

Two Owls Ventures Corp.

Condensed Interim Financial Statements
Nine months ended September 30, 2018
(Unaudited)

Two Owls Ventures Corp.

Condensed Interim Statements of Financial Position

(Stated in Canadian Dollars)

(Unaudited)

	Notes	September 30, 2018	December 31, 2017
ASSETS			
Current assets			
Cash		\$ 381,734	\$ 88,054
GST receivable		3,187	541
Prepaid expenses		-	21,195
TOTAL ASSETS		\$ 384,921	\$ 109,790
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		\$ 838	\$ 5,415
Equity			
Common shares	4	405,751	110,000
Share-based payments reserve	5	44,799	-
Deficit		(66,467)	(5,625)
Total equity		384,083	104,375
TOTAL LIABILITIES AND EQUITY		\$ 384,921	\$ 109,790
Nature and continuance of operations	1		
Events subsequent to the reporting date	1		

Approved on behalf of the Board of Directors:

"David Patterson"

David Patterson, Director

"Colin Watt"

Colin Watt, Director

Two Owls Ventures Corp.

Condensed Interim Statements of Loss and Comprehensive Loss

(Stated in Canadian Dollars)

(Unaudited)

	Notes	Three months ended September 30, 2018	Nine months ended September 30, 2018	Period from incorporation on August 16, 2017 to September 30, 2017
Expenses				
General and administrative	6	\$ 5,397	\$ 60,842	\$ 5,432
Loss and comprehensive loss for the period		\$ (5,397)	\$ (60,842)	\$ (5,432)
Weighted average number of common shares outstanding				
Basic and diluted		4,000,000	2,945,055	-
Basic and diluted loss per common share		\$ (0.00)	\$ (0.02)	n/a

The accompanying notes are an integral part of these condensed interim financial statements.

Two Owls Ventures Corp.

Condensed Interim Statements of Changes in Equity

(Stated in Canadian Dollars)

(Unaudited)

	Common Shares		Share-based Payments Reserve	Deficit	Total
	Number	Amount			
Balance at August 16, 2017	-	\$ -	\$ -	\$ -	\$ -
Issue of common shares for cash	2,200,000	110,000	-	-	110,000
Loss for the period	-	-	-	(5,432)	(5,432)
Balance at September 30, 2017	2,200,000	110,000	-	(5,432)	104,568
Loss for the period	-	-	-	(193)	(193)
Balance at December 31, 2017	2,200,000	110,000	-	(5,625)	104,375
Initial public offering	4,000,000	400,000	-	-	400,000
Share issue costs on initial public offering	-	(104,249)	17,568	-	(86,681)
Share-based payments	-	-	27,231	-	27,231
Loss for the period	-	-	-	(60,842)	(60,842)
Balance at September 30, 2018	6,200,000	\$ 405,751	\$ 44,799	\$ (66,467)	\$ 384,083

The accompanying notes are an integral part of these condensed interim financial statements.

Two Owls Ventures Corp.
Condensed Interim Statement of Cash Flows
(Stated in Canadian Dollars)
(Unaudited)

	Nine months ended September 30, 2018	Period from incorporation on August 16, 2017 to September 30, 2017
Operating activities		
Loss for the period	\$ (60,842)	\$ (5,432)
Item not involving cash:		
Share-based payments	27,231	-
Changes in non-cash working capital items:		
GST receivable	(2,646)	(500)
Trade and other payables	(4,577)	5,415
Net cash (used in) provided by operating activities	(40,834)	(517)
Financing activities		
Issue of common shares	400,000	110,000
Share issue costs	(65,486)	(15,000)
Net cash provided by financing activities	334,514	95,000
Change in cash during the period	293,680	94,483
Cash, beginning of period	88,054	-
Cash, end of period	\$ 381,734	\$ 94,483
Supplemental Cash Flow Information		
Income taxes paid	\$ -	\$ -
Interest paid (received)	\$ -	\$ -

The accompanying notes are an integral part of these condensed interim financial statements.

