VALENCIA VENTURES INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

for the three and six months ended
June 30, 2016 and 2015
(expressed in Canadian dollars)

Unaudited

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated 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 consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

VALENCIA VENTURES INC.

Condensed Interim Statements of Financial Position

(Expressed in Canadian dollars)

As at:	Notes	June 30, 2016 $	December 31, 2015 $
ASSETS			
Current assets:			
Cash		1,100	27,959
Amounts receivable		17,574	5,959
Prepaid expenses		11,016	4,536
TOTAL ASSETS		29,690	38,454
LIABILITIES AND EQUITY (DEFICIENCY)			
Current liabilities:			
Accounts payable and accrued liabilities		424,167	312,531
Total liabilities		424,167	312,531
Equity:			
Share capital		336,896,958	336,896,958
Share-based payments reserve	5	115,200	132,700
Deficit		(337,406,635)	(337,303,735)
Total equity (deficiency)		(394,477)	(274,077)
TOTAL LIABILITIES AND EQUITY (DEFICIENCY)		29,690	38,454
Nature of operations and going concern	1		
Commitments and contingencies	10		

Approved on behalf of the Board of Directors:

“Damian Lopez”
Director

“Tito Gandhi”
Director

-See accompanying notes to the condensed interim financial statements -

Condensed Interim Statements of Operations and Comprehensive Loss

Unaudited
(Expressed in Canadian dollars)

		Three months ended June 30,		Six months ended June 30,	
		2016	2015	2016	2015
	Notes	$	$	$	$
Expenses					
Consulting, management and professional fees	9	10,283	36,025	25,234	42,991
Shareholder communications and filing fees		75,378	13,132	91,367	8,682
Office expenses		2,279	17,784	3,799	17,235
Finance (income)		-	(13)	-	(201)
Net loss for the period		(87,940)	(66,928)	(120,400)	(68,707)
Basic and diluted loss per share		(0.01)	(0.00)	0.01	0.00
Weighted average number of common shares outstanding:					
Basic and diluted		16,473,422	16,473,422	16,473,422	16,473,422

-See accompanying notes to the condensed interim financial statements -

VALENCIA VENTURES INC.

Condensed Interim Statements of Cash Flows

For the six months ended June 30,

Unaudited

(Expressed in Canadian dollars)

	Notes	2016	2015
Cash provided by (used in)			
Operating activities			
Net loss		$ (120,400)	$ (135,635)
Items not involving cash:			
Change in amounts receivable		(11,615)	(254,314)
Change in prepaid expenses		(6,480)	4,318
Change in accounts payables and accrued liabilities		111,636	41,543
Net cash used in operating activities		(26,859)	(344,088)
Change in cash		(26,859)	(344,088)
Cash, beginning of the period		27,959	347,300
Cash, end of the period		1,100	3,212

-See accompanying notes to the condensed interim financial statements -

VALENCIA VENTURES INC.

Condensed Interim Statements of Changes in Equity (Deficiency)

Unaudited
(Expressed in Canadian dollars)

	Share capital		Share-based payments reserve	Accumulated other comprehensive (loss)	Deficit	Total equity (deficiency)
	No.	$	$	$	$	$
Balance, December 31, 2015	16,473,422	336,896,958	132,700	-	(337,303,735)	(274,077)
Expiry of stock options	-	-	(17,500)	-	17,500	-
Loss for the period	-	-	-	-	(120,400)	(120,400)
Balance, June 30, 2016	**16,473,422**	**336,896,958**	**115,200**	**-**	**(337,406,635)**	**(394,477)**
Balance, December 31, 2014	16,473,422	336,896,958	249,950	-	(336,934,284)	212,624
Loss for the period	-	-	-	-	(135,636)	(135,636)
Balance, June 30, 2015	**16,473,422**	**336,896,958**	**249,950**	**-**	**(337,069,920)**	**76,988**

-See accompanying notes to the condensed interim financial statements -

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. There has been no determination whether the Company's interests in exploration and evaluation properties contain mineral reserves. 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 three months ended June 30, 2016 and 2015 were reviewed, approved and authorized for issue by the Board of Directors on August 29, 2016.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that current operations, including exploration and evaluation programs will result in profitable mining operations. The Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

