EARTHRENEW INC.
(Formerly Valencia Ventures Inc.)

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

UHY McGovern Hurley LLP
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Independent Auditor's Report

To the Shareholders of EarthRenew Inc.

Opinion

We have audited the consolidated financial statements of EarthRenew Inc. and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of (loss) income and comprehensive (loss) income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company had limited working capital and a cumulative deficit as at December 31, 2018, and had incurred a net loss for the year then ended. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our

auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner of the audit resulting in this independent auditor's report is Glen McFarland.

UHY McGovern Hurley LLP

UHY McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
April 25, 2019

EARTHRENEW INC.

(Formerly Valencia Ventures Inc.)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian dollars)

	Note	December 31, 2018	December 31, 2017
ASSETS			
Current			
Cash		$ 885,873	$ 724,886
Receivables		89,608	8,732
Digital assets	3	4,117	-
Prepaid expenses		33,210	1,040
Total current assets		1,012,808	734,658
Non-current			
Plant and equipment	4	4,212,037	4,175,805
Intangible assets		23,550	23,550
TOTAL ASSETS		**$ 5,248,395**	**$ 4,934,013**
LIABILITIES			
Current			
Accounts payable and accrued liabilities		$ 711,597	$ 540,314
Loan from related parties	5	54,479	2,552,330
TOTAL LIABILITIES		**766,076**	**3,092,644**
EQUITY			
Share capital	6b	9,511,745	3,611,701
Shares to be issued	6b	1,120,000	-
Share-based payments reserve	6c	829,500	692,000
Deficit		(6,978,926)	(2,462,332)
TOTAL EQUITY		**4,482,319**	**1,841,369**
TOTAL LIABILITIES AND EQUITY		**$ 5,248,395**	**$ 4,934,013**

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Approved on behalf of the Directors:

"David Argyle"
Director

"Catherine Stretch"
Director

See accompanying Notes to the Consolidated Financial Statements

EARTHRENEW INC.
(Formerly Valencia Ventures Inc.)
CONSOLIDATED STATEMENTS OF (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME
(Expressed in Canadian dollars)

For the years ended December 31,	Note	2018	2017
EXPENSES			
Professional, consulting and management fees		$ 869,247	$ (941,493)
General and administrative		100,843	142,388
Shareholder communication and filling fees		5,989	-
Utilities and maintenance		67,700	59,919
Travel and accommodation		13,279	58,039
Depreciation		10,246	-
Insurance		3,700	7,575
Property taxes		23,160	23,610
Interest expenses		11,770	2,518
Share-based payments		-	692,000
Foreign exchange loss		3,436	5,854
Total expenses before other items		1,109,370	50,410
OTHER ITEMS			
Income from digital currency mining		$ 19,750	$ -
Revaluation of digital currency		(2,333)	-
Other income		17,550	-
Gain on debt settlement	5	2,100,752	2,311,192
Transaction costs	10	(5,542,945)	-
Net (loss) income before income taxes		(4,516,596)	2,260,782
Net (loss) income and comprehensive (loss) income for the year		**$ (4,516,596)**	**$ 2,260,782**
Net (loss) income per share - basic and diluted		(0.08)	0.08
Weighted average number of shares outstanding - basic and diluted		55,734,750	27,985,416

See accompanying Notes to the Consolidated Financial Statements

EARTHRENEW INC.

(Formerly Valencia Ventures Inc.)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian dollars)

	Number of shares #	Share capital	Share-based payment reserve	Deficit	Total
Balance, December 31, 2016	**30,000,000**	**$ 1**	**-**	**$ (4,723,112)**	**$ (4,723,111)**
Share issued for services	13,127,000	-	-	-	-
Private placement	7,873,000	2,361,900	-	-	2,361,900
Share issued for debt settlement	4,000,000	1,249,800	-	-	1,249,800
Share based payments	-	-	692,000		692,000
Income for the year	-	-	-	2,260,782	2,260,782
Balance, December 31, 2017	**55,000,000**	**$ 3,611,701**	**$ 692,000**	**$ (2,462,330)**	**$ 1,841,371**
Shares to be issued	5,090,910	1,120,000	-	-	1,120,000
Share issued for debt settlement	6,998,735	1,539,722	-	-	1,539,722
Acquisition of Valenica Ventures Inc.	19,819,647	4,360,322	137,500	-	4,497,822
Loss for the year	-	-	-	(4,516,596)	(4,516,596)
Balance, December 31, 2018	**86,909,292**	**10,631,745**	**829,500**	**(6,978,926)**	**4,482,319**

