



MINERVA INTELLIGENCE

Minerva Intelligence (Canada) Ltd.

(formerly Minerva Intelligence Inc.)

Unaudited Condensed Interim Financial Statements

For the Three-Month Period ended March 31, 2019

Notice to Reader

Under National instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements have been prepared by and are the responsibility of management.

The Company's Independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of the interim financial statements by an entity's auditor.

Minerva Intelligence (Canada) Ltd., formerly Minerva Intelligence Inc.

Unaudited Condensed Interim Statements of Financial Position

March 31, 2019 and December 31, 2018

(Stated in Canadian Dollars)

	Note	March 31, 2019	December 31, 2018
Assets			
Current Assets			
Cash		\$ 5,841,262	\$ 6,595,908
GST receivable		48,760	39,399
Accounts receivable		100,800	9,881
Prepaid and other expenses		26,434	39,390
		<u>6,017,256</u>	<u>6,684,578</u>
Non-Current Assets			
Equipment	5	33,229	29,784
Right of use assets	6	166,342	-
Intangible assets	7	402,545	424,908
		<u>6,619,372</u>	<u>7,139,270</u>
Total Assets		\$ 6,619,372	\$ 7,139,270
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	12	\$ 130,978	\$ 109,203
Lease liability - current portion	8	\$ 39,832	\$ -
Deposits		-	1,140
		<u>170,810</u>	<u>110,343</u>
Liabilities			
Lease liability	8	113,548	-
		<u>113,548</u>	<u>-</u>
Shareholders' Equity			
Common shares	9	8,250,723	8,250,723
Option reserve	9	350,505	335,353
Deficit		(2,266,214)	(1,557,149)
Total Equity (Deficiency)		<u>6,335,014</u>	<u>7,028,927</u>
Total Liabilities and Shareholders' Equity		\$ 6,619,372	\$ 7,139,270

Events after the reporting period 13

Approved on behalf of the Board of Directors on May 28, 2019 by:

"Clinton Smyth"

Director

"David Poole"

Director

Minerva Intelligence (Canada) Ltd., formerly Minerva Intelligence Inc.
Unaudited Condensed Interim Statements of Loss and Comprehensive Loss
For the periods ended March 31, 2019 and 2018
(Stated in Canadian Dollars)

	Note	Three month period ended March 31,	
		2019	2018
		<u> </u>	<u> </u>
Sales		\$ 140,600	\$ -
Expenses			
Advertising and promotion		45,818	14,286
Amortization	5,6,7	39,271	-
General and administrative	12	27,958	9,109
Outsourced services		49,900	-
Professional fees	12	232,542	88,264
Salaries and wages	12	234,874	29,293
Share-based compensation	12	15,152	45,455
Software application subscriptions		20,095	2,026
Travel		35,859	11,260
		<u>(701,469)</u>	<u>(199,693)</u>
Loss from Operations		(560,869)	(199,693)
Other Items			
Foreign exchange gain (loss)		(147,613)	25,077
Interest	6	(583)	-
		<u>(148,196)</u>	<u>25,077</u>
Loss and comprehensive loss		<u>\$ (709,065)</u>	<u>\$ (174,616)</u>
Loss per share:			
Basic and diluted		<u>\$ (0.09)</u>	<u>\$ (0.04)</u>
Weighted average number of common shares outstanding			
Basic and diluted		<u>7,715,001</u>	<u>4,765,001</u>

Minerva Intelligence (Canada) Ltd., formerly Minerva Intelligence Inc.
Unaudited Condensed Interim Statements of Changes in Shareholders' Equity
For the periods ended March 31, 2019 and 2018
(Stated in Canadian Dollars)

