

VALDOR TECHNOLOGY INTERNATIONAL INC.

(formerly Valdor Fiber Optics Inc.)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2008

(Stated in US Dollars)

(Unaudited)

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

VALDOR TECHNOLOGY INTERNATIONAL INC.
(formerly Valdor Fiber Optics Inc.)
INTERIM CONSOLIDATED BALANCE SHEETS
September 30, 2008 and December 31, 2007
(Stated in US Dollars)
(Unaudited)

	<u>September 30,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>
<u>ASSETS</u>		
Current		
Cash	\$ 184,484	\$ 35,694
Accounts receivable- Note 5	62,540	59,298
Inventories	76,074	69,668
Prepaid expenses – Note 5	<u>18,141</u>	<u>16,991</u>
	341,239	181,651
Equipment	<u>2,928</u>	<u>5,127</u>
	<u>\$ 344,167</u>	<u>\$ 186,778</u>
<u>LIABILITIES</u>		
Current		
Accounts payable and accrued liabilities	\$ 602,425	\$ 544,622
Promissory notes payable – Note 3	471,417	435,051
Due to related parties – Note 2	127,742	294,916
Advance royalty	<u>25,000</u>	<u>25,000</u>
	<u>1,226,584</u>	<u>1,299,589</u>
<u>SHAREHOLDERS' DEFICIENCY</u>		
Share capital – Notes 4 and 7	12,411,331	12,411,331
Share subscriptions – Note 4	2,107,371	1,333,699
Contributed surplus – Note 4	963,737	721,751
Deficit	<u>(16,364,856)</u>	<u>(15,579,592)</u>
	<u>(882,417)</u>	<u>(1,112,811)</u>
	<u>\$ 344,167</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 nine months ended September 30, 2008 and 2007
(Stated in US Dollars)
(Unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenue – Notes 5 and 6	\$ 113,012	\$ 179,190	\$ 375,926	\$ 620,170
Direct expenses	<u>96,905</u>	<u>139,098</u>	<u>273,935</u>	<u>514,917</u>
Gross profit	<u>16,107</u>	<u>40,092</u>	<u>101,991</u>	<u>105,253</u>
Expenses				
Administration and general – Schedule 1	420,150	189,215	703,327	540,041
Marketing	1,357	13,343	33,614	57,016
Research and development	23,100	25,709	79,475	91,506
Interest	19,590	10,215	46,916	28,906
Amortization of equipment and other assets	<u>603</u>	<u>(131)</u>	<u>2,199</u>	<u>6,655</u>
	<u>464,800</u>	<u>238,351</u>	<u>865,531</u>	<u>724,124</u>
Loss from operations	(448,693)	(198,259)	(763,540)	(618,871)
Other items:				
Other income	38	-	305	-
Foreign exchange (loss) gain	54,705	(35,449)	13,675	(67,213)
Accounts payable previously written off	<u>-</u>	<u>-</u>	<u>(35,704)</u>	<u>-</u>
Net loss for the period	<u>\$ (393,950)</u>	<u>\$ (233,708)</u>	<u>\$ (785,264)</u>	<u>\$ (686,084)</u>
Basic and diluted loss per share	<u>\$ (0.04)</u>	<u>\$ (0.00)</u>	<u>\$ (0.07)</u>	<u>\$ (0.06)</u>
Weighted average number of shares outstanding	<u>10,585,220</u>	<u>10,585,220</u>	<u>10,585,220</u>	<u>10,583,983</u>

