VALDOR TECHNOLOGY INTERNATIONAL INC.

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2013 and 2012

(Stated in US Dollars)

I. Vellmer
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Independent Auditor's Report

To the shareholders of
Valdor Technology International Inc.

Report on the Consolidated Financial Statements
I have audited the accompanying consolidated financial statements of Valdor Technology International Inc., which comprise the consolidated statements of financial position as at December 31, 2013 and 2012 and the consolidated statements of operations and comprehensive loss, the consolidated statements of changes in shareholders' deficiency and the consolidated statements of cash flows for the for the years ended December 31, 2013 and 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
My responsibility is to express an opinion on these consolidated financial statements based on my audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion
In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Valdor Technology International Inc. as at December 31, 2013 and 2012 and its financial performance and cash flows for the years ended December 31, 2013 and 2012 in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying my opinion, I draw attention to Note 2 of the consolidated financial statements which indicates that the Company has incurred losses since inception and has not yet developed self-sustaining operations. These conditions, along with other matters as set for the in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

April 30, 2014
Vancouver, Canada

"I Vellmer Inc."
Chartered Accountant

VALDOR TECHNOLOGY INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2013 and 2012
(Stated in US Dollars)

	2013	2012
ASSETS		
Current		
Cash	$ 214,372	$ 27,139
Accounts receivable	27,144	19,423
Inventories	30,821	48,551
Prepaid expenses and deposit – Notes 8 and 14	111,265	7,902
	383,602	103,015
Equipment	7,238	-
Total Assets	$ 390,840	$ 103,015
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 165,584	$ 338,570
Advances on private placement – Note 5	446,595	45,732
Due to related parties – Note 6	26,782	455,362
Total Liabilities	638,961	839,664
SHAREHOLDERS' DEFICIENCY		
Share capital – Note 7	20,088,194	17,872,166
Contributed surplus	3,164,162	3,158,054
Accumulated other comprehensive income (loss)	5,314	(32,226)
Accumulated deficit	(22,937,427)	(21,187,486)
Attributable to parent	320,243	(189,492)
Attributable to non-controlling interest	(568,364)	(547,157)
Total Shareholders' Deficiency	(248,121)	(736,649)
Total Liabilities and Shareholders' Deficiency	$ 390,840	$ 103,015

Nature of Operations – Note 1
Commitments – Note 7
Contingency – Note 13
Subsequent Events – Note 14

APPROVED BY THE DIRECTORS:

"Elston Johnston" Director — *"Brian Findlay"* Director

Elston Johnston — Brian Findlay

SEE ACCOMPANYING NOTES

VALDOR TECHNOLOGY INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

for the years ended December 31, 2013 and 2012

(Stated in US Dollars)

	2013	2012
Revenue – Note 10	$ 134,062	$ 130,593
Cost of goods sold	83,837	78,120
Gross profit	50,225	52,473
Expenses		
Administration and general – Schedule 1	1,434,839	1,158,220
Amortization	344	-
Marketing	96,867	114,146
Research and development	101,304	94,987
Interest	3,826	4,443
Share based payments – Note 7 and 8	198,755	59,852
	1,835,935	1,431,648
Loss before other items	(1,785,710)	(1,379,175)
Other items:		
Write-off of prepaid expenditures – Note 8	-	(64,736)
Write-off of accounts payable	14,562	98,000
Net loss for the year	(1,771,148)	(1,345,911)
Other Comprehensive (Loss) Income		
Exchange differences on translating into functional currency	37,539	(22,522)
Total comprehensive loss for the year	$(1,733,609)	$(1,368,433)
Net loss attributable to non-controlling interest	$ (21,206)	$ (21,627)
Net loss attributable to parent	(1,749,942)	(1,324,284)
Net loss for the year	$(1,771,148)	$(1,345,911)
Total comprehensive loss attributable to non-controlling interest	$ (21,206)	$ (21,627)
Total comprehensive loss attributable to parent	(1,712,403)	(1,346,806)
Total comprehensive loss for the year	$(1,733,609)	$(1,368,433)
Basic and diluted loss per share	$ (0.03)	$ (0.03)
Weighted average number of shares outstanding	69,372,125	45,573,460

SEE ACCOMPANYING NOTES

VALDOR TECHNOLOGY INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended December 31, 2013 and 2012
(Stated in US Dollars)

