

VALENCIA VENTURES INC.
65 Queen Street West, Suite 805
Toronto, Ontario
Canada M5H 2M5

NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an annual general and special meeting (the "**Meeting**") of the shareholders of Valencia Ventures Inc. (the "**Corporation**") will be held at 65 Queen Street West, 8th Floor, Toronto, Ontario M5H 2M5 on Friday, August 10, 2018 at 10:00 a.m. (Toronto time) for the following purposes:

1. to receive and consider the audited financial statements of the Corporation as at and for the fiscal year ended December 31, 2017, together with the report of the auditors thereon;
2. to receive and consider the unaudited interim financial statements of the Corporation as at and for the three-month period ended March 31, 2018;
3. to consider and, if deemed advisable, to pass with or without variation, an ordinary resolution electing the directors as set out in the Corporation's information circular dated July 12, 2018 (the "**Circular**") with such election including one slate of directors that is conditional upon, and effective as of, the completion of the Corporation's reverse take-over with 2292055 Ontario Inc. (carrying on business under the name "EarthRenew") (the "**Transaction**"), and one slate of directors in the event the Transaction does not close;
4. to re-appoint UHY McGovern Hurley LLP, Chartered Accountants as auditor of the Corporation and authorize the directors to fix their remuneration;
5. to re-approve the Corporation's stock option plan;
6. to consider and, if deemed advisable, to adopt a special resolution authorizing the filing of articles of amendment to change the Corporation's name to "EarthRenew Inc.", or such other name as the directors, in their discretion, may deem advisable; and
7. to transact such further or other business as may properly come before the Meeting or any postponement(s) or adjournment(s) thereof.

This notice is accompanied by a form of proxy, the Circular the audited consolidated financial statements of the Corporation as at and for the fiscal year ended December 31, 2017 and related management's discussion and analysis of financial condition, and the unaudited interim financial statements of the Corporation as at and for the three-month period ended March 31, 2018 together with the related management's discussion and analysis.

Shareholders who are unable to attend the Meeting in person are requested to complete, date, sign and return the enclosed form of proxy so that as large a representation as possible may be had at the Meeting.

The directors of the Corporation have fixed the close of business on June 22, 2018 as the record date, being the date for the determination of the registered holders entitled to notice and to vote at the Meeting and any postponement(s) or adjournment(s) thereof.

The board of directors of the Corporation has by resolution fixed 10:00 a.m. (Toronto time) on Wednesday, August 8, 2018, or 48 hours (excluding Saturdays, Sundays and holidays) before any postponement(s) or adjournment(s) of the Meeting, as the time by which proxies to be used or acted upon at the Meeting or any postponement(s) or adjournment(s) thereof shall be deposited with the Corporation's transfer agent, in accordance with the instructions set forth in the accompanying management information circular and the form of proxy.

DATED at Toronto, Ontario as of the 12th day of July, 2018.

BY ORDER OF THE BOARD OF DIRECTORS

(Signed) "*Damian Lopez*"

President and Chief Executive Officer

VALENCIA VENTURES INC.

MANAGEMENT INFORMATION CIRCULAR
JULY 12, 2018

INFORMATION REGARDING CONDUCT OF MEETING

Solicitation of Proxies

This management information circular (“Circular”) is furnished in connection with the solicitation by the management of Valencia Ventures Inc. (“Valencia” or the “Corporation”) of proxies to be used at the annual general and special meeting (the “Meeting”) of holders of common shares (“Shareholders”) of the Corporation to be held on Friday, August 10, 2018 at 10:00 a.m. (Toronto time) and at any postponement(s) or adjournment(s) thereof for the purposes set forth in the accompanying notice of meeting (“Notice of Meeting”). References in this Circular to the “Meeting” include references to any postponement(s) or adjournment(s) thereof. It is expected that the solicitation will be primarily by mail but proxies may also be solicited through other means by employees, consultants and agents of the Corporation. The cost of solicitation by management will be borne by the Corporation.

The board of directors of the Corporation has by resolution fixed the close of business on June 22, 2018 as the record date for the meeting (the “Record Date”) being the date for the determination of the registered holders of common shares of the Corporation (the “Common Shares”) entitled to notice of and to vote at the Meeting and any adjournment(s) or postponement(s) thereof (the “Shareholders”). The board of directors of the Corporation has by resolution fixed 11:00 a.m. (Toronto time) on August 8, 2018, or 48 hours (excluding Saturdays, Sundays and holidays) before any adjournment(s) or postponement(s) of the Meeting, as the time by which proxies to be used or acted upon at the Meeting or any adjournment(s) or postponement(s) thereof shall be deposited with the Corporation’s transfer agent. The time limit for deposit of proxies may be waived or extended by the Chair of the Meeting at his or her discretion without notice.

The Corporation shall make a list of all persons who are registered holders of Common Shares on the Record Date and the number of Common Shares registered in the name of each person on that date. Each Shareholder is entitled to one vote on each matter to be acted on at the Meeting for each Common Share registered in his name as it appears on the list.

Unless otherwise stated, the information contained in this Circular is as of July 12, 2018. All dollar amount references, unless otherwise indicated, are expressed in Canadian dollars.

Appointment and Revocation of Proxies

The persons named in the enclosed form of proxy are officers and/or directors of the Corporation. **A Shareholder desiring to appoint some other person or company to represent him or her at the Meeting may do so** by inserting such person's name in the blank space provided in that form of proxy or by completing another proper form of proxy and, in either case, depositing the completed proxy at the office of the transfer agent of the Corporation indicated on the enclosed envelope not later than the times set out above.

In addition to revocation in any other manner permitted by law, a Shareholder may revoke a proxy given pursuant to this solicitation by depositing an instrument in writing (including another proxy bearing a later date) executed by the Shareholder or by an attorney authorized in writing at 65 Queen Street West, Suite 815, Toronto, Ontario, M5H 2M5 at any time up to and including the last business day preceding the day of the Meeting or with the Chairman of the Meeting not later than the times set out above.

Voting of Proxies

Common Shares represented by properly executed proxies in favour of persons designated in the printed portion of the enclosed form of proxy **will be voted for each of the matters to be voted on by Shareholders as described in this Circular or withheld from voting or voted against if so indicated on the form of proxy and in accordance with the instructions of the Shareholder on any ballot that may be called for. In the absence of such election, the proxy will confer discretionary authority to be voted in favour of each matter set out in the form of proxy for which no choice has been specified.** The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting or other matters that may properly come before the Meeting. At the time of printing this Circular, management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting. However, if any other matters that are not now known to management should properly come before the Meeting, the proxy will be voted on such matters in accordance with the best judgement of the named proxies.

Non-Registered Holders

Only registered Shareholders or the persons they appoint as their proxies are permitted to vote at the Meeting. However, in many cases, shares beneficially owned by a holder who is not a registered Shareholder (a **"Non-Registered Holder"**) are registered either: (i) in the name of an intermediary with whom the Non-Registered Holder deals in respect of the Common Shares such as, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans (an **"Intermediary"**); or (ii) in the name of a clearing agency (such as The Canadian Depository for Securities Limited of which the Intermediary is a participant). In accordance with the requirements of National Instrument 54-101 of the Canadian Securities Administrators, the Corporation will distribute copies of the Notice of Meeting, form of proxy and this Circular to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are then required to forward the materials to the appropriate Non-Registered Holders. Non-Registered Holders will be given, in substitution for the proxy otherwise contained in proxy-related materials, a request for voting instructions (the **"Voting Instructions Form"**) which, when properly completed and signed by the Non-Registered Holder and returned to the Intermediary, will constitute voting instructions which the Intermediary must follow.

The purpose of this procedure is to permit Non-Registered Holders to direct the voting of the Common Shares they beneficially own. Should a Non-Registered Holder who receives the voting instructions form wish to vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should so indicate in the place provided for that purpose in the Voting Instructions Form and a form of legal proxy will be sent to the Non-Registered Holder. In any event, Non-Registered Holders should carefully follow the instructions of their Intermediary set out in the Voting Instructions Form.

Voting Securities and Principal Holder Thereof

The authorized capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of preferred shares. As of the Record Date (and also as of July 12, 2018), the Corporation had 19,819,647 Common Shares issued and outstanding and no preferred shares issued and outstanding.

To the knowledge of the directors and officers of the Corporation, as at the Record Date, no person beneficially owns, directly or indirectly, or exercises control or direction over securities carrying more than 10% of the voting rights attached to the Common Shares.

Interest of Persons in Matters to be Acted Upon

No director or executive officer of the Corporation, nor any person who had held such a position since the beginning of the last completed financial year end of the Corporation, no Nominee nor any respective associates or affiliates of the foregoing persons has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise in any matter to be acted upon at this Meeting other than the election of directors and the re-approval of the Corporation's stock option plan.

EXECUTIVE COMPENSATION DISCLOSURE

Oversight and Description of Director and Named Executive Officer Compensation

Named Executive Officers:

For the financial year ended December 31, 2017, the objectives of Valencia's compensation strategy was to ensure that compensation for its Named Executive Officers (as defined below) is sufficiently attractive to recruit, retain and motivate high performing individuals to assist Valencia in achieving its goals, that include, but are not limited to, identifying and successfully acquiring a new project or business venture for the Corporation.

The process for determining executive compensation is relatively informal, in view of the size and early stage of the Corporation and its operations. Executive officers are involved in the process and make recommendations to the Board of Directors, which considers for approval the discretionary components (e.g. cash bonuses) of the annual compensation of senior management (other than the Chief Executive Officer). Except as otherwise described below, the Corporation does not maintain specific performance goals or use benchmarks in determining the compensation of executive officers. The Board of Directors may at its discretion award either a cash bonus or stock options for high achievement or for accomplishments that the Board of Directors deem as worthy of recognition.

Compensation for the Named Executive Officers is composed primarily of three components: base fees, performance bonuses and stock based compensation. In establishing the levels of base fees, performance bonuses and the award of stock options, the Corporation takes into consideration a variety of factors, including the financial and operating performance of the Corporation, and each Named Executive Officer's individual performance and contribution towards meeting corporate objectives, responsibilities and length of service.

Salary

Amounts paid to executive officers as base salary, including merit salary increases, are determined in accordance with an individual's performance and salaries in the marketplace for comparable positions. However, certain Named Executive Officers provide their services in similar capacities to other reporting issuers, in addition to Valencia. There is no mandatory framework that determines which of these factors may be more or less important and the emphasis placed on any of these factors may vary among the executive officers. The determination of base salaries relies principally on negotiations between the respective Named Executive Officer and the Corporation and is therefore heavily discretionary.

Bonus

Valencia's cash bonus awards are designed to reward an executive for the direct contribution that he or she has made to the Corporation. Named Executive Officers are entitled to receive discretionary bonuses from time to time as determined or approved by the Board of Directors or the Chief Executive Officer, as applicable. The Corporation does not currently prescribe a set of formal objective measures to determine discretionary bonus entitlements. Rather the Corporation uses informal goals which may include an assessment of an individual's current and expected

future performance, level of responsibilities and the importance of his/her position and contribution to the Corporation. Precise goals or milestones are not pre-set by the Board. There were no bonuses considered or paid to the Named Executive Officers during the financial year ended December 31, 2017.

Stock Option Grants

Options are granted pursuant to the Corporation’s Stock Option Plan (as defined herein) and in accordance with the rules of the TSX Venture Exchange (“**TSXV**”). The Stock Option Plan is administered by the board of directors of Valencia (the “**Board**” or the “**Board of Directors**”), which has authority to amend the Stock Option Plan and the terms of the outstanding options, subject to applicable regulatory and shareholder approvals and provided that no amendment may materially impair the rights of existing option holders in respect of options outstanding prior to the amendment.

Directors:

Compensation of directors in the financial period ended December 31, 2017 was determined on a case-by-case basis with reference to the role that each director provides to the Corporation. The following information details compensation paid in the recently completed financial year. Directors may receive cash bonuses from time to time, which the Corporation awards to directors for serving in their capacity as a member of the Board. In addition, directors are entitled to participate in the Stock Option Plan, which is designed to give each option holder an interest in preserving and maximizing shareholder value in the longer term. Individual grants are determined by an assessment of an individual’s current and expected future performance, level of responsibilities and the importance of his/her position and contribution to the Corporation.

Table of Compensation Excluding Compensation Securities

The following table summarizes the compensation paid during the two financial years ended December 31, 2017, and December 31, 2016 in respect of the individuals who were carrying out the role of the Chief Executive Officer of the Corporation (“**CEO**”) and Chief Financial Officer of the Corporation (“**CFO**”) and each of the three most highly compensated executive officers other than the CEO and CFO at the end of the most recently completed financial year whose total compensation was individually more than \$150,000 for that financial year and any other individual that earned more than \$150,000 in the most recently completed financial year who is neither an officer of the Corporation nor acting in a similar capacity (the “**NEOs**” or “**Named Executive Officers**”). Other than as identified in the table below, no other executive officer received compensation of \$150,000 or more in the year ended December 31, 2017. The table below also includes compensation paid to directors of the Corporation for the financial years ended December 31, 2017, and December 31, 2016.

Table of Compensation Excluding Compensation Securities

Name and principal position	Year Ended	Salary, Consulting Fees, or Commission (\$)	Bonus (\$)	Committee or Meeting Fees (\$)	Value of Perquisites (\$)	Value of all Other Compensation (\$)	Total compensation (\$)
Damian Lopez President and CEO, and a Director ⁽³⁾	2017	NIL	NIL	NIL	NIL ⁽²⁾	NIL	NIL
	2016	NIL	NIL	NIL	NIL ⁽²⁾	NIL	NIL
Fred Leigh Former President & CEO ⁽⁴⁾	2017	NIL	NIL	NIL	NIL ⁽²⁾	NIL	NIL

	2016	N/A	N/A	N/A	N/A	N/A	N/A
Ryan Ptolemy Chief Financial Officer ⁽⁵⁾	2017	NIL	NIL	NIL	NIL ⁽²⁾	NIL	NIL
	2016	N/A	N/A	N/A	N/A	N/A	N/A
Greg Duras Former Chief Financial Officer ⁽⁵⁾	2017	120,000 ⁽¹⁾	NIL	NIL	NIL ⁽²⁾	NIL	120,000
	2016	30,000 ⁽¹⁾	NIL	NIL	NIL ⁽²⁾	NIL	30,000
Tito Gandhi Director	2017	NIL	NIL	NIL	NIL	NIL	NIL
	2016	NIL	NIL	NIL	NIL	NIL	NIL
Bernard Wilson Director	2017	NIL	NIL	NIL	NIL	NIL	NIL
	2016	NIL	NIL	NIL	NIL	NIL	NIL

Notes:

- (1) Compensation has been paid as consulting fees under the independent contractor agreement with the Named Executive Officer as described under the heading “Executive Compensation – Termination of Employment, Change in Responsibilities and Employment Contracts” of this Circular.
- (2) The value of perquisites received by NEOs did not exceed the lesser of \$50,000 and 10% of their respective total annual compensation.
- (3) Damian Lopez was appointed as the President, CEO and a director of the Corporation on May 5, 2016 following the resignation of Mr. Leigh. Mr. Lopez did not receive any additional compensation for services rendered in his capacity as a director.
- (4) Fred Leigh was appointed as President and CEO of the Corporation on May 26, 2015 following the resignation of Josh Van Deurzen and resigned on May 5, 2016.
- (5) Ryan Ptolemy was appointed CFO of the Corporation on August 28, 2017 following the resignation of Greg Duras.

