



Minerva Intelligence Inc.

Unaudited condensed consolidated interim financial statements
For the three-month period ended March 31, 2022

(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, 2022 and December 31, 2021
(Unaudited - Stated in Canadian Dollars)

	Note	Three-month period ended March 31, 2022	Year ended December 31, 2021
Assets			
Current Assets			
Cash		\$ 2,403,702	\$ 3,177,392
GST receivable		18,861	-
Accounts receivable		62,871	120,272
Prepaid and other expenses		128,568	239,342
		<u>2,614,002</u>	<u>3,537,006</u>
Non-Current Assets			
Equipment	5	33,439	37,873
Right of use assets	6	-	4,836
Intangible assets	7	134,181	156,545
		<u>2,781,622</u>	<u>3,736,260</u>
Total Assets		\$ 2,781,622	\$ 3,736,260
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	12	\$ 218,010	\$ 202,964
GST payable		-	8,149
PST payable		1,400	-
Lease liability	8	-	4,836
Deposits		39,596	54,538
		<u>259,006</u>	<u>270,487</u>
Shareholders' Equity			
Common shares	9	13,876,918	13,876,918
Option reserve	9	696,814	695,967
Warrant reserve	9	152,477	152,477
Deficit		(12,203,593)	(11,259,589)
Total Shareholder's Equity		<u>2,522,616</u>	<u>3,465,773</u>
Total Liabilities and Shareholders' Equity		\$ 2,781,622	\$ 3,736,260
Events after the reporting period	14		
	<u>s/ "Scott Tillman"</u>	<u>s/ "Jason Petralia"</u>	
	Director	Director	

Minerva Intelligence Inc.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

For the three-month periods ended March 31, 2022 and 2021

(Unaudited - Stated in Canadian Dollars)

		Three-month period ended March 31,	
	Note	2022	2021
Sales	13	\$ 123,122	\$ 552,397
Expenses			
Advertising and promotion		167,762	\$ 63,672
Amortization	5,6,7	33,882	44,903
Consulting - Corporate development		-	24,000
Consulting - Product development	12	56,974	57,547
Director's fees	12	31,500	31,500
General and administrative	8	59,967	35,766
Outsourced services		10,586	38,185
Professional fees	12	2,203	5,850
Regulatory and filing fees		40,744	-
Salaries and wages	12	613,388	652,684
Share-based compensation	12	847	10,568
Software application subscriptions		33,955	42,152
Transfer agent and filing fees		972	9,997
Travel		9,572	1,127
		<u>(1,062,352)</u>	<u>(1,017,951)</u>
Loss from Operations		(939,230)	(465,554)
Other Items			
Foreign exchange gain (loss)		(2,592)	(3,540)
Interest expense	8	(19)	(681)
Interest income		3	1,582
Loss on disposal of assets	5	(2,166)	-
		<u>(4,774)</u>	<u>(2,639)</u>
Loss and comprehensive loss		\$ <u>(944,004)</u>	\$ <u>(468,193)</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>76,958,037</u>	<u>45,019,465</u>

Minerva Intelligence Inc.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

For the three-month periods ended March 31, 2022 and 2021

(Unaudited - Stated in Canadian Dollars)

	Common Shares					Deficit	Total Shareholders' Equity
	Note	Number of Shares	Amount	Option reserve	Warrant reserve		
Balance at December 31, 2020		44,675,005	\$ 9,442,692	\$ 480,023	\$ -	\$ (8,420,944)	\$ 1,501,771
Issue of units for cash		216,670	325,005	-	-	-	325,005
Share-based compensation		-	-	10,568	-	-	10,568
Loss for the year		-	-	-	-	(468,193)	(468,193)
Balance at March 31, 2021		44,891,675	9,767,697	490,591	-	(8,889,137)	1,369,151
Issue of units for cash		32,066,362	4,352,973	-	152,477	-	4,505,450
Share issue costs		-	(243,752)	-	-	-	(243,752)
Share-based compensation		-	-	205,376	-	-	205,376
Loss for the year		-	-	-	-	(2,370,452)	(2,370,452)
Balance at December 31, 2021		76,958,037	13,876,918	695,967	152,477	(11,259,589)	3,465,773
Share-based compensation		-	-	847	-	-	847
Loss for the year		-	-	-	-	(944,004)	(944,004)
Balance at December 31, 2021		76,958,037	\$ 13,876,918	\$ 696,814	\$ 152,477	\$ (12,203,593)	\$ 2,522,616

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

Minerva Intelligence Inc.
Condensed Consolidated Interim Statements of Cash Flows
For the three-month periods ended March 31, 2022 and 2021
(Unaudited - Stated in Canadian Dollars)

