Minerva Intelligence Inc.

Consolidated Financial Statements
For the Year ended December 31, 2020

(Stated in Canadian Dollars)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Minerva Intelligence Inc.

Opinion

We have audited the consolidated financial statements of Minerva Intelligence Inc. and its subsidiaries (together the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended 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 Consolidated 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 consolidated 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 in the consolidated financial statements, which describes events and 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's Discussion and Analysis filed with the relevant Canadian securities commissions.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits and remain alert for indications that the other information 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 Consolidated Financial Statements

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

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 21, 2021

Minerva Intelligence Inc.
Consolidated Statements of Financial Position
December 31, 2020 and 2019
(Stated in Canadian Dollars)

	Note	Year ended December 31, 2020	2019
Assets			
Current Assets			
Cash		$ 1,359,511	$ 3,948,299
GST receivable		19,540	34,098
Accounts receivable	12	35,934	49,521
Prepaid and other expenses		67,215	74,369
		1,482,200	4,106,287
Non-Current Assets			
Equipment	5	61,913	79,559
Right of use assets	6	76,175	126,931
Intangible assets	7	246,000	335,454
Total Assets		$ 1,866,288	$ 4,648,231
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	12	$ 228,735	$ 312,425
Lease liability	8	56,553	62,608
Deposits		74,393	-
		359,681	375,033
Other Liabilities			
Lease liability	8	4,836	52,736
		364,517	427,769
Shareholders' Equity			
Common shares	9	9,442,692	9,442,692
Option reserve	9	480,023	424,917
Deficit		(8,420,944)	(5,647,147)
Total Shareholder's Equity		1,501,771	4,220,462
Total Liabilities and Shareholders' Equity		$ 1,866,288	$ 4,648,231
Events after the reporting period	15		

"Scott Tillman"	*"Clinton Smyth"*
Director	Director

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

Minerva Intelligence Inc.

Consolidated Statements of Loss and Comprehensive Loss
For the years ended December 31, 2020 and 2019
(Stated in Canadian Dollars)

	Note	Year ended December 31, 2020	2019
Sales		$ 340,584	$ 184,600
Expenses			
Advertising and promotion		225,134	152,271
Amortization	5,6,7	179,610	160,143
Consulting - Corporate development		26,198	169,880
Consulting - Product development		272,450	374,968
Director's fees	12	106,500	62,000
General and administrative	8	112,419	181,416
Outsourced services		89,647	64,578
Professional fees	12	113,724	256,618
Research and development		-	12,000
Salaries and wages	12	2,009,586	1,454,928
Share-based compensation	12	55,106	41,564
Software application subscriptions		97,346	80,180
Transfer agent and filing fees		16,818	14,025
Travel		24,900	139,409
		(3,329,438)	(3,163,980)
Loss from Operations		(2,988,854)	(2,979,380)
Other Items			
Foreign exchange gain (loss)		189,495	(295,991)
Interest expense		(4,358)	(2,334)
Interest income		29,920	44,393
Listing expense	3	-	(856,686)
		215,057	(1,110,618)
Loss and comprehensive loss		$ (2,773,797)	$ (4,089,998)
Loss per share:			
Basic and diluted		$ (0.06)	$ (0.10)
Weighed average number of common shares outstanding			
Basic and diluted		44,675,005	41,846,786

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

Minerva Intelligence Inc.
Consolidated Statements of Changes in Shareholders' Equity
For the years ended December 31, 2020 and 2019
(Stated in Canadian Dollars)

