

VALDOR TECHNOLOGY INTERNATIONAL INC.
Management's Discussion & Analysis
Nine Months Ended September 30, 2011
(Stated in U.S. Dollars)

This Management's Discussion and Analysis ("MD&A") of Valdor Technology International Inc. (the "Company") is dated November 29, 2011. This MD&A should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes for the nine months ended September 30, 2011 and the Audited Consolidated Financial Statements and accompanying notes for the fiscal year ended December 31, 2010.

FORWARD LOOKING INFORMATION

Certain statements contained in this MD&A and elsewhere constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks that could cause the actual results to differ materially from those in forward-looking statements. These factors include market prices, continued availability of capital and financing and general economic or business conditions.

CORPORATE OVERVIEW

The Company was incorporated under the British Columbia Company Act on March 19, 1984 and is publicly traded on the TSX Venture Exchange under the symbol VTI.

The Company is a high technology fiber optic components company specializing in the design and manufacture of new generation fiber optic connectors, enclosures, laser pigtailed and other optical and optoelectronic components using its proprietary and patented Impact Mount™ and HeptoPort™ technologies. The Impact Mount™ technology incorporated in the Company's line of connectors is user friendly and environmentally friendly. This technology is all-mechanical with no epoxy or index matching gel required. The Impact Mount™ technology field installable termination kits and connectors are ideal for harsh environment applications and quick repair in the field. The Company holds several patents on its connector technology in strategic global regions.

The Company submitted a patent application for an Impact Mount (IMT) field installable cantilever SMA connector with an IMT field installable hand tool and fiber gauge with the US Patent and Trademark Office. This enhancement allows the connector to withstand higher temperatures while maintaining its field installable capability.

The SMA connector is rapidly growing in popularity for harsh environment applications, especially in the medical and industrial sectors. When high powered lasers are required as the light signal source, the associated fiber optic connector must be able to withstand high temperatures. By using the Company's impact mounted stainless steel ferrule to uniformly dissipate heat, this enhanced cantilever SMA connector is one of the few industry solutions for a field installable connector capable of withstanding high temperatures. In addition, the termination end polishing, the use of the all mechanical IMT fiber mount process and the extension of the cantilever fiber end, all result in better concentricity for coupling the fiber to the laser.

OUTLOOK

Fiber optics is the future of communications and fiber optic connectors are one of the major profit centres within this market. The signal transmission business is in the early stages of a fiber optics bull market. All signal transmission, in their many and various forms, are being converted from electrical, using copper wire and coaxial cable, to fiber optics. In the USA the Obama administration has recently pledged an initial US\$7.2 billion to a plan that calls for 100 million Americans to have access to super high speed internet. This high

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speed internet will require significant fiber optic infrastructure. The annual global market for fiber optic connectors is estimated to be about US\$2 billion (<http://ibnresearch.wordpress.com/2011/02/04/fiber-optic-connectors/>) and this market is projected to grow at a compound annual growth rate of 9.6%.

Valdor representatives attended the 2011 OFC/NFOEC conference, in Los Angeles, from March 8 to 10, 2011. There was significant interest in the Valdor technology; several new sales contacts were developed and several previous ones were renewed.

RESULTS OF OPERATIONS

During the nine months ended September 30, 2011 the Company had a comprehensive loss of \$960,215 as compared to a comprehensive loss of \$667,767 for the corresponding nine months ended September 30, 2010. The September 30, 2010 results include a gain from the write-off of accounts payable of \$115,816. The revenues decreased to \$139,258 as compared to \$193,936 for the corresponding nine months ended September 30, 2010. Expenses increased to \$1,011,236 as compared to \$907,583 for the corresponding nine months ended September 30, 2010. The most notable increases were in marketing, research and development and stock-based compensation.

Summary of Quarterly Results

The quarterly figures for 2010 have been restated as a result of the Company adopting IFRS. The quarterly figures for 2009 have been prepared in accordance with Canadian GAAP and have not been restated as they related to periods prior to the Date of Transition.

FOR THE THREE MONTHS ENDED

	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010
Revenues	\$31,675	\$75,138	\$32,445	\$45,664
Net Comprehensive Income (Loss)	(\$238,267)	(\$326,136)	(\$395,812)	(\$515,117)
Per Share - Basic	(\$0.00)	(\$0.01)	(\$0.01)	(\$0.02)
Diluted	(\$0.00)	(\$0.01)	(\$0.01)	(\$0.02)

FOR THE THREE MONTHS ENDED

	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2009
Revenues	\$60,196	\$66,833	\$66,907	\$80,802
Net Comprehensive Income (Loss)	(\$216,145)	(\$190,503)	(\$261,119)	(\$718,870)
Per Share - Basic	(\$0.01)	(\$0.00)	(\$0.01)	(\$0.03)
Diluted	(\$0.01)	(\$0.00)	(\$0.01)	(\$0.03)

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LIQUIDITY

The Company's working capital deficiency as at September 30, 2011 was \$831,165 as compared to a working capital deficiency of \$524,491 as at December 31, 2010, an increase of \$306,674. The increase in working capital deficiency was a result of the net loss from operations offset by amounts received from share subscriptions and the exercise of share purchase warrants and share purchase options.

