

UNIVERSAL VENTURES INC.

Management Discussion and Analysis

For the year ended December 31, 2013

The Management Discussion and Analysis (“MD&A”), prepared April 4, 2014 should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2013, included in the company’s prospectus, and the notes thereto of Universal Ventures Inc.. (“Universal”) which were prepared in accordance with International Financial Reporting Standards.

This management discussion and analysis may contain forward-looking statements in respect of various matters including upcoming events. The results or events predicted in these forward-looking statements may differ materially from the actual results or events. The Company disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

DESCRIPTION OF BUSINESS

The Company was incorporated under the laws of the Province of British Columbia on December 21, 2010.

The Company is a junior mineral exploration company engaged in the business of acquiring, exploring and evaluating natural resource properties. The Company is currently focusing its financial resources on conducting an exploration program on the Tib Project. The Company has not yet determined whether this property contains reserves that are economically recoverable. The recoverability of amounts shown for resource property and related deferred exploration expenditures are dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development of the resource property and upon future profitable production or proceeds from the disposition thereof.

EXPLORATION PROJECT

TIB Project

On March 8, 2011, the Company entered into an Option Agreement, which was subsequently amended on February 22, 2012 (the “Agreement”) with an individual, whom became a director of the Company, and a non-related third party (the “Optionors”), whereunder the Company was granted an irrevocable and exclusive option to acquire a 100% interest in certain mineral claims located in the Alberni Mining Division, British Columbia. The claims consist of 22 contiguous mineral claims. To exercise the option, the Company must pay an amount of \$137,500 in cash, issue 500,000 common shares to the Optionors and incur a minimum of \$300,000 in exploration expenditures, in accordance with the following schedule:

Date for Completion	Cash Payment	Number of Common Shares to be Issued	Minimum Exploration Expenditures to be Incurred
Upon execution of the Agreement (paid)	\$ 7,500	–	\$ –
On or before March 8, 2012 (paid and incurred)	10,000	–	100,000
On or before March 8, 2013 (paid)	10,000	–	–
On or before March 8, 2014 (paid and issued)	15,000	100,000	–
On or before March 8, 2015	15,000	100,000	–
On or before March 8, 2016	30,000	100,000	–
On or before March 8, 2017	50,000	200,000	–
Any time prior to earning the option	–	–	200,000
TOTAL	\$137,500	500,000	\$ 300,000

In accordance with the terms of the Agreement, the Optionors will retain a 2% net smelter returns royalty (the

“NSR”) in respect of the Property. The Company has the option to purchase the NSR at any time during a five year period commencing from the date upon which the Property is put into commercial production in consideration of the payment of \$1,000,000 per percentage point.

Total costs incurred on exploration and evaluation assets are summarized as follows:

	2013	2012
Acquisition costs:		
Balance, beginning	\$ 17,500	\$ 7,500
Cash payment under the Agreement	10,000	10,000
<u>Balance, ending</u>	<u>27,500</u>	<u>17,500</u>
Deferred exploration expenditures:		
Balance, beginning	388,059	163,859
Geologist fees, survey and assays	3,918	224,200
<u>Balance, ending</u>	<u>391,977</u>	<u>388,059</u>
<u>Total costs, end of the year</u>	<u>\$ 419,477</u>	<u>\$ 405,559</u>

SELECTED ANNUAL INFORMATION (\$000's except loss per share)

	December 31, <u>2013</u>	December 31, <u>2012</u>	December 31, <u>2011</u>
Revenue	\$ 0	\$ 0	\$ 0
Net Loss	\$ (130)	\$ (288)	\$ (51)
Basic and Diluted Loss Per Share	\$ (0.02)	\$ (0.05)	\$ (0.02)
Total Assets	\$ 698	\$ 946	\$ 196
Long-Term Debt	\$ 0	\$ 0	\$ 0
Dividends	\$ 0	\$ 0	\$ 0

OPERATIONS

Three month period ended December 31, 2013

During the three months ended December 31, 2013 the Company reported a net loss of \$20,851 (2012 – (\$7,584)). Included in the determination of operating loss was \$3,997 (2012 - \$6,339) spent on rent, \$9,000 (2012 - \$9,000) on management and administration, \$6,609 (2012 - \$10,223) on professional fees, \$1,358 (2012 - \$12,757) on transfer agent and filing fees, \$203 (2012 - \$2,098) on advertising and promotion, \$Nil (2012 - \$Nil) on travel, \$203 (2012 – \$44) on interest and bank charges and (\$519) (2012 - \$757) on office and miscellaneous. During the period the Company also incurred a stock based compensation charge of \$Nil (2012 – (\$48,802)).

