VALENCIA CAPITAL INC.

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Valencia Capital Enters into Letter of Intent for Proposed Reverse Takeover Transaction to Acquire Mineral Exploration Assets in the Balkans

December 16, 2020 - Vancouver, BC - Valencia Capital Inc. (TSXV:VAL.P) ("**Valencia**" or the "**Company**") is pleased to announce that it has entered into a Letter of Intent dated December 7, 2020 (the "**LOI**") for the acquisition (the "**Proposed Transaction**") of 1250598 B.C. LTD. **("BC1250598")**, a private company formed pursuant to the laws of British Columbia. Upon completion of the Proposed Transaction the business of Valencia (the "**Resulting Issuer**") will be the business of BC1250598.

Valencia is a capital pool company and the Proposed Transaction is intended to constitute the Company's qualifying transaction ("**Qualifying Transaction**") under Policy 2.4 of the TSX Venture Exchange (the "**Exchange**"). While four directors and officers of Valencia are shareholders of BC1250598, collectively they will not hold more than 10% of the issued and outstanding shares of BC1250598 at the time of signing the definitive agreement. The Proposed Transaction does not constitute a Non-Arm's Length Qualifying Transaction (as defined in Policy 2.4 of the Exchange) and accordingly will not require Majority of the Minority approval (as that term is defined in Exchange Policy 2.4) from Valencia's shareholders.

As a result of the proposed transaction the Resulting Issuer will be listed on the Exchange as a Tier 2 Mining Exploration company.

All amounts referred herein are in Canadian dollars, unless otherwise indicated.

About Valencia Capital Inc.

Valencia was formed in 2019 as a capital pool company and had its shares listed for trading on the Exchange in August 2020 after completing an initial public offering. Valencia has had no operating business as it reviewed opportunities for its Qualifying Transaction.

About BC1250598

BC1250598 is a private company incorporated under the *Business Corporations Act* (British Columbia). BC1250598 is in the process of acquiring 100% of the shares of **TERA BALKANIKA**

D.O.O. BEOGRAD – STARI GRAD (”Tera”), a corporation existing under the laws of Serbia, having a registered office at 87 Generala Mihajla Nedeljkovica Street, 11077 Belgrade, Serbia with the corporate registration number 21540382. Tera owns and has options on mineral exploration licenses in the Western Balkans. The successful acquisition of 100% of the shares of Tera by BC1250598 is a condition of Valencia entering into a definitive agreement with BC1250598.

Tera is a mineral exploration company focused on polymetallic mineralization in the Balkans.

The co-founders of Tera, Aleksandar (Alex) Mišković and Aleksandar Ilić, have extensive geological and property acquisition expertise in the region. Alex Mišković, the CEO and co-founder of Tera, worked for two years (2016-2018) as an exploration manager of Medgold Resources Corp., a Balkan-focused junior explorer where he helped establish a large portfolio of polymetallic projects. Most recently, he served as the global director of analytical quality for Rio Tinto (2018-2020), where his work included research on lithium extraction from the Californian Mojave Desert clays. Mr. Mišković holds a PhD degree in Earth Sciences from the University of Geneva with a post-doctoral tenure at MIT. Mr. Aleksandar Ilić has been active in acquiring and adding value to exploration properties in the Balkan region for the last decade. He has optioned and vended properties to a number of exploration and mining companies listed on the Toronto Stock Exchange (TSX), TSX Venture Exchange (TSXV) and Australian Securities Exchange (ASX). Mr. Ilić has valuable relationships with prospectors, service providers and mining officials in the Balkans.

Tera has assembled an initial portfolio of three properties (described below) and has access to additional brown-field and green-field opportunities based on the relationships and expertise of the co-founders:

- The 90% owned Viogor-Zanik Project comprises three exploration licenses covering 201 km^2 of Bosnia and Herzegovina. The three licenses (two issued and one in the process of approval) surround Mineco Ltd.’s Gross Mine.

