Minerva Intelligence Inc.

Financial Statements

For the year ended December 31, 2018
And
The period from Incorporation to December 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Minerva Intelligence Inc.:

Opinion

We have audited the financial statements of Minerva Intelligence Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of loss and comprehensive loss, statements of changes in shareholders' equity and statements of cash flows for the year ended December 31, 2018 and for the period from incorporation on May 17, 2017 to December 31, 2017, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the year ended December 31, 2018 and for the period from incorporation on May 17, 2017 to December 31, 2017 in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial statements, which describes conditions indicating that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statement or our knowledge obtained in the audits, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Anna C. Moreton

Baker Tilly WM LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, B.C.
April 30, 2019

Minerva Intelligence Inc.

Statements of Financial Position

December 31, 2018 and 2017

(Stated in Canadian Dollars)

	Note	December 31, 2018	December 31, 2017
Assets			
Current Assets			
Cash		$ 6,595,908	$ 1,174,851
GST receivable		39,399	7,912
Accounts receivable		9,881	-
Due from related party		-	10
Prepaid and other expenses		39,390	31,064
		6,684,578	1,213,837
Non-Current Assets			
Equipment	4	29,784	25,378
Intangible assets	5,10	424,908	177,117
Total Assets		**$ 7,139,270**	**$ 1,416,332**
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	10	$ 109,203	$ 39,532
Deposits		1,140	-
		110,343	39,532
Shareholders' Equity			
Common shares	6	8,250,723	1,600,172
Option reserve	6	335,353	207,239
Deficit		(1,557,149)	(430,611)
Total Equity (Deficiency)		7,028,927	1,376,800
Total Liabilities and Shareholders' Equity		**$ 7,139,270**	**$ 1,416,332**
Commitments	11		
Events after the reporting period	12		

Approved on behalf of the Board of Directors on April 30, 2019 by:

"Clinton Smyth"	***"David Poole"***
Director	Director

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

Minerva Intelligence Inc.
Statements of Loss and Comprehensive Loss
For the periods ended December 31, 2018 and 2017
(Stated in Canadian Dollars)

	Note	Year ended December 31, 2018	Period from Incorporation on May 17, 2017 to December 31, 2017
Sales		$ 27,750	$ -
Expenses			
Advertising and promotion		24,004	-
Amortization	4,5	33,455	4,910
General and administrative	10	106,071	30,286
Professional fees	10	714,377	41,208
Research and development		24,000	-
Salaries and wages	10	322,840	90,622
Share-based compensation	10	128,114	207,239
Software application subscriptions		55,714	25,205
Travel		82,767	9,343
		(1,491,342)	(408,813)
Loss from Operations		(1,463,592)	(408,813)
Other Items			
Foreign exchange gain (loss)		336,954	(21,798)
Interest		100	-
		337,054	(21,798)
Loss and comprehensive loss		$ (1,126,538)	$ (430,611)
Loss per share:			
Basic and diluted		$ (0.17)	$ (0.18)
Weighted average number of common shares outstanding			
Basic and diluted		6,505,905	2,397,590

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

Minerva Intelligence Inc.

Statements of Changes in Shareholders' Equity

For the periods ended December 31, 2018 and 2017

(Stated in Canadian Dollars)

	Note	Common Shares								
		Number of Shares		Amount		Option reserve		Deficit		Total Shareholders' Equity
Balance at May 17, 2017		**-**	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**-**
Issue of common shares for cash		4,765,001		1,606,780		-		-		1,606,780
Share issue costs		-		(6,608)		-		-		(6,608)
Share-based compensation		-		-		207,239		-		207,239
Loss for the period		-		-		-		(430,611)		(430,611)
Balance at December 31, 2017		**4,765,001**		**1,600,172**		**207,239**		**(430,611)**		**1,376,800**
Issue of common shares for cash		2,950,000		6,650,551		-		-		6,650,551
Share-based compensation		-		-		128,114		-		128,114
Loss for the year		-		-		-		(1,126,538)		(1,126,538)
Balance at December 31, 2018		**7,715,001**	**$**	**8,250,723**	**$**	**335,353**	**$**	**(1,557,149)**	**$**	**7,028,927**

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

Minerva Intelligence Inc.
Statements of Cash Flows
For the periods ended December 31, 2018 and 2017
(Stated in Canadian Dollars)

