

**Form 51-102F1**

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

**MANAGEMENT DISCUSSION & ANALYSIS**  
(U.S. Dollars)  
**THREE MONTHS ENDED MARCH 31, 2007**

1.1 Date of this Report

**May 30, 2007**

1.2 Overall Performance

During the quarter, the Company's working capital deficiency increased by \$164,270 from \$290,235 at the end of December 2006 to \$454,505 at the end of March 2007.

1.3 Selected Annual Information

N/A

1.4 Results of Operations

During the quarter the Company had a net loss of \$226,384 as compared to \$275,228 for the corresponding quarter ended March 31, 2006. The revenues increased to \$257,695 as compared to \$149,401 for the quarter ended March 31, 2006. This is a result of an increase of activity in the fiber optics industry. As a result of corporate restructuring, expenses have declined to \$259,582 as compared to \$310,313 for the quarter ended March 31, 2006.

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>March 31, 2007</b>	<b>December 31, 2006</b>	<b>September 30, 2006</b>	<b>June 30, 2006</b>
Revenues	\$257,695	\$369,077	\$241,469	\$239,940
Net Income (Loss)	(226,384)	(\$113,219)	\$1,769,342	\$212,473
Per Share – Basic	(\$0.01)	\$0.00	\$0.03	\$0.00
Diluted	(\$0.01)	\$0.00	\$0.03	\$0.00

**FOR THE THREE MONTHS ENDED**

	<b>March 31, 2006</b>	<b>December 31, 2005</b>	<b>September 30, 2005</b>	<b>June 30, 2005</b>
Revenues	\$149,401	\$203,741	\$182,285	\$237,908
Net Income (Loss)	(\$275,228)	(\$183,280)	(\$191,365)	(\$267,393)
Per Share - Basic	(\$0.01)	(\$0.01)	(\$0.00)	(\$0.01)
Diluted	(\$0.01)	(\$0.01)	(\$0.00)	(\$0.01)

The Company had revenues of \$257,695 during the first quarter from sales of its fiber optics products against \$217,909 in direct costs of sale for a gross profit of \$39,786. A further \$259,582 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 \$219,796 for the quarter.

1.6 Liquidity

The Company's working capital deficiency as at March 31, 2007 was \$454,505 as compared to a working capital deficiency of \$3,589,293 as at March 31, 2006, a decrease of \$3,134,788.

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>2007</u>	<u>2006</u>
Management fees	\$ 7,681	\$ 7,797
Office and miscellaneous - secretarial services	939	1430
Rent	2,560	2,599
Salaries, wages and benefits	<u>21,462</u>	<u>18,969</u>
	<u>\$ 32,642</u>	<u>\$ 30,795</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, 2007 is \$867 (December 31, 2006: \$858) of rent prepaid to a company with a common director.

Fourth Quarter

Not Applicable.

#### 1.10 Proposed Transactions

On August 4, 2004, the Company entered into an equity agreement with the shareholders of Shanghai OPEL Technologies Inc. (“OPEL Tech”) a company incorporated with the Peoples Republic of China, whereby the Company will have the right to acquire up to 100% of the shares of OPEL Tech. As consideration the Company will issue 5,000,000 common shares in exchange for a 60% interest in OPEL Tech. The Company has the right to receive the remaining 40% interest subject to the Company achieving certain performance criteria. On September 26, 2006, the terms of the agreement was extended to November 30, 2007. The agreement is subject to approval by the board of directors of both companies, receipt by OPEL Tech of a business license from the Chinese regulatory authorities and the approval from the TSX Venture Exchange.

#### 1.12 Critical Accounting Estimates

None

#### 1.13 Changes in Accounting Policies including Initial Adoption

##### (a) Financial Instruments - recognition and measurement

On January 1, 2007 the Company adopted section 3855 of the Canadian Institute of Chartered Accountants’ “(CICA)” Handbook, “Financial Instruments – Recognition and Measurement”. It exposes the standards for recognizing and measuring financial instruments in the balance sheet and the standards for reporting gains and losses in the financial statements. Financial assets available for sale, assets and liabilities held for trading and derivative financial instruments, part of hedging relationship or not, have to be measured at fair value.