- An option to acquire 100% of the exploration license for the 90 km^2 Gokchanitza Project in adjacent SW Serbia, and

- An option to acquire 100% of the exploration license for the 84 km^2 Kaldura Project in SW Serbia’s Raška mining district.

<u>Terms of the Proposed Transaction</u>

Valencia shall acquire all of the issued and outstanding common shares in the capital of BC1250598 (the “**BC1250598 Shares**”) from the holders thereof (the “**BC1250598 Shareholders**”) in exchange for common shares in the capital of Valencia (the “**Valencia Shares**”) on a one-for-one basis, at a deemed price of $0.20 per Valencia Share. Prior to the share exchange, Valencia will complete a share consolidation (the “**Consolidation**”) on the basis of one (1) post-consolidated common share for every 1.5 pre-consolidated common shares. The Proposed

Acquisition will constitute a Qualifying Transaction and Reverse Takeover of Valencia, as such terms are defined in the Policies of the Exchange.

In connection with the Proposed Transaction, the Resulting Issuer will change its name to a name acceptable to BC1250598, subject to approval by the applicable regulatory authorities (the "**Name Change**").

No advancement of funds or loans from Valencia to BC1250598 is proposed as part of the proposed transaction.

Proposed Private Placement and Concurrent Financing

Prior to the closing of the Proposed Transaction, BC1250598 will complete a non-brokered equity financing or financings (the "BC1250598 **Private Placement**") for minimum aggregate gross proceeds of $1,000,000 at a price of $0.10 per common share and may raise further rounds at a price of not less than $0.10 per common share. Concurrent with the closing of the Proposed Transaction, either BC1250598 or Valencia, or a combination of BC1250598 and Valencia, will complete a further equity financing or financings (the "**Concurrent Financing**") for minimum gross proceeds of $1,500,000 at a price currently intended to be $0.20 per share. All securities issued by Valencia pursuant to the Concurrent Private Placement will be subject to a hold period of four months and one day. The proceeds of the BC1250598 Private Placement and Concurrent Financing will be used to fund the costs associated with completing the BC1250598 acquisition of Tera, the Proposed Transaction, and for general working capital of BC1250598 and the Resulting Issuer, as applicable.

Valencia may pay fees commensurate with industry norms and in accordance with the policies of the Exchange in connection with the Concurrent Financing.

Capitalization of the Resulting Issuer

There are currently 15,210,000 issued and outstanding common shares of BC1250598. To acquire Tera, BC1250598 will issue a further 24,525,000 common shares to the shareholders of Tera. This will result in Valencia issuing an aggregate of 39,735,000 post- Consolidation Valencia Shares to the BC1250598 Shareholders, exclusive of any shares issued to investors in the Private Placement and Concurrent Financing. These numbers will be adjusted accordingly to account for any common shares issued by BC1250598 in connection with the Private Placement and Concurrent Financing. There are currently 11,383,900 Valencia Shares issued and outstanding, as well as 605,000 stock options currently exercisable at $0.10 and expiring five years from the date of issuance, and 883,390 agent's options of Valencia currently exercisable at $0.10 and expiring two years from the date of issuance. It is the intention of the directors of Valencia to grant an additional 533,390 stock options (exercisable at $0.10 per share for a period of five years from the date of issuance) to current directors and officers of Valencia for a total of 1,138,390 stock options. Following the Consolidation there will be 7,589,267 Valencia Shares issued and outstanding, as well as 758,927 post Consolidation stock options exercisable at $0.13 and

588,927 post- Consolidation agent's options of Valencia exercisable at $0.13. Upon completion of the Proposed Transaction: (i) all Valencia Shares to be issued to the BC1250598 Shareholders may be subject to resale restrictions under securities laws and the policies of the Exchange, as applicable, and (ii) all common shares held by Principals (as such term is defined in the Policies of the Exchange) of Valencia and the Resulting Issuer will be held in escrow in accordance with the Policies of the Exchange.