	2013	2012
Operating Activities		
Net loss from operations for the year	$ (1,771,148)	$ (1,345,911)
Charges to income not affecting cash:		
Amortization	344	-
Write-off of prepaid expenditures	-	64,736
Write-off of accounts payable	(14,562)	(98,000)
Unrealized foreign exchange	(3,346)	(8,289)
Share based payments	198,755	59,852
	(1,589,957)	(1,327,612)
Changes in non-cash working capital balances related to operations:		
Accounts receivable	(6,841)	12,852
Inventories	17,730	33,013
Prepaid expenses and deposit	(100,006)	16,527
Accounts payable and accrued liabilities	(146,842)	(89,705)
	(1,825,916)	(1,354,925)
Financing Activities		
Increase (decrease) in due to related parties	(412,447)	202,234
Increase (decrease) in advances on private placement	416,967	(205,012)
Proceeds from issuance of common shares	2,023,382	1,375,983
Share subscriptions	-	(915)
	2,027,902	1,372,290
Investing Activity		
Acquisition of equipment	(7,582)	-
	(7,582)	-
Effect of unrealized foreign exchange gain or loss on cash	(7,171)	206
Increase in cash during the year	187,233	17,571
Cash, beginning of the year	27,139	9,568
Cash, end of the year	$ 214,372	$ 27,139

Supplementary Disclosure of Statements of Cash Flows Information	2013	2012
Interest received (paid)	$ (4,443)	$ (4,769)
Income taxes received (paid)	$ -	$ -
Dividends received (paid)	$ -	$ -

SEE ACCOMPANYING NOTES

VALDOR TECHNOLOGY INTERNATIONAL INC.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' DEFICIENCY

for the years ended December 31, 2013 and 2012

(Stated in US Dollars)

	Common Stock		Common Stock	Contributed	Accumulated Other Comprehensive		Non-Controlling	
	Issued Shares	Amount	Subscriptions	Surplus	Income (loss)	Deficit	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:								
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	81,000	13,579	-	-	-	-	-	13,579
Shares issued as finders fees	391,000	39,209	-	-	-	-	-	39,209
Share issue cost	-	(64,279)	-	-	-	-	-	(64,279)
Fair value of options exercised	-	5,082	-	(5,082)	-	-	-	-
Fair market value of stock based compensation	-	-	-	59,852	-	-	-	59,852
Exchange differences on translating foreign operation	-	-	-	-	(22,522)	-	-	(22,522)
Net loss for the year	-	-	-	-	-	(1,324,284)	(21,627)	(1,345,911)
Balance, December 31, 2012	58,304,720	$ 17,872,166	$ -	$ 3,158,054	$ (32,226)	$ (21,187,486)	$ (547,157)	$ (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	-	-	-	198,755	-	-	-	198,755
Exchange differences on translating foreign operation	-	-	-	-	37,539	-	-	37,539
Net loss for the year	-	-	-	-	-	(1,749,942)	(21,206)	(1,771,148)
Balance, December 31, 2013	79,903,720	$ 20,088,194	$ -	$ 3,164,162	$ 5,314	$ (22,937,427)	$ (568,364)	$ (248,121)

SEE ACCOMPANYING NOTES

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 year ended December 31, 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 Company's operations are at 3116 Diablo, Hayward, California 94545.

Note 2 Basis of Preparation

a) Statement of Compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and which were in effect as of December 31, 2013.

The consolidated financial statements were authorized for issue by the Board of Directors on April 30, 2014.

b) Going Concern of Operations

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. As at December 31, 2013, the Company has not achieved profitable operations, has accumulated losses of $22,937,427 (2012 - $21,187,486) since inception and expects to incur further losses in the development of its business, and has a working capital deficiency of $255,359 (2012 - $736,649), all of which casts significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations and management is intending to secure additional financing as may be required, there is no assurance it will be able to do so in the future. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Note 2 Basis of Preparation – (cont'd)

c) Basis of Measurement

The preparation of financial statements in compliance with IFRS 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 consolidated financial statements have been prepared on a historical cost basis.

The consolidated financial statements have been presented in US dollars.

Note 3 Summary of Significant Accounting Policies

The significant accounting policies set out below have been applied consistently in all material respects to all years presented in these financial statements, unless otherwise indicated.

a) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and the accounts of the following companies which the Company has control:

Company	State of Incorporation	Percentage Held 2013	Percentage Held 2012
Fiberlight Optics, Inc.	Delaware	94%	94%
Valdor Fiber Optics, Inc.	Delaware	94%	94%

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefit from its activities. All significant inter-company transactions and balances have been eliminated.

b) Cash Equivalents

The Company considers all highly liquid instruments which are readily convertible into cash with maturities of three months or less when purchased to be cash equivalents. As at December 31, 2013 and 2012, the Company did not hold any cash equivalents.