	Common Shares				Total Shareholders' Equity
	Number of Shares	Amount	Option reserve	Deficit	
Balance at December 31, 2017	4,765,001	\$ 1,600,172	\$ 207,239	\$ (430,611)	1,376,800
Share-based compensation	-	-	45,455	-	45,455
Loss for the period	-	-	-	(174,616)	(174,616)
Balance at March 31, 2018	4,765,001	1,600,172	252,694	(605,227)	1,247,639
Issue of common shares for cash	2,950,000	6,650,551	-	-	6,650,551
Share-based compensation	-	-	82,659	-	82,659
Loss for the period	-	-	-	(951,922)	(951,922)
Balance at December 31, 2018	7,715,001	8,250,723	335,353	(1,557,149)	7,028,927
Share-based compensation	-	-	15,152	-	15,152
Loss for the period	-	-	-	(709,065)	(709,065)
Balance at March 31, 2019	7,715,001	\$ 8,250,723	\$ 350,505	\$ (2,266,214)	6,335,014

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

Minerva Intelligence (Canada) Ltd., formerly Minerva Intelligence Inc.
Unaudited Condensed Interim Statements of Cash Flows
For the periods ended March 31, 2019 and 2018
(Stated in Canadian Dollars)

	Three month period ended March 31,	
	2019	2018
Operating Activities		
Loss for the period	\$ (709,065)	\$ (174,616)
Items not involving cash		
Amortization	39,271	-
Share-based compensation	15,152	45,455
Unrealized foreign exchange (gain) loss	122,733	-
Interest expense	(583)	-
Changes in non-cash working capital items		
GST receivable	(9,361)	(5,962)
Accounts receivable	(90,919)	(3,591)
Prepaid expenses	12,956	(5,633)
Accounts payable and accrued liabilities	21,775	64,804
Cash used in operating activities	<u>(598,041)</u>	<u>(79,543)</u>
Financing Activities		
Net lease financing expense	(25,516)	-
Cash provided by financing activities	<u>(25,516)</u>	<u>-</u>
Investing Activities		
Acquisition of equipment	(7,216)	(1,249)
Acquisition of intangible assets	-	(53,153)
Deposit	(1,140)	-
Cash used by investing activities	<u>(8,356)</u>	<u>(54,402)</u>
Effect of exchange differences on cash	(122,733)	-
Net change in cash	(754,646)	(133,945)
Cash, beginning balance	<u>6,595,908</u>	<u>1,174,850</u>
Cash, ending balance	<u>\$ 5,841,262</u>	<u>\$ 1,040,905</u>
Supplemental cash flow information		
Cash paid during the period for interest	\$ -	\$ -
Cash paid during the period for income taxes	\$ -	\$ -

Minerva Intelligence (Canada) Ltd., formerly Minerva Intelligence Inc.

Notes to the Unaudited Condensed Interim Financial Statements

March 31, 2019

(Stated in Canadian Dollars)

1. Nature and Continuance of Operations

Minerva Intelligence (Canada) Ltd. (the “Company” or “Minerva Canada”) was incorporated on May 17, 2017 pursuant to the Business Corporations Act of Ontario. On April 23, 2019, the Company continued its jurisdiction of incorporation from Ontario to British Columbia, to become subject to the B.C. *Business Corporations Act* (“BCBCA”).

On May 28, 2019, the Company announced it had amalgamated with 1198574 B.C. Ltd. (a wholly owned subsidiary of the former Two Owls Ventures Corp. (“Two Owls”)) and continued as “Minerva Intelligence (Canada) Ltd.” under the BCBCA. The Company became a wholly owned subsidiary of Two Owls. The amalgamated company is referred to herein as “Minerva”.

The head office of Minerva is located at Suite 301, 850 West Hastings Street, Vancouver, British Columbia V6C 1E1. The registered office of Minerva is located at 2900 - 595 Burrard Street, Vancouver, B.C. V7X 1J5.

The Company is currently developing artificial intelligence software in order to provide services to mining and exploration companies to reduce costs and improve success rates in minerals exploration, as well as developing artificial intelligence software for use in the environmental protection, land use planning and related industries.

These unaudited condensed interim financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern, which contemplates the Company will continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. Future operations are dependent on the Company’s ability to raise additional financing and the attainment of profitable operations. The Company will require equity or debt financings in order to continue research and development of its intangible assets and fund its administrative operations. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern.

