

VALDOR FIBER OPTICS INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2007

(Stated in US Dollars)

(Unaudited)

THE ACCOMPANYING INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2007 AND 2006 HAVE NOT BEEN REVIEWED OR AUDITED BY THE CORPORATION'S AUDITORS.

VALDOR FIBER OPTICS INC.
INTERIM CONSOLIDATED BALANCE SHEETS
June 30, 2007 and December 31, 2006
(Stated in US Dollars)
(Unaudited)

	<u>June 30,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
<u>ASSETS</u>		
Current		
Cash	\$ 169,551	\$ 305,720
Accounts receivable	114,478	304,120
Inventories	151,345	152,208
Prepaid expenses – Note 5	<u>28,990</u>	<u>18,695</u>
	464,364	780,743
Equipment	<u>8,876</u>	<u>13,957</u>
	<u>\$ 473,240</u>	<u>\$ 794,700</u>
<u>LIABILITIES</u>		
Current		
Accounts payable and accrued liabilities	\$ 535,706	\$ 556,089
Promissory notes payable – Note 3	391,142	364,058
Due to related parties – Note 2	155,496	125,831
Advance royalty	<u>25,000</u>	<u>25,000</u>
	<u>1,107,344</u>	<u>1,070,978</u>
<u>SHAREHOLDERS' DEFICIENCY</u>		
Share capital – Note 4	12,411,331	12,405,715
Share subscriptions – Note 4	1,333,685	1,336,668
Contributed surplus – Note 4	569,675	477,758
Deficit	<u>(14,948,795)</u>	<u>(14,496,419)</u>
	<u>(634,104)</u>	<u>(276,278)</u>
	<u>\$ 473,240</u>	<u>\$ 794,700</u>

SEE ACCOMPANYING NOTES

VALDOR FIBER OPTICS INC.
INTERIM CONSOLIDATED STATEMENTS OF LOSS
for the three and six months ended June 30, 2007 and 2006
(Stated in US Dollars)
(Unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenue	\$ 183,285	\$ 234,940	\$ 440,980	\$ 384,341
Direct expenses	<u>157,910</u>	<u>195,256</u>	<u>375,819</u>	<u>307,311</u>
Gross profit	<u>25,375</u>	<u>39,684</u>	<u>65,161</u>	<u>77,030</u>
Expenses				
Administration and general – Schedule 1	163,142	106,046	350,825	281,619
Marketing	20,753	16,878	43,673	30,016
Research and development	30,338	26,763	65,798	72,380
Interest	9,557	65,313	18,690	134,488
Amortization of equipment and other assets	<u>2,401</u>	<u>6,645</u>	<u>6,786</u>	<u>13,454</u>
	<u>226,191</u>	<u>221,645</u>	<u>485,772</u>	<u>531,957</u>
Loss from operations	(200,816)	(181,961)	(420,611)	(454,927)
Other items:				
Gain on disposal of limited partnership	-	417,735	-	417,735
Income from limited partnership	-	18,779	-	18,779
Foreign exchange loss	<u>(25,176)</u>	<u>(42,080)</u>	<u>(31,765)</u>	<u>(44,342)</u>
Net income (loss) for the period	<u>\$ (225,992)</u>	<u>\$ 212,473</u>	<u>\$ (452,376)</u>	<u>\$ (62,755)</u>
Basic and diluted income (loss) per share	<u>\$ (0.00)</u>	<u>\$ 0.00</u>	<u>\$ (0.01)</u>	<u>\$ (0.00)</u>
Weighted average number of shares outstanding	<u>68,804,548</u>	<u>54,526,549</u>	<u>68,791,543</u>	<u>54,195,057</u>

SEE ACCOMPANYING NOTES

VALDOR FIBER OPTICS INC.
INTERIM CONSOLIDATED STATEMENTS OF DEFICIT
for the six months ended June 30, 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>(452,376)</u>	<u>(62,755)</u>
Deficit, end of the period	<u>\$(14,948,795)</u>	<u>\$(16,152,542)</u>

