

# **VALENCIA VENTURES INC.**

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## **CONDENSED INTERIM FINANCIAL STATEMENTS**

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for the three months ended  
March 31, 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.

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**Valencia Ventures Inc.****Statements of Financial Position***Unaudited*

As at:

*(Expressed in Canadian dollars)*

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	Notes	March 31, 2017	December 31, 2016
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash		\$ 65,863	\$ 91,478
Amounts receivable		1,260	369
Prepaid expenses		-	2,160
<b>TOTAL ASSETS</b>		<b>\$ 67,123</b>	<b>\$ 94,007</b>
<b>LIABILITIES AND DEFICIENCY</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued liabilities	7	\$ 458,565	\$ 372,513
Total liabilities		458,565	372,513
<b>Deficiency:</b>			
Share capital	4	337,055,766	337,055,766
Share-based payments reserve	5	23,600	115,200
Deficit		(337,470,808)	(337,449,472)
Total (deficiency)		(391,442)	(278,506)
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 67,123</b>	<b>\$ 94,007</b>
Nature of operations and going concern	1		
Commitments and contingencies	10		

Approved on behalf of the Board of Directors on May 29, 2017:

*"Damian Lopez"*

Director

*"Tito Gandhi"*

Director

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**Valencia Ventures Inc.**  
**Statements of Loss and Comprehensive Loss***Unaudited**(Expressed in Canadian dollars)*

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		Three months ended	
		March 31,	
	Notes	2017	2016
Expenses			
Consulting and management fees	9	\$ 46,622	\$ 14,951
Professional fees		6,000	-
Shareholder communications and filing fees		7,276	15,989
General and administrative expenses		50,256	1,520
Travel expenses		2,782	-
<b>Net loss and comprehensive loss</b>		<b>\$ (112,936)</b>	<b>\$ (32,460)</b>
<b>Loss per share</b>			
Basic and diluted loss per share		\$ (0.01)	\$ (0.00)
Weighted average number of common shares outstanding:			
Basic and diluted		18,473,219	16,473,219

# Valencia Ventures Inc.

## Statements of Changes in Equity/(Deficiency)

Unaudited

Expressed in Canadian dollars

	Note	Share capital		Share-based payments reserve	Deficit	Total equity/ (deficiency)
		No.	\$	\$	\$	\$
Balance, December 31, 2016		18,473,219	337,055,766	115,200	(337,449,472)	(278,506)
Expiry of stock options	5	-	-	(91,600)	91,600	-
Loss for the period		-	-	-	(112,936)	(112,936)
<b>Balance, March 31, 2017</b>		<b>18,473,219</b>	<b>337,055,766</b>	<b>23,600</b>	<b>(337,470,808)</b>	<b>(391,442)</b>
Balance, December 31, 2015		16,473,219	336,896,958	132,700	(337,303,735)	(274,077)
Loss for the period		-	-	-	(32,460)	(32,460)
<b>Balance, March 31, 2016</b>		<b>16,473,219</b>	<b>336,896,958</b>	<b>132,700</b>	<b>(337,336,195)</b>	<b>(306,537)</b>

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**Valencia Ventures Inc.****Statements of Cash Flows***Unaudited**(Expressed in Canadian dollars)*

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	For the three months ended	
	March 31,	
	2017	2016
<b>Cash provided by (used in)</b>		
<b>Operating activities:</b>		
Net loss	\$ (112,936)	\$ (32,460)
Working capital adjustments:		
Change in amounts receivable	(891)	(1,340)
Change in prepaid expenses	2,160	-
Change in accounts payable and accrued liabilities	86,052	33,350
<b>Net cash used in operating activities</b>	<b>(25,615)</b>	<b>(450)</b>
Change in cash	(25,615)	(450)
Cash, beginning of the period	91,478	27,959
<b>Cash, end of the period</b>	<b>\$ 65,863</b>	<b>\$ 27,509</b>

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# Valencia Ventures Inc.

