

**VALDOR TECHNOLOGY INTERNATIONAL INC.**  
**(Formerly VALDOR FIBER OPTICS INC.)**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2008

(Stated in US Dollars)

(Unaudited)

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THE ACCOMPANYING INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2008 AND 2007 HAVE NOT BEEN REVIEWED OR AUDITED BY THE CORPORATION'S AUDITORS.

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**VALDOR TECHNOLOGY INTERNATIONAL INC.**  
**(Formerly VALDOR FIBER OPTICS INC.)**  
**INTERIM CONSOLIDATED BALANCE SHEETS**  
June 30, 2008 and December 31, 2007  
(Stated in US Dollars)  
(Unaudited)

	June 30, <u>2008</u>	December 31, <u>2007</u>
<b><u>ASSETS</u></b>		
Current		
Cash	\$ 23,818	\$ 35,694
Accounts receivable	60,266	59,298
Inventories	69,633	69,668
Prepaid expenses – Note 5	<u>22,324</u>	<u>16,991</u>
	176,041	181,651
Equipment	<u>3,531</u>	<u>5,127</u>
	<u>\$ 179,572</u>	<u>\$ 186,778</u>
<b><u>LIABILITIES</u></b>		
Current		
Accounts payable and accrued liabilities	\$ 601,598	\$ 544,622
Promissory notes payable – Note 3	503,324	435,051
Due to related parties – Note 2	331,555	294,916
Loans payable – Note 7	163,555	-
Advance royalty	<u>25,000</u>	<u>25,000</u>
	<u>1,625,032</u>	<u>1,299,589</u>
<b><u>SHAREHOLDERS' DEFICIENCY</u></b>		
Share capital – Note 4	12,411,331	12,411,331
Share subscriptions – Note 4	1,333,695	1,333,699
Contributed surplus – Note 4	780,421	721,751
Deficit	<u>(15,970,907)</u>	<u>(15,579,592)</u>
	<u>(1,445,460)</u>	<u>(1,112,811)</u>
	<u>\$ 179,572</u>	<u>\$ 186,778</u>

SEE ACCOMPANYING NOTES

**VALDOR TECHNOLOGY INTERNATIONAL INC.**  
**(Formerly VALDOR FIBER OPTICS INC.)**  
**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS**  
for the three and six months ended June 30, 2008 and 2007  
(Stated in US Dollars)  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenue – Note 5	\$ 122,026	\$ 183,285	\$ 262,913	\$ 440,980
Direct expenses	<u>91,291</u>	<u>157,910</u>	<u>177,030</u>	<u>375,819</u>
Gross profit (loss)	<u>30,735</u>	<u>25,375</u>	<u>85,883</u>	<u>65,161</u>
Expenses				
Administration and general – Schedule 1	119,909	163,142	283,178	350,825
Marketing	10,713	20,753	32,257	43,673
Research and development	23,879	30,338	56,375	65,798
Interest	15,453	9,557	27,326	18,690
Amortization of equipment and other assets	<u>603</u>	<u>2,401</u>	<u>1,596</u>	<u>6,786</u>
	<u>170,557</u>	<u>226,191</u>	<u>400,732</u>	<u>485,772</u>
Loss from operations	(139,822)	(200,816)	(314,849)	(420,611)
Other items:				
Other income	22	-	269	-
Accounts payable previously written off	( 35,704)	-	(35,704)	-
Foreign exchange loss	<u>(1,646)</u>	<u>(25,176)</u>	<u>(41,031)</u>	<u>(31,765)</u>
Net loss and comprehensive loss for the period	<u>\$ (177,150)</u>	<u>\$ (225,992)</u>	<u>\$ (391,315)</u>	<u>\$ (452,376)</u>
Basic and diluted loss per share	<u>\$ (0.02)</u>	<u>\$ (0.02)</u>	<u>\$ (0.04)</u>	<u>\$ (0.04)</u>
Weighted average number of shares outstanding	<u>10,585,315</u>	<u>10,585,315</u>	<u>10,585,315</u>	<u>10,583,314</u>

SEE ACCOMPANYING NOTES

**VALDOR TECHNOLOGY INTERNATIONAL INC.**  
**(Formerly VALDOR FIBER OPTICS INC.)**  
**INTERIM CONSOLIDATED STATEMENTS OF DEFICIT**  
for the six months ended June 30, 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>(391,315)</u>	<u>(452,376)</u>
Deficit, end of the period	<u>\$(15,970,907)</u>	<u>\$(14,948,795)</u>