Stock Options and Other Compensation Securities

The following table provides information regarding the compensation securities granted or issued to each NEO and director of the Corporation during the year ended December 31, 2017.

Compensation Securities

Name and Position	Type of Compensation Security	Number of Compensation Securities, Number of Underlying Securities, and Percentage of Class	Date of Issue or Grant	Issue, Conversion or Exercise Price (\$)	Closing Price of Security or Underlying Security on Date of Grant (\$)	Closing price of security or underlying security at year end (\$)	Expiry Date
Damian Lopez President & CEO,	Stock Options ⁽¹⁾	250,000 ⁽²⁾	August 21, 2017	0.14	0.14	0.22	August 21, 2022

and a Director							
Ryan Ptolemy, Chief Financial Officer	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Greg Duras ⁽⁴⁾ , Former Chief Financial Officer	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Tito Gandhi, Director	Stock Options ⁽¹⁾	250,000 ⁽²⁾	August 21, 2017	0.14	0.14	0.22	August 21, 2022
Bernard Wilson, Director	Stock Options ⁽¹⁾	250,000 ⁽²⁾⁽³⁾	August 21, 2017	0.14	0.14	0.22	August 21, 2022

Notes:

- (1) Granted pursuant to the provisions of the Corporation's Stock Option Plan as further described herein in the section entitled "*Stock Option Plan*."
- (2) These stock options vested immediately.
- (3) Mr. Wilson was also issued 6,250 stock options on May 2, 2013 with an exercise price of \$0.80 per share and which expired unexercised on May 2, 2018.
- (4) Mr. Duras resigned from the Corporation on August 28, 2017 and 6,250 options he had been granted on May 2, 2013 expired unexercised upon his departure.

Compensation Securities Exercised

No compensation securities were exercised by NEOs or directors during the year ended December 31, 2017.

Stock Option Plan

The Corporation believes that weighting compensation to options better aligns the interests of management with the interests of shareholders and is consistent with the Corporation's growth strategy.

Accordingly, the Corporation has adopted a stock option plan (the "**Stock Option Plan**"). The Stock Option Plan was approved by the Shareholders of the Corporation at its last annual meeting on October 5, 2017. A copy of the Stock Option Plan is attached hereto as Schedule "A". The following is a summary of the terms of the Stock Option Plan, which is qualified in its entirety by the provisions of the Stock Option Plan.

Pursuant to the Stock Option Plan, the Corporation may grant up to that number of stock options that equals 10% of the number of issued and outstanding Common Shares at the time of the stock option grant, from time to time. This percentage is consistent with the historically approved stock option plans of the Corporation and the Corporation believes that it is competitive with industry peers. As of the Record Date, there was an aggregate of 1,250,000 stock options outstanding under the Corporation's existing Stock Option Plan, which represents approximately 6.30% of the outstanding Common Shares. The Stock Option Plan provides that the Corporation cannot grant stock options to any one person representing more than 5% of the outstanding Common Shares.

Under the Stock Option Plan, stock options may be granted to employees, officers and certain consultants of the Corporation and designated affiliates. The Stock Option Plan is designed to advance the interests of the Corporation by encouraging employees, directors, officers and eligible consultants to have equity participation in the Corporation through the acquisition of Common Shares. In determining the terms of each grant of stock options, consideration is given to the participant's present and potential contribution to the success of the Corporation.

The terms and conditions of each option granted under the Stock Option Plan will be determined by the Board. Options will be priced in the context of the market and in compliance with applicable securities laws and stock exchange guidelines. Consequently, the exercise price for any stock option shall not be lower than the market price of the underlying Common Shares at the time of grant. Vesting terms will be determined at the discretion of the Board. The Board shall also determine the term of stock options granted under the Stock Option Plan, provided that no stock option shall be outstanding for a period greater than five years.

The Stock Option Plan provides for amendment procedures that specify the kind of amendments to the Stock Option Plan that will require shareholder approval. The Board believes that except for certain material changes to the Stock Option Plan it is important that the Board has the flexibility to make changes to the Stock Option Plan without shareholder approval. Such amendments could include making appropriate adjustments to outstanding options in the event of certain corporate transactions, the addition of provisions requiring forfeiture of options in certain circumstances, specifying practices with respect to applicable tax withholdings and changes to enhance clarity or correct ambiguous provisions.

Upon the termination of an optionholder's engagement with the Corporation, the cancellation or early vesting of any stock option shall be in the discretion of the Board. In general, the Corporation expects that stock options will be cancelled 90 days following an optionholder's termination from the Corporation. Stock options granted under the Stock Option Plan shall not be assignable.

The Corporation will not provide financial assistance to any optionholder to facilitate the exercise of options under the Stock Option Plan.

Employment, Consulting and Management Agreements

Presently, Valencia does not have any employment or consulting agreements with any of the NEOs.

During the year ended December 31, 2017, the Corporation had a consulting agreement with its former Chief Financial Officer, which terminated on October 28, 2017, as further described below.

Greg Duras

The Corporation entered into a contract with Greg Duras effective June 1, 2007, as amended February 23, 2009, pursuant to which Mr. Duras agreed to provide management consulting services as the Chief Financial Officer of the Corporation. The contract with Mr. Duras terminated on October 18, 2017. Pursuant to the contract, Mr. Duras was entitled to compensation for the provision of services which included base fees of \$2,500 per month, subject to quarterly review by the Board, plus any such increments thereto, bonuses and grants of options under the Stock Option Plan as the Board may from time to time determine. This agreement could have been terminated at any time for just cause without notice or payment in lieu of notice and without payment of any termination fees. Either party may have terminated this agreement at any time upon ninety (90) days written notice to the other party, or upon a different period of time as may be mutually agreed upon.

The estimated incremental payments, payables and benefits that may have been paid to Greg Duras pursuant to the above noted agreement in the event of termination without cause or after a

change of control (assuming such termination or change of control was effective as of December 31, 2017) is detailed below:

Named Executive Officer	Termination not for Cause (\$)	Termination on a Change of Control (\$)
Greg Duras		
Salary and Quantified Benefits	7,500	Nil
Bonus	-	-
Total	7,500	Nil

Securities Authorized for Issuance Under Equity Compensation Plans

The table below sets out the outstanding options under the Stock Option Plan, being the Corporation's only compensation plan under which Common Shares are authorized for issuance, as of the Record Date.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available under equity compensation plans (excluding securities reflected in column (a))
Plan Category	(a)	(b)	(c)
Equity compensation plans approved by security holders	1,250,000	\$0.14	731,985
Equity compensation plans not approved by security holders	N/A	N/A	N/A
TOTAL	1,250,000	\$0.14	731,985

Indebtedness of Directors and Executive Officers

As at the date of this Circular and during the financial year ended December 31, 2017, no director or executive officer of the Corporation or Nominee, as defined below, (and each of their associates and/or affiliates) was indebted, including under any securities purchase or other program, to (i) the Corporation or its subsidiaries, or (ii) any other entity which is, or was at any time during the financial year ended December 31, 2017, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or its subsidiaries.

Directors' and Officers' Insurance and Indemnification

The Corporation maintains insurance for the benefit of its directors and officers against liability in their respective capacities as directors and officers. The Corporation has purchased in respect of directors and officers an aggregate of \$2,000,000 in coverage. The approximate amount of premiums paid by the Corporation in 2017 in respect of such insurance was \$8,000.

Interest of Informed Persons in Material Transactions

No informed person (as such term is defined under applicable securities laws) of the Corporation or Nominee (and each of their associates or affiliates) has had any direct or indirect material interest

in any transaction involving the Corporation since January 1, 2017 or in any proposed transaction which has materially affected or would materially affect the Corporation or its subsidiaries.

CORPORATE GOVERNANCE POLICIES

The Corporation and the Board recognize the importance of corporate governance to the effective management of the Corporation and to the protection of its stakeholders, particularly Shareholders. The Corporation's approach to significant issues of corporate governance is designed with a view to ensuring that the business and affairs of the Corporation are effectively managed so as to enhance shareholder value. The Board fulfills its mandate directly and through its committees at regularly scheduled meetings or as required. The directors are kept informed of the Corporation's operations at regular meetings and through reports and discussions with management on matters within their particular areas of expertise.

The Corporation believes that its corporate governance practices are in compliance with applicable Canadian requirements. The Corporation has considered the applicable requirements and believes that its approach is appropriate and works effectively for the Corporation and its shareholders.

Board of Directors

Pursuant to National Instrument 58-101, a director is independent if the director has no direct or indirect relationship with the issuer that could, in the view of the issuer's board of directors, be reasonably expected to interfere with the exercise of a member's independent judgment. Certain directors are deemed to have a material relationship with the issuer by virtue of their position or relationship with the Corporation. The Board of Directors is currently comprised of three members and both Mr. Gandhi and Mr. Wilson have been determined to be independent of the Corporation. Mr. Lopez is the President and CEO of the Corporation and is therefore not considered independent. In assessing whether a director is independent for these purposes, the circumstances of each director have been examined in relation to a number of factors.

Other Public Corporation Directorships

Mr. Lopez does not currently serve as a director of any other reporting issuer. Messrs. Gandhi and Wilson are also directors of the reporting issuers set out below:

Name	Directorships and or Officer Positions with Other Reporting Issuers
Tito Gandhi	Routemaster Capital Inc.
Damian Lopez	Trius Investments Inc.
Bernard Wilson	Aberdeen International Inc. Tangelo Games Corp.

Orientation and Continuing Education

The Board will be responsible for ensuring that new directors are provided with an orientation and education program, which will include written information about the duties and obligations of directors, the business and operations of the Corporation, documents from recent Board meetings, and opportunities for meetings and discussion with senior management and other directors. Directors are expected to attend all meetings of the Board and are also expected to prepare thoroughly in advance of each meeting in order to actively participate in the deliberations and decisions.

The Board recognizes the importance of ongoing director education and the need for each director to take personal responsibility for this process. The Board notes that it has benefited from the experience and knowledge of individual members of the Board in respect of the evolving governance regime and principles. The Board ensures that all directors are apprised of changes in the Corporation's operations and business.

Ethical Business Conduct

The Board is apprised of the activities of the Corporation and ensures that it conducts such activities in an ethical manner. The Board of Directors had not adopted a written code of business conduct and ethics, however, the Board of Directors encourages and promotes an overall culture of ethical business conduct by promoting compliance with applicable laws, rules and regulations; providing guidance to consultants, officers and directors to help them recognize and deal with ethical issues; promoting a culture of open communication, honesty and accountability; and ensuring awareness of disciplinary actions for violations of ethical business conduct. In particular, the Board of Directors ensure that directors exercise independent judgement in considering transactions and certain activities of the Corporation by holding in camera sessions of independent directors, when applicable, and by having each director declare his or her interest in a particular transaction and abstaining from voting on such matters, where applicable.

Nomination of Directors

The Board is largely responsible for identifying new candidates for nomination to the Board. The process by which candidates are identified is through recommendations presented to the Board, which establishes and discusses qualifications based on corporate law and regulatory requirements as well as education and experience related to the business of the Corporation.

Compensation

The Board of Directors is responsible for determining the compensation of the directors and Chief Executive Officer of the Corporation. The process for determining executive compensation is relatively informal, in view of the size and early stage of the Corporation and its operations. The Corporation does not maintain specific performance goals or use benchmarks in determining the compensation of executive officers. The Board of Directors may at its discretion award either a cash bonus or stock options for high achievement or for accomplishments that the Board of Directors deem as worthy of recognition.

The Board reviews and discusses proposals received by the Chief Executive Officer of the Corporation regarding the compensation of management and the directors.

Board Assessments

The Board and its individual directors are assessed on an informal basis continually as to their effectiveness and contribution. The Chairman of the Board encourages discussion amongst the Board as to evaluation of the effectiveness of the Board as a whole and of each individual director. All directors are free to make suggestions for improvement of the practice of the Board at any time and are encouraged to do so.

Audit Committee

The purposes of the Audit Committee are to assist the Board's oversight of: the integrity of the Corporation's financial statements; the Corporation's compliance with legal and regulatory requirements; the qualifications and independence of the Corporation's independent auditors; and the performance of the independent auditors and the Corporation's internal audit function.

National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators (the “**Instrument**”) governs the composition and function of audit committees of every TSXV listed company, including the Corporation. The Instrument requires the Corporation to have a written audit committee Charter and to make the disclosure required by Form 52-110F2, which includes disclosure of the text of the audit committee charter in the management information circular of the Corporation wherein management solicits proxies from the security holders of the Corporation for the purpose of electing directors to the Board.

Please see Schedule “B” for the Audit Committee Charter.

Composition of the Audit Committee

The Corporation’s audit committee is proposed to be comprised of three directors: Damian Lopez, Tito Gandhi and Bernard Wilson. Each member of the audit committee is financially literate and each of Messrs. Gandhi and Wilson are independent, as such term is defined in the Instrument.

Relevant Education and Experience

Mr. Wilson, FCA, ICD.D is a senior financial professional and was previously Vice Chairman of PricewaterhouseCoopers with a wide array of working relationships with business executives in Canada, the United States and internationally. Mr. Wilson serves as an advisor in corporate finance and investment banking and has extensive experience in major financial restructurings and international trade and commerce issues. Some of Mr. Wilson’s more notable leadership roles include serving as the Chairman of the Canadian Chamber of Commerce, the largest Canadian business organization with 175,000 members, Chairman of the Canadian Council for International Business, Chairman of the International Chamber of Commerce, as a member of the Canada/US Trade Committee and Chairman Founders Board of the Institute of Corporate Directors.

Mr. Gandhi has over 32 years of experience in operations, public markets and finance. He has been a technology entrepreneur for the past 20 years. During his time he has bought, operated, restructured, and sold a number of companies. In 1996 he founded and served as President and CEO of Office Solutions Group, a technology solution provider that was acquired by Imagistics/Oce in 2004, which was subsequently acquired by Canon Japan. From March 2007 to present Mr. Gandhi has been CEO of Genesis Casinos Ltd. (formerly Raj Gaming Corp), until he joined Imperus Technologies Corp. in 2010, where he served as CFO. Mr. Gandhi has a Higher National Diploma in Business Studies from North Herts College in Hitchin, Hertfordshire, UK.

Mr. Lopez is a corporate lawyer with extensive mergers and acquisition and corporate finance experience. Mr. Lopez is currently a legal consultant to various Toronto Stock Exchange and Exchange listed companies in various sectors including mining, financial services, agriculture and technology. Mr. Lopez also acts as the Corporate Secretary of various Toronto Stock Exchange and Exchange listed companies. Mr. Lopez began his legal career as a corporate law associate at Stikeman Elliott LLP. Mr. Lopez holds a B.Comm from Rotman Commerce, University of Toronto and a J.D. from Osgoode Hall Law School..