	Three-month period ended March 31,	
	2022	2021
Operating Activities		
Loss for the period	\$ (944,004)	\$ (468,193)
Items not involving cash		
Amortization	33,882	44,903
Share-based compensation	847	10,568
Interest on lease liability	19	681
Loss on disposal of assets	2,166	-
Changes in non-cash working capital items		
Accounts receivable	57,401	(283,418)
GST receivable	(27,010)	19,540
PST payable	1,400	-
Prepaid and other expenses	110,774	5,063
Deposits	(14,942)	(22,050)
Accounts payable and accrued liabilities	15,046	24,111
Cash used in operating activities	<u>(764,421)</u>	<u>(668,795)</u>
Financing Activities		
Issuance of common shares, net of share issuance costs	-	325,005
Lease financing expense	(4,855)	(14,566)
Cash provided by (used in) financing activities	<u>(4,855)</u>	<u>310,439</u>
Investing Activities		
Acquisition of equipment	(4,514)	(1,583)
Disposal of equipment	2,266	-
Cash used in investing activities	<u>(2,248)</u>	<u>(1,583)</u>
Net change in cash	(773,690)	(359,939)
Cash, beginning balance	<u>3,177,392</u>	<u>1,359,511</u>
Cash, ending balance	<u>\$ 2,403,702</u>	<u>\$ 999,572</u>

Minerva Intelligence Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2022 and 2021

(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. 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. During the year ended December 31, 2019, the Company acquired Minerva Canada.

Minerva Intelligence GmbH, a German subsidiary company, was incorporated on September 24, 2019.

The head office of the Company is located at Suite 810, 1166 Alberni Street, Vancouver, British Columbia V6E 3Z3. The registered office of the Company is located at 2900 - 595 Burrard Street, Vancouver, B.C. V7X 1J5.

Minerva is a software development company that is bringing innovative technology to the market. The Company provides decision-support tools that help our customers reach conclusions faster and with the rigour needed to trust the results. Minerva is focused on helping businesses better understand the earth and is currently pursuing two industries: minerals and mining and climate risk identification and mitigation.

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, 2022, the Company had an accumulated deficit of \$12,203,593 (December 31, 2021 - \$11,259,589), and, for the three-month period ended March 31, 2022, a loss from operations of \$944,004 (year ended December 31, 2021 - \$2,826,792) and cash used in operations of \$773,690 (2021 - \$2,701,000). 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, as required of, and to maintain and update, 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 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 delays 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, 2022 and 2021

(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 issuance by the Board of Directors on May 30, 2022.

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 functional currency of the Company and Minerva Canada. 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 have been 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, 2021. The reader is referred to Note 3 of the December 31, 2021 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, 2022 and 2021

(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. Material estimates are:

Share-based Payment Transactions

The Company measures the cost of equity-settled transactions 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 carried forward 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.

Minerva Intelligence Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2022 and 2021

(Unaudited - Stated in Canadian Dollars)

5. Equipment

	Leasehold Improvements	Computer equipment	Furniture and fixtures	Total
Cost:				
December 31, 2021	\$ 28,503	\$ 92,367	\$ 19,478	\$ 140,348
Additions	-	4,514	-	4,514
Disposals	-	(2,655)	(5,383)	(8,038)
March 31, 2022	\$ 28,503	\$ 94,226	\$ 14,095	\$ 136,824
Amortization:				
December 31, 2021	\$ (26,857)	\$ (65,596)	\$ (10,022)	\$ (102,475)
Additions	(1,646)	(4,104)	(931)	(6,681)
Disposals	-	1,553	4,218	5,771
March 31, 2022	\$ (28,503)	\$ (68,147)	\$ (6,735)	\$ (103,385)
Carrying Amount:				
At March 31, 2022	\$ -	\$ 26,079	\$ 7,360	\$ 33,439

	Leasehold Improvements	Computer equipment	Furniture and fixtures	Total
Cost:				
December 31, 2020	\$ 28,503	\$ 82,811	\$ 19,478	\$ 130,792
Additions	-	9,953	-	9,953
Disposals	-	(397)	-	(397)
December 31, 2021	\$ 28,503	\$ 92,367	\$ 19,478	\$ 140,348
Amortization:				
December 31, 2020	\$ (14,189)	\$ (48,567)	\$ (6,123)	\$ (68,879)
Additions	(12,668)	(17,426)	(3,899)	(33,993)
Disposals	-	397	-	397
December 31, 2021	\$ (26,857)	\$ (65,596)	\$ (10,022)	\$ (102,475)
Carrying Amount:				
At December 31, 2021	\$ 1,646	\$ 26,771	\$ 9,456	\$ 37,873

Minerva Intelligence Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2022 and 2021

(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 expired on January 31, 2022. There were no other leases in effect during the period. See Note 15.