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

c) Inventory

The Company's inventory consists of fiber optic parts inventory. Inventory is valued at the lower of cost or net realizable value. Cost is determined using the first-in-first-out method and includes the cost of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

d) Foreign Currency Translation

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 and uses US dollar as its reporting currency. The functional currency of the subsidiary is US dollars as it is the currency in which the majority of its sales and expenses are incurred.

Monetary assets and liabilities of a company that are denominated in a currency other than the functional currency are translated at the exchange rate in effect at the period end. Revenue and expense items are translated at the average rates of exchange prevailing during the year. Gains or losses from translation are recognized in profit or loss in the period in which they occur.

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency is translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve on the statement of operations and comprehensive loss/income.

e) Basic and Diluted Loss per Share

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive. Basic and diluted loss per share are the same for the years presented.

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

f) Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statement of operations except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive loss/income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, except for taxable temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred income tax assets and liabilities are presented as non-current.

g) Revenue Recognition

The Company recognizes revenue from the sale of fiber optic products upon shipment and when all significant contractual obligations have been satisfied and collection is reasonably assured.

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

h) Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments. The Company's warrants are classified as equity when a fixed amount of warrants are issuable for a fixed amount of cash.

The Company follows the residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component. The fair value of the common shares issued in the private placement was determined to be the more easily measurable component and were valued at their fair value on the announcement date and the balance, if any, is allocated to the attached warrants.

The proceeds from the exercise of stock options, share purchase warrants and escrow shares are recorded as share capital in the amount for which the stock options, share purchase warrants or escrow shares enabled the holder to purchase a share in the Company.

Share capital issued for non-monetary consideration is recorded at an amount based on fair market value reduced by an estimate of transaction costs normally incurred when issuing shares for cash, as determined by the board of directors of the Company.

Costs directly identifiable with the raising of share capital financing are charged against share capital. Share issue costs incurred in advance of share subscriptions are recorded as non-current deferred charges. Share issue costs related to uncompleted share subscriptions are charged to operations.

i) Share-based Payments

Equity-settled share based payments for directors, officers and employees are measured at fair value at the date of grant and recorded as compensation expense in the financial statements. The fair value determined at the grant date of the equity-settled share based payments is expensed on a graded vesting basis over the vesting period based on the Company's estimate of shares that will eventually vest on a tranche by tranche basis. Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of operations over the remaining vesting period.

Compensation expense on stock options granted to non-employees is measured at the earlier of the completion of performance and the date the options are vested using the fair value method and is recorded as an expense in the same period as if the Company had paid cash for the goods or services received.

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

i) Share-based Payments – (cont'd)

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a Black-Scholes valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share based payments are reflected in contributed surplus, until exercised. Upon exercise shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital along with any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

j) Financial Instruments

Financial assets and liabilities are recognized when the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the company classifies its financial assets in the following categories depending on the purpose for which the instruments were acquired.

Financial assets are classified into one of four categories: Financial assets at fair value through profit or loss ("FVTPL"), Held-to-maturity investments, available for sale ("AFS") financial assets and loans and receivables.

The Company has classified cash and accounts receivable as loans and receivables.

At each reporting date, the company assesses whether there is objective evidence that a financial asset is impaired. Financial assets are impaired when one or more events that occurred after the initial recognition of the financial asset have been impacted.

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

j) Financial Instruments – (cont'd)

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivable is reduced through the use of an allowance. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Impairment losses on loans and receivables carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairment losses on available-for-sale equity instruments are not reversed.

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at FVTPL, or other financial liabilities, as appropriate.

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value.

The Company's financial liabilities include accounts payables and accrued liabilities, due to related parties, advances on private placements. Subsequent to initial recognition, accounts payable and accrued financial liabilities are measured at amortized cost using the effective interest method.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs, other than quoted prices, that are observable for the asset or liability either directly; or indirectly; and
- Level 3 - inputs that are not based on observable market data.

k) Future Accounting Pronouncements

The following new standards and interpretations are not yet effective and have not been applied in preparing these 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.

- IFRS 7, *Financial Instruments Disclosures* (effective January 1, 2013) 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.

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

k) Future Accounting Pronouncements – (cont'd)

- 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.

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.

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

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.

Note 5 Advances on Private Placements

The advances on private placements are non-interest bearing, unsecured and due on demand.

