

VALDOR FIBER OPTICS INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2007

(Stated in US Dollars)

(Unaudited)

THE ACCOMPANYING FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006 HAVE NOT BEEN REVIEWED OR AUDITED BY THE CORPORATION'S AUDITORS

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

	September 30, <u>2007</u>	December 31, <u>2006</u>
<u>ASSETS</u>		
Current		
Cash	\$ 116,705	\$ 305,720
Accounts receivable	103,470	304,120
Inventories	140,107	152,208
Prepaid expenses – Note 5	<u>17,910</u>	<u>18,695</u>
	378,192	780,743
Equipment	<u>9,006</u>	<u>13,957</u>
	<u>\$ 387,198</u>	<u>\$ 794,700</u>
<u>LIABILITIES</u>		
Current		
Accounts payable and accrued liabilities	\$ 520,805	\$ 556,089
Promissory notes payable – Note 3	419,349	364,058
Due to related parties – Note 2	199,522	125,831
Advance royalty	<u>25,000</u>	<u>25,000</u>
	<u>1,164,676</u>	<u>1,070,978</u>
<u>SHAREHOLDERS' DEFICIENCY</u>		
Share capital – Note 4	12,411,331	12,405,715
Share subscriptions – Note 4	1,333,699	1,336,668
Contributed surplus – Note 4	659,995	477,758
Deficit	<u>(15,182,503)</u>	<u>(14,496,419)</u>
	<u>(777,478)</u>	<u>(276,278)</u>
	<u>\$ 387,198</u>	<u>\$ 794,700</u>

SEE ACCOMPANYING NOTES

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

	Three months ended September 30,		Nine months ended September 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenue – Note 6	\$ 179,190	\$ 241,469	\$ 620,170	\$ 625,810
Direct expenses	<u>139,098</u>	<u>186,513</u>	<u>514,917</u>	<u>493,824</u>
Gross profit	<u>40,092</u>	<u>54,956</u>	<u>105,253</u>	<u>131,986</u>
Expenses				
Administration and general – Schedule 1	189,215	231,858	540,041	513,477
Marketing	13,343	17,957	57,016	47,973
Research and development	25,709	29,050	91,506	101,430
Interest	10,215	64,754	28,906	199,242
Amortization of equipment and other assets	<u>(131)</u>	<u>5,151</u>	<u>6,655</u>	<u>18,605</u>
	<u>238,351</u>	<u>348,770</u>	<u>724,124</u>	<u>880,727</u>
Loss from operations	(198,259)	(293,814)	(618,871)	(748,741)
Other items:				
Other income	-	25,249	-	25,155
Foreign exchange (loss) gain	(35,449)	27,411	(67,213)	(16,837)
Gain on settlement of promissory notes payable	-	1,821,847	-	1,821,847
Gain on disposal of equipment	-	7,935	-	7,935
Gain on disposal of limited partnership	-	-	-	417,735
Income from limited partnership	-	-	-	18,779
Write-off of accounts payable	<u>-</u>	<u>180,714</u>	<u>-</u>	<u>180,714</u>
Net income (loss) for the period	<u>\$ (233,708)</u>	<u>\$ 1,769,342</u>	<u>\$ (686,084)</u>	<u>\$ 1,706,587</u>
Basic and diluted income (loss) per share	<u>\$ (0.00)</u>	<u>\$ 0.03</u>	<u>\$ (0.01)</u>	<u>\$ 0.03</u>
Weighted average number of shares outstanding	<u>68,804,548</u>	<u>54,686,337</u>	<u>68,795,893</u>	<u>54,360,617</u>

SEE ACCOMPANYING NOTES

VALDOR FIBER OPTICS INC.
INTERIM CONSOLIDATED STATEMENTS OF DEFICIT
for the nine months ended September 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 income (loss) for the period	<u>(686,084)</u>	<u>1,706,587</u>
Deficit, end of the period	<u>\$ (15,182,503)</u>	<u>\$ (14,383,200)</u>