## Notes to the Condensed Interim Financial Statements

March 31, 2017 and 2016

*(Expressed in Canadian dollars unless otherwise noted)*

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### 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 months ended March 31, 2017 and 2016 were reviewed, approved and authorized for issue by the Board of Directors on May 29, 2017.

The Company has a need for equity capital and financing for working capital and the 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 March 31, 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 Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and have been prepared in accordance with accounting policies based on IFRS standards and International Financial Reporting Interpretation Committee ("IFRIC") interpretations. The policies set out in the Company's Annual Financial Statements for the twelve months ended December 31, 2016 were consistently applied to all the periods presented unless otherwise noted.

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.

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.

### 4. Share capital

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

# Valencia Ventures Inc.

## Notes to the Condensed Interim Financial Statements

March 31, 2017 and 2016

(Expressed in Canadian dollars unless otherwise noted)

### 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	0.85	132,700
Expired	(3,125)	6.40	(17,500)
December 31, 2016	148,125	0.85	115,200
Cancelled	(113,125)	0.90	(91,600)
<b>March 31, 2017</b>	<b>35,000</b>	<b>0.85</b>	<b>23,600</b>

### 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
10,000	10,000	15-Aug-12	15-Aug-17	\$ 0.96	\$ 9,600	192%	5.00	0%	1.51%
25,000	25,000	2-May-13	2-May-18	\$ 0.80	\$ 14,000	190%	5.00	0%	1.15%
35,000	35,000				\$ 23,600				

The weighted average remaining contractual life of outstanding options as of March 31, 2017 is 0.88 years (March 31, 2016: 1.69 years). During the three months ended March 31, 2017, 113,125 options were cancelled in accordance with the Plan and \$91,600 was recorded against deficit.

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# Valencia Ventures Inc.

## Notes to the Condensed Interim Financial Statements

March 31, 2017 and 2016

(Expressed in Canadian dollars unless otherwise noted)

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### 6. Financial instruments

Financial assets and financial liabilities as at March 31, 2017 and 2016 were as follows:

<b>March 31, 2017</b>	<b>Cash, loans and receivables</b>	<b>Financial liabilities</b>	<b>TOTAL</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash	65,863	-	65,863
Accounts payable and accrued liabilities	-	458,565	458,565

  

<b>December 31, 2016</b>	<b>Cash, loans and receivables</b>	<b>Financial liabilities</b>	<b>TOTAL</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
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 three months ended March 31, 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 March 31, 2017, the Company had a cash balance of \$65,863 (December 31, 2016: \$91,478) to settle current liabilities of \$458,565 (December 31, 2015: \$372,513). The Company's financial liabilities at March 31, 2017 and 2016 generally have contractual maturities of less than 30 days and are subject to normal trade terms.

#### Market risk

##### (a) Interest rate risk

The Company has cash balances at March 31, 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 significant balances in foreign currencies that would give rise to a 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 March 31, 2017, the Company has financial instruments that are carried at fair value, with an estimated fair value of \$nil.

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# Valencia Ventures Inc.

## Notes to the Condensed Interim Financial Statements

March 31, 2017 and 2016

(Expressed in Canadian dollars unless otherwise noted)

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### 7. Accounts payable and accrued liabilities

	March 31,		December 31,	
	2017		2016	
Trade payables	\$	337,565	\$	347,513
Accruals		121,000		25,000
	\$	458,565	\$	372,513

### 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 three months ended March 31, 2017 and 2016. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body.

### 9. Related party disclosures

#### *Compensation of key management personnel of the Company*

As at March 31, 2017 an amount of \$4,072, included in accounts payable, was owed to directors and officers of the Company (December 31, 2016 - \$9,669). The amounts outstanding on fees are unsecured, non-interest bearing, with no fixed terms of repayment.

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

	Three months ended March 31,			
	2017		2016	
Short-term benefits	\$	7,500	\$	7,500

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 remuneration committee having regard to the performance of individuals and market trends. See Note 9.

### 10. Commitments and contingencies

#### Management contracts

The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to approximately \$15,000 be made upon the occurrence of certain events such as management contract termination and 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.