

Valencia Ventures Inc. (TSX.V: VVI) – Initiating Coverage; Advancing Silver Exploration in Northern Chile to become a Producer

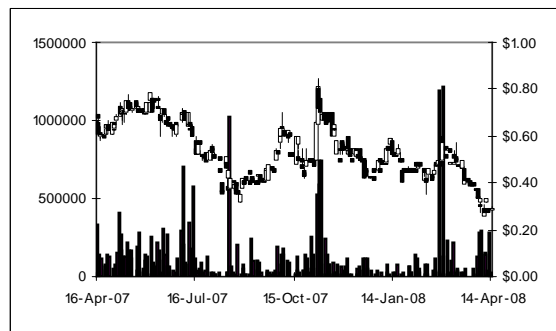
Sector/Industry: Junior Mining (Silver)

www.valenciaventures.com

Market Data (as of April 14, 2008)

Current Price	C\$0.29
Fair Value	C\$0.69
Rating*	BUY
Risk*	5 (Highly Spec)
52 Week Range	C\$0.26 - C\$0.85
Shares O/S	59,904,570
Market Cap	C\$17.37 million
Current Yield	N/A
P/E (forward)	N/A
P/B	1.50
YoY Return	-53.23%
YoY TSX	-23.2%

*see back of report for rating and risk definitions



Investment Highlights

- Valencia is focused on advancing the Cachinal and Nuevo Juncal silver properties in Northern Chile. The company's goal is to build a resource of 150 million ounces of silver and become a significant producer in Chile.
- The company has defined a NI 43-101 compliant resource of 18.41 million ounces of silver indicated and 3.02 million ounces of silver inferred on 2.25 kilometers of strike length on the Cachinal property.
- The 2008 drilling program at Cachinal will focus on testing 12 areas of the property to bring conceptual exploration targets to the resource level. We believe the property remains underexplored.
- The company is also actively exploring the Rancheria Silver Project in the Yukon Territories and British Columbia, Canada.
- The company has vended the Mt. Bundy Gold project in Northern Territory, Australia, into a separate company that intends to list on the TSX Venture. Valere will continue to acquire new gold properties in Western Australia.

Risks

- The success of drilling, increasing favorable resource estimates, and economic studies are very important for the company's future prospects.

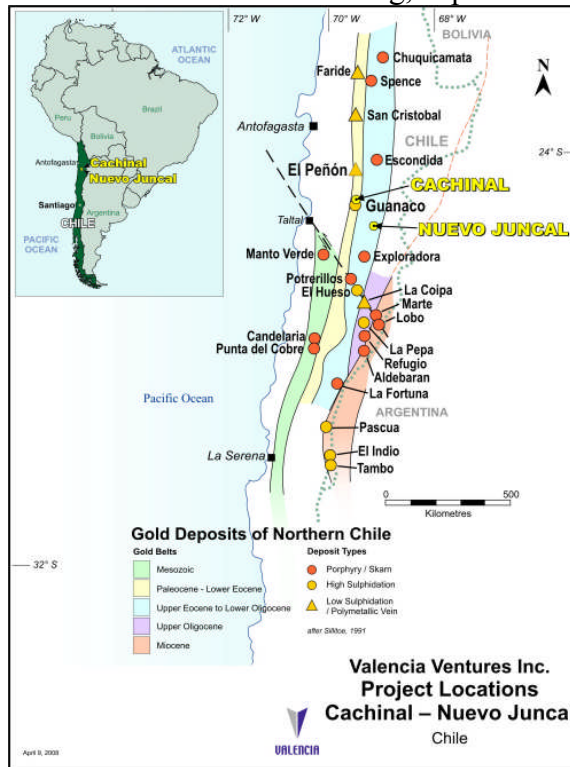
Key Financial Data (FYE - December 31)

(C \$)	2006	Q3-2007	2007 (9 mo)
Cash	289,336	1,602,091	1,602,091
Working Capital	(4,081,540)	(85,684)	(85,684)
Mineral Assets	4,992,255	12,590,319	12,590,319
Total Assets	7,634,219	19,792,856	19,792,856
Net (Loss)/Income	182,516	(1,488,013)	(3,051,535)
Net (Loss)/Income per Share	0.01	(0.03)	(0.06)

Valencia Ventures is primarily focused on the advancement of the Cachinal and Nuevo Juncal silver projects in northern Chile. The Cachinal property has a NI 43-101 compliant resource of 18.41 million ounces of silver indicated and 3.02 million ounces of silver inferred on 2.25 kilometers of strike length. The company aims to build a 75 million ounce resource at Cachinal and a similar sized resource at Nuevo Juncal. They have vended the Mt. Bundy gold project into a separate company that intends to list on the TSX Venture Exchange.

Company Overview

The company is focused on the Cachinal and Rancheria silver properties in Chile and the Yukon Territories, respectively. Cachinal and another property in Chile, Nuevo Juncal, are high-grade structurally hosted silver-polymetallic deposits. VVI aims to build a 150 million ounce silver resource in Chile and become a significant producer. The company has vended the Mt. Bundy Gold project in the Northern Territory, Australia, into a separate company, Valere Mining Limited. The Mt. Bundy property was advanced to a feasibility study in 2006, but has been inactive since that time. Further evaluation is required to confirm the project's economics. We believe Valencia has a strong, experienced management team.



Property Locations in Chile. Source: Valencia Ventures Inc.

Corporate History

In 1996, the company was known as Williams Resources and began producing gold at the Rustler's Roost property in Australia. In the late 1990s, the company changed their name to William Multi-Tech, who provided financing and investments in exploration, biotech, pharma, and internet technology. The company was formed in its current inception in December 2002, when they changed their name to Valencia Ventures Inc. in conjunction with a 1:100 share consolidation. The company commenced trading in January 2003 as VVI on the TSX Venture. In 2003, Valencia continued exploration in Australia, including the Mt. Bundy/Rustler's Roost property. Vice President of Exploration Doug Currie was appointed in 2003, directors Stan Bharti and Patrick Reid joined in 2005, and Doug Bache, president and CEO, joined the company in 2006.

Mining Outlook Chile

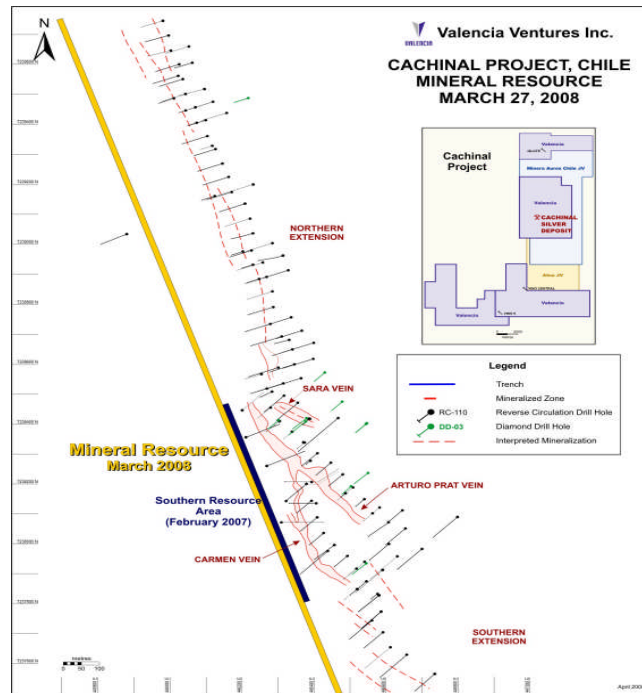
Chile has often been regarded as one of the best mining jurisdictions in the world. In the Fraser Institute Survey for 2007/2008, Chile's policy potential index, an overall rating of the outlook for mining investment in a country, was sixth out of 68 jurisdictions evaluated. On a site visit to Chile, we observed Chile's strong commitment to infrastructure development,

including power and roads, and the overall wealth of the country which has largely come from the mining sector. We believe Chile is an excellent country to operate in. The climate supports year round exploration and the services for the mining sector are among the best in South America. Chile is the world's largest copper producer, providing one third of the world's annual consumption. According to the United States Geological Survey, Chile produced 86 million ounces of silver in 2007, making them the world's third largest silver producer (up from fifth in 2006). New projects continue to come online in Chile.

