VALDOR TECHNOLOGY INTERNATIONAL INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2013 and 2012

(Stated in US Dollars)

(Unaudited - Prepared by Management)

UNAUDITED FINANCIAL STATEMENTS: In accordance with National Instrument 51-102 of the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the six months ended June 30, 2013 and 2012.

VALDOR TECHNOLOGY INTERNATIONAL INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2013 and December 31, 2012
(Stated in US Dollars)
(Unaudited - Prepared by Management)

	June 30 2013	December 31, 2012
ASSETS		
Current		
Cash	$ 242,673	$ 27,139
Accounts receivable	39,145	19,423
Inventories	45,454	48,551
Prepaid expenses – Note 8	10,543	7,902
	$ 337,815	$ 103,015
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 106,304	$ 338,570
Advances on private placement– Notes 5, 8 and 13	225,220	45,732
Due to related parties – Note 6	8,226	455,362
	339,750	839,664
SHAREHOLDERS' DEFICIENCY		
Share capital – Notes 7 and 13	19,486,216	17,872,166
Contributed surplus	3,285,046	3,158,054
Accumulated other comprehensive income (loss)	8,685	(32,226)
Deficit	(22,224,700)	(21,187,485)
Attributable to parent	555,247	(189,491)
Attributable to non-controlling interest	(557,182)	(547,158)
Total Shareholders' Deficiency	(1,935)	(736,649)
	$ 337,815	$ 103,015

Nature of Operations – Note 1
Commitment – Note 7
Contingency – Note 12
Subsequent Events – Note 13

APPROVED BY THE DIRECTORS:

"Elston Johnston" Director — Elston Johnston

"Brian Findlay" Director — Brian Findlay

SEE ACCOMPANYING NOTES

VALDOR TECHNOLOGY INTERNATIONAL INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
for the three and six months ended June 30, 2013 and 2012
(Stated in US Dollars)
(Unaudited - Prepared by Management)

	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
Revenue	$ 32,361	$ 23,165	$ 52,899	$ 66,377
Direct expenses	18,669	12,085	27,405	29,971
Gross profit (loss)	13,692	11,080	25,494	36,406
Expenses				
Administration and general – Schedule 1	629,673	210,713	828,222	499,256
Marketing	44,244	17,042	61,087	59,928
Research and development	26,969	28,100	54,264	51,736
Interest	1,112	1,358	2,168	2,550
Stock-based compensation – Note 7	62,841	(27,674)	126,992	5,614
	764,839	229,539	1,072,733	619,084
Net loss before other item	(751,147)	(218,459)	(1,047,239)	(582,678)
Gain on write-off of accounts payable	-	33,264	-	33,264
Net loss for the period	(751,147)	(185,195)	(1,047,239)	(549,414)
Other Comprehensive (Loss) Income				
Exchange differences on translating into functional currency	25,314	43,893	40,911	27,561
Total comprehensive loss for the period	$ (725,833)	$ (141,302)	$ (1,006,328)	$ (521,853)
Net loss attributable to non-controlling interest	(5,045)	(4,394)	(10,024)	(11,332)
Net loss attributable to parent	(746,102)	(180,801)	(1,037,215)	(538,082)
Net loss for the period	$ (751,147)	$ (185,195)	$ (1,047,239)	$ (549,414)
Total comprehensive loss attributable to non-controlling interest	(5,045)	(4,393)	(10,024)	(11,332)
Total comprehensive loss attributable to parent	(720,788)	(136,909)	(996,304)	(510,521)
Total comprehensive loss for the period	$ (725,833)	$ (141,302)	$ (1,006,328)	$ (521,853)
Basic and diluted loss per share	$ (0.01)	$ (0.00)	$ (0.02)	$ (0.02)
Weighted average number of shares outstanding	59,426,970	44,045,753	58,587,588	40,801,808

SEE ACCOMPANYING NOTES

VALDOR TECHNOLOGY INTERNATIONAL INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
for the three and six months ended June 30, 2013 and 2012
(Stated in US Dollars)
(Unaudited - Prepared by Management)

