
Valencia Ventures Inc.

Management's Discussion and Analysis

For the three and six months ended June 30, 2018 - Unaudited

(in Canadian dollars unless otherwise noted)

Date: August 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 six months ended June 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 six months ended June 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).

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 Canadian company that produces high value concentrated organic fertilizer from animal manure, providing an environmentally friendly waste management solution for high intensity livestock farming. EarthRenew has a commercial facility located in Strathmore, Alberta and an offtake agreement for retail distribution of its product in Canada and the United States.

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 to establish its own cryptocurrency mining operation at the Strathmore facility, with excess electricity to be used in fertilizer production or sold to the municipal power grid. On February 14, 2018, EarthRenew purchased 20 Antminer S9

mining rigs to commence Bitcoin mining activities and is evaluating hardware options to mine other cryptocurrencies in the future.

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)

	Q2-2018	Q1-2018	Q4-2017	Q3-2017	Q2-2017	Q1-2017	Q4-2016	Q3-2016	Q2-2016
Revenues	\$nil								
Net income/(loss)	(82)	(81)	(92)	(535)	(48)	(113)	(24)	(19)	(88)
Net income/(loss) per share- basic and diluted	(0.01)	(0.00)	(0.00)	(0.03)	(0.00)	(0.01)	(0.00)	(0.00)	(0.01)
Total Assets	63	62	63	45	37	67	94	146	38

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 June 30, 2018

The Company recorded a net loss of \$82,441 during the three months ended June 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 \$48,070 was recorded during the same period of 2017. The increase was primarily a result of increased consulting and management fees and corporate overheads.

For the six months ended June 30, 2018

The Company recorded a net loss of \$162,636 during the six months ended June 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 \$161,006 was recorded during the same period of 2017.

Cash Flows

	For the three months ended June 30,	
	2018	2017
Net cash (used in) operating activities	\$ (1,564)	\$ (37,168)
Increase (decrease) in cash and cash equivalents	\$ (1,564)	\$ (37,168)

	For the six months ended June 30,	
	2018	2017
Net cash (used in) operating activities	\$ (5,347)	\$ (62,783)
(Decrease) in cash and cash equivalents	\$ (5,347)	\$ (62,783)

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 June 30, 2018.

LIQUIDITY AND CAPITAL RESOURCES

The Company does not have any operating assets that generate revenues, The Company incurred a net loss of \$162,636 for the six months ended June 30, 2018 (June 30, 2017: net loss of \$161,006) and generated a net cash outflow of \$5,347 from its operating activities (June 30, 2017: \$62,783).

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 June 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 June 30, 2018, the Company had a working capital deficiency of \$866,348 (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 June 30, 2018 and December 31, 2017.

	June 30, 2018	December 31, 2017
Current assets		
Cash	\$ 4,070	\$ 9,417
Amounts receivable	58,915	51,151
Prepaid expenses	-	2,160
	<u>62,985</u>	<u>62,728</u>
Current liabilities		
Accounts payable and accrued liabilities	\$ 929,333	\$ 766,440
Working Capital, current assets less current liabilities	\$ (866,348)	\$ (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:

	Six months ended June 30,	
	2018	2017
Short-term benefits	\$ -	\$ 15,000

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 six months ended June 30, 2018, the Company was charged \$45,000 for these and other services (six months ended June 30, 2017: \$30,000). 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 June 30, 2018, \$339,000 (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 June 30, 2018 and December 31, 2017 were as follows:

June 30, 2018	Cash, loans and receivables	Financial liabilities	TOTAL
	\$	\$	\$
Cash	4,070	-	4,070
Accounts payable and accrued liabilities	-	929,333	929,333
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 six months ended June 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 June 30, 2018, the Company had a cash balance of \$4,070 (December 31, 2017: \$9,417) to settle current liabilities of \$929,333 (December 31, 2017: \$766,440). All of the Company's financial liabilities as at June 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 June 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 June 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.

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.