SEE ACCOMPANYING NOTES

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

	Three months ended September 30,		Nine months ended September 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Operating Activities				
Net income (loss) for the period	\$ (233,708)	\$ 1,769,342	\$ (686,084)	\$ 1,706,587
Charges to income not affecting cash:				
Amortization of equipment and other assets	(131)	5,151	6,655	18,605
Gain on disposal of limited partnership	-	-	-	(417,735)
Income from limited partnership	-	-	-	(18,779)
Foreign exchange	14	4,130	32	26,728
Stock-based compensation	90,320	101,487	184,883	108,736
Write-off of accounts payable	-	(180,714)	-	(180,714)
Gain on disposal of equipment	-	(7,935)	-	(7,935)
Gain on settlement of promissory notes payable	-	(1,821,847)	-	(1,821,847)
	<u>(143,505)</u>	<u>(130,386)</u>	<u>(494,514)</u>	<u>(586,354)</u>
Changes in non-cash working capital balances related to operations:				
Accounts receivable	11,008	(19,909)	200,650	(54,518)
Inventories	11,238	7,427	12,101	61,680
Prepaid expenses	11,080	(12,695)	785	(8,340)
Accounts payable and accrued liabilities	(14,900)	48,027	(35,283)	117,104
Advance royalty	-	(25,000)	-	(25,000)
	<u>(125,079)</u>	<u>(132,536)</u>	<u>(316,261)</u>	<u>(495,428)</u>
Financing Activities				
Due to related parties	44,026	(139,033)	73,691	(40,347)
Promissory notes payable	28,207	(417,630)	55,291	(293,745)
Proceeds from issuance of common shares	-	147,812	2,970	265,316
Share subscriptions	-	1,031,113	(3,001)	1,031,113
Long-term debt	-	-	-	(418,108)
	<u>72,233</u>	<u>622,262</u>	<u>128,951</u>	<u>544,229</u>
Investing Activities				
Other assets	-	-	-	26,705
Acquisition of equipment	-	-	(1,705)	(2,803)
Proceeds from disposal of capital assets	-	10,626	-	10,626
Proceeds from disposal of investments	-	-	-	417,735
	<u>-</u>	<u>10,626</u>	<u>(1,705)</u>	<u>452,263</u>
Increase (decrease) in cash during the period	(52,846)	500,352	(189,015)	501,064
Cash, beginning of the period	<u>169,551</u>	<u>11,591</u>	<u>305,720</u>	<u>10,879</u>
Cash, end of the period	<u>\$ 116,705</u>	<u>\$ 511,943</u>	<u>\$ 116,705</u>	<u>\$ 511,943</u>
Supplementary disclosure of cash flow information				
Cash paid for:				
Interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Non-cash Transaction – Note 7

SEE ACCOMPANYING NOTES

VALDOR FIBER OPTICS INC. Schedule 1
INTERIM CONSOLIDATED SCHEDULES OF ADMINISTRATION AND GENERAL EXPENSES
for the three and nine months ended September 30, 2007 and 2006
(Stated in US Dollars)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Bad debts	\$ -	\$ -	\$ 4,600	\$ -
Consulting fees	1,533	617	13,283	25,946
Entertainment and travel	2,138	11,067	16,164	18,111
Insurance	522	875	1,560	3,701
Legal and accounting fees	15,564	11,262	75,786	47,382
Management fees – Note 5	8,577	8,016	24,435	23,830
Office and miscellaneous – Note 5	12,684	14,336	31,183	39,401
Rent – Note 5	10,453	23,710	32,242	56,333
Repairs and maintenance	2,350	2,904	7,883	6,953
Salaries, wages and benefits – Note 5	38,520	44,390	121,151	144,543
Stock-based compensation – Note 4	90,320	101,487	184,883	108,736
Stock exchange filing fees	1,238	3,567	6,843	10,126
Telephone and utilities	4,227	8,503	16,416	23,508
Transfer agent fees	<u>1,089</u>	<u>1,124</u>	<u>3,612</u>	<u>4,907</u>
	<u>\$ 189,215</u>	<u>\$ 231,858</u>	<u>\$ 540,041</u>	<u>\$ 513,477</u>

SEE ACCOMPANYING NOTES

VALDOR FIBER OPTICS INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
September 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 \$199,522 (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

	September 30, <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 \$204,000 (December 31, 2006: \$162,902)	<u>\$ 419,349</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 September 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	\$0.10	5,156,266	\$0.09
Granted	-	\$ -	5,100,000	\$0.09
Cancelled/Expired	(295,000)	\$0.10	(1,622,500)	\$0.09
Exercised	<u>(35,000)</u>	<u>\$0.10</u>	<u>(1,655,499)</u>	<u>\$0.09</u>
Outstanding at end of the period	<u>6,765,500</u>	<u>\$0.10</u>	<u>6,978,267</u>	<u>\$0.09</u>
Options exercisable at end of the period	<u>5,359,250</u>		<u>2,894,517</u>	