	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
Operating Activities				
Net loss for the period	$ (751,147)	$ (185,195)	$ (1,047,239)	$ (549,414)
Charges to income not affecting cash:				
Unrealized foreign exchange	26,051	(643)	24,110	(2,185)
Write-off of accounts payable	-	(33,264)	-	(33,264)
Non-cash compensation charge	62,841	(27,674)	126,992	5,614
	(662,255)	(246,776)	(896,137)	(579,249)
Changes in non-cash working capital balances related to operations:				
Accounts receivable	2,930	(6,794)	(18,801)	(8,058)
Inventories	5,077	1,639	3,097	8,970
Prepaid expenses	(57)	1,964	(2,570)	3,311
Accounts payable and accrued liabilities	(195,632)	(350,629)	(226,310)	(268,696)
	(849,937)	(600,596)	(1,140,721)	(843,722)
Financing Activities				
Increase (decrease) in due to related parties	(470,093)	157,044	(437,399)	38,945
Increase (decrease) in loans payable	(42,792)	391,057	188,228	845,644
Proceeds from issuance of common shares	1,614,050	7,699	1,614,050	11,568
	1,101,165	555,800	1,364,879	896,157
Effect of unrealized foreign exchange gain or loss on cash	(8,410)	8,935	(8,623)	9,248
Increase (decrease) in cash during the period	242,818	(35,861)	215,535	61,683
Cash (bank indebtedness), beginning of the period	(144)	107,112	27,139	9,568
Cash, end of the period	$ 242,674	$ 71,251	$ 242,674	$ 71,251
Supplementary disclosure of cash flow information				
Cash paid for:				
Interest	$ -	$ -	$ -	$ -
Income taxes	$ -	$ -	$ -	$ -

SEE ACCOMPANYING NOTES

VALDOR TECHNOLOGY INTERNATIONAL INC.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF SHAREHOLDERS' DEFICIENCY

for the six months ended June 30, 2013 and 2012 and for the six months ended December 31, 2012

(Stated in US Dollars)

(Unaudited - Prepared by Management)

	Common Stock Issued Shares	Common Stock Amount	Common Stock Subscriptions	Contributed Surplus	Accumulated Other Comprehensive Income (loss)	Deficit	Non-Controlling Interest	Total
Balance, December 31, 2011	43,996,720	$ 16,491,101	$ 915	$ 3,103,284	$ (9,704)	$ (19,863,201)	$ (525,531)	$ (803,136)
Shares issued for cash:	-	-	-	-	-	-	-	-
On exercise of share purchase options	-	-	-	-	-	-	-	-
– at CND$0.17	69,000	11,568	-	-	-	-	-	11,568
Fair value of options exercised	-	5,082	-	(5,082)	-	-	-	-
Fair market value of stock based compensation	-	-	-	5,614	-	-	-	5,614
Exchange differences on translating foreign operation	-	-	-	-	27,561	-	-	27,561
Net loss for the period	-	-	-	-	-	(538,081)	(11,331)	(549,412)
Balance, June 30, 2012	44,065,720	16,507,751	915	3,103,816	17,857	(20,401,282)	(536,862)	(1,307,805)
Shares issued for cash:								
Pursuant to a private placement								
– at CND$0.10	13,836,000	1,387,474	(915)	-	-	-	-	1,386,559
On exercise of share purchase options								
– at CND$0.17	12,000	2,011	-	-	-	-	-	2,011
Shares issued as finders fees	391,000	39,209	-	-	-	-	-	39,209
Share issue cost	-	(64,279)	-	-	-	-	-	(64,279)
Fair market value of stock based compensation	-	-	-	54,238	-	-	-	54,238
Exchange differences on translating foreign operation	-	-	-	-	(50,083)	-	-	(50,083)
Net loss for the period	-	-	-	-	-	(786,203)	(10,296)	(796,499)
Balance, December 31, 2012	58,304,720	$ 17,872,166	$ -	$ 3,158,054	$ (32,226)	$ (21,187,485)	$ (547,158)	$ (736,649)

SEE ACCOMPANYING NOTES

Continued

VALDOR TECHNOLOGY INTERNATIONAL INC.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF SHAREHOLDERS' DEFICIENCY
for the six months ended June 30, 2013 and 2012 and for the six months ended December 31, 2012
(Stated in US Dollars)
(Unaudited - Prepared by Management)

	Common Stock Issued Shares	Common Stock Amount	Common Stock Subscriptions	Contributed Surplus	Accumulated Other Comprehensive Income (loss)	Deficit	Non-Controlling Interest	Total
Balance, December 31, 2012	58,304,720	$ 17,872,166	$ -	$ 3,158,054	$ (32,226)	$ (21,187,485)	$ (547,158)	$ (736,649)
Shares issued for cash:								
Pursuant to a private placement								
– at CND$0.10	16,650,000	1,614,050	-	-	-	-	-	1,614,050
Shares issued as finders fees	699,000	67,761	-	-	-	-	-	67,761
Share issue cost	-	(67,761)	-	-	-	-	-	(67,761)
Fair market value of stock based compensation	-	-	-	126,992	-	-	-	126,992
Exchange differences on translating foreign operation	-	-	-	-	40,911	-	-	40,911
Net loss for the period	-	-	-	-	-	(1,037,215)	(10,024)	(1,047,239)
Balance, June 30, 2013	75,653,720	$ 19,486,216	$ -	$ 3,285,046	$ 8,685	$ (22,224,700)	$ (557,182)	$ (1,935)

