

VALENCIA VENTURES INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

for the three and nine months ended
September 30, 2018 and 2017
(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.

Condensed Interim Statements of Financial Position

Unaudited

(Expressed in Canadian dollars)

	Notes	September 30, 2018	December 31, 2017
ASSETS			
Current assets:			
Cash		\$ 9,129	\$ 9,417
Amounts receivable		59,331	51,151
Prepaid expenses		-	2,160
TOTAL ASSETS		\$ 68,460	\$ 62,728
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities	7	\$ 1,032,896	\$ 766,440
Total liabilities		1,032,896	766,440
Equity/(Deficiency):			
Share capital	4	337,243,823	337,243,823
Share-based payments reserve	5	175,000	206,500
Deficit		(338,383,259)	(338,154,035)
Total (deficiency)		(964,436)	(703,712)
TOTAL LIABILITIES AND DEFICIENCY		\$ 68,460	\$ 62,728
Nature of operations and going concern	1		
Commitments and contingencies	10		
Subsequent events	11		

Approved on behalf of the Board of Directors on November 29, 2018:

"Damian Lopez"

Director

"Tito Gandhi"

Director

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Expenses				
Consulting and management fees	\$ 43,899	\$ 327,141	\$ 137,312	\$ 393,743
Professional fees	11,500	6,160	22,500	18,160
Shareholder communications and filing fees	27,268	14,795	56,407	30,333
General and administrative expenses	15,421	11,616	44,505	74,974
Travel expenses	-	-	-	3,508
Share-based payments	-	175,000	-	175,000
Net loss and comprehensive loss	\$ (98,088)	\$ (534,712)	\$ (260,724)	\$ (695,718)
Basic and diluted loss per share	\$ (0.00)	\$ (0.03)	\$ (0.01)	\$ (0.04)
Weighted average number of common shares outstanding:				
Basic and diluted	19,819,647	18,473,219	19,819,647	18,473,219

The accompanying notes are an integral part of these condensed interim financial statements.

Valencia Ventures Inc.**Condensed Interim 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	-	-	(83,700)	83,700	-
Issuance of stock options		-	-	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)
Balance, December 31, 2017		19,819,647	337,243,823	206,500	(338,154,035)	(703,712)
Expiry of stock options	5	-	-	(31,500)	31,500	-
Loss for the period		-	-	-	(260,724)	(260,724)
Balance, September 30, 2018		19,819,647	337,243,823	175,000	(338,383,259)	(964,436)

The accompanying notes are an integral part of these condensed interim financial statements.

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

	Nine months ended	
	September 30,	
	2018	2017
<hr/>		
Cash provided by (used in)		
Operating activities:		
Net loss	\$ (260,724)	\$ (695,718)
Items not involving cash:		
Share-based payments	-	175,000
Working capital adjustments:		
Change in amounts receivable	(8,180)	(31,507)
Change in prepaid expenses	2,160	(2,160)
Change in accounts payable and accrued liabilities	266,456	471,629
Net cash (used in) operating activities	(288)	(82,756)
Change in cash	(288)	(82,756)
Cash, beginning of the period	9,417	91,478
Cash, end of the period	\$ 9,129	\$ 8,722

The accompanying notes are an integral part of these condensed interim financial statements.

Valencia Ventures Inc.

Notes to the Condensed Interim Financial Statements

September 30, 2018 and 2017

(Expressed in Canadian dollars unless otherwise noted)

1. Nature of operations and going concern

Valencia Ventures Inc. (the "Company" or "Valencia") is a Canadian resource company. The Company currently has no interests in exploration and evaluation properties and the Company is evaluating and pursuing opportunities in an effort to reactivate its business and build shareholder value. On December 1, 2017, the Company entered into an amalgamation agreement to acquire all of the outstanding shares of 2292055 Ontario Inc. ("EarthRenew"), pursuant to which the Company will acquire all the issued and outstanding shares of EarthRenew ("the Transaction"). It is expected that the Transaction will be effected by way of a three-cornered amalgamation pursuant to which a wholly-owned subsidiary of Valencia will amalgamate with EarthRenew, and all of EarthRenew's shareholders will receive one Valencia common share for each EarthRenew share held. EarthRenew is a Canadian company that expects to sell high value concentrated organic fertilizer from animal manure, providing an environmentally friendly waste management solution for high-intensity livestock farming. In addition to producing in-demand organic fertilizer, EarthRenew converts natural gas to electricity using the hot exhaust from a four Megawatt rated industrial natural gas turbine. The electricity produced will be used in fertilizer production, sold to the municipal power grid, or sold to other end users, including cryptocurrency miners. The Transaction is expected to constitute a reverse take-over whereby the shareholders of EarthRenew are expected to control the combined entity. The Transaction is subject to various shareholder and regulatory approvals. There can be no assurance that the Transaction will be completed with the expected terms or at all. 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 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"). The condensed interim financial statements of the Company for the three and nine months ended September 30, 2018 and 2017 were reviewed, approved and authorized for issue by the Board of Directors on November 29, 2018.

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, 2018, 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, 2017.

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

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.

Valencia Ventures Inc.

Notes to the Condensed Interim Financial Statements

September 30, 2018 and 2017

(Expressed in Canadian dollars unless otherwise noted)

4. Share capital

As at September 30, 2018 and December 31, 2017 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, 2016	148,125	0.89	115,200
Expired	(91,875)	0.94	(83,700)
Granted	1,250,000	0.14	175,000
December 31, 2017	1,306,250	0.17	206,500
Expired	(56,250)	0.80	(31,500)
September 30, 2018	1,250,000	0.14	175,000

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
1,250,000	1,250,000	22-Aug-17	22-Aug-22	\$ 0.14	\$ 175,000	202%	5.00	0%	1.53%
1,250,000	1,250,000				\$ 175,000				

The weighted average remaining contractual life of outstanding options as of September 30, 2018 is 3.90 years (September 30, 2017: 4.71 years). During the nine months ended September 30, 2018, 56,250 options expired in accordance with the Plan and \$31,500 was recorded against deficit (nine months ended September 30, 2017: 91,875 options expired valued at \$83,700).

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.

Valencia Ventures Inc.

Notes to the Condensed Interim Financial Statements

September 30, 2018 and 2017

(Expressed in Canadian dollars unless otherwise noted)

6. 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 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, 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). The Company's financial liabilities as at September 30, 2018 and December 31, 2017 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 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. 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.

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

Valencia Ventures Inc.

Notes to the Condensed Interim Financial Statements

September 30, 2018 and 2017

(Expressed in Canadian dollars unless otherwise noted)

7. Accounts payable and accrued liabilities

	September 30, December 31,	
	2018	2017
Trade payables	\$ 1,014,096	\$ 639,440
Accruals	18,800	127,000
	<u>\$ 1,032,896</u>	<u>\$ 766,440</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, 2018. 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

The remuneration of directors and other members of key management personnel during the 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 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, 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 was owed to F&M (December 31, 2017 - \$271,200).

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 \$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.

Valencia Ventures Inc.

Notes to the Condensed Interim Financial Statements

September 30, 2018 and 2017

(Expressed in Canadian dollars unless otherwise noted)

10. Commitments and contingencies (continued)

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

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.