These unaudited condensed interim financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. Basis of Preparation

a) Statement of compliance

These unaudited condensed interim financial statements are prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting under International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). These unaudited condensed interim financial statements follow the same accounting policies and methods of application as the Company’s most recent annual financial statements, except as disclosed on adoption of IFRS 16, but do not contain all of the information required for full annual financial statements. Accordingly, these unaudited condensed interim financial statements should be read in conjunction with the Company’s most recent annual financial statements, which were prepared in accordance with IFRS as issued by the IASB.

Minerva Intelligence (Canada) Ltd., formerly Minerva Intelligence Inc.

Notes to the Unaudited Condensed Interim Financial Statements

March 31, 2019

(Stated in Canadian Dollars)

2. Basis of Preparation (continued)

b) Basis of presentation

The unaudited condensed interim financial statements have been prepared on an accrual basis, except for cash flow information, and are based on historical costs except for certain financial instruments, which are measured at fair value. The unaudited condensed interim financial statements are presented in Canadian dollars, which is also the Company's functional currency, unless otherwise indicated. The preparation of unaudited condensed interim financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the unaudited condensed interim financial statements are disclosed in Note 4.

3. Summary of Significant Accounting Policies

Except as described below, the accounting policies applied in these unaudited condensed interim financial statements are the same as those applied in the Company's annual audited financial statements for the year ended December 31, 2018.

IFRS 16 Leases

Effective January 1, 2019, the Company adopted IFRS 16, Leases, which specifies how to recognize, measure, present and disclose leases. The standard introduces a single lessee accounting model and requires a lessee to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The right-of-use asset is measured based on the initial amount of the lease liability adjusted for any initial direct costs incurred, less any lease incentives received. The right-of-use assets are subsequently amortized from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term using the straight-line method. The lease term includes consideration of an option to renew or to terminate if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset may be periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising mainly from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, renewal or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

On October 16, 2018, the Company renewed the lease on its head office, consolidating two prior leases which were to expire on October 31, 2018 and January 31, 2019, respectively. On March 4, 2019 the Company added an addendum to the lease for another contiguous office space with an effective date of July 1, 2019. See note 6 and 8.

Minerva Intelligence (Canada) Ltd., formerly Minerva Intelligence Inc.

Notes to the Unaudited Condensed Interim Financial Statements

March 31, 2019

(Stated in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

For the purposes of IFRS 16, the Company determined, using a modified retrospective approach, that January 1, 2019 was the appropriate commencement date. The term of the lease is for 37 months from January 1, 2019. A discount rate of 5% was applied, being the interest rate specified in the lease for certain payments. Certain security deposits previously recorded as prepaid expenses were reclassified to the right-of-use asset. See Note 6.

Under IAS 17, Leases ("IAS 17"), the Company recognized its lease on its head office as an operating lease. Operating lease payments were recognized in net loss on a straight-line basis over the lease term. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.

4. Critical Accounting Estimates and Judgments

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized prospectively by including it in profit or loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both. Information about critical estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements are discussed below:

Share-based Payment Transactions related to Equities

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them.

Deferred tax assets

Deferred tax assets, including those arising from un-utilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

Minerva Intelligence (Canada) Ltd., formerly Minerva Intelligence Inc.

Notes to the Unaudited Condensed Interim Financial Statements

March 31, 2019

(Stated in Canadian Dollars)

4. Critical Accounting Estimates and Judgments (continued)

Economic recoverability and probability of future economic benefits of intangible assets and amortization

Management has determined that intangible asset costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including anticipated cash flows and estimated economic life. The amortization expense related to intangible assets will be determined using estimates relating to the useful life of the intangible assets.

Judgments that have the most significant effect on the amounts recognized in these financial statements include:

Determination of functional currency

The functional currency of the Company is the currency of the primary economic environment in which it operates. Determination of the functional currency may involve certain judgments to determine the primary economic environment. The functional currency may change if there is a change in events and conditions which determine the primary economic environment.

Minerva Intelligence (Canada) Ltd., formerly Minerva Intelligence Inc.