Note 1 Nature of Operations

The Company was incorporated under the British Columbia Company Act on March 19, 1984 and is publicly traded on the TSX Venture Exchange. During the six months ended June 30, 2013, the Company's principal business was developing, manufacturing and marketing of fiber optic products.

The address of the Company's corporate office is 450 - 789 West Pender Street, Vancouver, BC V6C 1H2 and the principal place of business is 3116 Diablo, Hayward, California 94545.

Note 2 Basis of Preparation

a) Statement of Compliance

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on August 29, 2013.

b) Going Concern

The financial statements are prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

Note 2 Basis of Preparation – (cont'd)

c) Basis of Measurement

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods. See Note 4 for use of estimates and judgements made by management in the application of IFRS.

The condensed interim consolidated financial statements have been prepared on a historical cost basis and have been presented in US dollars. The Company's functional currency is the Canadian dollar as it is the currency in which the majority of the funding is obtained to continue operations.

Note 3 Significant Accounting Policies

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited consolidated financial statements as at December 31, 2012. The accompanying unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2012.

Adoption and Amendments of Accounting Standards

On January 1, 2013, the Company adopted new standards with respect to consolidations (IFRS 10), joint arrangements (IFRS 11), disclosure of interests in other entities (IFRS 12), fair value measurements (IFRS 13) and amendments to financial instruments disclosure (IFRS 7) as well as amendments related to investments in associates, separate financial statements (IAS 27) and joint ventures (IAS 28). The adoption of these amendments and standards had no impact on the amounts recorded in the condensed interim consolidated financial statements for the current or comparative periods.

Note 3 Summary of Significant Accounting Policies – (cont'd)

Accounting Standards and Amendments Issued but Not Yet Effective

The following new standards and interpretations are not yet effective and have not been applied in preparing these interim consolidated financial statements. The Company is currently evaluating the potential impacts of these new standards; however the Company does not expect them to have a significant effect on the financial statements.

- IAS 32, *Financial Instrument Presentations* (effective January 1, 2014) introduces amendments requiring incremental disclosures and clarity an entity's ability to offset financial assets and financial liabilities.

- IFRS 9, *Financial Instruments* (effective January 1, 2015) introduces new requirements for the classification and measurement of financial assets, and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options available in IAS 39.

Note 4 Use of Estimates and Judgments

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 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. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 7.

Note 4 Use of Estimates and Judgments – (cont'd)

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.

c) Functional currency

The analysis of the functional currency for each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent and the US dollar is the functional currency of the subsidiary, management considered the currency that mainly influences the costs of providing goods and services in each jurisdiction in which the Company operates.

d) Going concern

The assumption that the Company is a going concern and will continue in operation for the foreseeable future and at least one year. The factors considered by management are disclosed in Note 2(b).

Note 5 Advances on Private Placement

These amounts represent funds advanced on a private placement financing which was completed subsequent to June 30, 2013.

Note 6 Due to Related Parties

Due to related parties, representing amounts due to directors and officers of the Company and companies with common directors, are non-interest bearing, unsecured and are due on demand.

(Stated in US Dollars)

Note 7 Share Capital

a) Authorized:

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

b) Commitments

Stock-Based Compensation Plan

The Company has established a formal stock option plan in accordance with the policies of the TSX-V under which it is authorized to grant options up to a maximum of 20% of the issued and outstanding common shares to officers, directors, employees and consultants. The exercise price of each option is not less than the market price of the Company's stock on the trading day immediately before the date of grant, subject to a minimum of CDN $0.10 per common share. No options will be exercisable until it has vested. Options vest at 25% on a quarterly basis unless specified by the board. The options are for a maximum term of five years.

The Company has granted employees and directors common share purchase options. These options are granted with an exercise price in accordance with the stock option plan.