Sponsorship

Sponsorship of a Qualifying Transaction is required by the Exchange unless exempt in accordance with the Exchange Policies. Valencia expects to announce the engagement of a broker in connection to the Concurrent Financing for the Proposed Transaction. Valencia intends to apply to the Exchange for an exemption from the sponsorship requirement. However, there is no assurance that an exemption will be granted.

Conditions Precedent

The parties' obligations to complete the Proposed Transaction are subject to the satisfaction of customary conditions precedent including:

(a) all necessary approvals of the Exchange and all other regulatory authorities and third parties to the Proposed Transaction, including the Concurrent Financing, being obtained;

(b) the approval or consent by BC1250598 Shareholders as well as Valencia Shareholders to the Proposed Transaction, which has been obtained to the extent applicable;

(c) BC1250598 completing the Tera acquisition;

(d) Valencia completing the Name Change and Consolidation on the terms set forth above;

(e) the Private Placement and Concurrent Financing having been completed;

(f) the parties have been satisfied with the results of their respective due diligence reviews in connection with the Proposed Transaction; and

(g) the Exchange conditionally accepting the common shares of the Resulting Issuer for listing, subject to the Resulting Issuer fulfilling the listing requirements of the Exchange.

Directors, Officers and Insiders of Resulting Issuer

On completion of the Proposed Transaction, the directors, officers, and insiders of the Resulting Issuer are anticipated to be the following individuals:

Alex Mišković, who will also serve as CEO of the Resulting Issuer, and Alex Ilić, director, together the co-founders of Tera as described above;

Ryan Cheung will serve as the CFO;

Kim Oishi, who has over 25 years experience in capital markets focusing on growth companies, including serving as a director and senior officer to several TSXV and TSX listed companies.

Two independent directors will be appointed prior to the completion of the Proposed Transaction including one to be nominated by Valencia and one to be nominated by the co-founders of Tera.

Trading Halt

The Valencia Shares will remain halted until completion of the Qualifying Transaction. Completion of the Qualifying Transaction is subject to a number of conditions, including but not limited to, Exchange acceptance and, if applicable, pursuant to Exchange requirements, majority of the minority shareholder approval or shareholder approval. Where applicable, the transaction cannot close until the required shareholder approval is obtained. There can be no assurance that the transaction will be completed as proposed, or at all. Investors are cautioned that, except as disclosed in the management information circular or filing statement to be prepared in connection with the transaction, any information released or received with respect to the transaction may not be accurate or complete and should not be relied upon. Trading in the securities of a capital pool company should be considered highly speculative. The TSX Venture Exchange Inc. has in no way passed upon the merits of the proposed transaction and has neither approved nor disapproved the contents of this press release. All information contained in this news release with respect to Valencia and BC1250598 was supplied by the parties, respectively, for inclusion herein, and Valencia and its directors and officers have relied on BC1250598 for any information concerning BC1250598 and Tera. Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the Policies of the Exchange) accepts responsibility for the adequacy or accuracy of this press release.

ON BEHALF OF THE BOARD OF DIRECTORS
VALENCIA CAPITAL INC.

s/ "John MacPhail"

John MacPhail, President, CEO and Director

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This news release does not constitute an offer to sell and is not a solicitation of an offer to buy any securities in the United States. The securities of the Company and B.C. Ltd. have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws and may not be offered or sold within the United States or to U.S. Persons unless registered under the U.S. Securities Act and applicable state securities laws unless pursuant to an exemption from such registration.

Cautionary Note Regarding Forward Looking Statements

This news release contains forward-looking statements relating to the timing and completion of the Proposed Transaction, the future operations of the Company and the Resulting Issuer and other statements that are not historical facts. Forward-looking statements are often identified by terms such as "will", "may", "should", "anticipate", "expects" and similar expressions. All statements other than statements of historical fact, included in this release, including, without limitation, statements regarding the Proposed Transaction and the future plans and objectives of the Company and the Resulting Issuer, are forward-looking statements that involve risks and uncertainties. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from the Company's expectations include the failure to satisfy the conditions to completion of the Proposed Transaction.