Epithermal Deposits

Epithermal systems are very common sources of gold and silver ore, especially in Latin America. Epithermal silver deposits may occur over a considerable length (tens of kilometres) but are of limited vertical extent (less than 350 m). They are found at depths of less than 1 kilometer in areas of volcanic origin, where fluids from magma mixed with other waters to form hydrothermal fluids that rise through the earth's crust, precipitating mineral deposits in cracks and fractures. These veins can be near vertical to near horizontal. These veins often have the best grades at depth, where the hottest temperatures and very enriched fluids create the best precious metal grades. This is the area where bonanza grade veins of gold and silver occur. At the top of the deposit, the veins often have lower precious metal grades, due to factors of temperature and fluid enrichment.

Chilean silver and gold deposits are usually low to intermediate sulphidation, meaning there is little wallrock alteration. Low sulphidation veins are formed by fluids that originate from hot magma mixed with larger amounts of groundwater. The fluids interact with the rock for longer than high sulphidation fluids, in the process dissolving silica, which is later precipitated as quartz. Precious metals are precipitated by very long periods of boiling resulting in high-grade deposits.



Source: Valencia Ventures Inc.

Cachinal, Chile **Property Overview:** 14,300 hectare Cachinal project is a new discovery by the company in a prolific epithermal gold and silver district. The company has defined a 21.6 million ounce silver resource in the indicated and inferred categories and we believe there is significant potential for resource expansion on the property.

Ownership: The company assembled the Cachinal Project in 2004, through an option agreement with Silver Standard Resources (NASDAQ: SSRI), Atna Resources (TSX: ATN), and Compania Contractual Minera Ojos del Salado (CCMO) which held contiguous properties. The company has acquired 100% interest in the main claim from Silver Standard as of July 2007. The company can earn 70% in the Atna JV claims by spending \$1.5 million on exploration by May 2008. The company can earn 100% in the Minera Aurex JV area from a subsidiary of Freeport McMoran (LONDON: FPR) by completing 1,500 meters of drilling by December 2008. This is subject to a 25% clawback by the underlying owner, and a 10% net profits interest capped at US\$300,000/year.

Historic Exploration/Production: The Cachinal de la Sierra Mining District has produced over 32 million ounces of silver from more than 20 veins. This area has been active since the 1860s, when mining was focused on gold. Silver mining began in 1873. Historic mining exploited high-grade veins using underground methods with up to 500 g/t silver and trace levels of gold.

When the company acquired the land package, previous exploration was limited to mapping, rock chip sampling, soil geochemistry, and trenching. Silver Standard completed two exploration programs in 2001 and 2002. No drilling had been completed, but three mineralized zones were identified. There is evidence of historic mining, including old underground workings and mine dumps. Three mineralized zones had been outlined: North Anomaly, Carmen-Arturo Prat, and Gemelas.

Valencia began exploration in November 2004 with mapping, soil sampling, a geophysical survey, and trenching. Drilling began in early 2005. The company completed a 16 hole, 2,294m drill program in a 600m long zone where two historical veins, the Carmen Vein and the Arturo Prat Vein, intersect. The results outlined high-grade silver mineralization in narrow veins surrounded by a lower grade halo of mineralization.

Accessibility and Infrastructure: The Cachinal property is located in an uninhabited area of northern Chile, 105 kilometers northeast of the village community of Taltal. The project is 175 kilometers southeast of Antofagasta, a large port city and supply center for the region. The property is 30 kilometers east of the Pan American Highway. Flat road access is good. The property is located in the Atacama Desert, which is the driest desert on Earth. It rains less than once a year on average. Water supply was an issue with historic mining, and could be an issue in the future. Water is often an issue for projects in the Andes, and the company could use piped seawater like other operations in the country.

Geology and Mineralization: The target at Cachinal is low sulphidation epithermal silver-gold-zinc vein mineralization in quartz veins and stockwork vein swarms. The vein structures are 3-4 meters wide and are surrounded by a lower grade halo with a thickness of

12-25 meters. The primary veins run north-northwest along dilational structures in the central part of the property. Secondary northeast veins are found in the north end of the district. Historically, over 20 veins were exploited in shallow oxidation zones in the upper 150 meters. Mineralization extends to a depth of at least 320 meters, as evidenced by historic production to that depth. There is potential for increasing grades at depth, which is common with epithermal systems.

Metallurgy: Metallurgical tests are underway to determine the viability of heap leach versus conventional froth flotation. Heap leaching is a low cost option, but will not recover any of the zinc. Froth flotation recovers silver and zinc, but is usually more expensive. This work will be incorporated in the prefeasibility study. The results of this study will have a significant impact on the capital costs, water use, and processing levels.

Current Status: The company has contracted SBX Consultants Ltd. of Santiago, Chile to supervise and conduct exploration and development on the Cachinal project. In 2007, the company completed an infill and step-out drilling program to expand the NI 43-101 compliant resource estimate over a 2,250 meter strike length of the deposit. The results from step out drilling were very positive. Grades and mineralization in the northern extension do not appear to be tapering out and have been consistently high grade. Results include 9 m grading 161.33g/t silver, 7 m grading 107.29g/t silver, 9m grading 290.56g/t silver, 10m grading 209.60g/t silver and 1.33g/t gold. The significant gold grades are an added bonus for the project as well.

The 2008 exploration program will consist of a minimum 10,000 to 14,000 meters of RC drilling to test 12 priority exploration areas where conceptual exploration targets could be upgraded to NI 43-101 compliant resources (see map in Appendix). The estimated cost of this program is \$2.5 million, with further drilling planned later in the year following the evaluation of the Phase I results.

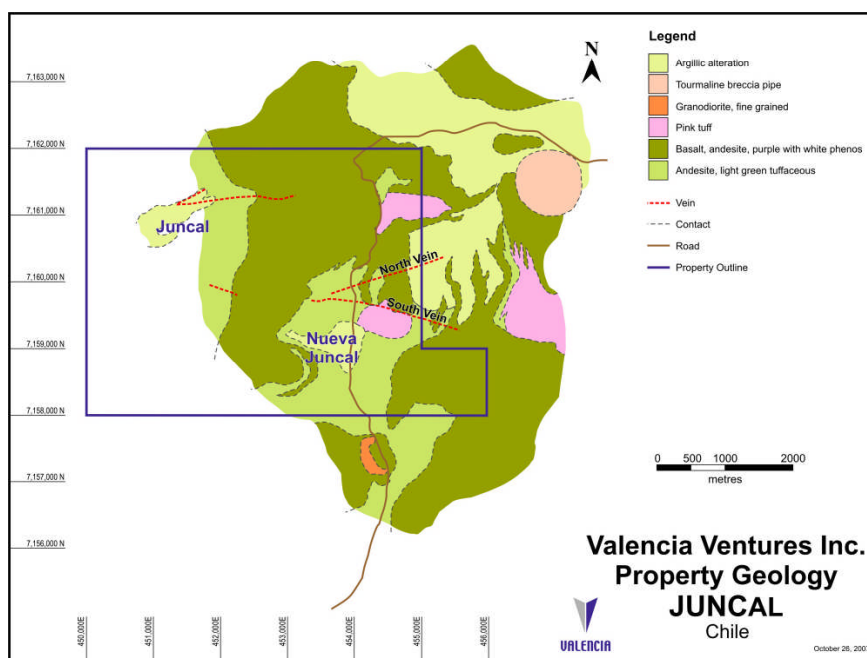
Resource Estimates: Drill holes and trenches between 2004-2006 were used to estimate an NI 43-101 compliant Indicated and Inferred Resource in the Carmen-Arturo Prat vein area in the southern portion of the property. This resource was completed in February 2007. An updated NI 43-101 compliant resource estimate completed by SRK Consulting Inc. was released in March 2008, incorporating the 2007 exploration program over a 2.25 kilometer strike length. The resource is based on 22,780m of reverse circulation drilling, 588 meters of diamond drilling, and 36 surface trenches over a strike length of 2,250 meters. This resource upgraded a significant portion of the 2007 resource to the indicated category, but due to a different resource evaluation method, and the application of economic criteria, the overall resource decreased.