See accompanying Notes to the Consolidated Financial Statements

EARTHRENEW INC.
(Formerly Valancia Ventures Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	Note		Year ended December 31, 2018		2017
CASH (USED IN) PROVIDED BY:					
OPERATING ACTIVITIES					
Net (loss) income		$	(4,516,596)	$	2,260,782
Items not affecting cash:					
Share-based payments			-		692,000
Gain on settlement of debt	5		(2,100,752)		(2,311,192)
Transaction costs	10		5,542,945		-
Depreciation	4		10,246		-
Interest payable			11,770		-
Change in non-cash working capital items					
Accounts receivable			(80,876)		13,555
Digital assets			(4,117)		-
Prepaid expenses			(32,170)		-
Accounts payable and accrued liabilities			674,016		(1,197,310)
Net cash used in operating activities		$	(495,534)	$	(542,165)
FINANCING ACTIVITIES					
Private placement	6b		1,000,000		2,361,900
Loan received	5		53,000		100,000
Loan repaid	5		(350,000)		(1,308,262)
Net cash provided by financing activities		$	703,000	$	1,153,638
INVESTING ACTIVITIES					
Disposition of capital assets	4		15,000		104,500
Acquisition of capital assets	4		(61,479)		-
Net cash used in investing activities		$	(46,479)	$	104,500
Effect of exchange rate changes on cash			-		-
INCREASE IN CASH DURING THE YEAR			160,987		715,973
CASH - BEGINNING OF YEAR			724,886		8,913
CASH - END OF YEAR		$	885,873	$	724,886
SUPPLEMENTAL CASH FLOW INFORMATION					
Shares issued for debt settlement	5		(1,539,722)		-
Shares issued in reverse takeover transaction	10		(4,497,822)		-

See accompanying Notes to the Consolidated Financial Statements

1. NATURE OF OPERATIONS

EarthRenew Inc. (the "Company" or "EarthRenew") was incorporated in the province of Ontario and is a low-cost sustainable power generation company with a patented production process that converts livestock waste to nutrient-rich, slow-release pelleted organic fertilizer. EarthRenew converts natural gas to electricity from an industrial-sized gas turbine, which it intends to capitalize on through various revenue drivers. These include selling surplus electricity to the electrical grid or to cryptocurrency miners, which can co-locate on site and dry manure feedstock to produce high-value organic fertilizer. EarthRenew has a full-scale commercial facility located on a 35,000-head cattle feedlot in Strathmore, Alberta.

These financial statements are prepared on a going concern basis which assumes the Company will be able to meet its obligations and continue its operations for the next fiscal year.

At December 31, 2018, the Company had limited positive working capital of $246,732 and a cumulative loss since inception of $(6,978,926). The Company has a need for equity capital and financing for working capital and development of its projects. During 2016, the Company curtained operations and the Company had no revenue during 2017. These matters represent material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern. The Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations. Management believes it will be successful in raising the necessary funding to continue operations in the normal course of operations and was able to close a private placement financing subsequent to December 31, 2018. However, there is no assurance that funds will continue to be available on terms acceptable to the Company or at all. The consolidated financial statements do not reflect adjustments to the carrying value of assets and liabilities that would be necessary should the Company be unable to continue operations and such adjustments could be material.

2. BASIS OF PRESENTATION

a) Statement of compliance

These annual consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the Company's reporting for the year ended December 31, 2018. The policies as set out below were consistently applied to all the periods presented unless otherwise noted. The Board of Directors approved these annual consolidated financial statements for issue on April 25, 2019.

b) Basis of preparation

These annual consolidated financial statements were prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

2. BASIS OF PRESENTATION (continued)

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, 2019 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded.

New standards and amendments adopted:

IFRS 2 – Share-based Payment ("IFRS 2") was amended by the IASB in June 2016 to clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The Company has adopted this standard effective January 1, 2018. There was no impact to the Company's opening accumulated deficit on January 1, 2018 and adoption of this standard did not result in any change to the carrying value of the Company's share-based payments reserve.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in July 2014 and replaces IAS 39 Financial Instruments: Recognition and Measurement. 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. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The Company has adopted this standard effective January 1, 2018. Due to the nature of its financial instruments, the adoption of IFRS 9 had no impact on the opening accumulated deficit balance on January 1, 2018, and did not result in any change in the carrying values of the Company's financial assets or liabilities.

