

VALENCIA VENTURES INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

for the three and nine months ended
September 30, 2017 and 2016
(expressed in Canadian dollars)

Unaudited

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Valencia Ventures Inc.**Statements of Financial Position***Unaudited**(Expressed in Canadian dollars)*

	Notes	September 30, 2017	December 31, 2016
ASSETS			
Current assets:			
Cash		\$ 8,722	\$ 91,478
Amounts receivable		31,876	369
Prepaid expenses		4,320	2,160
TOTAL ASSETS		\$ 44,918	\$ 94,007
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities	7	\$ 844,142	\$ 372,513
Total liabilities		844,142	372,513
Equity/(Deficiency):			
Share capital	4	337,055,766	337,055,766
Share-based payments reserve	5	206,500	115,200
Deficit		(338,061,490)	(337,449,472)
Total (deficiency)		(799,224)	(278,506)
TOTAL LIABILITIES AND EQUITY		\$ 44,918	\$ 94,007
Nature of operations and going concern	1		
Commitments and contingencies	10		
Subsequent events	11		

Approved on behalf of the Board of Directors on November 3, 2017:

"Damian Lopez"
Director

"Tito Gandhi"
Director

Valencia Ventures Inc.

Statements of Loss and Comprehensive Loss

Unaudited

(Expressed in Canadian dollars)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2017	2016	2017	2016
Expenses					
Consulting and management fees	9	\$ 327,141	\$ 19,071	\$ 393,743	\$ 35,925
Professional fees		6,160	5,000	18,160	13,380
Shareholder communications and filing fees		14,795	(6,344)	30,333	85,023
General and administrative expenses		11,621	604	74,921	4,403
Travel expenses		-	-	3,508	-
Share-based compensation	5	175,000	-	175,000	-
Foreign exchange loss		(5)	(111)	53	(111)
Net loss for the period		\$ (534,712)	\$ (18,220)	\$ (695,718)	\$ (138,620)
Loss per share					
Basic and diluted loss per share		\$ (0.03)	\$ (0.00)	\$ (0.04)	\$ (0.01)
Weighted average number of common shares outstanding:					
Basic and diluted		18,473,219	16,777,770	18,473,219	16,575,612

Valencia Ventures Inc.

Statements of Changes in Equity/(Deficiency)

Unaudited

Expressed in Canadian dollars

	Note	Share capital		Share-based	Deficit	Total equity/ (deficiency)
		No.	\$	payments reserve	\$	\$
Balance, December 31, 2015		16,473,422	336,896,958	132,700	(337,303,735)	(274,077)
Expiry of stock options	5	-	-	(17,500)	17,500	-
Private placement (net of issue costs)		2,000,000	158,808	-	-	158,808
Loss for the period		-	-	-	(138,620)	(138,620)
Balance, September 30, 2016		18,473,422	337,055,766	115,200	(337,424,855)	(253,889)
Balance, December 31, 2016		18,473,219	337,055,766	115,200	(337,449,472)	(278,506)
Expiry of stock options	5	-	-	(83,700)	83,700	-
Issuance of stock options	5	-	-	175,000	-	175,000
Loss for the period		-	-	-	(695,718)	(695,718)
Balance, September 30, 2017		18,473,219	337,055,766	206,500	(338,061,490)	(799,224)

Valencia Ventures Inc.

Statements of Cash Flows

Unaudited

(Expressed in Canadian dollars)

	Nine months ended September 30,	
	2017	2016
Cash provided by (used in)		
Operating activities:		
Net loss	\$ (695,718)	\$ (138,620)
Items not involving cash:		
Share-based payments	175,000	-
Working capital adjustments:		
Change in amounts receivable	(31,507)	3,371
Change in prepaid expenses	(2,160)	(4,320)
Change in accounts payable and accrued liabilities	471,629	87,621
Net cash (used in) operating activities	(82,756)	(51,948)
Financing activities:		
Private placement, net of issue costs	-	158,808
Net cash provided by financing activities	-	158,808
Change in cash	(82,756)	106,860
Cash, beginning of the period	91,478	27,959
Cash, end of the period	\$ 8,722	\$ 134,819

Valencia Ventures Inc.

Notes to the Condensed Interim Financial Statements

September 30, 2017 and 2016

(Expressed in Canadian dollars unless otherwise noted)

1. Nature of operations and going concern

Valencia Ventures Inc. (the "Company" or "Valencia") is primarily engaged in the acquisition, exploration and evaluation of mineral properties in Canada. The Company currently has no interests in exploration and evaluation properties. The registered head office of the Company is located at 65 Queen Street West, Suite 815, Toronto, Ontario, Canada, M5H 2M5.