A summary of the status of the stock option plan as of June 30, 2013 and 2012 and changes during the periods then ended on those dates is presented below:

	2013		2012	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at the beginning of the period	6,442,500	CDN$0.13	6,133,500	CDN$0.15
Granted	1,335,000	CDN$0.13	-	-
Expired/forfieted	(950,000)	CDN$0.16	(400,000)	CDN$0.17
Exercised	-	-	(31,000)	CDN$0.17
Options outstanding at end of the period	6,827,500	CDN$0.13	5,702,500	CDN$0.15
Options exercisable at end of the period	4,721,250		5,145,000	

(Stated in US Dollars)

Note 7 Share Capital – (cont'd)

b) Commitments - (cont'd)

Stock-Based Compensation Plan – (cont'd)

At June 30, 2013, the Company has 6,827,500 share purchase options outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

Number	Exercise Price	Expiry Date
875,000	CDN $0.10	August 1, 2013
127,500	CDN $0.15	April 30, 2014
250,000	CDN $0.20	August 10, 2014
575,000	CDN $0.20	August 28, 2014
100,000	CDN $0.20	October 28, 2014
100,000	CDN $0.25	December 16, 2014
140,000	CDN $0.16	December 8, 2015
400,000	CDN $0.18	March 16, 2016
715,000	CDN $0.15	October 16, 2016
1,700,000	CDN $0.10	November 23, 2017
510,000	CDN $0.10	December 19, 2017
735,000	CDN $0.13	January 7, 2018
600,000	CDN $0.13	May 14, 2018
6,827,500		

As of June 30, 2013, the 6,827,500 share purchase options outstanding have a weighted average remaining contractual life of 3.10 years.

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 six months ended June 30, 2013, 2013, the Company recorded stock-based compensation expense of $126,992 (June 30, 2012: $5,614) on revaluation of stock options as of the reporting period and for stock options vested during the period. The fair value of share purchase options granted was estimated on the grant date for options granted to employees and each vesting date for options granted to consultants using the Black Scholes option pricing model. The assumptions used in calculating fair value were as follows: 1.10% - 1.50% (June 30, 2012 – 1.13% - 1.44%) risk free rate, 0% (June 30, 2012 – 0%) dividend yield, 84% - 138% (June 30, 2012 - 86% – 144%) expected volatility and 3.5 – 5.0 years (June 30, 2012 – 3.5 – 4.52 years) weighted average expected stock option life.

(Stated in US Dollars)

Note 7 Share Capital – (cont'd)

b) Commitments - (cont'd)

Share purchase warrants

During the six month period ended June 30, 2013, the Company issued 16,650,000 common shares pursuant to the private placement of 16,650,000 units at CDN$0.10 per unit for gross proceeds of $1,614,050. Each unit was comprised of one common share and one share purchase warrant. Each share purchase warrant entitles the holder thereof the right to purchase one common share at CDN$0.20 per share for a period of three years. The Company issued 699,000 finders' units with same terms as that of the private placement noted above. Using the residual value method, the Company valued the share component of the private placement units at CDN $0.10 and the share purchase warrant component at CDN $nil.

A summary of the status of share purchase warrants as of June 30, 2013 and 2012 and changes during the periods then ended on those dates is presented below:

	2013		2012	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Balance, beginning of the period	14,227,000	CDN$0.20	-	-
Issued	17,349,000	CDN$0.20	-	-
Balance, end of the period	31,576,000	CDN$0.20	-	-

At June 30, 2013, the Company has 31,576,000 share purchase warrants outstanding as follows (2012 – nil):

Number	Exercise Price	Expiry Date
14,227,000	CDN $0.20	November 23, 2015
17,349,000	CDN $0.20	June 10, 2016
31,576,000		

(Stated in US Dollars)

Note 8 Related Party Transactions

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

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Administrative expenses				
Office and miscellaneous – secretarial services	$ 2,504	$ 2,380	$ 3,297	$ 3,977
Salaries, wages and benefits	-	14,128	-	24,737
Stock-based compensation	716	-	772	-
	3,220	16,508	4,069	28,714
Key management compensation				
Consulting fees	124,559	8,846	202,499	35,797
Management fees	51,506	14,846	73,815	32,913
Rent	6,288	6,276	12,578	14,651
Salaries, wages and benefits	-	11,839	-	28,513
Stock-based compensation	10,384	-	27,620	-
	192,737	41,807	316,512	111,874
	$ 195,957	$ 58,315	$ 320,581	$ 140,588

These transactions were measured by the amounts agreed upon by the related parties.

Included in prepaid expenses at June 30, 2013 is $2,041 (December 31, 2012: $Nil) of prepaid rent paid to a company with a common director.

Included in advances on private placement at June 30, 2013 is $140,317 (December 31, 2012: $40,500) advanced from a director and a company with a common director.