Two Owls Ventures Corp.
Notes to the Condensed Interim Financial Statements
September 30, 2018
(Stated in Canadian Dollars)
(Unaudited)

1. Nature and Continuance of Operations

Two Owls Ventures Corp. (“Two Owls” or the “Company”) was incorporated on August 16, 2017 pursuant to the Business Corporations Act of British Columbia and is classified as a Capital Pool Company as defined in TSX Venture Exchange (“TSX-V” or the “Exchange”) Policy 2.4. On March 14, 2018 the Company completed its Initial Public Offering (“IPO”) and on March 26, 2018, the Company’s shares commenced trading on the TSX-V.

As at September 30, 2018, the Company had no business operations and its only significant asset was cash. During the nine months ended September 30, 2018, the Company did not enter into any agreements to acquire interests in businesses or assets. As a Capital Pool Company, the Company’s principal business is the identification and evaluation of assets, properties or businesses with a view to acquisition or participation therein subject, in certain cases, to shareholder approval and acceptance by the TSX-V. Where an acquisition or participation is warranted (the “Qualifying Transaction”), additional funding may be required. The ability of the Company to fund its potential future operations and commitments is dependent upon the ability of the Company to obtain additional financing. There is no assurance that the Company will complete a Qualifying Transaction within twenty-four months from the date the Company’s shares are listed on the TSX-V, at which time the TSX-V may suspend or de-list the Company’s shares from trading.

On November 7, 2018 Two Owls reported that the Company and Minerva Intelligence Inc. (“Minerva”) had entered into a binding letter agreement (the “Letter Agreement”) dated November 6, 2018 pursuant to which Two Owls will acquire all of the issued and outstanding shares in the capital of Minerva pursuant to a reverse-takeover transaction (the “Transaction”). The Transaction will constitute Two Owls’ Qualifying Transaction, as defined in Exchange Policy 2.4 – Capital Pool Companies. The Transaction will be effected by way of a plan of arrangement, whereby Two Owls will acquire from the shareholders of Minerva, 100% of the issued and outstanding common shares of Minerva and Minerva will become a wholly owned subsidiary of Two Owls.

Minerva Intelligence Inc.

Minerva is a private Ontario corporation based in Vancouver, British Columbia, Canada. Minerva was incorporated on May 17, 2017; and its sole business has been to develop and market artificial intelligent (AI) software products.

The founders conceived and built the AI software based on decades of experience and expertise developed while working in the geological and cognitive computing fields. Minerva’s MMI™ system (“the MMI™ system” or the “Software”) combines human domain expertise (e.g., mineral exploration or landslide models) with information from public and private databases in a cognitive computer reasoning system to carry out complex tasks faster and more thoroughly than can be done by human beings. Knowledge engineering, logic programming and reasoning with uncertainty are key elements of Minerva’s Software.

Minerva’s MMI™ system has been developed to function in multiple diverse problem domains. In each domain in which it is deployed, a key element of its effective operation is the domain knowledge base and models deployed alongside the available voluminous and otherwise unwieldy data to which such knowledge base and models are applied. For this reason, Minerva gives its systems different names for the different domains within which it is deployed. Minerva’s principal existing products are:

- MineMatch®: identifies mineral exploration targets in exploration data sets which are too vast and complex for humans to effectively evaluate.
- HazardMatch™: identifies and evaluates landslide hazards. Management believes that this product has potential applications in additional areas having similar requirements.
- MetMatch™: identifies and manipulates data in a metallurgical context.

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Minerva is currently focused on applying its MineMatch[®] system (part of the MMI[™] system) as a software service for enhancing the success rate of minerals exploration. Although mineral deposits are rare and complex with many different attributes, more than 100 years of scientific research has produced many powerful models used to predict where mineral deposits are most likely to occur. Minerva's MineMatch[®] system combines the power of human knowledge and experience with computer speed and reasoning to streamline mineral discovery. The principal market for Minerva's MineMatch[®] system lies with mineral exploration companies and institutions, both governmental and non-governmental, that promote minerals exploration, such as geological surveys and the World Bank.