	Year ended December 31, 2018	Period from Incorporation on May 17, 2017 to December 31, 2017
Operating Activities		
Loss for the period	$ (1,126,538)	$ (430,611)
Items not involving cash		
Amortization	33,455	4,910
Share-based compensation	128,114	207,239
Unrealize foreign exchange (gain) loss	(359,596)	-
Changes in non-cash working capital items		
GST receivable	(31,487)	(7,912)
Accounts receivable	(9,881)	-
Due from related party	10	(10)
Prepaid expenses	(8,326)	(31,064)
Accounts payable and accrued liabilities	69,671	39,532
Cash used in operating activities	(1,304,578)	(217,916)
Financing Activities		
Issuance of common shares	6,650,551	1,606,780
Share issue costs	-	(6,608)
Cash provided by financing activities	**6,650,551**	**1,600,172**
Investing Activities		
Acquisition of equipment	(15,497)	(30,288)
Acquisition of intangible assets	(270,155)	(177,117)
Deposit	1,140	-
Cash used by investing activities	**(284,512)**	**(207,405)**
Effect of exchange differences on cash	**359,596**	**-**
Net change in cash	5,421,057	1,174,851
Cash, beginning balance	1,174,851	-
Cash, ending balance	**$ 6,595,908**	**$ 1,174,851**

Supplemental cash flow information

Cash paid during the period for interest	$ -	$ -
Cash paid during the period for income taxes	$ -	$ -

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

1. Nature and Continuance of Operations

Minerva Intelligence Inc. (the "Company") was incorporated on May 17, 2017 pursuant to the Business Corporations Act of Ontario. On April 23, 2019 the Company was continued into British Columbia from Ontario.

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 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 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

The Company has prepared its financial statements in accordance IFRS since incorporation on May 17, 2017. These financial statements have been prepared in accordance with IFRS issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRICs").

b) Basis of presentation

The financial statements are presented in Canadian dollars and all values are rounded to the nearest dollar except where otherwise indicated. The 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, as explained in the accounting policies set out in note 3.

3. Summary of Significant Accounting Policies

a) Cash

Cash in the statement of financial position comprise cash at banks, or held in trust, and short-term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash. There were no cash equivalents at December 31, 2018 and 2017.

3. Summary of Significant Accounting Policies (continued)

b) Equipment

Equipment is stated at historical cost less accumulated amortization and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the fiscal period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Amortization is calculated using a straight-line method to allocate the cost of the assets over their useful lives. The amortization rates applicable to each category of equipment are as follows:

Asset	Rate
Computer equipment	Straight line, 3 years
Furniture and fixtures	Straight line, 5 years

c) Intangible assets

Intangible assets consist of costs incurred to acquire and develop the Company's software to earn revenue with respect to the Company's business operations. Development costs are capitalized in accordance with International Accounting Standard ("IAS") 38, Intangible Assets, and accordingly are recognized when the Company can demonstrate (i) the technical feasibility of completing the asset, (ii) the intention to complete and use or sell the asset, (iii) the ability to use or sell the asset, (iv) how the asset will generate probable future economic benefits, (v) the availability of adequate technical, financial and other resources to complete the platform development and to use or sell the asset, and (vi) ability to reliably measure the expenditure attributable to the asset during its development. Costs that do not meet these criteria are considered research costs and are expensed as incurred.

Intangible assets are carried at cost less accumulated amortization and impairment losses, if any.

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 and develop the software. Accordingly, during the last quarter of 2018, the Company commenced amortization of the software over a period of five years, and recognized $22,364 (2017: $nil) of amortization.

3. Summary of Significant Accounting Policies (continued)

d) Impairment of non-financial assets

At the end of each reporting period, the Company's non-financial assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indications exist, the recoverable amount of the assets is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Following the recognition of an impairment loss, the amortization charge applicable to the asset is adjusted prospectively in order to systematically allocate the revised carrying amount, net of any residual value, over the remaining useful life.

Where an impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods. A reversal of an impairment loss is recognized immediately in profit or loss.

e) Revenue recognition

Effective January 1, 2018, the Company adopted IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). IFRS 15 supersedes the existing standards and interpretations including IAS 18, Revenue. IFRS 15 introduces a single model for recognizing revenue from contracts with customers with the exception of certain contracts under other IFRSs. The standard requires revenue to be recognized at a point in time or over time in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the expected consideration receivable in exchange for transferring those goods or services.

This is achieved by applying the following five steps:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

As the Company entered into its first customer contracts in late 2018, the adoption of IFRS 15 did not materially affect the Company's cash flows from operating, investing, or financing activities, its financial position, or its financial performance. Consequently, the Company's opening deficit at January 1, 2018 does not require an adjustment as a result of the adoption of IFRS 15.