IFRS 15 - Revenue from Contracts with Customers ("IFRS 15") addresses how and when entities recognize revenue, as well as requires more detailed and relevant disclosures. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue - Barter Transactions Involving Advertising Services. The Section provides a single, principles based five-step model to be applied to all contracts with customers, with certain exceptions. The standard is effective for annual periods beginning on or after January 1, 2018. There was no material impact to the Company's financial statements with the adoption of this standard.

Standards and amendments to be adopted:

IFRS 16 – Leases ('IFRS 16") replaces IAS 17, Leases ("IAS 17"). The new model requires the recognition of almost all lease contracts on a lessee's statement of financial position as a lease liability reflecting future lease payments and a 'right-of-use asset' with exceptions for certain short-term leases and leases of low-value assets. In addition, the lease payments are required to be presented on the statement of cash flow within operating and financing activities for the interest and principal portions, respectively. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company will apply IFRS 16 on its effective date retrospectively, with the cumulative effect of initially applying the standard as an adjustment to retained earnings and no restatement of comparative information. The Company has elected to measure its right of use assets at amounts equal to the associated lease liabilities and as such, the adjustment to retained earnings will be nil. Upon adoption, the Company has elected to apply the available exemptions for short-term leases and leases of low-value assets. The Company has also elected to apply the practical expedient whereby leases whose term ends within 12 months of the date of the initial application would be accounted for in the same way as short-term leases. The Company does not expect there will be a material impact to the consolidated statements of operations or the consolidated statements of cash flows.

2. BASIS OF PRESENTATION (continued)

d) Principles of consolidation

(i) Subsidiaries

All entities in which the Company has a controlling interest are fully consolidated from the date that control commences until the date that control ceases. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Company's subsidiary consists of EarthRenew Strathmore Inc. (formerly 2292055 Ontario Inc.).

(ii) Transactions eliminated on consolidation

Intercompany balances and any unrealized gains and losses or income and expenses arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

e) Significant accounting judgements, estimates and assumptions

The preparation of the financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The significant areas of estimation and uncertainties considered by management in preparing the consolidated financial statements include:

Critical judgement in applying accounting policies:

- Assets' carrying values and impairment charges

  In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

- Contingencies

  Refer to Note 9.

2. BASIS OF PRESENTATION (continued)

e) Significant accounting judgements, estimates and assumptions (continued)

Key sources of estimation uncertainty:

- Depreciation rates

  All plant and equipment are depreciated on a straight-line basis over three to five years, which the Company believes is the best approximation of the asset utility to the Company. If the estimated life had been longer by than management's estimate, the carrying amount of the asset would have been higher.

- Accounting for Digital Assets
  At present, there is limited guidance in IFRS on the recognition and measurement of Digital Assets. Noted below are the key policies used to account for these assets.

- Fair Value of Digital Assets
  Digital Assets are measured at fair value using the quoted price on www.coinmarketcap.com. Management considers this fair value to be a Level 2 input under IFRS 13 Fair Value Measurement fair value hierarchy as the price on this source represents an average of quoted prices on multiple digital currency exchanges. The Digital Assets are valued based on the closing price obtained from www.coinmarketcap.com ("Coin Market Cap") at the reporting period corresponding to the different Digital Assets mined by the Company. The Company is relying on the data available at www.coinmarketcap.com to be an accurate representation of the closing price for the different Digital Assets.

- Useful life of mining equipment
  Management is amortizing mining equipment at four years on a straight-line basis. The mining equipment are used to generate digital assets (refer to discussion on revenue recognition in Note 2r). The rate at which the Company generates digital currencies and, therefore, consumes the economic benefits of its mining equipment are influenced by a number of factors including the following: the complexity of the mining process which is driven by the algorithms contained within the digital assets open source software; and the general availability of appropriate computer processing capacity on a global basis, technological obsolescence reflecting rapid development in the mining machines such that more recently developed hardware is more economically efficient to run in terms of digital assets mined as a function of operating costs, primarily power costs (i.e., the speed of mining machines evolution in the industry). Later mining machines models generally have faster processing capacity combined with lower operating costs and a lower cost of purchase.

  Based on the Company's, and the industry's, short life cycle to date, management is limited by the market data available. Furthermore, the data available also includes data derived from the use of economic modelling to forecast future digital assets and the assumptions included in such forecasts, including digital currencies' (such as Bitcoin and Ethereum) price and network difficulty, are derived from management's assumptions which are inherently judgmental. Based on current data available management has determined that the straight line method of amortization over four years best reflects the current expected useful life of mining equipment. Management will review this estimate at each reporting date and will revise such estimates as and when data becomes available. The mining equipment has been assumed to have no residual value at the end of its useful life. Management will review the appropriateness of its assumption of nil residual value at each reporting date.

