VALDOR TECHNOLOGY INTERNATIONAL INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011 and 2010

(Stated in US Dollars)

(Unaudited - Prepared by Management)

UNAUDITED FINANCIAL STATEMENTS: In accordance with National Instrument 51-102 of the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the three and six months ended June 30, 2011 and 2010.

VALDOR TECHNOLOGY INTERNATIONAL INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2011 and December 31, 2010
(Stated in US Dollars)
(Unaudited - Prepared by Management)

ASSETS	June 30, 2011	(Note 5) December 31, 2010	(Note 5) January 1, 2010
Current			
Cash	$ 188,338	$ 358,916	$ 103,843
Accounts receivable	49,503	29,742	48,544
Inventories	72,995	56,599	44,514
Prepaid expenses – Note 9	20,613	15,417	10,697
	331,449	460,674	207,598
Equipment	-	-	457
	$ 331,449	$ 460,674	$ 208,055
LIABILITIES			
Current			
Accounts payable and accrued liabilities	$ 294,489	$ 322,361	$ 609,064
Promissory note payable – Note 6	626,546	540,070	531,996
Due to related parties – Note 7	39,696	122,734	17,673
	960,731	985,165	1,158,733
SHAREHOLDERS' DEFICIENCY			
Share capital – Note 8	16,467,433	15,936,338	14,850,523
Share subscriptions (receivable) received – Note 8	946	(125)	(371,573)
Contributed surplus	2,960,683	2,924,403	2,772,596
Accumulated other comprehensive income (loss)	(83,379)	(29,331)	(60,218)
Deficit	(19,974,965)	(19,355,776)	(18,142,006)
	(629,282)	(524,491)	(950,678)
	$ 331,449	$ 460,674	$ 208,055

Nature of Operations – Note 1
Commitment – Note 8
Contingency – Note 13

SEE ACCOMPANYING NOTES

VALDOR TECHNOLOGY INTERNATIONAL INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
for the three and six months ended June 30, 2011 and 2010
(Stated in US Dollars)
(Unaudited - Prepared by Management)

	Three months ended June 30, 2011	Three months ended June 30, (Note 5) 2010	Six months ended June 30, 2011	Six months ended June 30, (Note 5) 2010
Revenue – Note 10	$ 75,138	$ 66,833	$ 107,583	$ 133,740
Direct expenses	41,827	30,156	56,334	65,254
Gross (loss) profit	33,311	36,677	51,249	68,486
Expenses				
Administration and general – Schedule 1	211,523	187,091	436,599	400,736
Marketing	16,314	17,606	40,090	36,040
Research and development – Note 9	86,298	27,499	113,082	52,621
Interest	16,873	12,947	31,908	26,520
Amortization of equipment	-	66	-	384
Stock-based compensation recovery – Note 8	(7,186)	33,736	48,759	89,658
	323,822	278,945	670,438	605,959
Loss from operations	(290,511)	(242,268)	(619,189)	(537,473)
Other Comprehensive (Loss) Income				
Exchange differences on translating foreign operations	(15,648)	51,766	(54,048)	85,851
Total comprehensive loss for the period	$ (306,159)	$ (190,502)	$ (673,237)	$ (451,622)
Basic and diluted loss per share	$ (0.01)	$ (0.00)	$ (0.02)	$ (0.01)
Weighted average number of shares outstanding	41,654,720	31,405,440	40,801,808	31,377,154

SEE ACCOMPANYING NOTES

VALDOR TECHNOLOGY INTERNATIONAL INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
for the three and six months ended June 30, 2011 and 2010
(Stated in US Dollars)
(Unaudited - Prepared by Management)

