
Valencia Ventures Inc.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2018 - Unaudited

(in Canadian dollars unless otherwise noted)

Date: November 29, 2018

The following Management's Discussion and Analysis ("MD&A") of the financial position and results of operations for Valencia Ventures Inc. (the "Company" or "Valencia") should be read in conjunction with the condensed interim financial statements and notes thereto for the three and nine months ended September 30, 2018 and 2017. All amounts included in the MD&A are in Canadian dollars, unless otherwise specified. The Company's public filings can be reviewed on the SEDAR website, under the Company's profile at www.sedar.com.

All financial statements discussed in this MD&A have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern and do not reflect the adjustments to the carrying value of assets and liabilities, reported revenue and expenses, and the statement of financial position classifications that would be necessary if the going concern assumption was no longer appropriate. These adjustments could be material.

The Audit Committee of the Company has reviewed this MD&A and the financial statements for the three and nine months ended September 30, 2018, and the Company's Board of Directors approved these documents prior to their release.

FORWARD LOOKING INFORMATION

This MD&A contains forward-looking information under Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the Company's proposed acquisitions and transactions, dispositions and strategy; the Company's ability to raise required funds; currency exchange rates; and the Company's ability to restart its business. Forward-looking information is based on the opinions and estimates of management as of the date such statements are made. Capital and operating cost estimates are based on extensive research of the Company, recent estimates of costs and other factors that are set out herein. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information. Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update its forward-looking information, except in accordance with applicable securities laws.

BUSINESS STRATEGY AND OUTLOOK

Valencia is a Canadian resource company with common shares that trade on the NEX Board of the TSX Venture Exchange ("NEX") under the symbol VVI.H.

The Company is evaluating and pursuing opportunities in an effort to reactivate its business and build shareholder value, and has entered into an agreement to acquire EarthRenew (please see "Highlights" below).

The Company has received conditional approval from the Canadian Securities Exchange ("CSE") to proceed with the previously announced reverse takeover ("RTO") of EarthRenew, a low-cost, sustainable, power-generation company with a patented production process that converts livestock waste to nutrient-rich, slow-release, pelleted organic fertilizer with a manufacturing facility located in Strathmore, Alberta. As part of the RTO and listing of Valencia's common shares on the CSE, Valencia intends to delist the common shares from the TSX Venture Exchange ("NEX").

HIGHLIGHTS

On December 1, 2017, the Company entered into an agreement to acquire 100% of the outstanding equity securities of 2292055 Ontario Inc., which carries on business under the name "EarthRenew". EarthRenew is a sustainable power generation company that generates electricity from a four MWh rated industrial natural gas turbine. EarthRenew's patented technology captures the waste heat from the turbine to produce high value

concentrated organic fertilizer from animal manure. Excess electricity from this process can be sold to the municipal grid or other end users, including cryptocurrency miners, thereby offsetting a significant portion of the cost of the gas used to run the plant.

In connection with the RTO, Valencia intends to complete a non-brokered private placement of up to 13,636,363 common shares at a price of 22 cents per share for aggregate cash proceeds of up to \$3-million. The Company intends to close the first tranche of the offering, for gross proceeds of \$1-million, concurrently with the closing of the RTO. The net proceeds of the first tranche are expected to be used by the Company to complete the RTO and for general corporate purposes. The first tranche is expected to close on or about November 15, 2018. The remaining tranches of the offering are expected to close following the completion of the RTO, and the net proceeds of such tranches will be used for general corporate purposes.

Finders' fees may be paid to eligible finders in accordance with the policies of the CSE consisting of a cash commission equal to up to 7 per cent of the gross proceeds raised under the offering and finder warrants in an amount equal to up to 7 per cent of the number of common shares sold pursuant to the offering. Each finder warrant will entitle the holder thereof to purchase one common share at a price of 22 cents per common share for a period of 12 months following the closing date of the respective tranche in the offering.

SELECTED ANNUAL INFORMATION

	December 31, 2017	December 31, 2016	December 31, 2015
Cash (used in) operations	\$ (270,118)	\$ (95,289)	\$ (69,341)
Net (loss)	(788,263)	(163,237)	(486,701)
Net (loss) per share- basic and diluted	(0.04)	(0.01)	(0.03)
Total Assets	62,728	94,007	38,454
Working Capital*	(703,712)	(278,506)	(274,077)

* Working Capital is defined as current assets minus current liabilities. Working capital is a Non-IFRS figure without a standardized meaning. Please see "Non-IFRS Measures" below for a reconciliation.