	Three-month period ended March 31, 2022	Year ended December 31, 2021
Cost:		
Opening balance	\$ 184,143	\$ 184,143
Lease deposit and other adjustments	-	-
Closing balance	<u>\$ 184,143</u>	<u>\$ 184,143</u>
Amortization		
Opening balance	\$ (179,307)	\$ (107,968)
Amortization	(4,836)	(71,339)
Closing balance	<u>\$ (184,143)</u>	<u>\$ (179,307)</u>
Carrying amount	<u>\$ -</u>	<u>\$ 4,836</u>

Minerva Intelligence Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2022 and 2021

(Unaudited - 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 then Directors in common. The acquired intangible assets were used in the development of the Company's internally generated intangible assets. Subsequently, there have been 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, 2022	Year ended December 31, 2021
Cost:		
Opening balance	\$ 447,272	\$ 447,272
Closing balance	<u>\$ 447,272</u>	<u>\$ 447,272</u>
Accumulated amortization:		
Opening balance	\$ 290,727	\$ 201,272
Additions	22,364	89,455
Closing balance	<u>\$ 313,091</u>	<u>\$ 290,727</u>
Carrying amount	<u>\$ 134,181</u>	<u>\$ 156,545</u>

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, 2022	Year ended December 31, 2021
Opening balance	\$ 4,836	\$ 61,389
Payments applied	(4,855)	(58,266)
Interest expense	19	1,713
Closing balance	<u>\$ -</u>	<u>\$ 4,836</u>
Current portion or lease liability	\$ -	\$ 4,836
Long term portion of lease liability	-	-
Closing balance	<u>\$ -</u>	<u>\$ 4,836</u>

Minerva Intelligence Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2022 and 2021

(Unaudited - Stated in Canadian Dollars)

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, 2022, there were no share issuances.

During the year ended December 31, 2021, the Company completed the following share transactions:

- 29,966,332 units were issued pursuant to a private placement at price of \$0.15 per unit for gross proceeds of \$4,494,950. Each unit comprised one common share of the Company and one-half common share purchase warrant of the Company. Each full warrant is exercisable at a price of \$0.25 per share for a period of 24 months until September 17, 2023. Commissions of \$205,772 were paid, and 1,371,813 broker warrants were issued exercisable at a price of \$0.25 per share until September 17, 2023. The broker warrant were valued at \$152,477 using the Black Scholes method noted below;
- 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
- 1,200,000 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.

As of March 31, 2022, the Company had 76,958,037 shares issued and outstanding (December 31, 2021 - 76,958,037).

As of December 31, 2021, a total of 1,915,003 common shares were subject to escrow restrictions. 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.

During the year ended December 31, 2021, 235,250 options expired unexercised, and 150,000 options were exercised at \$0.07 per share. The market price at the time of exercise on October 27, 2021 was \$0.185 per share. During the year ended December 31, 2020, 309,125 options expired or were cancelled. There were no changes during the three-month period ended March 31, 2022.

Minerva Intelligence Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2022 and 2021

(Unaudited - Stated in Canadian Dollars)

	March 31, 2022		December 31, 2021	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding, beginning of the year	5,378,500	0.19	3,900,000	0.18
Granted	-	-	1,863,750	0.18
Exercised	-	-	(150,000)	0.07
Cancelled and Expired	-	-	(235,250)	0.13
Outstanding, end of the period	<u>5,378,500</u>	<u>\$ 0.19</u>	<u>5,378,500</u>	<u>\$ 0.19</u>

During the year ended December 31, 2021, the Company granted 1,863,750 stock options, exercisable at \$0.18 per share over a period of three years. The options have a total fair value, calculated using the Black-Scholes option pricing model of \$221,010.

Stock options outstanding at March 31, 2022 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	0.29
2022-11-01	250,000	250,000	\$ 0.075	0.59
2023-11-12	122,000	122,000	\$ 0.10	1.62
2023-11-12	161,000	158,666	\$ 0.20	1.62
2023-11-12	122,000	101,000	\$ 0.30	1.62
2023-04-07	789,750	789,750	\$ 0.07	1.02
2023-08-24	15,000	10,000	\$ 0.10	1.40
2023-08-24	20,000	13,333	\$ 0.20	1.40
2023-08-24	15,000	10,000	\$ 0.30	1.40
2023-09-01	10,500	7,000	\$ 0.10	1.42
2023-09-01	14,000	9,333	\$ 0.20	1.42
2023-09-01	10,500	7,000	\$ 0.30	1.42
2023-09-16	10,500	7,000	\$ 0.14	1.46
2023-09-16	14,000	9,333	\$ 0.20	1.46
2023-09-16	10,500	7,000	\$ 0.30	1.46
2024-11-15	1,863,750	1,738,750	\$ 0.18	2.63
	<u>5,378,500</u>	<u>5,190,165</u>	<u>\$ 0.19</u>	<u>1.35</u>