	Three months ended June 30, 2011	Three months ended June 30, (Note 5) 2010	Six months ended June 30, 2011	Six months ended June 30, (Note 5) 2010
Operating Activities				
Net loss for the period	$ (290,511)	$ (242,268)	$ (619,189)	$ (537,473)
Charges to income not affecting cash:				
Amortization of equipment	-	66	-	384
Non-cash compensation charge (recovery)	(7,186)	33,736	48,759	89,658
	(297,697)	(208,466)	(570,430)	(447,431)
Changes in non-cash working capital balances related to operations:				
Accounts receivable	(8,435)	(6,702)	(20,431)	(8,069)
Inventories	6,249	(2,947)	(16,396)	(10,397)
Prepaid expenses	(6,566)	(42,516)	(5,366)	(42,277)
Accounts payable and accrued liabilities	(24,919)	21,134	(30,053)	(91,706)
	(331,368)	(239,497)	(642,676)	(599,880)
Financing Activities				
Increase (decrease) in due to related parties	(11,251)	3,879	(83,115)	(2,039)
Increase (decrease) in promissory note payable	24,693	(22,122)	58,232	(57,216)
Proceeds from issuance of common shares	464,939	111,458	513,734	140,288
Share subscriptions	(33,929)	2,451	1,054	376,280
	444,452	95,666	489,905	457,313
Effect of unrealized foreign exchange gain or loss on cash	(6,161)	30,488	(17,807)	83,448
Increase (decrease) in cash during the period	106,923	(113,343)	(170,578)	(59,119)
Cash, beginning of the period	81,415	158,067	358,916	103,843
Cash, end of the period	$ 188,338	$ 44,724	$ 188,338	$ 44,724
Supplementary disclosure of cash flow information				
Cash paid for:				
Interest	$ -	$ 599	$ -	$ 1,304
Income taxes	$ -	$ -	$ -	$ -

SEE ACCOMPANYING NOTES

VALDOR TECHNOLOGY INTERNATIONAL INC.
CONDENSED INTERIM CONSOLIDATED STATEMENT OF SHAREHOLDERS' DEFICIENCY
for the six months ended June 30, 2011
(Stated in US Dollars)
(Unaudited - Prepared by Management)

	Common Stock Issued Shares	Common Stock Amount	Common Stock Subscriptions	Contributed Surplus	Accumulated Other Comprehensive Income (loss)	Deficit	Total
Balance, December 31, 2009 and January 1, 2010	31,160,220	$ 14,850,523	$ (371,573)	$ 2,772,596	$ (60,218)	$ (18,142,006)	$ (950,678)
Shares issued for cash:							
On exercise of share purchase options							
– at CND$0.20	25,000	4,805	-	-	-	-	4,805
On exercise of share purchase warrants							
– at CND$0.125	1,120,000	135,169	-	-	-	-	135,169
Fair value of options exercised	-	4,525	-	(4,525)	-	-	-
Fair market value of stock based compensation	-	-	-	89,658	-	-	89,658
Share subscriptions received	-	-	371,573	-	-	-	371,573
Exchange differences on translating foreign operation	-	-	-	-	85,851	-	85,851
Net loss for the period	-	-	-	-	-	(537,473)	(537,473)
Balance, June 30, 2010	32,305,220	14,995,022	-	2,857,729	25,633	(18,679,479)	(801,095)
Shares issued for cash:							
On exercise of share purchase options							
– at CND$0.125	7,610,000	941,316	(125)	-	-	-	941,191
Fair market value of stock based compensation	-	-	-	66,674	-	-	66,674
Exchange differences on translating foreign operation	-	-	-	-	(54,964)	-	(54,964)
Net loss for the period	-	-	-	-	-	(676,297)	(676,297)
Balance, December 31, 2010	39,915,220	15,936,338	(125)	2,924,403	(29,331)	(19,355,776)	(524,491)
Shares issued for cash:							
On exercise of share purchase warrants							
– at CND$0.125	3,950,000	509,430	-	-	-	-	509,430
On exercise of share purchase options							
– at CND$0.10	12,500	1,312	-	-	-	-	1,312
– at CND$0.15	50,000	7,874	-	-	-	-	7,874
Fair value of options exercised	-	12,479	-	(12,479)	-	-	-
Fair market value of stock based compensation	-	-	-	48,759	-	-	48,759
Share subscriptions received	-	-	1,071	-	-	-	1,071
Exchange differences on translating foreign operation	-	-	-	-	(54,048)	-	(54,048)
Net loss for the period	-	-	-	-	-	(619,189)	(619,189)
Balance, June 30, 2011	43,927,720	$ 16,467,433	$ 946	$ 2,960,683	$ (83,379)	$ (19,974,965)	$ (629,282)

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 six months ended June 30, 2011, the Company's principal business was developing, manufacturing and marketing of fiber optic products.