Notes to the Unaudited Condensed Interim Financial Statements

March 31, 2019

(Stated in Canadian Dollars)

5. Equipment

	Computer Equipment	Furniture and Fixtures	Total
Cost:			
December 31, 2018	\$ 41,252	\$ 4,533	\$ 45,785
Additions	6,216	1,000	7,216
March 31, 2019	<u>\$ 47,468</u>	<u>\$ 5,533</u>	<u>\$ 53,001</u>
Accumulated amortization:			
December 31, 2018	\$ 15,170	\$ 831	\$ 16,001
Additions	3,528	243	3,771
March 31, 2019	<u>\$ 18,698</u>	<u>\$ 1,074</u>	<u>\$ 19,772</u>
Net book value:			
At March 31, 2019	<u>\$ 28,770</u>	<u>\$ 4,459</u>	<u>\$ 33,229</u>

	Computer Equipment	Furniture and Fixtures	Total
Cost:			
December 31, 2017	\$ 28,221	\$ 2,067	\$ 30,288
Additions	13,031	2,466	15,497
December 31, 2018	<u>\$ 41,252</u>	<u>\$ 4,533</u>	<u>\$ 45,785</u>
Accumulated amortization:			
December 31, 2017	\$ 4,703	\$ 207	\$ 4,910
Additions	10,467	624	11,091
December 31, 2018	<u>\$ 15,170</u>	<u>\$ 831</u>	<u>\$ 16,001</u>
Net book value:			
At December 31, 2018	<u>\$ 26,082</u>	<u>\$ 3,702</u>	<u>\$ 29,784</u>

Minerva Intelligence (Canada) Ltd., formerly Minerva Intelligence Inc.

Notes to the Unaudited Condensed Interim Financial Statements

March 31, 2019

(Stated in Canadian Dollars)

6. Right-of-Use Assets

	Three-month period ended March 31, 2019	Year ended December 31, 2018
Lease liability valuation	\$ 162,021	\$ -
Lease deposits reclassified from prepaid expenses	10,480	-
Opening Balance, January 1, 2019	172,501	-
Lease deposit additions	6,978	-
Balance, March 31, 2019	179,479	-
Amortization	(13,137)	-
Net balance, March 31, 2019	\$ 166,342	\$ -

On October 16, 2018, the Company renewed the lease on its head office, consolidating two prior leases which were to expire on October 31, 2018 and January 31, 2019, respectively. On March 4, 2019 the Company added an addendum to the lease for another contiguous office space with an effective date of July 1, 2019. The lease for the amalgamated office space expires on January 31, 2022. There are no other leases in effect.

The right-of-use asset is measured based on the initial amount of the lease liability adjusted for any initial direct costs incurred, less any lease incentives received. The right-of-use assets are subsequently amortized from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term using the straight-line method. The lease term includes consideration of an option to renew or to terminate if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset may be periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Company determined that January 1, 2019 was the appropriate commencement date, with the lease term being 37 months.

Minerva Intelligence (Canada) Ltd., formerly Minerva Intelligence Inc.

Notes to the Unaudited Condensed Interim Financial Statements

March 31, 2019

(Stated in Canadian Dollars)

7. Intangible Assets

During the period ended December 31, 2017, the Company purchased certain intangible assets from a private company with Directors in common for \$123,490 (USD\$100,000). The acquired intangible assets are being used in the development of the Company's internally generated intangible assets.

The Company reviews the intangible assets for amortization and impairment each reporting period. During the year ended December 31, 2018 the Company commenced using the assets with its clients on a limited basis while continuing to enhance the software. Accordingly, the Company is amortizing the software over a period of five years, and recognized \$22,363 (2018: \$22,364) of amortization.

	Software under development	
	Three-month period ended March 31, 2019	Year ended December 31, 2018
Cost:		
Opening balance	\$ 447,272	\$ 177,117
Additions		-
Salaries and wages (Note 12)	-	136,851
Consulting fees	-	133,304
Closing balance	\$ 447,272	\$ 447,272
Accumulated amortization:		
Opening balance	\$ 22,364	\$ -
Additions	22,363	22,364
Closing balance	\$ 44,727	\$ 22,364
Net book value	\$ 402,545	\$ 424,908

Minerva Intelligence (Canada) Ltd., formerly Minerva Intelligence Inc.

