VALDOR TECHNOLOGY INTERNATIONAL INC.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010 and 2009

(Stated in US Dollars)

I. Vellmer
Chartered Accountant*

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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 balance sheets as at December 31, 2010 and consolidated statements of comprehensive income, consolidated statement of changes in equity and consolidated statements of cash flows for the year then ended, 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 Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of 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 audit. I conducted my audit 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 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 consolidated 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, the consolidated financial statements present fairly, in all material respects, the financial position of Valdor Technology International Inc. as at December 31, 2010, and their financial performance and cash flows for the year then ended in accordance with Canadian generally accepted accounting standards.

The consolidated financial statements of Valdor Technology International Inc. as at December 31, 2009 and for the year then ended were audited by other auditors, who expressed an unmodified opinion on those financial statements on April 30, 2010.

Emphasis of Matter

The accompanying consolidated financial statements have been prepared using Canadian generally accepted accounting principles assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has incurred substantial losses and has not yet reached self-sustaining operations, which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to their planned financing and other matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

May 2, 2011 "I Vellmer Inc."
Vancouver, Canada Chartered Accountant

VALDOR TECHNOLOGY INTERNATIONAL INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2010 and 2009
(Stated in US Dollars)

ASSETS		2010		2009
Current				
Cash and cash equivalents	$	358,916	$	103,843
Accounts receivable		29,742		48,544
Inventory		56,599		44,514
Prepaid expenses – Note 8		15,417		10,697
		460,674		207,598
Equipment – Note 3		-		457
	$	460,674	$	208,055
LIABILITIES				
Current				
Accounts payable and accrued liabilities – Note 4	$	322,361	$	609,064
Promissory notes payable – Note 5		540,070		531,996
Due to related parties – Note 6		122,734		17,673
		985,165		1,158,733
SHAREHOLDERS' DEFICIENCY				
Share capital – Note 7		15,936,335		14,850,523
Share subscriptions – Note 7		(125)		(371,573)
Contributed surplus – Note 7		3,019,779		2,800,970
Deficit		(19,480,480)		(18,230,598)
		(524,491)		(950,678)
	$	460,674	$	208,055

Nature of Operations and Ability to Continue as a Going Concern – Note 1
Commitment – Note 7
Contingency – Note 13
Subsequent Event – Note 14

APPROVED BY THE DIRECTORS:

"Michel Rondeau" Director
Michel Rondeau

"Brian Findlay" Director
Brian Findlay

SEE ACCOMPANYING NOTES

VALDOR TECHNOLOGY INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
for the years ended December 31, 2010 and 2009
(Stated in US Dollars)

	2010	2009
Sales – Note 10	$ 239,600	$ 276,953
Cost of sales – Note 8 and Schedule II	177,105	209,347
Gross profit	62,495	67,606
Expenses		
Administrative and general – Schedule I	794,329	758,827
Marketing	66,276	56,357
Research and development – Note 8	321,405	298,760
Interest	55,439	55,862
Amortization of equipment and other assets	457	1,868
Stock-based compensation – Note 7	223,331	445,953
	1,461,237	1,617,627
Loss from operations	(1,398,742)	(1,550,021)
Other items		
Other income	-	405
Gain from write-off of accounts payable	117,973	21,671
Foreign exchange gain (loss)	30,887	(60,218)
	148,860	(38,142)
Net loss and comprehensive loss for the year	(1,249,882)	(1,588,163)
Deficit, beginning of the year	(18,230,598)	(16,642,435)
Deficit, end of the year	$ (19,480,480)	$ (18,230,598)
Basic and diluted loss per share	$ (0.04)	$ (0.06)
Weighted average number of shares outstanding	33,032,625	24,978,501

SEE ACCOMPANYING NOTES

VALDOR TECHNOLOGY INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the years ended December 31, 2010 and 2009

(Stated in US Dollars)