CAPITAL RESOURCES

During the reporting period the Company remains dependant upon funds provided by directors, business associates and equity markets for financing. However, assuming that the company continues to maintain its current level of sales and administrative and general expenditures, it should be able to cover its normal overhead expenses for the next twelve months.

OFF-BALANCE SHEET ARRANGEMENTS

During the reporting period there were no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

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

	Three months ended September 30,		Nine months ended September 30,	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Inventory Purchases	\$ -	\$ 5,717	\$ -	\$ 53,362
Research and development	<u>60,000</u>	<u>-</u>	<u>60,000</u>	<u>-</u>
Administrative expenses				
Office and miscellaneous				
– secretarial services	-	-	-	11,587
Salaries, wages and benefits	<u>10,790</u>	<u>10,694</u>	<u>34,917</u>	<u>31,697</u>
	<u>10,790</u>	<u>10,694</u>	<u>34,917</u>	<u>43,284</u>
Key management compensation				
Consulting fees	-	26,275	36,850	43,451
Management fees	9,222	8,659	27,636	26,070
Rent	6,142	5,930	18,425	17,380
Salaries, wages and benefits	17,550	17,101	48,748	51,059
Stock-based compensation	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,810</u>
	<u>32,914</u>	<u>57,965</u>	<u>131,659</u>	<u>145,770</u>
	<u>\$ 103,704</u>	<u>\$ 74,376</u>	<u>\$ 226,576</u>	<u>\$ 242,416</u>

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

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Included in prepaid expenses at September 30, 2011 is \$1,937 (December 31, 2010: \$2,218) of prepaid rent paid to a company with a common director.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company has prepared its September 30, 2011 interim consolidated financial statements in accordance with IFRS 1 and with IAS 34. The Company's IFRS accounting policies are provided in Note 3 to the interim consolidated financial statements.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the interim consolidated financial statements is included in the following notes:

a) Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

b) Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

Transition to IFRS

These are the Company's first interim financial statements prepared in accordance with IFRS.

The accounting policies set out in Note 3 to the interim consolidated financial statements have been applied in preparing the interim consolidated financial statements for the nine months ended September 30, 2011, the comparative information presented in these interim statements for both the nine months ended September 30, 2010 and year ended December 31, 2010 and in preparation of an opening IFRS statement of financial position as at January 1, 2010.

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In preparing the Company's opening IFRS statement of financial position, the Company has adjusted amounts reported previously in the financial statements prepared in accordance with previous Canadian GAAP.

Elected exemptions from full retrospective application

In preparing these consolidated financial statements in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards" ("IFRS 1"), the Company has applied an optional exemption from full retrospective application of IFRS. The optional exemption applied is described below.

Share-based payment transactions

The Company has elected not to retrospectively apply IFRS 2 to equity instruments that were granted and that vest before the transition date. As a result of applying this exemption, the Company will apply the provision of IFRS 2 to all outstanding equity instruments that are unvested prior to the date of transition to IFRS.

Cumulative translation differences

The Company has elected not to retrospectively apply IAS 21, The Effects of Changes in Foreign Exchange Rates, to cumulative translation differences that existed prior to its Transition Date and as such has reset translation differences to zero. Gain or loss on subsequent disposal of a foreign operation will only include foreign exchange differences that arose after the transition.

Business Combinations

The Company has elected not to retrospectively apply IFRS 3, Business Combinations, to any business combinations that may have occurred prior to its Transition Date and such business combinations have not been restated.

Mandatory exceptions to retrospective application

In preparing these consolidated financial statements in accordance with IFRS 1, the Company has applied a mandatory exception from full retrospective application of IFRS. The mandatory exception applied from full retrospective application of IFRS is described below.