		Common Shares				
	Note	Number of Shares	Amount	Option reserve	Deficit	Total Shareholders' Equity
Balance at December 31, 2018		38,575,005	$ 8,250,723	$ 335,353	$ (1,557,149)	$ 7,028,927
Reverse takeover	3	3,100,000	790,500	48,000	-	838,500
Finders fees	3	1,000,000	255,000	-	-	255,000
Issue of common shares for cash		2,000,000	150,000	-	-	150,000
Share issue costs		-	(3,531)	-	-	(3,531)
Share-based compensation		-	-	41,564	-	41,564
Loss and comprehensive loss for the year		-	-	-	(4,089,998)	(4,089,998)
Balance at December 31, 2019		44,675,005	9,442,692	424,917	- 5,647,147	4,220,462
Share-based compensation		-	-	55,106	-	55,106
Loss and comprehensive loss for the year		-	-	-	(2,773,797)	(2,773,797)
Balance at December 31, 2020		44,675,005	$ 9,442,692	$ 480,023	$ (8,420,944)	$ 1,501,771

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

Minerva Intelligence Inc.
Consolidated Statements of Cash Flows
For the years ended December 31, 2020 and 2019
(Stated in Canadian Dollars)

	Year ended December 31, 2020	2019
Operating Activities		
Loss for the year	$ (2,773,797)	$ (4,089,998)
Items not involving cash		
Listing expense	-	856,686
Amortization	179,610	160,143
Share-based compensation	55,106	41,564
Interest on lease liability	4,358	2,915
Unrealized foreign exchange (gain) loss	-	179,577
Changes in non-cash working capital items		
GST receivable	14,558	5,301
Accounts receivable	13,587	(39,640)
Prepaid and other expenses	7,154	(34,979)
Deposit	74,393	(1,140)
Accounts payable and accrued liabilities	(83,690)	203,222
Cash used in operating activities	(2,508,721)	(2,716,349)
Financing Activities		
Issuance of common shares	-	150,000
Share issue costs	-	(3,531)
Cash received from Two Owls reverse takeover	-	236,814
Lease financing expense	(62,977)	(67,049)
Cash provided by (used in) financing activities	(62,977)	316,234
Investing Activities		
Acquisition of equipment	(17,310)	(67,917)
Disposal of equipment	220	-
Cash provided by (used in) investing activities	(17,090)	(67,917)
Effect of exchange differences on cash	-	(179,577)
Net change in cash	(2,588,788)	(2,647,609)
Cash, beginning balance	3,948,299	6,595,908
Cash, ending balance	$ 1,359,511	$ 3,948,299

Supplemental cash flow information

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

1. Nature and Continuance of Operations

Minerva Intelligence Inc. (the "Company") was incorporated on August 16, 2017 pursuant to the *Business Corporations Act* of British Columbia and was classified as a Capital Pool Company as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4. On March 14, 2018, the Company completed its Initial Public Offering ("IPO") and on March 26, 2018, the Company's shares commenced trading on the TSX-V.

On February 22, 2019, the Company incorporated a wholly owned subsidiary, 1198574 B.C. Ltd., under the *Business Corporations Act* (British Columbia). This subsidiary was incorporated solely for the purpose of completing the Qualifying Transaction ("QT") disclosed in Note 3.

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

During the year ended December 31, 2019, the Company acquired Minerva Canada. See Note 3.

On September 24, 2019, the Company established a German subsidiary company, Minerva Intelligence Gmbh.

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

The Company has developed artificial intelligence ("AI") software for industries dependent on reasoning with complex technical and scientific data. The Company's AI combines proprietary evidence-based decision-making software with human intelligence to reach conclusions faster than possible by humans alone, while providing actionable and auditable advice to the client. The Company is currently pursuing two industries: Geology and Geohazards.

These consolidated 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. As of December 31, 2020, the Company had an accumulated deficit of $8,420,944, loss from operations of $2,988,854 and cash used in operations of $2,508,721. 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.

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the Company's environment and in the global markets, possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) had a material impact on the Company's operations to the extent that clients deferred purchases of the Company's services. Marketing, including travel-based marketing had to be adjusted, resulting in delay's of approximately six months in expected sales and revenues from earlier estimates.

These events and conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

These consolidated 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

Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were approved for issue by the Board of Directors on April 19, 2021.