Resource Category	Tonnes	Grade (g/t silver, g/t gold, % zinc)	Contained Silver (ounces)
2008			
Indicated	5.7 million	101 g/t silver, 0.13 g/t gold, 0.22% zinc	18.41 million
Inferred	0.8 million	115 g/t silver, 0.12 g/t gold, 0.22% zinc	3.02 million
2007			
Indicated	4.11 million	103.92 g/t silver, 0.11 g/t gold, 0.17% zinc	13.73 million
Inferred	5.09 million	78.22 g/t silver, 0.11 g/t gold, 0.16% zinc	12.80 million

Exploration Targets: Using the economic criteria applied to the NI 43-101 compliant resource estimate, SRK Consulting outlined conceptual exploration targets on the Cachinal property ranging from 3.25 - 12.34 million ounces of silver. These exploration targets represent potential for resource expansion, as there has not been sufficient exploration to define a resource. The mineral potential is based on sampling data and interpreted continuity of recognized vein structures.

Target Type	Tonnes (million tonnes)		Grade (g/t silver)		Contained Silver (ounces)	
	Min	Max	Min	Max	Min	Max
Open Pit Total (0-120 m)	1.14	2.82	80	120	2.93	10.88
Vein Extensions	0.62	1.65	80	120	1.59	6.37
New Veins	0.4	0.96	80	120	1.03	3.70
Upgradeable Veins	0.12	0.21	80	120	0.31	0.81
Underground Total (150 - 250m)	0.08	0.21	144	216	0.32	1.46
Vein Extension	0.05	0.13	144	216	0.19	0.90
New Veins	0.03	0.08	144	216	0.32	1.46

Development Timeline: The company plans to focus on resource expansion targets early in 2008, while continuing engineering and economic evaluations of the project.



Source: Valencia Ventures Inc.

Nuevo Juncal

Property Overview: The 2,100 hectare Nuevo Juncal property was recently acquired but has become a high priority for the company in a short time based on preliminary exploration. This property is located in Northern Chile, 125 kilometers away from the Cachinal project.

Ownership: Valencia can earn an 80% interest in the Nuevo Juncal property comprised of seven exploitation concessions from Silver Standard Resources. The company must spend US\$1.0 million on exploration and produce a NI 43-101 compliant resource estimate in the next four years. MinQuest holds a 2% royalty to a maximum of US\$200,000 on the first US\$10 million spent on exploration and development. Silver Standard has a claw-back right to earn 31% interest if the mineral resource is greater than 60 million ounces of silver equivalent. Silver Standard must contribute US\$3.0 million within three years of exercising the clawback to earn a total of 51% interest. The agreement includes a dilution clause, providing that interest falling below 10% will be converted to a 1% net smelter return royalty capped at US\$1.5 million.

We expect the company to add to their land position to secure more of the vein structures that run off the current property package.

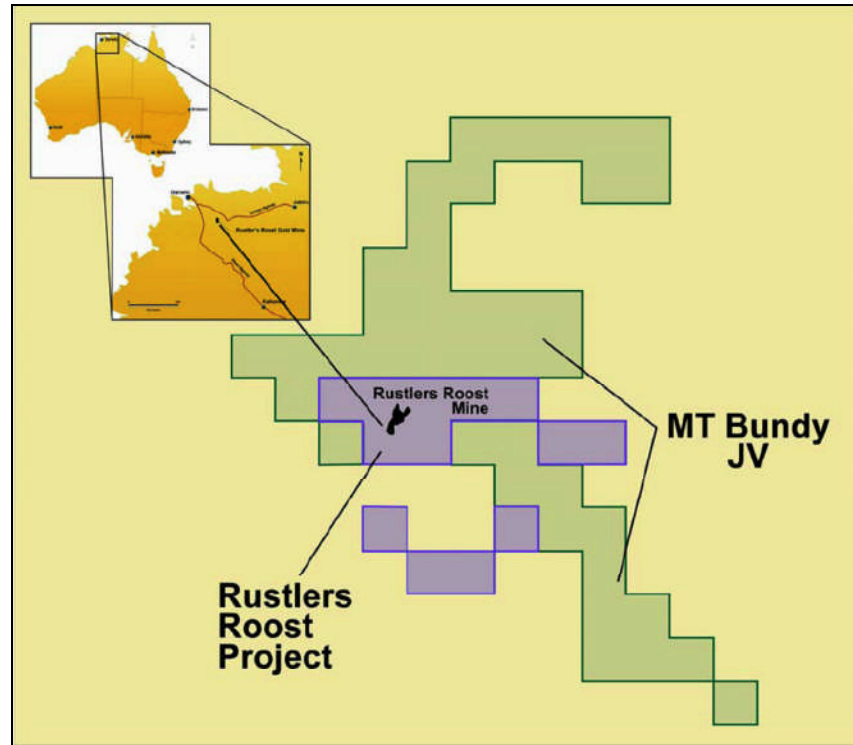
Historic Exploration/Production: Historic exploration is limited, but two veins were exploited using small-scale methods. Regionally, the area surrounding the property has been explored for copper breccia pipes and porphyry systems.

Accessibility and Infrastructure: The project is flat road accessible and due to the climate in Chile can be explored year round.

Geology and Mineralization: The company is exploring for structurally hosted high grade silver-lead-zinc mineralization. Through preliminary mapping, they have identified other vein structures beyond the two historically exploited.

Current Status: The company intends to commence a \$3.5 million dollar exploration program in March 2008. Currently, the company is focusing on mapping, soil geochemistry, geophysical surveys, surveying, and trenching. Drilling will focus on the North and South vein structures that were historically mined using artisanal methods, as well as test new structures identified through mapping. The first phase of drilling will consist of 3,000-5,000 meters of RC drilling, to be followed by 10,000 meters of RC drilling and 2,500 meters of diamond drilling if initial results warrant follow up.

Resource Estimates: This property does not have any historic or NI 43-101 compliant resource estimates at this time.



Source: Valencia Ventures Inc.

Mt. Bundy/ Rustler's Roost

Property Overview: The Mt. Bundy project is located in the Pine Creek region of Northern Territory, Australia, which has produced over 14 million ounces of gold. The property is bordered by other gold mines. The company has defined a small NI 43-101 compliant resource and completed a feasibility study in 2006 that indicated negative economics for the project. The company intends to update the feasibility study this year, and hopes that with current gold prices, and other positive economic factors, the project may prove to be economic.

Ownership: Valencia's predecessor acquired the property in 1996, and holds an 80% interest. The company has vended the project into a separate capital pool corporation called Valere. Under the terms of the agreement, Valencia will receive approximately 15 million shares of Valere and a 50% net smelter royalty to a maximum cumulative payment of \$5 million. Valere will spend \$2 million on exploration over the next two years.

