

**VALDOR TECHNOLOGY INTERNATIONAL INC.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

September 30, 2013 and 2012

(Stated in US Dollars)

(Unaudited - Prepared by Management)

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**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 nine months ended September 30, 2013 and 2012.

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

	September 30 <u>2013</u>	December 31, <u>2012</u>
<b><u>ASSETS</u></b>		
Current		
Cash	\$ 115,739	\$ 27,139
Accounts receivable	34,014	19,423
Inventories	53,261	48,551
Prepaid expenses – Note 8	<u>10,080</u>	<u>7,902</u>
	213,094	103,015
Equipment – Note 5	<u>2,575</u>	<u>-</u>
	<b><u>\$ 215,669</u></b>	<b><u>\$ 103,015</u></b>

<b><u>LIABILITIES</u></b>		
Current		
Accounts payable and accrued liabilities	\$ 127,388	\$ 338,570
Advances on private placement	-	45,732
Due to related parties – Note 6	<u>8,781</u>	<u>455,362</u>
	<u>136,169</u>	<u>839,664</u>

<b><u>SHAREHOLDERS' DEFICIENCY</u></b>		
Share capital – Notes 7 and 13	20,088,194	17,872,166
Contributed surplus	3,113,441	3,158,054
Accumulated other comprehensive income (loss)	5,638	(32,226)
Deficit	<u>(22,564,738)</u>	<u>(21,187,485)</u>
Attributable to parent	642,535	(189,491)
Attributable to non-controlling interest	<u>(563,035)</u>	<u>(547,158)</u>
Total Shareholders' Deficiency	<u>79,500</u>	<u>(736,649)</u>
	<b><u>\$ 215,669</u></b>	<b><u>\$ 103,015</u></b>

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

APPROVED BY THE DIRECTORS:

<i>“Elston Johnston”</i>	Director	<i>“Brian Findlay”</i>	Director
Elston Johnston		Brian Findlay	

SEE ACCOMPANYING NOTES

**VALDOR TECHNOLOGY INTERNATIONAL INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND**  
**COMPREHENSIVE LOSS**

for the three and nine months ended September 30, 2013 and 2012

(Stated in US Dollars)

(Unaudited - Prepared by Management)

	Three months ended September 30,		Nine months ended September 30,	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenue	\$ 44,993	\$ 30,295	\$ 97,892	\$ 96,672
Direct expenses	<u>24,539</u>	<u>15,853</u>	<u>51,944</u>	<u>45,823</u>
Gross profit (loss)	<u>20,454</u>	<u>14,442</u>	<u>45,948</u>	<u>50,849</u>
Expenses				
Administration and general – Schedule 1	289,199	368,226	1,117,421	867,482
Amortization	40	2,548	40	2,548
Marketing	23,695	30,483	84,783	90,411
Research and development	31,437	25,797	85,702	77,534
Interest	932	868	3,098	3,418
Stock-based compensation – Note 7	<u>21,042</u>	<u>(8,047)</u>	<u>148,034</u>	<u>(2,433)</u>
	<u>366,345</u>	<u>419,875</u>	<u>1,439,078</u>	<u>1,038,960</u>
Net loss before other item	(345,891)	(405,433)	(1,393,130)	(988,111)
Gain on write-off of accounts payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,264</u>
Net loss for the period	(345,891)	(405,433)	(1,393,130)	(954,847)
Other Comprehensive (Loss) Income				
Exchange differences on translating into functional currency	<u>(3,047)</u>	<u>(73,591)</u>	<u>37,864</u>	<u>(46,029)</u>
Total comprehensive loss for the period	<u>\$ (348,938)</u>	<u>\$ (479,024)</u>	<u>\$ (1,355,266)</u>	<u>\$ (1,000,876)</u>
Net loss attributable to non-controlling interest	(5,853)	(6,528)	(15,877)	(17,860)
Net loss attributable to parent	<u>(340,038)</u>	<u>(398,905)</u>	<u>(1,377,253)</u>	<u>(936,987)</u>
Net loss for the period	<u>\$ (345,891)</u>	<u>\$ (405,433)</u>	<u>\$ (1,393,130)</u>	<u>\$ (954,847)</u>
Total comprehensive loss attributable to non-controlling interest	(5,853)	(6,528)	(15,877)	(17,860)
Total comprehensive loss attributable to parent	<u>(343,085)</u>	<u>(472,496)</u>	<u>(1,339,389)</u>	<u>(983,016)</u>
Total comprehensive loss for the period	<u>\$ (348,938)</u>	<u>\$ (479,024)</u>	<u>\$ (1,355,266)</u>	<u>\$ (1,000,876)</u>
Basic and diluted loss per share	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	<u>\$ (0.02)</u>
Weighted average number of shares outstanding	<u>79,492,198</u>	<u>44,075,503</u>	<u>63,927,994</u>	<u>44,044,913</u>