Basis of presentation

The consolidated 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 consolidated financial statements are presented in Canadian dollars, unless otherwise indicated, which is also the Company's functional currency. The functional currency of Minerva Intelligence GmbH is the Euro. The preparation of the consolidated 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 or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The consolidated financial statements include the accounts of the following entities:

	Relationship	Ownership Percentage
Minerva Intelligence Inc.	Parent	100%
Minerva Intelligence (Canada) Ltd.	Subsidiary	100%
Minerva Intelligence GmbH*	Subsidiary	100%

All inter-company balances and transactions are eliminated on consolidation.

3. Summary of Significant Accounting Policies

Cash

Cash in the consolidated statements of financial position is comprised of cash at banks, or held in trust, deposits held with financial institutions that are cashable, 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, 2020 and 2019.

Equipment

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

Subsequent costs of replacement parts 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

* Entity had insignificant activity during the year.

3. Summary of Significant Accounting Policies (continued)

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

The rates of amortization and useful lives of assets are evaluated and adjusted as necessary at each reporting period end.

Government assistance

The Company records government assistance provided there is reasonable assurance that the Company has complied and will continue to comply with all conditions of the government funding. Government assistance relating to current expenses is included in the determination of net income and is included as a decrease to the related line item in the consolidated statements of loss and comprehensive loss.

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. The software is amortized over its estimated useful life of 5 years on a straight-line basis.

3. Summary of Significant Accounting Policies (continued)

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

Effective June 1, 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- The reduction is lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession. The Company has elected to utilize the practical expedient for all rent concessions that meet the criteria. The practical expedient has been applied retrospectively, meaning it has been applied to all rent concessions that satisfy the criteria, which in the case of the Company, occurred from March 2020 to June 2020. Accounting for the rent concessions as lease modifications would have resulted in the Company remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Company is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

Right of use asset

The Company recognizes a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove or to restore the underlying asset or the site on which it is located, 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.

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. Generally, the Company uses its incremental borrowing rate as the discount rate. Lease payments included in the measurement of the lease liability comprise the following payments during the lease term: fixed payments (including in-substance fixed payments), and the exercise price under a purchase option that the Company is reasonably certain to exercise.

The lease liability is measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising mainly if the Company changes its assessment of whether it will exercise a purchase, renewal or termination option, or if there is a revised in substance fixed lease payment. 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.

3. Summary of Significant Accounting Policies (continued)

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 of disposal 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.

Revenue recognition

The Company provides proprietary AI software and related consulting services to clients, with a current focus on Geology and Geohazards related industries. These services typically result in a single deliverable product.

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.

Software as a Service ("SaaS") application licenses 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.

3. Summary of Significant Accounting Policies (continued)

Foreign currencies

The consolidated 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 rate as at the date of the consolidated 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.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated at the period-end exchange rates. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in a foreign exchange translation reserve.

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, the corresponding amount is recognized in option reserve.

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.

3. Summary of Significant Accounting Policies (continued)

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.

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 consolidated 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 consolidated 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.

3. Summary of Significant Accounting Policies (continued)

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 consolidated statement of financial position. Deferred income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. 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.

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. Diluted loss per share equates to basic loss per share, as the effect of potentially dilutive securities would be anti-dilutive.

Financial instruments

The Company recognizes a financial asset or financial liability on the consolidated statements 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 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)

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 or FVTOCI are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at FVTPL are expensed in profit or loss.

Classification

The Company's financial assets consists of cash which is classified and measured at FVTPL and accounts receivable which are measured at amortized cost using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash flows over the expected life of the financial instrument, or where appropriate, a shorter period. The Company's financial liabilities consist of accounts payable and accrued liabilities, which are classified and measured at amortized cost using the effective interest rate method. Interest expense is reported in profit or 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.

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.

New accounting standards and interpretations

There are new accounting standards, amendments to accounting standards and interpretations that are effective for annual periods beginning on or after January 1, 2021 that have not been applied in preparing the consolidated financial statements for the year ended December 31, 2020. These standards and interpretations are not expected to have a material impact on the Company's consolidated financial statements.