  As set out in Note 4, management also assess whether there are any indicators of impairment of mining equipment at the end of each reporting period and if any such indication exists, the Company will estimate the recoverable amount of its mining equipment.

2. BASIS OF PRESENTATION (continued)

e) Significant accounting judgements, estimates and assumptions (continued)

- Share-based payments
  Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

- Income taxes, value added, withholding and other taxes
  The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

f) Functional and presentation currency

The functional currency of the Company and its subsidiary is the currency of the primary economic environment in which it operates. The Company's financial statements are presented in Canadian dollars which is the functional currency of the Company and its subsidiary.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("Foreign Currencies") are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in Foreign Currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

g) Cash and cash equivalents

Cash and cash equivalents are carried in the consolidated statement of financial position at amortized cost. Cash and cash equivalents consist of cash on deposit with banks and highly liquid short-term interest-bearing securities with maturities at the date of purchase of three months or less.

2. BASIS OF PRESENTATION (continued)

h) Financial instruments

Accounting policy under IFRS 9 applicable from January 1, 2018

Financial assets

Initial recognition and measurement
Non-derivative financial assets within the scope of IFRS 9 are classified and measured as “financial assets at fair value”, as either fair value either through profit or loss (“FVPL”) or through fair value of other comprehensive income (“FVOCI”), and “financial assets at amortized costs”, as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company’s business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost. Amounts receivable held for collection of contractual cash flows and loan receivable are measured at amortized cost.

Subsequent measurement – financial assets at amortized cost
After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statements of (loss) income.

Subsequent measurement – Financial assets at FVPL
Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of (loss) income and comprehensive (loss) income. The Company measures its digital assets at FVPL.

Subsequent measurement – Financial assets at FVOCI
Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the consolidated statements of (loss) income and comprehensive loss (income). When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Dividends from such investments are recognized in other income in the consolidated statements of operations and comprehensive (loss) income when the right to receive payments is established.

Derecognition
A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

2. BASIS OF PRESENTATION (continued)

h) Financial instruments (continued)

Accounting policy under IFRS 9 applicable from January 1, 2018 (continued)

Impairment of financial assets
The Company's only financial assets subject to impairment are receivables, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, receivables have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

Financial liabilities

Initial recognition and measurement
Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include trade payable and accrued liabilities and loans from related parties which are each measured at amortized cost. All financial liabilities are recognized initially at fair value.

Subsequent measurement – financial liabilities at amortized cost
After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR.

Subsequent measurement – Financial liabilities at FVPL
Financial liabilities measured at FVPL include any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of (loss) income.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the consolidated statements of (loss) income.

2. BASIS OF PRESENTATION (continued)

h) Financial instruments (continued)

Accounting policy under IAS 39 applicable prior to January 1, 2018

The accounting policy under IAS 39 for the comparative information presented in respect of financial assets and liabilities, was similar to the accounting policy adopted in 2018, with the following exceptions:

(i) Non-derivative financial assets

Non-derivative financial assets comprise cash and receivables. The cash and receivables are classified as loans and receivables.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Non-derivative financial assets classified as available-for-sale are carried at fair value with changes in fair value recognized in other comprehensive income (loss).

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash for the purpose of the statement of cash flows.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset, and the net amount presented in the consolidated statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(ii) Non-derivative financial liabilities

Non-derivative financial liabilities comprise accounts payable and accrued liabilities and loans from related parties. These liabilities are classified as other financial liabilities.

Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

2. BASIS OF PRESENTATION (continued)

h) Financial instruments (continued)

Accounting policy under IAS 39 applicable prior to January 1, 2018 (continued)

(iii) Impairment of financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date for impairment if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise or indicators that debtor or issuer will enter bankruptcy.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the assets original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against the receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

i) Borrowings and borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of (loss) income over the period of borrowings using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset in the period that they are incurred.

j) Taxation

Current income tax

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit or loss as reported in the statement of operations because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2. BASIS OF PRESENTATION (continued)

j) Taxation (continued)

Deferred income tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

k) Provisions
#
General

Provisions are recognised when (a) the Company has a present obligation (legal or constructive) as a result of a past event and (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current risk free pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

l) (Loss) income per share

(Loss) income per share is based on the weighted average number of common shares of the Company outstanding during the period. The diluted earnings (loss) per share reflects the potential dilution of common share equivalents, such as outstanding share options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive. No exercise or conversion is assumed during periods in which a net loss is incurred as the effect is anti-dilutive.