Qualifying Transaction Terms

The Transaction will be effected by way of a plan of arrangement, whereby (i) Two Owls will incorporate a new Ontario subsidiary ("Subco"), (ii) Two Owls, Subco and Minerva will effect a three cornered amalgamation whereby Minerva and Subco will amalgamate and the shareholders of Minerva will receive shares of Two Owls, and (iii) Minerva will become a wholly owned subsidiary of Two Owls.

Subject to compliance with Exchange policies, Two Owls will first complete a consolidation of its common shares at a ratio of two (2) existing common shares for one (1) post-consolidation common share (the "Consolidation") immediately prior to and as a condition of the closing of the Transaction. The number of common shares issuable on exercise of outstanding Two Owls options will be adjusted accordingly based on the Consolidation ratio. Following the Consolidation, Two Owls will have 3,100,000 common shares outstanding and 510,000 stock options, including agent's options, outstanding with an exercise price of \$0.20.

Pursuant to the arrangement, Two Owls will acquire from the shareholders of Minerva all of the issued and outstanding common shares of Minerva (the "Minerva Common Shares") and in consideration therefor, subject to Exchange approval, Two Owls will issue to each shareholder of Minerva five (5) post-Consolidation common share in the capital of Two Owls in exchange for each Minerva Common Share held by such shareholder. In addition, Two Owls will issue options in replacement of options outstanding in the capital of Minerva.

In conjunction with closing of the Transaction, the Company will change its name to "*Minerva Intelligence Inc.*" or similar name to reflect its new business.

Closing of the Transaction is subject to certain conditions precedent first being met, including:

- (i) negotiation and execution of a definitive arrangement agreement;
- (ii) completion of the Consolidation and name change, referred to above;
- (iii) approval of the Minerva shareholders and the Ontario Superior Court to the arrangement;
- (iv) Exchange approval to the Transaction; and
- (v) the resignation of the officers and directors of Two Owls, and the appointment of Minerva representatives.

Capital Structure

Minerva currently has issued and outstanding: (i) 7,715,001 Minerva Common Shares; and (ii) 390,000 stock options exercisable at \$1.2669 per share. On closing, Two Owls will issue 38,575,005 post-consolidated shares and 1,950,000 options (exercisable at \$0.2534 per share); such that there will be an aggregate of 41,675,005 shares and 2,460,000 options outstanding in the capital of the Company. An estimated 5,266,675 shares will be subject to escrow.

In addition and in accordance with the policies of the Exchange, the Company intends to pay finders' fees in connection with the Transaction through the issuance of 1,000,000 post-Consolidation shares of the Company.

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Financing

Minerva recently completed two private placements of (i) 2,765,000 shares at US\$1.00 per share for gross proceeds of US\$2,765,000, and (ii) 1,450,000 shares at US\$2.50 per share for gross proceeds of US\$3,625,000. Minerva's working capital as of September 30, 2018 was \$5,115,809. It is not anticipated there will be a concurrent financing undertaken in conjunction with the Transaction. No funds have been or will be advanced by Two Owls to Minerva prior to closing of the Transaction.

Other Matters

Trading of Two Owls' common shares will remain halted pending completion of the Transaction, subject to the earlier re-commencement of trading only upon Exchange approval and the filing of required materials with the Exchange as contemplated by Exchange policies.

The proposed Transaction is not a Non-Arm's Length Qualifying Transaction (as defined in Exchange Policy 2.4); and consequently the Transaction will not be subject to approval by the Company's shareholders.

No sponsor has been engaged by Two Owls regarding the proposed Transaction, and Two Owls will be making application to the Exchange for waiver of sponsorship.

The head office of the Company is located at Suite 1100 – 1111 Melville Street, Vancouver, BC, V6E 3V6. The registered office of the Company is located at Suite 808, 1090 West Pender Street, Vancouver, BC, V6E 2N7.

The financial statements are presented in Canadian dollars and all values are rounded to the nearest dollar except where otherwise indicated.

