



MINERVA
INTELLIGENCE

Minerva Intelligence Inc.

Unaudited Condensed Consolidated Interim Financial Statements
For the Three-Month Period ended March 31, 2021

(Stated in Canadian Dollars)

(Unaudited – Prepared by Management)

Notice to Reader

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

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

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

Minerva Intelligence Inc.

Condensed Consolidated Interim Statements of Financial Position

March 31, 2021 and December 31, 2020

(Unaudited - Stated in Canadian Dollars)

	Note	Three-month period ended March 31, 2021	Year ended December 31, 2020
Assets			
Current Assets			
Cash		\$ 999,572	\$ 1,359,511
GST receivable		-	19,540
Accounts receivable	12	319,352	35,934
Prepaid and other expenses		62,152	67,215
		<u>1,381,076</u>	<u>1,482,200</u>
Non-Current Assets			
Equipment	5	54,843	61,913
Right of use assets	6	62,289	76,175
Intangible assets	7	223,636	246,000
		<u>540,768</u>	<u>384,088</u>
Total Assets		<u>\$ 1,721,844</u>	<u>\$ 1,866,288</u>
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	12	\$ 236,844	\$ 228,735
GST Payable		16,002	-
Lease liability	8	47,504	56,553
Deposits		52,343	74,393
		<u>352,693</u>	<u>359,681</u>
Other Liabilities			
Lease liability	8	-	4,836
		<u>352,693</u>	<u>364,517</u>
Shareholders' Equity			
Common shares	9	9,767,697	9,442,692
Option reserve	9	490,591	480,023
Deficit		(8,889,137)	(8,420,944)
Total Shareholder's Equity		<u>1,369,151</u>	<u>1,501,771</u>
Total Liabilities and Shareholders' Equity		<u>\$ 1,721,844</u>	<u>\$ 1,866,288</u>
Events after the reporting period	14		

s/ "Scott Tillman"

Director

s/ "Clinton Smyth"

Director

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

Minerva Intelligence Inc.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

For the three-month periods ended March 31, 2021 and 2020

(Unaudited - Stated in Canadian Dollars)

	Note	Three-month period ended March 31,	
		2021	2020
Sales		\$ 552,397	\$ 53,000
Expenses			
Advertising and promotion		63,672	64,070
Amortization	5,6,7	44,903	45,202
Consulting - Corporate development		24,000	26,198
Consulting - Product development		57,547	39,163
Director's fees	12	31,500	31,500
General and administrative	8	35,766	35,044
Outsourced services		38,185	31,800
Professional fees	12	5,850	25,119
Salaries and wages	12	652,684	571,158
Share-based compensation	12	10,568	4,293
Software application subscriptions		42,152	16,528
Transfer agent and filing fees		9,997	6,384
Travel		1,127	21,458
		<u>(1,017,951)</u>	<u>(917,917)</u>
Loss from Operations		(465,554)	(864,917)
Other Items			
Foreign exchange gain (loss)		(3,540)	241,714
Interest expense		(681)	(1,331)
Interest income		1,582	11,084
		<u>(2,639)</u>	<u>251,467</u>
Loss and comprehensive loss		\$ <u>(468,193)</u>	\$ <u>(613,450)</u>
Loss per share:			
Basic and diluted		\$ <u>(0.01)</u>	\$ <u>(0.01)</u>
Weighted average number of common shares outstanding			
Basic and diluted		<u>45,019,465</u>	<u>44,675,005</u>

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

Minerva Intelligence Inc.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

For the three-month periods ended March 31, 2021 and 2020

(Unaudited - Stated in Canadian Dollars)

