaries, wages and benefits	<u>34,777</u>	<u>30,271</u>
	<u>\$ 58,761</u>	<u>\$ 52,371</u>

These transactions were measured by the exchange amount which is the amount agreed upon by the transacting parties and are on terms and conditions similar to non-related entities.

Included in prepaid expenses at June 30, 2006 is \$NIL (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 June 30, 2006 and August 29, 2006

Capital Stock	Number
Common Shares	54,526,549
Options	3,533,766
Warrants	1,500,000

SUBSEQUENT EVENTS

On July 24, 2006, a creditor of the Company's former subsidiary, Hotel Syracuse Inc., agreed to amend the Stipulation of Settlement and Order by Consent to discontinue the action against the Company and return the two original affidavits subject to the creditor receiving confirmation of the contemporaneous investment of CDN\$500,000 to the Company. Satisfactory evidence of the availability of an additional CDN\$500,000 is to be received by the Company within one year.

On August 18, 2006, Valdor has negotiated a non-brokered private placement with certain investors for CDN\$1,250,000 requiring the issuance of 12,500,000 Units at a price of CDN\$0.10 per unit; with 7,500,000 Units comprised of one common share of Valdor and one non-transferable share purchase warrant and 5,000,000 Units comprised of one common share of Valdor and one-half of one non-transferable share purchase warrant. Each whole 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 closing. The proceeds from 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 may be paid in respect to this private placement pursuant to the policies of the TSX Venture Exchange.

The Board of Directors of Valdor has granted 4,000,000 incentive stock options exercisable at CDN\$0.10 per share to certain directors, officers, employees and consultants of Valdor for a period of five years pursuant to the terms and conditions of Valdor's Stock Option Plan.

Pursuant to an arrangement, one of the Company's creditors has agreed to settle promissory notes payable totaling \$2,241,687 as at June 30, 2006 for CDN\$500,000.