VALENCIA CAPITAL INC.

Management's Discussion and Analysis

For the Six Months Ended December 31, 2020

This Management's Discussion and Analysis ("MD&A") of Valencia Capital Inc. ("Valencia Capital" or the "Company") has been prepared by management as of February 24, 2021, should be read in conjunction with the unaudited condensed financial statements for the quarter ended December 31, 2020, and the notes thereto. The Company reports its financial position, results of operations, and cash flows in accordance with International Financial Reporting Standards ("IFRS").

This MD&A may contain "forward-looking statements" which reflect the Company's current expectations regarding future results of operations, performance and achievements of the Issuer. The Issuer has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as "anticipate," "believe," "estimate," "expect" and similar expressions. The statements reflect the current beliefs of the management of the Company and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Issuer to differ materially from those expressed in, or implied by, these statements.

The Company undertakes no obligation to publicly update or review the forward-looking statements whether as a result of new information, future events or otherwise.

Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations.

DESCRIPTION OF BUSINESS

The Company was incorporated pursuant to the provisions of the Business Corporations Act (British Columbia) on June 19, 2019 under the name Valencia Capital Inc.

The Company has completed an initial public offering ("IPO") and is a capital pool company ("CPC") pursuant to the policies of the TSX Venture Exchange (the "Exchange"). The Company is in the development stage and its principal business will be the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction as defined by the rules of the Exchange. Such a transaction will be subject to shareholder and regulatory approval.

QUARTERLY RESULTS

For the three months ended December 31, 2020, the Company had a net loss of $20,643 compared to a net loss of $4,305 for the three months ended December 31, 2019. The increase of $16,338 was due to legal fees regarding corporate matters and the letter of intent for the proposed qualifying transaction and on-going transfer agent and filing fees relating to its listing.

SUMMARY OF QUARTERLY RESULTS

The following is a summary of the Company's financial results for the recently completed quarters since incorporation on June 19, 2019:

	Three Months Ended Dec. 31, 2020 $	Three Months Ended Sep. 30, 2020 $	Three Months Ended Jun. 30, 2020 $	Three Months Ended Mar. 31, 2020 $	Three Months Ended Dec. 31, 2019 $	Three Months Ended Sep. 30, 2019 $	Period Ended Jun. 30, 2019 $	
Revenue	–	–	–	–	–	–	–	
Net loss	(20,643)	(86,326)	(27,015)	(20,179)	(4,305)	(8,102)	(418)	
Basic and diluted loss per share	–	(0.01)	(0.01)	(0.01)	–	–	–	

During the quarters ended March 31, June 30 and September 30, 2020, the Company incurred professional fees and transfer agent and filing fees in relation to its prospectus filing. The net loss for the quarter ended September 30, 2020 included share-based compensation of $50,778 for stock options granted to directors and officers of the Company.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2020, the Company had cash of $794,404 compared to cash of $48,431 as at June 30, 2020. As at December 31, 2020, the Company had working capital of $778,559 compared to $67,481 as at June 30, 2020.

On August 13, 2020, the Company completed its IPO and issued 8,833,900 common shares at $0.10 per share for gross proceeds of $883,390.

PI Financial Corp. acted as agent for the IPO (the "Agent"). The Company incurred share issuance costs of $116,121 to the Agent and issued 883,390 Agent's options exercisable at $0.10 per common share for a period of two years from the date the Company became listed on the Exchange.

On August 14, 2020, the Company also granted 605,000 incentive stock options to its officers and directors which are exercisable at $0.10 per common share expiring on August 14, 2025.

Operating activities

For the six months ended December 31, 2020, the Company's operating activities used cash of $21,296 compared to $28,516 for the six months ended December 31, 2019.

Financing activities

For the six months ended December 31, 2020, the Company received $767,269 (gross proceeds from the financing of $883,390 less share issuance costs of $116,121) cash compared to $nil for the six months ended December 31, 2019.

Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital.

The Company manages its capital structure and makes adjustments, when required, considering certain economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that no more than the lesser of 30% of the gross proceeds from the issuance of common shares may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions apply until completion of a Qualifying Transaction by the Company as defined under the Exchange Policy 2.4. The Company currently is not subject to other externally imposed capital requirements.

OFF BALANCE SHEET ARRANGEMENTS

The Company does not utilize off-balance sheet arrangements.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Fair Values

Fair value measurements are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of financial instruments, which include cash, accounts payable, and accrued liabilities, approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consists primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate and Interest Rate Risk

The Company is not exposed to any significant foreign exchange rate or interest rate risk.

(d) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining adequate cash beyond anticipated needs.

ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

An analysis of material components of the Company's general and administrative expenses is disclosed in the unaudited condensed financial statements for the quarter ended December 31, 2020 to which this MD&A relates.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at February 24, 2021, the Company has 11,383,900 common shares issued and outstanding.

Stock Options

As at February 24, 2021, the Company has 1,488,390 stock options exercisable at $0.10 per common share outstanding.

Share Purchase Warrants

As at February 24, 2021, the Company has no share purchase warrants outstanding.

RISK FACTORS

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. The current outbreak of COVID-19 and any future emergence and spread of similar pathogens could have an adverse impact on global economic conditions, which may adversely impact the Company's ability to find a suitable qualifying transaction and the operations of its service providers.

ADDITIONAL INFORMATION

Additional disclosures pertaining to the Company's material change reports, press releases and other information are available on the SEDAR website at www.sedar.com.