

VALENCIA VENTURES INC.

Management's Discussion and Analysis

For the three and six months ended June 30, 2016

(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 months ended June 30, 2016 and 2015. 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, 2016 and 2015.

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 29, 2016 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, 2016 and 2015, 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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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, 2016 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 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 deduction resulting from the reversal of deductible temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2017. Earlier adoption is permitted.

LIQUIDITY AND CAPITAL RESOURCES

The Company does not have any operating assets that generate revenues, The Company incurred a net loss of \$32,460 for the three months ended June 30, 2016 (three months ended June 30, 2015: net loss of \$68,707) and generated a net cash outflow of \$450 from its operating activities (three months ended June 30, 2015: \$300,096).

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, 2016, 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, 2016, the Company had a working capital deficiency of \$394,477 (December 31, 2015: negative working capital of \$274,077).

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CARRYING VALUE OF BALANCE SHEET ITEMS

Total accounts payable as at June 30, 2016 were \$424,167 (December 31, 2015 - \$312,531) of which \$nil (December 31, 2015: \$nil) was owed to related parties.

RESULTS OF OPERATIONS

For the three months ended June 30, 2016

The Company recorded a net loss of \$87,940 during the three months ended June 30, 2016 compared to a loss of \$66,928 during the same period of 2015. The net loss during the three months ended June 30, 2016 resulted primarily from shareholder communications and filing fees and consulting, management and professional fees. The net loss during the same period in 2015 resulted primarily from consulting, management and professional fees, office and general, and shareholder communications and filling fees.

For the six months ended June 30, 2016

The Company recorded a net loss of \$120,400 during the six months ended June 30, 2016 compared to a loss of \$68,707 during the same period of 2015. The net loss during the six months ended June 30, 2016 resulted primarily from shareholder communications and filing fees and consulting, management and professional fees. The net loss during the same period in 2015 resulted primarily from consulting, management and professional fees, office and general, and shareholder communications and filling fees.

Cash Flows

For the three months ended June 30, 2016

	For the three months ended June 30,	
	2016	2015
Cash used in operating activities	(26,409)	(43,992)
(Decrease) increase in cash	(26,409)	(43,992)

Cash of \$26,409 used in operating activities during the three months ended June 30, 2016 was lower than the \$43,992 used in operating activities during the three months ended June 30, 2015.

For the six months ended June 30, 2016

The Company recorded a net loss of \$87,940 during the three months ended June 30, 2016 compared to a loss of \$66,928 during the same period of 2015. The net loss during the three months ended June 30, 2016 resulted primarily from shareholder communications and filing fees and consulting, management and professional fees. The net loss during the same period in 2015 resulted primarily from consulting, management and professional fees, office and general, and shareholder communications and filling fees.

	For the six months ended June 30,	
	2016	2015
Cash used in operating activities	(26,859)	(344,088)
(Decrease) increase in cash	(26,859)	(344,088)

Cash of \$26,859 used in operating activities during the six months ended June 30, 2016 was lower than the \$344,088 used in operating activities during the six months ended June 30, 2015.

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SELECTED ANNUAL INFORMATION

	2015	2014	2013
<i>(expressed in \$000s except for per share amounts)</i>	(\$)	(\$)	(\$)
Net loss	(487)	(686)	(749)
Comprehensive loss	(487)	(536)	(929)
Loss per share, basic and fully diluted	(0.03)	(0.10)	(0.36)
Total assets	38	362	224

SELECTED QUARTERLY INFORMATION

The quarterly results are as follows:

Summary Financial Information for the Eight Quarters Ended June 30, 2016					
<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 2016	Nil	38	(88)	(0.01)	(0.01)
1st Quarter 2016	Nil	39	(32)	0.00	0.00
4th Quarter 2015	Nil	38	(294)	(0.00)	(0.00)
3rd Quarter 2015	Nil	262	(57)	(0.00)	(0.00)
2nd Quarter 2015	Nil	268	(67)	(0.00)	(0.00)
1st Quarter 2015	Nil	316	(69)	(0.01)	(0.01)
4th Quarter 2014	Nil	362	(225)	(0.04)	(0.04)
3rd Quarter 2014	Nil	459	(106)	(0.01)	(0.01)

The general trend in decreasing total assets during the last eight quarters resulted cash used by operating activities and from impairment losses on the Company's investments. 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, the write off, loss or gain from disposal of assets.

TRANSACTIONS WITH RELATED PARTIES

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. to whom the Company pays a monthly fee. 2227929 Ontario Inc. does not have any officers or directors in common with the Company.

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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,	
	2016	2015	2016	2015
Short-term benefits	\$ -	\$ 12,250	\$ 7,500	\$ 24,500

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.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities as at June 30, 2016 and 2015 were as follows:

June 30, 2016	Cash, loans and receivables	Financial liabilities	TOTAL
	\$	\$	\$
Cash	1,100	-	1,100
Accounts payable and accrued liabilities	-	(424,167)	(424,167)

December 31, 2015	Cash, loans and receivables	Financial liabilities	TOTAL
	\$	\$	\$
Cash	27,959	-	27,959
Accounts payable and accrued liabilities	-	(312,531)	(312,531)

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 June 30, 2016 and 2015.

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, 2016, the Company had a cash balance of \$1,100 (December 31, 2015: \$27,959) to settle current liabilities of \$27,959 (December 31, 2015: \$312,531). All of the Company's financial liabilities at June 30, 2016 and December 31, 2015 have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

(a) Interest rate risk

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The Company has cash balances at June 30, 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 June 30, 2016, the Company has financial instruments that are carried at fair value, with an estimated fair value of \$nil.

OUTSTANDING SHARE DATA

As at August 29, 2016, the Company has:

- 1) 16,473,422 common shares outstanding
- 2) No warrants outstanding
- 3) 148,125 stock options outstanding and are exercisable with exercise prices ranging from \$0.80 to \$0.96, with expiry dates ranging between August 15, 2017 and May 2, 2018. If exercised, 148,125 shares would be issued generating proceeds of \$131,400.

COMMITMENTS AND CONTINGENCIES

The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to approximately \$22,000 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, 2016.

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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 29, 2016