(Stated in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

Segment Reporting

An operating segment is defined as a component of the Company:

- That engages in business activities from which it may earn revenues and incur expenses;
- Whose operating results are reviewed regularly by the entity's chief operating decision marker; and
- For which discrete financial information is available.

Acquisition of Minerva Intelligence (Canada) Ltd.

On May 23, 2019 the Company closed its arm's length QT, by acquiring all of the issued and outstanding shares of Minerva Intelligence (Canada) Ltd. from the former holders thereof, in exchange for shares of the Company. Pursuant to a Plan of Arrangement and Arrangement Agreement (the "Arrangement") the following was completed during the prior year:

- the Company completed a consolidation of its 6,200,000 outstanding common shares on a two-for-one basis (resulting in 3,100,000 shares outstanding);
- the Company changed its name to "Minerva Intelligence Inc.";
- Minerva Canada continued its jurisdiction of incorporation from Ontario to British Columbia, to become subject to the B.C. *Business Corporations Act* ("BCBCA");
- Minerva Canada amalgamated with 1198574 B.C. Ltd. (a wholly owned subsidiary of the Company) and continued as "Minerva Intelligence (Canada) Ltd." under the BCBCA;
- the Company issued an aggregate of 38,575,005 post-consolidated shares in exchange for all of the outstanding shares of Minerva Canada; and
- the Company also 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 Company at the exercise price of $0.2534 per share.

As a result of the QT, the former shareholders of Minerva Canada own in excess of 50% of the outstanding shares of the amalgamated entity. For accounting purposes Minerva Canada is considered to be the accounting acquirer and therefore, the corporate merger has been accounted for as a reverse takeover. For financial reporting purposes, the Company is considered a continuation of Minerva Canada, the legal subsidiary, except with regard to authorized and issued share capital which is that of the Company, the legal parent.

The Arrangement was recorded as follows:

Fair value of shares issued for net assets	$ 790,500
Fair value of shares issued for finder's fee	255,000
Revaluation of options outstanding at acquisition	48,000
Net assets acquired	(236,814)
Listing Expense recognized at acquisition	$ 856,686

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 consolidated 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 options, 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.

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

Management has determined that intangible asset costs incurred which were capitalized have future economic benefits and will 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 has been determined using estimates relating to the useful life of the intangible assets.

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. The functional currency of the Company and its principal operating subsidiary is the Canadian dollar. The functional currency of Minerva Intelligence GmbH is the Euro.

(Stated in Canadian Dollars)

5. Equipment

	Leasehold Improvements	Computer equipment	Furniture and fixtures	Total
Cost:				
December 31, 2019	$ 28,503	$ 65,501	$ 19,698	$ 113,702
Additions	-	17,310	-	17,310
Disposals	-	-	(220)	(220)
December 31, 2020	$ 28,503	$ 82,811	$ 19,478	$ 130,792
Amortization:				
December 31, 2019	$ (1,521)	$ (30,409)	$ (2,213)	$ (34,143)
Additions	(12,668)	(18,158)	(3,910)	(34,736)
December 31, 2020	$ (14,189)	$ (48,567)	$ (6,123)	$ (68,879)
Carrying Amount:				
At December 31, 2020	$ 14,314	$ 34,244	$ 13,355	$ 61,913

	Leasehold Improvements	Computer equipment	Furniture and fixtures	Total
Cost:				
December 31, 2018	$ -	$ 41,252	$ 4,533	$ 45,785
Additions	28,503	24,249	15,165	67,917
December 31, 2019	$ 28,503	$ 65,501	$ 19,698	$ 113,702
Amortization:				
December 31, 2018	$ -	$ (15,170)	$ (831)	$ (16,001)
Additions	(1,521)	(15,239)	(1,382)	(18,142)
December 31, 2019	$ (1,521)	$ (30,409)	$ (2,213)	$ (34,143)
Carrying Amount:				
At December 31, 2019	$ 26,982	$ 35,092	$ 17,485	$ 79,559

(Stated in Canadian Dollars)

6. Right of Use Assets

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.

