Minerva Intelligence Inc.

(formerly Two Owls Ventures Corp.)

Unaudited Condensed Consolidated Interim Financial Statements

For the Six-Month Period ended June 30, 2019

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., (formerly Two Owls Ventures Corp.)
Unaudited Condensed Consolidated Interim Statements of Financial Position
June 30, 2019 and December 31, 2018
(Stated in Canadian Dollars)

	Note	June 30, 2019	December 31, 2018
Assets			
Current Assets			
Cash		$ 5,387,613	$ 6,595,908
GST receivable		12,964	39,399
Accounts receivable		-	9,881
Prepaid and other expenses		38,958	39,390
		5,439,535	6,684,578
Non-Current Assets			
Equipment	5	35,952	29,784
Right of use assets	6	153,205	-
Intangible assets	7	380,181	424,908
Total Assets		**$ 6,008,873**	**$ 7,139,270**
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	12	$ 89,022	$ 109,203
Lease liability - current portion	8	$ 61,445	$ -
Deposits		-	1,140
		150,467	110,343
Liabilities			
Lease liability	8	82,970	-
		82,970	-
Shareholders' Equity			
Common shares	9	9,296,223	8,250,723
Option reserve	9	413,825	335,353
Deficit		(3,934,612)	(1,557,149)
Total Equity (Deficiency)		5,775,436	7,028,927
Total Liabilities and Shareholders' Equity		**$ 6,008,873**	**$ 7,139,270**

Events after the reporting period 13

Approved on behalf of the Board of Directors on August 19, 2019 by:

"Clinton Smyth" — Director

"David Poole" — Director

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

Minerva Intelligence Inc., (formerly Two Owls Ventures Corp.)
Unaudited Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
For the periods ended June 30, 2019 and 2018
(Stated in Canadian Dollars)

	Note	Three month period ended June 30, 2019	Three month period ended June 30, 2018	Six month period ended June 30, 2019	Six month period ended June 30, 2018
Sales		$ 32,000	$ -	$ 172,600	$ -
Expenses					
Advertising and promotion		29,208	-	75,026	-
Amortization	5,6,7	39,507	2,707	78,778	5,434
Administrative and general	12	30,855	34,728	58,812	60,728
Directors fees	12	7,500	-	7,500	-
Outsourced services		14,678	-	64,578	-
Professional fees	12	240,690	185,640	473,232	271,515
Regulatory and filing fees		453	-	453	-
Research and development		-	12,000	-	12,000
Salaries and wages	12	306,128	62,621	541,002	86,715
Share-based compensation	12	15,318	45,960	30,471	91,414
Software application subscriptions		6,211	1,268	26,306	3,294
Transfer agent and filing fees		670	-	670	-
Travel		37,163	16,295	73,022	29,812
		(728,381)	(361,219)	(1,429,850)	(560,912)
Loss from Operations		(696,381)	(361,219)	(1,257,250)	(560,912)
Other Items					
Foreign exchange gain (loss)		(119,822)	103,861	(267,435)	128,938
Interest income		5,075	-	5,075	-
Interest expense	6	(584)	-	(1,167)	-
Listing expense		(856,686)	-	(856,686)	-
		(972,017)	103,861	(1,120,213)	128,938
Loss and comprehensive loss		$ (1,668,398)	$ (257,358)	$ (2,377,463)	$ (431,974)
Loss per share:					
Basic and diluted		$ (0.08)	$ (0.04)	$ (0.17)	$ (0.08)
Weighted average number of common shares outstanding					
Basic and diluted		21,256,113	6,249,445	13,728,057	5,488,647

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

Minerva Intelligence Inc., (formerly Two Owls Ventures Corp.)
Unaudited Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
For the periods ended June 30, 2019 and 2018
(Stated in Canadian Dollars)