SELECTED QUARTERLY INFORMATION

(expressed in thousands, except per share amounts)

	Q3-2018	Q2-2018	Q1-2018	Q4-2017	Q3-2017	Q2-2017	Q1-2017	Q4-2016
Revenues	\$nil							
Net income/(loss)	(98)	(82)	(81)	(92)	(535)	(48)	(113)	(24)
Net income/(loss) per share- basic and diluted	(0.00)	(0.01)	(0.00)	(0.00)	(0.03)	(0.00)	(0.01)	(0.00)
Total Assets	68	63	62	63	45	37	67	94

In all the periods shown above, the Company did not generate any revenues and the net (losses) result primarily from corporate overheads and stock based compensation expense.

RESULTS OF OPERATIONS

For the three months ended September 30, 2018

The Company recorded a net loss of \$98,088 during the three months ended September 30, 2018, which resulted primarily from corporate overheads, consulting and management fees, and professional fees relating to the audit of the Company's financial statements. A net loss of \$534,712 was recorded during the same period of 2017. The difference was primarily a result of increased consulting and management fees and share-based compensation.

For the nine months ended September 30, 2018

The Company recorded a net loss of \$260,724 during the nine months ended September 30, 2018, which resulted primarily from corporate overheads, consulting and management fees, and professional fees relating to the audit of the Company's financial statements. A net loss of \$695,718 was recorded during the same period of 2017. The difference was primarily a result of increased consulting and management fees and share-based compensation.

Cash Flows

	For the three months ended September 30,	
	2018	2017
Net cash provided by/(used in) operating activities	\$ 5,059	\$ (19,973)
Increase (decrease) in cash and cash equivalents	\$ 5,059	\$ (19,973)

	For the nine months ended September 30,	
	2018	2017
Net cash (used in) operating activities	\$ (288)	\$ (82,756)
(Decrease) in cash and cash equivalents	\$ (288)	\$ (82,756)

On November 16, 2017, the Company completed a non-brokered private placement financing of 1,346,428 common shares at a purchase price of \$0.14 per share, for net proceeds of \$188,057.

OFF-BALANCE SHEET ARRANGEMENTS

The Company had no off-balance sheet arrangements as at September 30, 2018.

LIQUIDITY AND CAPITAL RESOURCES

The Company does not have any operating assets that generate revenues, The Company incurred a net loss of \$260,724 for the nine months ended September 30, 2018 (September 30, 2017: net loss of \$695,718) and generated a net cash outflow of \$288 from its operating activities (September 30, 2017: \$82,756).

The Company has a need for equity capital and financing for working capital and exploration and evaluation of its properties. Because of continuing operating losses, negative working capital and a cumulative deficit as at September 30, 2018, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation.

Working Capital

As at September 30, 2018, the Company had a working capital deficiency of \$964,436 (December 31, 2017: working capital deficiency of \$703,712).

Non-IFRS Measures

The Company has referred to working capital throughout this document. Working capital is a common Non-IFRS performance measure, but without a standardized meaning. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, we and certain investors use this information to evaluate the Company's performance and ability to generate cash, profits and meet financial commitments. This Non-IFRS measure is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The following tables provide a reconciliation of working capital to the financial statements as at September 30, 2018 and December 31, 2017.

	September 30, 2018	December 31, 2017
Current assets		
Cash	\$ 9,129	\$ 9,417
Amounts receivable	59,331	51,151
Prepaid expenses	-	2,160
	<u>68,460</u>	<u>62,728</u>
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,032,896	\$ 766,440
Working Capital, current assets less current liabilities		
	\$ (964,436)	\$ (703,712)

COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE COMPANY

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Short-term benefits	\$ -	\$ 105,000	\$ -	\$ 120,000
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 remuneration committee 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, 2018, the Company was charged \$67,500 for these and other services (nine months ended September 30, 2017: \$45,000). 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. As at September 30, 2018, \$372,900 (December 31, 2017 - \$271,200) was owed to F&M.

RECENT ACCOUNTING PRONOUNCEMENTS

During 2018, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These new standards and changes did not have any material impact on the Company's financial statements.