SEE ACCOMPANYING NOTES

VALDOR FIBER OPTICS INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
for the three and six months ended June 30, 2007 and 2006
(Stated in US Dollars)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Operating Activities				
Net income (loss) for the period	\$ (225,992)	\$ 212,473	\$ (452,376)	\$ (62,755)
Charges to income not affecting cash:				
Amortization of equipment and other assets	2,401	6,645	6,786	13,454
Gain on disposal of limited partnership	-	(417,735)	-	(417,735)
Income from limited partnership	-	(18,779)	-	(18,779)
Foreign exchange	18	19,813	-	22,598
Stock-based compensation	<u>35,098</u>	<u>(7,653)</u>	<u>94,563</u>	<u>7,249</u>
	(188,475)	(205,236)	(351,027)	(455,968)
Changes in non-cash working capital balances related to operations:				
Accounts receivable	28,644	(68,689)	189,642	(34,609)
Inventories	8,061	47,628	863	54,253
Prepaid expenses	(2,781)	9,002	(10,295)	4,355
Accounts payable and accrued liabilities	<u>(21,406)</u>	<u>40,675</u>	<u>(20,383)</u>	<u>69,077</u>
	<u>(175,957)</u>	<u>(176,620)</u>	<u>(191,200)</u>	<u>(362,892)</u>
Financing Activities				
Due to related parties	24,368	93,645	29,665	98,686
Increase in promissory note payable	13,962	63,020	27,084	123,885
Proceeds from issuance of common shares	-	-	2,970	117,504
Share subscription	-	-	(2,983)	-
Long-term debt	<u>-</u>	<u>(418,108)</u>	<u>-</u>	<u>(418,108)</u>
	<u>38,330</u>	<u>(261,443)</u>	<u>56,736</u>	<u>(78,033)</u>
Investing Activities				
Other assets	-	26,705	-	26,705
Acquisition of capital assets	-	(2,803)	(1,705)	(2,803)
Proceeds from disposal of investment	<u>-</u>	<u>417,735</u>	<u>-</u>	<u>417,735</u>
	<u>-</u>	<u>441,637</u>	<u>(1,705)</u>	<u>441,637</u>
Increase (decrease) in cash during the period	(137,627)	3,574	(136,169)	712
Cash, beginning of the period	<u>307,178</u>	<u>8,017</u>	<u>305,720</u>	<u>10,879</u>
Cash, end of the period	<u>\$ 169,551</u>	<u>\$ 11,591</u>	<u>\$ 169,551</u>	<u>\$ 11,591</u>

.../cont'd

SEE ACCOMPANYING NOTES

VALDOR FIBER OPTICS INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
for the three and six months ended June 30, 2007 and 2006
(Stated in US Dollars)
(Unaudited)

Continued

	Three months ended June 30,		Six months ended June 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Supplementary disclosure of cash flow information				
Cash paid for:				
Interest	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
Income taxes	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -

SEE ACCOMPANYING NOTES

VALDOR FIBER OPTICS INC.

Schedule 1

**INTERIM CONSOLIDATED SCHEDULES OF
ADMINISTRATION AND GENERAL EXPENSES**
for the three and six months ended June 30, 2007 and 2006
(Stated in US Dollars)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Bad debts	\$ 4,600	\$ -	\$ 4,600	\$ -
Consulting fees	214	9,810	11,751	25,329
Entertainment and travel	6,000	3,602	14,026	7,044
Legal and accounting fees	30,141	13,764	60,222	36,120
Licenses and permits	351	1,372	1,038	2,826
Management fees – Note 5	8,178	8,017	15,859	15,814
Office and miscellaneous – Note 5	8,388	12,359	18,497	25,065
Rent – Note 5	10,815	16,118	21,789	32,623
Repairs and maintenance	2,916	1,837	5,533	4,049
Salaries, wages and benefits – Note 5	44,548	33,455	82,631	100,153
Stock-based compensation (recovery)	35,098	(7,653)	94,563	7,249
Stock exchange filing fees	4,602	4,280	5,605	6,559
Telephone and utilities	5,983	7,094	12,189	15,005
Transfer agent fees	<u>1,308</u>	<u>1,991</u>	<u>2,522</u>	<u>3,783</u>
	<u>\$ 163,142</u>	<u>\$ 106,046</u>	<u>\$ 350,825</u>	<u>\$ 281,619</u>

SEE ACCOMPANYING NOTES

VALDOR FIBER OPTICS INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
 June 30, 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 follows 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 \$155,496 (December 31, 2006: \$125,831) are comprised of accounts payable and accrued liabilities owing to current and former directors and officers of the Company and companies with common directors.