	Common Shares								
	Number of Shares (Restated)		Amount		Option reserve		Deficit		Total Shareholders' Equity
Balance at December 31, 2017	**23,825,005**	**$**	**1,600,172**	**$**	**207,239**	**$**	**(430,611)**	**$**	**1,376,800**
Issued for cash	11,400,000		4,445,140		-		-		4,445,140
Share-based compensation	-		-		91,414		-		91,414
Loss for the period	-		-		-		(431,974)		(431,974)
Balance at June 30, 2018	**35,225,005**		**6,045,312**		**298,653**		**(862,585)**		**5,481,380**
Issued for cash	3,350,000		2,205,411		-		-		2,205,411
Share-based compensation	-		-		36,700		-		36,700
Loss for the period	-		-		-		(694,565)		(694,565)
Balance at December 31, 2018	**38,575,005**		**8,250,723**		**335,353**		**(1,557,150)**		**7,028,926**
Reverse takeover	3,100,000		790,500		48,000		-		838,500
Finders fees	1,000,000		255,000		-		-		255,000
Share-based compensation	-		-		30,472		-		30,472
Loss for the period	-		-		-		(2,377,463)		(2,377,463)
Balance at June 30, 2019	**42,675,005**	**$**	**9,296,223**	**$**	**413,825**	**$**	**(3,934,612)**	**$**	**5,775,436**

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

Minerva Intelligence Inc., (formerly Two Owls Ventures Corp.)
Unaudited Condensed Consolidated Interim Statements of Cash Flows
For the periods ended June 30, 2019 and 2019
(Stated in Canadian Dollars)

	Six month period ended June 30, 2019	2018
Operating Activities		
Loss for the period	$ (1,520,777)	$ (431,974)
Items not involving cash		
Amortization	78,778	5,434
Share-based compensation, current period	30,471	91,414
Unrealized foreign exchange (gain) loss	122,733	(128,938)
Changes in non-cash working capital items		
GST receivable	34,016	(12,160)
Accounts receivable	9,881	10
Prepaid expenses	4,102	(159)
Accounts payable and accrued liabilities	(115,301)	62,366
Cash used in operating activities	(1,356,097)	(414,007)
Financing Activities		
Issuance of common shares	-	4,445,140
Cash received on reverse takeover	320,684	-
Net lease financing expense	(35,064)	-
Cash provided by financing activities	**285,620**	**4,445,140**
Investing Activities		
Acquisition of equipment	(13,945)	(8,436)
Acquisition of intangible assets	-	(160,074)
Deposit	(1,140)	9,120
Cash used by investing activities	**(15,085)**	**(159,390)**
Effect of exchange differences on cash	**(122,733)**	**141,098**
Net change in cash	(1,208,295)	4,012,841
Cash, beginning balance	6,595,908	1,174,851
Cash, ending balance	**$ 5,387,613**	**$ 5,187,692**
Supplemental cash flow information		
Cash paid during the period for interest	$ -	$ -
Cash paid during the period for income taxes	$ -	$ -

1. Nature and Continuance of Operations

Minerva Intelligence Inc. (formerly Two Owls Ventures Corp.) (the "Company" or "Two Owls") 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 QT discussed in note 3.

Minerva Intelligence (Canada) Ltd. (formerly Minerva Intelligence Inc.) ("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 period ended June 30, 2019, the Company acquired Minerva Canada. See note 3.

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 is currently developing artificial intelligence software in order to provide services to earth sciences and mineral exploration companies to assist with mineral exploration, geohazards, environmental protection, land use planning and related industries.

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. Future operations are dependent on the Company's ability to raise additional financing and the attainment of profitable operations. The Company will require equity or debt financings in order to continue research and development of its intangible assets and fund its administrative operations. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

These unaudited condensed 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.

2. Basis of Preparation

a) 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, except as disclosed on adoption of IFRS 16, but do not contain all of the information required for full annual financial statements. Accordingly, these unaudited condensed 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.

b) 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, which is also the Company's functional currency, unless otherwise indicated. The preparation of 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 of 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	**Percentage**
Minerva Intelligence Inc. (formerly Two Owls Ventures Corp.)	Parent	100%
Minerva Intelligence (Canada) Ltd. (formerly Minerva Intelligence Inc.)	Subsidiary	100%

Inter-company balances and transactions are eliminated on consolidation.

(Stated in Canadian Dollars)

3. Summary of Significant Accounting Policies

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

Acquisition of Minerva Intelligence (Canada) Ltd.

On May 23, 2019 the Company closed its arm's length Qualifying Transaction ("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 period:

(a) 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);

(b) the Company changed its name to "Minerva Intelligence Inc.";

(c) Minerva Canada continued its jurisdiction of incorporation from Ontario to British Columbia, to become subject to the B.C. *Business Corporations Act* ("BCBCA");

(d) 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;

(e) the Company issued an aggregate of 38,575,005 post-consolidated shares in exchange for all of the outstanding shares of Minerva; and

(f) 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, 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. Consequently, comparative amounts in these condensed consolidated interim financial statements are those of Minerva Canada only.