Twelve month period ended December 31, 2013

During the twelve months ended December 31, 2013 the Company reported a net loss of \$129,528 (2012 - \$287,774). Included in the determination of operating loss was \$17,262 (2012 - \$17,171) spent on rent, \$36,000 (2012 - \$36,000) on management and administration, \$51,887 (2012 - \$49,934) on professional fees, \$14,898 (2012 - \$17,519) on transfer agent and filing fees, \$2,829 (2012 - \$2,731) on advertising and promotion, \$2,661 (2012 - \$Nil) on travel, \$203 (2012 - \$12,866) on interest and bank charges and \$3,788 (2012 - \$1,717) on office and miscellaneous. During the period the Company also incurred a stock based compensation charge of \$Nil (2012 - \$149,836).

SUMMARY OF QUARTERLY RESULTS
(\$000's except earnings per share)

	December 31, <u>2013</u>	September 30, <u>2013</u>	June 30, <u>2013</u>	March 31, <u>2013</u>
Revenue	\$ 0	\$ 0	\$ 0	\$ 0
Net loss	\$ (22)	\$ (20)	\$ (34)	\$ (54)
Basic and diluted Loss per share	\$ (0.01)	\$ (0.00)	\$ (0.00)	\$ (0.01)

	December 31, <u>2012</u>	September 30, <u>2012</u>	June 30, <u>2012</u>	March 31, <u>2012</u>
Revenue	\$ 0	\$ 0	\$ 0	\$ 0
Net income or (loss)	\$ 7	\$ (197)	\$ (39)	\$ (59)
Basic and diluted Loss per share	\$ (0.01)	\$ (0.04)	\$ (0.01)	\$ (0.01)

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents at December 31, 2013 were \$267,650 compared to \$493,704 at December 31, 2012.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

The following is a summary of balances and transactions with a director, an officer and former director, and companies controlled by directors of the Company:

	2013	2012
<u>Related party transactions</u>		
Management fees paid to a company controlled by a director	\$ 36,000	\$ 36,000
Rental fees paid to a company controlled by a director	-	9,000
Rental income received from a company with directors in common	7,105	-
Accounting fees paid to a company controlled by a director	20,500	17,450
Legal fees incurred to an entity in which the partner is an officer and former director of the Company	-	7,592
Amounts paid by the Company for acquisition of the TIB project to a director (See Note 4)	5,000	5,000
Interest on a director loan	-	2,699
Fair value of bonus shares issued for loan to a director	-	10,000
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Accounts payable owing to Companies controlled by directors	\$ 4,620	\$ 6,738

A director advanced the Company \$100,000 pursuant to a loan agreement dated January 15, 2012. The loan was interest bearing at 8% per annum with a maturity date on the earlier of January 15, 2013 or the date upon which the shares of the Company are listed for trading on the TSX Venture Exchange. The principal of \$100,000 and interest of \$2,699 were repaid in full on August 31, 2012. Pursuant to the loan agreement, the Company also issued a bonus of 40,000 common shares with fair value of \$10,000 to the director when the loan was repaid in full on August 31, 2012.

The remuneration of key management personnel during the years ended December 31, 2013 and December 31, 2012 is summarized below:

	2013	2012
<u>Key management compensation</u>		
Management fees	\$ 36,000	\$ 36,000
Share-based payments	\$ -	\$ 149,836

Key management includes directors and key officers of the Company, including the President, CEO and CFO.

COMMITMENTS

The Company is obligated to make certain payments and issue shares in connection with the acquisition of its mineral property

SUBSEQUENT EVENTS

There were no material subsequent events.

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Effective December 21, 2010, the Company adopted new and revised International Financial Reporting Standards (“IFRSs”) that were issued by the International Accounting Standards Board (“IASB”). The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current period but may affect the accounting for future transactions or arrangements.

a) Amendments to IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions

The amendments clarify the scope of IFRS 2, as well as the accounting for Group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.

b) Amendments to IFRS 3 Business Combinations

The main amendments to IFRS 3 Business Combinations are as follows:

- i. The revised standard also applies to business combinations involving only mutual entities and to business combinations achieved by contract alone;
- ii. The definition of a business has been amended to clarify that it can include a set of activities and assets that are not being operated as a business, as long as an acquirer is capable of operating the set of activities and assets as a business;
- iii. All business combinations are accounted for by applying the acquisition method (previously the purchase method);
- iv. The acquirer can elect to measure any non-controlling interest at fair value at the acquisition date, or at its proportionate interest in the fair value of the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis;
- v. Subsequent recognition of deferred tax assets in a business combination that did not satisfy the criteria for recognition at the acquisition date would be recognized in profit or loss.