Historic Exploration/Production: Valencia Ventures predecessor company, Williams Resources, mined a shallow oxide gold deposit called Rustler's Roost on the property and processed it using heap leaching technology between 1994-1997. Approximately 113,000 ounces of gold was mined at a grade of 1.05 g/t gold. Operations were suspended due to low gold prices. At the time of closure, a historic indicated estimate of 1.5 million tonnes grading 1.14 g/t gold and a historic inferred estimate of 3.24 million tonnes at 1.13 g/t gold remained in transitional and sulfide material.

The company reactivated the project in 2002, focusing on drilling and exploration to expand the resource. They initiated a feasibility study in 2004. The project has been on hold since the feasibility study was completed in 2006.

Accessibility and Infrastructure: Mt. Bundy is located 110 kilometers south east of Darwin in the Northern Territory, Australia. The project is road accessible but there is no exciting infrastructure on the site at this time. Water availability is sufficient, but upgraded power is required. The project’s construction timeline would be affected by a rainy season in January, February, and March.

Geology and Mineralization: There are multiple types of gold mineralization on the Mt Bundy property. They are sediment hosted gold vein mineralization and stratabound gold mineralization.

Metallurgy: The metallurgy of the Mt. Bundy ore is one impediment to future production. The ore contains graphite meaning that is “preg-robbing”, meaning it can “rob the pregnant solution” by absorbing dissolved gold from solution. This results in a serious gold recovery loss if carbon-in-pulp processing treatment is used. The feasibility study determined that gravity concentration likely offers the best potential to produce a low volume concentrate that rejects preg-robbing material. The gravity concentrate could be treated using resin-in-leach treatment. Based on this processing method, it was concluded that gold recoveries of 82-85% could be achieved from oxide and sulphide ores, but the recovery from transition ore is lower at about 76%.

Economic Studies: A feasibility study was completed in 2006 using a gold price of \$450/oz. The base case indicates a negative pre-tax undiscounted net present value of –US\$17.8 million. Therefore, no mineral reserves could be determined. The analysis also examined hedging gold production at a US\$650/oz gold price with all of the other factors of the base case intact. This scenario had an indicated pre-tax undiscounted NPV of US\$51.9 million, with an IRR of 23.0%. The parameters of the base case are outlined in the table below.

Capital Cost	US\$56.2 million	Previous mining and milling infrastructure is gone
Operating Cost	\$10.90/tonne	Includes cost of pre-stripping
Operating Rate	7,000 tonnes/day	Using open pit methods
Mine Life	5 years	
Gold Recovery	81%	387,620 ounces recovered

The company expects that with an updated gold price, US/Australian exchange rate, and updated process flowsheet and costs, the project’s economics will improve.

Current Status: The new company, Valere, plans to spend approximately \$1.0 million this year to update the 2006 feasibility study. They may raise more capital to conduct exploration to expand the resource estimate.

Resource Estimates: At a cut-off grade of 0.70g/t gold, the Rustler’s Roost Gold Deposit contains an NI 43-101 compliant Indicated Resource of 15,141,000 tonnes grading 1.34g/t gold (652,400 ounces gold) and an Inferred Resource of 1,461,000 tonnes grading 1.23g/t gold (57,800 ounces gold).



Source: Valencia Ventures Inc.

**Rancheria
Silver Project,
Yukon and
British
Columbia**

Property Overview: The Rancheria project is comprised of 7 properties: Ranch, Touchdown, Blue Heaven, Quarterback, Pigskin, End Zone, and Shar.

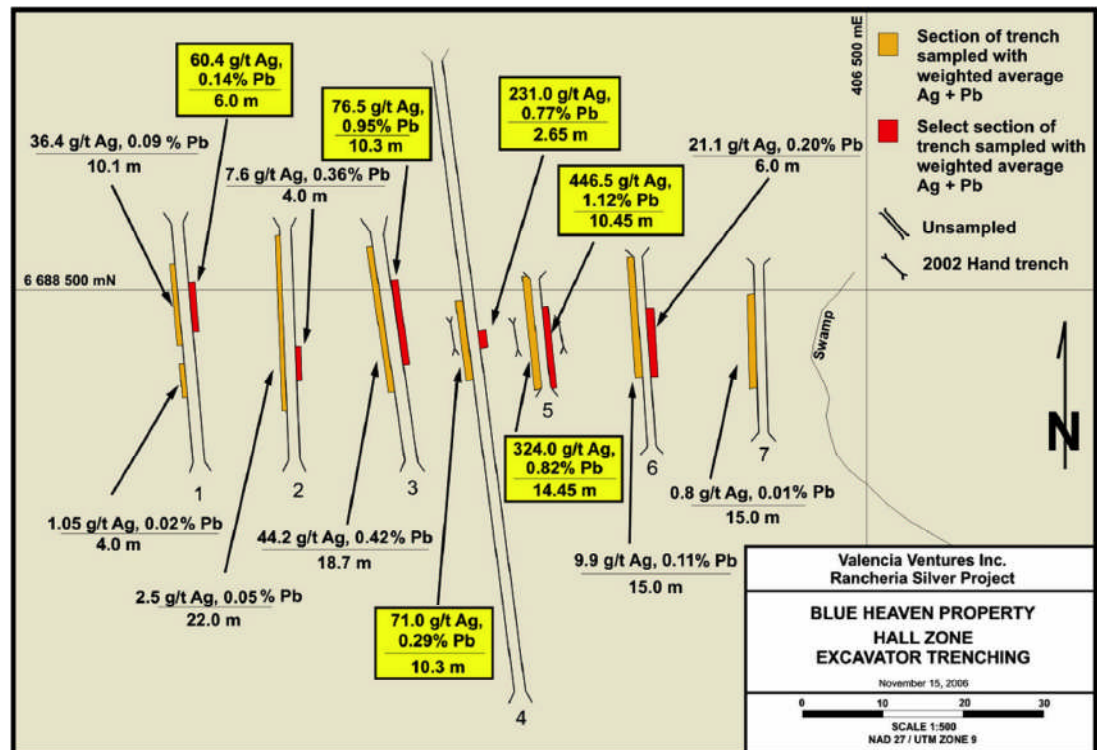
Ownership: Valencia acquired the Rancheria project from Pyre Company AB in March 2006, who had an option agreement with Strategic Metals (TSXV: SMD), the underlying owner. Valencia assumed all of Pyre's obligations under the agreement and made a \$150,000 cash payment to Pyre. Under the terms of the agreement, Valencia can earn 70% interest by spending C\$3.0 million on exploration over three years, issue 800,000 shares and 1.0 million warrants to Strategic Metals, and make a cash payment of \$250,000 or issue 250,000 shares at Strategic Metals' election on the first and second anniversaries of the agreement. The company will also issue 200,000 shares to the W4 joint venture to eliminate a royalty on the Blue Heaven Property.

Valencia can earn the remaining 30% interest by paying \$4.0 million in cash or shares. Valencia must advance each property to bankable feasibility within 12 months of earning 70% interest; otherwise it will be owned 50% by Valencia and 50% by Strategic Metals in joint venture. This agreement is subject to a 2% net smelter return to Pyre, and 2% net smelter return to Strategic Metals.

Historic Exploration/Production: Historic exploration before the company's involvement consists mainly of chip sampling, mapping, and prospecting, which resulted in the discovery of high-grade base metals and silver occurrences on the properties. Each property was known to host a high-grade silver occurrence. Soil geochemical surveys identified elevated

metals and float boulders, which were not traced to a bedrock source. The Quarterback property was drilled with good results.