SEE ACCOMPANYING NOTES

VALDOR TECHNOLOGY INTERNATIONAL INC.
(formerly Valdor Fiber Optics Inc.)
INTERIM CONSOLIDATED STATEMENTS OF DEFICIT
for the nine months ended September 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>(785,264)</u>	<u>(452,376)</u>
Deficit, end of the period	<u>\$(16,364,856)</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 nine months ended September 30, 2008 and 2007
(Stated in US Dollars)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Operating Activities				
Net loss for the period	\$ (393,950)	\$ (233,708)	\$ (785,264)	\$ (686,084)
Charges to income not affecting cash:				
Amortization of equipment and other assets	603	(131)	2,199	6,655
Foreign exchange	(10,231)	14	(21,401)	32
Accounts payable previously written off	-	-	35,704	-
Stock-based compensation	<u>183,316</u>	<u>90,320</u>	<u>241,986</u>	<u>184,883</u>
	(220,262)	(143,505)	(526,776)	(494,514)
Changes in non-cash working capital balances related to operations:				
Accounts receivable	(2,175)	11,088	(3,120)	200,650
Inventories	(6,403)	11,238	(6,368)	12,101
Prepaid expenses	4,147	11,000	(1,151)	785
Accounts payable and accrued liabilities	<u>3,975</u>	<u>(14,900)</u>	<u>26,530</u>	<u>(35,283)</u>
	<u>(220,718)</u>	<u>(125,079)</u>	<u>(510,885)</u>	<u>(316,261)</u>
Financing Activities				
Due to related parties	(202,563)	44,026	(163,166)	73,691
Increase in promissory note payable	(24,154)	28,207	49,161	55,291
Decrease in long-term debt	(165,579)	-	-	-
Proceeds from issuance of common shares	-	-	-	2,970
Share subscriptions	<u>773,680</u>	<u>-</u>	<u>773,680</u>	<u>(3,001)</u>
	<u>381,384</u>	<u>72,233</u>	<u>659,675</u>	<u>128,951</u>
Investing Activity				
Acquisition of capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,705)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,705)</u>
Increase (decrease) in cash during the period	160,666	(52,846)	148,790	(189,015)
Cash, beginning of the period	<u>23,818</u>	<u>169,551</u>	<u>35,694</u>	<u>305,720</u>
Cash, end of the period	<u>\$ 184,484</u>	<u>\$ 116,705</u>	<u>\$ 184,484</u>	<u>\$ 116,705</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>

SEE ACCOMPANYING NOTES

VALDOR TECHNOLOGY INTERNATIONAL INC.

Schedule 1

(formerly Valdor Fiber Optics Inc.)

**INTERIM CONSOLIDATED SCHEDULES OF
ADMINISTRATION AND GENERAL EXPENSES**

for the three and nine months ended September 30, 2008 and 2007

(Stated in US Dollars)

(Unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Bad debts	\$ -	\$ -	\$ -	\$ 4,600
Consulting fees	848	1,533	1,350	13,283
Corporate services and investor relations	117,150	-	117,150	-
Entertainment and travel	2,248	2,138	13,953	16,164
Insurance	1,178	522	59,248	1,560
Legal and accounting fees	16,414	15,564	2,791	75,786
Management fees – Note 5	8,666	8,577	26,536	24,435
Office and miscellaneous – Note 5	7,483	12,684	26,743	31,183
Rent – Note 5	10,709	10,453	31,344	32,242
Repairs and maintenance	6,580	2,350	6,320	7,883
Salaries, wages and benefits – Note 5	44,715	38,520	137,838	121,151
Stock-based compensation – Note 4	183,316	90,320	241,986	184,883
Stock exchange filing fees	5,093	1,238	14,026	6,843
Telephone and utilities	7,072	4,227	13,725	16,416
Transfer agent fees	<u>8,678</u>	<u>1,089</u>	<u>10,317</u>	<u>3,612</u>
	<u>\$ 420,150</u>	<u>\$ 189,215</u>	<u>\$ 703,327</u>	<u>\$ 540,041</u>

SEE ACCOMPANYING NOTES

VALDOR TECHNOLOGY INTERNATIONAL INC.
 (formerly Valdor Fiber Optics Inc.)
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
 September 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 \$127,742 (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

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 \$252,286 (December 31, 2007: \$217,276)