The Company's shares are listed on the NEX Board of the TSX Venture Exchange ("NEX"). The condensed interim financial statements of the Company for the three and nine months ended September 30, 2017 and 2016 were reviewed, approved and authorized for issue by the Board of Directors on November 3, 2017.

The Company has a need for equity capital and financing for working capital and for exploration and evaluation activities. The Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. Because of continuing operating losses, negative working capital and a cumulative deficit as at September 30, 2017, there are material uncertainties which cast significant doubt about the Company's ability to continue as a going concern. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operation. These condensed interim financial statements do not include the adjustments that would be necessary should the company be unable to continue as a going concern. Such adjustments could be material.

2. Statement of compliance and basis of preparation

These condensed interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting*. Accordingly, certain information and disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. These condensed interim financial statements should be read in conjunction with the Company's financial statements for the year ended December 31, 2016.

These condensed interim financial statements have been prepared on a historical cost basis. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information, and are presented in Canadian dollars unless otherwise noted.

3. New accounting policies and recent accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2017. Many are not applicable or do not have a significant impact to the Company and have therefore been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company:

IFRS 2- Share-based Payment ("IFRS 2") was amended by the IASB in June 2016 to clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("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 rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

Valencia Ventures Inc.

Notes to the Condensed Interim Financial Statements

September 30, 2017 and 2016

(Expressed in Canadian dollars unless otherwise noted)

3. New accounting policies and recent accounting pronouncements (continued)

IAS 12 – Income Taxes (“IAS 12”) was amended in January 2016 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument’s holder expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimates for future taxable profits exclude tax deduction resulting from the reversal of deductible temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2017. There were no material changes to the Company’s financial statements with the adoption of this standard.

4. Share capital

As at September 30, 2017 and December 31, 2016 the Company’s authorized number of common shares was unlimited without par value.

5. Share-based payments reserve

Under the Company’s stock option plan (the “Plan”), the Company may grant to directors, officers, employees and consultants options to purchase shares of the Company. The Plan provides for the issuance of stock options to acquire up to 10% of the Company’s issued and outstanding capital. The Plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company’s issued and outstanding share capital increases. Options granted under the Plan will be for a term not to exceed 5 years.

The Plan provides that it is solely within the discretion of the Board to determine who should receive stock options and in what amounts. In no case (calculated at the time of grant) shall the Plan result in:

- The number of options granted in a 12-month period to any one consultant exceeding 2% of the issued shares of the Company;
- The aggregate number of options granted in a 12-month period to any one individual exceeding 5% of the outstanding shares of the Company;
- The number of options granted in a 12-month period to employees or consultants undertaking investor relations activities exceeding in aggregate 2% of the issued shares of the Company; and
- The aggregate number of common shares reserved for issuance to any one individual upon the exercise of options granted under the Plan or any previously established and outstanding stock option plans or grants exceeding 5% of the issued shares of the Company in any 12-month period.

The following share-based payment arrangements were in existence during the current and prior reporting periods:

	No. of options #	Weighted Average Exercise Price \$	Value of options \$
December 31, 2015	151,250	0.89	132,700
Expired	(3,125)	6.40	(17,500)
December 31, 2016	148,125	0.89	115,200
Cancelled	(81,875)	0.94	(74,100)
Expired	(10,000)	0.96	(9,600)
Granted	1,250,000	0.14	175,000
September 30, 2017	1,306,250	0.17	206,500

Valencia Ventures Inc.

Notes to the Condensed Interim Financial Statements

September 30, 2017 and 2016

(Expressed in Canadian dollars unless otherwise noted)

5. Share-based payments reserve (continued)

STOCK OPTIONS:

No. outstanding	No. exercisable	Grant date	Expiry date	Exercise price	Fair value at grant date	Expected volatility	Expected life (yrs)	Expected dividend yield	Risk-free interest rate
56,250	56,250	2-May-13	2-May-18	\$ 0.80	\$ 31,500	190%	5.00	0%	1.15%
1,250,000	1,250,000	22-Aug-17	22-Aug-22	\$ 0.14	\$ 175,000	202%	5.00	0%	1.53%
1,306,250	1,306,250				\$ 206,500				

The weighted average remaining contractual life of outstanding options as of September 30, 2017 is 4.71 years (September 30, 2016: 1.22 years). During the nine months ended September 30, 2017, 81,875 options were cancelled, 10,000 options expired in accordance with the Plan and \$83,700 was recorded against deficit (nine months ended September 30, 2016: 3,125 options expired valued at \$17,500).

On August 22, 2017, the Company granted a total of 1,250,000 stock options to certain officers, directors and consultants of the Company pursuant to the Company's stock option plan. The stock options vest immediately and are exercised at a price of \$0.14 per option for a period of five years from the date of grant.

