

VALENCIA VENTURES INC.

Management's Discussion and Analysis

For the three and six months ended June 30, 2015

(in Canadian dollars unless otherwise noted)

This Management's Discussion and Analysis ("MD&A") provides a discussion and analysis of the financial condition and results of operations to enable a reader to assess material changes in the financial condition and results of operations as at and for the three and six months ended June 30, 2015 and 2014. The MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2015 and 2014.

All amounts included in the MD&A are in Canadian dollars, unless otherwise specified. This MD&A reports Valencia Ventures Inc.'s ("Valencia" or the "Company") activities through August 28, 2015 unless otherwise indicated. 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 unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2015 and 2014, and Valencia'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, dispositions and strategy, development potential and timetable of the Company's properties; the Company's ability to raise required funds; future mineral prices; mineralization projections; conclusions of economic evaluation; the timing and amount of estimated future exploration and development; costs of development; capital expenditures; success of exploration activities; mining or processing issues; currency exchange rates; government regulation of mining operations; and environmental risks. 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, including but not limited to risks related to: unexpected events and delays during exploration and development; acquisition risks; regulatory risks; revocation of government approvals; timing and availability of external financing on acceptable terms; actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of minerals; accidents, labour disputes and other risks of the mining industry. 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 primarily engaged in the acquisition, exploration and evaluation of natural resources properties in Canada. The Company is currently evaluating opportunities in an effort to build shareholder value.

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COMPANY HIGHLIGHT

On March 13, 2015, the Company has entered into 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") incorporated subsequent to year end December 31, 2014, whereby the Company will acquire all of the issued and outstanding shares of Chelsea CNG (the "Transaction"). It is expected that the Transaction will be effected by way of a three-cornered amalgamation pursuant to which VVI Subco will amalgamate with Chelsea CNG, and the holders of Class "A" voting shares of Chelsea CNG will receive 1.6 common share of Valencia for each one share of Chelsea CNG so held. The completion of the Transaction remains subject to a number of conditions. In connection with the transaction, the Company has provided Chelsea CNG with a \$250,000 loan for working capital purposes.

EXPLORATION ACTIVITIES

Agnew Lake Project, Ontario

The Company did not complete any exploration work on the property in 2013 or 2014, and does not intend on making any exploration expenditures on the property in 2015. As a result, the Company has impaired the full amount of the carrying value of the property resulting in an impairment charge of \$1,000,956 in the year ended December 31, 2011. The Company is reviewing various strategic alternatives regarding this property.

NEW AND FUTURE ACCOUNTING POLICIES

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2015 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

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 1 – Presentation of Financial Statements ("IAS 1") was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted.

IAS 24 – Related Party Disclosures ("IAS 24") was amended to clarify that an entity providing key management services to the reporting entity or the parent of the reporting entity is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. The amendments to IAS 24 are effective for annual periods beginning on or after July 1, 2014.

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LIQUIDITY AND CAPITAL RESOURCES

The Company does not have any operating assets that generate revenues, The Company incurred a net loss of \$135,635 for the six months ended June 30, 2015 (six months ended June 30, 2014: net loss of \$325,657) and generated a net cash outflow of \$344,088 from its operating activities (six months ended June 30, 2014: \$153,858).

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, limited working capital and a cumulative deficit as at June 30, 2015, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation.

Working Capital

As at June 30, 2015, the Company had working capital of \$76,988 (December 31, 2014: \$212,624).

CARRYING VALUE OF BALANCE SHEET ITEMS

Total accounts payable as at June 30, 2015 were \$191,318 (December 31, 2014 - \$149,775) of which \$nil (December 31, 2014: \$nil) was owed to related parties.

RESULTS OF OPERATIONS

For the three months ended June 30, 2015

The Company recorded a net loss of \$66,928 during the three months ended June 30, 2015 compared to a loss of \$191,792 during the same period of 2014. The net loss during the three months ended June 30, 2015 resulted primarily from consulting, management and professional fees, shareholder communications and filing fees and office expenses. The net loss during the same period in 2014 resulted primarily from consulting, management and professional fees, and shareholder communications and filling fees and office expenses.

Cash Flows

	For the three months ended June 30,	
	2015	2014
Cash used in operating activities	(43,992)	(93,211)
Cash provided by investing activities	-	44,565
Cash provided by financing activities	-	-
(Decrease) increase in cash	(43,992)	(48,646)

Cash of \$43,992 used in operating activities during the three months ended June 30, 2015 was lower than the \$93,211 used in operating activities during the three months ended June 30, 2014, mainly due to lower activities at Corporate Office.

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For the six months ended June 30, 2015

The Company recorded a net loss of \$135,635 during the six months ended June 30, 2015 compared to a loss of \$325,657 during the same period of 2014. The net loss during the six months ended June 30, 2015 resulted primarily from consulting, management and professional fees, shareholder communications and filing fees and office expenses. The net loss during the same period in 2014 resulted primarily from consulting, management and professional fees, and shareholder communications and filling fees and office expenses.

Cash Flows

	For the six months ended June 30,	
	2015	2014
Cash used in operating activities	(344,088)	(153,858)
Cash provided by investing activities	-	44,565
Cash provided by financing activities	-	-
(Decrease) increase in cash	(344,088)	(109,293)

Cash of \$344,088 used in operating activities during the six months ended June 30, 2015 was higher than the \$153,858 used in operating activities during the six months ended June 30, 2014, mainly due to \$250,000 loan provided to Chelsea CNG.