Notes to the Unaudited Condensed Interim Financial Statements

March 31, 2019

(Stated in Canadian Dollars)

8. Lease Liability

	Three-month period ended	Year ended
	March 31, 2019	December 31, 2018
Lease liability valuation	\$ 162,021	\$ -
Payments applied	(9,224)	-
Interest expense	583	-
Balance, March 31, 2019	<u>153,380</u>	<u>-</u>
Current portion of lease liability	\$ 39,832	\$ -
Long term portion of lease liability	113,548	-
Net balance, March 31, 2019	<u>\$ 153,380</u>	<u>\$ -</u>

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method.

The Company determined that January 1, 2019 was the appropriate commencement date. The term of the lease is for 37 months, with a discount rate of 5%, being the interest rate specified in the lease for certain payments.

Under IFRS 17, the Company reported the lease expiring January 31, 2022 as an operating lease for office space occupied by its head office. The future minimum lease payments reported under IFRS 17 included base rent plus anticipated operating costs. The lease liability reported under IFRS 16 include base rent only.

Future minimum payments under the operating lease as at the end of the indicated periods were as follows:

	Period ended
	December 31, 2018
Within 1 year	\$ 94,676
1 to 2 years	237,405
Over 2 years	9,900
	<u>\$ 341,981</u>

Minerva Intelligence (Canada) Ltd., formerly Minerva Intelligence Inc.

Notes to the Unaudited Condensed Interim Financial Statements

March 31, 2019

(Stated in Canadian Dollars)

9. Shareholders' Equity

a) Authorized and issued share capital:

The Company has authorized an unlimited number of common shares without par value and an unlimited number of special shares, issuable in series, without par value.

During the year ended December 31, 2018, the Company issued:

- 1,500,000 common shares at a price of USD\$1.00 per share for proceeds of \$1,914,045.
- 1,450,000 common shares at a price of USD\$2.50 per share for proceeds of \$4,736,506.

During the three-month period ended March 31, 2019, the Company did not issue any share capital.

Subsequent to the quarter end, the Company completed an amalgamation. See note 13.

b) Stock options

The Company has adopted a Share Incentive Plan (the "Plan") which provides the Board of Directors of the Company the ability, in its discretion, to grant to directors, officers, employees and consultants of the Company options and other equity-based awards to purchase common shares, provided that the number of common shares reserved for issuance under the Plan shall not exceed fifteen percent (15%) of the then issued and outstanding common shares. Options granted under the Plan will be exercisable for a period of up to ten (10) years. Upon completion of the amalgamation with Two Owls, the Board will amend the plan to comply with listing requirements. 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 options and other equity-based awards granted under the Plan.

	Number of Options	Weighted Average Exercise Price
Outstanding, May 17, 2017	–	\$ -
Granted	<u>390,000</u>	<u>1.27</u>
Outstanding, March 31, 2019 and December 31, 2018	<u>390,000</u>	<u>\$ 1.27</u>

Minerva Intelligence (Canada) Ltd., formerly Minerva Intelligence Inc.

Notes to the Unaudited Condensed Interim Financial Statements

March 31, 2019

(Stated in Canadian Dollars)

9. Shareholders' Equity (continued)

b) Stock options (continued)

Stock options outstanding at March 31, 2019 and December 31, 2018 are as follows:

Expiry Date	Outstanding	Exercisable	Exercise Price per Share	Remaining Contractual Life (years)
July 22, 2022	390,000	260,000	\$ 1.27	3.56
	<u>390,000</u>	<u>260,000</u>		

On July 17, 2017, the Company granted 390,000 stock options to directors of the Company to acquire 390,000 common shares of the Company with an expiry date of July 16, 2022 at an exercise price of \$1.27 per share. The options have a total fair value, calculated using the Black-Scholes option pricing model of \$368,687 or \$0.95 per option assuming an expected life of 5 years, a risk-free interest rate of 1.50%, an expected dividend rate of 0.00%, share price of \$1.27 and an expected annual volatility coefficient of 100%. Volatility was determined using volatility of comparable public companies. The options granted during the period vest as follows: 1/3 upon grant, 1/3 on the first anniversary date of grant and 1/3 on the second anniversary date of grant. Fair value of vested options during the three-month period ended March 31, 2019 was \$15,152 (year ended December 31, 2018: \$128,114) and was recorded as share-based compensation.