Minerva Intelligence Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2022 and 2021

(Unaudited - Stated in Canadian Dollars)

During the year ended December 31, 2021, the Company granted 1,863,750 stock options exercisable at \$0.18 per share over a period of three years. The options fair value was calculated using the Black-Scholes option pricing model:

	December 31, 2021	December 31, 2020
Weighted average share price	\$0.17	\$0.08
Risk-free interest rate	0.25%	0.73%
Expected life of option	3.0 years	3.0 years
Expected annualized volatility	120.04%	85.35%
Expected dividend rate	Nil	Nil

There were no option grants during the period. Subsequent to the period end options were granted. See Note 14.

Warrants

During the year ended December 31, 2021, 17,149,166 warrants were issued as part of the private placements. Warrants outstanding at March 31, 2022 and December 31, 2021 are as follows:

	March 31, 2022		December 31, 2020	
	Number of Warrants	Exercise Price \$	Number of Warrants	Exercise Price \$
Outstanding, beginning of the period	-	-	-	-
Issued	966,000	0.20	966,000	0.20
	1,200,000	0.20	1,200,000	0.20
	14,983,166	0.25	14,983,166	0.25
Outstanding, end of the period	<u>17,149,166</u>	<u>\$ 0.24</u>	<u>17,149,166</u>	<u>\$ 0.24</u>

In addition, 1,371,813 broker warrants are exercisable at a price of \$0.25 per share until September 17, 2023. The broker warrants were valued at \$152,477 using the Black Scholes method:

Exercise price:	\$0.25
Market price:	\$0.195
Discount rate:	0.46%
Expected dividend:	nil
Expected life:	2 years
Volatility:	123.31%

Minerva Intelligence Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2022 and 2021

(Unaudited - Stated in Canadian Dollars)

10. Financial Instruments

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.

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.

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, 2022, the carrying values of the financial assets and liabilities denominated in US dollars were converted to CAD at a rate of 1.2505 (December 31, 2021 - 1.2678) and Euros converted to CAD at the rate of 1.3898 (2021 - 1.4391). A 10% change in the foreign exchange rate would have an impact on profit and loss of \$4,927 (2021 - \$9,586):

Minerva Intelligence Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2022 and 2021

(Unaudited - Stated in Canadian Dollars)

	March 31, 2022		December 31, 2021	
Cash (US dollar)	\$	49,625	\$	92,206
Cash (Euro)		5,178		5,785
Amounts receivable (US dollar)		37,515		38,034
Accounts payable and deposits (US dollar)		(43,768)		(39,714)
Accounts payable (Euros)		716		(450)
Total	\$	49,266	\$	95,861
10% change in the exchange rate impact	\$	4,927	\$	9,586

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, \$13,876,918 at March 31, 2022 (December 31, 2021 - \$13,876,918). 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 key management personnel, who are those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. The remuneration of key management personnel during the periods ended March 31, 2022 and 2021 was as follows:

	Three-month period ended March 31,	
	2022	2021
Director's fees	\$ 31,500	\$ 31,500
Salaries and wages	174,320	190,934
Professional fees & Consulting	39,250	18,000
Share-based compensation	-	2,318
Total	\$ 245,070	\$ 242,752

Amounts due to related parties at March 31, 2022 and December 31, 2021 are unsecured, interest free and due on demand. As at March 31, 2022, accounts payable and accrued liabilities include \$6,000 (December 31, 2021 - \$6,000) owing to the Chief Software Architect of the Company, and \$10,500 (2020 - \$10,500) owing to directors for director's fees.

Minerva Intelligence Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2022 and 2021

(Unaudited - Stated in Canadian Dollars)

13. Segmented Information

At March 31, 2022 and 2021, 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 principally 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,	
	2022	2021
Canada	\$ 104,148	\$ 285,025
United States	18,974	267,372
	<u>\$ 123,122</u>	<u>\$ 552,397</u>

14. Events after the reporting period

The Company has evaluated its activities subsequent to December 31, 2021 and has determined that there are no material events to be reported, aside from the following:

- On October 20, 2021, the Company entered into a five-year lease for new office premises, comprising 1,957 square feet, at rates varying from \$31 to \$33 per square foot. The lease was to commence on February 1, 2022. Due to permitting delays for required construction, the effective date of the lease is May 1, 2022; and
- On May 26, 2022, the Company granted 1,441,750 stock options exercisable at a price of \$0.07 per share until May 26, 2024.