

VALDOR FIBER OPTICS INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2008

(Stated in US Dollars)

(Unaudited)

THE ACCOMPANYING FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007 HAVE NOT BEEN REVIEWED OR AUDITED BY THE CORPORATION'S AUDITORS.

VALDOR FIBER OPTICS INC.
INTERIM CONSOLIDATED BALANCE SHEETS
 March 31, 2008 and December 31, 2007
 (Stated in US Dollars)
 (Unaudited)

<u>ASSETS</u>	March 31, <u>2008</u>	December 31, <u>2007</u>
Current		
Cash	\$ 35,873	\$ 35,694
Accounts receivable	106,268	59,298
Inventories	81,904	69,668
Prepaid expenses – Note 6	<u>28,499</u>	<u>16,991</u>
	252,544	181,651
Equipment	<u>4,134</u>	<u>5,127</u>
	<u>\$ 256,678</u>	<u>\$ 186,778</u>

LIABILITIES

Current		
Accounts payable and accrued liabilities	\$ 632,152	\$ 544,622
Promissory notes payable – Note 3	493,994	435,051
Due to related parties – Note 2	325,131	294,916
Loans payable – Note 4	48,710	-
Advance royalty	<u>25,000</u>	<u>25,000</u>
	<u>1,524,987</u>	<u>1,299,589</u>

SHAREHOLDERS' DEFICIENCY

Share capital – Note 5	12,411,331	12,411,331
Share subscriptions – Note 5	1,333,694	1,333,699
Contributed surplus – Note 5	780,421	721,751
Deficit	<u>(15,793,755)</u>	<u>(15,579,592)</u>
	<u>(1,268,309)</u>	<u>(1,112,811)</u>
	<u>\$ 256,678</u>	<u>\$ 186,778</u>

SEE ACCOMPANYING NOTES

VALDOR FIBER OPTICS INC.
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS
for the three months ended March 31, 2008 and 2007
(Stated in US Dollars)
(Unaudited)

	<u>2008</u>	<u>2007</u>
Revenue – Note 7	\$ 140,888	\$ 257,695
Direct expenses	<u>85,739</u>	<u>217,909</u>
Gross profit	<u>55,149</u>	<u>39,786</u>
Expenses		
Administration and general – Schedule 1	163,269	187,683
Marketing	21,544	22,920
Interest	11,873	9,134
Research and development	32,496	35,460
Amortization of capital assets and other assets	<u>993</u>	<u>4,385</u>
	<u>230,175</u>	<u>259,582</u>
Loss from operations	(175,026)	(219,796)
Other items:		
Other income	247	-
Foreign exchange loss	<u>(39,384)</u>	<u>(6,588)</u>
Net loss and comprehensive loss for the period	<u>\$ (214,163)</u>	<u>\$ (226,384)</u>
Basic and diluted loss per share	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>
Weighted average number of shares	<u>68,778,678</u>	<u>68,778,678</u>

SEE ACCOMPANYING NOTES

VALDOR FIBER OPTICS INC.
INTERIM CONSOLIDATED STATEMENTS OF DEFICIT
for the three months ended March 31, 2008 and 2007
(Stated in US Dollars)
(Unaudited)

	<u>2008</u>	<u>2007</u>
Deficit, beginning of the period	\$(15,579,592)	\$(14,496,419)
Net loss for the period	<u>(214,163)</u>	<u>(226,384)</u>
Deficit, end of the period	<u>\$(15,793,755)</u>	<u>\$(14,722,803)</u>

SEE ACCOMPANYING NOTES

VALDOR FIBER OPTICS INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
for the three months ended March 31, 2008 and 2007
(Stated in US Dollars)
(Unaudited)

	<u>2008</u>	<u>2007</u>
Operating Activities		
Net loss from operations	\$ (214,163)	\$ (226,384)
Charges to income not affecting cash:		
Amortization of capital assets and other assets	993	4,385
Stock-based compensation	58,670	59,465
Interest expense	<u>11,168</u>	<u>13,122</u>
	(143,332)	(149,412)
Changes in non-cash working capital balances related to operations:		
Accounts receivable	(46,970)	160,998
Inventories	(12,236)	3,644
Prepaid expenses and deposits	(11,508)	(18,356)
Accounts payable and accrued liabilities	<u>87,530</u>	<u>(3,414)</u>
	<u>(126,516)</u>	<u>(6,540)</u>
Financing Activities		
Increase in loans payable	48,710	-
Increase in due to related parties	30,215	9,734
Proceeds from issuance of common shares	-	2,970
Share subscription	<u>-</u>	<u>(3,001)</u>
	<u>78,925</u>	<u>9,703</u>
Investing Activity		
Purchase of equipment	<u>-</u>	<u>(1,705)</u>
Effect of foreign currency translation	<u>47,770</u>	<u>-</u>
Increase in cash during the period	179	1,458
Cash, beginning of the period	<u>35,694</u>	<u>305,720</u>
Cash, end of the period	<u>\$ 35,873</u>	<u>\$ 307,178</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, 2008 and 2007
(Stated in US Dollars)
(Unaudited)