	2010	2009
Operating Activities		
Net loss and comprehensive loss for the year	$ (1,249,882)	$ (1,588,163)
Charges to income not affecting cash:		
Amortization of equipment and other assets	457	1,868
Unrealized foreign exchange gain (loss)	(30,887)	60,218
Gain from write-off of accounts payable	(117,973)	21,671
Non-cash compensation charge	223,331	445,953
	(1,174,954)	(1,058,453)
Changes in non-cash working capital balances related to operations:		
Accounts receivable	18,421	5,812
Inventory	(12,085)	9,433
Prepaid expenses	(4,847)	3,146
Accounts payable and accrued liabilities	(174,592)	(12,864)
Cash used in operating activities	(1,348,057)	(1,052,926)
Financing Activities		
Decrease in promissory notes payable	(12,219)	(13,125)
Increase (decrease) in due to related parties	105,061	(29,912)
Share subscriptions	377,376	(371,573)
Proceeds from issuance of common shares – net	1,063,878	1,432,071
Cash provided by financing activities	1,534,096	1,017,461
Foreign exchange effect on cash	69,034	55,046
Increase in cash during the year	255,073	19,581
Cash, beginning of the year	103,843	84,262
Cash, end of the year	$ 358,916	$ 103,843
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	$ 14,501	$ 7,119
Income taxes	$ -	$ -

SEE ACCOMPANYING NOTES

Note 1 Nature of Operations and Ability to Continue as a Going Concern

The Company was incorporated under the British Columbia Company Act and is publicly traded on the TSX Venture Exchange. During the year ended December 31, 2010, the Company's principal business was developing, manufacturing and marketing of fiber optic products. This business is located in Hayward, California.

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, 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 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. At December 31, 2010, the Company had not yet achieved profitable operations, has accumulated losses of $19,480,480 since inception, has a working capital deficiency of $524,491 and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. The Company will require additional financing in order to meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future, particularly in light of current global economic conditions. Accordingly, these financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not appropriate then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these financial statements.

Note 2 Summary of Significant Accounting Policies

The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in Canada and are stated in United States dollars. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates, which have been made using careful judgement. Actual results could differ from these estimates.

The consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Note 2 Summary of Significant Accounting Policies – (cont'd)

a) Principles of Consolidation

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

Company	State of Incorporation	Percentage Held 2010	2009
Fiberlight Optics, Inc.	Delaware	94%	94%
Valdor Fiber Optics, Inc.	Delaware	94%	94%

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, 2010 and 2009, the Company did not hold any cash equivalents.

c) Inventory

The Company has adopted CICA Handbook Section 3031, Inventories. This section prescribes the accounting treatment for inventories and provides guidance on the determination of inventory costs and their subsequent recognition as an expense, including any write-down to net realizable value. The Company's inventory consists of fiber optic parts inventory.

Inventory is valued at the lower of cost or net realizable value.

d) Equipment and Amortization

Equipment is recorded at cost and is amortized over its estimated useful life using the straight-line method over the following number of years:

Furniture and equipment	5-10 years
Machinery and equipment	5-10 years

Note 2 Summary of Significant Accounting Policies – (cont'd)

e) 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.

Monetary assets and liabilities of a subsidiary 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 recorded in the Statement of Operations.

Once converted into the functional currency, assets and liabilities that are denominated in a foreign currency are translated at the exchange rate in effect at the period end into reporting currency. Income statement accounts are translated at the average rates of exchange prevailing during the year. Gains or losses from translation are recorded in other comprehensive income.

f) 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.

For the year ended December 31, 2010, potentially dilutive common shares (relating to options and warrants outstanding at year-end) totalling 12,440,000 (2009: 20,135,000) were not included in the computation of loss per share because their effect was anti-dilutive.

g) Income Taxes

The Company accounts for income taxes by the asset and liability method. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes that are more likely than not to be realized.

Note 2 Summary of Significant Accounting Policies – (cont'd)

h) 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.

i) Stock-based Compensation

The Company has a stock-based compensation plan as disclosed in Note 7, whereby stock options are granted in accordance with the policies of regulatory authorities. The fair value of all share purchase options is expensed over their vesting or service period with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

j) Share Purchase Warrants

The Company bifurcates units consisting of common shares and share purchase warrants using the residual value approach whereby it first measures the common share component of the unit at fair value using market prices as input values and then allocates any residual amount to the warrant component of the unit. The residual value of the warrant component is credited to contributed surplus. When warrants are exercised, the corresponding residual value is transferred from contributed surplus to capital stock.

k) Financial Instruments

The Company has made the following designations of its financial instruments: cash as held-for-trading; accounts receivable as loans and receivables; accounts payable and accrued liabilities and amounts due to related parties as other financial liabilities.