SEE ACCOMPANYING NOTES

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

	Three months ended September 30,		Nine months ended September 30,	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Operating Activities</b>				
Net loss for the period	\$ (345,891)	\$ (405,433)	\$ (1,393,130)	\$ (954,847)
Charges to income not affecting cash:				
Amortization	40	2,548	40	2,548
Unrealized foreign exchange	(6,617)	(335)	17,494	(2,520)
Write-off of accounts payable	-	-	-	(33,264)
Non-cash compensation charge	<u>21,042</u>	<u>(8,047)</u>	<u>148,034</u>	<u>(2,433)</u>
	(331,426)	(411,267)	(1,227,562)	(990,516)
Changes in non-cash working capital balances related to operations:				
Accounts receivable	4,794	10,723	(14,007)	2,665
Inventories	(7,806)	7,031	(4,710)	16,001
Prepaid expenses	415	6,618	(2,156)	9,929
Accounts payable and accrued liabilities	<u>22,483</u>	<u>130,678</u>	<u>(203,827)</u>	<u>(138,018)</u>
	<u>(311,540)</u>	<u>(256,217)</u>	<u>(1,452,262)</u>	<u>(1,099,939)</u>
<b>Financing Activities</b>				
Increase (decrease) in due to related parties	3,689	111,279	(433,710)	150,224
Increase (decrease) in loans payable	(232,799)	135,193	(44,571)	980,837
Proceeds from issuance of common shares	<u>409,331</u>	<u>2,011</u>	<u>2,023,381</u>	<u>13,579</u>
	<u>180,221</u>	<u>248,483</u>	<u>1,545,100</u>	<u>1,144,640</u>
<b>Investing activities</b>				
Acquisition of equipment	<u>(2,615)</u>	<u>(16,990)</u>	<u>(2,615)</u>	<u>(16,990)</u>
Effect of unrealized foreign exchange gain or loss on cash	<u>7,000</u>	<u>(8,941)</u>	<u>(1,622)</u>	<u>307</u>
Increase (decrease) in cash during the period	(126,934)	(33,665)	88,601	28,018
Cash, beginning of the period	<u>242,674</u>	<u>71,251</u>	<u>27,139</u>	<u>9,568</u>
Cash, end of the period	<u>\$ 115,740</u>	<u>\$ 37,586</u>	<u>\$ 115,740</u>	<u>\$ 37,586</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.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENT OF SHAREHOLDERS' DEFICIENCY**  
for the nine months ended September 30, 2013 and 2012 and for the nine 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	81,000	13,579	-	-	-	-	-	13,579
Fair value of options exercised	-	5,082	-	(5,082)	-	-	-	-
Fair market value of stock based compensation	-	-	-	(2,433)	-	-	-	(2,433)
Exchange differences on translating foreign operation	-	-	-	-	(46,029)	-	-	(46,029)
Net loss for the period	-	-	-	-	-	(936,987)	(17,860)	(954,847)
Balance, September 30, 2012	44,077,720	16,509,762	915	3,095,769	(55,733)	(20,800,188)	(543,391)	(1,792,866)
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	-	-	-	-	-	-	-	-
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	-	-	-	62,285	-	-	-	62,285
Exchange differences on translating foreign operation	-	-	-	-	23,507	-	-	23,507
Net loss for the period	-	-	-	-	-	(387,297)	(3,767)	(391,064)
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 nine months ended September 30, 2013 and 2012 and for the nine months ended December 31, 2012  
(Stated in US Dollars)  
(Unaudited - Prepared by Management)

	Common Stock		Common	Contributed	Accumulated		Non-	
	Issued	Amount	Stock	Surplus	Other	Deficit	Controlling	Total
	Shares		Subscriptions		Comprehensive		Interest	
					Income (loss)			
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	20,175,000	1,953,554	-	-	-	-	-	1,953,554
On exercise of share purchase options								
– at CND\$0.10	725,000	69,827	-	-	-	-	-	69,827
Shares issued as finders fees	699,000	67,761	-	-	-	-	-	67,761
Share issue cost	-	(67,761)	-	-	-	-	-	(67,761)
Fair value of options exercised	-	192,647	-	(192,647)	-	-	-	-
Fair market value of stock based compensation	-	-	-	148,034	-	-	-	148,034
Exchange differences on translating foreign operation	-	-	-	-	37,864	-	-	37,864
Net loss for the period	-	-	-	-	-	(1,377,253)	(15,877)	(1,393,130)
Balance, September 30, 2013	<u>79,903,720</u>	<u>\$ 20,088,194</u>	<u>\$ -</u>	<u>\$ 3,113,441</u>	<u>\$ 5,638</u>	<u>\$ (22,564,738)</u>	<u>\$ (563,035)</u>	<u>\$ 79,500</u>