The company commenced exploration in the summer of 2006, with prospecting, mapping, sampling, geophysics and 2,500 meters of reverse circulation (RC) drilling. Drilling was focused on the Ranch, Blue Heaven and Touchdown properties. Trenching on the Hall Zone at Blue Heaven uncovered wide intervals of silver mineralization ranging from 60 – 400 g/t silver, shown in the image below. Grades and mineralization intersected by drilling at the H and Blue Zones were more of the narrow vein type and were more variable.



Source: Valencia Ventures Inc.

In 2007, the company focused more on the Hall and Don Zones where good results were obtained through trenching in 2006. The results continued to highlight the potential for vein style mineralization on the property. 4 holes were drilled over a 180 meter section of the Hall Zone, and one encountered very high grade silver-lead-zinc mineralization. Hole BH-07-03 intersected 1.48 meters of 600 g/t silver, 9% lead, and 0.5% zinc with even higher grade intersections including over a kilo of silver and up to 30% lead. Two chip samples at the Don Zone returned very high-grade silver and lead, including 778 g/t silver, 16 kilos of silver and 62% lead.

They also completed a geophysical survey on the Quarterback property, which outlined a strong EM anomaly. This will be drilled in 2008.

Accessibility and Infrastructure: The Rancheria properties are located east and west of the

Alaska Highway between the villages of Teslin and Watson Lake. The Rancheria properties are primarily accessed by helicopter, except for the Blue Heaven property that is road accessible during the summer and fall. The main center for supplies and transportation is Whitehorse, which has an airport and mineral exploration supplies. Whitehorse is 325 kilometers west of the properties. The lack of accessibility means that the property is underexplored considering the good historic sampling results.

Geology and Mineralization: The properties host silver-lead-zinc mineralization in veins, fracture/shear zones, and carbonate replacements. Silver vein deposits are the world's largest source of silver.

Current Status: The company plans to spend \$2.5 million on exploration at the Ranch, Blue Heaven, and QB properties in 2008. The company will continue auger drilling at Blue Heaven to test high-grade mineralization. A helicopter drilling program will be completed on Ranch, which will be the first drilling program on the property and will test high grade surface occurrences at depth, and at QB, where the company will test the VTEM anomaly identified last year.

Resource Estimates: This project does not have any historic or NI 43-101 compliant resource estimates at this time.

Management

Douglas Bache - President & C.E.O.

Mr. Bache is a mining executive with over 18 years of treasury, corporate development, and corporate finance experience. Mr. Bache, through his company, provides corporate finance and strategic advice to a number of private and publicly traded companies. Since 2000, Mr. Bache held various senior management positions in corporate development and finance with Inco Limited and North American Palladium Ltd. Prior to that, he spent 10 years in corporate finance with CIBC World Markets and SG Canada providing financing and M&A advisory services to global mining companies.

Mr. Bache holds a BMath/Business degree from University of Waterloo, Waterloo, Ontario. He is also a business development and strategic advisor to the Faculty of Mathematics, University of Waterloo.

Douglas A. Currie - Executive Vice President, Exploration and Development

Mr. Douglas Currie has more than 30 years international mineral exploration experience, having explored for gold, base metals and uranium in Canada, Australia, Guinea in West Africa and Brazil, Chile and Bolivia in South America.

Prior to joining Valencia in December 2003 as Vice President — Exploration, Mr. Currie worked briefly for Indian and Northern Affairs Canada as Head-Mining Legislation. Previously, he held senior exploration management positions in Australia with Pancontinental Mining Limited, Plutonic Resources Limited and was Exploration Manager-Western Australia for Homestake Gold of Australia.

Mr. Currie led exploration teams to discovery of the Centenary, Just-In-Case (Wallaby),

Plutonic 123 and Panglo Gold Deposits in Western Australia and participated in discovery of the Siguiri Gold Deposit in Guinea, West Africa.

Mr. Currie holds a BSc (Geology) degree from the University of New Brunswick and is a Member of the Australian Institute of Mining & Metallurgy (MAusIMM).

Mr. Currie was President & C.E.O. of Valencia in from August 2004 to April 2006.

Stan Bharti - Chairman

Mr. Stan Bharti is President of Forbes & Manhattan Inc., a private merchant bank, and a director of several other public companies. Mr. Bharti has over 25 years of experience in operations, public markets and finance. Over the last ten years Mr. Bharti has been involved in acquiring, restructuring, and financing. Mr. Bharti has raised over \$200 million in public markets over the last decade. His experience in public markets includes acquisitions of companies in Europe, Australia and North America. He is a Professional Mining Engineer and holds a Masters Degree in Engineering from Moscow, Russia and University of London, England.

Patrick Reid - Director

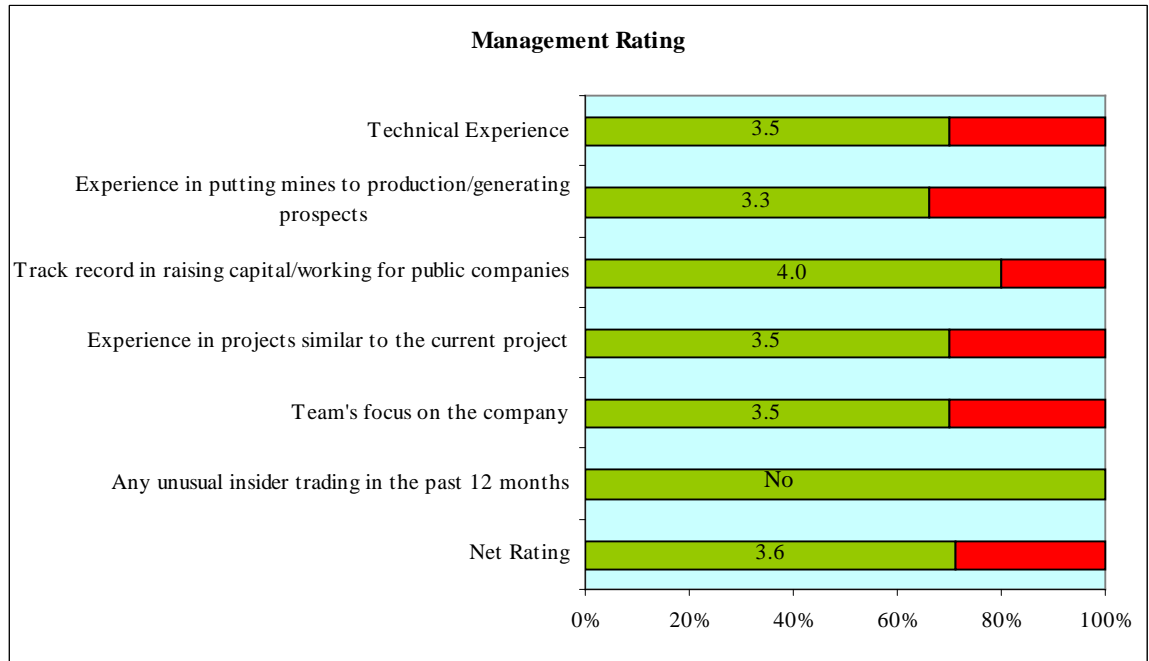
Mr. Reid is the former President of the Ontario Mining Association (1984 - 2004) and a former M.P.P. (Rainy River, 1967 - 1984). Mr. Reid has in excess of twenty years experience associated with the mining industry and is Chairman of Probe Mines Limited (TSX-V:PRB) and a Director of Canstar Resources Inc (TSX-V:ROX). While President of the O.M.A. he was instrumental in establishing "Ontario Mining Week" to raise public, government and industry awareness of the contribution of the mining industry to the daily life of Ontarians and the prosperity of the Ontario economy. His experience will also contribute to the company's strategic goal of becoming a precious metal producer.

