

**VALDOR TECHNOLOGY INTERNATIONAL INC.**  
**Management's Discussion & Analysis**  
**Three Months Ended March 31, 2015**  
**(Stated in U.S. Dollars)**

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This Management's Discussion and Analysis ("MD&A") of Valdor Technology International Inc. (the "Company") is dated June 1, 2015. This MD&A should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes for the three months ended March 31, 2015 and the Audited Consolidated Financial Statements and accompanying notes for the fiscal year ended December 31, 2014.

**FORWARD LOOKING INFORMATION**

Certain statements contained in this MD&A and elsewhere constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks that could cause the actual results to differ materially from those in forward-looking statements. These factors include market prices, continued availability of capital and financing and general economic or business conditions.

**CORPORATE OVERVIEW**

The Company was incorporated under the British Columbia Company Act on March 19, 1984 and is publicly traded on the TSX Venture Exchange under the symbol VTI.

The Company is a communications technology company with a business plan that incorporates growth by acquisition. The Company currently has three divisions:

- 1) Niagara Streaming Media, headquartered in Dallas, Texas, is an industry pioneer and global leader in the encoder hardware and software market. Niagara has numerous clients, including international television broadcasters, offices of worldwide local, state & federal governments, major universities around the globe and enterprise market Fortune 2000 clients. Thousands of Niagara systems have been deployed worldwide through its network of several hundred distributors and value added resellers. Niagara owns four patents and designs, manufactures and sells the Niagara and GoStream product lines. Streaming media encoders are the physical devices that are enabling streaming media to become the future of television and internet communications;
- 2) Valdor Fiber Optics, headquartered in San Francisco, California, is an optical fiber components company specializing in the design, manufacture and sale of passive fiber optic components, including some that use Valdor proprietary and patented technologies. Valdor is focused on harsh environment products for the roll-out of fibre-to-the-home in North America with a unique and compelling splitter design. The Company has numerous clients and the Valdor splitters are installed in the optical fibre networks of Canadian telecoms. Fiber-to-the-home hard wiring will enable the bandwidth for television and internet communications of the future;
- 3) TeleVal Communication Technologies, headquartered in Mexico City, Mexico, is an optical fiber components company specializing in the design, manufacture and sale of passive fiber optic components. TeleVal is focused on the deregulation of the telecom sector in Mexico and the roll-out of fibre-to-the-home in Latin America. Fiber-to-the-home hard wiring will enable the bandwidth for television and internet communications of the future. TeleVal's parent companies have numerous clients throughout North America and Latin America.

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During the period, the Company through its newly formed Mexican subsidiary VAL Intelligence, S. de R.L. de C.V. entered into a joint venture agreement with Inteligencia e Infraestructura En America S. A. ("Inteligencia"). Inteligencia, located in Mexico City, markets, services and installs electrical equipment and fiber optic cable, to the telecommunications industry, throughout Mexico. Each of the parties will own 50% interest in a newly incorporated Mexican company known as TeleVal Inc.

The objective of the joint venture is for the Company to become a leader in the Mexican fiber optic technology market and in telecommunications customer acquisition. The imminent deregulation of Mexico's telecommunication industry will be a catalyst for this process. The Mexican telecommunications market is \$35 billion/year and growing. (Please see the study by the "Cooperation Organization for Economic Development" on the Mexican telecommunications industry & Mexican Government website "Instituto Federal de Telecomunicaciones".) (<http://www.ift.org.mx/iftweb/>) Fiber-to-the-home deployment in Mexico is at a very early stage.

The Company will provide quality control practices and procedures, component procurement, operational procedures, technical transfer and training. Inteligencia will provide the engineering and assembly employees, sales and marketing employees, executive leadership, and the physical facilities in Mexico.

To satisfy the Mexican requirement for local content, the joint venture will ultimately, but not immediately, establish a manufacturing facility within Mexico. The joint venture will initially supply and ultimately manufacture passive optical components including a full range of optical connectors, assemblies, patch panels and integrated optical solutions. The joint venture partnership will be structured to provide triple play (voice, data & multi-media) solutions for the FTTx and streaming video market sectors; the content focus will be health care, security and education.