	Common Shares				Total Shareholders' Equity	
	Note	Number of Shares	Amount	Option reserve		Deficit
Balance at December 31, 2019		44,675,005	\$ 9,442,692	\$ 424,917	\$ (5,647,147)	4,220,462
Share-based compensation		-	-	4,293	-	4,293
Loss for the period		-	-	-	(613,450)	(613,450)
Balance at March 31, 2020		44,675,005	9,442,692	429,210	(6,260,597)	3,611,305
Share-based compensation		-	-	50,813	-	50,813
Loss for the period		-	-	-	(2,160,347)	(2,160,347)
Balance at December 31, 2020		44,675,005	9,442,692	480,023	(8,420,944)	1,501,771
Issue of common shares for cash		2,166,700	325,005	-	-	325,005
Share-based compensation		-	-	10,568	-	10,568
Loss for the period		-	-	-	(468,193)	(468,193)
Balance at March 31, 2021		46,841,705	\$ 9,767,697	\$ 490,591	\$ (8,889,137)	1,369,151

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

Minerva Intelligence Inc.
Condensed Consolidated Interim Statements of Cash Flows
For the three-month periods ended March 31, 2021 and 2020
(Unaudited - Stated in Canadian Dollars)

	Three-month period ended March 31,	
	2021	2020
Operating Activities		
Loss for the period	\$ (468,193)	\$ (613,450)
Items not involving cash		
Amortization	44,903	45,202
Share-based compensation	10,568	4,293
Interest on lease liability	681	(1,331)
Unrealized foreign exchange (gain) loss	-	(68,435)
Changes in non-cash working capital items		
GST receivable	19,540	(6,568)
Accounts receivable	(283,418)	(32,890)
Prepaid and other expenses	5,063	(30,789)
Deposit	(22,050)	-
Accounts payable and accrued liabilities	24,111	(129,134)
Cash used in operating activities	<u>(668,795)</u>	<u>(833,102)</u>
Financing Activities		
Issuance of common shares	325,005	-
Lease financing expense	(14,566)	(15,103)
Cash provided by (used in) financing activities	<u>310,439</u>	<u>(15,103)</u>
Investing Activities		
Acquisition of equipment	(1,583)	150
Cash provided by (used in) investing activities	<u>(1,583)</u>	<u>150</u>
Effect of exchange differences on cash	-	68,435
Net change in cash	(359,939)	(779,620)
Cash, beginning balance	<u>1,359,511</u>	<u>3,168,680</u>
Cash, ending balance	<u>\$ 999,572</u>	<u>\$ 2,389,060</u>

Minerva Intelligence Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2021 and 2020

(Unaudited - Stated in Canadian Dollars)

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.

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 through a wholly owned subsidiary, 1198574 B.C. Ltd., which was incorporated on February 22, 2019 to facilitate this acquisition. 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 unaudited condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the Company will continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. As of March 31, 2021, the Company had an accumulated deficit of \$8,889,137 (December 31, 2020 - \$8,420,944), and, for the three-month period ended March 31, 2021, a loss from operations of \$465,554 (2020 - \$864,917) and cash used in operations of \$359,939 (2020 - \$779,620). 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 unaudited condensed consolidated interim financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Minerva Intelligence Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2021 and 2020

(Unaudited - Stated in Canadian Dollars)

2. Basis of Preparation

Statement of compliance

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

These unaudited condensed consolidated interim financial statements were approved for issue by the Board of Directors on May 27, 2021.

Basis of presentation

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

The unaudited condensed consolidated interim 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

The accounting policies applied in these unaudited condensed consolidated interim financial statements are the same as those applied in the Company’s annual audited financial statements for the year ended December 31, 2020. The reader is referred to Note 3 of the December 31, 2020 audited financial statements for a description of the policies.

Minerva Intelligence Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2021 and 2020

(Unaudited - Stated in Canadian Dollars)

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.