Note 6 Due to Related Parties

Due to related parties, representing amounts due to current directors and officers of the Company and companies controlled by directors and officers, and 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

Nature and Purpose of Equity and Reserves:

The reserves recorded in equity on the Company's Statement of Financial Position include 'Contributed Surplus', 'Accumulated Other Comprehensive Income/loss, 'Accumulated Deficit' and 'Non Controlling Interest".

'Contributed Surplus' is used to recognize the value of stock option grants prior to exercise and the allocate value of the warrants granted as part of unit issuances.

'Accumulated Other Comprehensive Income/loss' is used to record the change in cumulative foreign currency adjustment on conversion from the functional currency of the parent to the presentation currency.

'Accumulated Deficit' is used to record the Company's change in deficit from earnings from year to year.

'Non Controlling Interest" is used to record the change in equity in a subsidiary not attributable, directly or indirectly, to the Company.

Note 7 Share Capital – (cont'd)

b) Commitments: – (cont'd)

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 option 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 December 31, 2013 and 2012 and changes during the years 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 year	6,442,500	CDN$0.14	6,183,500	CDN$0.15
Granted	1,335,000	CDN$0.13	2,210,000	CDN$0.10
Exercised	(725,000)	CDN$0.16	(81,000)	CDN$0.17
Expired/Forfeited	(1,975,000)	CDN$0.13	(1,870,000)	CDN$0.13
Options outstanding at end of the year	5,077,500	CDN$0.14	6,442,500	CDN$0.14
Options exercisable at end of the year	3,857,500		3,517,500	

Note 7 Share Capital – (cont'd)

b) Commitments: – (cont'd)

Stock-Based Compensation Plan – (cont'd)

At December 31, 2013, the Company has 5,077,500 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
300,000	CDN $0.20	August 28, 2014
140,000	CDN $0.16	December 8, 2015
400,000	CDN $0.18	March 16, 2016
415,000	CDN $0.15	October 16, 2016
1,600,000	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
5,077,500		

As of December 31, 2013, the 5,077,500 share purchase options outstanding have a weighted average remaining contractual life of 3.26 (2012: 3.17) 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 year ended December 31, 2013, the Company recorded stock-based compensation expense of $198,755 (2012: $59,852) 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% - 1.66% (2012 – 1.13% - 1.44%) risk free rate, 0% (2012 – 0%) dividend yield, 84% - 134% (2012 - 86% – 141%) expected volatility and 3.9 – 5 years (2012 – 3.5 - 5 years) weighted average expected stock option life.

Note 7 Share Capital – (cont'd)

b) Commitments: – (cont'd)

Share Purchase Warrants

On June 10, 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 $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.

The Company fair valued the finders' units at $67,761 consisting of $67,761 for the 699,000 shares which are valued at CDN$0.10 per share and $nil for the 699,000 share purchase warrants, also using the residual value method.

On November 22, 2012, the Company issued 13,836,000 common shares pursuant to the private placement of 13,836,000 units at CDN$0.10 per unit for gross proceeds of $1,387,474. 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 paid finder's fees of CDN$25,000 and issued 391,000 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.

The Company fair valued the finders' units at $39,209 consisting of $39,209 for the 391,000 shares which are valued at CDN$0.10 per share and $nil for the 391,000 share purchase warrants, also using the residual value method.

A summary of the status of share purchase warrants as of December 31, 2013 and 2012 and changes during the years then ended on those dates is presented below:

	2013		2012	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Balance, beginning of the year	14,227,000	CDN$0.20	-	-
Issued	20,874,000	CDN$0.20	14,227,000	CDN$0.20
Balance, end of the year	35,101,000	CDN$0.20	14,227,000	CDN$0.20

Note 7 Share Capital – (cont'd)

b) Commitments: – (cont'd)

Share Purchase Warrants - (cont'd)

At December 31, 2013, the Company has 35,101,000 share purchase warrants outstanding as follows:

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

Note 8 Related Party Transactions

The Company incurred the following revenues and expenses with related parties of the Company:

	2013 $	2012 $
Write-off of prepaid expenditures	-	64,736
Administrative expenses to other related parties		
Consulting fees	141,927	-
Office and miscellaneous – secretarial services	20,193	12,126
Rent	24,903	27,424
Salaries, wages and benefits	-	24,737
Share based payment	27,782	9,135
	214,805	73,422
Key management compensation		
Consulting fees	374,846	437,431
Management fees	157,270	90,005
Salaries, wages and benefits	99,941	28,513
Share based payment	68,816	10,906
	700,873	566,855
	$ 915,678	$ 640,277

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

Included in prepaid expenses at December 31, 2013 is $2,049 (2012: $Nil) of prepaid rent paid to a company controlled by a director.

