

# UNIVERSAL VENTURES INC.

## Management Discussion and Analysis

For the year ended December 31, 2014

The Management Discussion and Analysis (“MD&A”), prepared April 30, 2015 should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2014, 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, who 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 22 contiguous mineral claims located in the Alberni Mining Division, British Columbia. 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 September 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	–
<u>Any time prior to earning the option</u>	–	–	200,000
<b>Total</b>	<b>\$137,500</b>	<b>500,000</b>	<b>\$ 300,000</b>

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 the Company's exploration and evaluation asset are summarized as follows:

	<b>2014</b>	<b>2013</b>
Acquisition costs:		
Balance, beginning	\$ 27,500	\$ 17,500
Cash payment under the Agreement	15,000	10,000
Shares issued under the Agreement	45,000	-
Balance, ending	<u>87,500</u>	<u>27,500</u>
Deferred exploration expenditures:		
Balance, beginning	391,977	388,059
Geologist fees, survey and assays	1,971	3,918
Exploration tax credit	(59,317)	-
Balance, ending	<u>334,631</u>	<u>391,977</u>
Total costs, end of the year	<u>\$ 422,131</u>	<u>\$ 419,477</u>

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

	December 31, <u>2014</u>	December 31, <u>2013</u>	December 31, <u>2012</u>
Revenue	\$ 0	\$ 0	\$ 0
Net Loss	\$ (148)	\$ (130)	\$ (288)
Basic and Diluted Loss Per Share	\$ (0.02)	\$ (0.02)	\$ (0.05)
Total Assets	\$ 653	\$ 698	\$ 946
Long-Term Debt	\$ 0	\$ 0	\$ 0
Dividends	\$ 0	\$ 0	\$ 0

#### **OPERATIONS**

##### **Three month period ended December 31, 2014**

During the three months ended December 31, 2014 the Company reported a net loss of \$18,296 (2013 – \$20,851). Included in the determination of operating loss was \$863 (2013 - \$3,997) spent on rent, \$15,000 (2013 - \$9,000) on management and administration, \$4,600 (2013 - \$6,609) on professional fees, \$1,337 (2013 - \$1,358) on transfer agent and filing fees, \$498 (2013 - \$203) on advertising and promotion, \$Nil (2013 - \$Nil) on travel and \$390 (2013 – \$(316)) on office and miscellaneous.

##### **Twelve month period ended December 31, 2014**

During the twelve months ended December 31, 2014 the Company reported a net loss of \$147,859 (2013 – \$129,528). Included in the determination of operating loss was \$6,731 (2013 - \$17,262) spent on rent, \$54,000 (2013 - \$36,000) on management and administration, \$47,858 (2013 - \$51,887) on professional fees, \$17,452 (2013 - \$14,898) on transfer agent and filing fees, \$3,434 (2013 - \$2,829) on advertising and promotion, \$8,494 (2013 - \$2,661) on travel and \$1,738 (2013 - \$3,991) on office and miscellaneous. The Company also incurred a stock based compensation charge of \$8,152 (2013 - \$Nil).

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

	December 31, <u>2014</u>	September 30, <u>2014</u>	June 30, <u>2014</u>	March 31, <u>2014</u>
Revenue	\$ 0	\$ 0	\$ 0	\$ 0
Net loss	\$ (18)	\$ (33)	\$ (64)	\$ (33)
Basic and diluted Loss per share	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.00)

	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 income or (loss)	\$ (22)	\$ (20)	\$ (34)	\$ (54)
Basic and diluted Loss per share	\$ (0.01)	\$ (0.00)	\$ (0.00)	\$ (0.01)

**LIQUIDITY AND CAPITAL RESOURCES**

The Company's cash and cash equivalents at December 31, 2014 were \$219,888 compared to \$267,650 at December 31, 2013.

**OFF-BALANCE SHEET ARRANGEMENTS**

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

## TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

The following amounts are due to related parties as at December 31, 2014 and 2013:

	<b>2014</b>	<b>2013</b>
	\$	\$
Accounts payable and accrued liabilities	4,600	4,620

The amounts are due to companies controlled by directors of the Company. The amounts are non-interest bearing, unsecured and are due upon demand.

The Company had the following related party transactions during the years ended December 31, 2014 and 2013:

	<b>2014</b>	<b>2013</b>
	\$	\$
Exploration and evaluation asset acquisition costs (i)	30,000	5,000
Professional fees	25,950	20,500
Rental Income	(18,925)	(7,105)

- (i) The Company has capitalized the exploration and evaluation asset acquisition costs of \$30,000 incurred from a related party, which consist of cash payment of \$7,500 and issuance of 50,000 common shares with a fair value of \$22,500.

Exploration and evaluation asset acquisition costs and professional fees are paid to directors and companies controlled by directors of the Company. Rental income is received from a company with directors in common.

Key management personnel receive compensation in the form of short-term employee benefits. Key management personnel include the directors and officers of the Company. The remuneration of key management during the years ended December 31, 2014 and 2013 is as follows:

	<b>2014</b>	<b>2013</b>
	\$	\$
Management fees	54,000	36,000
Share-based payments	8,152	-
Total	62,152	36,000

## COMMITMENTS

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

## **SUBSEQUENT EVENTS**

In April 2015, the Company entered into an amended agreement with Optionors of the TIB Project to extend the March 8, 2015 due date for the payment of \$15,000 and issuance of 100,000 common shares of the by six months. In connection with the amendment, the Company also made a payment of \$2,000 to the Optionors.

## **APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the IFRIC that are mandatory for accounting periods beginning after January 1, 2014, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

### New accounting standards adopted effective January 1, 2014:

- i. IAS 32 Financial Instruments: Presentation - In December 2011, the IASB issued an amendment to clarify the meaning of the offsetting criterion and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement.
- ii. IFRIC 21 Levies - IFRIC 21 was issued in May 2013 and provides an interpretation of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past activity or event ("obligating event") described in the relevant legislation that triggers the payment
- iii. Amendments to IAS 36 Impairment of Assets - IAS 36 was amended in May 2013 which restricts the requirement to disclose the recoverable amount of an asset or cash generating unit ("CGU") to periods in which an impairment loss has been recognized or reversed. The amendments also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less cost of disposal. The amendments are effective for annual periods beginning on or after January 2014 and should be applied retrospectively.

The adoption of the above new standards and the amendments to other standards did not have a significant impact on the Company's consolidated financial statements.

### New accounting standards effective for annual periods on or after January 1, 2015:

- i. IAS 1 Presentation of Financial Statements - In December 2014, the IASB issued an amendment to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The changes clarify that materiality considerations apply to all parts of the financial statements and the aggregation and disaggregation of line items within the financial statements.
- ii. IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - In May 2014, the IASB issued amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

### New accounting standards effective for annual periods on or after January 1, 2018:

- i. IFRS 9 Financial Instruments - IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at the fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, others gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 is effective for annual periods beginning on or after January 2018 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated financial statements or whether to early adopt any of the new requirements.

The extent of the impact of adoption of these standards and interpretations on the financial statements of the Company has not been determined.

## **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's cash is classified as FVTPL asset.

#### *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.

#### *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 8,118,443 shares issued and outstanding as at December 31, 2014 and April 30, 2015.

### Share Purchase Options

The Company has 350,000 stock options outstanding at December 31, 2014 and April 30, 2015.

### Warrants

The Company has Nil share purchase warrants outstanding at December 31, 2014 and April 30, 2015.

### Escrow Shares

The Company has 660,000 shares held in escrow as at December 31, 2014 and 330,000 as at April 30, 2015.