

MINAEAN SP CONSTRUCTION CORP.

Consolidated Financial Statements

For the Years Ended March 31, 2017 and 2016

Expressed in Canadian Dollars

MINAEAN SP CONSTRUCTION CORP.

Index

Page

Independent Auditor's Report

3

Consolidated Financial Statements

Consolidated Statements of Financial Position

4

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

5

Consolidated Statements of Income and Comprehensive Income

6

Consolidated Statements of Cash Flows

7

Notes to Consolidated Financial Statements

8-26

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Minaean SP Construction Corp.

We have audited the accompanying consolidated financial statements of Minaean SP Construction Corp., which comprise the consolidated statements of financial position as at March 31, 2017 and 2016, and the consolidated statements of changes in shareholders' equity (deficiency), income and comprehensive income, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Minaean SP Construction Corp. as at March 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

July 26, 2017



MINAEAN SP CONSTRUCTION CORP.

Consolidated Statements of Financial Position

March 31, 2017 and 2016

(Expressed in Canadian Dollars)

| | | 2017 | | 2016 |
|---|---|---------------------|----|--------------|
| ASSETS | | | | |
| Current | | | | |
| Cash | | \$ 79,510 | \$ | 171,059 |
| Short-term investments | 4 | 22,245 | | 21,499 |
| Receivables | 5 | 672,847 | | 64,344 |
| Holdback receivable | 6 | 45,189 | | 129,135 |
| Prepaid expenses and deposits | | 16,622 | | 23,227 |
| | | 836,413 | | 409,264 |
| Long-term investment | 4 | 205 | | 196 |
| Long-term receivables | 5 | 426,296 | | 261,730 |
| Equipment | 7 | 2,510 | | 90,650 |
| | | \$ 1,265,424 | \$ | 761,840 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | |
| Current | | | | |
| Trades payable and accrued liabilities | | \$ 312,258 | \$ | 215,303 |
| Deferred revenue | | 2,300 | | 94,138 |
| Due to related parties | 9 | 94,483 | | 117,685 |
| | | 409,041 | | 427,126 |
| Shareholders' equity | | | | |
| Share Capital | 8 | 10,347,616 | | 10,347,616 |
| Share-based payment reserves | 8 | 1,877,903 | | 1,877,903 |
| Accumulated other comprehensive income (loss) | | 26,337 | | (6,145) |
| Deficit | | (11,395,473) | | (11,884,660) |
| | | 856,383 | | 334,714 |
| | | \$ 1,265,424 | \$ | 761,840 |

Nature and continuance of operations (Note 1)

Commitment (Note 10)

Approved on behalf of the Board on July 26 2017

"Hari Varshney"

Director

"Mervyn Pinto"

Director

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

MINAEAN SP CONSTRUCTION CORP.

Consolidated Statement of Changes in Shareholders' Equity (Deficiency)
(Expressed in Canadian Dollars)

| | Notes | Share Capital | | Share-based payment reserves | Accumulated other comprehensive income (loss) | Deficit | Total shareholders' equity |
|------------------------------------|-------|---------------------|---------------|------------------------------------|--|-----------------|----------------------------------|
| | | Number of shares | Amount | | | | |
| Balance, March 31, 2015 | | 26,752,383 | \$ 8,041,895 | \$ 1,264,601 | \$ 6,807 | \$ (13,162,504) | \$ (3,849,201) |
| Private placement | 8 | 27,500,000 | 1,650,000 | – | – | – | 1,650,000 |
| Share issuance costs | 8 | – | (30,619) | – | – | – | (30,619) |
| Debt settlement | 8 | 1,750,000 | 105,000 | – | – | – | 105,000 |
| Options exercised | 8 | 2,157,500 | 581,340 | (294,815) | – | – | 286,525 |
| Share based compensation | 8 | – | – | 908,117 | – | – | 908,117 |
| Net income for the year | | – | – | – | – | 1,277,844 | 1,277,844 |
| Cumulative translations adjustment | | – | – | – | (12,952) | – | (12,952) |
| Balance, March 31, 2016 | | 58,159,883 | 10,347,616 | 1,877,903 | (6,145) | (11,884,660) | 334,714 |
| Net income for the year | | – | – | – | – | 489,187 | 489,187 |
| Cumulative translations adjustment | | – | – | – | 32,482 | – | 32,482 |
| Balance, March 31, 2017 | | 58,159,883 | \$ 10,347,616 | \$ 1,877,903 | \$ 26,337 | \$ (11,395,473) | \$ 856,383 |

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

MINAEAN SP CONSTRUCTION CORP.