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2018. 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 16- Leases ("IFRS 16") was issued in January 2016 and specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Consistent with its predecessor, IAS 17, the new lease standard continues to require lessors to classify leases as operating or finance. IFRS 16 is to be applied retrospectively for annual periods beginning on or after January 1, 2019.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities as at September 30, 2018 and December 31, 2017 were as follows:

September 30, 2018	Cash, loans and receivables	Financial liabilities	TOTAL
	\$	\$	\$
Cash	9,129	-	9,129
Accounts payable and accrued liabilities	-	1,032,896	1,032,896

December 31, 2017	Cash, loans and receivables	Financial liabilities	TOTAL
	\$	\$	\$
Cash	9,417	-	9,417
Accounts payable and accrued liabilities	-	766,440	766,440

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 exposures 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, 2018.

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, 2018, the Company had a cash balance of \$9,129 (December 31, 2017: \$9,417) to settle current liabilities of \$1,032,896 (December 31, 2017: \$766,440). All of the Company's financial liabilities as at September 30, 2018 and December 31, 2017 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 as at September 30, 2018. 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. Currently, the Company does not hedge its foreign exchange risk. 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.

As at September 30, 2018, the Company has no financial instruments to classify in the fair value hierarchy.

RISKS AND UNCERTAINTIES

There are several risk factors that could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking information relating to the Company.

Liquidity Concerns and Future Financings

To remain solvent, the Company will require additional funds. There can be no assurance that the Company will be successful in obtaining required financing as and when needed. Volatile markets may make it difficult or impossible for the Company to obtain debt financing or equity financing on favourable terms, if at all. Failure to obtain additional financing on a timely basis may cause the Company to postpone or slow down its development plans, or reduce or terminate some or all of its activities.

Early Stage Company/No History of Earnings

The Company presently does not own any properties, business or other related assets of merit and is pursuing an acquisition to reactivate its business. There is no guarantee that the Company will be able to complete any acquisition. The Company has no history of earnings or the provision of a return on investment, and there is no assurance that any of its properties will generate earnings, operate profitably or provide a return on investment in the future. The Company has not declared or paid any dividends on its common shares.

Share Price Fluctuations

The market price of securities of many companies, particularly exploration stage companies, experience wide fluctuations in price that are not necessarily related to the operating performance, underlying asset values or prospects of such companies.

Conflicts of Interest

Certain of the Company's directors and officers serve or may agree to serve as directors or officers of other companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting such participation.

Dependence on Key Personnel

The Company is dependent on a relatively small number of key personnel. The Company currently does not have key person insurance on these individuals. Due to the Company's relatively small size, the loss of these persons or the Company's inability to attract and retain additional highly skilled employees required for the operation of the Company's activities may have a material adverse effect on the Company's business or future operations.

Electricity Generation

Changes in the Price of Electricity

A portion of the Company's revenues will be tied, either directly or indirectly, to the market price for electricity. Market electricity prices are impacted by a number of factors including: the strength of the economy, the available transmission capacity, the price of fuel that is used to generate electricity (and, accordingly, certain of the factors that affect the price of fuel described below); the management of generation and the amount of excess generating capacity relative to load in a particular market; the cost of controlling emissions of pollution, including the cost of carbon; the structure of the particular market; and weather conditions that affect the electrical load. As a result, EarthRenew cannot accurately predict future electricity prices and electricity price volatility could have a material adverse effect on the Company.

Regulatory Risk

The regulatory framework under which power generation is governed is impacted by significant shifts in government policy and changes in government, which creates uncertainty about public policy priorities and directions, particularly around electricity and environmental issues. The regulations that govern the competitive wholesale and retail electricity markets in Alberta continue to evolve and the extent to which the government of Alberta may participate in, and make adjustments to, the regulations cannot be foreseen.

Third Party Transmission Systems

The Strathmore Plant relies on a regional transmission system and related facilities that are owned and operated by third parties and have both regulatory and physical constraints that could impede the Company's access to electricity markets. EarthRenew's power generation facilities depend on electric transmission systems and related facilities owned and operated by third parties to deliver the electricity that is generated to delivery points where ownership changes. These grids operate with both regulatory and physical constraints which in certain circumstances may impede access to electricity markets. There may be instances in system emergencies in which power generation facilities are physically disconnected from the power grid, or production curtailed, for short periods of time. In addition, the Company's power generation facilities in the future may not be able to secure access to this interconnection or transmission capacity at reasonable prices, in a timely fashion or at all, which could then cause delays and additional costs in attempting to negotiate or renegotiate applicable power purchase agreements. Any such increased costs and delays could delay the commercial operation dates of any new projects and negatively affect the Company's revenues and financial condition.

