

VALDOR FIBER OPTICS INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2007

(Stated in US Dollars)

(Unaudited)

THE ACCOMPANYING FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006 HAVE NOT BEEN REVIEWED OR AUDITED BY THE CORPORATION'S AUDITORS.

VALDOR FIBER OPTICS INC.
INTERIM CONSOLIDATED BALANCE SHEETS
 March 31, 2007 and December 31, 2006
 (Stated in US Dollars)
 (Unaudited)

	March 31, <u>2007</u>	December 31, <u>2006</u>
<u>ASSETS</u>		
Current		
Cash	\$ 307,178	\$ 305,720
Accounts receivable	143,122	304,120
Inventories	148,564	152,208
Prepaid expenses – Note 5	<u>37,051</u>	<u>18,695</u>
	635,915	780,743
Equipment	<u>11,277</u>	<u>13,957</u>
	<u>\$ 647,192</u>	<u>\$ 794,700</u>
<u>LIABILITIES</u>		
Current		
Accounts payable and accrued liabilities	\$ 552,675	\$ 556,089
Promissory notes payable – Note 3	377,180	364,058
Due to related parties – Note 2	135,565	125,831
Advance royalty	<u>25,000</u>	<u>25,000</u>
	<u>1,090,420</u>	<u>1,070,978</u>
<u>SHAREHOLDERS' DEFICIENCY</u>		
Share capital – Note 4	12,411,331	12,405,715
Share subscriptions – Note 4	1,333,667	1,336,668
Contributed surplus – Note 4	534,577	477,758
Deficit	<u>(14,722,803)</u>	<u>(14,496,419)</u>
	<u>(443,228)</u>	<u>(276,278)</u>
	<u>\$ 647,192</u>	<u>\$ 794,700</u>

SEE ACCOMPANYING NOTES

VALDOR FIBER OPTICS INC.
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS
for the three months ended March 31, 2007 and 2006
(Stated in US Dollars)
(Unaudited)

	<u>2007</u>	<u>2006</u>
Revenue	\$ 257,695	\$ 149,401
Direct expenses	<u>217,909</u>	<u>112,055</u>
Gross profit	<u>39,786</u>	<u>37,346</u>
Expenses		
Administration and general – Schedule 1	187,683	175,573
Marketing	22,920	13,138
Interest	9,134	69,176
Research and development	35,460	45,617
Amortization of capital assets and other assets	<u>4,385</u>	<u>6,809</u>
	<u>259,582</u>	<u>310,313</u>
Loss from operations	(219,796)	(272,967)
Other item		
Foreign exchange loss	<u>(6,588)</u>	<u>(2,261)</u>
Net loss for the period	<u>\$ (226,384)</u>	<u>\$ (275,228)</u>
Basic and diluted loss per share	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Weighted average number of shares	<u>68,778,678</u>	<u>53,859,882</u>

SEE ACCOMPANYING NOTES

VALDOR FIBER OPTICS INC.
INTERIM CONSOLIDATED STATEMENTS OF DEFICIT
for the three months ended March 31, 2007 and 2006
(Stated in US Dollars)
(Unaudited)

	<u>2007</u>	<u>2006</u>
Deficit, beginning of the period	\$(14,496,419)	\$(16,089,787)
Net loss for the period	<u>(226,384)</u>	<u>(275,228)</u>
Deficit, end of the period	<u>\$(14,722,803)</u>	<u>\$(16,365,015)</u>

SEE ACCOMPANYING NOTES

VALDOR FIBER OPTICS INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
for the three months ended March 31, 2007 and 2006
(Stated in US Dollars)
(Unaudited)

	<u>2007</u>	<u>2006</u>
Operating Activities		
Net loss from operations	\$ (226,384)	\$ (275,228)
Charges to income not affecting cash:		
Amortization of capital assets and other assets	4,385	6,809
Foreign exchange	-	2,785
Stock-based compensation	<u>59,465</u>	<u>14,902</u>
	(162,534)	(250,732)
Changes in non-cash working capital balances related to operations:		
Accounts receivable	160,998	34,080
Inventories	3,644	6,625
Prepaid expenses and deposits	(18,356)	(4,647)
Accounts payable and accrued liabilities	<u>(3,414)</u>	<u>28,402</u>
	<u>(19,662)</u>	<u>(186,272)</u>
Financing Activities		
Increase in promissory note payable	13,122	60,865
Increase in due to related parties	9,734	5,041
Proceeds from issuance of common shares – Net of share issue cost	2,970	117,504
Share subscription	<u>(3,001)</u>	<u>-</u>
	<u>22,825</u>	<u>183,410</u>
Investing Activity		
Purchase of equipment	<u>(1,705)</u>	<u>-</u>
Increase (decrease) in cash during the period	1,458	(2,862)
Cash, beginning of the period	<u>305,720</u>	<u>10,879</u>
Cash, end of the period	<u>\$ 307,178</u>	<u>\$ 8,017</u>
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	<u>\$ -</u>	<u>\$ -</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>

SEE ACCOMPANYING NOTES

VALDOR FIBER OPTICS INC.
INTERIM CONSOLIDATED SCHEDULE OF
ADMINISTRATION AND GENERAL EXPENSES
for the three months ended March 31, 2007 and 2006
(Stated in US Dollars)
(Unaudited)