	Year ended December 31,	
	2020	2019
Cost:		
Opening balance	$ 179,479	$ -
Right of use asset at recognition	-	162,021
Lease deposits reclassified from prepaid expenses	-	10,480
Lease deposit and other adjustments	4,664	6,978
Closing balance	$ 184,143	$ 179,479
Amortization		
Opening balance	$ (52,548)	$ -
Amortization	(55,420)	(52,548)
Closing balance	$ (107,968)	$ (52,548)
Carrying amount at year end	$ 76,175	$ 126,931

(Stated in Canadian Dollars)

7. Intangible Assets

During the year ended December 31, 2017, Minerva Canada purchased certain intangible assets from a private company with Directors in common for $123,490 (USD$100,000). The acquired intangible assets were used in the development of the Company's internally generated intangible assets. 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. During 2019 and 2020 there were no additions to intangible assets.

The Company reviews the intangible assets for indicators of impairment annually and is amortizing the software over a period of five years.

	Year ended December 31,			
		2020		2019
Cost:				
Opening balance	$	447,272	$	447,272
Closing balance	$	447,272	$	447,272
Accumulated amortization:				
Opening balance	$	111,818	$	22,364
Additions		89,454		89,454
Closing balance	$	201,272	$	111,818
Carrying amount	$	246,000	$	335,454

(Stated in Canadian Dollars)

8. 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 rate method.

The term of the lease is for 37 months, with a discount rate of 5%, being the Company's incremental borrowing rate.

	Year ended December 31, 2020	Year ended December 31, 2019
Opening balance	$ 115,344	$ -
Lease liability at adoption	-	162,021
Payments applied	(58,313)	(49,592)
Interest expense	4,358	2,915
Closing balance	$ 61,389	$ 115,344
Current portion or lease liability	$ 56,553	$ 62,608
Long term portion of lease liability	4,836	52,736
Closing balance	$ 61,389	$ 115,344

The Company was entitled to participate in the Canada Emergency Commercial Rent Assistance (CECRA) program. Under the CECRA program, during the eligible period the Company paid 25% of the rent otherwise due (a cost reduction as a result of CECRA of $21,667 (2019 - $Nil), which is reflected in general and administrative expense.

9. Shareholders' Equity

Authorized and issued share capital

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

During the year ended December 31, 2020, there were no share issuances.

During the year ended December 31, 2019, the Company completed an amalgamation and a private placement which resulted in the following share transactions:

- 6,200,000 outstanding common shares were consolidated on a two-for-one basis, resulting in 3,100,000 shares outstanding;
- 38,575,005 post-consolidated common shares were issued in exchange for all of the outstanding shares of Minerva Canada at a price of $0.255 per common share;
- 1,000,000 post-consolidated common shares were issued at a price of $0.255 as a finder's fee; and

(Stated in Canadian Dollars)

9. Shareholders' Equity (continued)

- 2,000,000 common shares were issued pursuant to a non-brokered private placement at $0.075 per share to raise $150,000. The CEO of the Company was the sole subscriber to the placement. No finder's fees were paid in connection with this placement.

As of December 31, 2019, and 2020, the Company has 44,675,005 shares issued and outstanding.

As of December 31, 2020, a total of 5,745,003 common shares were subject to escrow restrictions (2019: 9,575,003). All escrowed shares will be released from escrow as to 10% on completion of the QT (released), and an additional 15% every six months thereafter over 36 months.