6. Financial instruments

Financial assets and financial liabilities as at September 30, 2017 and December 31, 2016 were as follows:

September 30, 2017	Cash, loans and receivables	Financial liabilities	TOTAL
	\$	\$	\$
Cash	8,722	-	8,722
Accounts payable and accrued liabilities	-	844,142	844,142

December 31, 2016	Cash, loans and receivables	Financial liabilities	TOTAL
	\$	\$	\$
Cash	91,478	-	91,478
Accounts payable and accrued liabilities	-	372,513	372,513

The carrying value of amounts receivable and accounts payable and accrued liabilities reflected in the statement of financial position approximate fair value because of the limited term of these instruments.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below. There have been no significant changes in the risks, objectives, policies and procedures for managing risk during the nine months ended September 30, 2017 and 2016.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2017, the Company had a cash balance of \$8,722 (December 31, 2016: \$91,478) to settle current liabilities of \$844,142 (December 31, 2016: \$372,513). The Company's financial liabilities at September 30, 2017 and December 31, 2016 generally have contractual maturities of less than 30 days and are subject to normal trade terms.

Valencia Ventures Inc.

Notes to the Condensed Interim Financial Statements

September 30, 2017 and 2016

(Expressed in Canadian dollars unless otherwise noted)

6. Financial instruments (continued)

Market risk

(a) Interest rate risk

The Company has cash balances at September 30, 2017. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company considers interest rate risk to be minimal as investments are short term, the Company does not carry interest-bearing debt, and expects future financings will be primarily secured from private placements.

(b) Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company does not carry balances in foreign currencies that would give rise to significant foreign currency risk.

(c) Fair value

A fair value hierarchy prioritizes the methods and assumptions used to develop fair value measurements for those financial assets where fair value is recognized on the balance sheet. These have been prioritized into three levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Inputs for the asset or liability that are not based on observable market data.

Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment.

At September 30, 2017, the Company has financial instruments that are carried at fair value, with an estimated fair value of \$nil.

7. Accounts payable and accrued liabilities

	September 30, December 31,	
	2017	2016
Trade payables	\$ 622,142	\$ 347,513
Accruals	222,000	25,000
	<u>\$ 844,142</u>	<u>\$ 372,513</u>

8. Capital management

The Company manages and adjusts its capital structure based on available funds in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company considers its capital to consist of share capital and stock options.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company's capital management objectives, policies and processes have remained unchanged during the nine months ended September 30, 2017 and 2016. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body.

9. Related party disclosures

Valencia Ventures Inc.

Notes to the Condensed Interim Financial Statements

September 30, 2017 and 2016

(Expressed in Canadian dollars unless otherwise noted)

Compensation of key management personnel of the Company

The remuneration of directors and other members of key management personnel during the year were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Short-term benefits	\$ 105,000	\$ 9,750	\$ 120,000	\$ 29,250
Share-based payments	105,000	-	105,000	-

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. The remuneration of directors and key executives is determined by the Board of Directors having regard to the performance of individuals and market trends.

The Company shares office space, resources and certain services with other corporations. The costs associated with these services, including the provision of office equipment and supplies, and certain other services, are administered by 2227929 Ontario Inc, to whom the Company pays a monthly fee. For the nine months ended September 30, 2017, the company was charged \$45,000 for these and other services (September 30, 2016: \$130,074). A former director of the Company is currently a director of 2227929 Ontario Inc.

The Executive Chairman of Forbes & Manhattan, Inc. ("F&M"), a corporation that provides administrative and consulting services to the Company, including but not limited to strategic planning and business development, is an insider of the Company. F&M charges the Company a monthly consulting fee of \$10,000, and a bonus of \$180,000 was awarded in September 2017. As at September 30, \$237,300 (December 31, 2016 - \$Nil) was owed to F&M.

10. Commitments and contingencies

Management contracts

The Company is party to certain management and consulting contracts. These contracts contain clauses that require additional payments of up to approximately \$501,000 be made upon the occurrence of certain events such as contract termination or a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these condensed interim financial statements.

Discontinued operations

The Company has discontinued mining operations in various jurisdictions and has sold, dispersed of, or written down the carrying value of the related assets to nominal amounts. An estimate of the total liability, if any, for which the Company might become obligated as a result of its role as operator, guarantor, or indemnifier is not determinable, nor expected to be material, and no amount has been provided for in these condensed interim financial statements.

11. Subsequent events

On November 3, 2017, the Company announced a non-brokered private placement financing of up to 1,071,428 Valencia common shares at a price of \$0.14 per share for gross proceeds of up to \$150,000. The closing of the financing is expected to occur on or about November 9, 2017. The shares to be issued by Valencia will be subject to a statutory hold period of four months and one day. Completion of the financing is subject to a number of conditions including receipt of TSX Venture Exchange approval.