Organic Fertilizer Production

Limited Operating History

EarthRenew commenced commercial production at its Strathmore Plant in April 2008 and ceased fertilizer production shortly thereafter. Future growth plans involve expansion in the United States or Europe where EarthRenew has not developed a plant or produced fertilizer. Accordingly, the Company will have a relatively limited operating history from which an investor can evaluate its business and prospects. EarthRenew has generated net losses and negative cash flow from operations since the commencement of operations and the Company is expected to incur net losses and negative cash flow from operations for a significant period of time following Closing as it expands its operations, re-launches organic fertilizer productions and applies for regulatory permits and approvals.

Unproven Products and Unproven Markets

EarthRenew's fertilizer products are relatively new and are unproven in the marketplace. There are no assurances that the Company's products will receive the broad market acceptance required for commercialization. Actual or perceived problems with quality control, performance or cost effectiveness of the Company's products, including in relation to competition or alternative products, may lead to a lack of confidence and harm the Company's ability to successfully commercialize its products.

The market for EarthRenew's products is undeveloped and development of such markets will require significant marketing efforts, working capital and increased sales and marketing staff. This may present difficulties due to limited resources as the price at which the Company may sell its products in commercial quantities has not yet been fully determined. The Company may be required to modify its growth strategy as a result of actual or anticipated competition, customer response, lack of resources, regulatory requirements or other reasons. Operating results and the price at which the Company will be able to sell its products and services will be highly dependent on the existence of a market for such products and overall farm receipts.

Success in marketing and selling products will depend upon multiple factors, including:

- the effectiveness of the products;
- the ability of the Company to locate additional hosts and add sufficient manufacturing capacity at an acceptable cost and in compliance with regulatory requirements;
- the ability to generate commercial sales of products;

- acceptance of products and services by target markets;
- inherent development risks, such as fertilizer products not having the anticipated effectiveness;
- preclusion or obsolescence resulting from a third party developing superior or equivalent products;
- the ability to develop repeatable processes to manufacture products in sufficient quantities; and
- general economic conditions.

If any of these factors cannot be overcome, the Company may not be able to introduce products to target markets in a timely or cost-effective manner, which could adversely affect future growth and results of operations.

There can be no assurance that illustrative or indicative use information in respect of products contained in this Listing Statement will reflect actual use of EarthRenew's products by growers. In adopting EarthRenew's products, growers will adopt and use product in accordance with their own circumstances and desires and may stage the adoption of product over time, or blend or use the Company's fertilizer with other fertilizers, which may affect the demand for products.

Operating results and the price at which the Company can sell products will be dependent on demand for products. Demand for products will be affected by a number of factors including weather conditions, commodity prices, and government policies. It is likely that the price at which the Company sells its products will fluctuate if there are significant changes in the price and availability of other fertilizer products.

EarthRenew's technology has not yet been commercialized outside of the Strathmore Plant or in other industries. There can be no assurance that the Company will be able to commercialize this technology or that the Company will be able to enter into licensing, joint ventures or other arrangements to develop other applications for this technology at other locations.

Product Price and Margin

Operating results are and will be dependent upon product prices and margins, which are in turn dependent on demand for crop inputs. Demand for crop inputs can be affected by a number of factors including weather conditions, outlook for crop nutrient prices and farmer economics, governmental policies, access of the Company's customers to credit, and build-up of inventories in distribution channels. See "Risk Factors - Organic Fertilizer Production - Unproven Products and Unproven Markets".

Product price and margins are also significantly influenced by competitor actions that change overall industry production capacity, such as decisions to build or close production plants, changes in utilization rates and pricing decisions.

Competition

The fertilizer manufacturing and electricity generation industries in which the Company operates are highly competitive. Although EarthRenew does not produce the same products as traditional fertilizer producers, management of the Company anticipates that future sales, pricing and margins will be affected by the price and availability of traditional soil products such as nitrogen-based fertilizers, the price of which is highly dependent on inputs such as natural gas. If the price and availability of traditional fertilizer products is attractive, future sales, pricing and margins may suffer, which could have a material adverse effect on the Company's business and financial condition.