Audit Committee Oversight

At no time since the commencement of the Corporation’s most recently completed financial year has there been a recommendation of the audit committee to nominate or compensate an external auditor which was not adopted by the Board.

Reliance on Certain Exemptions

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on either (a) an exemption in section 2.4 of the Instrument; or (b) an exemption from the Instrument, in whole or in part, granted under Part 8 (*Exemptions*) of the Instrument. As the Corporation is listed on the TSX Venture Exchange, it is relying on the exemption provided in section 6.1 of the Instrument with respect to Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations).

Pre-Approval Policies and Procedures

The audit committee of the Corporation has not adopted specific policies and procedures for the engagement of non-audit services.

External Auditor Service Fees

Audit Fees

The Corporation's external auditors, UHY McGovern Hurley LLP, Chartered Accountants billed the Corporation \$18,000 in the fiscal year ending December 31, 2017 and \$18,000 in the fiscal year ended December 31, 2016, for audit fees.

Audit-Related Fees

The Corporation's external auditors, UHY McGovern Hurley LLP, Chartered Accountants, billed the Corporation \$nil in the fiscal year ending December 31, 2017 and \$nil in the fiscal year ended December 31, 2016 for assurance and related services related to the performance of the audit or review of the Corporation's financial statements, which are not included in audit fees.

Tax Fees

The Corporation's external auditors, UHY McGovern Hurley LLP, Chartered Accountants, billed the Corporation \$2,600 in the fiscal year ending December 31, 2017 and \$2,600 in the fiscal year ended December 31, 2016 for tax compliance, tax advice and tax planning.

All Other Fees

The Corporation's external auditors charged for other fees \$nil for the fiscal year ended December 31, 2017 and \$nil for the fiscal year ended December 31, 2017.

MATTERS TO BE CONSIDERED

Financial Statements

The financial statements for the fiscal year ended December 31, 2017, together with the auditor's report thereon, and the interim financial statements for the three months ended March 31, 2018 will be presented to Shareholders for review at the Meeting and were mailed to Shareholders with the Notice of Meeting and this Circular. No vote by the Shareholders is required with respect to this matter.

Election of Directors

As set out in the press release of the Corporation dated December 1, 2017 and as updated by press release on February 14, 2018, the Corporation has entered into an amalgamation agreement

(the “**Amalgamation Agreement**”) with 2292055 Ontario Inc. (operating as “EarthRenew” and referred to herein as “**EarthRenew**”) and a wholly-owned subsidiary of the Corporation. Pursuant to the Amalgamation Agreement, the Corporation’s wholly-owned subsidiary will amalgamate with EarthRenew resulting in EarthRenew becoming a wholly-owned subsidiary of the Corporation (the “**Amalgamation**”) and all of the issued and outstanding securities of EarthRenew will be exchanged for securities of the Corporation. The Amalgamation is intended to constitute a reverse take-over of the Corporation with the resulting entity (the “**Resulting Issuer**”) carrying on the business of EarthRenew (the “**Transaction**”). Concurrent with completion of the Transaction, the Resulting Issuer intends to voluntarily delist from the TSX Venture Exchange and list on the Canadian Securities Exchange (the “**CSE**”). Further disclosure with respect to the Transaction will be set out in the Corporation’s Form 2A Listing Statement pursuant to the policies of the CSE and posted under the Corporation’s profile at www.sedar.com.

Under the constating documents of the Corporation, the Corporation is to have a minimum of three directors and a maximum of ten directors, the number of which may be fixed from time to time by a resolution of the board. The Corporation currently has three directors, being Tito Gandhi, Bernard Wilson, and Damian Lopez. As a term of the Transaction and conditional upon closing therewith, each of the current directors of the Corporation will resign from the Board and three nominees of EarthRenew shall be appointed.

Conditional upon, and effective as of the completion of the Amalgamation, the Shareholders will be asked to approve the election of EarthRenew’s appointees to the board being: Keith Driver, Catherine Stretch, and David Argyle (the “**EarthRenew Nominees**”), to hold office until the next annual general meeting of Shareholders or until their successors are elected or appointed, unless such office is earlier vacated in accordance with the provisions of the *Business Corporations Act* (Ontario) (the “**Board Change**”). Shareholders will be asked to consider and, if thought appropriate, to authorize and approve an ordinary resolution in the form set out below, approving the Board Change (the “**Board Change Resolution**”). Management does not contemplate that the EarthRenew Nominees will be unable to serve as directors, however, if before the Meeting, any nominee becomes unable to serve as a director for any reason, the persons named in the accompanying proxy reserve the right to vote for another nominee of EarthRenew in their discretion.

The following sets forth the name of each of the person proposed to be nominated for election as a director of the Corporation following completion of the Amalgamation, and each such nominee’s principal occupation, business or employment, the period of time during which each has been a director of the Corporation, as applicable, the number of Common Shares of the Corporation beneficially owned by each, directly or indirectly, or over which each exercised control or direction, as at the date hereof.

In the event that the Transaction is not completed, Shareholders are asked to also approve the re-election of the current board of directors, including: Damian Lopez, Tito Gandhi, and Bernard Wilson (the “**Current Board**”).

Unless authority to do so is withheld, the persons named in the accompanying proxy intend to vote for the election of all of the EarthRenew Nominees conditional upon effective as of the completion of the Transaction, and for the Current Board in the event the Transaction does not close. If prior to the Meeting any of such Nominees is unable to or unwilling to serve, the persons named in the accompanying form of proxy will vote for another nominee or nominees in their discretion if additional nominations are made at the Meeting. Each Nominee elected will hold office until his or her successor is elected at the next annual meeting of the Corporation, or any postponement(s) or adjournment(s) thereof, or until his or her successor is elected or appointed.

The EarthRenew Nominees

Name and Municipality of Residence	Principal Occupation	Director Since	Number of Common Shares Beneficially Owned or Over which Control is Exercised ⁽¹⁾
Catherine Stretch ⁽²⁾ Toronto, Ontario	Consultant to various natural resource and agriculture companies in capital markets	N/A	Nil
Keith Driver ⁽²⁾ Calgary, Alberta	President and CEO of EarthRenew	N/A	Nil
David Argyle ⁽²⁾ Belo Horizonte, Brazil	Business executive in mining and energy projects	N/A	Nil

Notes:

- (1) The Corporation has relied exclusively on the respective Nominee for this information.
 (2) Member of the Audit Committee.

Keith Driver – President, CEO and Director

Keith Driver has served in leadership positions in several environmental technology companies over his decades long work history. His unique mix of finance, marketing, technology, engineering and strategic management and wealth of experience working with and for new and emerging products and technologies across an array of diverse industries in addition to his absolute understanding of the environmental engineering arena are why Keith leads EarthRenew. It is worth noting that much of Keith’s work history was directly related to the processing of organic feedstocks and marketing those end-products, such as compost and biochar. Keith holds two degrees in engineering from the University of Guelph and an MBA from the University of Calgary where he also serves as a sessional instructor.

Catherine Stretch – Director

Catherine Stretch has over 20 years of experience in Canadian capital markets, with a particular emphasis on the natural resource and agriculture sectors. She is currently the Chief Commercial Officer of Agua Resources Limited, an ASX and Exchange dual listed company developing phosphate assets in Brazil and a consultant to Brazil Potash Corp., a company developing a major potash deposit in Brazil and Irati Energy Corp., a company developing oil shale in Brazil. Catherine is engaged in a variety of activities for these companies including capital raising and structuring, marketing and investor relations, regulatory compliance and disclosure, new market development and strategic initiatives. Previously, Catherine was a partner and the Chief Operating Officer of a Canadian investment firm that had \$1 billion in assets under management and focused on managing Investment Funds. Catherine currently sits on the Board of Emerita Resources Corp., an Exchange listed company developing various mineral assets in Spain; AnalytixInsight, an Exchange listed company developing data analytics software with a particular focus on global financial markets; and, UEX Corporation, a TSX listed company engaged in the exploration and development of uranium and cobalt.

David Argyle – Director

Mr. Argyle has more than 30 years of experience in identifying, developing, financing and managing fertilizer, mining and energy projects in South America, Asia, Africa and Australia.. David earned

an MBA from the University of Michigan and holds a Bachelor of Commerce from the University of Western Australia.

The Current Board

Name and Municipality of Residence	Principal Occupation	Director Since	Number of Common Shares Beneficially Owned or Over which Control is Exercised ⁽¹⁾
Tito Gandhi ⁽²⁾ Ontario, Canada	Business Executive	February 22, 2016	Nil
Bernard Wilson ⁽²⁾ Ontario, Canada	Business Executive and Corporate Director, Chairman of the Founders Board of the Institute of Corporate Directors	October 21, 2008	Nil
Damian Lopez ⁽²⁾ Ontario, Canada	President and CEO of the Corporation	May 5, 2016	Nil

Notes:

(1) The Corporation has relied exclusively on the respective Nominee for this information.

(2) Member of the Audit Committee.

See “Corporate Governance Policies – Board of Directors” for additional biographical information for the current directors of the Corporation.

Cease Trade Orders or Bankruptcies

Other than as set out below, no proposed director of the Corporation is, or within ten years prior to the date hereof has been, (a) a director, chief executive officer or chief financial officer of any company (including the Corporation) that, (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; (b) no proposed director of the Corporation (i) is, or within ten years prior to the date hereof has been, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (ii) has, within ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director; and (c) no proposed director has been subject to (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable shareholder in deciding whether to vote for a proposed director.

Mr. Argyle was a director of a Northwest Holdings Pte Ltd., a private company incorporated in the Republic of Singapore in 1996, which went through liquidation proceedings while he was a director. A liquidator was appointed in January 2008 by an order of the High Court of Singapore and liquidation proceedings were completed later that same year.

Election Resolution

The Shareholders will be asked to consider and, if thought appropriate, to authorize and approve the Board Change Resolution. The following is the text of the Board Change Resolution which will be put forward to shareholders for approval at the Meeting:

“NOW THEREFORE BE AND IT IS RESOLVED AS AN ORDINARY RESOLUTION THAT:

1. conditional upon, and effective as of the completion of the reverse take-over of Valencia Ventures Inc. (the “**Corporation**”) by EarthRenew (the “**Transaction**”), Keith Driver, Catherine Stretch, and David Argyle, be and the same are hereby elected as directors of the Corporation to hold office until the next annual meeting of Shareholders or until their successors are elected or appointed, unless such office is earlier vacated in accordance with the provisions of the *Business Corporations Act* (Ontario) (the “**OBCA**”);
2. in the event that the Transaction does not close, Damian Lopez, Tito Gandhi, and Bernard Wilson, be and the same are hereby re-elected as directors of the Corporation to hold office until the next annual meeting of Shareholders or until their successors are elected or appointed, unless such office is earlier vacated in accordance with the provisions of the OBCA; and
3. any director or officer of the Corporation be, and such director or officer of the Corporation hereby is, authorized, instructed and empowered, acting for, in the name of and on behalf of the Corporation, to do or to cause to be done all such other acts and things in the opinion of such director or officer of the Corporation as may be necessary or desirable in order to fulfill the intent of this ordinary resolution.”

Management of the Corporation and the Board recommend that Shareholders vote in favour of the Board Change Resolution. Unless you give other instructions, the persons named in the enclosed form of proxy intend to vote FOR the Board Change Resolution.

This ordinary resolution needs to be adopted by a simple majority of the votes cast by the Shareholders present in person or represented by proxy and entitled to vote at the Meeting.

Stock Option Plan

The Corporation is required to obtain the approval of its Shareholders to any stock option plan that is a “rolling” plan yearly at the Corporation’s annual meeting of Shareholders. Accordingly, at the Meeting, Shareholders will be asked to approve the following ordinary resolution approving the Stock Option Plan:

“BE IT RESOLVED THAT:

1. the current stock option plan of Valencia Ventures Inc. (the “**Corporation**”), as described in the management information circular of the Corporation dated July 12, 2018 is hereby approved; and
2. any director or officer of the Corporation is hereby authorized to execute (whether under the corporate seal of the Corporation or otherwise) and deliver all such documents and

to do all such other acts and things as such director or officer may determine to be necessary or advisable to give effect to the true intent of these resolutions.”

Management of the Corporation recommends that you vote in favour of resolutions approving the Stock Option Plan. Unless you give other instructions, the persons named in the enclosed form of proxy intend to vote FOR the Stock Option Plan.

Name Change

Management of the Corporation proposes to change the name of the Corporation to “EarthRenew Inc.” to be effective contemporaneously with, and conditional upon, the completion of the Transaction.

As such, the Board recommends that the Shareholders approve a special resolution amending the articles of incorporation of the Corporation to change the Corporation’s name to “EarthRenew Inc.” in connection with the Transaction.

The text of the change of name resolution reads as follows (the “**Name Change Resolution**”):

“BE IT RESOLVED AS A SPECIAL RESOLUTION THAT the articles of incorporation of Valencia Ventures Inc. (the “**Corporation**”) be amended to change the name of the Corporation to “EarthRenew Inc.” or such other name as the Board of Directors may choose, acting in the best interests of the Corporation, and provided that the Board of Directors may, in its sole discretion, revoke this special resolution before it is acted upon without further approval of the shareholders of the Corporation. Any officer or director of the Corporation is hereby authorized to execute, file and deliver such documents, articles of amendment, instruments and deeds and do such further acts and things and obtain such approvals as may be deemed necessary or requisite to give effect to the foregoing.”

Management of the Corporation recommends that Shareholders vote in favor of the Name Change Resolution. Unless you give other instructions, the persons named in the form of proxy intend to vote FOR the Name Change Resolution.

This special resolution must be approved by two-thirds of the votes cast by the Shareholders present in person or represented by proxy and entitled to vote at the Meeting.

Appointment of Auditors

Unless authority to do so is withheld, the persons named in the accompanying proxy intend to vote for the appointment of UHY McGovern Hurley LLP, Chartered Accountants of Toronto, Ontario as auditors of the Corporation until the close of the next annual meeting of shareholders of the Corporation and to authorize the directors to fix their remuneration. UHY McGovern Hurley LLP, Chartered Accountants have been the auditors for the Corporation since April 13, 2004.

Management of the Corporation recommends that Shareholders vote in favour of the appointment of UHY McGovern Hurley LLP and the authorization of the Board of Directors to fix their remuneration. Unless you give other instructions, the persons named in the enclosed form of proxy intend to vote FOR the appointment of UHY McGovern Hurley LLP and the authorization of the Board of Directors to fix their remuneration.

Additional Information

Additional information relating to the Corporation may be found under the profile of the Corporation on SEDAR at www.sedar.com. Additional financial information is provided in the Corporation’s audited financial statements and related management’s discussion and analysis for the financial

year ended December 31, 2017, which can be found under the profile of the Corporation on SEDAR. Shareholders may also request these documents from legal counsel of the Corporation by email at info@valenciaventures.com or by telephone at (416) 861-2269.