Gregory Duras – Chief Financial Officer

Mr. Duras previously held the position of Vice President of Finance and Administration for a mineral exploration and mining development company, with responsibility for financial reporting, project financing, auditing and budgeting activities. Mr. Duras is a Certified General Accountant and a Certified Professional Accountant, and holds a Bachelor of Administration from Lakehead University.

Management Rating

We believe that the most important aspect of a junior mining company is its management. Therefore, we have developed a management rating system as a quantitative way to rate management based on a number of factors, including technical experience, the ability to raise financing, and management's time commitment to the company. We also analyzed trading records to identify evidence of unusual trading by management. **Our net rating for Valencia Ventures (see below) was 3.6, which we have rated above average.** We believe Valencia has a good management team made up of talented geologists and financial experts experienced in the management of public companies.



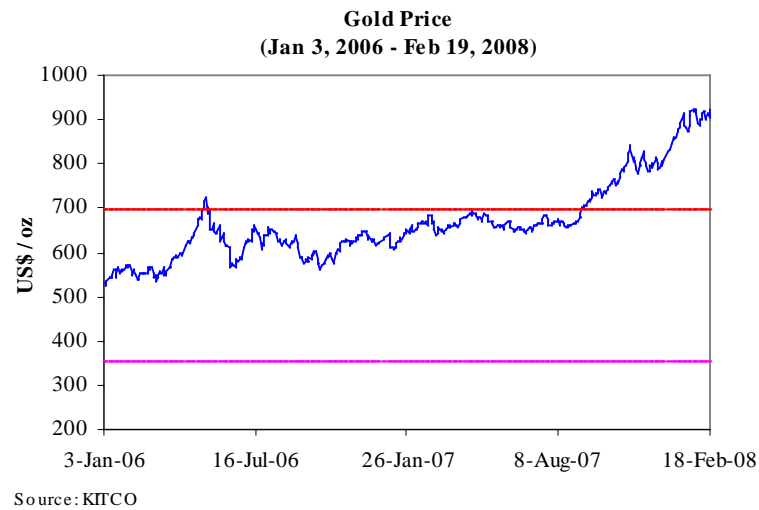
Strength of Board

The Toronto Stock Exchange recommends that the Board of Directors of every company include independent or unrelated directors who are free of any relationship or business that could materially interfere with the director's ability to act in the best interest of the company. An unrelated/independent director can be a shareholder. Our strength of board rating for Valencia Ventures uses information available from the company's annual "Management Information Circular" to ensure that the company has an independent Board of Directors, Audit Committee, and Compensation Committee. This report also identifies any non-arms length transactions and management's compensation.

Valencia's Board of Directors is made up of 4 individuals: Doug Bache, Stan Barti, Patrick Reid, and Douglas Currie. None of the directors have filed for personal bankruptcy. Doug Bache and Douglas Currie do not hold shares in the company but receive options under the company's stock option plan. The related/non-independent directors are Douglas Bache and Douglas Currie, as they are executive officers of the company and receive compensation. The Audit Committee is made up of Stan Barti, Douglas Currie, and Patrick Reid.

Outlook on Gold

The chart below shows gold prices since January 2006. Gold prices are currently trading at about US\$930/oz.

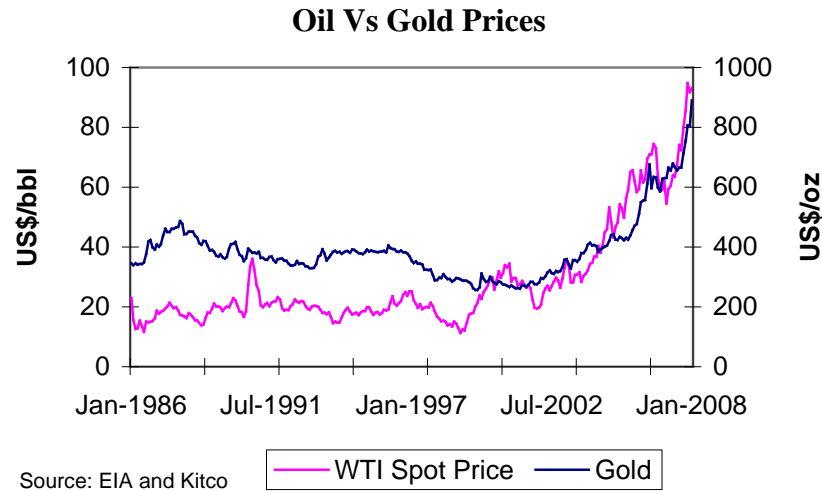


Although gold prices have risen considerably in the second half of 2007, and early 2008, and have achieved record highs, we have maintained our positive outlook on gold due to the following macro economic conditions:

a) The US\$ is expected to continue to depreciate with respect to other global currencies, based on an expected slow down in the U.S. economy, relatively lower real interest rates in the U.S., and persisting inflationary expectations.

The International Monetary Fund (IMF) expects U.S. GDP to grow at 1.5% in 2008 versus 2.2% in 2007, and the Federal Reserve predicts unemployment rates to increase YOY from 4.6% to 5.2% in 2008. The U.S. Fed cut interest rates from 5.25% to 2.50% in their last six meetings. These rate cuts imply that there is a possibility that real interest rates in the U.S. could possibly go negative, which is very unfavorable for the US\$. The rate cuts in turn, we believe, will add to inflationary pressures and simultaneously depreciate the value of the US\$. The Fed recently raised their forecasts for inflation in 2008, up from 1.8 – 2.1% to 2.1 – 2.4%.

b) High Oil Prices: We have also noticed a positive correlation between gold and oil prices in times of high oil prices. High oil prices create inflationary expectations among investors and lead them to drift towards gold. The chart below shows oil and gold prices since 1986. We noticed that the positive correlation between monthly log changes in oil and gold prices increased during January 2006 – January 2008, when oil prices were high, from the historic correlation (1986 – 2006) of 0.18 to 0.53, which is a significant jump.



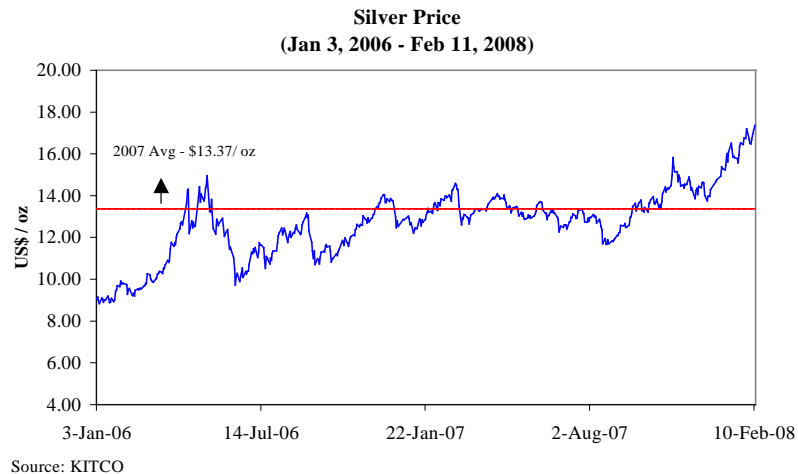
Oil is currently trading close to US\$100/bbl, and prices are expected to stay above \$80/bbl through at least 2010, which we believe will also have a positive effect on the demand for gold.

c) Investment demand continue to stay strong: Currently, total ETG (exchange traded gold) assets held by the New York Stock Exchange (NYSE) and the London Stock Exchange (LSE) are up 29% YOY. We believe continued strength in investment demand reflects the fact that gold continues to hold its status as a ‘capital preservation asset’.