SEE ACCOMPANYING NOTES

**VALDOR TECHNOLOGY INTERNATIONAL INC.**  
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2013  
(Stated in US Dollars)  
(Unaudited - Prepared by Management)

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 nine months ended September 30, 2013, the Company's principal business was developing, manufacturing and marketing of fiber optic components and related technology 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 November 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 clarify 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 Equipment

	September 30, 2013		
	Cost	Accumulated Amortization	Net
Equipment	\$ 2,615	\$ 40	\$ 2,575

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.

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 September 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	6,183,500	CDN\$0.15
Granted	1,335,000	CDN\$0.13	-	-
Expired/forfeited	(800,000)	CDN\$0.16	(1,870,000)	CDN\$0.15
Exercised	(725,000)	-	(81,000)	CDN\$0.17
	<u>6,252,500</u>	<u>CDN\$0.14</u>	<u>4,232,500</u>	<u>CDN\$0.16</u>
Options outstanding at end of the period				
	<u>4,330,000</u>		<u>3,875,000</u>	
Options exercisable at end of the period				

Note 7 Share Capital – (cont'd)

b) Commitments - (cont'd)

Stock-Based Compensation Plan – (cont'd)

At September 30, 2013, the Company has 6,252,500 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
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
440,000	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
<u>6,252,500</u>		

As of September 30, 2013, the 6,252,500 share purchase options outstanding have a weighted average remaining contractual life of 3.24 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 nine months ended September 30, 2013, the Company recorded stock-based compensation expense of \$148,034 (September 30, 2012: \$(2,433)) 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: 1.13% - 1.66% (September 30, 2012 – 1.13% - 1.44%) risk free rate, 0% (September 30, 2012 – 0%) dividend yield, 84 - 135 (September 30, 2012 - 86% – 144%) expected volatility and 3.5 – 5.0 years (September 30, 2012 – 3.5 – 5 years) weighted average expected stock option life.

Note 7 Share Capital – (cont'd)

b) Commitments - (cont'd)

Share purchase warrants

During the nine month period ended September 30, 2013, the Company issued 20,175,000 common shares pursuant to the private placement of 20,175,000 units at CDN\$0.10 per unit for gross proceeds of \$1,953,554. 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 September 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	20,874,000	CDN\$0.20	-	-
Balance, end of the period	35,101,000	CDN\$0.20	-	-

At September 30, 2013, the Company has 35,101,000 share purchase warrants outstanding as follows (2012 – nil):

Number	Exercise Price	Expiry Date
14,227,000	CDN \$0.20	November 23, 2015
20,874,000	CDN \$0.20	June 10, 2016
<u>35,101,000</u>		

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 September 30,		Nine months ended September 30,	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Administrative expenses				
Office and miscellaneous				
– secretarial services	\$ 5,350	\$ 5,726	\$ 8,647	\$ 9,703
Salaries, wages and benefits	-	-	-	24,737
Stock-based compensation	(6)	-	766	-
	<u>5,344</u>	<u>5,726</u>	<u>9,413</u>	<u>34,440</u>
Key management compensation				
Consulting fees	114,505	105,885	317,005	141,682
Management fees	36,109	34,439	109,924	67,352
Rent	6,198	4,270	18,776	18,921
Salaries, wages and benefits	-	-	-	28,513
Stock-based compensation	<u>19,425</u>	<u>-</u>	<u>47,044</u>	<u>-</u>
	<u>176,237</u>	<u>144,594</u>	<u>492,749</u>	<u>256,468</u>
	<u>\$ 181,581</u>	<u>\$ 150,320</u>	<u>\$ 502,162</u>	<u>\$ 290,908</u>

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

Included in prepaid expenses at September 30, 2013 is \$2,074 (December 31, 2012: \$Nil) of prepaid rent paid to a company with a common director.