Minerva Intelligence Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2021 and 2020

(Unaudited - Stated in Canadian Dollars)

5. Equipment

	Leasehold Improvements	Computer equipment	Furniture and fixtures	Total
Cost:				
December 31, 2020	\$ 28,503	\$ 82,811	\$ 19,478	\$ 130,792
Additions	-	1,583	-	1,583
March 31, 2021	\$ 28,503	\$ 84,394	\$ 19,478	\$ 132,375
Amortization:				
December 31, 2020	\$ (14,189)	\$ (48,567)	\$ (6,123)	\$ (68,879)
Additions	(3,167)	(4,512)	(974)	(8,653)
March 31, 2021	\$ (17,356)	\$ (53,079)	\$ (7,097)	\$ (77,532)
Carrying Amount: At March 31, 2021	\$ 11,147	\$ 31,315	\$ 12,381	\$ 54,843

	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

Minerva Intelligence Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2021 and 2020

(Unaudited - Stated in Canadian Dollars)

6. Right of Use Assets

The right-of-use asset is measured based on the initial amount of the lease liability on office space leased in 2018 and 2019, adjusted for any initial direct costs incurred, less any lease incentives received. The right-of-use assets are subsequently amortized from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term using the straight-line method. The lease term includes consideration of an option to renew or to terminate if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset may be periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease for the office space expires on January 31, 2022. There are no other leases in effect.

	Three-month period ended March 31, 2021	Year ended December 31, 2020
Cost:		
Opening balance	\$ 184,143	\$ 179,479
Lease deposit and other adjustments	-	4,664
Closing balance	<u>\$ 184,143</u>	<u>\$ 184,143</u>
Amortization		
Opening balance	\$ (107,968)	\$ (52,548)
Amortization	(13,886)	(55,420)
Closing balance	<u>\$ (121,854)</u>	<u>\$ (107,968)</u>
Carrying amount at year end	<u>\$ 62,289</u>	<u>\$ 76,175</u>

7. Intangible Assets

During the year ended December 31, 2017, Minerva Canada purchased certain intangible assets from a private company with Directors in common. The acquired intangible assets were used in the development of the Company's internally generated intangible assets. 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.

	Three-month period ended March 31, 2021	Year ended December 31, 2020
Cost:		
Opening balance	\$ 447,272	\$ 447,272
Closing balance	<u>\$ 447,272</u>	<u>\$ 447,272</u>
Accumulated amortization:		
Opening balance	\$ 201,272	\$ 111,818
Additions	22,364	89,454
Closing balance	<u>\$ 223,636</u>	<u>\$ 201,272</u>
Carrying amount	<u>\$ 223,636</u>	<u>\$ 246,000</u>

Minerva Intelligence Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2021 and 2020

(Unaudited - 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.

	Three-month period ended March 31, 2021	Year ended December 31, 2020
Opening balance	\$ 61,389	\$ 115,344
Payments applied	(14,566)	(58,313)
Interest expense	681	4,358
Closing balance	<u>\$ 47,504</u>	<u>\$ 61,389</u>
Current portion or lease liability	\$ 47,504	\$ 56,553
Long term portion of lease liability	-	4,836
Closing balance	<u>\$ 47,504</u>	<u>\$ 61,389</u>

During the year ended December 31, 2020, 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 (2021 - \$Nil), which was 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 three-month period ended March 31, 2021, the Company completed the following share transactions:

- 966,700 units were issued pursuant to a non-brokered private placement at price of \$0.15 per unit for gross proceeds of \$145,005. Each unit comprised 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 until February 17, 2023; and
- 1.2 million units were issued pursuant to a non-brokered private placement at a price of \$0.15 per unit, for gross proceeds of \$180,000. Each unit comprised 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 until March 24, 2023.

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

Minerva Intelligence Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2021 and 2020

(Unaudited - Stated in Canadian Dollars)

As of March 31, 2021, the Company had 45,641,705 shares issued and outstanding (December 31, 2020 - 44,675,005).

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.

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.

	March 31, 2021		December 31, 2020	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding, beginning of the period	3,900,000	-	2,887,500	-
Granted	-	-	1,081,625	0.07
	-	-	61,500	0.10
	-	-	10,500	0.135
	-	-	96,000	0.20
	-	-	72,000	0.30
Cancelled and Expired	-	-	(309,125)	0.25
Outstanding, end of the period	<u>3,900,000</u>	<u>\$ 0.18</u>	<u>3,900,000</u>	<u>\$ 0.18</u>

During the year ended December 31, 2020, 309,125 options expired or were cancelled.