2. BASIS OF PRESENTATION (continued)

m) Plant and Equipment

Items of plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalized value of a finance lease is also included within plant and equipment.

n) Impairment of non-financial assets

At each statement of financial position reporting date, the carrying amounts of the Company's non-financial assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

Where an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

o) Restoration, rehabilitation and environmental obligations

A provision is recognized in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Amounts recorded for the related assets are increased by the amount of these obligations. Over time, the liabilities will be accreted for the change in their present value and the initial capitalized costs will be depleted and amortized over the useful lives of the related assets. The increase in provisions for restoration, rehabilitation and environmental obligations due to the passage of time is charged to profit or loss as a finance cost. The Company did not have any material restoration, rehabilitation and environmental obligations as of December 31, 2018 and 2017.

p) Segment reporting

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the executive leadership team, which comprises the executive directors and certain senior executives. The executive leadership team is responsible for assessing the performance of the operating segments for the purpose of making decisions about resources to be allocated. Operating segments are combined for external reporting purposes where they have similar economic characteristics, and the nature of products and production processes, the type and class of customers and the methods to distribute products are all similar.

2. BASIS OF PRESENTATION (continued)

q) Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received.

The Company operates an employee stock option plan. The corresponding amount is recorded to the stock option reserve. The fair value of options is determined using the Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. On exercise of a stock option, any amount related to the initial value of the stock option, along with the proceeds from exercise are recorded to share capital. On expiry of a stock option, any amount related to the initial value of the stock option is recorded to deficit.

r) Revenue recognition

Revenue comprises of the fair value of consideration received or receivable for the provision of services in the ordinary course of business. The Company derives certain incidental revenue from digital currency received for providing “mining” services to various digital currency blockchains. Mining is the process by which transactions are verified and added to the blockchain. A miner is only able to validate transactions once their computer equipment has solved a computationally difficult puzzle. Revenue is recognized according to the five-step model in IFRS 15, Revenue from contracts with customers. Digital currency mining is the ordinary business activity of the Company, and the consideration received meets the definition of revenue as income arising in the course of the Company's ordinary activities. The Company has determined that the substance of its mining activities is a service provision under the scope of IFRS 15 notwithstanding the lack of a formal contractual arrangement under which it provides such services as the services are provided through the block chain protocol. Also, there is no collaboration arrangement within the block chain, and the Company’s rights and obligations are implied by the customary business practices prevalent within the industry.

Revenue is recognized by the Company when payment, in the form of digital currency, is received for mining services rendered. Revenue earned from digital currency mining activities is recognized at the fair value of the digital currency received as consideration on the date of actual receipt. Fair value is measured using the closing price on Coin Market Cap on the date of receipt. Revenue is recognized daily at the Canadian dollar value for the digital currencies mined. During the year ended December 31, 2018, the Company recognized $19,750 (2017- nil) in revenue from Bitcoin mining.

Costs of fulfilling and revenue associated with the Company’s performance obligations are incurred simultaneously. The Company has not deferred any expenditures with regards to fulfilling its contracts.

(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (continued)

s) Digital assets

Digital assets consist of digital currencies generated from the Company's mining activities. The Company classifies and measures Digital Assets at fair value and realized and unrealized gains and losses are recorded through profit and loss. The Company obtains the equivalency rate of tradeable Digital assets to United States dollars ("USD") from Coin Market Cap, a source that aggregates data from multiple exchanges and applies a methodology to determine the best quoted USD price on the date the digital assets were generated. The Company converts the price from USD to CAD based on the closing exchange rate on the date of asset generation. Subsequent to initial recognition, Digital assets are remeasured at each reporting period to the Canadian dollar price. The resulting gain or loss from subsequent remeasurement is recognized in the consolidated statement of comprehensive income (loss) as a fair value remeasurement of Digital assets. The equivalency rate obtained from Coin Market Cap represents a generally well recognized quoted price for tradeable Digital Assets, and this information and all related databases are accessible to the Company.

3. DIGITAL ASSETS

Digital assets consist of Bitcoins. Below is a continuity of digital assets mined, acquired through purchase, settled and revalued during the year ended December 31, 2018.