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

3. Summary of Significant Accounting Policies (continued)

IFRS 16 Leases

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

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

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

On October 16, 2018, Minerva Canada 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 Minerva Canada added an addendum to the lease for another contiguous office space with an effective date of July 1, 2019. See note 6 and 8.

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

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

4. Critical Accounting Estimates and Judgments

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

Share-based Payment Transactions related to Equities

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

Deferred tax assets

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

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

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

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

Determination of functional currency

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

(Stated in Canadian Dollars)

5. Equipment

	Computer Equipment	Furniture and Fixtures	Total
Cost:			
December 31, 2018	$ 41,252	$ 4,533	$ 45,785
Additions	9,445	4,500	13,945
June 30, 2019	$ 50,697	$ 9,033	$ 59,730
Accumulated amortization:			
December 31, 2018	$ 15,170	$ 831	$ 16,001
Additions	7,225	552	7,777
June 30, 2019	$ 22,395	$ 1,383	$ 23,778
Net book value:			
At June 30, 2019	**$ 28,302**	**$ 7,650**	**$ 35,952**

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

(Stated in Canadian Dollars)

6. Right-of-Use Assets

		Six-month period ended June 30, 2019		Year ended December 31, 2018
Lease liability valuation	$	162,021	$	-
Lease deposits reclassified from prepaid expenses		10,480		-
Opening Balance, January 1, 2019		172,501		-
Lease deposit additions		6,978		-
Balance, June 30, 2019		179,479		-
Amortization		(26,274)		-
Net balance, June 30, 2019	$	153,205	$	-

On October 16, 2018, Minerva Canada 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 Minerva Canada 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.

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

(Stated in Canadian Dollars)

7. Intangible Assets

During the period 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 are being used in the development of the Company's internally generated intangible assets.

The Company reviews the intangible assets for amortization and impairment each reporting period. During the year ended December 31, 2018 the Company commenced using the assets with its clients on a limited basis while continuing to enhance the software. Accordingly, the Company is amortizing the software over a period of five years, and recognized $22,364 (Year to date: $44,727) (2018: $22,364) of amortization.

	Software under development	
	Six-month period ended June 30, 2019	**Year ended December 31, 2018**
Cost:		
Opening balance	$ 447,272	$ 177,117
Additions		-
Salaries and wages (Note 12)	-	136,851
Consulting fees	-	133,304
Closing balance	$ 447,272	$ 447,272
Accumulated amortization:		
Opening balance	$ 22,364	$ -
Additions	44,727	22,364
Closing balance	$ 67,091	$ 22,364
Net book value	**$ 380,181**	**$ 424,908**

(Stated in Canadian Dollars)

8. Lease Liability

		Six-month period ended June 30, 2019		Year ended December 31, 2018
Lease liability valuation	$	162,021	$	-
Payments applied		(18,773)		-
Interest expense		1,167		-
Balance, June 30, 2019		144,415		-
Current portion of lease liability	$	61,445	$	-
Long term portion of lease liability		82,970		-
Balance, June 30, 2019	$	144,415	$	-

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

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

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

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

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

9. Shareholders' Equity

a) Authorized and issued share capital:

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

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

- 4,000,000 common shares at $0.10 per common share for gross proceeds of $400,000 as a result of completing its initial public offering ("IPO"). The Company paid a cash commission of 10% of the gross proceeds, paid a corporate finance fee of $10,000 and issued to the IPO agent 400,000 non-transferable agent's options (the "Agent's Options") to purchase an aggregate of400,000 common shares of the Company at an exercise price of $0.10 per share. The Agent's Options expire on March 26, 2020. The Company recognized $17,568 for share-based payments related to the Agent's Options (note 6b). The Company incurred $36,681 of IPO issue costs related to professional fees, and filing and listing fees. In addition, $15,658 of IPO issue costs ($8,137 of professional fees and $7,521 of filing and listing fees) were charged to profit or loss to recognize the seed shares' share of the IPO issuance costs.

During the six-month period ended June 30, 2019, the Company completed an amalgamation 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 at a price of $0.255 per common share; and
- 1,000,000 post-consolidated common shares were issued at a price of $0.255 as a finder's fee.