The address of the Company's corporate office is 480 789 West Pender Street, Vancouver, BC V6C 1H2 and the principal place of business is 3116 Diablo, Hayward, California 94545.

Note 2 Basis of Preparation

a) Statement of Compliance

These interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 and IFRS 1. Subject to certain transition elections disclosed in Note 5, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 5 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended December 31, 2010. Comparative figures for 2010 in these financial statements have been restated to give effect to these changes.

As these financial statements are the Company's first financial statements prepared using IFRS, certain disclosures that are required to be included in the annual financial statements prepared in accordance with IFRS that were accordingly not in the Company's most recent annual consolidated financial statements prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") have been included in these consolidated financial statements.

These interim consolidated financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended December 31, 2010 and in consideration of the IFRS transition disclosures included in Note 5 and the additional annual disclosures included herein.

At June 30, 2011, the Company had not yet achieved profitable operations, has accumulated losses of $19,974,965 since inception, has a working capital deficiency of $629,282 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 condensed interim consolidated financial statements were authorized for issue by the Board of Directors on August 29, 2011.

Note 2 Basis of Preparation – (cont'd)

b) Going Concern

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

c) Basis of Measurement

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

The condensed interim consolidated financial statements have been prepared on a historical cost basis.

The condensed interim financial statements have been presented in US dollars. The Company's functional currency is the Canadian dollar as it is the currency in which the majority of the funding is obtained to continue operations.

Note 3 Summary of Significant Accounting Policies

The IASB continues to amend and add to current IFRS standards and interpretations with several projects underway. Accordingly, the accounting policies adopted by the Company for the Company's first IFRS annual consolidated financial statements will be determined as at December 31, 2011. In the event that accounting policies adopted at December 31, 2011 or expected to be adopted at December 31, 2011 differ materially from the accounting policies used in the preparation of these condensed interim consolidated financial statements, these condensed interim consolidated financial statements will be restated to retrospectively account for the application of those policies adopted at December 31, 2011 or expected to be adopted at December 31, 2011 in the period accounting policies are determined or a prior period when the expectation of accounting policies to be adopted changes.

(Stated in US Dollars)

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

The significant accounting policies used in the preparation of these interim consolidated financial statements set out below have been applied consistently in all material respects.

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 2011	2010
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 June 30, 2011, December 31, 2010 and January 1, 2010, the Company did not hold any cash equivalents.

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 weighted average cost 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) 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 3 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. The functional currency of the subsidiary is US dollars.

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.

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 in the statement of comprehensive income. These differences are recognized in the profit or loss in the period in which the operation is disposed.

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.

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

g) 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 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. 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. Deferred tax assets are recognized to the extent that it is probable that the assets can 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.

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.

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

i) 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, share warrants and flow-through shares are classified as equity instrument.

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 date 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.

j) 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. 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)

j) 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 behavioral 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.

k) 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 cash equivalents as held for trading 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)

k) 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 and promissory notes. Subsequent to initial recognition, accounts payable and accrued financial liabilities are measured at amortized cost using the effective interest method.

l) Future Accounting Pronouncements

International Financial Reporting Standard 9, Financial Instruments ("IFRS 9"), was issued in November 2009. It addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

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

l) Future Accounting Pronouncements – (cont'd)

The following new standards, amendments and interpretations that have not been early adopted in these interim financial statements will not have an effect on the Company's future results and financial position:

IFRS 1: Severe Hyperinflation (Effective for periods beginning on or after July 1, 2011)

IFRS 10: Establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities (Effective for annual periods beginning on or after January 1, 2013)

IFRS 11: Establishes principles for financial reporting by parties to a joint arrangement (Effective for annual periods beginning on or after January 1, 2013)

IFRS 12: Applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity(Effective for annual periods beginning on or after January 1, 2013)

IFRS 13: Defines fair value, sets out in a single IFRS framework for measuring value and requires disclosures about fair value measurements (Effective for annual periods beginning on or after January 1, 2013)

IAS 12: Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12 (Effective for periods beginning on or after January 1, 2012)

IAS 27: Contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements (Effective for periods beginning on or after January 1, 2013)

IAS 28: Sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures (Effective for periods beginning on or after January 1, 2013)

Amendments to IFRS 9 Financial Instruments (Effective for periods beginning on or after January 1, 2013)

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 8.

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 5 Transition to IFRS

As stated in note 2, the Company's condensed consolidated interim financial statements are prepared in accordance with IFRS.

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

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

a) Elected exemptions from full retrospective application

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

Share-based payment transactions

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

Cumulative translation differences

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

Note 5 Transition to IFRS – (cont'd)

a) Elected exemptions from full retrospective application – (cont'd)

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

b) Mandatory exceptions to retrospective application

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

Estimates

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

c) Reconciliation of equity as reported under Canadian GAAP and IFRS

IFRS employs a conceptual framework that is similar to Canadian GAAP. However, some differences exist in certain matters of recognition, measurement and disclosure. The adoption of IFRS has resulted in reclassifications in the Company's reported financial position as at January 1, 2010, June 30, 2010 and December 31, 2010. In order to allow the users of the financial statements to better understand these changes, the Company's Canadian GAAP statements of operations and comprehensive income for June 30, 2010 and December 31, 2010 have been reconciled to IFRS, with the resulting differences explained, below. However, as there have been no material adjustments to the cash flows, no reconciliations of the statements of cash flows have been prepared.

(Stated in US Dollars)

Note 5 Transition to IFRS – (cont'd)

c) Reconciliation of equity as reported under Canadian GAAP and IFRS – (cont'd)

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

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

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

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

(Stated in US Dollars)

Note 5 Transition to IFRS – (cont'd)

c) Reconciliation of equity as reported under Canadian GAAP and IFRS – (cont'd)

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

	June 30, 2010		
	Canadian GAAP balance	IFRS Adjustment	IFRS balance
Share capital	$ 14,995,022	$ -	$ 14,995,022
Contributed surplus	2,924,528	(66,799)	2,857,729
Accumulated other comprehensive income (loss)	-	25,633	25,633
Deficit	(18,720,645)	41,166	(18,679,479)
	$ (801,095)	$ -	$ (801,095)

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

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

	Three months ended June 30, 2010	Six months ended June 30, 2010	Year ended December 31, 2010
As reported under Canadian GAAP	$ (204,960)	$ (490,047)	$ (1,249,882)
IFRS adjustment (increase) decrease			
Stock based compensation	14,458	38,425	66,999
Foreign exchange	(51,766)	(85,851)	(30,887)
Loss from operations under IFRS	(242,268)	(537,473)	(1,213,770)
Other comprehensive loss			
IFRS adjustment			
Exchange differences on translating foreign operation	51,766	85,851	30,887
Total Comprehensive loss from operations under IFRS	$ (190,502)	$ (451,622)	$ (1,182,883)

Note 5 Transition to IFRS – (cont'd)

d) Reconciliation of net loss as reported under Canadian GAAP and IFRS – (cont'd)

Notes to IFRS adjustments

Stock based compensation

Pre-changeover Canadian GAAP allows the Company to calculate the fair value of the stock-based compensation on all awards granted and recognizes the expense from the date of grant over the vesting period using the graded vesting methodology. The Company determines the fair value of stock options granted using the Black-Scholes option pricing model. Forfeitures can be recorded when they occur or based on an expected rate.