Stock options

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

	December 31, 2020		December 31, 2019	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding, beginning of the year	2,887,500	0.25	1,950,000	0.25
Pre RTO options	-	-	310,000	0.25
Granted	1,081,625	0.07	250,000	0.13
	61,500	0.10	178,500	0.10
	10,500	0.135	238,000	0.30
	96,000	0.20	178,500	0.50
	72,000	0.30	-	-
Cancelled and Expired	(309,125)	0.25	(217,500)	0.20
Outstanding, end of the year	3,900,000	$ 0.18	2,887,500	$ 0.25

On December 31, 2020 certain options were re-priced with new strike prices for out-of-the-money options of $0.20 and $0.30 from the previous $0.30 and $0.50 prices. The repricing was approved at the Company's previous Annual General Meeting.

(Stated in Canadian Dollars)

9. Shareholders' Equity (continued)

The fair value of the modified options was determined using the same models and principles, with the following model inputs: risk free interest rate: 0.25%; stock price: $0.19; volatility: 85.16%; dividend yield: 0%; and expected life: 2.87 years. The incremental fair value of $9,639 will be recognized as an expense over the period from modification date to the end of the vesting period.

During 2019, 217,500 options exercisable at $0.20 were cancelled as a result of the QT. During 2020 an additional 309,125 options expired or were cancelled. Stock options outstanding at December 31, 2020 are as follows:

Expiry Date	Outstanding	Exercisable	Exercise Price per Share	Remaining Contractual Life (years)
2022-07-16	1,950,000	1,950,000	$ 0.2534	1.54
2022-11-01	250,000	250,000	$ 0.075	1.84
2023-11-12	142,500	106,500	$ 0.10	2.87
2023-11-12	190,000	112,546	$ 0.20	2.87
2023-11-12	142,500	72,498	$ 0.30	2.87
2023-04-07	1,070,000	1,025,000	$ 0.07	2.27
2023-08-24	15,000	15,000	$ 0.10	2.65
2023-08-24	20,000	1,667	$ 0.20	2.65
2023-08-24	15,000	-	$ 0.30	2.65
2023-09-01	10,500	-	$ 0.10	2.67
2023-09-01	14,000	-	$ 0.20	2.67
2023-09-01	10,500	-	$ 0.30	2.67
2023-09-16	10,500	-	$ 0.10	2.71
2023-09-16	14,000	-	$ 0.20	2.71
2023-09-16	10,500	-	$ 0.30	2.71
2023-10-07	10,500	-	$ 0.135	2.77
2023-10-07	14,000	-	$ 0.20	2.77
2023-10-07	10,500	-	$ 0.30	2.77
	3,900,000	3,533,211	$ 0.18	1.97

A further 200,000 agent's options were outstanding and are exercisable at $0.20 per share until March 26, 2020. These options expired unexercised.

During the year ended December 31, 2020, the Company granted 1,321,625 stock options. 240,000 stock options are exercisable at varying prices from $0.10 to $0.30 per share over a period of three years. 1,081,625 stock options are exercisable at a price of $0.07 per share, in varying terms within the next 24 months. The options have a total fair value, calculated using the Black-Scholes option pricing model of $480,408 (2019 - $432,760):

(Stated in Canadian Dollars)

9. Shareholders' Equity (continued)

	December 31, 2020	December 31, 2019
Weighted average share price	$0.08	$0.10
Risk-free interest rate	0.73%	1.62%
Expected life of option	3.0 years	3.7 years
Expected annualized volatility	85.63%	85.35%
Expected dividend rate	Nil	Nil

10. Financial Instruments

The carrying values of the Company's financial instruments approximate their fair values, due to their short terms to maturity. 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:

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 consists of contract payments due from governments and companies, with the carrying amounts also being the Company's maximum exposure. Management believes the Company's exposure to credit risk is not significant.

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 consolidated 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.

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.

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 maintains certain cash balances in term deposits which renew periodically, and which rates reflect the market at the time of renewal. Management believes that the interest rate risk on these investments is nominal. The Company is not exposed to any other significant interest rate risk aside from the term deposits noted. Cash is comprised of bank balances as of December 31, 2020 and 2019.