2. Basis of Preparation

a) Statement of compliance

These condensed interim financial statements, including comparatives, are unaudited and have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

b) Basis of presentation

These condensed interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's December 31, 2017 financial statements for the period from incorporation on August 16, 2017 to December 31, 2017, with the exception of the following (described in note 2c):

- Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions* ("IFRS 2")
- IFRS 9 *Financial Instruments* ("IFRS 9")
- IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15")

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2. Basis of Preparation (cont'd)

The preparation of interim financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These condensed interim financial statements do not include all of the information required for full annual financial statements.

These condensed interim financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published and effective at the time of preparation.

These condensed interim financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

- c) Recent accounting pronouncements and changes to accounting policies
- i) IFRS 2 – In June 2016, the IASB issued amendments to IFRS 2, covering the measurement of cash-settled share-based payments, classification of share-based payments settled net of tax withholdings, and accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements, and potentially the timing and amount of expense recognized for new and outstanding awards. There was no material impact on the Company's condensed interim financial statements upon adoption of this standard.
 - ii) IFRS 9 – In July 2014, the IASB issued the final version of IFRS 9, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9's key changes include but are not limited to (i) eliminating the previous IAS 39 categories for financial assets of held to maturity, loans and receivables, and available for sale, and (ii) replacing IAS 39's incurred loss model with the expected credit loss model in evaluating certain financial assets for impairment. The Company's new accounting policy for IFRS 9 is as follows:

a) Recognition

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value, and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectation of recovering the contractual cash flows of a financial asset.

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2. Basis of Preparation (cont'd)

b) Classification and measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

- i) those to be measured subsequently at fair value, either through profit or loss ("FVTPL") or through other comprehensive income ("FVTOCI"); and,
- ii) those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

After initial recognition at fair value, financial liabilities are classified and measured at either:

- i) amortized cost;
- ii) FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or,
- iii) FVTOCI, when the change in fair value is attributable to changes in the Company's credit risk.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at fair value through profit or loss are expensed in profit or loss.

The Company's financial asset consists of cash, which is classified and subsequently measured at amortized cost. The Company's financial liabilities consist of trade and other payables which are classified and measured at amortized cost using the effective interest method. Interest expense is reported in net loss.

c) Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

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2. Basis of Preparation (cont'd)

There was no material impact on the Company's condensed interim consolidated financial statements upon adoption of this standard.

iii) IFRS 15 – In May 2014, the IASB issued IFRS 15, which establishes a single five-step model framework for determining the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. As the Company currently has no revenues, there was no material impact on the Company's condensed interim consolidated financial statements upon adoption of this standard.

d) Approval of the financial statements

The financial statements of the Company for the nine months ended September 30, 2018 were reviewed by the audit committee and approved and authorized for issue by the Board of Directors on November 27, 2018.

3. Cash Restriction

In accordance with TSX-V Policy 2.4, the proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that no more than the lesser of 30% of the gross proceeds from the issuance of shares (\$153,000) or \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company not related to the identification and evaluation of a Qualifying Transaction. These restrictions apply until completion of a Qualifying Transaction by the Company pursuant to the CPC Policy.

4. Shareholders' Equity

a) Authorized and issued share capital:

The Company has authorized an unlimited number of common shares without par value.

b) During the nine months ended September 30, 2018, the Company issued common shares as follows:

On March 14, 2018, the Company completed its initial public offering ("IPO") of 4,000,000 common shares at \$0.10 per common share for gross proceeds of \$400,000. The Company paid a cash commission of 10% of the gross proceeds, paid a corporate finance fee of \$10,000 and issued to the IPO agent 400,000 non-transferable agent's options (the "Agent's Options") to purchase an aggregate of 400,000 common shares of the Company at an exercise price of \$0.10 per share. The Agent's Options expire on March 26, 2020. The Company recognized \$17,568 for share-based payments related to the Agent's Options (note 5b). The Company also charged \$15,658 of IPO issue costs (\$8,137 of professional fees and \$7,521 of filing and listing fees) to net loss to recognize the seed shares' portion of the IPO issuance costs.