SELECTED ANNUAL INFORMATION

	2014	2013	2012
<i>(expressed in \$000s except for per share amounts)</i>	(\$)	(\$)	(\$)
Net loss	(686)	(749)	(1,428)
Comprehensive loss	(536)	(929)	(1,398)
Loss per share, basic and fully diluted	(0.10)	(0.36)	(0.12)
Total assets	362	224	1,031

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SELECTED QUARTERLY INFORMATION

The quarterly results are as follows:

Summary Financial Information for the Eight Quarters Ended June 30, 2015					
<i>(expressed in \$000s except for per share amounts)</i>					
<u>Period</u>	<u>Revenues</u>	<u>Total Assets</u>	<u>Net (Loss)</u>	<u>Basic & Diluted Net Income (Loss) per Share</u>	
2nd Quarter 2015	Nil	268	(67)	(0.00)	(0.09)
1st Quarter 2015	Nil	316	(69)	(0.01)	(0.01)
4th Quarter 2014	Nil	362	(255)	(0.04)	(0.04)
3rd Quarter 2014	Nil	459	(106)	(0.01)	(0.01)
2nd Quarter 2014	Nil	44	(192)	(0.09)	(0.09)
1st Quarter 2014	Nil	160	(134)	(0.06)	(0.06)
4th Quarter 2013	Nil	224	(269)	(0.13)	(0.13)
3rd Quarter 2013	Nil	488	(167)	(0.08)	(0.08)

The general trend in decreasing total assets during the last eight quarters resulted from impairment losses on the Company's investments and cash used by operating activities. In all the periods shown above, the Company did not generate any revenues and the net (losses) result primarily from corporate overheads, stock based compensation expense, and/or the write off, loss or gain from disposal of assets.

TRANSACTIONS WITH RELATED PARTIES

During the three and six months ended June 30, 2015, the Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company.

	Purchases of goods and services			
	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Forbes & Manhattan, Inc.	\$ -	\$ 37,500	\$ -	\$ 75,000

The Company shares office space and other technical services with other companies who may have similar officers or directors. The costs associated with this space are administered by 2227929 Ontario Inc. Stan Bharti, a former director of the Company, is an officer of Forbes & Manhattan, Inc. An administration fee of \$12,500 per month is charged by Forbes & Manhattan, Inc until July 2014.

The following balances were outstanding at the end of the reporting period:

	Amounts owed to related parties		Amounts owed by related parties	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
	Forbes & Manhattan, Inc.	\$ -	\$ 339,000	-

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The amounts outstanding are unsecured and no guarantees have been given or received. No expense has been recognized in the current or prior periods for bad or doubtful debts in respect of the amounts owed by related parties.

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 June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Short-term benefits	\$ 12,250	\$ 37,249	\$ 24,500	\$ 49,749

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.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities as at June 30, 2015 and 2014 were as follows:

June 30, 2015	Cash, loans and receivables \$	Financial liabilities \$	TOTAL \$
Cash	3,212	-	3,212
Accounts payable and accrued liabilities	-	(191,318)	(191,318)

June 30, 2014	Cash, loans and receivables \$	Financial liabilities \$	TOTAL \$
Cash	18,878	-	18,878
Amounts receivables	19,571	-	19,571
Accounts payable and accrued liabilities	-	(461,308)	(461,308)

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 and six months ended June 30, 2015 and 2014.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2015, the Company had a cash balance of \$3,212 (December 31, 2014: \$347,300) to settle current liabilities of \$191,318 (December 31, 2014: \$149,775). All of the Company's financial liabilities at June 30, 2015 and December 31, 2014 have contractual maturities of less than 30 days and are subject to normal trade terms.

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Market risk

(a) Interest rate risk

The Company has cash balances at June 30, 2015. 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.

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.

(b) Securities price risk

The Company carries investments in certain public securities for which price fluctuations can affect the Company's earnings. The Company classifies these investments as available-for-sale and price volatility is reflected in other comprehensive income/(loss).

(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 June 30, 2015, the Company's financial instruments that are carried at fair value, consisting of investments of \$nil (December 31, 2014: \$nil) have been classified as Level 1 within the fair value hierarchy.

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OUTSTANDING SHARE DATA

As at August 28, 2015, the Company has:

- 1) 16,473,422 common shares outstanding
- 2) No warrants outstanding
- 3) 172,188 stock options outstanding and are exercisable with exercise prices ranging from \$0.80 to \$8.00, with expiry dates ranging between October 22, 2015 and May 2, 2018. If exercised, 172,188 shares would be issued generating proceeds of \$318,900.

COMMITMENTS AND CONTINGENCIES

The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to approximately \$83,415 be made upon the occurrence of certain events such as a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these financial statements.

The Company's exploration activities are subject to various law and regulations governing the protection of the environment. These law 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.

OFF-BALANCE SHEET ARRANGEMENTS

The Company had no off-balance sheet arrangements at June 30, 2015.

RISKS, UNCERTAINTIES AND MARKET

Mining exploration inherently contains a high degree of risk and uncertainty. Risks would include but not be limited to unfavourable drill results including uneconomic grades or costs of recovery, falling commodity prices, a strengthening Canadian dollar versus the US dollar, unfavourable costs, falling capital markets and key personnel changes.

Valencia has discontinued mining operations in various jurisdictions and has 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 or guarantor is not determinable, nor expected to be material, and no amount has been provided in the accounts of the Company.

August 28, 2015