	Bitcoins	
	Units	Value
Opening Balance, January 1, 2018	-	$ -
Mined additions	2.31164	19,750
Purchased additions	-	-
Settlements	-	-
Sold	(1.5348)	(13,300)
Unrealized loss in fair value through profit and loss	-	(2,333)
Ending balance, December 31, 2018	**0.77684**	**$ 4,117**

(Expressed in Canadian dollars)

4. PLANT AND EQUIPMENT

A reconciliation of the carrying amount for the years ended December 31, 2018 and 2017 is as follows:

Cost price								
		Equipment		**Buildings**		**Plant**		**Total**
Cost as at December 31, 2016	$	-	$	642,185	$	3,638,120	$	4,280,305
Disposals		-		-		104,500		104,500
Cost as at December 31, 2017		-		642,185		3,533,620		4,175,805
Acquisition		61,479		-		-		61,479
Disposals		-		-		(15,000)		(15,000)
Cost as at December 31 2018	$	61,479	$	642,185	$	3,518,620	$	4,222,284
Accumulated Depreciation								
Balance 2016 and 2017	$	-	$	-	$	-	$	-
Charge for period		10,246		-		-		10,246
Balance at December 31, 2018	$	10,246	$	-	$	-	$	10,246
Net book value as at December 31, 2017	**$**	**-**	**$**	**642,185**	**$**	**3,533,620**	**$**	**4,175,805**
Net book value as at December 31, 2018	**$**	**51,233**	**$**	**642,185**	**$**	**3,518,620**	**$**	**4,212,037**

The recorded value of the plant and equipment reflects the distressed value of the assets when they were purchased out of bankruptcy less adjustments for specific equipment subsequently disposed at the estimated carrying value.

5. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company.

Loans Payable

The Company entered into the loan agreement with 0890241 B.C. Ltd. 0890241 B.C. Ltd. provided a demand loan to the Company. This loan is unsecured and bears interest at 3%. The principal and interest totaling $2,100,752 was outstanding at December 19, 2018. (December 31, 2017 - $2,450,752). Directors of the Company are also directors of 0890241 B.C. Ltd. On December 19, 2018 directors of both 0890241 B.C. Ltd and 2292055 Ontario Inc. signed a loan forgiveness agreement for the entire amount of $2,100,752.

On November 14, 2017, the Company borrowed $100,000 from Aberdeen International Inc. The interest rate on the loan is 12%, The loan is repayable including the principal and accrued interest on or before November 14, 2018. The balance of loan including accrued interest was $111,868 as of December 21, 2018 and on the same day the Company issued 508,491 common shares to settle the entire amount of $111,868 (December 31, 2017 - $101,678). An officer of the Company is also an officer of Aberdeen International Inc.

Director and officers advance fund to the Company. These advances are unsecured, due on demand and bear interest at 5%. Advances totaling $54,479 was outstanding at December 31, 2018 (December 31, 2017 - $nil).

During 2017, the Company granted 2,660,000 options with an exercise price of $0.25 expiring July 18, 2021 to directors and officers of the Company.

(Expressed in Canadian dollars)

5. RELATED PARTY TRANSACTIONS (continued)

During 2018, the Company issued 1,636,363 shares to settled debt $360,000 owed to officers of the Company.

The summary of loans to related parties as at December 31, 2018 and 2017 is as follows:

		Loan from Aberdeen		Loan from 0890241 BC Ltd		Loan from Directors		Total
Balance, December 31, 2017	**$**	**101,578**	**$**	**2,450,752**	**$**	**-**	**$**	**2,552,330**
Loan repaid		-		(350,000)		-		(350,000)
Loan received		-		-		53,000		53,000
Interest expense		10,290		-		1,479		11,769
Debt for shares		(111,868)		-		-		(111,868)
Debt settlement		-		(2,100,752)		-		(2,100,752)
Balance on December 31, 2018	**$**	**-**	**$**	**-**	**$**	**54,479**	**$**	**54,479**

6. SHARE CAPITAL

a) Authorized

Unlimited number of voting common shares, without par value

b) Issued and outstanding common shares

	Number of Shares #	Share Capital $
Balance as at December 31, 2016	30,000,000	1
Share issued for services	13,127,000	-
Private placement	7,873,000	2,361,900
Shares issued for debt settlement	4,000,000	1,249,800
Balance as at December 31, 2017	55,000,000	3,611,701
Shares to be issued	5,090,910	1,120,000
Shares issued for debt settlement	6,998,735	1,539,722
Acquisition of Valencia Ventures	19,819,647	4,360,322
Balance as at December 31, 2018	86,909,292	10,631,745
Less: Shares to be issued	5,090,910	1,120,000
Shares outstanding as at December 31, 2018	81,818,382	9,511,745

During 2017, the Company issued 13,127,000 common shares for nominal consideration which was the estimated fair value of the shares at the time of issue for services rendered to the Company by its directors, officers and consultants.