SEE ACCOMPANYING NOTES

**VALDOR TECHNOLOGY INTERNATIONAL INC.**  
**(Formerly VALDOR FIBER OPTICS INC.)**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
for the three and six months ended June 30, 2008 and 2007  
(Stated in US Dollars)  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<b>Operating Activities</b>				
Net loss for the period	\$ (177,150)	\$ (225,992)	\$ (391,315)	\$ (452,376)
Charges to income not affecting cash:				
Amortization of equipment and other assets	603	2,401	1,596	6,786
Foreign exchange	6,422	18	(11,169)	-
Accounts payable previously written off	35,704	-	35,704	-
Stock-based compensation	<u>-</u>	<u>35,098</u>	<u>58,670</u>	<u>94,563</u>
	(134,421)	(188,475)	(306,514)	(351,027)
Changes in non-cash working capital balances related to operations:				
Accounts receivable	45,993	28,644	(945)	189,642
Inventories	12,271	8,061	35	863
Prepaid expenses	6,122	(2,781)	(5,298)	(10,295)
Accounts payable and accrued liabilities	<u>(68,651)</u>	<u>(21,406)</u>	<u>22,555</u>	<u>(20,383)</u>
	<u>(138,686)</u>	<u>(175,957)</u>	<u>(290,167)</u>	<u>(191,200)</u>
<b>Financing Activities</b>				
Due to related parties	4,882	24,368	39,397	29,665
Increase in promissory note payable	5,945	13,962	73,315	27,084
Increase in long-term debt	115,804	-	165,579	-
Proceeds from issuance of common shares	-	-	-	2,970
Share subscription	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,983)</u>
	<u>126,631</u>	<u>38,330</u>	<u>278,291</u>	<u>56,736</u>
<b>Investing Activity</b>				
Acquisition of capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,705)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,705)</u>
Decrease in cash during the period	(12,055)	(137,627)	(11,876)	(136,169)
Cash, beginning of the period	<u>35,873</u>	<u>307,178</u>	<u>35,694</u>	<u>305,720</u>
Cash, end of the period	<u>\$ 23,818</u>	<u>\$ 169,551</u>	<u>\$ 23,818</u>	<u>\$ 169,551</u>
<b>Supplementary disclosure of cash flow information</b>				
Cash paid for:				
Interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SEE ACCOMPANYING NOTES

**VALDOR TECHNOLOGY INTERNATIONAL INC.**  
**(Formerly VALDOR FIBER OPTICS INC.)**  
**INTERIM CONSOLIDATED SCHEDULES OF**  
**ADMINISTRATION AND GENERAL EXPENSES**  
for the three and six months ended June 30, 2008 and 2007  
(Stated in US Dollars)  
(Unaudited)

Schedule 1

	Three months ended June 30,		Six months ended June 30,	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Bad debts	\$ -	\$ 4,600	\$ -	\$ 4,600
Consulting fees	215	214	503	11,751
Entertainment and travel	4,960	6,000	11,704	14,026
Legal and accounting fees	33,489	30,141	42,834	60,222
Licenses and permits	716	351	1,612	1,038
Management fees – Note 5	8,911	8,178	17,870	15,859
Office and miscellaneous – Note 5	10,685	8,388	19,260	18,497
Rent – Note 5	10,300	10,815	20,635	21,789
Repairs and maintenance (recovery)	1,308	2,916	(259)	5,533
Salaries, wages and benefits – Note 5	37,446	44,548	93,123	82,631
Stock-based compensation	-	35,098	58,670	94,563
Stock exchange filing fees	7,690	4,602	8,934	5,605
Telephone and utilities	3,428	5,983	6,654	12,189
Transfer agent fees	761	1,308	1,638	2,522
	<u>\$ 119,909</u>	<u>\$ 163,142</u>	<u>\$ 283,178</u>	<u>\$ 350,825</u>

SEE ACCOMPANYING NOTES

**VALDOR TECHNOLOGY INTERNATIONAL INC.**  
**(Formerly VALDOR FIBER OPTICS INC.)**  
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 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 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, 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 \$331,555 (December 31, 2007: \$294,916) 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