Board of Directors Approval

The contents of this Circular and the sending thereof to the Shareholders of the Corporation have been approved by the Board.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) "*Damian Lopez*"

President and Chief Executive Officer

Toronto, Ontario
July 12, 2018

SCHEDULE "A"

Valencia Ventures Inc.

(the "Company")

STOCK OPTION PLAN

1. STATEMENT OF PURPOSE

1.1 **Principal Purposes** – The principal purposes of the Plan are to provide the Company with the advantages of the incentive inherent in share ownership on the part of employees, officers, directors and consultants responsible for the continued success of the Company; to create in such individuals a proprietary interest in, and a greater concern for, the welfare and success of the Company; to encourage such individuals to remain with the Company; and to attract new employees, officers, directors and consultants to the Company.

1.2 **Benefit to Shareholders** – The Plan is expected to benefit shareholders by enabling the Company to attract and retain skilled and motivated personnel by offering such personnel an opportunity to share in any increase in value of the Shares resulting from their efforts.

2. INTERPRETATION

2.1 **Defined Terms** – For the purposes of this Plan, the following terms shall have the following meanings:

- (a) **"Act"** means the *Securities Act* (Ontario), as amended from time to time;
- (b) **"Associate"** shall have the meaning ascribed to such term in the Act;
- (c) **"Board"** means the Board of Directors of the Company;
- (d) **"Change in Control"** means:
 - (i) a takeover bid (as defined in the Act), which is successful in acquiring Shares,
 - (ii) the change of control of the Board resulting from the election by the members of the Company of less than a majority of the persons nominated for election by management of the Company,
 - (iii) the sale of all or substantially all the assets of the Company,
 - (iv) the sale, exchange or other disposition of a majority of the outstanding Shares in a single transaction or series of related transactions,
 - (v) the dissolution of the Company's business or the liquidation of its assets,
 - (vi) a merger, amalgamation or arrangement of the Company in a transaction or series of transactions in which the Company's shareholders receive less than 51% of the outstanding shares of the new or continuing corporation, or
 - (vii) the acquisition, directly or indirectly, through one transaction or a series of transactions, by any Person, of an aggregate of more than 50% of the outstanding Shares;

- (e) “**Committee**” means a committee of the Board appointed in accordance with this Plan, or if no such committee is appointed, the Board itself;
- (f) “**Company**” means Valencia Ventures Inc. a company incorporated under the laws of the Province of Ontario;
- (g) “**Consultant**” means an individual, other than an Employee, senior officer or director of the Company or a Subsidiary Company, or a Consultant Company, who;
 - (i) provides ongoing consulting, technical, management or other services to the Company or a Subsidiary Company, other than services provided in relation to a distribution of the Company’s securities,
 - (ii) provides the services under a written contract between the Company or a Subsidiary Company and the individual or Consultant Company,
 - (iii) in the reasonable opinion of the Company spends or will spend a significant amount of time and attention on the affairs and business of the Company or a Subsidiary Company, and
 - (iv) has a relationship with the Company or a Subsidiary Company that enables the individual or Consultant Company to be knowledgeable about the business and affairs of the Company;
- (h) “**Consultant Company**” means, for an individual Consultant, a company of which the individual is an employee or shareholder, or a partnership of which the individual is an employee or partner;
- (i) “**Date of Grant**” means the date specified in the Option Agreement as the date on which the Option is effectively granted;
- (j) “**Disability**” means any disability with respect to an Optionee which the Board, in its sole and unfettered discretion, considers likely to prevent permanently the Optionee from:
 - (i) being employed or engaged by the Company, a Subsidiary Company or another employer, in a position the same as or similar to that in which he was last employed or engaged by the Company or a Subsidiary Company; or
 - (ii) acting as a director or officer of the Company or a Subsidiary Company;
- (k) “**Disinterested Shareholder Approval**” means an ordinary resolution approved by a majority of the votes cast by members of the Company at a shareholders’ meeting, excluding votes attaching to Shares beneficially owned by Insiders to whom Options may be granted and Associates of those persons;
- (l) “**Effective Date**” means the effective date of this Plan, which is the later of the day of its approval by the shareholders of the Company and the day of its acceptance for filing by the Exchange if such acceptance for filing is required under the rules or policies of the Exchange;
- (m) “**Eligible Person**” means:
 - (i) an Employee, senior officer or director of the Company or any Subsidiary Company,

- (ii) a Consultant,
 - (iii) an individual providing Investor Relations Activities for the Company;
 - (iv) a company, all of the voting securities of which are beneficially owned by one or more of the persons referred to in (i), (ii) or (iii) above
- (n) **“Employee”** means:
- (i) an individual who is considered an employee under the *Income Tax Act* (Canada) (i.e. for whom income tax, employment insurance and CPP deductions must be made at source),
 - (ii) an individual who works full-time for the Company or a Subsidiary Company providing services normally provided by an employee and who is subject to the same control and direction by the Company or a Subsidiary Company over the details and methods of work as an employee of the Company or a Subsidiary Company, but for whom income tax deductions are not made at source,
 - (iii) an individual who works for the Company or a Subsidiary Company, on a continuing and regular basis for a minimum amount of time per week, providing services normally provided by an employee and who is subject to the same control and direction by the Company or a Subsidiary Company over the details and methods of work as an employee of the Company or a Subsidiary Company, but for whom income tax deductions are not made at source;
- (o) **“Exchange”** means the stock exchange or over the counter market on which the Shares are listed;
- (p) **“Exchange Act”** means the United States *Securities Exchange Act* of 1934, as amended;
- (q) **“Fair Market Value”** means, where the Shares are listed for trading on an Exchange, the last closing price of the Shares before the Date of Grant on the Exchange which is the principal trading market for the Shares, as may be determined for such purpose by the Committee, provided that, so long as the Shares are listed only on the TSXVE, the “Fair Market Value” shall not be lower than the last closing price of the Shares before the Date of Grant less the maximum discount permitted under the policies of the TSXVE;
- (r) **“Guardian”** means the guardian, if any, appointed for an Optionee;
- (s) **“Insider”** shall have the meaning ascribed to such term in the Act;
- (t) **“Investor Relations Activities”** means any activities or oral or written communications, by or on behalf of the Company or a shareholder of the Company that promote or reasonably could be expected to promote the purchase or sale of securities of the Company, but does not include:
- (i) the dissemination of information provided, or records prepared, in the ordinary course of business of the Company
 - (A) to promote the sale of products or services of the Company, or

- (B) to raise public awareness of the Company,
that cannot reasonably be considered to promote the purchase or sale of securities of the Company,
- (ii) activities or communications necessary to comply with the requirements of
 - (A) applicable securities laws,
 - (B) the rules and policies of the TSXVE, if the Shares are listed only on the TSXVE, or the by-laws, rules or other regulatory instruments of any other self-regulatory body or exchange having jurisdiction over the Company,
- (iii) communications by a publisher of, or writer for, a newspaper, magazine or business or financial publication, that is of general and regular paid circulation, distributed only to subscribers to it for value or to purchasers of it, if
 - (A) the communication is only through the newspaper, magazine or publication and
 - (B) the publisher or writer receives no commission or other consideration other than for acting in the capacity of publisher or writer, or
- (iv) activities or communications that may be otherwise specified by the TSXVE, if the Shares are listed only on the TSXVE;
- (u) “**Option**” means an option to purchase unissued Shares granted pursuant to the terms of this Plan;
- (v) “**Option Agreement**” means a written agreement between the Company and an Optionee specifying the terms of the Option being granted to the Optionee under the Plan;
- (w) “**Option Price**” means the exercise price per Share specified in an Option Agreement, adjusted from time to time in accordance with the provisions of Sections 6.3 and 10;
- (x) “**Optionee**” means an Eligible Person to whom an Option has been granted;
- (y) “**Person**” means a natural person, company, government or political subdivision or agency of a government; and where two or more Persons act as a partnership, limited partnership, syndicate or other group for the purpose of acquiring, holding or disposing of securities of an issuer, such syndicate or group shall be deemed to be a Person;
- (z) “**Plan**” means this Stock Option Plan of the Company;
- (aa) “**Qualified Successor**” means a person who is entitled to ownership of an Option upon the death of an Optionee, pursuant to a will or the applicable laws of descent and distribution upon death;

- (bb) “**Shares**” means the common shares in the capital of the Company as constituted on the Date of Grant, adjusted from time to time in accordance with the provisions of Section 10;
- (cc) “**Subsidiary Company**” shall mean a company which is a subsidiary of the Company;
- (dd) “**Term**” means the period of time during which an Option may be exercised; and
- (ee) “**TSXVE**” means the TSX Venture Exchange.

3. **ADMINISTRATION**

3.1 **Board or Committee** – The Plan shall be administered by the Board or by a Committee appointed in accordance with Section 3.2.

3.2 **Appointment of Committee** – The Board may at any time appoint a Committee, consisting of not less than three of its members, to administer the Plan on behalf of the Board in accordance with such terms and conditions as the Board may prescribe, consistent with this Plan. Once appointed, the Committee shall continue to serve until otherwise directed by the Board. From time to time, the Board may increase the size of the Committee and appoint additional members, remove members (with or without cause) and appoint new members in their place, fill vacancies however caused, or remove all members of the Committee and thereafter directly administer the Plan. In the absence of the appointment of a Committee by the Board, the Board shall administer the Plan.

3.3 **Quorum and Voting** – A majority of the members of the Committee shall constitute a quorum, and, subject to the limitations in this Section 3, all actions of the Committee shall require the affirmative vote of members who constitute a majority of such quorum. No member of the Committee who is a director to whom an Option may be granted may participate in the decision to grant such Option (but any such member may be counted in determining the existence of a quorum at any meeting of the Committee in which action is to be taken with respect to the granting of an Option to him).

3.4 **Powers of Board and Committee** – The Board shall from time to time authorize and approve the grant by the Company of Options under this Plan, and any Committee appointed under Section 3.2 shall have the authority to review the following matters in relation to the Plan and to make recommendations thereon to the Board;

- (a) administration of the Plan in accordance with its terms,
- (b) determination of all questions arising in connection with the administration, interpretation and application of the Plan, including all questions relating to the value of the Shares,
- (c) correction of any defect, supply of any information or reconciliation of any inconsistency in the Plan in such manner and to such extent as shall be deemed necessary or advisable to carry out the purposes of the Plan,
- (d) prescription, amendment and rescission of the rules and regulations relating to the administration of the Plan;
- (e) determination of the duration and purpose of leaves of absence from employment which may be granted to Optionees without constituting a termination of employment for purposes of the Plan,
- (f) with respect to the granting of Options:

- (i) determination of the employees, officers, directors or consultants to whom Options will be granted, based on the eligibility criteria set out in this Plan,
- (ii) determination of the terms and provisions of the Option Agreement which shall be entered into with each Optionee (which need not be identical with the terms of any other Option Agreement) and which shall not be inconsistent with the terms of this Plan,
- (iii) amendment of the terms and provisions of an Option Agreement, provided the Board obtains:
 - (A) the consent of the Optionee, and
 - (B) if required, the approval of any stock exchange on which the Shares are listed,
- (iv) determination of when Options will be granted,
- (v) determination of the number of Shares subject to each Option,
- (vi) determination of the vesting schedule, if any, for the exercise of each Option, and
- (g) other determinations necessary or advisable for administration of the Plan.

3.5 **Obtain Approvals** – The Board will seek to obtain any regulatory, Exchange or shareholder approvals which may be required pursuant to applicable securities laws or Exchange rules.

3.6 **Administration by Committee** – The Committee shall have all powers necessary or appropriate to accomplish its duties under this Plan. In addition, the Committee's administration of the Plan shall in all respects be consistent with the Exchange policies and rules.

4. **ELIGIBILITY**

4.1 **Eligibility for Options** – Options may be granted to any Eligible Person.

4.2 **Insider Eligibility for Options** – Notwithstanding Section 4.1, if the Shares are listed only on the TSXVE, grants of Options to Insiders shall be subject to the policies of the TSXVE.

4.3 **No Violation of Securities Laws** – No Option shall be granted to any Optionee unless the Committee has determined that the grant of such Option and the exercise thereof by the Optionee will not violate the securities law of the jurisdiction in which the Optionee resides.

5. **SHARES SUBJECT TO THE PLAN**

5.1 **Number of Shares** – The maximum number of Shares issuable from time to time under the Plan is that number of Shares as is equal to 10% of the number of issued Shares at the Date of Grant of an Option. The maximum number of Shares issuable under the Plan shall be adjusted, where necessary, to take account of the events referred to in Section 10.

5.2 **Expiry of Option** – If an Option expires or terminates for any reason without having been exercised in full, the unpurchased Shares subject thereto shall again be available for the purposes of the Plan.

5.3 **Reservation of Shares** – The Company will at all times reserve for issuance and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

6. **OPTION TERMS**

6.1 **Option Agreement** – Each Option granted to an Optionee shall be confirmed by the execution and delivery of an Option Agreement and the Board shall specify the following terms in each such Option Agreement:

- (a) the number of Shares subject to option pursuant to such Option, subject to the following limitations if the Shares are listed only on the TSXVE:
 - (i) the number of Shares reserved for issuance pursuant to Options to any one Optionee shall not exceed 5% of the issued Shares in any 12-month period (unless the Company is designated as a “Tier 1” listed company by the TSXVE and has obtained Disinterested Shareholder Approval to exceed this number),
 - (ii) the number of Shares reserved for issuance pursuant to Options to any one Consultant shall not exceed 2% of the issued Shares in any 12-month period, and
 - (iii) the aggregate number of Shares reserved for issuance pursuant to Options to Employees and those individuals conducting Investor Relations Activities shall not exceed 2% of the issued Shares in any 12-month period;
- (b) the Date of Grant;
- (c) the Term, provided that, if the Shares are listed only on the TSXVE, the length of the Term shall in no event be greater than five years following the Date of Grant, except, if the Company is designated as “Tier 1” listed company by the TSXVE, then the Term shall be no greater than ten years following the Date of Grant, for all Optionees;
- (d) the Option Price, provided that the Option Price shall not be less than the Fair Market Value of the Shares on the Date of Grant;
- (e) subject to Section 6.2 below, any vesting schedule upon which the exercise of an Option is contingent;
- (f) if the Optionee is an Employee, Consultant or an individual providing Investor Relations Activities for the Company, a representation by the Company and the Optionee that the Optionee is a bona fide Employee, Consultant or an individual providing Investor Relations Activities for the Company, as the case may be, of the Company or a Subsidiary Company; and
- (g) such other terms and conditions as the Board deems advisable and are consistent with the purposes of this Plan.

6.2 **Vesting Schedule** – The Board, as applicable, shall have complete discretion to set the terms of any vesting schedule of each Option granted, including, without limitation, discretion to:

- (a) permit partial vesting in stated percentage amounts based on the Term of such Option; and

(b) permit full vesting after a stated period of time has passed from the Date of Grant.

6.3 **Amendments to Options** – Amendments to the terms of previously granted Options are subject to regulatory approval, if required. If required by the Exchange, Disinterested Shareholder Approval shall be required for any reduction in the Option Price of a previously granted Option if the Optionee is an Insider of the Company at the time of the proposed reduction in the Option Price.