Note 8 Related Party Transactions – (Con'td)

Included in advances on private placement at December 31, 2013 is $70,500 (2012: $40,500) owing to a director.

5,055,000 of the private placement units issued in the year ended December 31, 2013 were issued to officers, directors and companies controlled by the officers/directors (2012 – 840,000

units), and 3,050,000 of these private placement units were issued to other related parties (2012 – 400,000 units).

Note 9 Corporation Income Tax Losses

The total income tax recovery varies from the amounts that would be computed by applying the statutory income tax rate to loss before income taxes as follows:

	2013	2012
Income (losses) before income taxes	$ (1,771,148)	$ (1,345,900)
Statutory rates	25.75%	25.00%
Expected income tax (recovery)	$ (446,000)	$ (336,000)
Foreign income taxes at other than Canadian statutory rate	(33,000)	(36,000)
Change in statutory rates	(58,000)	-
Permanent differences	42,000	16,000
Change in foreign exchange rate	114,000	(26,000)
Change in valuation allowance	381,000	382,000
	$ -	$ -

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amount of the balance sheet items and their corresponding tax values as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized.

Note 9 Corporation Income Tax Losses – (Cont'd)

Significant components of the Company's deferred tax assets, after applying enacted corporate income tax rates, are as follows:

	2013	2012
Deferred income tax assets		

Non-capital and net operating losses	$ 5,950,000	$ 5,546,000
Capital losses	552,000	571,000
Mineral properties	4,000	4,000
Share issue costs	4,000	6,000
Non-deductible accruals	11,000	11,000
Non-deductible interest	631,000	631,000
	7,151,000	6,769,000
Less: valuation allowance	(7,151,000)	(6,769,000)
	$ -	$ -

The Company recorded a valuation allowance against its deferred income tax assets based on the extent to which it is more likely than not that sufficient taxable income will be realized during the carry forward periods to utilize all the deferred tax assets.

The Company has non-capital losses available to reduce taxable income in Canada and in USA and expire in stages through 2033 as follows:

	Canada (CDN)	USA
2018	$ -	$ 480,000
2019	-	1,516,000
2020	-	2,034,000
2021	-	2,366,000
2022	-	1,037,000
2023	-	871,000
2024	-	779,000
2025	-	716,000
2026	249,000	530,000
2027	300,000	595,000
2028	384,000	433,000
2029	571,000	587,000
2030	454,000	628,000
2031	156,000	668,000
2032	924,000	360,000
2033	1,230,000	353,000
	$ 4,268,000	$ 13,953,000

At December 31, 2013, the Company has accumulated capital losses of approximately CDN$4,545,000 (2012: $4,545,000) in Canada that may be carried forward indefinitely to reduce future years' capital gains.

Note 10 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 year ended December 31, 2013, the Company was economically dependent on two (2012: one) customers who each accounted for more than 10% of sales and in aggregate accounted for 37% (2012: 29%) of sales.

The Company's sales revenues are allocated to geographic segments for the years ended December 31, 2013 and 2012 as follows:

Revenues	2013	2012
United States of America	$ 74,169	$ 106,123
Europe	29,603	10,899
Asia	21,493	11,670
Other	8,797	1,901
	$ 134,062	$ 130,593

Net losses	2013	2012
Canada	$ 1,417,718	$ 985,458
United States of America	353,430	360,453
	$ 1,771,148	$ 1,345,911

Total Assets	2013	2012
Canada	$ 313,728	$ 34,896
United States of America	77,112	68,119
	$ 390,840	$ 103,105

Note 11 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 and 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, advances on private placements and due to related parties are classified as other financial liabilities and are measured at fair value at inception.

Note 11 Financial Instruments – (Cont'd)

IFRS 7 *'Financial Instruments: Disclosures'* establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company has valued its cash and cash equivalents using Level 1. Accounts receivable, accounts payable and accrued liabilities, advances on private placements 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 and debt 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.

Note 11 Financial Instruments – (Cont'd)

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 December 31, 2013, the Company has Canadian dollars cash of $215,620 (2012: $16,575), accounts payable of $97,656 (2012: $251,924), loans

payable of $475,000 (2012: $45,500), due to related parties of $20,534 (2012: $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 12 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.