Therefore, based on a depreciating U.S dollar, high oil prices and strong investment demand, we continue to be bullish on gold prices. The average consensus forecasts for gold prices are US\$975/oz in 2008, and US\$915/oz in 2009.

Outlook on Silver

The figure below shows silver prices since January 2006. As of April 15, 2008, silver was trading at US\$17.8/oz.



Although the supply and demand fundamentals of silver play a key role in setting prices, we believe silver prices will continue to follow gold in the short-term and mid-term. Our outlook on gold is positive based on a forecasted depreciation of the U.S. dollar, higher inflationary expectations, relatively lower U.S. real interest rates, and high oil prices. Also, we believe that strong investment demand for silver (as of February 12, 2008, iShares Silver Trust assets were 163.07 million oz, which reflects a YOY increase of 30.4% and an increase of 676.5% since the introduction of the ETF in April 2006), amidst decreasing physical demand, will also help prices stay high. The average forecasts for silver prices are US\$18/oz in 2008, and US\$16.80/oz in 2009. We have maintained our long-term silver prices at US\$11/oz.

Financials

Operations and Liquidity: At the end of September 2007, the company had cash and working capital of \$1.60 million and \$(0.09) million, respectively. VVI had a net loss of \$3.05 million for the 9-month period ended September 30, 2007 (EPS: -\$0.06), compared with net income of \$0.03 million in the same period in the previous year (EPS: \$0.00).

The company has no revenues. The company posted net profits in FY2006 primarily due to gains on the sale of investments. At the end of September 2007, the company had equity investments in three public companies. VVI had provided certain indemnities for certain liabilities outstanding for a company VVI sold in 2003. As a result, the company has \$6.73 million in long-term liabilities, \$5.18 million of which are categorized as current liabilities, resulting in the negative working capital at the end of Q3 2007. The liabilities include tax payables, liabilities to third parties, and labor and health related claims.

During the first 9 months of 2007, the company spent about \$7.60 million on exploration and acquisition costs related to its mineral properties. We estimate the company had a burn rate of \$0.48 million per month and \$0.76 million per month for the 9-month period and the 3-month period ended September 30, 2007, respectively. The table below shows the company's cash position and liquidity ratios.

	2006	Q3-2007	2007 (9 mon)
Cash	289,336	1,602,091	1,602,091
Working Capital	(4,081,540)	(85,684)	(85,684)
Current Ratio	0.26	0.99	0.99
LT Debt / Assets	87.2%	34.0%	34.0%
Cash from financing activities	2,453,187	(64,378)	7,269,725
Burn Rate Per Month (incl. exploration costs)	(285,769)	(764,811)	(484,873)

As shown from the table above, the company's current assets are slightly less than its current liabilities as indicated by negative working capital, and a current ratio below 1. Although the company reduced its long term liabilities significantly YTD (from 87.2% of total assets in the end of 2006 to 34.0% of total assets as of the end of September 2007), we believe the uncertainties associated with the company's long term liabilities (particularly from labor and health related claims) could potentially affect VVI's cash position. The company may have to sell shares of its equity investments in order to settle these liabilities.

Recent Financings: In the first 9 months of 2007, ended September 2007, the company raised a gross amount of about \$8.13 million through private placement and exercises of warrants and options. In October 2007, VVI sold shares of its investment in a public company for gross proceeds of \$1,639,250 with a loss on the sale of \$1,485,750.

Stock Options and Warrants: At the end of September 2007, the company had 3.49 million stock options outstanding with price ranging from \$0.21 to \$0.73, and maturity periods between February 2008 and September 2012 (about 1.47 million of the stock options are currently in the money). The company also had about 10.95 million warrants outstanding with an exercise price at \$0.21, and maturity period in March 2008. Based on our discussion with management, all these warrants have been exercised for \$2.29 million.

Conclusion: Based on our discussion with management, the company has a budget of about \$7 million in capital expenditures to the end of 2008, and cash on hand of about \$3.8 million. We believe the company needs to raise close to \$2 million to fund its exploration activities and working capital for the rest of 2008 (assuming the company will not have to pay in 2008, any of its liabilities associated with the sale of a company in 2003).

Valuation

We have valued the company based on the value of the company's two projects with resource estimates, namely the Cachinal project and the Mt. Bundy project (50% ownership in Valere).

Valuation of the Cachinal project: We valued this project based on the NI 43-101 compliant resource estimate and the exploration targets outlined by SRK Consulting for its Cachinal Property. We used three valuation techniques – Discounted Cash Flow (DCF) analysis, Real Options valuation and Relative valuation. For conservatism, our valuation models have discounted both inferred resource estimates and the exploration targets by 50%.

Our DCF valuation model (shown below) gave a fair value estimate on the Cachinal Property at \$0.61 per share.

DCF Valuation Summary	
Mineral Resources (in tonnes)	7,615,000
Average Silver Grade (g/t)	106.8
Average Gold Grade (g/t)	0.13
Average Zinc Grade (%)	0.22%
Contained Silver (troy oz)	26,157,204
Contained Gold (troy oz)	25,367
Contained Zinc (lb)	29,586,035
Recovery - conventional	Silver 85%, Gold 75%, Zinc 60%
Avg Silver Production per year (troy oz)	2,223,362
Mine Life (years)	10
Capital Costs	\$45,000,000
Operating Costs (\$/tonne)	\$14.0
Discount rate	12.28%
Net Present Value	\$36,623,711
No. of Shares	59,989,398
Fair Value per Share	\$0.61

We have used a long-term gold, silver and zinc price forecast of US\$600/oz, US\$11/oz and US\$0.75/oz, respectively.

Sensitivity: Our DCF valuation is highly sensitive to our long-term silver price assumptions. The following table shows the changes in our DCF valuation when our long-term silver price assumptions vary between US\$8/oz to US\$15/oz.

Sensitivity Analysis	
Silver price (US\$/oz)	Value per share
\$7.00	\$0.03
\$8.00	\$0.18
\$9.00	\$0.32
\$10.00	\$0.47
\$11.00	\$0.61
\$12.00	\$0.75
\$13.00	\$0.90
\$14.00	\$1.04
\$15.00	\$1.19

Our **real options valuation** on the Cachinal Property is \$0.71 per share as presented in the table below.

Real Options Valuation - Cachinal Project					
Resources	Category	Grade	Contained Metal	Price	Value (C\$)
(in tonnes)	Indicated & 50% Inferred and Targets	(Ag, Au in g/t, Zn in %)	(Ag, Au in oz, Zn in lb)	(Ag, Au in US\$/oz, Zn in US\$/lb)	
7,615,000	Silver (Ag)	106.8	26,157,204	11.00	281,255,340
6,100,000	Gold (Au)	0.13	25,367	600.00	13,127,391
6,100,000	Zinc (Zn)	0.22%	29,586,035	0.75	15,310,773
Recovery (Ag)	85%			Total Value (C\$)	\$309,693,504
Recovery (Au)	75%			Operating Costs (C\$)	\$111,940,500
Recovery (Zn)	60%				
C\$/US\$	1.15			Net Value (C\$)	\$197,753,004
Inputs relating to the underlying asset					
Estd. Mineral Resources (in tons)					7,615,000
Estd. Value of Minerals if extracted today					\$157,273,134
Annualized Standard Deviation of Mineral prices					37.0%
Capital Investment					\$45,000,000
Estd. Mine Life (years)					10
Riskfree Rate					3.58%
Output					
Stock Price		\$157,273,134	T. Bond rate		3.58%
Strike Price		\$45,000,000	Variance		0.14
Expiration (in years)		10.0	Anlzd. div yield		8.69%
d1 =	1.218				
N(d1) =	0.888			Value of Option	\$42,293,032
d2 =	0.048			Number of shares	59,989,398
N(d2) =	0.519			Value per share	\$0.71

Relative valuation: We also valued the company based on the average ratio of enterprise

value (EV) to resource estimates of the company's peers. Our comparables valuation model valued the Cachinal Property at \$0.56 per share as shown in the table below. At current price levels, the company is valued at \$0.65/oz, while the average ratio of its peers is \$1.25/oz.