Minerva Intelligence (Canada) Ltd., formerly Minerva Intelligence Inc.

Notes to the Unaudited Condensed Interim Financial Statements

March 31, 2019

(Stated in Canadian Dollars)

10. Financial Instruments

The Company is exposed to various financial risks resulting from its operations. The Company's management manages financial risks. The Company has not entered into financial instruments agreements, including derivative financial instruments for speculative purposes. The Company's main financial risk exposures and its financial policies are as follows:

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and accounts receivable are exposed to credit risk, with the carrying values being the Company's maximum exposure. The Company's cash consists of deposit accounts with chartered banks. The Company's accounts receivable consist of contract payments due from governments and companies, with the carrying values also being the Company's maximum exposure. Management believes the Company's exposure to credit risk is not significant.

b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's accounts payable and accrued liabilities are all current and due within 90 days of the statement of financial position date. The Company seeks to ensure that it has sufficient capital to meet short term financial obligations after taking into account its operating obligations and cash on hand.

c) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and equity prices.

i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk as cash only comprised bank balances as of March 31, 2019 and December 31, 2018. The Company had no interest rate swaps or financial contracts in place as at or during the periods ended March 31, 2019 and December 31, 2018.

ii) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to foreign exchange risk as it engages in transactions in other foreign currencies, from time to time. As at March 31, 2019, the Company held US cash of \$4,399,043 (December 31, 2018: \$4,804,051), converted to CAD at a rate of 1.3363 (December 31, 2018: 1.3642). A 10% change in the foreign exchange rate would have an impact on profit or loss of \$439,904 (December 31, 2018: \$480,405).

Minerva Intelligence (Canada) Ltd., formerly Minerva Intelligence Inc.

Notes to the Unaudited Condensed Interim Financial Statements

March 31, 2019

(Stated in Canadian Dollars)

10. Financial Instruments (continued)

iii) Price risk

Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company does not have any financial instruments which are exposed to this risk.

11. Capital Management

The Company's capital currently consists of common shares. Its principal source of cash is from the issuance of common shares. The Company's capital management objectives are to safeguard its ability to continue as a going concern and to have sufficient capital to be able to identify, evaluate, acquire, and operate an interest in businesses or assets. The Company does not have any externally imposed capital requirements to which it is subject. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares.

12. Related Party Transactions

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. The remuneration of key management personnel during the periods ended December 31, 2018 and 2017 was as follows:

	Three-month period ended	Year ended
	March 31, 2019	December 31, 2018
Salaries and wages - expensed	\$ 34,909	\$ 94,455
Salaries and wages - capitalized	-	40,462
Professional fees - expensed	15,000	36,000
Share-based compensation	15,152	128,114
	<u>\$ 65,061</u>	<u>\$ 299,031</u>

Salaries and wages – capitalized consists of amounts capitalized to intangible asset development.

As at March 31, 2019 and December 31, 2018 accounts payable and accrued liabilities included:

- \$6,000 (December 31, 2018 - \$3,000) owing to David Poole, a director of the Company;
- \$5,130 (December 31, 2018 - \$5,130) owing to Newgrange Professional Corporation, a company controlled by Michael Campbell, a director of the Company for professional services;
- \$10,290 (December 31, 2018 - \$10,658) owing to Codeplan Consulting Corp., a company controlled by Chris Ahern, the Chief Operating Officer of the Company; and
- \$nil (December 31, 2018 - \$16,950) owing to Griffis International Ltd., a company controlled by Tom Griffis, the former Chairman of the Company.

Minerva Intelligence (Canada) Ltd., formerly Minerva Intelligence Inc.

Notes to the Unaudited Condensed Interim Financial Statements

March 31, 2019

(Stated in Canadian Dollars)

12. Related Party Transactions (continued)

Other related parties

Other related parties include companies controlled by key management personnel. The remuneration of other related parties during the periods ended March 31, 2019 and December 31, 2018 was as follows:

	Three-month period ended March 31, 2019	Year ended December 31, 2018
Salaries and wages - expensed	\$ -	\$ -
Professional fees - expensed	72,600	202,635
Professional fees – capitalized	-	52,044
General and administrative	-	-
	<u>\$ 72,600</u>	<u>\$ 254,679</u>

Professional fees – capitalized consists of amounts capitalized to intangible asset development.