## **RESULTS OF OPERATIONS**

### **Three months ended March 31, 2015**

During the three months ended March 31, 2015 the Company had a comprehensive loss of \$801,158 as compared to a comprehensive loss of \$373,531 for the corresponding three months ended March 31, 2014. The revenues decreased to \$229,999 as compared to \$245,581 for the corresponding three months ended March 31, 2014. This revenue encompasses \$191,326 from the Niagara Streaming Media division and \$38,673 from the Valdor Fiber Optics division. Total expenses for the period were \$948,764 as compared to \$554,378 for the corresponding three months ended March 31, 2014. The most notable changes from the previous period were increases in amortization, consulting fees, interest and accretion and salaries, wages and benefits. These increases were partly attributable to the additional costs incurred to operate the new Niagara Streaming Video division. In addition, the Company's directors and consultants were also actively involved with working on the private placement financing and reviewing new business ventures. The stock-based compensation charge recognizes the portion of the fair values of vested options attributable to the period using the Black-Scholes valuation model. The fair values of options are influenced by such parameters as stock price volatility and current interest rates incorporated into the valuation model. Stock-based compensation is a non-cash expenditure.

The Company financed its operations through private placements completed during the period.

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**Summary of Quarterly Results**

**FOR THE THREE MONTHS ENDED**

	<b>March 31, 2015</b>	<b>December 31, 2014</b>	<b>September 30, 2014</b>	<b>June 31, 2014</b>
Revenues	\$229,999	\$341,786	\$293,390	\$201,274
Total Comprehensive Income (Loss)	(\$801,501)	(\$857,250)	(\$481,455)	(\$785,189)
Per Share - Basic	(\$0.00)	(\$0.01)	(\$0.00)	(\$0.00)
Diluted	(\$0.00)	(\$0.01)	(\$0.00)	(\$0.00)

**FOR THE THREE MONTHS ENDED**

	<b>March 31, 2014</b>	<b>December 31, 2013</b>	<b>September 30, 2013</b>	<b>June 30, 2013</b>
Revenues	\$245,581	\$36,170	\$44,993	\$32,361
Total Comprehensive Income (Loss)	(\$373,522)	(\$378,343)	(\$348,938)	(\$725,833)
Per Share - Basic	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.01)
Diluted	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.01)

There can be material fluctuations in quarterly results. These fluctuations are mainly due to the timing of consulting and management services relating to private placement financings and reviewing potential business acquisitions. The increase in revenues relate to the new Niagara Streaming Media division as follows:

March 31, 2015	\$191,326
December 31, 2014	\$305,225
September 30, 2014	\$284,395
June 30, 2014	\$186,272
March 31, 2014	\$216,700

**LIQUIDITY**

The Company's working capital deficiency as at March 31, 2015 was \$582,747 as compared to a working capital deficiency of \$440,360 as at December 31, 2014, an increase of \$142,387. The increase in working capital deficiency was from funding the operating losses by way of short term trade credit.

To date, the Company has been able to fund operations primarily through equity financings and short term loans. The continued volatility in the financial equity markets may make it difficult to raise capital through the private placements of shares. While the Company is using its best efforts to achieve its business plans by examining various financing alternatives, there is no assurance that the Company will be successful with its financing ventures.

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**CAPITAL RESOURCES**

During the reporting period the Company remains dependant upon funds provided by directors, business associates and equity markets for financing. However, assuming that the company continues to maintain its current level of sales and administrative and general expenditures, it should be able to cover its normal overhead expenses for the next twelve months.

On February 11, 2015, the Company completed a non-brokered private placement for a total of 11,710,500 units at a price of CDN\$0.10 per unit for gross proceeds of CDN\$1,171,050. Each unit consists of one common share and one non-transferable share purchase warrant. Each warrant will entitle the holder to purchase one common share of the Company at a price of CDN\$0.10 on or before February 1, 2018. Finders' fees of 126,000 units were paid in respect to this financing and have similar terms as the non-brokered private placement.

**OFF-BALANCE SHEET ARRANGEMENTS**

During the reporting period there were no off-balance sheet arrangements.

**RELATED PARTY TRANSACTIONS**

The Company incurred the following expenses with current and former directors and officers of the Company Ron Boyce (VP Sales and Marketing), Rachele Findlay (Secretary), Las Yabut (President), Hector Toledo, Rick Pogue and Mark Gustavson and private companies controlled by officers and directors Brian Findlay (CFO), Elston Johnston (Chairman of the Board):

	<u>Relationship</u>	<u>Three months ended</u> <u>March 31</u>	
		<u>2015</u>	<u>2014</u>
<u>Administrative expenses</u>			
Consulting fees	Close family members of the directors and officers of the Company	\$ 70,297	\$ -
Office and miscellaneous – secretarial services	Officer of the Company	1,692	2,831
Rent	A private company controlled by the CFO of the Company	5,438	5,925
Share-based payments	A spouse of the former President and CEO, an officer and a director of the Company	8,077	14,627
		<u>85,504</u>	<u>23,383</u>