Schedule 1

	<u>2008</u>	<u>2007</u>
Consulting fees	\$ 288	\$ 11,537
Entertainment and travel	6,744	8,026
Legal and accounting fees	9,345	30,081
Licenses and permits	896	687
Management fees – Note 6	8,959	7,681
Office and miscellaneous – Note 6	8,575	10,109
Rent – Note 6	10,335	10,974
Repairs and maintenance (recovery)	(1,567)	2,617
Salaries, wages and benefits – Note 6	55,677	38,083
Stock-based compensation – Note 5	58,670	59,465
Stock exchange filing fees	1,244	1,003
Telephone and utilities	3,226	6,206
Transfer agent fees	<u>877</u>	<u>1,214</u>
	<u>\$ 163,269</u>	<u>\$ 187,683</u>

SEE ACCOMPANYING NOTES

VALDOR FIBER OPTICS INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
 March 31, 2008
 (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, 2007. 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 \$325,131 (December 31, 2007: \$294,961) 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>2008</u>	December 31, <u>2007</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 \$252,744 (December 31, 2007: \$217,276)	<u>\$ 493,994</u>	<u>\$ 435,051</u>

Note 4 Loans Payable

Loans payable are unsecured, bear interest at 1% per month and are repayable on demand.

Note 5 Share Capital

a) Authorized:

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

Note 5 Share Capital – (cont'd)

b) Issued: common shares

	<u>Number</u>	<u>Amount</u>
Balance, beginning and end of the period	<u>68,804,547</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, 2008 and 2007 and changes during the periods then ended on those dates is presented below:

	<u>March 31, 2008</u>		<u>March 31, 2007</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	6,437,500	\$0.10	7,095,500	\$0.09
Forfeited	(1,345,000)	\$0.10	(275,000)	\$0.17
Exercised	<u>-</u>	<u>-</u>	<u>(35,000)</u>	<u>\$0.09</u>
Options outstanding at end of the period	<u>5,092,500</u>	<u>\$0.10</u>	<u>6,785,500</u>	<u>\$0.09</u>
Options exercisable at end of the period	<u>5,092,500</u>		<u>3,793,000</u>	

Note 5 Share Capital – (cont'd)

c) Commitments – (cont'd)

Stock-based Compensation Plan – (cont'd)

At March 31, 2008, the Company has 6,437,500 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>	<u>Contractual Life Remaining (Years)</u>
10,000	\$0.10	April 28, 2008	0.08
680,000	\$0.10	June 28, 2009	1.24
65,000	\$0.10	April 19, 2010	2.05
527,500	\$0.10	July 7, 2011	3.27
<u>3,810,000</u>	\$0.10	September 25, 2011	3.49
<u><u>5,092,500</u></u>			

On April 28, 2008, 10,000 share purchase options expired and were unexercised.

During the three months ended March 31, 2008, the Company recorded stock-based compensation expense of \$58,670 (March 31, 2007: \$59,465) on stock options granted during the year ended December 31, 2006. The fair value of share purchase options granted was estimated on the grant date using the Black-Scholes option pricing model. The assumptions used in calculating fair value were as follows: 3.13 – 3.43% risk free rate; 0% dividend yield; 104% expected volatility and 5 years weighted average expected stock option life.

The following table reconciles the Company's contributed surplus:

	<u>March 31, 2008</u>	<u>December 31, 2007</u>
Balance, beginning of the period	\$ 721,751	\$ 477,758
Options vested	58,670	246,639
Options exercised	<u>-</u>	<u>(2,646)</u>
Balance, end of the period	<u>\$ 780,421</u>	<u>\$ 721,751</u>

Note 5 Share Capital – (cont'd)

c) Commitments – (cont'd)

Stock-based Compensation Plan – (cont'd)

Share Subscriptions

As at March 31, 2008, share subscriptions consist of the following:

- Share subscriptions totalling \$1,333,450 (December 31, 2007: \$1,333,450) relating to the acquisition of GC Technologies, Ltd. for 3,800,000 common shares.
- Share subscriptions totalling \$244 (December 31, 2007: \$249) in respect to the exercise of 2,500 (December 31, 2007: 2,500) share purchase options.

Note 6 Related Party Transactions

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

	<u>2008</u>	<u>2007</u>
Management fees	\$ 8,959	\$ 7,681
Office and miscellaneous - secretarial services	1,643	939
Rent	1,493	2,560
Salaries, wages and benefits	<u>20,769</u>	<u>21,462</u>
	<u>\$ 32,864</u>	<u>\$ 32,642</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, 2008, is \$487 (December 31, 2007: \$495) of rent prepaid to a company with a common director.

Note 7 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>2008</u>	<u>2007</u>
United States of America	\$ 132,481	\$ 134,254
Europe	<u>8,407</u>	<u>123,441</u>
	<u>\$ 140,888</u>	<u>\$ 257,695</u>

Note 8 Subsequent Event

Subsequent to March 31, 2008, the Company received short-term financing of \$56,999 bearing interest at 1% per month, unsecured and repayable on demand.

Note 9 Comparative Figures

Certain comparative figures for the period ended March 31, 2007 have been reclassified to conform with the presentation adopted for the current period.