The Company's capital, as defined above, is $(33,749) (2012 - $(709,510)) a decrease by $675,761 in the fiscal year 2013 (2012 – increase of $84,058).

Note 13 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 14 Subsequent Events

Subsequent to December 31, 2013:

a) On January 26, 2014, the Company granted 350,000 share purchase options exercisable at CDN$0.11 per share expiring on January 23, 2016. These share purchase vest at 25% every six months commencing with the first vesting on July 15, 2014.

b) By an agreement dated February 14, 2014, effectively approved on February 24, 2014 by the TSX Venture Exchange, the Company acquired 100% of the business and all the assets of Videoware Inc ('Videoware'); a wholly owned subsidiary of ViewCast.com Inc. located in Grapevine, Texas in consideration for $1,100,000 cash and the assumption of debt as follows:

$500,000 of the purchase price at the time of close of which $100,000 has been paid prior to December 31, 2013 which is included in prepaid expenses and deposit in the statement of financial position;

Issuance of $600,000 non-interest bearing promissory note, to Videoware of which $300,000 is due on February 21, 2014 and the remaining $300,000 due on March 21, 2014.

The transaction will be accounted for using the purchase method of accounting as an acquisition of assets by the Company. The allocation of the purchase price is based on the assets acquired measured at the fair value at the date of the acquisition. The allocation of the purchase price to the assets acquired is as follows:

Accounts receivables	$ 300,675
Inventories	758,283
Machinery and equipment	80,700
Intangible property	100,000
	1,239,658
Assumption of liabilities	(139,658)
Fair value of assets acquired	$ 1,100,000
Consideration paid:	
Cash	$ 500,000
Promissory Note	600,000
	$ 1,100,000

The fair value of the accounts receivable acquired as part of the purchase approximates their gross carrying value. The Company incurred legal fees on the acquisition in the amount of $8,337, which was shown as part of legal and accounting fees in the Schedule 1 to the consolidated financial statements.

In addition to the Company will pay a royalty of 7% of the gross sales of product lines acquired to Videoware for a period of five years commencing on July 1, 2014 with a maximum paid royalty of $1,750,000.

Note 14 Subsequent Events – (cont'd)

c) On February 3, 2014, the Company granted 400,000 share purchase options exercisable at CDN$0.10 per share expiring on February 3, 2019. These share purchase vest at 25% on the date of grant and 25% every year thereafter with the last vesting on February 3, 2017.

d) On February 18, 2014, the Company completed a non-brokered private placement for a total of 5,280,000 units at a price of CDN$0.10 per unit for gross proceeds of CDN$528,000. Each unit consists of one common share and one non-transferable share purchase warrant. Each warrant will entitle the holder to purchase one common share of the Company at a price of CDN$0.20 on or before February 18, 2017. Finders' fees of 497,000 units were paid in respect to this financing and have similar terms as the non-brokered private placement.

In addition, the Company issued CDN$401,000 convertible debenture of which 20% of the principal amount of the debenture may be convertible into units consisting of one

common share and one non-transferable share purchase warrant at CDN$0.10 of principal outstanding. Each warrant will have a term of three years from the date of issuance of the debentures and entitle the holder to purchase one common share. The non-transferable share purchase warrants are exercisable at the price of CDN$0.20 per share. The convertible debenture bears interest at 12% per annum and has a maturity date of three years from closing.

e) On March 11, 2014, the Company granted 3,575,000 share purchase options exercisable at CDN$0.10 per share expiring on March 11, 2019. These share purchase vest at 25% on the date of grant and 25% every six months thereafter.

VALDOR TECHNOLOGY INTERNATIONAL INC. Schedule I

CONSOLIDATED SCHEDULE OF ADMINISTRATIVE AND GENERAL EXPENSES
for the years ended December 31, 2013 and 2012
(Stated in US Dollars)

	2013	2012
Consulting fees – Note 8	$ 783,751	$ 584,430
Entertainment and travel	50,875	44,810
Investor relations	27,668	12,550
Legal and accounting fees	102,752	74,152
Insurance, licenses and permits	2,484	1,267
Management fees – Note 8	157,273	90,005
Office and miscellaneous – Note 8	47,791	55,263
Rent – Note 8	59,782	64,065
Repairs and maintenance	5,363	4,455
Salaries, wages and benefits – Note 8	145,308	171,290
Stock exchange filing fees	21,914	22,828
Telephone and utilities	19,784	22,554
Transfer agent fees	10,094	10,551
	$ 1,434,839	$ 1,158,220