Note 4 Share Capital – (cont'd)

c) Commitments: – (cont'd)

Stock-Based Compensation Plan – (cont'd)

At September 30, 2007, the Company has 6,765,500 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>
200,000	\$0.10	October 17, 2007
128,000	\$0.10	November 18, 2007
25,000	\$0.10	April 28, 2008
720,000	\$0.10	June 28, 2009
65,000	\$0.10	April 19, 2010
527,500	\$0.10	July 7, 2011
<u>5,100,000</u>	\$0.10	September 25, 2011
<u>6,765,500</u>		

Subsequent to September 30, 2007, 328,000 share purchase 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 nine months ended September 30, 2007, the Company recorded a stock-based compensation expense of \$184,883. The weighted fair value of share purchase options granted during the period ended September 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 September 30, 2006, are as follows:

Risk free rate	3.13-3.77%
Dividend yield	0%
Expected volatility	104-119%
Weighted average expected stock option life	5 yrs

Note 4 Share Capital – (cont'd)

c) Commitments – (cont'd)

Stock-Based Compensation Plan – (cont'd)

The following table reconciles the Company's contributed surplus:

	September 30, <u>2007</u>	December 31, <u>2006</u>
Balance, beginning of the period	\$ 477,758	\$ 355,938
Options vested	184,883	215,248
Options exercised	<u>(2,646)</u>	<u>(93,428)</u>
Balance, end of the period	<u>\$ 659,995</u>	<u>\$ 477,758</u>

Share Purchase Warrants

At September 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 \$0.15 per share expiring October 10, 2007.

	<u>2007</u>		<u>2006</u>	
	Number of <u>Warrants</u>	Weighted Average Exercise <u>Price</u>	Number of <u>Warrants</u>	Weighted Average Exercise <u>Price</u>
Outstanding, beginning of the period	11,500,000	\$0.15	-	\$ -
Expired	(1,500,000)	\$0.15	-	\$ -
Issued	<u>-</u>	<u>\$0.15</u>	<u>1,500,000</u>	<u>\$0.13</u>
Outstanding, end of the period	<u>10,000,000</u>	<u>\$0.15</u>	<u>1,500,000</u>	<u>\$0.13</u>

Subsequent to September 30, 2007, 843,273 share purchase warrants were exercised for total proceeds of \$126,491 and the balance of 9,156,727 share purchase warrants expired unexercised.

Share Subscriptions

At September 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 \$249 in respect to the exercise of 2,500 share purchase options.

Note 5 Related Party Transactions

	Three months ended September 30,		Nine months ended September 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Management fees	\$ 8,145	\$ 8,016	\$ 24,435	\$ 23,830
Office and miscellaneous – secretarial services	2,489	2,352	4,480	5,251
Rent	1,358	2,672	4,073	7,943
Salaries, wages and benefits	<u>16,788</u>	<u>22,131</u>	<u>58,500</u>	<u>56,908</u>
	<u>\$ 28,780</u>	<u>\$ 35,171</u>	<u>\$ 91,488</u>	<u>\$ 93,932</u>

These charges were measured by the exchange amount which is the amount agreed upon by the transacting parties.

Included in prepaid expenses at September 30, 2007, is \$498 (December 31, 2006: \$858) of rent prepaid to a company with a common director.

Note 6 Segmented information and Economical Dependence

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 September 30,		Nine months ended September 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
United States of America	\$ 139,745	\$ 165,093	\$ 383,044	\$ 396,906
Europe	39,445	66,369	236,967	212,905
Other	<u>-</u>	<u>10,007</u>	<u>159</u>	<u>15,999</u>
	<u>\$ 179,190</u>	<u>\$ 241,469</u>	<u>\$ 620,170</u>	<u>\$ 625,810</u>

During the nine month period ended September 30, 2007, the Company was economically dependent on three customers each of which accounted for more than 10% of sales and, in aggregate, accounted for 66% of its sales.

Note 7 Non-cash Transaction

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. During the period ended September 30, 2006, the Company transferred \$86,744 from contributed surplus to share capital on exercise of share purchase options.