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

The Company uses the graded vesting method with the exception of an anticipated forfeiture rate at the time of the grant. Based on an estimated forfeiture rate of 30% would result in an decrease of contributed surplus and reduced the deficit at the date of transition of $28,374 and decrease general and administrative expenses by $14,458 and $38,425 for the three and six months ended June 30, 2010, respectively, and $66,999 for the year ended December 31, 2010.

Exchange differences on presentation currency

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

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

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

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

(Stated in US Dollars)

Note 5 Transition to IFRS – (cont'd)

d) Reconciliation of net loss as reported under Canadian GAAP and IFRS – (cont'd)

Notes to IFRS adjustments – (cont'd)

Exchange differences on presentation currency – (cont'd)

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

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

As a result of the change in exchange rate to the prevailing rate at the reporting date (June 30, 2010) deficit decrease by $25,633 with a corresponding increase in accumulated other comprehensive income of $25,633.

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

Note 6 Promissory Notes Payable

	June 30, 2011	December 31, 2010
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 $389,019 (December 31, 2010: $339,053)	$ 626,546	$ 540,070

Note 7 Due to Related Parties

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

(Stated in US Dollars)

Note 8 Share Capital

a) Authorized:

Unlimited common shares without par value
Unlimited preferred shares

b) Issued Common Shares:

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 June 30, 2011 and 2010 and changes during the periods then ended on those dates is presented below:

	2011		2010	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at the beginning of the period	4,750,000	CDN$0.15	3,460,000	CDN$0.14
Granted	-	-	400,000	CDN$0.17
Exercised	(62,500)	CDN$0.14	(25,000)	CDN$0.20
Options outstanding at end of the period	4,687,500	CDN$0.15	3,835,000	CDN$0.14
Options exercisable at end of the period	4,017,500		2,920,625	

(Stated in US Dollars)

Note 8 Share Capital – (cont'd)

c) Commitments - (cont'd)

Stock-Based Compensation Plan – (cont'd)

At June 30, 2011, the Company has 4,687,500 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
1,945,000	CDN $0.10	August 1, 2013
127,500	CDN $0.15	April 30, 2014
250,000	CDN $0.20	August 10, 2014
575,000	CDN $0.20	August 28, 2014
100,000	CDN $0.20	October 28, 2014
100,000	CDN $0.25	December 16, 2014
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
4,687,500		

As of June 30, 2011, the 4,687,500 share purchase options outstanding have a weighted average remaining contractual life of 2.83 years.

Stock-based compensation charges are expensed for stock options granted and vested with a corresponding increase to contributed surplus. Upon exercise of stock options, consideration paid on the exercise of stock options and purchase of stock is credited to share capital.

During the six months ended June 30, 2011, the Company recorded stock-based compensation expense of $48,759 (June 30, 2010: $89,658) 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: 1.57% - 2.38% (June 30, 2010 - 0.98% - 2.77%) risk free rate, 0% (June 30, 2010 – 0%) dividend yield, 58% - 155% (June 30, 2010 - 97% – 248%) expected volatility and 1.12 – 4.69 (June 30, 2010 - 0.33-5) years weighted average expected stock option life.

(Stated in US Dollars)

Note 8 Share Capital – (cont'd)

c) Commitments - (cont'd)

Share Subscriptions (receivable) received

As at June 30, 2011, share subscriptions (receivable) received consist of the following:

$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.