Estimates

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of January 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

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Reconciliation of equity as reported under Canadian GAAP and IFRS

The following is a reconciliation of the Company's shareholders' equity reported in accordance with Canadian GAAP to its shareholders' deficiency in accordance with IFRS at the transition date:

	January 1, 2010		
	Canadian GAAP balance	IFRS Adjustment	IFRS balance
Share capital	\$ 14,850,523	\$ -	\$ 14,850,523
Share subscriptions receivable	(371,573)	-	(371,573)
Contributed surplus	2,800,970	(28,374)	2,772,596
Accumulated other comprehensive income (loss)	-	(60,218)	(60,218)
Deficit	<u>(18,230,598)</u>	<u>88,592</u>	<u>(18,142,006)</u>
	<u>\$ (950,678)</u>	<u>\$ -</u>	<u>\$ (950,678)</u>

The following is a reconciliation of the Company's shareholders' equity reported in accordance with Canadian GAAP to its shareholders' deficiency in accordance with IFRS at December 31, 2010:

	December 31, 2010		
	Canadian GAAP balance	IFRS Adjustment	IFRS balance
Share capital	\$ 15,936,338	\$ -	\$ 15,936,338
Share subscriptions receivable	(125)	-	(125)
Contributed surplus	3,019,776	(95,373)	2,924,403
Accumulated other comprehensive income (loss)	-	(29,331)	(29,331)
Deficit	<u>(19,480,480)</u>	<u>124,704</u>	<u>(19,355,776)</u>
	<u>\$ (524,491)</u>	<u>\$ -</u>	<u>\$ (524,491)</u>

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The following is a reconciliation of the Company's shareholders' equity reported in accordance with Canadian GAAP to its shareholders' deficiency in accordance with IFRS at September 30, 2010:

	September 30, 2010		
	Canadian GAAP balance	IFRS Adjustment	IFRS balance
Share capital	\$ 15,135,417	\$ -	\$ 15,135,417
Contributed surplus	2,960,409	(77,563)	2,882,846
Share subscriptions	177,615	-	177,615
Accumulated other comprehensive income (loss)	-	(35,478)	(35,478)
Deficit	<u>(18,947,554)</u>	<u>113,041</u>	<u>(18,834,513)</u>
	<u>\$ (674,113)</u>	<u>\$ -</u>	<u>\$ (674,113)</u>

Reconciliation of net loss and comprehensive loss as reported under Canadian GAAP and IFRS

The following is a reconciliation of the Company's net loss and comprehensive loss reported in accordance with Canadian GAAP to its net loss and comprehensive loss in accordance with IFRS for the year ended December 31, 2010 and the three and nine months ended September 30, 2010.

	Three months ended September 30, <u>2010</u>	Nine months ended September 30, <u>2010</u>	Year ended December 31, <u>2010</u>
As reported under Canadian GAAP	\$ (226,909)	\$ (716,956)	\$ (1,249,882)
IFRS adjustment (increase) decrease			
Stock based compensation	10,764	49,189	66,999
Foreign exchange	<u>61,110</u>	<u>(24,740)</u>	<u>(30,887)</u>
Loss from operations under IFRS	(155,035)	(692,507)	(1,213,770)
Other comprehensive loss IFRS adjustment			
Exchange differences on translating foreign operation	<u>(61,110)</u>	<u>24,740</u>	<u>30,887</u>
Total Comprehensive loss from operations under IFRS	<u>\$ (216,145)</u>	<u>\$ (667,767)</u>	<u>\$ (1,182,883)</u>

Notes to IFRS adjustments

Stock based compensation

Pre-changeover Canadian GAAP allows the Company to calculate the fair value of the stock-based compensation on all awards granted and recognizes the expense from the date of grant over the vesting period using the graded vesting methodology. The Company determines the fair value of stock options granted using the Black-Scholes option pricing

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IFRS 2 requires each tranche in an award with graded vesting to be considered a separate grant with a different vesting date and fair value and requires that forfeitures be estimated at the time of grant to eliminate distortion of remuneration expense recognized during the vesting period.

The Company uses the graded vesting method with the exception of an anticipated forfeiture rate at the time of the grant. Based on an estimated forfeiture rate of 30% would result in an decrease of contributed surplus and reduced the deficit at the date of transition of \$28,374 and decrease general and administrative expenses by \$10,764 and \$49,189 for the three and nine months ended September 30, 2010, respectively, and \$66,999 for the year ended December 31, 2010.

Exchange differences on presentation currency

IFRS requires that the functional currency of each entity in the Company be determined separately in accordance with the indicators as per IAS 21 "The Effects of Changes in Foreign Exchange Rates" and should be measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The consolidated financial statements are presented in US dollars which is the same as the functional currency of the subsidiary. The functional currency of the parent company is in Canadian dollars.

Under IFRS, the results and financial position of all the Company entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- exchange differences arising on translation of foreign operations are transferred directly to the Company's foreign currency translation reserve in the statement of comprehensive income and are recognized in the profit or loss in the period in which the operation is disposed.