Nature of goods and services
The Company currently provides AI and related consulting services based on the use of its MMI™ system to the minerals exploration industry and certain government organizations, and expects to expand its business into other industries. These services typically result in a single deliverable product.

3. Summary of Significant Accounting Policies (continued)

e) Revenue recognition (continued)

Revenue is recognized with respect to AI and related consulting services either:

- upon transfer of control of promised goods or services to the customers in an amount that reflects the consideration the Company expects to receive in exchange for those goods or services; or
- upon invoicing when the contract specifies the expected stage of development of the project and time at which an invoice should be issued. Revenue is generally recognized progressively by reference to the stage of completion of the contract, commonly referred to as the percentage-of-completion method.

The Company's goods and services are generally distinct and accounted for as separate performance obligations. A good or service is distinct if the customer can benefit from it on its own or together with other readily available resources, and the Company's promise to transfer the good or service is separately identifiable from other promises in the contractual arrangement with the customer. When a contract includes more than one performance obligation, the total amount of consideration to be received is allocated to distinct goods and services for each of the goods and services in the customer contract.

SaaS application licenses will provide the customer with a right to use the software. Revenue is recognized for these licenses when the customer can benefit from the licenses, which is typically when it is delivered or made available to the customer. Should the license include separate, prepaid support and maintenance services, those services will be considered to be a separate obligation, and revenue will be recognized pro rata over the term of the license, which is expected to typically be twelve months. Support and maintenance which is billable based upon its occurrence will be recorded as revenue at the time support and/or maintenance is provided.

f) Foreign currencies

The financial statements are presented in Canadian dollars. The Company's functional currency is the Canadian dollar, which is the currency of the primary economic environment in which the Company operates.

Transactions in foreign currencies are translated to the functional currency at exchange rates as at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency using the exchange as at the date of the statement of financial position.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

3. Summary of Significant Accounting Policies (continued)

g) Share-based payments

The Company may grant employees (including directors and senior executives) stock options exercisable for common shares of the Company ("equity-settled transactions"). The costs of equity-settled transactions with employees are measured by reference to the fair value of the equity instruments at the date on which they are granted.

In situations where equity instruments are issued to non-employees for goods or services, the transaction is measured at the fair value of the goods or services received by the entity. When the value of the goods or services cannot be specifically identified, they are measured at the fair value of the share-based payment.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity or as a liability, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees or counterparties become fully entitled to the award ("vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period. When stock options are granted with an exercise price in the Company's functional currency, the corresponding amount is recognized in equity, however, when stock options are granted with an exercise price denominated in a currency other than the Company's functional currency, the corresponding amount is recognized as a liability until such time that the option is exercised or has expired. The liability is re-measured at each reporting date and any changes are recorded in profit or loss.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional amount is recognized on the same basis as the amount of the original award for any modification which increases the total fair value of the equity settled transactions or is otherwise beneficial to the employee, or counterparty, as measured at the date of modification.

h) Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the current income tax expense are those that are enacted or substantively enacted at the date of the statement of financial position.

3. Summary of Significant Accounting Policies (continued)

h) Taxation (continued)

Deferred income tax

Deferred income taxes are determined using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable earnings; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences and carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable earnings; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at the date of each statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at the date of each statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss.

3. Summary of Significant Accounting Policies (continued)

h) Taxation (continued)

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

i) Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares. Basic earnings (loss) per share is computed by dividing the earnings (loss) for the period by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period, if dilutive. Common shares that are contingently returnable are not included in the calculation. Diluted loss per share equates to basic loss per share, as the effect of potentially dilutive securities would be anti-dilutive.

j) Financial instruments

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 expectations of recovering the contractual cash flows on a financial asset.

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).

3. Summary of Significant Accounting Policies (continued)

j) Financial instruments (continued)

After initial recognition at fair value, financial instruments 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.

Classification

The Company's financial assets consists of cash, which is classified and measured at FVTPL, with realized and unrealized gains or losses related to changes in fair value reported in net loss and accounts receivable which are measured at amortized cost using the effective interest method. The Company's financial liabilities consist of accounts payable and accrued liabilities, which are classified and measured at amortized cost using the effective interest method. Interest expense is reported in net loss.