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4. Shareholders' Equity (cont'd)

c) Escrowed shares:

Pursuant to an escrow agreement dated February 8, 2018 (the "Escrow Agreement") between the Company and certain shareholders of the Company, 2,200,000 common shares (the "Escrowed Shares"), being all of the issued and outstanding common shares prior to the completion of the initial public offering, were deposited in escrow. Pursuant to the Escrow Agreement, the Escrowed Shares shall be released pro-rata to the shareholders as to 10% upon issuance of notice of final acceptance of a Qualifying Transaction by the TSX-V and as to the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months. These Escrowed Shares may not be transferred, assigned or otherwise dealt without the consent of the regulatory authorities.

d) Basic and diluted loss per share:

	Three months ended September 30, 2018	Nine months ended September 30, 2018	Period from incorporation on August 16, 2017 to September 30, 2017
Numerator:			
Net (loss) income	\$ (5,397)	\$ (60,842)	\$ (5,432)
Denominator:			
Weighted average number of common shares (basic)	4,000,000	2,945,055	-
Dilutive effect of share options	-	-	-
Dilutive effect of warrants	-	-	-
Weighted average number of common shares (diluted)	4,000,000	2,945,055	-
Basic and diluted (loss) income per common share	\$ (0.00)	\$ (0.02)	n/a

5. Share-based Payments

a) Stock options

The Company has adopted an incentive stock option plan in accordance with the policies of the TSX-V (the "Stock Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Company non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance under the Stock Option Plan shall not exceed ten percent (10%) of the issued and outstanding common shares. The options will be exercisable for a period of up to ten (10) years. In addition, the number of common shares reserved for issuance to any one person shall not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to any one consultant will not exceed two percent (2%) of the issued and outstanding common shares. The Board of Directors will determine the price per common share and the number of common shares which may be allocated to each director, officer, employee and consultant and all other terms and conditions of the option, subject to the rules of TSX-V.

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5. Share-based Payments (cont'd)

On March 26, 2018, the Company granted 620,000 stock options to directors and officers with an exercise price of \$0.10. The stock options will be exercisable for a period of two years expiring on March 26, 2020. The Company recognized \$27,231 for share-based payments.

The fair value of the stock options was estimated using the Black-Scholes option pricing model assuming a risk-free interest rate of 1.9%, a dividend yield of nil, an expected annual volatility of the Company's share price of 80%, a weighted average expected life of 2 years, and a forfeiture rate of 0%. The fair value of the stock options was approximately \$0.04 per option. The expected volatility assumption is based on the estimated volatility of early stage companies trading on the TSX-V. The risk-free interest rate is based on yield curves on the Canadian government zero-coupon bonds or Canadian government treasury bills with a remaining term equal to the stock options' expected life.

b) Agent's options

The fair value of the Agent's Options is estimated using the Black-Scholes option pricing model assuming a risk-free interest rate of 1.9%, a dividend yield of nil, an expected annual volatility of the Company's share price of 80%, a weighted average expected life of 2 years, and a forfeiture rate of 0%. The fair value of Agent's Options was approximately \$0.04 per option. The expected volatility assumption is based on the estimated volatility of early stage companies trading on the TSX-V. The risk-free interest rate is based on yield curves on the Canadian government zero-coupon bonds or Canadian government treasury bills with a remaining term equal to the stock options' expected life.

6. General and Administrative

	Three months ended September 30, 2018	Nine months ended September 30, 2018	Period from incorporation on August 16, 2017 to September 30, 2017
Filing and listing fees	\$ 225	\$ 14,045	\$ -
Office and miscellaneous	1,800	4,201	17
Professional fees	2,511	12,951	5,415
Share-based payments	-	27,231	-
Transfer agent fees	861	2,414	-
	\$ 5,397	\$ 60,842	\$ 5,432

7. Financial Instruments – Fair Value

Fair value estimates are made at the condensed interim statement of financial position date, based on relevant market information and other information about financial instruments. As at September 30, 2018, the Company's financial instruments are cash and trade and other payables. The amounts reflected in the condensed interim statements of financial position are carrying amounts and approximate their fair values due to their short-term nature.