Under Canadian GAAP integrated foreign operation are translated into Canadian dollars using the temporal method. Monetary items are translated at the exchange rate in effect at the balance sheet date and non-monetary items are translated at the historical exchange rate. Income and expenses items are translated at rates approximating those in effect at the time of the transaction. Translation gains and losses are reflected in the earnings (loss) for the year.

As a result of the change in exchange rate to the prevailing rate at the reporting date (January 1, 2010) deficit decreased by \$60,218 with a corresponding increase in accumulated other comprehensive income of \$60,218.

As a result of the change in exchange rate to the prevailing rate at the reporting date (September 30, 2010) deficit decrease by \$35,478 with a corresponding increase in accumulated other comprehensive income of \$35,478.

As a result of the change in exchange rate to the prevailing rate at the reporting date (December 31, 2010) deficit decreased by \$29,331 with a corresponding increase in accumulated other comprehensive income of \$29,331.

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FINANCIAL AND OTHER INSTRUMENTS

Financial instruments issued by the Company are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company's common shares are classified as equity instruments. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net earnings; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings. The Company classifies and measures its financial instruments as follows:

- Cash is classified as "held-for-trading". They are measured at fair value and changes in fair value are recognized in the statements of operations.
- Accounts receivables are classified as loans and receivables and are initially measured at fair value and subsequently at amortized cost, using the effective interest method less provisions for impairment.
- Accounts payable and accrued liabilities, promissory notes payable, and due to related parties are classified as other financial liabilities and are measured at fair value at inception. They are measured at amortized cost using the effective interest rate in subsequent periods.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness. The Company provides credit to its clients in the normal course of operations. It carries out, on a continuing basis, credit checks on its clients and maintains provisions for contingent losses.

b) Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. The Company may seek additional financing through equity offerings and advances from related parties, but there can be no assurance that such financing will be available on terms acceptable to the Company.

c) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The company is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates.

d) Foreign Currency Risk

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The majority of the Company's operations are carried out in the United States of America, however the majority of financing is carried out in Canada. The parent company's operations are in Canada and operate in Canadian dollars. As at September 30, 2011, the Company has Canadian dollars cash of \$40,999 (December 31, 2010: \$209,871), accounts payable of \$35,188 (December 31, 2010: \$58,063), due to related parties of \$75,130 (December 31, 2010: \$1,206). These factors expose the Company to foreign currency exchange rate risk, which could have a material adverse effect on the

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profitability of the Company. The Company currently does not plan to enter into foreign currency future contracts to mitigate this risk.

INTERNAL CONTROL OVER FINANCIAL REPORTING ("ICFR")

The Management of the Company, including the Certifying Officers have evaluated whether there were any changes in the Company's internal control over financial reporting during the interim period ended September 30, 2011. No material changes in the Company's internal controls and procedures have occurred during the Company's most recent interim period, which have materially affected, or are reasonably likely to materially affect, the Company's IFCR.

Similar to other small companies, certain inherent weaknesses in the Company's ICFR exist due to its small size and its inability to segregate incompatible functions. The risk associated with these weaknesses is associated with the Company's ability to safeguard assets.

These weaknesses in ICFR result in a more than remote likelihood that a material misstatement would not be prevented or detected on a timely basis. The existence of these weaknesses is being compensated for by Senior Management review and involvement to mitigate the risk of material misstatement. However, these mitigating procedures are not considered sufficient to reduce the likelihood that a material misstatement would not be prevented or detected. The Company currently has no plans to fully remediate these weaknesses, as Management believes that it is not currently economically feasible to achieve complete segregation of incompatible duties. As the Company grows, there would be plans to expand the number of individuals to segregate incompatible functions. It should be noted that a control system, no matter how well conceived or operated can only provide reasonable assurance, not absolute assurance, that the objectives of the control system are met.

OUTSTANDING SHARE DATA

As at November 29, 2011

Common Shares	43,973,720
Share purchase options	6,156,500
Share purchase warrants	3,690,000

SUBSEQUENT EVENTS

- a) The Company granted 715,000 share purchase options to various consultants and employees for a term of five years expiring on October 6, 2016 exercisable at a price of CDN\$0.15 per share.
- b) The Company issued 23,000 common shares pursuant to the exercise of share purchase options at CDN\$0.17 per share for total consideration of CDN\$3,910.
- c) The Company received loans in the amount of CDN\$120,000 from a director.

OTHER

Additional information and other publicly filed documents relating to the Company, including its press releases and quarterly and annual reports, are available on SEDAR and can be accessed at www.sedar.com.