This standard applies prospectively to acquisitions with a date on or after the beginning of the first annual period beginning on or after July 1, 2009.

c) Amendments to IAS 7 Statement of Cash Flows

The amendments clarify that only expenditures that result in the recognition of an asset can be classified as a cash flow from investing activities.

d) Amendments to IAS 27 Consolidated and Separate Financial Statements

The main amendments to IAS 27 consolidated and Separate Financial Statements are as follows:

- i. Changes in a parent’s ownership interest that do not result in the loss of control of a controlled subsidiary are accounted for as equity transactions. Accordingly, acquisitions of additional non-controlling interests are accounted for as equity transactions. Disposals of equity interest while retaining control are accounted for as equity transactions;
- ii. Transactions resulting in a loss of control would cause a gain or loss to be recognized in profit or loss;

- iii. Losses applicable to the non-controlling interests, including negative other comprehensive income, are allocated to non-controlling interests even if doing so causes the non-controlling interests to have a negative balance.

e) Amendments to IAS 36 Impairment of Assets

The amendments clarify that the largest unit to which goodwill should be allocated is the operating segments level. This amendment applies prospectively.

f) Amendments to IAS 38 Intangible Assets

The amendments clarify that an intangible asset that is separable only together with a related contract, identifiable asset or liability is recognized separately from goodwill together with the related item, and that complementary intangible assets with a similar useful lives may be recognized as a single asset. The amendments also describe valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination for which no active market exists. These amendments are applied prospectively.

g) Amendments to IAS 39 Financial Instruments: Recognition and Measurement

The main amendments consist of:

- I. Additional guidance provided to help determine whether loan prepayment penalties result in an embedded derivative that needs to be separated;
- II. Clarification that the scope exemption is restricted to forward contracts between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date within a reasonable period normally necessary to obtain any required approvals and to complete the transaction;
- III. Clarification that the gains or losses on a cash flow hedge should be reclassified from other comprehensive income or profit or loss during the period that the hedged forecast cash flows impact profit or loss.

The amendments apply prospectively to all unexpired contracts from the date of adoption.

CRITICAL ACCOUNTING POLICIES

Stock-based Compensation

The Company has a stock option plan, which is described in to the financial statements. The Company applies the fair value method to all stock-based payments and to all grants that are direct awards of stock that call for settlement in cash or other assets. Compensation expense is recognized over the applicable vesting period with a corresponding increase in contributed surplus. When the options are exercised, share capital is credited for the consideration received and the related contributed surplus is decreased. The Company uses the Black Scholes option pricing model to estimate the fair value of stock based compensation.

Financial Instruments

Financial assets are classified into one of four categories:

- Fair value through profit or loss;
- Held-to-maturity;
- Available for sale and;
- Loans and receivables

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

Financial assets at fair value through profit or loss (“FVTPL”)

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if

- It has been acquired principally for the purpose of selling in the near future;
- It is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking or;
- It is a derivative that is not designated and effective as a hedging instrument.

The Company does not have any assets classified as FVTPL assets.

Held-to-maturity (“HTM”)

HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as HTM investments.

Available-for-sale financial assets (“AFS”)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (i) loans and receivables, (ii) held-to-maturity investments or (iii) financial assets as at FVTPL. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS monetary items, are recognized in other comprehensive income or loss. When an investment is derecognized, the cumulative gain or loss in the investment revaluation reserve is transferred to profit or loss. The Company classifies cash as AFS.

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 initially recognized 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 and impairment losses.

Derecognition of financial assets

A financial asset is derecognized when:

- The contractual right to the asset’s cash flows expire; or
- If the Company transfer the financial assets and substantially all risks and rewards of ownership to another entity.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset’s carrying amount and the present value of the estimated future cash flows, discounted at the financial asset’s original effective interest rate.

The carrying amount of all financial assets is directly reduced by the impairment loss. With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

SHARE CAPITAL

Issued

The company has 7,818,443 shares issued and outstanding as at December 31, 2013 and 7,918,443 as at April 4, 2014.

Share Purchase Options

The Company has 650,000 stock options outstanding at December 31, 2013 and April 4, 2014.

Warrants

The Company has 1,557 share purchase warrants outstanding at December 31, 2013 and April 4, 2014.

Escrow Shares

The Company has 1,320,000 shares held in escrow as at December 31, 2013 and 990,000 as at April 4, 2014.