As of June 30, 2019, the Company has 42,675,005 shares issued and outstanding.

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

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

(Stated in Canadian Dollars)

9. Shareholders' Equity (continued)

b) 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 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.

	June 30, 2019		June 30, 2018	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of the year	620,000	$ 0.10	-	$ -
Granted	-	-	620,000	0.10
Consolidated	(310,000)	-	-	-
Issued to replace acquired options	1,950,000	0.2534	-	-
Cancelled and Expired	(217,500)	0.20	-	-
Outstanding, end of the period	2,042,500	$ 0.2510	620,000	$ 0.10

Stock options outstanding at June 30, 2019 and December 31, 2018 are as follows:

Expiry Date	Outstanding	Exercisable	Exercise Price per Share	Remaining Contractual Life (years)
26-Mar-20	92,500	92,500	$ 0.20	0.74
22-Jul-22	1,950,000	1,300,000	$ 0.2534	3.06
	2,042,500	1,392,500	0.2510	2.96

9. Shareholders' Equity (continued)

b) Stock options (continued)

On July 17, 2017, Minerva Canada granted 390,000 stock options to directors of the Company to acquire 390,000 common shares of the Company with an expiry date of July 16, 2022 at an exercise price of $1.27 per share. Upon completion of the QT, a total of 1,950,000 stock options were issued to replace the 390,000 previously issued outstanding options in the capital of Minerva, each new option entitling the holder to acquire one share of the Company at the exercise price of $0.2534 per share.

Subsequent to the QT, a total of 217,500 options exercisable at $0.20 per share expired unexercised.

A further 200,000 agent's options are outstanding and are exercisable at $0.20 per share.

The options have a total fair value, calculated using the Black-Scholes option pricing model of $413,825 assuming an expected life of varying from one to 3 years, a risk-free interest rate of 1.50%, an expected dividend rate of 0.00%, a share price varying from $0.20 to $0.2534 and an expected annual volatility coefficient of 215%.

10. Financial Instruments

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

a) Credit risk

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

b) Liquidity risk

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

c) Market risk

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

10. Financial Instruments (continued)

i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company 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 a, aside from the term deposits noted, cash comprised bank balances as of June 30, 2019 and December 31, 2018.

ii) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to foreign exchange risk as it engages in transactions in other foreign currencies, from time to time. As at June 30, 2019, the Company held US cash of $3,949,557 (December 31, 2018: $4,804,051), converted to CAD at a rate of 1.3086 (December 31, 2018: 1.3642). A 10% change in the foreign exchange rate would have an impact on profit or loss of $394,956 (December 31, 2018: $480,405).

iii) Price risk

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

11. Capital Management

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

(Stated in Canadian Dollars)

12. Related Party Transactions

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. The remuneration of key management personnel during the periods ended June 30, 2019 and 2018 was as follows:

	Three-month period ended June 30, 2019	Six-month period ended June 30, 2019	Six-month period ended June 30, 2018
Salaries and wages - expensed	$ 68,049	$ 102,958	$ 39,387
Salaries and wages - capitalized	-	-	26,259
Professional fees - expensed	18,000	33,000	18,000
Share-based compensation	15,320	30,472	91,414
	$ 101,369	$ 166,430	$ 175,060

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

As at June 30, 2019 and December 31, 2018 accounts payable and accrued liabilities included:

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

Other related parties

Other related parties include companies controlled by key management personnel. The remuneration of other related parties during the periods ended June 30, 2019 and December 31, 2018 was as follows:

	Three-month period ended June 30, 2019	Six-month period ended June 30, 2019	Six-month period ended June 30, 2018	Year ended December 31, 2018
Directors fees	$ 7,500	$ 7,500	$ -	$ -
Professional fees - expensed	76,620	149,220	62,931	202,635
Professional fees – capitalized	-	-	39,255	52,044
Share-based compensation	14,323	14,323	-	-
	$ 98,443	$ 171,043	$ 102,186	$ 254,679

12. Related Party Transactions (continued)

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

As at June 30, 2019 accounts payable and accrued liabilities included $nil (December 31, 2018 - $32,738) owing to other related parties. Amounts due to related parties, including amounts due to key management personnel, at June 30, 2019 are unsecured and interest free.

13. Events after the reporting period

The Company has evaluated its activities subsequent to June 30, 2019 and has determined that there are no material events to be reported.