(Stated in Canadian Dollars)

10. Financial Instruments (continued)

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, 2020, the Company held US cash of $26,617 (December 31, 2019: $2,868,640), converted to CAD at a rate of 1.2741 (2019: 1.3016). A 10% change in the foreign exchange rate would have an impact on profit or loss of $2,662 (2019: $286,864).

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, $9,442,692 at December 31, 2020. Its principal sources of cash are from sales and 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

Related parties 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 years ended December 31, 2020 and 2019 was as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Director's fees	$ 106,500	$ 62,000
Salaries and wages	598,313	375,307
Professional fees & Consulting	67,200	329,908
Share-based compensation	39,035	34,721
	$ 811,048	$ 801,936

Certain 2019 related party consultants became salaried employees during 2020.

As at December 31, 2020 accounts receivable included $nil (2019 - $24,842) owing from the Chief Executive Officer for tax installments made on his behalf.

Amounts due to related parties at December 31, 2020 are unsecured and interest free. As at December 31, 2020 accounts payable and accrued liabilities include $6,000 (2019 - $6,000) owing to the Chief Software Architect of the Company, and 10,500 (2019 - $10,500) owing to directors for December director's fees.

(Stated in Canadian Dollars)

13. 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, 2020	2019
Loss for the year	$ (2,773,797)	$ (4,089,998)
Expected income tax (recovery)	$ (744,000)	$ (1,103,000)
Change in statutory, foreign tax, foreign exchange rates and other		
Items not deductible (taxable) and other	-	18,000
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses		
Change in unrecognized deductible temporary differences	$ 744,000	1,085,000
Total income tax expense (recovery)	$ -	$ -
Current income tax	$ -	$ -
Deferred tax recovery	$ -	$ -

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

	Year ended December 31, 2020	2019
Deferred tax assets (liabilities)		
Property and equipment	$ 11,000	$ 2,000
Lease liability	17,000	31,000
Share issue costs	13,000	21,000
Intangible assets	54,000	30,000
Non-capital losses available for future period	2,131,000	1,411,000
Total deferred tax assets	2,226,000	1,495,000
Unrecognized deferred tax assets	(2,205,000)	(1,461,000)
Right of use assets	(21,000)	(34,000)
Total deferred tax liabilities	(21,000)	(34,000)
Net deferred tax assets	$ -	$ -

At December 31, 2020, the Company has non-capital losses of $7,894,000 (2019: $5,227,000) available for carry-forward to reduce future years' income taxes. These losses will expire as follows:

2037	$ 224,000
2038	1,236,000
2039	3,830,000
2040	2,604,000
	$ 7,894,000

(Stated in Canadian Dollars)

14. Segmented Information

At December 31, 2020, the Company has one reportable operating segment comprised of proprietary AI software and related consulting services. All non-current assets are located in Canada. Revenue is earned in two main regions, being Canada and the United States. The following is a breakdown of revenue by geographic area based on each customers' locations for the years ended December 31, 2020 and 2019:

	Year ended December 31,	
	2020	2019
Revenue		
Canada	$ 220,398	$ 184,600
United States	120,186	-
	$ 340,584	$ 184,600

15. Events after the reporting period

The Company has evaluated its activities subsequent to December 31, 2020 and has determined that there are no material events to be reported, except as follows:

On January 19, 2021, the Company announced a proposed non-brokered private placement of 966,700 units at a price of $0.15 per unit for gross proceeds of $145,005. Each unit comprises one common share of the Company and one common share purchase warrant of the Company. Each warrant is exercisable at a price of $0.20 per share for a period of 24 months from the closing date of the offering. The private placement closed on February 18, 2021.

On February 17, 2021, the Company announced a non-brokered private placement of 1.2 million units at a price of $0.15 per unit, for gross proceeds of $180,000. Each unit comprises one common share of the Company and one common share purchase warrant of the Company. Each warrant is exercisable at a price of $0.20 per share for a period of 24 months from the closing date of the offering. The private placement closed on March 24, 2021.