	June 30, <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 \$263,523 (December 31, 2007: \$217,276)	<u>\$ 503,324</u>	<u>\$ 435,051</u>

Note 4 Share Capital

a) Authorized:

Unlimited common shares without par value

Note 4 Share Capital – (cont'd)

b) Issued Common Shares:

	<u>Number</u>	<u>Amount</u>
Balance, beginning and end of the period	<u>10,585,220</u>	<u>\$ 12,411,331</u>

Pursuant to a resolution dated June 20, 2008, the Company consolidated its share capital on a 6.5 old for 1 new basis. The number of shares outstanding has been retroactively restated to take into account the share consolidation. The Company also increased its authorized common shares to unlimited and changed its name to Valdor Technologies International Inc.

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, 2008 and 2007 and changes during the periods then ended on those dates is presented below:

	<u>2008</u>		<u>2007</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	990,386	\$0.65	1,091,616	\$0.59
Forfeited/cancelled	(208,462)	\$1.11	(42,308)	\$1.11
Exercised	<u>-</u>	<u>-</u>	<u>(5,385)</u>	<u>\$0.59</u>
Outstanding at end of the period	<u>781,924</u>	<u>\$0.65</u>	<u>1,043,923</u>	<u>\$0.59</u>
Options exercisable at end of the period	<u>781,924</u>		<u>611,231</u>	

At June 30, 2008, the Company has 781,924 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>
104,616	\$0.65	June 28, 2009
10,000	\$0.65	April 19, 2010
81,154	\$0.65	July 7, 2011
<u>586,154</u>	\$0.65	September 25, 2011
<u><u>781,924</u></u>		

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, 2008, the Company recorded a stock-based compensation expense of \$58,670 (2007: \$94,563) on stock options vested during the period. 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:

	June 30, <u>2008</u>	December 31, <u>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 4 Share Capital – (cont'd)

c) Commitments - (cont'd)

Share Subscriptions

As at June 30, 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 5 Related Party Transactions

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

	Three months ended June 30,		Six months ended June 30,	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenue	\$ <u>7,082</u>	\$ <u>-</u>	\$ <u>7,082</u>	\$ <u>-</u>
Management fees	\$ 8,911	\$ 8,178	\$ 17,870	\$ 15,859
Office and miscellaneous – secretarial services	3,123	999	4,765	1,938
Rent	1,485	83	2,978	2,643
Salaries, wages and benefits	<u>19,039</u>	<u>20,250</u>	<u>39,808</u>	<u>41,712</u>
	<u>\$ 32,558</u>	<u>\$ 29,510</u>	<u>\$ 65,421</u>	<u>\$ 62,152</u>

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, 2008, is \$490 (December 31, 2007: \$495) 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		Six months ended	
	June 30,		June 30,	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
United States of America	\$ 79,728	\$ 109,355	\$ 208,473	\$ 243,299
Europe	28,051	73,771	36,413	197,522
Other	<u>14,247</u>	<u>159</u>	<u>18,027</u>	<u>159</u>
	<u>\$ 122,026</u>	<u>\$ 183,285</u>	<u>\$ 262,913</u>	<u>\$ 440,980</u>

During the six month period ended June 30, 2008, the Company was economically dependent on five customers which accounted for 84% of total revenues.

Note 7 Subsequent Events

Subsequent to June 30, 2008:

- 1) The Company has negotiated a non-brokered private placement of 10,585,000 units at a price of Cdn\$0.10 per unit for gross proceeds of Cdn\$1,058,500. Each unit is comprised of one common share and one non-transferable share purchase warrant. Each warrant will allow the holder thereof to purchase one additional common share of the company at a price of Cdn\$0.125 per share for a period of two years from the date of closing of the private placement. The warrants issued with the units sold will be subject to an acceleration provision. A finder's fee may be paid in respect to this private placement pursuant to the policies of the TSX Venture Exchange. As at June 30, 2008, the Company has received \$163,555 in proceeds towards the private placement which will bear interest at 1% per month until completion of the private placement. Subsequent to June 30, 2008 the Company has received an additional \$27,170 in proceeds.
- 2) The Company granted 2.1 million incentive stock options exercisable at Cdn\$0.10 per share to certain directors, officers, employees and consultants for a period of five years pursuant to the terms and conditions of the company's stock option plan.