	September 30, <u>2008</u>	December 31, <u>2007</u>
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	\$ <u>471,417</u>	\$ <u>435,051</u>
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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 September 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	CDN \$0.65	1,091,616	CDN \$0.65
Forfeited/cancelled	(990,386)	CDN \$0.65	(45,385)	CDN \$1.09
Granted	2,040,000	CDN \$0.10	-	-
Exercised	<u>-</u>	<u>-</u>	<u>(5,385)</u>	<u>CDN \$0.65</u>
Outstanding at end of the period	<u>2,040,000</u>	<u>CDN \$0.10</u>	<u>1,040,846</u>	<u>CDN \$0.65</u>
Options exercisable at end of the period	<u>510,000</u>		<u>824,500</u>	

At September 30, 2008, the Company has 2,040,000 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>
<u>2,040,000</u>	CDN \$0.10	August 1, 2013

Stock-based compensation charges are expensed for stock options granted and vested 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, 2008, the Company granted 2,040,000 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. The options vest 25% at date of grant and 25% every six months thereafter.

During the nine months ended September 30, 2008, the Company recorded a stock-based compensation expense of \$241,986 (2007: \$184,883) 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: 3.03% - 3.43% risk free rate, 0% dividend yield, 104% – 125% expected volatility and 5 years weighted average expected stock option life.

The following table reconciles the Company's contributed surplus:

	September 30, <u>2008</u>	December 31, <u>2007</u>
Balance, beginning of the period	\$ 721,751	\$ 477,758
Options vested	241,986	246,639
Options exercised	=	<u>(2,646)</u>
Balance, end of the period	<u>\$ 963,737</u>	<u>\$ 721,751</u>

Note 4 Share Capital – (cont'd)

c) Commitments - (cont'd)

Share Subscriptions

As at September 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 \$241 (December 31, 2007: \$249) in respect to the exercise of 2,500 (December 31, 2007: \$2,500) share purchase options.
- Share subscriptions totalling \$779,907 (December 31, 2007: \$Nil) relating to a private placement of 10,585,000 units at a price of CDN\$0.10 per unit. The amounts received are net of \$6,227 share issuance costs (Note 7).

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 September 30,		Nine months ended September 30,	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenue	\$ -	\$ -	\$ 7,082	\$ -
Management fees	\$ 8,665	\$ 8,145	\$ 26,536	\$ 24,435
Office and miscellaneous – secretarial services	3,048	2,489	5,897	4,480
Rent	2,919	1,358	7,813	4,073
Salaries, wages and benefits	<u>18,173</u>	<u>16,788</u>	<u>57,981</u>	<u>58,500</u>
	<u>\$ 32,805</u>	<u>\$ 28,780</u>	<u>\$ 91,145</u>	<u>\$ 91,488</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 September 30, 2008 is \$482 (December 31, 2007: \$495) of rent prepaid to a company with a common director.

Included in accounts receivable at September 30, 2008 is \$5,913 (December 31, 2007: \$Nil) of sales to a company with common directors.

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 September 30,		Nine months ended September 30,	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
United States of America	\$ 88,098	\$ 139,745	\$ 296,571	\$ 383,044
Europe	17,022	39,445	53,436	236,967
Other	<u>7,892</u>	<u>-</u>	<u>25,919</u>	<u>159</u>
	<u>\$ 113,012</u>	<u>\$ 179,190</u>	<u>\$ 375,926</u>	<u>\$ 620,170</u>

During the nine month period ended September 30, 2008, the Company was economically dependent on five customers which accounted for 83% of total revenues.

Note 7 Subsequent Events

Subsequent to September 30, 2008:

- 1) The Company completed a private placement of 10,585,000 units at a price of CDN\$0.10 per unit for gross proceeds of \$972,542 (CDN\$1,058,500). Each unit is comprised of one common share and one 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 September 30, 2008, the Company has received a total of \$779,907 in proceeds towards the private placement.
- 2) Effective November 1, 2008, the Company has entered into an eighteen month consulting agreement to pay CDN \$7,500 per month for investor relations services. The Company also granted the consultant 350,000 incentive stock options to purchase common shares of the Company at an exercise price of CDN\$0.15 per share until November 1, 2013. The options vest 25% at date of grant and 25% every six months thereafter.