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 supportable forward-looking information.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

3. Summary of Significant Accounting Policies (continued)

k) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. Any increase in a provision due solely to passage of time is recognized as interest expense.

l) Related party transactions

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. Parties are also considered to be related if they are key management personnel of the Company or subject to common control or common significant influence, 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, services or obligations between related parties regardless of whether a price is charged. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

m) Significant accounting judgments and estimates

The preparation of these financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses and gains or losses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities and expenses, gains and losses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

Estimates and assumptions that have the most significant effect on the amounts recognized in these financial statements include:

3. Summary of Significant Accounting Policies (continued)

m) Significant accounting judgments and estimates (continued)

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.

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.

n) Standards and interpretations issued but not yet effective

At the date of authorization of these financial statements, the IASB has issued the following new and revised Standards and Interpretations which are not yet effective:

- IFRS 16 — New accounting standard that replaces IAS 17, IFRIC 4, SIC 15, and SIC 27 for the recognition, measurement, presentation, and disclosure of leases for both the lessee and lessor (effective for annual periods beginning on or after January 1, 2019).

The Company has not early adopted this standard, however due to the renewal of the office lease by the Company, it is expected to have a material impact on the results and financial position of the Company when the standard is adopted.

(Stated in Canadian Dollars)

4. Equipment

	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	$ 41,252	$ 4,533	$ 45,785
Accumulated amortization:			
December 31, 2017	$ 4,703	$ 207	$ 4,910
Additions	10,467	624	11,091
December 31, 2018	$ 15,170	$ 831	$ 16,001
Net book value:			
At December 31, 2018	**$ 26,082**	**$ 3,702**	**$ 29,784**

	Computer Equipment	Furniture and Fixtures	Total
Cost:			
May 17, 2017	$ -	$ -	$ -
Additions	28,221	2,067	30,288
September 30, 2017	$ 28,221	$ 2,067	$ 30,288
Accumulated amortization:			
May 17, 2017	$ -	$ -	$ -
Additions	4,703	207	4,910
December 31, 2017	$ 4,703	$ 207	$ 4,910
Net book value:			
At December 31, 2017	**$ 23,518**	**$ 1,860**	**$ 25,378**

(Stated in Canadian Dollars)

5. 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 and develop the software. Accordingly, during the last quarter of 2018, the Company commenced amortization of the software over a period of five years, and recognized $22,364 (2017: $nil) of amortization.

	Software under development
Cost:	
December 31, 2017	$ 177,117
Additions	
Salaries and wages (Note 10)	136,851
Consulting fees	133,304
December 31, 2018	$ 447,272
Accumulated amortization:	
December 31, 2017	$ -
Additions	22,364
December 31, 2018	$ 22,364
Net book value:	
At December 31, 2018	**$ 424,908**

	Software under development
Cost:	
May 17, 2017	$ -
Acquisition	123,490
Salaries and wages	18,427
Consulting fees	35,200
December 31, 2017	$ 177,117

(Stated in Canadian Dollars)

6. 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 period ended December 31, 2017, the Company issued:

- 3,500,001 common shares at a price of USD$0.001 per share for total proceeds of $4,642.
- 1,265,000 common shares at a price of USD$1.00 per share for total proceeds of $1,602,138 and paid share issue costs of $6,608.

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.

b) Loss per share:

Basic and diluted loss per share

	Period ended December 31, 2018	2017
Net loss for the period	$(1,126,538)	$ (430,611)
Weighted average outstanding common shares (basic and diluted)	6,505,905	2,397,590
Basic and diluted loss per common share	$ (0.17)	$ (0.18)

c) 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.

(Stated in Canadian Dollars)

6. Shareholders' Equity (continued)

c) Stock options (continued)

	Number of Options	Weighted Average Exercise Price
Outstanding, May 17,2017	–	$ -
Granted	390,000	1.27
Outstanding , December 31, 2017	390,000	1.27
Outstanding, December 31, 2018	390,000	$ 1.27

Stock options outstanding at 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
	390,000	260,000		

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 year ended December 31, 2018 was $128,114 (period ended December 31, 2017: $207,239) and was recorded as share-based compensation.

7. Financial Instruments

The Company is exposed to various financial risks resulting from its operations. The Company's management manages financial risks. The Company does not enter 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. 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 December 31, 2018. The Company had no interest rate swaps or financial contracts in place as at or during the periods ended December 31, 2018 and 2017.

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 December 31, 2018, the Company held US cash of $4,804,051, converted to CAD at a rate of 1.3642. A 10% change in the foreign exchange rate would have an impact on profit or loss of $480,405.

7. 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.

8. 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.

