

**Form 51-102F1**

**VALDOR FIBER OPTICS INC.**  
(the "Company")

**MANAGEMENT DISCUSSION & ANALYSIS**  
**(U.S. Dollars)**  
**NINE MONTHS ENDED SEPTEMBER 30, 2006**

1.1 Date of this Report

**November 27, 2006**

1.2 Overall Performance

During the quarter, the Company's working capital deficiency decreased by \$2,720,063 from \$3,033,169 at the end of December 2005 to \$313,106 at the end of September 2006.

1.3 Selected Annual Information

N/A

1.4 Results of Operations

During the quarter the Company had a net income of \$1,769,342 as compared to a loss of \$191,365 for the corresponding quarter ended September 30, 2005. The income is primarily the result of a gain of \$1,821,847 from the settlement of promissory notes payable and \$180,714 from the write-off of certain accounts payable. The revenues have increased to \$241,469 as compared to \$182,285 for the quarter ended September 30, 2005. This is a result of an increase in activity in the fiber optic industry. As a result of better cost control measures expenses have declined to \$192,614 (excluding stock based compensation) as compared to \$239,381 (excluding stock based compensation) for the quarter ended September 30, 2005.

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 a contemporaneous investment of CDN\$500,000 to the Company. Satisfactory evidence of the completion of an investment for CDN\$500,000 in the company has since been provided to the creditor and subsequently all claims against the Company were dismissed.

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.

On September 26, 2006, Valdor granted 5,100,000 stock options exercisable at CDN\$0.10 to certain directors, officers, employees and consultants expiring on September 26, 2011.

Pursuant to an arrangement with one of the Company's creditors, a payment of CDN\$500,000 has been made by the Company for settlement of a promissory note for \$2,270,157.

## 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

	<b>September 30, 2006</b>	<b>June 30, 2006</b>	<b>March 31, 2006</b>	<b>December 31, 2005</b>
Revenues	\$241,469	\$239,940	\$149,401	\$ 203,741
Net Income (Loss)	\$1,769,342	\$212,473	(\$275,228)	(\$311,019)
Per Share – Basic	\$0.03	\$0.00	(\$0.01)	(\$0.01)
Diluted	\$0.03	\$0.00	(\$0.01)	(\$0.01)

### FOR THE THREE MONTHS ENDED

	<b>September 30, 2005</b>	<b>June 30, 2005</b>	<b>March 31, 2005</b>	<b>December 31, 2004</b>
Revenues	\$182,285	\$237,908	\$252,163	\$201,897
Net Income (Loss)	(\$191,365)	(\$267,393)	(\$219,969)	(\$173,276)
Per Share - Basic	(\$0.00)	(\$0.01)	(\$0.01)	(\$0.01)
Diluted	(\$0.00)	(\$0.01)	(\$0.01)	(\$0.01)

The Company had revenues of \$241,469 during the third quarter from sales of its fiber optics products against \$186,513 in direct costs of sale for a gross profit of \$54,956. A further \$348,770 was expended during the third quarter for general and administrative expenditures, marketing, research and development, amortization and interest charges resulting in a loss from operations of \$293,814 for the quarter.

## 1.6 Liquidity

The Company's working capital deficiency as at September 30, 2006 was \$313,106 as compared to a working capital deficiency of \$3,049,994 as at September 30, 2005, a decrease of \$2,736,888.

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:

	Nine months ended September 30,	
	<u>2006</u>	<u>2005</u>
Management fees	\$ 23,830	\$ 22,059
Office and miscellaneous - secretarial services	5,251	4,044
Rent	7,943	7,352
Salaries, wages and benefits	<u>56,908</u>	<u>48,548</u>
	<u>\$ 93,932</u>	<u>\$ 82,003</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 September 30, 2006 is \$NIL (December 31, 2005: \$827) of rent prepaid to a company with a common director.

During the nine month period ended September 30, 2006, 1,523,499 common shares were issued to a director and officer of the Company and a company with a director in common pursuant to stock options exercised at \$0.09 per share for total proceeds of \$136,033.

1.10 Fourth Quarter

Not Applicable.

1.11 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 September 30, 2006 and November 27, 2006

<b>Capital Stock</b>	<b>September 2006</b>	<b>November 2006</b>
Common Shares	56,182,047	68,682,047
Options	6,978,267	6,978,267
Warrants	1,500,000	11,500,000

**SUBSEQUENT EVENTS**

On October 19, 2006, Valdor reported that the non-brokered Private Placement announced August 18, 2006 for 12,500,000 Units, has now closed. A total of 12,500,000 Units at a price of \$0.10 per unit have been subscribed for with total proceeds realized of \$1,250,000. A total of 7,500,000 Units were issued consisting of one common share of Valdor and one non-transferable share purchase warrant which allows the holder thereof to purchase one further common share of Valdor at a price of \$0.15 on or before October 10, 2007. The remaining 5,000,000 Units consist of one-half of one non-transferable share purchase warrant which allows the holder to purchase 2,500,000 common shares of Valdor at a price of \$0.15 on or before October 10, 2007. The 12,500,000 common shares issued are subject to a hold period expiring February 10, 2007. A finder's fee of \$60,000 has been paid in respect to this financing. The proceeds from 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.

On October 27, 2006, Valdor reported that its shares have been listed with the Deutsche Börse Group on the Frankfurt Stock Exchange in Germany under the symbol "VZA". The listing will facilitate recent interest in Valdor by European Investors whom have expressed an interest in Valdor's new line of fiber optic products which utilize its propriety and patented *IMPACT MOUNT™* and *HEPTOPORT™* technology. The Frankfurt Stock Exchange - FWB® Frankfurter Wertpapierbörse (Frankfurt Stock Exchange) is the largest of eight German stock exchanges and also one of the world's largest trading centers for securities. Deutsche Börse AG operates the Frankfurt Stock Exchange and ensures the smooth

functioning of exchange trading. The Frankfurt Stock Exchange is able to meet the steadily growing requirements of cross-border trading through its advanced electronic trading, settlement and information systems.

On November 2, 2006, Valdor announced the appointment of Mr. Eric Bourget as our new Vice-President of Business Development. Mr. Bourget gained extensive experience in the fiber optic industry in both the research and development of new products and in sales and marketing of existing products while working with D2V Technologies Inc. and Hyperchip Inc. He will be responsible for building key business strategies with new and current customers in both eastern Canada and eastern United States. Mr. Bourget will focus on the marketing of Valdor's *Field Installable Splice Connectors* and *Repair Splice* kits and the *Service Enclosure* which uses Valdor's *IMPACT MOUNT* technology splice connectors with both single and multimode capabilities. Valdor's *Service Enclosure* is designed for indoor and outdoor applications. The enclosures 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* allows technicians the flexibility to quickly add or reduce lines by connecting or disconnecting the splice connectors mounted in the enclosure.