6.4 **Uniformity** – Except as expressly provided herein, nothing contained in this Plan shall require that the terms and conditions of Options granted under the Plan be uniform.

7. EXERCISE OF OPTION

7.1 **Method of Exercise** – Subject to any limitations or conditions imposed upon an Optionee pursuant to the Option Agreement or Section 6 hereof, an Optionee may exercise an Option by giving written notice thereof, specifying the number of Shares in respect of which the Option is exercised, to the Company at its principal place of business at any time after the Date of Grant until 4:00 p.m. (Toronto time) on the last day of the Term, such notice to be accompanied by full payment of the aggregate Option Price to the extent the Option is so exercised and an indication as to suitable arrangements made with the Corporation, in accordance with Section 15.7, for the receipt by the Corporation of an amount sufficient to satisfy any withholding tax requirements under applicable tax legislation in respect of the exercise of an Option (the “**Withholding Obligations**”). Such amounts shall be in lawful money (Canadian funds) by cash, cheque, bank draft or wire transfer. Payment by cheque made payable to the Company in the amount of the aggregate Option Price shall constitute payment of such Option Price unless the cheque is not honoured upon presentation, in which case the Option shall not have been validly exercised. Such payment shall be in lawful money (Canadian funds) by cash, cheque, bank draft or wire transfer. Payment by cheque made payable to the Company in the amount of the aggregate Option Price shall constitute payment of such Option Price unless the cheque is not honoured upon presentation, in which case the Option shall not have been validly exercised.

7.2 **Issuance of Certificates** – Not later than the third business day after exercise of an Option in accordance with Section 7.1, the Company shall issue and deliver to the Optionee a certificate or certificates evidencing the Shares with respect to which the Option has been exercised. Until the issuance of such certificate or certificates, no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to such Shares, notwithstanding the exercise of the Option. No adjustment will be made for a dividend or other right for which the record date is prior to the date the certificate is issued, except as provided by Section 10 hereof.

7.3 **Compliance with U.S. Securities Laws** – As a condition to the exercise of an Option, the Board may require the Optionee to represent and warrant in writing at the time of such exercise that the Shares are being purchased only for investment and without any then-present intention to sell or distribute such Shares. At the option of the Board, a stop-transfer order against such Shares may be placed on the stock books and records of the Company and a legend, indicating that the stock may not be pledged, sold or otherwise transferred unless an opinion of counsel is provided stating that such transfer is not in violation of any applicable law or regulation, may be stamped on the certificates representing such Shares in order to assure an exemption from registration. The Board may also require such other documentation as may from time to time be necessary to comply with United States’ federal and state securities laws. The Company has no obligation to undertake registration of Options or the Shares issuable upon the exercise of the Options.

8. TRANSFERABILITY OF OPTIONS

8.1 **Non-Transferable/Legending** – Except as permitted by applicable securities laws and the policies of the Exchange, and as provided otherwise in this Section 8, Options are non-assignable and non-transferable. If the Shares are listed only on the TSXVE, then, in addition to any resale restrictions under applicable securities laws, if the Company is, at the Date of Grant of an Option, designated as a “Tier 2” listed company by the TSXVE or, if the Company is not so designated but

the Option Price is based on a discount from the last closing price of the Shares on the TSXVE, the Option Agreement and the certificates representing the Shares issued on the exercise of such Option shall bear the TSXVE legend with a four-month hold period commencing on the Date of Grant.

8.2 **Death of Optionee** – Subject to Section 8.3, if the employment of an Optionee as an Employee of, or the services of a Consultant providing services to, the Company or any Subsidiary Company, or the employment of an Optionee as an individual providing Investor Relations Activities, or the position of the Optionee as a director or senior officer of the Company or any Subsidiary Company, terminates as a result of such Optionee's death, any Options held by such Optionee shall pass to the Qualified Successor of the Optionee and shall be exercisable by such Qualified Successor until the earlier of a period of not more than one year following the date of such death and the expiry of the Term of the Option.

8.3 **Disability of Optionee** – If the employment of an Optionee as an Employee of, or the services of a Consultant providing services to, the Company or any Subsidiary Company, or the employment of an Optionee as an individual providing Investor Relations Activities for the Company, or the position of the Optionee as a director or senior officer of the Company or any Subsidiary Company, is terminated by reason of such Optionee's Disability, any Options held by such Optionee that could have been exercised immediately prior to such termination of employment or service shall be exercisable by such Optionee, or by his Guardian, for a period of not more than one year following the date of such following the termination of employment or service of such Optionee. If such Optionee dies within that period of not more than one year, any Option held by such Optionee that could have been exercised immediately prior to his or her death shall pass to the Qualified Successor of such Optionee, and shall be exercisable by the Qualified Successor until the earlier of a period of not more than one year following the death of such Optionee and the expiry of the Term of the Option.

8.4 **Vesting** – Options held by a Qualified Successor or exercisable by a Guardian shall, during the period prior to their termination, continue to vest in accordance with any vesting schedule to which such Options are subject.

8.5 **Deemed Non-Interruption of Employment** – Employment shall be deemed to continue intact during any military or sick leave or other bona fide leave of absence if the period of such leave does not exceed 90 days or, if longer, for so long as the Optionee's right to reemployment with the Company or any Subsidiary Company is guaranteed either by statute or by contract. If the period of such leave exceeds 90 days and the Optionee's reemployment is not so guaranteed, then the Optionee's employment shall be deemed to have terminated on the ninety-first day of such leave.

9. **TERMINATION OF OPTIONS**

9.1 **Termination of Options** – To the extent not earlier exercised or terminated in accordance with Section 8, an Option shall terminate at the earliest of the following dates:

- (a) the termination date specified for such Option in the Option Agreement;
- (b) where the Optionee's position as an Employee, a Consultant, a director or a senior officer of the Company or any Subsidiary Company, or an individual providing Investor Relations Activities for the Company, is terminated for cause, the date of such termination for cause;
- (c) where the Optionee's position as an Employee, a Consultant, a director or a senior officer of the Company or any Subsidiary Company or an individual providing Investor Relations Activities for the Company terminates for a reason other than the Optionee's Disability or death or for cause, not more than 90 days after such date of termination or, if the Shares are listed only on the TSXVE and if the

Company is designated as a “Tier 2” listed company by the TSXVE, then in the case of a person employed to provide Investor Relations Activities, not more than 30 days after such person ceases to be employed to provide Investor Relations Activities; PROVIDED that if an Optionee’s position changes from one of the said categories to another category, such change shall not constitute termination or cessation for the purpose of this Subsection 9.1(c); and

- (d) the date of any sale, transfer, assignment or hypothecation, or any attempted sale, transfer, assignment or hypothecation, of such Option in violation of Section 8.1.

9.2 **Lapsed Options** – If Options are surrendered, terminate or expire without being exercised in whole or in part, new Options may be granted covering the Shares not purchased under such lapsed Options. If an Option has been surrendered in connection with the regranting of a new Option to the same Optionee on different terms than the original Option granted to such Optionee, then, if required, the new Option is subject to approval of the Exchange.

9.3 **Exclusion From Severance Allowance, Retirement Allowance or Termination Settlement** – If the Optionee retires, resigns or is terminated from employment or engagement with the Company or any Subsidiary Company, the loss or limitation, if any, pursuant to the Option Agreement with respect to the right to purchase Option Shares which were not vested at that time or which, if vested, were cancelled, shall not give rise to any right to damages and shall not be included in the calculation of nor form any part of any severance allowance, retiring allowance or termination settlement of any kind whatsoever in respect of such Optionee.

10. ADJUSTMENTS TO OPTIONS

10.1 **Alteration in Capital Structure** – If there is any change in the Shares through or by means of a declaration of stock dividends of the Shares or consolidations, subdivisions or reclassifications of the Shares, or otherwise, the number of Shares available under the Plan, the Shares subject to any Option and the Option Price therefor shall be adjusted proportionately by the Board and, if required, approved by the Exchange, and such adjustment shall be effective and binding for all purposes of the Plan.

10.2 **Effect of Amalgamation, Merger or Arrangement** – If the Company amalgamates, merges or enters into a plan of arrangement with or into another corporation, any Shares receivable on the exercise of an Option shall be converted into the securities, property or cash which the Optionee would have received upon such amalgamation, merger or arrangement if the Optionee had exercised the Option immediately prior to the record date applicable to such amalgamation, merger or arrangement, and the exercise price shall be adjusted proportionately by the Board and such adjustment shall be binding for all purposes of the Plan.

10.3 **Acceleration on Change in Control** – Upon a Change in Control, all Options shall become immediately exercisable, notwithstanding any contingent vesting provisions to which such Options may have otherwise been subject.

10.4 **Acceleration of Date of Exercise** – Subject to the approval of the Exchange, if required, the Board shall have the right to accelerate the date of vesting of any portion of any Option which remains unvested.

10.5 **Determinations to be Binding** – If any questions arise at any time with respect to the Option Price or exercise price or number of Option Shares or other property deliverable upon exercise of an Option following an event referred to in this Section 10, such questions shall be conclusively determined by the Board, whose decisions shall be final and binding.

10.6 **Effect of a Take-Over** – If a *bona fide* offer (the “Offer”) for Shares is made to an Optionee or to shareholders generally or to a class of shareholders which includes the Optionee, which Offer constitutes a take-over bid within the meaning of the Act, the Company shall, immediately upon

receipt of notice of the Offer, notify each Optionee of full particulars of the Offer, whereupon any Option held by an Optionee may be exercised in whole or in part, notwithstanding any contingent vesting provisions to which such Options may have otherwise been subject, by the Optionee so as to permit the Optionee to tender the Shares received upon such exercise (the "Optioned Shares") to the Offer. If:

- (a) the Offer is not completed within the time specified therein; or
- (b) all of the Optioned Shares tendered by the Optionee pursuant to the Offer are not taken up and paid for by the offeror pursuant thereto;

the Optioned Shares or, in the case of clause (b) above, the Optioned Shares that are not taken up and paid for, may be returned by the Optionee to the Company and reinstated as authorized but unissued Shares and with respect to such returned Optioned Shares, the Option shall be reinstated as if it had not been exercised. If any Optioned Shares are returned to the Company under this Section, the Company shall refund to the Optionee any Option Price paid for such Optioned Shares.

11. APPROVAL, TERMINATION AND AMENDMENT OF PLAN

11.1 **Shareholder Approval** – This Plan, if the Shares are listed only on the TSXVE, is subject to Disinterested Shareholder Approval on a yearly basis at the Company's next ensuing annual general meeting.

11.2 **Power of Board to Terminate or Amend Plan** – Subject to the approval of the Exchange, if required, the Board may terminate, suspend or discontinue the Plan at any time or amend or revise the terms of the Plan; provided, however, that, except as provided in Section 10, the Board may not do any of the following without obtaining, within 12 months either before or after the Board's adoption of a resolution authorizing such action, approval by the Company's shareholders at a meeting duly held in accordance with the applicable corporate laws:

- (a) increase the maximum number of Shares which may be issued under the Plan;
- (b) materially modify the requirements as to eligibility for participation in the Plan; or
- (c) materially increase the benefits accruing to participants under the Plan;

however, the Board may amend the terms of the Plan to comply with the requirements of any applicable regulatory authority, or as a result of changes in the policies of the Exchange relating to director, officer and employee stock options, without obtaining the approval of the Company's shareholders.

11.3 **No Grant During Suspension of Plan** – No Option may be granted during any suspension, or after termination, of the Plan. Amendment, suspension or termination of the Plan shall not, without the consent of the Optionee, alter or impair any rights or obligations under any Option previously granted.

12. CONDITIONS PRECEDENT TO ISSUANCE OF SHARES

12.1 **Compliance with Laws** – Shares shall not be issued with respect to an Option unless the exercise of such Option and the issuance and delivery of such shares shall comply with all relevant provisions of law, including, without limitation, any applicable United States' state securities laws, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations thereunder and the requirements of any Exchange or automated interdealer quotation system of a registered national securities association upon which such Shares may then be listed or quoted, and such

issuance shall be further subject to the approval of counsel for the Company with respect to such compliance, including the availability of an exemption from registration for the issuance and sale of such Shares. The inability of the Company to obtain from any regulatory body the authority deemed by the Company to be necessary for the lawful issuance and sale of any Shares under this Plan, or the unavailability of an exemption from registration for the issuance and sale of any Shares under this Plan, shall relieve the Company of any liability with respect to the non-issuance or sale of such Shares other than with respect to a refund of any Option Price paid.

13. **USE OF PROCEEDS**

13.1 **Use of Proceeds** – Proceeds from the sale of Shares pursuant to the Options granted and exercised under the Plan shall constitute general funds of the Company and shall be used for general corporate purposes, or as the Board otherwise determines.

14. **NOTICES**

14.1 **Notices** – All notices, requests, demands and other communications required or permitted to be given under this Plan and the Options granted under this Plan shall be in writing and shall be either delivered personally to the party to whom notice is to be given, in which case notice shall be deemed to have been duly given on the date of such personal delivery; telecopied, in which case notice shall be deemed to have been duly given on the date the telecopy is sent; or mailed to the party to whom notice is to be given, by first class mail, registered or certified, return receipt requested, postage prepaid, and addressed to the party at his or its most recent known address, in which case such notice shall be deemed to have been duly given on the tenth postal delivery day following the date of such mailing.

15. **MISCELLANEOUS PROVISIONS**

15.1 **No Obligations to Exercise** – Optionees shall be under no obligation to exercise Options granted under this Plan.

15.2 **No Obligation to Retain Optionee** – Nothing contained in this Plan shall obligate the Company or any Subsidiary Company to retain an Optionee as an employee, officer, director or consultant for any period, nor shall this Plan interfere in any way with the right of the Company or any Subsidiary Company to reduce such Optionee's compensation.

15.3 **Binding Agreement** – The provisions of this Plan and of each Option Agreement with an Optionee shall be binding upon such Optionee and the Qualified Successor or Guardian of such Optionee.

15.4 **Use of Terms** – Where the context so requires, references herein to the singular shall include the plural, and vice versa, and references to a particular gender shall include either or both genders.

15.5 **Headings** – The headings used in this Plan are for convenience of reference only and shall not in any way affect or be used in interpreting any of the provisions of this Plan.

15.6 **No Representation or Warranty** – The Company makes no representation or warranty as to the future value of any Shares issued in accordance with the provisions of this Plan.

15.7 **Income Taxes** – Upon the exercise of an Option by an Optionee, the Company shall have the right to require the Optionee to remit to the Company an amount sufficient to satisfy any Withholding Obligations relating thereto under applicable tax legislation. Unless otherwise prohibited by the Board or by applicable law, satisfaction of the amount of the Withholding Obligations (the "**Withholding Amount**") may be accomplished by any of the following methods or by a combination of such methods as determined by the Company in its sole discretion:

- (a) the tendering by the Optionee of cash payment to the Company in an amount less than or equal to the Withholding Amount; or
- (b) the withholding by the Company from the Shares otherwise due to the Optionee such number of Shares as it determines are required to be sold by the Company, as trustee, to satisfy the Withholding Amount (net of selling costs). By executing and delivering the Option Agreement, the Optionee shall be deemed to have consented to such sale and have granted to the Company an irrevocable power of attorney to effect the sale of such Shares and to have acknowledged and agreed that the Company does not accept responsibility for the price obtained on the sale of such Shares; or
- (c) the withholding by the Company from any cash payment otherwise due by the Company to the Optionee, including salaries, directors fees, consulting fees and any other forms of remuneration, such amount of cash as is required to pay and satisfy the Withholding Amount;

provided, however, in all cases, that the sum of any cash so paid or withheld and the fair market value of any Shares so withheld is sufficient to satisfy the Withholding Amount.