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. These conditions indicate the existence of a material uncertainty that may 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 operations. 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. Significant accounting policies

a) Statement of compliance

These condensed interim consolidated financial statements of the Company and its subsidiary have been prepared in accordance with International Account Standards (“IAS”) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”). The policies set out in the Company’s Annual Consolidated Financial Statements for the twelve months ended December 31, 2015 were consistently applied to all the periods presented unless otherwise noted below.

b) Basis of preparation

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for held for trading and available-for-sale investments which are reflected at fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

c) 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.

(Expressed in Canadian dollars unless otherwise noted)

2. Significant accounting policies (Continued)

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.

3. Investments

		June 30, 2016		December 31, 2015	
		No. held	Value	No. held	Value
	Classification		$		$
Valere Mining Ltd. (a)	Equity investment	17,300,000	-	17,300,000	-
South American Rare Earth Corp. ("SARE") (b)	Available-for-sale	500,000	-	500,000	-
			-		-

(a) The Company owns 50% of Valere Mining Ltd. ("Valere"), however, as the Company does not control Valere, it accounts for it as an equity investment.

(b) The Company owns 500,000 common shares of SARE.

(c) On July 16, 2012, the disposition of the Cachinal Property and the Nuevo Juncal Silver Property was completed. The Company received the remaining cash payment of $174,830 and was issued 3,000,000 common shares of Apogee Silver Ltd. (APE: TSX-V) ("Apogee") valued at $210,000 based on the market price of Apogee's shares on the day of issuance. During the year ended December 31, 2014, the Company sold its Apogee shares for proceeds of $44,565. A realised loss of $nil (December 31, 2014: $165,435) was recorded in the statement of operations and comprehensive loss in the year ended December 31, 2015.

(d) 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 acquire 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 on the statement of operations.

4. Share capital

As at June 30, 2016 and December 31, 2015 the Company's authorized number of common shares was unlimited without par value.

(Expressed in Canadian dollars unless otherwise noted)

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;
- 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.

During the period ended June 30, 2016, no stock options expired unexercised (period ended June 30, 2015: nil).

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, 2014	172,188	0.89	249,950
Expired	(20,938)	8.00	(117,250)
December 31, 2015	151,250	0.89	132,700
Expired	(3,125)	6.40	(17,500)
June 30, 2016	148,125	0.89	115,200

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
80,625	80,625	15-Aug-12	15-Aug-17	$ 0.96	$ 77,400	192%	5.00	0%	1.51%
67,500	67,500	2-May-13	2-May-18	$ 0.80	$ 37,800	190%	5.00	0%	1.15%
148,125	148,125				$ 115,200				

The weighted average remaining contractual life of outstanding options as of June 30, 2016 is 1.47 years (June 30, 2015: 2.20 years)

During the six months ended June 30, 2016, 3,125 options expired unexercised and $17,500 was recorded against deficit (six months ended June 30, 2015: nil options valued at $nil).

6. Loss per share

Total shares issuable from options and warrants excluded from the computation of diluted loss per share because their effect would be anti-dilutive for the period ended June 30, 2016 were 148,125 and nil respectively (three months ended June 30, 2015: 172,188 and nil).

7. 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 periods 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 $424,167 (December 31, 2015: $312,531). All of the Company's financial liabilities at June 30, 2016 and 2015 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 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. The Company does not carry significant balances in foreign currencies that would give rise to a significant foreign currency risk.

7. Financial instruments (continued)

(c) Commodity price risk

The Company is exposed to price risk with respect to commodity prices, specifically gold and silver. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. Commodity prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for these commodities, the level of interest rates, the rate of inflation, investment decisions by large holders of commodities including governmental reserves and stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments. Price risk is remote as the Company is not a producing entity.

(d) 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).

e) 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.

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, stock options and warrants.

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 periods ended June 30, 2016 and 2015. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body.

(Expressed in Canadian dollars unless otherwise noted)

9. Related party disclosures

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.

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 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. See note 10.

10. 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 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.

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.