Included in advances on private placement at September 30, 2013 is \$Nil (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 nine months ended September 30, 2013, the Company was economically dependent on two (2012: two) customers each accounted for more than 10% of sales and in aggregate accounted for 44% (2012: 37%) of sales.

Valdor Technology International Inc.  
Notes to the Condensed Interim Consolidated Financial Statements  
September 30, 2013  
(Stated in US Dollars)  
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Note 9 Segmented Information and Economic Dependence – (cont'd)

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

	Three months ended September 30,		Nine months ended September 30,	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
United States of America	\$ 18,720	\$ 25,574	\$ 49,837	\$ 78,437
Europe	16,668	2,711	30,367	7,799
Other	<u>9,605</u>	<u>2,010</u>	<u>17,688</u>	<u>10,436</u>
	<u>\$ 44,993</u>	<u>\$ 30,295</u>	<u>\$ 97,892</u>	<u>\$ 96,672</u>

Net losses

	Three months ended September 30,		Nine months ended September 30,	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Canada	\$ 248,332	\$ 296,623	\$ 1,128,511	\$ 657,174
United States of America	<u>97,559</u>	<u>108,810</u>	<u>264,619</u>	<u>297,673</u>
	<u>\$ 345,891</u>	<u>\$ 405,433</u>	<u>\$ 1,393,130</u>	<u>\$ 954,847</u>

Total Assets

	September 30, <u>2013</u>	December 31, <u>2012</u>
Canada	\$ 118,182	\$ 34,896
United States of America	<u>97,487</u>	<u>68,119</u>
	<u>\$ 215,669</u>	<u>\$ 103,015</u>



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 September 30, 2013, the Company has cash of CDN\$112,510 (December 31, 2012: CDN\$16,575), accounts payable of CDN\$32,664 (December 31, 2012: CDN\$251,924), advances on private placement of CDN\$Nil (December 31, 2012: CDN\$45,500) due to related parties of CDN\$9,083 (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 September 30, 2013:

The Company entered into a Binding Letter of Intent (the "LOI") for the acquisition of all of the business and assets of VideoWare, Inc. ("VideoWare"), a wholly owned subsidiary of ViewCast.com, Inc. ("ViewCast"), of Grapevine, Texas.

Under the terms and conditions of the LOI, an Asset Purchase Agreement (the "Agreement") will be prepared whereby the Company will pay to VideoWare a total of US\$1,250,000 (the "Purchase Price") of which US\$1,000,000 will be paid on or before the target closing date of December 2, 2013 and an additional US\$250,000 will be paid on or before 60 days thereafter. A 7% royalty will be paid to ViewCast on gross sales from the VideoWare business to a maximum of US\$1,750,000 over a five year period. Completion of the Agreement will be subject to: 1) the completion of due diligence by each party to the terms and conditions related to and defined in the Agreement; 2) the completion of a financing by the Company; 3) the receipt of all requisite TSX Venture Exchange approvals and/or consents and; 4) the approval by the Boards of Directors of all parties to the Agreement. The Company intends to fund the acquisition of the VideoWare business and its assets through a combination of debenture and equity financing.

**VALDOR TECHNOLOGY INTERNATIONAL INC.** Schedule I  
**CONDENSED INTERIM CONSOLIDATED SCHEDULE OF ADMINISTRATIVE AND  
GENERAL EXPENSES**  
for the three and nine months ended September 30, 2013 and 2012  
(Stated in US Dollars)  
(Unaudited - Prepared by Management)

	Three months ended September 30,		Nine months ended September 30,	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Consulting fees – Note 8	\$ 135,502	\$ 206,662	\$ 678,088	\$ 410,380
Entertainment and travel	13,317	21,938	40,719	33,626
Investor relations	11,683	5,063	17,588	12,521
Legal and accounting fees	11,639	22,763	38,363	47,185
Licenses and permits	194	866	1,491	1,556
Management fees – Note 8	36,109	34,439	109,924	67,352
Office and miscellaneous – Note 8	12,734	19,374	33,083	45,802
Rent – Note 8	20,109	10,310	47,772	43,708
Repairs and maintenance	1,581	1,065	3,796	3,130
Salaries, wages and benefits – Note 8	40,238	33,542	107,248	161,090
Stock exchange filing fees	189	857	21,357	15,255
Telephone and utilities	1,355	5,612	10,486	17,468
Transfer agent fees	<u>4,549</u>	<u>5,735</u>	<u>7,506</u>	<u>8,409</u>
	<u>\$ 289,199</u>	<u>\$ 368,226</u>	<u>\$ 1,117,421</u>	<u>\$ 867,482</u>