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Key management compensation

Consulting fees	A private company controlled by the Chairman of the Board	36,257	24,459
Consulting fees	Officer of the Company	-	27,177
Consulting fees	Directors of the Company	44,314	32,159
Management fees	A private company controlled by the CFO	16,920	27,177
Salaries, wages and benefits	President of the Company	52,136	22,485
Share-based payments	Officers of the Company	19,406	1,520
Share-based payments	President of the Company	8,085	1,672
Share-based payments	Directors of the Company	29,788	8,655
		<u>206,906</u>	<u>145,304</u>
		<u>\$ 292,410</u>	<u>\$ 168,687</u>

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

Included in prepaid expenses at March 31, 2015 is \$Nil (December 31, 2014: \$1,940) of prepaid rent paid to a company controlled by a director (Brian Findlay).

**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

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) Recoverability of accounts receivable and allowance for doubtful accounts

The Company makes allowances for doubtful accounts based on an assessment of the recoverability of account receivables. Allowances are applied to account receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgment to evaluate the adequacy of the allowance for doubtful accounts. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade receivables.

b) Valuation of inventories and allowance for inventory obsolescence

The Company determines its allowance for inventory obsolescence based upon expected inventory turnover, inventory aging, and current and future expectations with respect to product offerings. Assumptions underlying the allowance for inventory obsolescence include future sales trends and offerings and the expected inventory requirements and inventory composition necessary to support these future sales offerings. The estimate of the Company's allowance for inventory obsolescence could materially change from period to period due to changes in product offerings and consumer acceptance of those products.

c) Share-based payment transactions

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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 11 to the consolidated financial statements.

d) Contingent consideration

Pursuant to the business acquisition, the Company shall pay a royalty to the VideoWare on future sales. A contingent liability has been recognized at management's best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

e) Warranty obligations

A subsidiary of the Company provides a limited warranty on its products for a standard period of one year from the date goods are sold, and customers may purchase extended warranty for up to an additional two years. A provision was not recognized based on management's best estimate that the amount required to settle the obligation is not material as at December 31, 2014 and 2013.

f) Convertible debentures

The determination of the fair value of the convertible debentures required management to make estimates regarding the market rate of interest that the Company would have obtained for a similar unsecured loan without a conversion option. The allocation between debt and equity for the convertible debentures was determined based on the results of the fair value analysis above. Any change in these estimates or inputs use to determine fair value could result in a significant impact of the Company's future operating results.

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) Business combinations

The Company's acquisition has been determined to be a business combination, and consequently has been accounted for by applying the acquisition method. Applying the acquisition method requires recognizing and measuring (i) the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree, and (ii) goodwill or a gain from a bargain purchase.

The Company's application of the recognition principle may result in recognizing some assets (often intangible) and liabilities that the acquiree had not previously recognized as assets and liabilities in its financial statements. In a business combination, identifiable assets, liabilities and contingent liabilities are recorded at the date of acquisition at their respective fair values.

One of the most significant areas of estimation and judgment relates to the valuation of intangible assets. Valuation techniques applied to intangible assets are usually based on an estimate of total expected future net cash flows. Management must make assumptions regarding the future

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performance of the assets concerned and the appropriate discount rate. The measurement of each business combination requires management estimation in determining the fair value of assets and liabilities acquired as well as the fair value of any intangible assets identified. Management is required to estimate future cash flows, discount rates and market conditions at the date of acquisition in order to determine the fair value of certain identified intangible assets.

b) Recoverability of Intangible assets

Changes in the circumstances or expectations of future performance of an intangible asset may be an indicator that the asset is impaired requiring the book value to be written down to its recoverable amount. Impairments are reversed if conditions for impairment are no longer present. Evaluating whether an asset is impaired or if an impairment should be reversed requires a high degree of judgement.

Where there is an indication of impairment, the carrying value of intangible asset is compared to the recoverable amount, which may be determined based on a value in use calculation. There is a material degree of uncertainty with respect to the estimates of the recoverable amount of the intangible asset given the necessity of making key economic assumptions about the future.

c) 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. Deferred income taxes are based on estimates as to the timing of the reversal of temporary differences, tax rates currently substantively enacted and the determination of tax assets not recognized. Tax assets not recognized are based on estimates of the probability of the Company utilizing certain tax pools and losses in future periods.

d) Functional currency

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

**International Financial Reporting Standards ("IFRS")**

Accounting standards issued but not yet applied

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning before or on January 1, 2014. The following new standards, amendments and interpretations have been adopted in these consolidated financial statements:

IAS 32 - 'Financial Instruments: Presentation'

This amendment provides clarification on the application of offsetting rules. The adoption of this amendment by Company had no material impact.