As at March 31, 2019 accounts payable and accrued liabilities included \$nil (December 31, 2018 - \$32,738) owing to other related parties. Amounts due to related parties, including amounts due to key management personnel, at March 31, 2019 are unsecured and interest free.

Minerva Intelligence (Canada) Ltd., formerly Minerva Intelligence Inc.

Notes to the Unaudited Condensed Interim Financial Statements

March 31, 2019

(Stated in Canadian Dollars)

13. Events after the reporting period

The Company has evaluated its activities subsequent to March 31, 2019 and has determined that there are no material events to be reported, except as follows:

On April 22, 2019, the shareholders of the Company approved the agreement (the "Agreement") with Two Owls Ventures Corp. whereby Two Owls acquired all of the issued and outstanding shares of the Company (the "Transaction").

On April 23, 2019, the Company continued its jurisdiction of incorporation from Ontario to British Columbia, to become subject to the B.C. *Business Corporations Act* ("BCBCA").

On April 24, 2019 the Supreme Court of British Columbia granted the final order to allow the completion of the Transaction.

On May 28, 2019, Two Owls announced that it had received TSX Venture Exchange (the "Exchange") final approval ("Exchange Approval") to its arm's length Qualifying Transaction (QT) as announced by news releases dated November 8, 2018 and April 4, 2019. The QT involved the Company acquiring all of the outstanding shares of Minerva Intelligence (Canada) Ltd. from the former holders thereof, in exchange for shares of Two Owls.

The shares of Minerva are expected to commence trading on the Exchange as a Tier 2 industrial issuer under the symbol "MVAI" on or about June 3, 2019.

Pursuant to the Agreement, the following were completed:

- (a) Two Owls completed a consolidation of its 6,200,000 outstanding common shares on a two-for-one basis (resulting in 3,100,000 shares outstanding);
- (b) Two Owls changed its name to "Minerva Intelligence Inc.";
- (c) Minerva Canada continued its jurisdiction of incorporation from Ontario to British Columbia, to become subject to the B.C. *Business Corporations Act*;
- (d) Minerva Canada amalgamated with 1198574 B.C. Ltd. (a wholly owned subsidiary of Two Owls) and continued as "Minerva Intelligence (Canada) Ltd." under the BCBCA;
- (e) Two Owls issued an aggregate of 38,575,005 post-consolidated shares in exchange for all of the outstanding shares of Minerva Canada;
- (f) in addition, Two Owls issued (i) 1,000,000 post-consolidated shares as a finder's fee, and (ii) a total of 1,950,000 stock options in replacement of outstanding options in the capital of Minerva Canada, each new option entitling the holder to acquire one share of the amalgamated company at the exercise price of \$0.2534 per share; and
- (g) Minerva Canada became a wholly-owned subsidiary of Two Owls.

Minerva Intelligence (Canada) Ltd., formerly Minerva Intelligence Inc.

Notes to the Unaudited Condensed Interim Financial Statements

March 31, 2019

(Stated in Canadian Dollars)

13. Events after the reporting period (continued)

The amalgamated company of Two Owls and Minerva Canada (Minerva) accordingly has issued and outstanding: (i) 42,675,005 shares; (ii) 310,000 stock options exercisable at \$0.20 per share; (iii) 200,000 agent's options exercisable at \$0.20 per share; and (iv) 1,950,000 stock options exercisable at \$0.2534 per share.

A total of 12,766,675 common shares will be subject to escrow restrictions, including 1,100,000 originally issued the Two Owls' principals upon listing the Company as a CPC, and 11,666,675 shares issued to new principals and others in connection with the QT. All escrowed shares will be released from escrow as to 10% on listing, and an additional 15% every six months thereafter over 36 months.

In addition (i) 3,416,665 shares are subject to resale restrictions over four months with 20% to be free trading on listing, with an additional 20% every month thereafter; and (ii) 5,166,665 shares will be subject to resale restrictions over 12 months with 20% to be free trading on listing, with an additional 20% every three months thereafter.