Comparables Valuation						
	SYM	Price	Enterprise Value (EV)	Resources (Ag eq. in oz)	EV / Resources	
1	Orko Silver Corp.	OK	\$ 1.70	\$161,550,379	73,140,000	\$2.21
2	Avino Silver and Gold Mines	ASM	\$ 1.53	\$23,151,533	12,595,692	\$1.84
3	Silver Eagle Mines Inc.	SEG	\$ 0.83	\$31,753,780	30,200,000	\$1.05
4	Valencia Ventures Inc.	VVI	\$ 0.29	\$18,037,085	27,540,856	\$0.65
5	SilverCrest Mines	SVL	\$ 1.14	\$40,118,590	77,461,776	\$0.52
					Average	\$1.25
Fair Value of the Cachinal Project						\$0.56

Our average valuation for Valencia is \$0.63 per share. The following table summarizes our valuation of the Cachinal Property.

Valuation Summary	
DCF	\$0.61
Real Option	\$0.71
COMPS	\$0.56
Average	\$0.63

Our valuation on the company's 50% interest in Valere (Mt. Bundy project) is \$0.08 per share. A summary of our DCF valuation is shown below.

DCF Valuation Summary	
Mineral Resources (in tonnes)	15,871,500
Average Gold Grade (g/t)	1.33
Contained Gold (troy oz)	681,192
Recovery	75%
Throughput Rate (tonnes per year)	2,450,000
Mine Life (years)	7
Capital Costs	\$60,000,000
Operating Costs (\$/tonne)	\$12.0
Discount rate	11.49%
Net Present Value	\$11,796,357
VVI's interest (50%)	\$4,718,543
No. of Shares	59,989,398
Fair Value per Share	\$0.08

We have used a long-term gold price of US\$600/oz in our model.

Adding working capital to our valuation on the company's Cachinal project and the Mt. Bundy projects, we have obtained the fair value on the company of \$0.71 per share.

Valuation Summary	
Cachinal, Chile	\$0.63
Valere (Mt. Bundy project)	\$0.08
Working Capital - Debt	(\$0.02)
Net Fair Value	\$0.69

Conclusions & Rating

We believe Valencia is building a strong company through the growth and exploration for silver in northern Chile. The company has resource expansion potential at the Cachinal property and good early indications of a silver resource at the Juncal property. Although the recent resource estimate was a disappointment to the market due to the overall reduction in resources, we believe the company and SRK have identified the best way to proceed with exploration on the property. Chile is an excellent mining jurisdiction with significant silver resources, good accessibility and infrastructure, and a favorable government. We believe Valencia is well managed.

Based on our valuation models and our assessment of the company's projects, we initiate coverage of Valencia Ventures with a BUY rating and fair value estimate of \$0.69 per share.

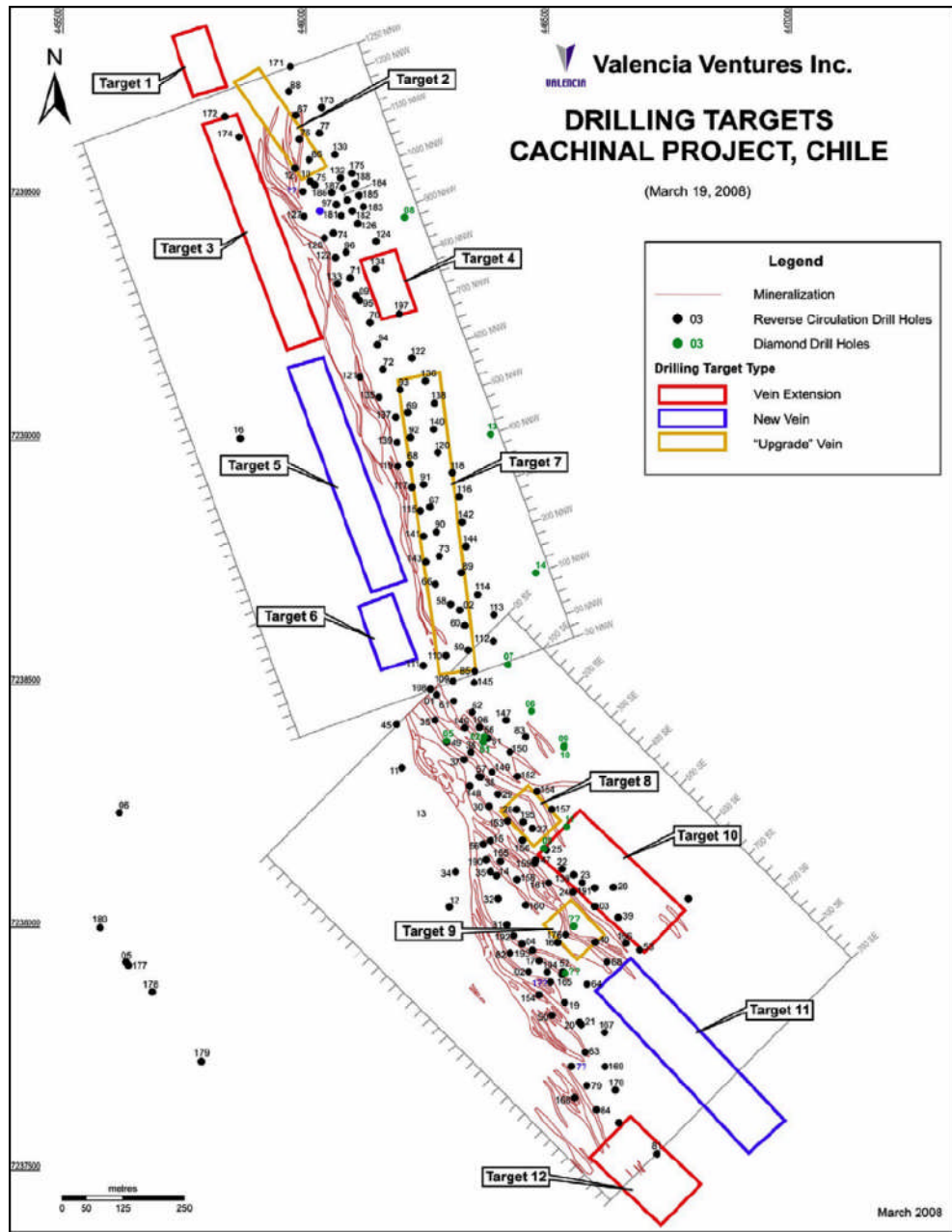
Risks

The following risks, though not exhaustive, will cause our estimates to differ from actual results:

- The success of drilling, expansion and determination of favorable resource estimates are important long-term success factors for the company.
- The company is subject to delays impacting the entire mining industry.
- The value of the company depends heavily on silver prices.
- We believe that the company will be required to raise more capital through share offerings or debt to conduct future operations and exploration activities in 2008.

We consider Valencia a high-risk investment opportunity as the company is still in its exploration stage. At this stage, we therefore rate the shares a **RISK of 5 (Highly Speculative)**.

Appendix



Fundamental Research Corp. Equity Rating Scale:

Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

Hold – Annual expected rate of return is between 5% and 12%

Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

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