IAS 36 - 'Impairment of Assets'

This amendment provides for the disclosure requirements of IAS 36, in certain instances, of the recoverable amount of an asset or cash generating unit, and the basis for the determination of fair value less costs of disposal, when an impairment loss is recognized or when an impairment loss is subsequently reversed. The adoption of this amendment by Company had no material impact.



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IFRS 10 - 'Consolidated Financial Statements' and IFRS 12 - 'Disclosures of Interests in Other Entities' and IAS 27 - 'Separate Financial Statements'

These amendments provide for the definition of an investment entity and sets out an exception to consolidating particular subsidiaries of an investment entity. The amendments also deal with the disclosures required and preparation of separate financial statements of an investment entity. The adoption of this amendment by Company had no material impact.

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

- IFRS 9, *Financial Instruments* introduces new requirements for the classification and measurement of financial assets, and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options available in IAS 39. This standard is effective for reporting periods beginning on or after January 1, 2018.
- IFRS 15 *Revenue from Contracts with Customers* provides a single principle-based framework to be applied to all contracts with customers. IFRS 15 replaces the previous revenue standard IAS 18, Revenue, and the related Interpretations on revenue recognition. The standard scopes out contracts that are considered to be lease contracts, insurance contracts and financial instruments. The new standard is a control-based model as compared to the existing revenue standard which is primarily focused on risks and rewards. Under the new standard, revenue is recognized when a customer obtains control of a good or service. Transfer of control occurs when the customer has the ability to direct the use of and obtain the benefits of the good or service. This standard is effective for reporting periods beginning on or after January 1, 2017.
- The amendments to IFRS 2 *Share-based Payment* clarify vesting conditions by separately defining a performance condition and a service condition, both of which were previously incorporated within the definition of a vesting condition. This standard is effective for reporting periods beginning on or after July 1, 2014.
- The amendments to IAS 24 *Related Party Disclosures* clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. This standard is effective for reporting periods beginning on or after July 1, 2014.

## **FINANCIAL AND OTHER 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.



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The Company classifies and measures its financial instruments as follows:

- Cash and accounts receivables are classified as loans and receivables. Their fair value approximates their carrying value due to their short term nature.
- Accounts payable and accrued liabilities, advances on private placements, promissory note, lease obligation, contingent consideration, convertible debentures and due to related parties are classified as other financial liabilities and are measured at fair value at inception.

A fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

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

Cash, accounts receivable, accounts payable and accrued liabilities, advances on private placements, promissory note payable 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. The Company's maximum exposure to credit risk is the carrying amounts of cash and accounts receivable on the consolidated statements of financial position.

b) Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due. As at March 31, 2015, the Company has a working capital deficiency of \$582,746. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. The Company may seek additional financing through equity and debt offerings and advances from related parties, but there can be no assurance that such financing will be available on terms acceptable to the Company.

c) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The company is not exposed to significant risks associated with the effects of fluctuations in the prevailing levels of market interest rates.

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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 March 31, 2015, the Company has Canadian dollars cash of \$3,214 (December 31, 2014: \$1,352), accounts receivable of \$20,794 (December 31, 2014: \$11,490), accounts payable of \$210,297 (December 31, 2014: \$239,228), convertible debentures payable of \$401,000 (December 31, 2014: \$401,000), and due to related parties of \$28,245 (December 31, 2014: \$225,782), translated at USD\$1 for every CDN\$1.2666. These factors expose the Company to foreign currency exchange rate risk, which could have a material adverse effect on the profitability of the Company. A 10% change in the exchange rate would change other comprehensive income/loss by approximately \$66,300. The Company currently does not plan to enter into foreign currency future contracts to mitigate this risk.

**OUTSTANDING SHARE DATA**

As at June 1, 2015

Common Shares issued	111,942,220
Share purchase options	12,875,000
Share purchase warrants	67,139,500

**OTHER**

Additional information and other publicly filed documents relating to the Company, including its press releases and quarterly and annual reports, are available on SEDAR and can be accessed at [www.sedar.com](http://www.sedar.com).