Handbook Section 3862, Financial Instruments – Disclosures, was amended in June 30, 2009. It establishes revised standards for the disclosure of financial instruments. The new standard establishes a three-tier hierarchy as a framework for disclosing fair value of financial instruments based on inputs used to value the Company's investments. The hierarchy of inputs and description of inputs is described as follows:

Note 2 Summary of Significant Accounting Policies – (cont'd)

k) Financial Instruments – (cont'd)

Level 1 – fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – fair values are based on inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); or

Level 3 – fair values are based on inputs for the asset or liability that are not based on observable market data, which are unobservable inputs.

Financial instruments classified as level 1 – quoted prices in active markets include cash.

l) Comprehensive Income

Comprehensive income is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources, such as any unrealized gains and losses in financial assets classified as available for sale. In accordance with this standard, the Company reports a statement of comprehensive income and accumulated other comprehensive income is added to the shareholders' equity section of the balance sheet. The Company had no "other comprehensive income or loss" transactions during the year ended December 31, 2010 and 2009 and no opening or closing balances for "accumulated other comprehensive income or loss" for these years.

m) Capital Disclosure

The Company adopted section 1535 which specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Company's policy on management of its capital is described in Note 12.

n) Goodwill and Intangible Assets

Section 3064 replaces CICA 3062 and establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of pre-production and star-up costs and requires that these costs be expensed as incurred. This adoption has not resulted in significant impact on the Company's financial statements and disclosures.

Note 2 Summary of Significant Accounting Policies – (cont'd)

o) Future Accounting Changes

Business Combinations, Consolidations, and Non-Controlling Interests

In January 2009, the AcSB issued the following Handbook sections: 1582 – Business Combinations, 1601 – Consolidations, and 1602 – Non-Controlling Interests. These new Sections will be applicable to financial statements relating to the Company's interim and fiscal year end beginning on or after January 1, 2011. Early adoption is permitted. The Company does not expect that there will be any material impact upon its adoption of these new sections on its consolidated financial statements.

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP and IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Note 3 Equipment and Amortization

	2010		
	Cost	Accumulated Amortization	Net
Furniture and equipment	$ 36,129	$ 36,129	$ -
Machinery and equipment	247,023	247,023	-
	$ 283,152	$ 283,152	$ -

	2009		
	Cost	Accumulated Amortization	Net
Furniture and equipment	$ 36,129	$ 36,129	$ -
Machinery and equipment	247,023	246,566	457
	$ 283,152	$ 282,695	$ 457

Note 4 Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are comprised of the following:

	2010	2009
Canada	$ 56,289	$ 261,502
United States of America	266,072	347,562
	$ 322,361	$ 609,064

Note 5 Promissory Notes Payable

	2010	2009
Promissory note payable in Euros (E152,449) to a former director of the Company, bearing interest at 10% per annum, unsecured and due on demand, includes accrued interest payable of $339,053 (2009: $313,428)	$ 540,070	$ 531,996

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
Unlimited preferred shares

Note 7 Share Capital – (cont'd)

b) Issued Common Shares:

	2010		2009	
	Number	Amount	Number	Amount
Balance, beginning of the year	31,160,220	$14,850,523	21,170,220	$13,402,846
For cash				
– pursuant to the exercise of share purchase options				
– at CDN $0.10 to CDN $0.20	25,000	4,805	100,000	12,271
– pursuant to the exercise of share purchase warrants				
– at CDN $0.125	8,730,000	1,076,485	1,900,000	214,839
– pursuant to private placements				
– at CDN $0.10	-	-	4,300,000	352,256
– at CDN $0.25	-	-	3,690,000	881,172
Share issue costs				
– finder's fees	-	-	-	(23,394)
– filing's fee	-	-	-	(5,073)
Fair value of options exercised	-	4,522	-	15,606
Balance, end of the year	39,915,220	$15,936,335	31,160,220	$14,850,523

On April 29, 2009 the Company issued 4,300,000 units (each a "Unit") pursuant to a private placement to raise gross proceeds of $352,256 (CDN $430,000). Each Unit was comprised of one common share (the "Common Shares") and one common share purchase warrant (the "Warrants"). Each Warrant entitles the holder to purchase one additional Common Share of the Company at a price of CDN $0.125 per share for two years after closing. No value was assigned to the share purchase warrants granted in connection with the private placement and thus all proceeds were credited to share capital.