Share Purchase Warrants

	June 30, 2011		June 30, 2010	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Balance, beginning of the period	7,740,000	CDN $0.232	16,675,000	CDN $0.125
Expired	(100,000)	CDN $0.125	-	-
Exercised	(3,950,000)	CDN $0.125	(1,120,000)	CDN $0.125
Balance, end of the period	3,690,000	CDN $0.35	15,555,000	CDN $0.175

As at June 30, 2011, the Company has 3,690,000 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
3,690,000	CDN$0.35	December 29, 2011
3,690,000		

(Stated in US Dollars)

Note 9 Related Party Transactions

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

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Inventory Purchases	$ -	$ 10,450	$ -	$ 47,645
Research and development	60,000	-	60,000	-
Administrative expenses				
Office and miscellaneous – secretarial services	-	5,684	-	11,450
Salaries, wages and benefits	11,545	10,579	24,127	21,003
	11,545	16,263	24,127	32,453
Key management compensation				
Consulting fees	9,450	17,176	36,828	17,176
Management fees	9,288	8,762	18,414	17,176
Rent	6,192	5,684	12,276	11,450
Salaries, wages and benefits	17,204	16,685	31,198	33,958
Stock-based compensation	-	-	-	7,810
	42,134	48,307	98,716	87,570
	$ 113,679	$ 75,020	$ 182,843	$ 167,668

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

Included in prepaid expenses at June 30, 2011 is $2,080 (December 31, 2010: $2,218) of prepaid rent paid to a company with a common director.

(Stated in US Dollars)

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 six months ended June 30, 2011, the Company was economically dependent on three (2010: five) customers each accounted for more than 10% of sales and in aggregate accounted for 56% (2010: 79%) of sales.

The Company's sales revenues are allocated to geographic segments for the three and six months ended June 30, 2011 and 2010 are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
United States of America	$ 58,630	$ 56,563	$ 80,160	$ 113,779
Europe	2,813	6,120	8,421	14,778
Other	13,695	4,150	19,002	5,183
	$ 75,138	$ 66,833	$ 107,583	$ 133,740

Net losses

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Canada	$ 133,587	$ 140,557	$ 334,804	$ 318,515
United States of America	156,924	101,711	284,385	218,958
	$ 290,511	$ 242,268	$ 619,189	$ 537,473

Total Assets

	June 30, 2011	December 31, 2010	January 1, 2010
Canada	$ 170,063	$ 280,521	$ 59,320
United States of America	161,386	180,153	148,735
	$ 331,449	$ 460,674	$ 208,055

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

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

a) Credit Risk

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

b) Liquidity Risk

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

Note 11 Financial Instruments – (cont'd)

c) Interest Rate Risk

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

d) Foreign Currency Risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The majority of the Company's operations are carried out in the United States of America, however the majority of financing is carried out in Canada. The parent company's operations are in Canada and operate in Canadian dollars. As at June 30, 2011, the Company has Canadian dollars cash of $146,615 (December 31, 2010: $209,871), accounts payable of $18,376 (December 31, 2010: $58,063), due to related parties of $4,555 (December 31, 2010: $1,206). These factors expose the Company to foreign currency exchange rate risk, which could have a material adverse effect on the 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.

VALDOR TECHNOLOGY INTERNATIONAL INC. Schedule I

CONDENSED INTERIM CONSOLIDATED SCHEDULE OF ADMINISTRATIVE AND GENERAL EXPENSES

for the three and six months ended June 30, 2011 and 2010

(Stated in US Dollars)

(Unaudited - Prepared by Management)

	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Consulting fees – Note 9	$ 64,942	$ 36,247	$ 140,611	$ 99,300
Entertainment and travel	13,780	12,599	19,153	22,867
Investor relations	15,480	9,673	30,690	9,673
Legal and accounting fees	9,012	8,741	17,779	23,211
Licenses and permits	588	585	1,187	2,061
Management fees – Note 9	9,288	8,762	18,414	17,411
Office and miscellaneous – Note 9	12,982	10,337	30,275	19,476
Rent – Note 9	12,469	17,820	28,268	29,788
Repairs and maintenance	1,562	2,393	4,122	24,247
Salaries, wages and benefits – Note 9	64,375	64,062	126,121	127,909
Stock exchange filing fees	3,139	3,279	10,138	8,420
Telephone and utilities	2,865	4,328	6,895	7,571
Transfer agent fees	1,041	8,265	2,946	8,802
	$ 211,523	$ 187,091	$ 436,599	$ 400,736