The provisions of the Option Agreement shall provide that the Optionee (or their beneficiaries) shall be responsible for all taxes with respect to any Options granted under the Option Plan and an acknowledgement that neither the Board nor the Company shall make any representations or warranties of any nature or kind whatsoever to any person regarding the tax treatment of Options or payments on account of the Withholding Amount made under the Option Plan and none of the Board, the Company, nor any of its employees or representatives shall have any liability to an Optionee (or its beneficiaries) with respect thereto.

15.8 **Compliance with Applicable Law** – If any provision of the Plan or any Option Agreement contravenes any law or any order, policy, by-law or regulation of any regulatory body or stock exchange or over the counter market having authority over the Company or the Plan, then such provision shall be deemed to be amended to the extent required to bring such provision into compliance therewith.

15.9 **Conflict** – In the event of any conflict between the provisions of this Plan and an Option Agreement, the provisions of this Plan shall govern.

15.10 **Governing Law** – This Plan and each Option Agreement issued pursuant to this Plan shall be governed by the laws of the Province of Ontario.

15.11 **Time of Essence** – Time is of the essence of this Plan and of each Option Agreement. No extension of time will be deemed to be, or to operate as, a waiver of the essentiality of time.

15.12 **Entire Agreement** – This Plan and the Option Agreement sets out the entire agreement between the Company and the Optionees relative to the subject matter hereof and supersedes all prior agreements, undertakings and understandings, whether oral or written.

16. **EFFECTIVE DATE OF PLAN**

16.1 **Effective Date of Plan** – This Plan shall be effective on the later of the day of its approval by the shareholders of the Company given by way of ordinary resolution and the day of its acceptance for filing by the Exchange.

SCHEDULE "B"

Audit Committee Charter

(Implemented pursuant to National Instrument 52-110)

This Charter has been adopted by the Board in order to comply with the Instrument and to more properly define the role of the Committee in the oversight of the financial reporting process of the Corporation. Nothing in this Charter is intended to restrict the ability of the Board or Committee to alter or vary procedures in order to comply more fully with the Instrument, as amended from time to time.

PART 1

Purpose: The purpose of the Committee is to:

- a) significantly improve the quality of the Corporation's financial reporting;
- b) assist the Board to properly and fully discharge its responsibilities;
- c) provide an avenue of enhanced communication between the Board and external auditors;
- d) enhance the external auditor's independence;
- e) increase the credibility and objectivity of financial reports; and
- f) strengthen the role of the outside members of the Board by facilitating in depth discussions between Members, management and external auditors.

1.1 Definitions

"accounting principles" has the meaning ascribed to it in National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*;

"Affiliate" means a company that is a subsidiary of another company or companies that are controlled by the same entity;

"audit services" means the professional services rendered by the Corporation's external auditor for the audit and review of the Corporation's financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements;

"Board" means the board of directors of the Corporation;

"Charter" means this audit committee charter;

"Corporation" means Valencia Ventures Inc.

"Committee" means the committee established by and among certain members of the Board for the purpose of overseeing the accounting and financial reporting processes of the Corporation and audits of the financial statements of the Corporation;

"Control Person" means any person that holds or is one of a combination of persons that holds a sufficient number of any of the securities of the Corporation so as to affect materially the control of the Corporation, or that holds more than 20% of the outstanding voting shares of the Corporation, except where there is evidence showing that the holder of those securities does not materially affect control of the Corporation;

"executive officer" means an individual who is:

- a) the chair of the Corporation;
- b) the vice-chair of the Corporation;
- c) the President of the Corporation;

- d) the vice-president in charge of a principal business unit, division or function including sales, finance or production;
- e) an officer of the Corporation or any of its subsidiary entities who performs a policy-making function in respect of the Corporation; or
- f) any other individual who performs a policy-making function in respect of the Corporation;

“financially literate” has the meaning set forth in Section 1.3;

“immediate family member” means a person’s spouse, parent, child, sibling, mother or father-in-law, son or daughter-in-law, brother or sister-in-law, and anyone (other than an employee of either the person or the person’s immediate family member) who shares the individual's home;

“independent” has the meaning set forth in Section 1.2;

“Instrument” means National Instrument 52-110;

“MD&A” has the meaning ascribed to it in the National Instrument;

“Member” means a member of the Committee;

“National Instrument 51-102” means National Instrument 51-102 *Continuous Disclosure Obligations*;

“non-audit services” means services other than audit services;

1.2 Meaning of Independence

1. A Member is independent if the Member has no direct or indirect material relationship with the Corporation.

2. For the purposes of subsection 1, a material relationship means a relationship which could, in the view of the Board, reasonably interfere with the exercise of a Member's independent judgement.

3. Despite subsection 2 and without limitation, the following individuals are considered to have a material relationship with the Corporation:

- a) a Control Person of the Corporation;
- b) an Affiliate of the Corporation; and
- c) an employee of the Corporation.

1.3 Meaning of Financial Literacy -- For the purposes of this Charter, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements.

PART 2

2.1 Audit Committee – The Board has hereby established the Committee for, among other purposes, compliance with the Instrument.

2.2 Relationship with External Auditors – The Corporation will henceforth require its external auditor to report directly to the Committee and the Members shall ensure that such is the case.

2.3 Committee Responsibilities

1. The Committee shall be responsible for making the following recommendations to the Board:

- a) the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation; and
- b) the compensation of the external auditor.

2. The Committee shall be directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting.

This responsibility shall include:

- a) reviewing the audit plan with management and the external auditor;
- b) reviewing with management and the external auditor any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgements of management that may be material to financial reporting;
- c) questioning management and the external auditor regarding significant financial reporting issues discussed during the fiscal period and the method of resolution;
- d) reviewing any problems experienced by the external auditor in performing the audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management;
- e) reviewing audited annual financial statements, in conjunction with the report of the external auditor, and obtaining an explanation from management of all significant variances between comparative reporting periods;
- f) reviewing the post-audit or management letter, containing the recommendations of the external auditor, and management's response and subsequent follow up to any identified weakness;
- g) reviewing interim unaudited financial statements before release to the public;
- h) reviewing all public disclosure documents containing audited or unaudited financial information before release, including any prospectus, the annual report, the annual information form and management's discussion and analysis;
- i) reviewing any evaluation of internal controls by the external auditor, together with management's response;
- j) reviewing the terms of reference of the internal auditor, if any;
- k) reviewing the reports issued by the internal auditor, if any, and management's response and subsequent follow up to any identified weaknesses; and
- l) reviewing the appointments of the Chief Financial Officer and any key financial executives involved in the financial reporting process, as applicable.

3. The Committee shall pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by the issuer's external auditor.

4. The Committee shall review the Corporation's financial statements, MD&A and annual and interim earnings press releases before the Corporation publicly discloses this information.

5. The Committee shall ensure that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, and shall periodically assess the adequacy of those procedures.

6. When there is to be a change of auditor, the Committee shall review all issues related to the change, including the information to be included in the notice of change of auditor called for under National Policy 31, and the planned steps for an orderly transition.

7. The Committee shall review all reportable events, including disagreements, unresolved issues and consultations, as defined in the National Instrument, on a routine basis, whether or not there is to be a change of auditor.

8. The Committee shall, as applicable, establish procedures for:

- a) the receipt, retention and treatment of complaints received by the issuer regarding accounting, internal accounting controls, or auditing matters; and
- b) the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters.

9. As applicable, the Committee shall establish, periodically review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the issuer, as applicable.

10. The responsibilities outlined in this Charter are not intended to be exhaustive. Members should consider any additional areas which may require oversight when discharging their responsibilities.

2.4 De Minimis Non-Audit Services – The Committee shall satisfy the pre-approval requirement in subsection 2.3(3) if:

- a) the aggregate amount of all the non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the issuer and its subsidiary entities to the issuer's external auditor during the fiscal year in which the services are provided;
- b) the Corporation or the relevant subsidiary of the Corporation, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and
- c) the services are promptly brought to the attention of the Committee and approved by the Committee or by one or more of its members to whom authority to grant such approvals has been delegated by the Committee, prior to the completion of the audit.

2.5 Delegation of Pre-Approval Function

1. The Committee may delegate to one or more independent Members the authority to pre-approve non-audit services in satisfaction of the requirement in subsection 2.3(3).

2. The pre-approval of non-audit services by any Member to whom authority has been delegated pursuant to subsection 1 must be presented to the Committee at its first scheduled meeting following such pre-approval.

PART 3

3.1 Composition

1. The Committee shall be composed of a minimum of three Members.
2. Every Member shall be a director of the issuer.
3. The majority of Members shall be independent.
4. Every audit committee member shall be financially literate.

PART 4

4.1 Authority – Until the replacement of this Charter, the Committee shall have the authority to:

- a) engage independent counsel and other advisors as it determines necessary to carry out its duties,

- b) set and pay the compensation for any advisors employed by the Committee,
- c) communicate directly with the internal and external auditors; and
- d) recommend the amendment or approval of audited and interim financial statements to the Board.

PART 5

5.1 Disclosure in Information Circular -- If management of the Corporation solicits proxies from the security holders of the Corporation for the purpose of electing directors to the Board, the Corporation shall include in its management information circular the disclosure required by Form 52-110F2 (*Disclosure by Venture Issuers*).

PART 6

6.1 Meetings

1. Meetings of the Committee shall be scheduled to take place at regular intervals and, in any event, not less frequently than quarterly.
2. Opportunities shall be afforded periodically to the external auditor, the internal auditor, if any, and to members of senior management to meet separately with the Members.
3. Minutes shall be kept of all meetings of the Committee.

VALENCIA VENTURES INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

for the three months ended
March 31, 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.**Statements of Financial Position**

Unaudited

(Expressed in Canadian dollars)

	Notes	March 31, 2018	December 31, 2017
ASSETS			
Current assets:			
Cash		\$ 5,634	\$ 9,417
Amounts receivable		53,849	51,151
Prepaid expenses		2,178	2,160
TOTAL ASSETS		\$ 61,661	\$ 62,728
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities	7	\$ 845,568	\$ 766,440
Total liabilities		845,568	766,440
Equity/(Deficiency):			
Share capital	4	337,243,823	337,243,823
Share-based payments reserve	5	203,000	206,500
Deficit		(338,230,730)	(338,154,035)
Total (deficiency)		(783,907)	(703,712)
TOTAL LIABILITIES AND DEFICIENCY		\$ 61,661	\$ 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 May 11, 2018:

"Damian Lopez"

Director

"Tito Gandhi"

Director

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

		For the three months ended	
		March 31,	
	Notes	2018	2017
<hr/>			
Expenses			
Consulting and management fees	9	\$ 46,290	\$ 46,622
Professional fees		5,000	6,000
Shareholder communications and filing fees		15,491	7,276
General and administrative expenses		13,414	50,256
Travel expenses		-	2,782
<hr/>			
Net loss and comprehensive loss		\$ (80,195)	\$ (112,936)
<hr/>			
Basic and diluted loss per share		\$ (0.00)	\$ (0.01)
Weighted average number of common shares outstanding:			
Basic and diluted		19,819,647	18,473,219
<hr/>			

Valencia Ventures Inc.

Statements of Changes in Equity/(Deficiency)

Unaudited

Expressed in Canadian dollars

	Note	Share capital		Share-based payments reserve	Deficit	Total equity/ (deficiency)
		No.	\$	\$	\$	\$
Balance, December 31, 2016		18,473,219	337,055,766	115,200	(337,449,472)	(278,506)
Expiry of stock options	5	-	-	(91,600)	91,600	-
Loss for the period		-	-	-	(112,936)	(112,936)
Balance, March 31, 2017		18,473,219	337,055,766	23,600	(337,470,808)	(391,442)
Balance, December 31, 2017		19,819,647	337,243,823	206,500	(338,154,035)	(703,712)
Expiry of stock options	5	-	-	(3,500)	3,500	-
Loss for the period		-	-	-	(80,195)	(80,195)
Balance, March 31, 2018		19,819,647	337,243,823	203,000	(338,230,730)	(783,907)

Valencia Ventures Inc.

Statements of Cash Flows

Unaudited

(Expressed in Canadian dollars)

		For the three months ended	
	Notes	March 31,	
		2018	2017
<hr/>			
Cash provided by (used in)			
Operating activities:			
Net loss		\$ (80,195)	\$ (112,936)
Working capital adjustments:			
Change in amounts receivable		(2,698)	(891)
Change in prepaid expenses		(18)	2,160
Change in accounts payable and accrued liabilities		79,128	86,052
Net cash (used in) operating activities		(3,783)	(25,615)
<hr/>			
Change in cash		(3,783)	(25,615)
Cash, beginning of the period		9,417	91,478
Cash, end of the period		\$ 5,634	\$ 65,863

Valencia Ventures Inc.

Notes to the Condensed Interim Financial Statements

March 31, 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 Earth Renew share held. EarthRenew is a Canadian company that sells 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 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. The registered head office of the Company is located at 65 Queen Street West, Suite 815, Toronto, Ontario, Canada, M5H 2M5.

The Company's shares are listed on the NEX Board of the TSX Venture Exchange ("NEX"). The condensed interim financial statements of the Company for the three months ended March 31, 2018 and 2017 were reviewed, approved and authorized for issue by the Board of Directors on May 11, 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 March 31, 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 included IFRS 2, IFRS 9, and IAS 12. 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

March 31, 2018 and 2017

(Expressed in Canadian dollars unless otherwise noted)

4. Share capital

As at March 31, 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	(6,250)	0.80	(3,500)
March 31, 2018	1,300,000	0.17	203,000

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
50,000	50,000	2-May-13	2-May-18	\$ 0.80	\$ 28,000	190%	5.00	0%	1.15%
1,250,000	1,250,000	22-Aug-17	22-Aug-22	\$ 0.14	\$ 175,000	202%	5.00	0%	1.53%
1,300,000	1,300,000				\$ 203,000				

The weighted average remaining contractual life of outstanding options as of March 31, 2018 is 4.23 years (March 31, 2017: 0.88 years). During the three months ended March 31, 2018, 6,250 options expired in accordance with the Plan and \$3,500 was recorded against deficit (three months ended March 31, 2017: 113,125 options cancelled valued at \$91,600).