(Stated in Canadian Dollars)

9. Income Taxes

Tax expense differs from the amount computed by applying the combined Canadian federal and provincial income tax rates, applicable to the Company, to the loss before income taxes due to the following:

	Year ended December 31, 2018	Period ended December 31, 2017
Loss before income taxes	$ (1,126,538)	$ (430,611)
Canadian federal and provincial income tax rates	27%	26%
Income tax expense (recovery)	(304,000)	(112,000)
Change in Statutory tax rate	(-)	-
Increase (decrease) attributable to:		
Non-deductible expenses and other	35,000	54,700
Share issue costs	-	(1,700)
Changes in unrecognized deferred tax assets	269,000	59,000
Total income tax expense (recovery)	$ -	$ -

Unrecognized deductible temporary differences and unused tax losses are attributable to the following:

	Year ended December 31, 2018	Period ended December 31, 2017
Non-capital loss carry forwards	$ 320,000	$ 57,000
Equipment	10,000	1,000
Share issuance costs	1,000	1,000
	-	59,000
Unrecognized deferred tax assets	(331,000)	(59,000)
Net deferred tax assets	$ -	$ -

At December 31, 2018, the Company has non-capital losses of $1,186,000 available for carry-forward to reduce future years' income taxes. These losses will expire as follows:

2037	$219,000
2038	967,000
	$1,186,000

(Stated in Canadian Dollars)

10. 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:

	Period ended December 31, 2018	Period ended December 31, 2017
Salaries and wages - expensed	$ 94,455	$ 54,234
Salaries and wages - capitalized	40,462	-
Professional fees - expensed	36,000	16,500
Share-based compensation	128,114	207,239
	$ 299,031	$ 277,973

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

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

- $nil (December 31, 2017 - $10,313) owing to Clinton Smyth, the CEO of the Company;
- $3,000 (December 31, 2017 - $nil) owing to David Poole, a director of the Company;
- $5,130 (December 31, 2017 - $nil) owing to Newgrange Professional Corporation, a company controlled by Michael Campbell, a director of the Company for professional services; and
- $10,658 (December 31, 2017 - $nil) owing to Codeplan Consulting Corp., a company controlled by Chris Ahern, the Chief Operating Officer of the Company.
- $16,950 (December 31, 2017 - $nil) owing to Griffis International Ltd., a company controlled by Tom Griffis, the Chairman of the Company.

Other related parties

Other related parties include companies controlled by key management personnel and a close family member of an executive of the Company. The remuneration of other related parties during the periods ended December 31, 2018 and 2017 was as follows:

	Period ended December 31, 2018	Period ended December 31, 2017
Salaries and wages - expensed	$ -	$ 8,700
Professional fees - expensed	202,635	-
Professional fees – capitalized	52,044	35,200
General and administrative	-	1,000
	$ 254,679	$ 44,900

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

(Stated in Canadian Dollars)

10. Related Party Transactions (continued)

As at December 31, 2018 accounts payable and accrued liabilities included $32,738 (December 31, 2017 - $nil) owing to other related parties. Amounts due to related parties, including amounts due to key management personnel, at December 31st are unsecured and interest free.

11. Commitments

The Company has a lease expiring January 31, 2022 for office space occupied by its head office. Future minimum payments under the operating lease as at the end of the indicated periods are as follows:

	Period ended December 31, 2018	2017
Within 1 year	$ 94,676	$ 72,750
1 to 2 years	237,405	-
Over 2 years	9,900	-
	$ 341,981	$ 72,750

The Company has various commitments under employment contracts with its CEO and certain key employees. The commitments are in the normal course of business.

12. Events after the reporting period

The Company has evaluated its activities subsequent to December 31, 2018 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. ("Two Owls") whereby Two Owls acquired all of the issued and outstanding shares of the Company (the "Transaction").

On April 23, 2019 the Company was continued into British Columbia from Ontario.

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

The Transaction is structured as a three-cornered amalgamation whereby the Company will amalgamate with a newly formed subsidiary of Two Owls to complete the Transaction. After completing the Transaction, Two Owls will change its name to "Minerva Intelligence Inc." and the former Minerva Intelligence Inc. will change its name to Minerva Intelligence (Canada) Inc.

12. Events after the reporting period (continued)

Under the terms of the Agreement, Two Owls will issue 38,575,005 common shares to the shareholders of the Company, and 1,950,000 share purchase options to current option holders of the Company, reflecting a five (5) new post-consolidation Two Owls shares for one (1) share of the Company. Two Owls will 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. Following the Consolidation, Two Owls will have 3,100,000 common shares outstanding and 510,000 stock options outstanding with an exercise price of $0.20. A finder's fee of 1 million shares will be issued.

The Company expects that the transaction will be completed in the near future.