Competitors in the traditional fertilizer industry are larger and have better access to capital and resources than EarthRenew, which could affect its ability to compete. A competitor or a new entrant could invent a technology or process that is superior to EarthRenew's technology or process and this would have an adverse effect on its ability to compete. The Company will also compete for host manure sites and for an adequate supply of inputs. A failure to secure future host sites will have a material adverse effect on the growth prospects of the Company.

Production Process

Under EarthRenew's manufacturing model, it has developed and established, and will continue to develop and establish, manufacturing processes and systems at the Strathmore Plant.

EarthRenew's manufacturing process is a highly automated and complex process that requires extreme precision and quality control throughout each production stage. The Strathmore Plant consists of multiple components, all of which must be run on an integrated and coordinated basis. There can be no assurance that each component will continuously operate as designed or expected or that the necessary levels of integration and co-ordination will continuously be achieved. Any difficulties encountered in the manufacturing process could adversely affect the ability to produce products, thereby affecting the Company's ability to meet customer expectations and may adversely affect the Company's financial results.

Intellectual Property

EarthRenew relies on a combination of patents, trademarks, trade secrets, confidentiality agreements and other contractual restrictions on disclosure to protect its intellectual property rights. EarthRenew also enters into confidentiality agreements with employees, consultants, hosts and other third parties, and control access to and distribution of confidential information.

The Company's success will depend in part on its ability to maintain or obtain and enforce patent and other intellectual property protection for processes, products and technology, to preserve trade secrets and to operate without infringing upon the proprietary rights of third parties. Setbacks or failures in these areas could negatively affect the Company's ability to compete and materially and adversely affect its business and financial condition. EarthRenew has obtained patents or filed patent applications in the United States, Canada and internationally and may, in the future, seek additional patents or file patent applications. Certain aspects of EarthRenew's technology are currently protected as trade secrets, for which the Company may or may not file patent applications.

There can be no assurance that EarthRenew's patents or patent applications will be valid or will issue over prior art, or that patents will issue from the patent applications that have been filed or will be filed. Additionally, there can be no assurances that the scope of any claims granted in any patent will provide adequate protection for the processes used by EarthRenew currently or in the future. The Company cannot be certain that the creators of EarthRenew's technology were the first inventors of inventions and processes covered by patents and patent applications or that they were the first to file. Accordingly, there can be no assurance that EarthRenew's patents will be valid or will afford the Company with protection against competitors with similar technology or processes. Despite efforts to protect proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use proprietary information. Monitoring unauthorized use of confidential information is difficult and there is no certainty that steps the Company take to prevent unauthorized use of patented products or confidential information will be effective.

The Company may deem it necessary or advisable to commence litigation to enforce intellectual property rights. Others may claim that EarthRenew has infringed upon their intellectual property rights and commence litigation against the Company. The Company's commercial success depends in part on its ability to operate without infringing the patents and other proprietary rights of third parties. Infringement proceedings relating to intellectual property are often lengthy, costly and time-consuming and their outcome is uncertain. Moreover, if competitors prepare and file patent applications to claim technology that is also claimed by EarthRenew, the Company may be forced to participate in interference proceedings to determine priority of invention. Litigation and participation in such proceedings could result in substantial costs and diversion of the efforts of the Company, even if the eventual outcome is favourable. Litigation could also subject the Company to significant liabilities to third parties, require disputed rights to be licensed from third parties or require the Company to cease using certain technology. If the Company becomes involved in any patent litigation, interference, opposition or other administrative proceedings, the Company will incur substantial expense and the efforts of technical and management personnel will be significantly diverted. As a result of such litigation or proceedings the Company could lose its proprietary position and be restricted or prevented from manufacturing products, incur significant damage awards, including punitive damages, or be required to seek third-party licenses that may not be available on commercially acceptable terms, if at all. In addition, the Company may lack the resources, whether financial or otherwise, to monitor, prosecute and enforce intellectual property rights.

Host Industry Risks and Dependence on Hosts

The Company's operations will be exposed to the same industry risks faced by hosts it engages with for power generation and organic fertilizer production. These risks include the risk of diseases such as BSE, avian flu or hoof and mouth disease. New regulations resulting from these diseases may have a negative impact on hosts and, as a consequence, the Company's operations. If any area in which the Company operates is affected by these diseases, EarthRenew's plants may be shut down or substantially impeded in their operation which could have a material adverse effect on business and financial conditions. Risks faced by hosts do include those risks associated with cattle, dairy or poultry operations, as the case may be; including weather, pricing and availability of other inputs, product prices and all other matters affecting their commercial operation and viability.