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

March 31, 2018 and 2017

(Expressed in Canadian dollars unless otherwise noted)

6. Financial instruments

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

March 31, 2018	Cash, loans and receivables \$	Financial liabilities \$	TOTAL \$
Cash	5,634	-	5,634
Accounts payable and accrued liabilities	-	845,568	845,568

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 three months ended March 31, 2018 and 2017.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2018, the Company had a cash balance of \$5,634 (December 31, 2017: \$9,417) to settle current liabilities of \$845,568 (December 31, 2017: \$766,440). The Company's financial liabilities at March 31, 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 at March 31, 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.

At March 31, 2018, the Company has financial instruments that are carried at fair value, with an estimated fair value of \$nil.

Valencia Ventures Inc.

Notes to the Condensed Interim Financial Statements

March 31, 2018 and 2017

(Expressed in Canadian dollars unless otherwise noted)

7. Accounts payable and accrued liabilities

	March 31, 2018	December 31, 2017
Trade payables	\$ 833,868	\$ 639,440
Accruals	11,700	127,000
	\$ 845,568	\$ 766,440

8. Capital management

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

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

The Company's capital management objectives, policies and processes have remained unchanged during the three months ended March 31, 2018 and 2017. 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 March 31,	
	2018	2017
Short-term benefits	\$ -	\$ 7,500

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. The remuneration of directors and key executives is determined by the 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 three months ended March 31, 2018, the Company was charged \$22,500 for these and other services (three months ended March 31, 2017: \$15,000). 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 March 31, 2018, \$305,100 (December 31, 2017 - \$271,200) was owed to F&M.

10. Commitments and contingencies

Management contracts

The Company is party to certain management and consulting contracts. These contracts contain clauses that require additional payments of up to approximately \$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

March 31, 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

On May 2, 2018, 50,000 of the Company's stock options expired.

Valencia Ventures Inc.

Management's Discussion and Analysis

For the three months ended March 31, 2018 - Unaudited

(in Canadian dollars unless otherwise noted)

Date: May 11, 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 interim financial statements and notes thereto for the three months ended March 31, 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 months ended March 31, 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)

	Q1-2018	Q4-2017	Q3-2017	Q2-2017	Q1-2017	Q4-2016	Q3-2016	Q2-2016	Q1-2016
Revenues	\$nil								
Net income/(loss)	(80)	(92)	(535)	(48)	(113)	(24)	(19)	(88)	(32)
Net income/(loss) per share- basic and diluted	(0.00)	(0.00)	(0.03)	(0.00)	(0.01)	(0.00)	(0.00)	(0.01)	(0.00)
Total Assets	62	63	45	37	67	94	146	38	39

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 March 31, 2018

The Company recorded a net loss of \$80,195 during the three months ended March 31, 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 \$112,936 was recorded during the same period of 2017. The decrease was a result of reduced corporate overhead expenses.

Cash Flows

	For the three months ended March 31,	
	2018	2017
Net cash (used in) operating activities	\$ (3,783)	\$ (25,615)
(Decrease) in cash and cash equivalents	\$ (3,783)	\$ (25,615)

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 at March 31, 2018.

LIQUIDITY AND CAPITAL RESOURCES

The Company does not have any operating assets that generate revenues, The Company incurred a net loss of \$80,195 for the three months ended March 31, 2018 (March 31, 2017: net loss of \$112,936) and generated a net cash outflow of \$3,783 from its operating activities (March 31, 2017: \$25,615).

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 March

31, 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 March 31, 2018, the Company had a working capital deficiency of \$783,907 (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 March 31, 2018 and December 31, 2017.

	March 31, 2018	December 31, 2017
Current assets		
Cash	\$ 5,634	\$ 9,417
Amounts receivable	53,849	51,151
Prepaid expenses	2,178	2,160
	61,661	62,728
Current liabilities		
Accounts payable and accrued liabilities	\$ 845,568	\$ 766,440
Working Capital, current assets less current liabilities		
	\$ (783,907)	\$ (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 March 31,	
	2018	2017
Short-term benefits	\$ -	\$ 7,500

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

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 three months ended March 31, 2018, the Company was charged \$22,500 for these and other services (three months ended March 31, 2017: \$15,000). 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 March 31, 2018, \$305,100 (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 included IFRS 2, IFRS 9, and IAS 12. 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 March 31, 2018 and December 31, 2017 were as follows:

March 31, 2018	Cash, loans and receivables	Financial liabilities	TOTAL
	\$	\$	\$
Cash	5,634	-	5,634
Accounts payable and accrued liabilities	-	845,568	845,568

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 three months ended March 31, 2018 and 2017.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2018, the Company had a cash balance of \$5,634 (December 31, 2017: \$9,417) to settle current liabilities of \$845,568 (December 31, 2017: \$766,440). All of the Company's financial liabilities at March 31, 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 at March 31, 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.

At March 31, 2018, the Company has financial instruments that are carried at fair value, with an estimated fair value of \$nil.

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.

VALENCIA VENTURES INC.

FINANCIAL STATEMENTS

for the years ended
December 31, 2017 and 2016
(expressed in Canadian dollars)

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Toronto, Ontario
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Canada

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Valencia Ventures Inc.

We have audited the accompanying financial statements of Valencia Ventures Inc., which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of loss and comprehensive loss, statements of changes in equity (deficiency), and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Valencia Ventures Inc. as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that Valencia Ventures Inc. has continuing losses during the year ended December 31, 2017 and has negative working capital as at December 31, 2017. These conditions along with other matters set forth in Note 1 indicate the existence of material uncertainties which cast significant doubt about the ability of Valencia Ventures Inc. to continue as a going concern.

UHY McGovern Hurley LLP



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
March 16, 2018

Valencia Ventures Inc.

Statements of Financial Position

As at: December 31,

(Expressed in Canadian dollars)

	Notes	2017	2016
ASSETS			
Current assets:			
Cash		\$ 9,417	\$ 91,478
Amounts receivable		51,151	369
Prepaid expenses		2,160	2,160
TOTAL ASSETS		\$ 62,728	\$ 94,007
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities	10	\$ 766,440	\$ 372,513
Total liabilities		766,440	372,513
Equity/(Deficiency):			
Share capital	7	337,243,823	337,055,766
Share-based payments reserve	8	206,500	115,200
Deficit		(338,154,035)	(337,449,472)
Total (deficiency)		(703,712)	(278,506)
TOTAL LIABILITIES AND DEFICIENCY		\$ 62,728	\$ 94,007
Nature of operations and going concern	1		
Commitments and contingencies	13		
Subsequent events	15		

Approved on behalf of the Board of Directors on March 16, 2018:

"Damian Lopez"

Director

"Tito Gandhi"

Director

Valencia Ventures Inc.

Statements of Loss and Comprehensive Loss

For the years ended December 31,

(Expressed in Canadian dollars)

	Notes	2017	2016
<hr/>			
Expenses			
Consulting and management fees	12	\$ 435,884	\$ 47,329
Professional fees		29,190	23,380
Shareholder communications and filing fees		58,190	81,414
General and administrative expenses		89,996	11,237
Share-based payments	8	175,000	-
Other loss/(income)		3	(123)
<hr/>			
Net loss and comprehensive loss		\$ (788,263)	\$ (163,237)
<hr/>			
Basic and diluted loss per share		\$ (0.04)	\$ (0.01)
Weighted average number of common shares outstanding:			
Basic and diluted		18,642,906	18,473,219
<hr/>			

Valencia Ventures Inc.

Statements of Changes in Equity/(Deficiency)

Expressed in Canadian dollars

	Note	Share capital		Share-based	Deficit	Total equity/ (deficiency)
		No.	\$	payments reserve		\$
Balance, December 31, 2015		16,473,219	336,896,958	132,700	(337,303,735)	(274,077)
Private placement, net of issue costs	7	2,000,000	158,808	-	-	158,808
Expiry of stock options	8	-	-	(17,500)	17,500	-
Loss for the year		-	-	-	(163,237)	(163,237)
Balance, December 31, 2016		18,473,219	337,055,766	115,200	(337,449,472)	(278,506)
Balance, December 31, 2016		18,473,219	337,055,766	115,200	(337,449,472)	(278,506)
Private placement, net of issue costs	7	1,346,428	188,057	-	-	188,057
Expiry of stock options	8	-	-	(83,700)	83,700	-
Issuance of stock options	8	-	-	175,000	-	175,000
Loss for the year		-	-	-	(788,263)	(788,263)
Balance, December 31, 2017		19,819,647	337,243,823	206,500	(338,154,035)	(703,712)

Valencia Ventures Inc.

Statements of Cash Flows

For the years ended December 31,

(Expressed in Canadian dollars)

	Notes	2017	2016
Cash provided by (used in)			
Operating activities:			
Net loss		\$ (788,263)	\$ (163,237)
Items not involving cash:			
Share-based payments	8	175,000	-
Working capital adjustments:			
Change in amounts receivable		(50,782)	5,590
Change in prepaid expenses		-	2,376
Change in accounts payable and accrued liabilities		393,927	59,982
Net cash (used in) operating activities		(270,118)	(95,289)
Financing activities:			
Private placement	7	188,500	160,000
Cost of issue		(443)	(1,192)
Net cash provided by financing activities		188,057	158,808
Change in cash		(82,061)	63,519
Cash, beginning of the year		91,478	27,959
Cash, end of the year		\$ 9,417	\$ 91,478

Valencia Ventures Inc.

Notes to the Financial Statements

December 31, 2017 and 2016

(Expressed in Canadian dollars unless otherwise noted)

1. Nature of operations and going concern

Valencia Ventures Inc. (the "Company" or "Valencia") is primarily engaged in the acquisition, exploration and evaluation of mineral properties in Canada. The Company currently has no interests in exploration and evaluation properties. On December 1, 2017, the Company entered into an amalgamation agreement to acquire all of the outstanding equity securities 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 Earth Renew share held. EarthRenew is a Canadian company that sells high value concentrated organic fertilizer from animal manure, providing an environmentally friendly waste management solution for high intensity livestock farming. 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 financial statements of the Company for the years ended December 31, 2017 and 2016 were reviewed, approved and authorized for issue by the Board of Directors on March 16, 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 December 31, 2017, there are material uncertainties which cast significant doubt about the Company's ability to continue as a going concern. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operation. These 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. Basis of preparation

Statement of compliance

These financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and have been prepared in accordance with accounting policies based on IFRS standards and International Financial Reporting Interpretation Committee ("IFRIC") interpretations. The policies set out in the Company's annual financial statements for the years ended December 31, 2017 and 2016 were consistently applied to all the periods presented unless otherwise noted below.

These financial statements have been prepared on a historical cost basis. In addition, these 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. Critical accounting judgements and estimation uncertainties

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

- Assets' carrying values and impairment changes

In the determination of carrying values and impairment changes, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

Valencia Ventures Inc.

Notes to the Financial Statements

December 31, 2017 and 2016

(Expressed in Canadian dollars unless otherwise noted)

3. Critical accounting judgements and estimation uncertainties (continued)

- Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

- Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

4. Significant accounting policies

Foreign currency translation

The Company's functional and presentation currency is the Canadian dollar. In preparing the financial statements, transactions in currencies other than the entity's functional currency ("foreign currencies") are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Foreign exchange gains and losses are presented in the statement of loss within "other (income)/loss".

Share-based payments

Equity-settled, share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of transactions are set out in the share-based payment note (Note 8).

The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period in which options vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payment reserve.

Equity-settled, share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted at the date the entity obtains the goods or the counterparty renders the service. For those options that expire after vesting, the recorded value is transferred to deficit.

Taxation

Current tax

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor accounting profit.

Valencia Ventures Inc.

Notes to the Financial Statements

December 31, 2017 and 2016

(Expressed in Canadian dollars unless otherwise noted)

4. Significant accounting policies (continued)

Taxation (continued)

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

Interest in mineral exploration and development properties

Exploration and evaluation properties

Once a license to explore an area has been secured, expenditures on exploration and evaluation activities, net of government assistance received and pre-production revenues, are capitalized to exploration and evaluation. Exploration and evaluation expenditures relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential.

Once an economically viable reserve has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to construction in progress within mineral properties and deferred exploration expenditures.

Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a project does not prove viable, all irrecoverable costs associated with the project net of any impairment provisions are written off.

Development properties

When economically viable reserves have been determined and the decision to proceed with development has been approved, the expenditures related to construction are capitalized as construction-in-progress and classified as a component of mineral properties and deferred exploration expenditures. Costs associated with the commissioning of new assets, in the period before they are operating in the way intended by management, are capitalized, net of any pre-production revenues.

Interest on borrowings related to the construction and development of assets are capitalized until substantially all the activities required to make the asset ready for its intended use are complete.

When a mine construction project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for costs which qualify for capitalization relating to mining asset additions or improvements, underground mine development or mineable reserve development.

Depletion

Accumulated mine development costs are depleted on a unit-of-production basis over the estimated economically recoverable reserves of the mine concerned.

Valencia Ventures Inc.

Notes to the Financial Statements

December 31, 2017 and 2016

(Expressed in Canadian dollars unless otherwise noted)

4. Significant accounting policies (continued)

Impairment of non-financial assets

The carrying values of exploration and evaluation expenditures are assessed for impairment when indicators of such impairment exist. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell for the asset and the asset's value in use.

Impairment is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the individual assets of the Company are grouped together into cash generating units ("CGUs") for impairment purposes. Such CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets or other group of assets. This generally results in the Company evaluating its non-financial assets on a geographical basis.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the statement of loss so as to reduce the carrying amount to its recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years. Such a reversal is recognized in the statement of loss.

Financial assets

Financial assets within the scope of IAS 39 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or derivatives. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, (i.e., the date that the Company commits to purchase or sell the asset).

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognized in other gains and losses in the statement of loss.

The Company evaluates its financial assets at fair value through profit and loss (held for trading) to determine whether the intent to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Company may elect, in rare circumstances, to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale or held-to-maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method ("EIR"), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of loss. The losses arising from impairment are recognized in the statement of loss.

Available-for-sale assets are those financial assets that are not classified as held-for-trading, held-to-maturity or loans and receivables, and are carried at fair value. Any gains or losses arising from the change in fair value are recorded as other comprehensive income. Available-for-sale investments are written down to fair value through operations whenever it is necessary to reflect other than temporary impairment. Cumulative gains and losses arising upon the sale of the instrument are included in operations. Investments are designated between held-for-trading or available-for-sale based on management intentions with the investment. Regular way purchases and sales of financial assets are accounted for at the trade date.

Valencia Ventures Inc.

Notes to the Financial Statements

December 31, 2017 and 2016

(Expressed in Canadian dollars unless otherwise noted)

4. Significant accounting policies (continued)

Financial assets (continued)

Derecognition

A financial asset is derecognized when:

- The rights to receive cash flows from the asset have expired.
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
 - (a) the Company has transferred substantially all the risks and rewards of the asset; or
 - (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Impairment of financial assets (continued)

For financial assets carried at amortized cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of loss.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, other financial liabilities, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value, plus in the case of other financial liabilities, directly attributable transaction costs. The Company's financial liabilities are accounts payable and accrued liabilities.

Valencia Ventures Inc.