The Company has made the following classifications:

Cash and cash equivalents are classified as financial assets held for trading and measured at fair value. Gains and losses related to periodical evaluations are recorded in net income.

Accounts receivable are classified as loans and receivables and are initially measured at fair value and subsequent periodical revaluations are recorded at amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities and long-term payables are classified as other liabilities and are initially measured at fair value and subsequent periodical revaluations are recorded at amortized cost using the effective interest rate method.

The adoption of this section is done retroactively without restatement of the financial statements of prior periods. As at January 1, 2007, there was no impact on the balance sheet from these classifications.

The Company has not elected a transition date for embedded derivatives. An embedded derivative is a component of a financial instrument or another contract of which the characteristics are similar to a derivative. This had no impact on the financial statements.

##### (b) Comprehensive Income

On January 1, 2007, the Company adopted Section 1530 of the CICA Handbook “Comprehensive Income”. It describes reporting and disclosure recommendations with respect to comprehensive income and its components. Comprehensive income is the change in shareholders’ equity which results from transactions and events from sources other than the Company’s shareholders. These transactions and events include unrealized gains and losses resulting from changes in fair value of certain financial

instruments. The Company had no items impacting comprehensive income during the period ended March 31, 2007.

(c) Equity

On January 1, 2007, the Company adopted section 3251 of the CICA Handbook, "Equity", replacing section 3250 "Surplus". It describes standards for the presentation of equity and changes in equity for a reporting period as a result of the application of section 1530 "Comprehensive Income".

(d) Hedges

On January 1, 2007, the Company adopted section 3865 of the CICA Handbook, "Hedges". The recommendations of this Section expand the guidelines required by Accounting Guideline 13 (AcG-13), "Hedging Relationships". This section describes when and how hedge accounting can be applied as well as the disclosure requirements. Hedge accounting enables the recording of gains, losses, revenue and expenses from the derivative financial instruments in the same period as for those related to the hedged item. The adoption of these new standards did not have any significant effect on the Company's financial statements for the three months ended March 31, 2007.

(e) Accounting changes

As of January 1, 2007, the Company adopted revised CICA Section 1506 "Accounting Changes", which provides expanded disclosures for changes in accounting policies, accounting estimates and corrections of errors. Under the new standard, accounting changes should be applied retrospectively unless otherwise permitted, or where impracticable to determine. As well, voluntary changes in accounting policy are made only when required by a primary source of GAAP, or when the change results in more relevant and reliable information. There is no material impact to the Company's financial statements as a result of implementing this new standard.

In addition, the Company has assessed new and revised accounting pronouncements that have been issued that are not yet effective and determined that the following may have a significant impact on the Company:

As of January 1, 2008, the Company will be required to adopt two new CICA standards, Section 3862 "Financial Instruments - Disclosures" and Section 3863 "Financial Instruments - Presentation", which will replace Section 3861 "Financial Instruments - Disclosure and Presentation". The new disclosure standard increases the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standard carries forward the former presentation requirements. The new financial instruments presentation and disclosure requirements were issued in December 2006 and the Corporation is assessing the impact on its consolidated financial statements.

As of January 1, 2008, the Company will be required to adopt the new CICA Section 1535 "Capital Disclosures", which will require companies to disclose their objectives, policies and processes for managing capital. In addition, disclosures are to include whether companies have complied with externally imposed capital requirements. The new capital disclosure requirements were issued in December 2006 and the Company is assessing the impact on its financial statements.

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards ("IFRS") by the end of 2011. The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

1.14 Financial and Other Instruments

None

1.15 Other

Legal Matters - Nil

Capitalization as at March 31, 2007 and May 30, 2007

Capital Stock	Number
Common Shares	68,804,548
Options	6,783,000
Warrants	10,000,000

Disclosure Controls and Procedures

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures in March 2007. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer has concluded that the Company's disclosure controls and procedures, as defined in Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, are effective to ensure that information required to be disclosed in reports filed or submitted by the Company under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in those rules.