On October 10, 2017, the Company issued 4,000,000 common shares to settle $1,249,800 of debt.

(Expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

On December 7, 2017, the Company closed a private placement for $2,361,900 by issuing 7,873,000 common shares at $0.30.

On December 21, 2018, the Company issued 6,998,735 common shares to settle $1,539,722 of debt. A company owed by an officer of the Company was issued 1,636,363 common shares to settle $360,000 of debt. Aberdeen International Inc. was issued 508,491 common shares to settle $111,868 of debt. An officer of the Company is also an officer of Aberdeen International Inc.

On December 21, 2018, the Company issued 19,819,647 common shares as part to reverse takeover acquisition of Valencia Ventures Inc.

On January 9, 2019, the Company closed a private placement for $1,120,000 by issuing 5,090,910 common shares at $0.22. As at December 31, 2018, these common shares were determined to be shares to be issued and recorded in equity. Routemaster Capital Inc. subscribed for 500,000 common shares and Aberdeen International Inc. subscribed 1,000,000 common shares of this private placement. An officer of the Company is also an officer of Routemaster Capital Inc. and Aberdeen International Inc.

c) Share-based payments reserve

Stock options
The Company has an amended stock option compensation plan for executives and employees. In accordance with the terms of the plan, officers, non-independent directors, employees and consultants of the Company may be granted options to purchase common shares at exercise prices determined at the time of grant. The Company has adopted a Floating Stock Option Plan (the "Plan"), whereby the number of common shares reserved for issuance under the Plan is equivalent to up to 10% of the issued and outstanding shares of the Company. Options under the Plan which have been exercised or which have expired shall be available for subsequent grants. The option vesting terms are determined at the discretion of the Board of Directors.

Each employee share option converts into one common share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither right to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The consolidated number of stock options outstanding as at December 31, 2018 and 2017 is as follows:

Date of issue	Number of options outstanding	Number of options exercisable	Exercise price (CAD $)	Expiry Date	Value $
July 18, 2017	4,000,000	4,000,000	$ 0.25	July 18, 2021	$ 692,000
August 21, 2017	1,250,000	1,250,000	$ 0.14	August 22, 2021	137,500
	5,250,000	5,250,000			$ 829,500

During the year ended December 31, 2018, no stock options were granted and the Company recorded share-based payment expense of $nil for the year ended December 31, 2018 (December 31, 2017: 4,000,000 stock options granted and share-based payment expense $692,000). The weighted average grant date fair value of the options granted during the year ended December 31, 2018 was $nil (December 31, 2017: $0.25). The weighted average life of the outstanding options at December 31, 2018 is 2.57 years (December 31, 2017: 3.57 years).

7. CAPITAL MANAGEMENT

The Company considers its capital structure to consist of share capital. The Company manages its capital structure and makes adjustments based on the funds available to support the development of its operations. The board of directors has not established quantitative return on capital criteria for management and relies on the expertise of management and the board of directors to sustain future development of the business.

The Company is dependent upon external financing to fund its activities. To continue to carry out the Company's planned development and funding of ongoing administrative expenses the Company will utilize its existing working capital and will raise additional capital as appropriate.

The management and board of directors of the Company review its capital management approach on an ongoing basis and believe it reflects a reasonable approach given the relative size of the Company's assets. There were no changes to the approach of management and the board of directors to capital management for the years ended December 31, 2018 and 2017. The Company is not subject to externally imposed capital requirements.

8. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks including market risk (including currency, commodity and cash flow interest rate risk), fair value risk, credit risk, liquidity risk and capital risk.
Fair value hierarchy

The three levels of the fair value hierarchy with respect to required disclosures about the inputs to fair value measurements are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and,
- Level 3 – Inputs that are not based on observable market data.

As at December 31, 2018 and 2017, the Company's digital assets, classified as assets at fair value through profit and loss, have been classified as Level 2 financial instruments.

The carrying value of cash, receivables, and accounts payable and accrued liabilities and loans from related parties reflected in the consolidated statement of financial position approximate fair value because of the relatively short-term maturities.

Foreign currency risk

The Company funds the operations and maintains a head office in Canada. A portion of the Company's expenses are denominated in USD and Canadian dollars. Consequently, the Company is exposed to fluctuations in foreign exchange rates. The Company has not used derivative instruments to reduce its exposure to foreign exchange fluctuations.

Credit risk

The Company's credit risk is primarily attributable to cash and amounts receivable. The Company has no significant concentration of credit risk arising from operations. Cash consists of cash held in financial institutions from which management believes the risk of loss to be remote.

8. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

As at December 31, 2018 the Company had limited working capital and at December 31, 2017, the Company had negative net working capital. The Company expects to complete future equity or other debt financings, as required and available. However, there is no assurance that funds will be available on terms accetable to the Company at all.

9. COMMITMENTS AND CONTINGENCIES

The Company is, from time to time, involved in various claims and legal proceedings. The Company cannot reasonably predict the likelihood or outcome of these activities. The Company does not believe that adverse decisions in any ending or threatened proceedings related to any matter, or any amount which may be required to be paid by reasons thereof, will have a material effect on the financial condition or future results of operations.

A former officer of the Company has initiated a legal action seeking approximately $51,400 for fees owed and damages plus interest. The Company intends to defend the matter and is currently reviewing its options with regards to this action. The Company has not accrued any liability for this matter.

The Company is party to certain management contracts. Minimum commitments remaining under these contracts were approximately $60,000 all due within one year.

10. REVERSE TAKE-OVER TRANSACTION

On December 21, 2018, 2292055 Ontario Inc. completed its “reverse take-over” transaction, pursuant to an amalgamation agreement dated December 1, 2017 with Valencia Ventures Inc. On closing of the business combination, 2292055 Ontario Inc. became a listed company trading on the CSE trading under the name of EarthRenew Inc., symbol “ERTH”. Trading of the shares commenced on January 10, 2019. Refer to the listing statement filed on www.sedar.com on January 9, 2019. This transaction is being accounted for as an asset acquisition.

The transaction is a reverse acquisition of a non-operating company. As a result, it has been accounted for as a capital transaction with 2292055 Ontario Inc. being identified as the acquirer and the equity consideration being measured at fair value, using the acquisition method of accounting. The RTO has been accounted for in the consolidation financial statements as a continuation of the financial statements of 2292055 Ontario Inc. (now EarthRenew Inc.) together with a deemed issuance of shares equivalent to the shares held by the former shareholders of Valencia Ventures Inc.

The transactions costs relating to the RTO plus the aggregate of the fair value of the consideration paid has been recognized as transaction costs in the consolidated statement of loss and comprehensive loss.

(Expressed in Canadian dollars)

10. REVERSE TAKE-OVER TRANSACTION (continued)

Purchase price consideration paid:

Estimated fair value of shares issued	$	4,360,322
Estimated fair value of options issued		137,500
Total consideration	$	4,497,822

Fair Value of assets acquired and liabilities assumed:

Cash	$	2,696
Receivables		57,104
Accounts payable and accrued liabilities		(1,104,922)
Excess purchase price over fair value of assets assumed (expensed)		5,542,945
Total net liabilites acquired	$	4,497,822

The estimated fair value of the Company's shares was based on the most recent financing price as completed by the Company.

11. INCOME TAX

a) Provision for Income Taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2017 - 26.5%) were as follows:

	2018 $	2017 $
Income (loss) before income taxes	(4,516,596)	2,260,782
Expected income tax provision (recovery) based on statutory rate	(1,197,000)	609,000
Adjustment to expected income tax benefit:		
Share-based payments	-	183,000
Transaction costs	1,469,000	
Benefit of tax assets not recognized	(272,000)	(792,000)
Deferred income tax provision (recovery)	-	-

(Expressed in Canadian dollars)

11. INCOME TAX (continued)

b) Deferred Income Tax

Deferred tax assets have not been recognized in respect of the following temporary differences:

	2018 $	2017 $
Non-capital loss carry-forwards	10,277,000	11,481,000
Capital losses and investments	86,918,000	86,917,709
Share issue costs	2,000	7,000
Mineral property costs	3,122,000	3,122,000
Plant and equipment	183,000	174,000
Total	100,502,000	101,701,709

The potential future benefit of these losses has not been recognized in the financial statements because it is not probable that future taxable profit will be available against which the Company can use the benefits.

c) Tax loss carry-forwards

As at December 31, 2018, the Company has non-capital tax losses for Canadian income tax purposes of approximately $10,277,000, available to use against future taxable income. The non-capital losses expire as follows:

Year of Expiry	Amount $
2026	582,000
2027	1,115,000
2028	1,440,000
2029	877,000
2030	831,000
2031	1,173,000
2032	1,235,000
2033	728,000
2034	981,000
2035	243,000
2036	237,000
2037	618,000
2038	217,000
	10,277,000

12. SUBSEQUENT EVENTS

On January 9, 2019, the Company closed a private placement for $1,120,000 by issuing 5,090,910 common shares at $0.22.