Note 9 Segmented Information and Economic Dependence

The Company's principal business location and operations are in Hayward, California in the United States of America. During the six months ended June 30, 2013, the Company was economically dependent on three (2012: three) customers each accounted for more than 10% of sales and in aggregate accounted for 54% (2012: 47%) of sales.

(Stated in US Dollars)

Note 9 Segmented Information and Economic Dependence – (cont'd)

The Company's sales revenues are allocated to geographic segments for the three and six months ended June 30, 2013 and 2012 are as follows:

	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
United States of America	$ 20,936	$ 22,101	$ 33,276	$ 52,863
Europe	10,699	438	13,699	5,088
Other	726	626	5,924	8,426
	$ 32,361	$ 23,165	$ 52,899	$ 66,377

Net losses

	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
Canada	$ 667,071	$ 111,974	$ 880,179	$ 360,551
United States of America	84,076	73,221	167,060	188,863
	$ 751,147	$ 185,195	$ 1,047,239	$ 549,414

Total Assets

	June 30, 2013	December 31, 2012
Canada	$ 257,034	$ 34,896
United States of America	80,781	68,119
	$ 337,815	$ 103,015

Note 10 Financial 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". It is measured at fair value and changes in fair value are recognized in the statements of operations.
- Accounts receivables are classified as loans and receivables. Their fair value approximates their carrying value due to their short term nature.
- 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. Promissory notes payable are measured at amortized cost using the effective interest rate at subsequent periods. Accounts payable and accrued liabilities and due to related parties' carrying amounts approximate their fair values due to their short term nature.

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.

Note 10 Financial Instruments – (cont'd)

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 or 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 June 30, 2013, the Company has cash of CDN$208,359 (December 31, 2012: CDN$16,575), accounts payable of CDN$21,823 (December 31, 2012: CDN$251,924), advances on private placement of CDN$236,750 (December 31, 2012 CDN$45,500) due to related parties of CDN$8,647 (December 31, 2012: CDN$454,589). These factors expose the Company to foreign currency exchange rate risk, which could have a material adverse effect on the profitability of the Company. The Company currently does not plan to enter into foreign currency future contracts to mitigate this risk.

Note 11 Management of Capital

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern to pursue the development of fiber optics business and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity, as well as cash.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash.

The Company is dependent on the capital markets as its main source of operating capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support.

The Company is not subject to any external capital requirements

Note 12 Contingency

The Company is required to file certain foreign reporting information tax returns, and may be exposed to interest and penalties, estimated by management to be $119,000. Management believes it is unlikely that any interest and penalties would be assessed once the Company files the forms to comply with the filing requirement, and accordingly has not accrued any amounts in the financial statements.

Note 13 Subsequent Events

Subsequent to June 30, 2013:

The Company received loan advances of CDN$99,500. The loan advances are non-interest bearing, unsecured and due on demand.

The Company issued 3,525,000 common shares pursuant to the private placement of 3,525,000 units at CDN$0.10 per unit for gross proceeds of CDN$352,500. Each unit was comprised of one common share and one share purchase warrant. Each share purchase warrant entitles the holder thereof the right to purchase one common share at $0.20 per share for a period of three years.

The Company issued 725,000 common shares pursuant to the exercise of stock options at a price of CDN$0.10 per share.

VALDOR TECHNOLOGY INTERNATIONAL INC. Schedule I

CONDENSED INTERIM CONSOLIDATED SCHEDULE OF ADMINISTRATIVE AND GENERAL EXPENSES

for the three and six months ended June 30, 2013 and 2012

(Stated in US Dollars)

(Unaudited - Prepared by Management)

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Consulting fees – Note 8	$ 461,473	$ 85,136	$ 542,586	$ 203,718
Entertainment and travel	15,975	130	27,402	11,688
Investor relations	4,418	(28)	5,905	7,458
Legal and accounting fees	14,958	9,502	26,723	24,422
Licenses and permits	229	122	1,297	690
Management fees – Note 8	51,506	14,847	73,815	32,913
Office and miscellaneous – Note 8	10,364	15,675	20,349	26,428
Rent – Note 8	15,275	18,137	27,663	33,398
Repairs and maintenance	1,154	937	2,215	2,065
Salaries, wages and benefits – Note 8	33,280	54,821	67,010	127,548
Stock exchange filing fees	15,417	5,491	21,168	14,398
Telephone and utilities	4,563	4,833	9,131	11,856
Transfer agent fees	1,061	1,110	2,958	2,674
	$ 629,673	$ 210,713	$ 828,222	$ 499,256