The Company will depend on hosts for the materials needed to manufacture organic matter fertilizers. It is expected that each plant will be dependent on a single host and the loss of any such host would result in a disruption in production from such plant. If this were to occur, it may be difficult to arrange a replacement supplier, because such plants cannot easily be physically relocated. Hosts may encounter problems in providing the Company with an adequate supply of the inputs required due to a variety of reasons, including failure to comply with applicable regulations and environmental factors. If hosts are unable to provide sufficient and timely quantities of inputs that are depended on to manufacture products or if delays or contractual or other difficulties in relationships with hosts are encountered, then the manufacture of products may be disrupted, which could have a materially adverse effect on operations, revenues and financial condition. The Company intends to enter into long term agreements with hosts; however there is no guarantee that such hosts will be able to meet their commitments under such agreements nor is there any assurance that the Company will enter into a sufficient number of such long term agreements. It is anticipated that host agreements will provide for the delivery of specified amounts of inputs for such plants. These required specified amounts may not be sufficient to operate these plants at expected or full rates and the host may not be able to supply amounts in addition of the specified amounts. In these circumstances, the Company may have to source additional inputs to operate at expected levels and there is no assurance the Company will be able to find additional input supply. It is also expected that host agreements provide that, in certain circumstances, including in unusually wet weather conditions, or, after an initial five year period in the case where the host is unable to operate at a profit and so reduces the number of cattle maintained at its site, the host is excused from its obligations to provide input to its plants. In addition, as plants will be located on property the Company will lease from various hosts, the Company may become liable for a failure by its hosts, or any other Person owning the real property upon which such plants are located, to comply with environmental laws and regulations.

Dependence on Single Plant

EarthRenew currently depends on a single plant to manufacture its product and generate revenue. All of the Company's anticipated revenue for the foreseeable future will be derived from product and electricity that is produced at the Strathmore Plant. The Strathmore Plant is not operating at its base load production level. If the Strathmore Plant does not operate as planned or does not reach its targeted base load production level, the Company may need to incur additional expense and spend additional time to increase production at that plant, which may temporarily reduce production levels and increase production costs.

Volatility of Electricity and Natural Gas Prices

The Company's future revenue will be dependent on the market prices of electricity and natural gas. The market rates of electricity and natural gas may be affected by changes in regulations and government policy and in demand and capacity supply, including cyclical changes, as well as the overall economy. Electricity markets are subject to regulatory developments within the jurisdictions in which the Company operates (or intends to operate) or sell electricity and other external factors outside the Company's control, which developments or factors may negatively impact electricity markets, pricing, transmission development and investment. This volatility may have a material adverse effect on the Company's financial condition.

To the extent that electricity prices do not increase in tandem with any future increases in natural gas prices, the Company's operating results will be adversely affected as it will not be able to sell the electricity produced by these plants at levels sufficient to offset a majority of the cost of the natural gas it will have to purchase to power such plants.

Government Regulation

The Company's operations will be subject to a variety of federal, provincial, state and local laws, regulations, and guidelines, including laws and regulations relating to health and safety, manure management, production and sale of fertilizers, including for organic farming use, the conduct of operations, the protection of the environment, the operation of equipment used in operations, the sale of electricity and the transportation and the import and export of products. EarthRenew believes that it is currently in compliance with such laws and regulations. The Company intends to invest financial and managerial resources to ensure such compliance in the future. Although such expenditures historically have not been material, such laws or regulations are subject to change. Accordingly, it is impossible for the Company to predict the cost or impact of such laws and regulations on future operations.

Organic Approvals

To sell EarthRenew's fertilizer for use in certified organic crop production, the Company must be approved for such use by various approval agencies in accordance with applicable regulatory standards. EarthRenew's products are currently approved for use in certified organic crop production in the U.S. and Canada. There can be no assurance that the Company will be able to obtain approval for use of its products for organic agriculture in, or export to, other countries, particularly in Europe.

In the United States, EarthRenew products are approved for unrestricted use in certified organic crop production by the Washington State Department of Agriculture (WSDA). These approvals expire on an annual basis. An inability to renew this approval for use of the Company's products in U.S. certified organic crop production would prevent the Company's product from being sold in this sector, and could have a material adverse effect on business and operations. The loss or inability to renew an approval to use these products in organic agriculture from an approval agency, or the loss of acceptance by any ACA of any of such products, or of the agencies that have approved these products for use, could have a material adverse effect on business and operations.