Minerva Intelligence Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2021 and 2020

(Unaudited - Stated in Canadian Dollars)

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	1.29
2022-11-01	250,000	250,000	\$ 0.075	1.59
2023-11-12	142,500	114,200	\$ 0.10	2.62
2023-11-12	190,000	113,168	\$ 0.20	2.62
2023-11-12	142,500	72,498	\$ 0.30	2.62
2023-04-07	1,070,000	1,025,000	\$ 0.07	2.02
2023-08-24	15,000	15,000	\$ 0.10	2.40
2023-08-24	20,000	1,667	\$ 0.20	2.40
2023-08-24	15,000	-	\$ 0.30	2.40
2023-09-01	10,500	-	\$ 0.10	2.42
2023-09-01	14,000	-	\$ 0.20	2.42
2023-09-01	10,500	-	\$ 0.30	2.42
2023-09-16	10,500	-	\$ 0.10	2.46
2023-09-16	14,000	-	\$ 0.20	2.46
2023-09-16	10,500	-	\$ 0.30	2.46
2023-10-07	10,500	-	\$ 0.135	2.52
2023-10-07	14,000	-	\$ 0.20	2.52
2023-10-07	10,500	-	\$ 0.30	2.52
	3,900,000	3,541,533	\$ 0.18	1.72

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):

Warrants

During the period ended March 31, 2021, 2,166,000 warrants were issued as part of the private placements (December 31, 2020: nil):

	March 31, 2021	
	Number of Warrants	Exercise Price \$
Outstanding, beginning of the period	-	-
Issued	966,000	0.20
	1,200,000	0.20
Outstanding, end of the period	2,166,000	\$ 0.20

Minerva Intelligence Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2021 and 2020

(Unaudited - Stated in Canadian Dollars)

Warrants outstanding at March 31, 2021 are as follows:

Expiry Date	Outstanding	Exercise Price \$
2023-02-17	966,000	0.20
2023-03-23	1,200,000	0.20
	<u>2,166,000</u>	<u>\$ 0.20</u>

10. Financial Instruments

	March 31, 2021	December 31, 2020
Weighted average share price	\$0.08	\$0.08
Risk-free interest rate	0.73%	0.73%
Expected life of option	2.75 years	3.0 years
Expected annualized volatility	85.63%	85.63%
Expected dividend rate	Nil	Nil

The fair values of the Company's financial instruments approximate the carrying 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.

Minerva Intelligence Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2021 and 2020

(Unaudited - Stated in Canadian Dollars)

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 March 31, 2021 and December 31, 2020.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to foreign exchange risk as it engages in transactions in other foreign currencies, from time to time. As at March 31, 2021, the Company held US cash of \$19,629 (December 31, 2020: \$26,617), converted to CAD at a rate of 1.2591 (2020: 1.2741). A 10% change in the foreign exchange rate would have an impact on profit or loss of \$1,963 (2020: \$2,662).

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, \$9,767,697 at March 31, 2021 (December 31, 2020 - \$9,442,692). 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.

Minerva Intelligence Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2021 and 2020

(Unaudited - Stated in Canadian Dollars)

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:

	Three-month period ended March 31,	
	2021	2020
Director's fees	\$ 31,500	\$ 31,500
Salaries and wages	190,934	183,958
Professional fees & Consulting	18,000	18,000
Share-based compensation	2,318	76
	<u>\$ 242,752</u>	<u>\$ 233,534</u>

Amounts due to related parties at March 31, 2021 and December 31, 2020 are unsecured and interest free. As at March 31, 2020 accounts payable and accrued liabilities include \$6,000 (December 31, 2020 - \$6,000) owing to the Chief Software Architect of the Company, and \$10,500 (December 31, 2020 - \$10,500) owing to directors for director's fees.

13. Segmented Information

At March 31, 2021 and 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 following periods:

Revenue	Three-month period ended March 31,	
	2021	2020
Canada	\$ 285,025	\$ 53,000
United States	267,372	-
	<u>\$ 552,397</u>	<u>\$ 53,000</u>

14. 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.