Notes to the Financial Statements

December 31, 2017 and 2016

(Expressed in Canadian dollars unless otherwise noted)

4. Significant accounting policies (continued)

Financial liabilities (continued)

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the statement of loss. The Company has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the statement of loss when the liabilities are derecognized, as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the statement of loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially lower terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Provisions

General

Provisions are recognized when (a), the Company has a present obligation (legal or constructive) as a result of a past event, and (b), it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statement of loss, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Valencia Ventures Inc.

Notes to the Financial Statements

December 31, 2017 and 2016

(Expressed in Canadian dollars unless otherwise noted)

4. Significant accounting policies (continued)

Provisions (continued)

Rehabilitation provision

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground or environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related assets to the extent that it was incurred prior to the production of related ore. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the statement of loss as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in the statement of loss.

Loss per share

Loss per share is based on the weighted average number of common shares of the Company outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding share options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive. During the years ended December 31, 2017 and 2016 all outstanding options were anti-dilutive and were therefore excluded from the diluted loss per share calculation.

5. New accounting policies and pronouncements

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

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

IAS 12- Income Taxes ("IAS 12") was amended in January 2016 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.

During 2017, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IFRS 7, IAS 1 and IAS 27. These new standards and changes did not have any material impact on the Company's financial statements.

Valencia Ventures Inc.

Notes to the Financial Statements

December 31, 2017 and 2016

(Expressed in Canadian dollars unless otherwise noted)

6. Loan and allowance

On January 29, 2016, the Company terminated an amalgamation agreement ("Agreement") with Chelsea Natural Gas Ltd., a British Columbia company, ("Chelsea CNG") and 1028827 B.C. LTD., a British Columbia company and a wholly-owned subsidiary of the Company, ("VVI Subco"), whereby the Company would have acquired all of the issued and outstanding shares of Chelsea CNG by way of a three-cornered amalgamation. The Company had provided Chelsea CNG with a \$250,000 loan for working capital purposes. In connection with the termination, the Company has requested Chelsea CNG to pay back the loan. The Company has fully provided for this loan and has recorded a bad debt expense of \$250,000 in the statement of loss for the year ended December 31, 2015.

7. Share capital

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

	Number of Shares	Amount
	#	\$
Balance, December 31, 2015	16,473,219	336,896,958
Private placement	2,000,000	158,808
Balance, December 31, 2016	18,473,219	337,055,766
Private placement	1,346,428	188,057
Balance, December 31, 2017	19,819,647	337,243,823

On September 16, 2016, the Company completed a private placement of 2,000,000 common shares at a purchase price of \$0.08 per share, for net proceeds of \$158,808.

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

8. 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;
- 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:

Valencia Ventures Inc.

Notes to the Financial Statements

December 31, 2017 and 2016

(Expressed in Canadian dollars unless otherwise noted)

8. Share-based payments reserve (continued)

	No. of options #	Weighted Average Exercise Price \$	Value of options \$
December 31, 2015	151,250	0.89	132,700
Expired	(3,125)	6.40	(17,500)
December 31, 2016	148,125	0.89	115,200
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

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
6,250	6,250	2-May-13	18-Jan-18	\$ 0.80	\$ 14,000	190%	5.00	0%	1.15%
50,000	50,000	2-May-13	2-May-18	\$ 0.80	\$ 31,500	190%	5.00	0%	1.15%
1,250,000	1,250,000	22-Aug-17	22-Aug-22	\$ 0.14	\$ 175,000	202%	5.00	0%	1.53%
1,306,250	1,306,250				\$ 206,500				

The weighted average remaining contractual life of outstanding options as of December 31, 2017 is 4.46 years (December 31, 2016: 0.95 years). During the year ended December 31, 2017, 91,875 options valued at \$83,700 expired and were recorded against deficit (year ended December 31, 2016: 3,125 options valued at \$17,500).

On August 22, 2017, the Company granted a total of 1,250,000 stock options to certain officers, directors and consultants of the Company pursuant to the 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.

9. Financial instruments

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

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

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

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

Valencia Ventures Inc.

Notes to the Financial Statements

December 31, 2017 and 2016

(Expressed in Canadian dollars unless otherwise noted)

9. Financial instruments (continued)

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 years ended December 31, 2017 and 2016.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2017, the Company had a cash balance of \$9,417 (December 31, 2016: \$91,478) to settle current liabilities of \$766,440 (December 31, 2016: \$372,513). The Company's financial liabilities at December 31, 2017 and 2016 generally have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

(a) Interest rate risk

The Company has cash balances at December 31, 2017 and 2016. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company considers interest rate risk to be minimal as investments are short term, the Company does not carry interest-bearing debt, and expects future financings will be primarily secured from private placements.

(b) Foreign currency risk

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

(c) Fair value

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

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

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

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

Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment. At December 31, 2017 and 2016, the Company has financial instruments that are carried at fair value.

10. Accounts payable and accrued liabilities

	December 31, December 31,	
	2017	2016
Trade payables	\$ 639,440	\$ 347,513
Accruals	127,000	25,000
	<u>\$ 766,440</u>	<u>\$ 372,513</u>

11. 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.

Valencia Ventures Inc.

Notes to the Financial Statements

December 31, 2017 and 2016

(Expressed in Canadian dollars unless otherwise noted)

11. Capital management (continued)

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

12. Related party disclosures

Compensation of key management personnel of the Company

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

	Year ended December 31,	
	2017	2016
Short-term benefits	\$ 20,000	\$ 30,000
Termination payments	100,000	-
Share-based payments	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.

On August 28, 2017, Mr. Greg Duras resigned as Chief Financial Officer, and Mr. Ryan Ptolemy was appointed.

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 year ended December 31, 2017, the Company was charged approximately \$135,000 for these and other services (December 31, 2016: \$145,074). A former director of the Company is currently a director of 2227929 Ontario Inc. As at December 31, 2017, \$464,482 was owed to 2227929 Ontario Inc. (December 31, 2016: \$311,848). In connection with the November 16, 2017 private placement, 2227929 Ontario Inc. subscribed for 1,071,428 units of the Company for total proceeds of \$150,000.

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 December 31, 2017, \$271,200 was owed to F&M (December 31, 2016 - \$Nil).

13. Commitments and contingencies

Management contracts

The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to approximately \$360,000 be made upon the occurrence of certain events such as management contract termination and a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these financial statements. Minimum commitments remaining under these contracts were approximately \$127,500, all due within one year.

Environment

The Company's exploration activities are subject to various law and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

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 financial statements.

Valencia Ventures Inc.
Notes to the Financial Statements
December 31, 2017 and 2016

(Expressed in Canadian dollars unless otherwise noted)

14. Income taxes

a) Provision for Income Taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2016 - 26.5%) were as follows:

	2017 \$	2016 \$
(Loss) before income taxes	(788,263)	(163,237)
Expected income tax (recovery) based on statutory rate	209,000	43,000
Adjustment to expected income tax benefit:		
Expenses not deductible for tax purposes	(46,000)	-
Change in benefit of tax assets not recognized	(163,000)	(43,000)
Deferred income tax recovery	-	-

b) Deferred Income Tax

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	2017 \$	2016 \$
Non-capital loss carry-forwards	9,547,000	8,930,000
Capital losses and investments	85,530,000	86,918,000
Share issue costs	6,000	10,000
Mineral property costs	3,122,000	3,122,000
Other temporary differences	176,000	176,000
Total	98,381,000	99,156,000

The non-capital tax losses expire from 2026 to 2037. The other temporary differences do not expire under current legislation.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

The Company has approximately \$9,547,000 of non-capital losses in Canada which under certain circumstances can be used to reduce the taxable income of future years. These losses expire in the following periods:

Year	\$
2026	582,000
2027	1,115,000
2028	1,440,000
2029	877,000
2030	831,000
2031	1,173,000
2032	1,235,000
2033	728,000
2034	540,000
2035	241,000
2036	168,000
2037	617,000
	<u>9,547,000</u>

Valencia Ventures Inc.
Notes to the Financial Statements
December 31, 2017 and 2016

(Expressed in Canadian dollars unless otherwise noted)

15. Subsequent events

On February 8, 2018, EarthRenew initiated engineering work to restart sustainable electricity production at its Strathmore, Alberta plant. As currently configured, management of EarthRenew expects the Strathmore Plant to be capable of producing up to four megawatts per hour of low cost electricity powered by a natural gas fired industrial sized Rolls Royce turbine. EarthRenew intends to have electricity production back online by the end of April 2018 following the completion of minor upgrades and permit renewal (see Note 1).

On February 14, 2018, EarthRenew reported the purchase of 20 Antminer S9 mining rigs expected to be used to commence Bitcoin mining activities at the Strathmore Plant. (see Note 1).

Valencia Ventures Inc.

Management's Discussion and Analysis

For the year ended December 31, 2017

(in Canadian dollars unless otherwise noted)

Date: March 16, 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 audited financial statements and notes thereto for the years ended December 31, 2017 and 2016. 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 years ended December 31, 2017 and 2016, 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. The mining rigs are scheduled to be delivered in late March, and EarthRenew estimates that it can operate up to 2,000 cryptocurrency mining rigs using the surplus electricity generated by the turbine.

On August 28, 2017, Mr. Greg Duras resigned as Chief Financial Officer, and Mr. Ryan Ptolemy was appointed.

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)

	Q4-2017	Q3-2017	Q2-2017	Q1-2017	Q4-2016	Q3-2016	Q2-2016	Q1-2016
Revenues	\$nil							
Net income/(loss)	(92)	(535)	(48)	(113)	(24)	(19)	(88)	(32)
Net income/(loss) per share- basic and diluted	(0.00)	(0.03)	(0.00)	(0.01)	(0.00)	(0.00)	(0.01)	(0.00)
Total Assets	63	45	37	67	94	146	38	39

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 year ended December 31, 2017

The Company recorded a net loss of \$788,263 during the year ended December 31, 2017, which resulted primarily from an increase in consulting and management fees, a severance payment paid to a consultant, professional fees relating to the audit of the Company's financial statements, shareholder communication and filing fees, and share-based compensation expense. A net loss of \$163,237 was recorded during the same period of 2016, resulting primarily from consulting, management and professional fees, and increased shareholder communications and filing fees that arose from the Company holding two shareholder meetings during the fiscal year.

Cash Flows

	For the years ended December 31,	
	2017	2016
Net cash (used in) operating activities	\$ (270,118)	\$ (95,289)
Net cash provided by financing activities	188,057	158,808
Increase/(decrease) in cash and cash equivalents	\$ (82,061)	\$ 63,519

On September 16, 2016, the Company completed a non-brokered private placement financing of 2,000,000 common shares at a purchase price of \$0.08 per share, for net proceeds of \$158,808.

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 at December 31, 2017.

LIQUIDITY AND CAPITAL RESOURCES

The Company does not have any operating assets that generate revenues, The Company incurred a net loss of \$788,263 for the year ended December 31, 2017 (December 31, 2016: net loss of \$163,237) and generated a net cash outflow of \$270,118 from its operating activities (December 31, 2016: \$95,289).

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 December 31, 2017, 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 December 31, 2017, the Company had a working capital deficiency of \$703,712 (December 31, 2016: working capital deficiency of \$278,506).

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 December 31, 2017 and 2016.

	December 31,	December 31,
	2017	2016
Current assets		
Cash	\$ 9,417	\$ 91,478
Amounts receivable	51,151	369
Prepaid expenses	2,160	2,160
	<u>62,728</u>	<u>94,007</u>
Current liabilities		
Accounts payable and accrued liabilities	\$ 766,440	\$ 372,513
Working Capital,		
current assets less current liabilities	\$ (703,712)	\$ (278,506)

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:

	Year ended December 31,	
	2017	2016
Short-term benefits	\$ 20,000	\$ 30,000
Termination payments	100,000	-
Share-based payments	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 year ended December 31, 2017, the Company was charged approximately \$135,000 for these and other services (December 31, 2016: \$145,074). A former director of the Company is currently a director of 2227929 Ontario Inc. As at December 31, 2017, \$464,482 was owed to 2227929 Ontario Inc. (December 31, 2016: \$311,848).

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 December 31, 2017, \$271,200 was owed to F&M (December 31, 2016 - \$Nil).

RECENT ACCOUNTING PRONOUNCEMENTS

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

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

IAS 12- Income Taxes ("IAS 12") was amended in January 2016 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.

During 2017, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IFRS 7, IAS 1 and IAS 27. These new standards and changes did not have any material impact on the Company's financial statements.

FINANCIAL INSTRUMENTS

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

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

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

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

The Company's risk 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 years ended December 31, 2017 and 2016.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2017, the Company had a cash balance of \$9,417 (December 31, 2016: \$91,478) to settle current liabilities of \$766,440 (December 31, 2016: \$372,513). All of the Company's financial liabilities at December 31, 2017 and 2016 have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

(a) Interest rate risk

The Company has cash balances at December 31, 2017 and 2016. 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.

At December 31, 2017 and 2016, the Company has financial instruments that are carried at fair value, with an estimated fair value of \$nil.

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.

Exploration 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.

Nature of Mining, Mineral Exploration and Development Projects

Mineral exploration is highly speculative in nature. There is no assurance that exploration efforts will be successful. Even when mineralization is discovered, it may take several years until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable mineral reserves through drilling. Because of these uncertainties, no assurance can be given that exploration programs will result in the establishment or expansion of mineral resources or mineral reserves. There is no certainty that any expenditures made by the Company towards the search and evaluation of mineral deposits will result in discoveries or development of commercial quantities of ore.

Exploration and development projects have no operating history upon which to base estimates of future cash operating costs. For development projects, reserve and resource estimates and estimates of cash operating costs are, to a large extent, based upon the interpretation of geologic data obtained from drill holes and other sampling techniques, and feasibility studies, which derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, ground conditions, the configuration of the ore body, expected recovery rates of minerals from the ore, estimated operating costs, anticipated climatic conditions and other factors. As a result, actual production, cash operating costs and economic returns could differ significantly from those estimated. Indeed, there have been a number of mining operations that have ceased or been suspended or delayed because of operations costs that are greater than the projected price of production. Current market conditions are forcing many mining operations to increase capital and operating cost estimates. It is not unusual for new mining operations to experience problems during the start-up phase, and delays in the commencement of production often can occur.

Competition

The Company competes with many other mining companies that have substantially greater resources than the Company. Such competition may result in the Company being unable to acquire desired properties, recruit or retain qualified employees or acquire the capital necessary to fund operations and develop properties. The Company's inability to compete with other mining companies for these resources would have a material adverse effect on the Company's results of operation and business.

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 contracts. These contracts contain clauses requiring additional payments of up to approximately \$360,000 be made upon the occurrence of certain events such as management contract termination and a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these financial statements. Minimum commitments remaining under these contracts were approximately \$127,500, all due within one year.

Environment

The Company's exploration activities are subject to various law and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

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 financial statements.

OUTSTANDING SHARE DATA

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

- 1) 19,819,647 common shares outstanding
- 2) 1,300,000 stock options outstanding and exercisable with exercise prices ranging from \$0.14 to \$0.80, with expiry dates ranging between May 2, 2018 and August 22, 2022. If exercised, 1,300,000 shares would be issued, generating proceeds of \$215,000.