Schedule 1

	<u>2007</u>	<u>2006</u>
Consulting fees	\$ 11,537	\$ 15,519
Entertainment and travel	8,026	3,442
Legal and accounting fees	30,081	22,356
Licenses and permits	687	1,454
Management fees – Note 5	7,681	7,797
Office and miscellaneous – Note 5	10,109	12,706
Rent – Note 5	10,974	16,505
Repairs and maintenance	2,617	2,212
Salaries, wages and benefits – Note 5	38,083	66,698
Stock-based compensation	59,465	14,902
Stock exchange filing fees	1,003	2,279
Telephone and utilities	6,206	7,911
Transfer agent fees	<u>1,214</u>	<u>1,792</u>
	<u>\$ 187,683</u>	<u>\$ 175,573</u>

SEE ACCOMPANYING NOTES

VALDOR FIBER OPTICS INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007
(Stated in US Dollars)
(Unaudited)

Note 1 Interim Reporting

The unaudited interim financial statements have been prepared in accordance with the accounting principles generally accepted in Canada for interim financial information and follow the same accounting policies and methods of their application as the Company's most recent annual financial statements. These interim financial statements do not include all of the disclosure included in the annual financial statements, and accordingly, they should be read in conjunction with the annual financial statements for the year ended December 31, 2006. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. The results of operations for the interim periods are not necessarily indicative of the results of operations for the entire year.

Note 2 Due to Related Parties

The amounts due to related parties of \$135,565 (December 31, 2006: \$125,831) are comprised of accounts payable and accrued liabilities owing to directors and officers of the Company and a company with a common director.

Note 3 Promissory Notes Payable

	March 31, <u>2007</u>	December 31, <u>2006</u>
Promissory note payable in Euros (E152,449) to a former director of the Company, bearing interest at 10% per annum, unsecured and due on demand, includes accrued interest payable of \$173,854 (December 31, 2006: \$162,902)	\$ <u>377,180</u>	\$ <u>364,058</u>

Note 4 Share Capital

a) Authorized:

100,000,000 common shares without par value
50,000,000 preferred shares, without par value

Note 4 Share Capital – (cont'd)

b) Issued: common shares

	<u>Number</u>	<u>Amount</u>
Balance, beginning of the period	68,769,548	\$ 12,405,715
For cash		
Pursuant to exercise of stock option - at \$0.09	35,000	2,970
Transfer of stock-based compensation on stock options exercised	<u>-</u>	<u>2,646</u>
Balance, end of the period	<u>68,804,548</u>	<u>\$ 12,411,331</u>

c) Commitments:

Stock-Based Compensation Plan

The Company has granted employees and directors common share purchase options. These options are granted with an exercise price equal to the market price of the Company's stock on the date of the grant.

A summary of the status of the stock option plan as of March 31, 2007 and 2006 and changes during the periods then ended on those dates is presented below:

	<u>March 31, 2007</u>		<u>March 31, 2006</u>	
	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Shares</u>	<u>Weighted Average Exercise Price</u>
Outstanding at the beginning of the period	7,095,500	\$0.09	5,156,266	\$0.09
Cancelled	(275,000)	\$0.17	-	\$ -
Exercised	<u>(35,000)</u>	<u>\$0.09</u>	<u>-</u>	<u>\$ -</u>
Options outstanding at end of the period	<u>6,785,500</u>	<u>\$0.09</u>	<u>5,156,266</u>	<u>\$0.09</u>
Options exercisable at end of the period	<u>3,793,000</u>		<u>4,115,641</u>	

Note 4 Share Capital – (cont'd)

c) Commitments – (cont'd)

Stock-Based Compensation Plan – (cont'd)

At March 31, 2007, the Company has 6,783,000 share purchase options outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
20,000	\$0.09	July 15, 2007
200,000	\$0.09	October 17, 2007
128,000	\$0.09	November 18, 2007
25,000	\$0.09	April 28, 2008
720,000	\$0.09	June 28, 2009
65,000	\$0.09	April 19, 2010
525,000	\$0.09	July 7, 2011
<u>5,100,000</u>	\$0.09	September 25, 2011
<u>6,783,000</u>		

During the three months ended March 31, 2007, the Company recorded a stock-based compensation expense of \$59,465. The fair value of share purchase options granted was estimated on the grant date using the Black-Scholes option pricing model.

The following table reconciles the Company's contributed surplus:

	<u>March 31,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
Balance, beginning of the period	\$ 477,758	\$ 355,938
Options vested	59,465	215,248
Options exercised	<u>(2,646)</u>	<u>(93,428)</u>
Balance, end of the period	<u>\$ 534,577</u>	<u>\$ 477,758</u>

Share Subscriptions

At March 31, 2007, share subscriptions are comprised of \$1,333,450 relating to the acquisition of a former subsidiary GC Technologies, Ltd. for 3,800,000 common shares and had received \$217 in respect to the exercise of 2,500 share purchase options.

Note 4 Share Capital – (cont'd)

c) Commitments – (cont'd)

Share Purchase Warrants

At March 31, 2007, there were 10,000,000 share purchase warrants outstanding entitling the holders thereof the right to purchase one common share for each warrant held at \$0.13 per share expiring October 10, 2007.

Note 5 Related Party Transactions

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

	<u>2007</u>	<u>2006</u>
Management fees	\$ 7,681	\$ 7,797
Office and miscellaneous - secretarial services	939	1,430
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 charges were measured by the exchange amount that 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.

Note 6 Segmented information

The Company's principal business activities are the developing, manufacturing and marketing of fiber optic products. The Company's sales revenues are allocated to geographic segments as follows:

	<u>2007</u>	<u>2006</u>
United States of America	\$ 134,254	\$ 96,557
Europe	123,441	46,852
Mexico	<u>-</u>	<u>5,992</u>
	<u>\$ 257,695</u>	<u>\$ 149,401</u>