Note 3 Promissory Notes Payable

	<u>June 30,</u> <u>2007</u>	<u>December 31,</u> <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 \$198,000 (December 31, 2006: \$162,902)	<u>\$ 391,142</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 options - at \$0.09	35,000	2,970
Transfer from contributed surplus on the exercise of stock options	<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 June 30, 2007 and 2006 and changes during the periods then ended on those dates is presented below:

	<u>2007</u>		<u>2006</u>	
	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Shares</u>	<u>Weighted Average Exercise Price</u>
Outstanding at 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>(1,622,500)</u>	<u>\$0.09</u>
Outstanding at end of the period	<u>6,785,500</u>	<u>\$0.09</u>	<u>3,533,766</u>	<u>\$0.09</u>
Options exercisable at end of the period	<u>3,973,000</u>		<u>3,225,016</u>	

At June 30, 2007, the Company has 6,785,500 share purchase options outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

Note 4 Share Capital – (cont'd)

c) Commitments - (cont'd)

Stock-Based Compensation Plan – (cont'd)

<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
527,500	\$0.09	July 7, 2011
<u>5,100,000</u>	\$0.09	September 25, 2011
<u>6,785,500</u>		

Subsequent to June 30, 2007, 20,000 stock options expired unexercised.

Stock-based compensation charges are expensed for stock options granted with a corresponding increase to contributed surplus. Upon exercise of stock options, consideration paid on the exercise of stock options and purchase of stock is credited to share capital.

During the six months ended June 30, 2007, the Company recorded a stock-based compensation expense of \$94,563 (2006: \$7,249). The weighted fair value of share purchase options granted during the period ended June 30, 2006, of \$0.09 per option is estimated on the grant date using the Black-Scholes option pricing model. The assumptions used in calculating fair value for the period ended June 30, 2006 are as follows:

Risk free rate	3.75-3.77%
Dividend yield	0%
Expected volatility	119%
Weighted average expected stock option life	5 yrs

The following table reconciles the Company's contributed surplus:

	<u>June 30,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
Balance, beginning of the period	\$ 477,758	\$ 355,938
Options vested	94,563	215,248
Options exercised	<u>(2,646)</u>	<u>(93,428)</u>
Balance, end of the period	<u>\$ 569,675</u>	<u>\$ 477,758</u>

Note 4 Share Capital – (cont'd)

c) Commitments - (cont'd)

Share Purchase Warrants

At June 30, 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.

	<u>2007</u>		<u>2006</u>	
	<u>Number of Warrants</u>	<u>Weighted Average Exercise Price</u>	<u>Number of Warrants</u>	<u>Weighted Average Exercise Price</u>
Outstanding, beginning of the period	11,500,000	\$0.13	-	\$ -
Expired	(1,500,000)	\$0.13	-	\$ -
Issued	<u>-</u>	<u>\$0.13</u>	<u>1,500,000</u>	<u>\$0.13</u>
Outstanding, end of the period	<u>10,000,000</u>	<u>\$0.13</u>	<u>1,500,000</u>	<u>\$0.13</u>

Share Subscriptions

At June 30, 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 \$217 in respect to the exercise of 2,500 share purchase options.

Note 5 Related Party Transactions

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Management fees	\$ 8,178	\$ 8,017	\$ 15,859	\$ 15,814
Office and miscellaneous – secretarial services	999	1,470	1,938	2,899
Rent	83	2,672	2,643	5,271
Salaries, wages and benefits	<u>20,250</u>	<u>15,808</u>	<u>41,712</u>	<u>34,777</u>
	<u>\$ 29,510</u>	<u>\$ 27,967</u>	<u>\$ 62,152</u>	<u>\$ 58,761</u>

Note 5 Related Party Transactions – (cont'd)

These charges were measured by the exchange amount that 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, 2007, is \$469 (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:

	Three months ended June 30,		Six months ended June 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
United States of America	\$ 109,355	\$ 135,256	\$ 243,299	\$ 231,813
Europe	73,771	99,684	197,522	146,536
Other	<u>159</u>	<u>-</u>	<u>159</u>	<u>5,992</u>
	<u>\$ 183,285</u>	<u>\$ 234,940</u>	<u>\$ 440,980</u>	<u>\$ 384,341</u>

During the six month period ended June 30, 2007, the Company was economically dependent on five customers which accounted for 86% of total revenues.