Operating Risks and Insurance

The Company's operations will be subject to hazards inherent in the fertilizer manufacturing and sale and electrical generation industries, such as labour disruptions and unscheduled downtime, equipment defects, malfunctions and failures, loss of product in processing, and natural disasters, that can cause personal injury, loss of life, suspension of operations, damage to plants, business interruption and damage to or destruction of property, equipment and the environment. These risks could expose the Company to substantial liability for personal injury, wrongful death, property damage, pollution, and other environmental damages and the imposition of civil or criminal penalties. The frequency and severity of such incidents will affect operating costs, insurability and relationships with customers, employees and regulators. In the event of equipment defects, malfunctions or failures, there can be no assurance that supplier warranties will be effective to compensate the Company for any losses.

The Company will continuously monitor its activities for quality control and safety. However, there are no assurances that safety procedures will always prevent the damages described above. Although the Company will maintain insurance coverage that it believes to be adequate and customary in the industries in which it operates, there are no assurances that such insurance will be adequate to cover all liabilities. In addition, there are no assurances that the Company will be able to maintain adequate insurance in the future at rates it considers reasonable and commercially justifiable. The occurrence of a significant uninsured claim, a claim in excess of the insurance coverage limits, or a claim at a time when the Company is not able to obtain liability insurance, could have a material adverse effect on its ability to conduct normal business operations.

Defects in its products or failures in quality control could impair the Company's ability to sell products or could result in product liability claims, litigation and other significant events with substantial additional costs. Detection of any significant defects in its products or failure in the Company's quality control procedures may result in, among other things, loss of sales and market acceptance of the Company's products, diversion of development resources and injury to the Company's reputation.

The costs the Company may incur in correcting any product defects may be substantial. Additionally, errors, defects or other performance problems could result in financial or other damages to customers, which could result in litigation. Product liability litigation, even if unsuccessful, would be time consuming and costly to defend. The Company's product liability insurance may not be adequate to cover claims.

Environmental and Regulatory Risk

The Company's operations are subject to environmental risks and regulatory compliance and there are no assurances that its plants will be compliant with all regulatory requirements. New or amended environmental laws and regulations may require the Company to curtail or stop operations at one or more plants, or may require expenditures by the Company to install environmental control equipment or to modify operations. Failure to comply could subject the Company to fines or penalties.

There can be no assurances that the Company will not experience difficulties in its efforts to comply with such laws and regulations in future years, or that the costs associated with the Company's continued compliance efforts will not have a material adverse effect on its business and financial condition. The ability to use its product in organic agriculture is a key component to the marketability of such product. Should any regulatory body prohibit organic matter fertilizers for use in organic agriculture it would materially adversely affect the marketability of the products of the Company.

Inability to Adapt or Incorporate New Technological Processes

The development and implementation of new technologies may result in a significant reduction in the costs of fertilizer production. Technological advances by other fertilizer producers in methods to convert minerals, green wastes, biosolids and manures into fertilizer could increase efficiency and decrease the cost of production, which could increase competition. In addition, the Company will rely on animal manure as an input to its process. The development of new technologies that utilize manure may increase competition for manure that could limit its access to manure and increase costs. The Company cannot predict when new technology may become available, the rate of acceptance of new technologies by its competitors or the costs associated with new technologies. It is also possible that the Company may not be able to incorporate new technological processes into its production process, which could place it at a competitive disadvantage.

Cross Contamination

Although the Company's high heat process of up to 1,000 Fahrenheit degrees destroys pathogens, there is no assurance its product will not be associated with a pathogen outbreak due to cross contamination with other crop inputs. Although the Company attempts to restrict the use of its product with potentially risky inputs such as manures and composts, there can be no assurance that growers will not use its product in combination with these inputs. Association with a pathogen outbreak could damage the Company's reputation and cause it to become involved in costly and time-consuming legal or regulatory proceedings, which would divert the attention of Management and key personnel from its business operations, could be extremely expensive to counteract, and could adversely affect the business.

Sales Cycle

EarthRenew is affected by seasonality risk due to weather and the potential buying patterns of major customers. The Company's revenue may therefore be affected by these buying patterns, most notably a potential slowdown in sales over the winter and early spring.