On December 29, 2009 the Company issued 3,690,000 units (each a "Unit") pursuant to a private placement to raise gross proceeds of $991,172 (CDN $922,500). Net proceeds from this transaction were $852,705 (CDN $892,575). Each Unit was comprised of one common share (the "Common Shares") and one common share purchase warrant (the "Warrants"). Each Warrant entitles the holder to purchase one additional Common Share of the Company at a price of CDN $0.35 per share for two years after closing. No value was assigned to the share purchase warrants granted in connection with the private placement and thus all proceeds were credited to share capital.

Note 7 Share Capital – (cont'd)

c) 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 December 31, 2010 and 2009 and changes during the years then ended on those dates is presented below:

	2010		2009	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of the year	3,460,000	CDN $0.14	2,390,000	CDN $0.11
Forfeited/cancelled	(325,000)	CDN $0.14	(250,000)	CDN $0.15
Granted	1,590,000	CDN $0.16	1,420,000	CDN $0.19
Exercised	(25,000)	CDN $0.20	(100,000)	CDN $0.13
Outstanding at end of the year	4,700,000	CDN $0.15	3,460,000	CDN $0.14
Options exercisable at end of the year	3,370,000		1,952,500	

Note 7 Share Capital – (cont'd)

c) Commitments - (cont'd)

Stock-Based Compensation Plan – (cont'd)

At December 31 2010, the Company has 4,700,000 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
1,957,500	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
400,000	CDN $0.17	May 14, 2012
100,000	CDN $0.17	May 14, 2015
1,090,000	CDN $0.16	December 8, 2015
4,700,000		

As of December 31, 2010, the 4,700,000 share purchase options outstanding have a weighted average remaining contractual life of 3.33 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, 2010, the Company granted 1,590,000 (2009: 1,420,000) incentive stock options exercisable at prices ranging from CDN $0.16 to CDN $0.17 (2009: CDN $0.15 to CDN $0.25) per share to certain directors, officers, employees and consultants for a period of two to five years pursuant to the terms and conditions of the company's stock option plan. The options vest 25% at date of grant and 25% every six months thereafter.

During the year ended December 31, 2010, the Company recorded a stock-based compensation expense of $223,331 (2009: $445,953) on 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: 1.69% – 2.6% (2009: 0.92% – 2.77%) risk free rate; 0% (2009: 0%) dividend yield; 109% – 153% (2009: 97% – 248%) expected volatility and 1 – 5 (2009: 1.5 – 5) years weighted average expected stock option life. The weighted average fair value on the grant date of the options granted was $0.16 (2009: $0.19).

Note 7 Share Capital – (cont'd)

c) Commitments - (cont'd)

Stock-Based Compensation Plan – (cont'd)

The following table reconciles the Company's contributed surplus:

	December 31, 2010	December 31, 2009
Balance, beginning of the period	$ 2,800,970	$ 2,370,378
Options vested	223,331	445,953
Options exercised	(4,522)	(15,605)
Unissued shares	-	244
Balance, end of the period	$ 3,019,779	$ 2,800,970

Share Subscriptions

As at December 31, 2010, share subscriptions consist of $125 in respect to proceeds receivable pursuant to the exercise of 1,000 share purchase warrants that took place in December 31, 2010 at a price of $0.125 per share.

As at December 31, 2009, share subscriptions consist of $371,573 in respect to the proceeds receivable pursuant to the private placement that took place in December 31, 2009 where 3,690,000 shares were issued at $0.25 per share. All share subscriptions were received subsequently to December 31, 2009.

Share Purchase Warrants

	2010		2009	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Balance, beginning of the year	16,675,000	CDN $0.175	10,585,000	CDN $0.125
Issued	-	-	7,990,000	CDN $0.23
Expired	(205,000)	CDN $0.125	-	-
Exercised	(8,730,000)	CDN $0.125	(1,900,000)	CDN $0.125
Balance, end of the year	7,740,000	CDN $0.232	16,675,000	CDN $0.175

Note 7 Share Capital – (cont'd)

c) Commitments - (cont'd)

Share Purchase Warrants – (cont'd)

As at December 31, 2010, the Company has 7,740,000 share purchase warrants outstanding entitling the holders thereof the right to purchase one common share for each warrant held as follows:

Number	Exercise Price	Expiry Date
4,050,000	CDN$0.125	April 29, 2011
3,690,000	CDN$0.35	December 29, 2011
7,740,000		

Note 8 Related Party Transactions

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

	2010	2009
Cost of sales – manufacturing	$ 63,777	$ 35,794
Research and development	218,536	210,875
Consulting fees	104,806	-
Management fees	49,492	39,613
Office and miscellaneous – secretarial services	11,645	15,845
Rent	23,290	21,127
Salaries, wages and benefits	112,153	144,496
	$ 583,669	$ 467,750

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

Included in prepaid expenses at December 31, 2010 is $2,218 (2009: $2,834) of prepaid rent and salaries to an officer of the Company and a company with a common director.

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:

	2010	2009
Income (losses) before income taxes	$ (1,249,882)	$ (1,588,163)
Statutory rates	28.50%	30.00%
Expected income tax (recovery)	$ (356,000)	$ (476,000)
Foreign income taxes at other than Canadian statutory rate	(41,000)	(58,000)
Change in statutory rates	578,000	(507,000)
Stock based compensation	63,000	135,000
Change in foreign exchange rate	118,000	(130,000)
Share issuance costs	(6,000)	(7,000)
Change in valuation allowance	(356,000)	1,043,000
	$ -	$ -

Future 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.

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

	2010	2009
Future income tax assets		
Non-capital and net operating losses	$ 4,040,000	$ 4,489,000
Capital losses	628,000	542,000
Mineral properties	4,000	-
Share issue costs	14,000	11,000
Non-deductible accruals	11,000	11,000
Non-deductible interest	631,000	631,000
	5,328,000	5,684,000
Less: valuation allowance	(5,328,000)	(5,684,000)
	$ -	$ -

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

The Company recorded a valuation allowance against its future 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 future tax assets.

At December 31, 2010, the Company has accumulated non-capital losses of approximately CDN $1,760,000 in Canada ands its subsidiaries have approximately $12,524,000 in USA, which are available to carry forward and offset future year's taxable income. The non-capital losses expire by 2030.

At December 31, 2010, the Company has accumulated capital losses of approximately CDN $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 sales revenues are allocated to geographic segments as follows:

	Years ended December 31, 2010	2009
United States of America	$ 191,355	$ 203,568
Europe	30,181	47,375
Asia	11,313	22,742
Other	6,751	3,268
	239,600	$ 276,953

During the year ended December 31, 2010, the Company was economically dependent on two (2009: four) customers each accounted for more than 10% of sales and in aggregate accounted for 46% (2009: 73%) of sales.

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.

Note 11 Financial Instruments – (cont'd)

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.

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, 2010, the Company has Canadian dollars cash of $209,871 (2009: $52,413), accounts payable of $58,063 (2009: $274,341), due to related parties of $1,206 (2009: $Nil). 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

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

The Company issued 385,000 common shares pursuant to the exercise of warrants at $0.125 for total consideration of $48,125.

VALDOR TECHNOLOGY INTERNATIONAL INC.

Schedule I

CONSOLIDATED SCHEDULE OF ADMINISTRATIVE AND GENERAL EXPENSES
for the years ended December 31, 2010 and 2009
(Stated in US Dollars)

	2010	2009
Consulting fees	$ 305,669	$ 250,662
Entertainment and travel	46,915	38,374
Legal and accounting fees	50,116	50,509
Insurance, licenses and permits	2,629	3,002
Management fees – Note 8	49,492	39,613
Office and miscellaneous – Note 8	36,521	53,624
Rent – Note 8	59,551	57,533
Repairs and maintenance	28,762	19,920
Salaries, wages and benefits – Note 8	177,019	206,711
Stock exchange filing fees	9,120	14,670
Telephone and utilities	16,608	15,334
Transfer agent fees	11,927	8,875
	$ 794,329	$ 758,827

VALDOR TECHNOLOGY INTERNATIONAL INC.

Schedule II

CONSOLIDATED SCHEDULE OF COST OF SALES
for the years ended December 31, 2010 and 2009
(Stated in US Dollars)

	2010	2009
Manufacturing	$ 83,862	$ 96,212
Wages and benefits	72,797	86,071
Freight	7,645	11,482
	164,304	193,765
Write-off of inventory	12,801	15,582
	$ 177,105	$ 209,347