Personnel and Strategic Allies

The successful operation of the Company's business will depend upon the abilities, expertise, judgment, discretion, integrity and good faith of Management, executive officers, general managers, employees, consultants and strategic allies. In addition, the Company's ability to expand will depend upon its ability to attract qualified personnel as needed, including marketing, sales and operational personnel. The demand for skilled employees is high, and the supply can be limited, particularly in the Alberta market. The unexpected loss of key personnel or strategic partners, or the inability to retain or recruit skilled personnel could have a material adverse effect on the Company's business and financial condition.

Marketing and Distribution Expertise

Achieving market success will require substantial marketing efforts and expenditures to inform potential customers of the distinctive benefits and characteristics of the Company's fertilizer. The Company's long-term success will depend on its ability to expand current marketing capabilities. The Company will, among other things, need to

attract and retain experienced marketing and sales personnel. No assurance can be given that the Company will be able to attract and retain such personnel, or that any efforts undertaken by such personnel will be successful.

Weather and Climate

Adverse weather conditions represent a significant operating risk affecting potential hosts and customers for products. Weather conditions affect the types of crops grown, the quality and quantity of production and the levels of farm inputs which, in turn, will affect demand for the Company's products. Adverse weather conditions, such as drought or excessive rains, can result in both reduced production of the inputs required to manufacture products by the Company's hosts, reduced crop production by customers for products and increased costs to operate plants. During the winter and wet seasons, the Company expects the amount of inputs produced by hosts to decline. A reduction in the production of the inputs needed to manufacture the Company's products or crop input sales because of adverse weather conditions could have a material adverse effect on operating results and financial condition.

Management Estimates and Assumptions

A number of matters including, without limitation, engineering matters, energy efficiency, product performance and costs are based on certain assumptions and estimates made by management. These estimates and assumptions may prove to be inaccurate.

Litigation Risks

The Company may become involved in, named as a party to, or the subject of, various legal proceedings, including contract disputes, regulatory proceedings, tax proceedings and legal actions relating to intellectual property, product liability, personal injuries, property damage, property taxes, land rights, and the environment. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Company and as a result, could have a material adverse effect on its assets, liabilities, business, financial condition and results of operations. Even if the Company prevails in any such legal proceeding, the proceedings could be costly and time-consuming and would divert the attention of Management and key personnel from business operations, which could adversely affect its financial condition.

Credit Risk

A substantial portion of the Company's accounts receivable will be with customers involved in the agricultural industry, whose revenues may be impacted by fluctuations in commodity prices and all other factors affecting the economics of the agricultural industry. Collection of these receivables could be influenced by economic factors affecting the agricultural industry as a whole.

Foreign Exchange and Interest Rates

The Company will incur costs in United States dollars, particularly in relation to equipment and parts purchased from the United States. Accordingly, the Company is subject to risk from fluctuations in the rates of currency exchange between the United States dollar and Canadian dollar, and such fluctuations may materially affect its business and financial condition. As a portion of sales are projected to be made in U.S. dollars, currency fluctuations may also adversely affect the Company's revenues.

Catastrophic Event Risk

EarthRenew's operations are exposed to potential damage, including partial or full loss, resulting from disasters such as an earthquake, hurricane, fire, explosion, flood, severe storm, terrorist attack or other comparable events. Both the Strathmore Plant and plants owned by hosts could be exposed to effects of severe weather conditions, natural disasters and potentially catastrophic events such as a major accident. A pandemic or an assault or an action of malicious destruction, sabotage or terrorism committed at its plants or with respect to its fertilizer could also disrupt the Company's ability to produce and sell fertilizer. The occurrence of a significant event that disrupts the ability of its plants to produce fertilizer for an extended period could have a material adverse effect on the Company's business, financial condition and results of operations.

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 \$360,000 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.

Leases

The Company currently is party to a lease for office space on a 3 year term at a rate of approximately \$65,000 per month. The Company is fully indemnified from all costs under the lease agreement by 2227929 Ontario Inc.

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.

OUTSTANDING SHARE DATA

As at the date of this MD&A, the Company has:

- 1) 19,819,647 common shares outstanding
- 2) 1,250,000 stock options outstanding and exercisable with an exercise price of \$0.14, expiring on August 22, 2022. If exercised, 1,250,000 shares would be issued, generating proceeds of \$175,000.