Consolidated Statements of Income and Comprehensive Income

For the years ended March 31, 2017 and 2016

(Expressed in Canadian Dollars)

| | Notes | 2017 | 2016 |
|---|-------|-------------------|--------------|
| Sales | | \$ 1,750,921 | \$ 783,308 |
| Cost of sales | | 845,178 | 718,266 |
| | | 905,743 | 65,042 |
| Expenses | | | |
| Amortization | 7 | 3,272 | 10,031 |
| Bad debt | | 28,898 | 3,597 |
| Bonuses | 9 | – | 486,250 |
| Consulting | | 6,500 | 13,315 |
| Financing costs | | – | 100 |
| Foreign exchange loss | | 18,769 | 122 |
| Interest and bank charges | | 13,448 | 23,867 |
| Office and administration | 9 | 83,791 | 101,501 |
| Professional fees | | 41,916 | 141,010 |
| Regulatory and transfer agent fees | | 21,970 | 30,066 |
| Rent | 9 | 27,685 | 38,910 |
| Stock based compensation | 8 | – | 908,117 |
| Travel and entertainment | | 47,259 | 23,134 |
| Wages and benefits | 9 | 156,675 | 192,978 |
| | | 450,183 | 1,972,998 |
| | | 455,560 | (1,907,956) |
| Other items | | | |
| Interest and other income | | 10,563 | 35,520 |
| Gain on sale of equipment | 7 | 23,064 | – |
| Gain on debt settlement | | – | 3,150,280 |
| | | 33,627 | 3,185,800 |
| Net income for the year | | 489,187 | 1,277,844 |
| Foreign currency translation reserve | | 32,482 | (12,952) |
| Comprehensive income for the year | | \$ 521,669 | \$ 1,264,892 |
| Earnings per share - basic and diluted | | | |
| - basic | | \$ 0.01 | \$ 0.03 |
| - diluted | | \$ 0.01 | \$ 0.03 |
| Weighted average number of shares outstanding | | | |
| - basic | | 58,159,883 | 45,290,184 |
| - diluted | | 63,761,499 | 45,793,241 |

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

MINAEAN SP CONSTRUCTION CORP.

Consolidated Statements of Cash Flows
For the years ended March 31, 2017 and 2016
(Expressed in Canadian Dollars)

| | 2017 | 2016 |
|---|------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income for the year | \$ 489,187 | \$ 1,277,844 |
| Items not affecting cash: | | |
| Amortization | 3,272 | 10,031 |
| Share-based compensation | – | 908,117 |
| Bad debt | 28,898 | 3,597 |
| Gain on debt settlement | – | (3,150,280) |
| Gain on sale of equipment | (23,064) | – |
| | <u>498,293</u> | <u>(950,691)</u> |
| Changes in non-cash working capital items: | | |
| Receivables | (786,094) | (32,111) |
| Holdback receivable | 90,277 | 11,235 |
| Prepaid expenses and deposits | 7,302 | (5,330) |
| Deferred revenue | (133,266) | 91,946 |
| Trades payable and accrued liabilities | 76,321 | (207,679) |
| Dues to related parties | 32,634 | (140,448) |
| Net cash used in operating activities | <u>(214,533)</u> | <u>(1,233,078)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Investment in short-term investments | 308 | – |
| Redemption of short-term investments | – | 198,731 |
| Proceeds on disposal of property, plant & equipment | 112,188 | – |
| Acquisition of property, plant & equipment | – | (1,958) |
| Net cash used in investing activities | <u>112,496</u> | <u>196,773</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Bank indebtedness | – | (303,697) |
| Repayments on loans payable | – | (481,751) |
| Proceeds (repayment) from related party loans | (61,620) | 73,185 |
| Proceeds from share issuances | – | 1,936,525 |
| Share issuance costs | – | (30,619) |
| Net cash provided by financing activities | <u>(61,620)</u> | <u>1,193,643</u> |
| Effect of foreign exchange on cash flows | <u>72,108</u> | <u>7,714</u> |
| Change in cash | (91,549) | 165,052 |
| Cash, beginning of year | 171,059 | 6,007 |
| Cash, end of year | \$ 79,510 | \$ 171,059 |
| Cash paid for interest | \$ 8,072 | \$ 10,744 |
| Cash paid for taxes | \$ – | \$ – |

Supplemental disclosure with respect to cash flows (Note 14)

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

MINAEAN SP CONSTRUCTION CORP.

Notes to Consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Minaean SP Construction Corp. (“Minaean” or the “Company”) was incorporated under the Business Corporations Act (Alberta) on November 5, 1998 and continued into British Columbia on August 28, 2015. On April 29, 2003, Minaean completed a share exchange with Minaean Building Solutions Inc. (“MBSolutions”).

Minaean has five wholly-owned subsidiaries, MBSolutions, Minaean Habitat India Private Limited (“MHIPL”), Minaean Building Structures Inc. (“MBStructures”), Minaean (Ghana) Limited (“MGhana”) and Minaean SP SL Limited (“MSL”) (collectively the “Company”).

The Company is in the business of providing general contracting to the construction industry with a specialty in Light Gauge Steel Quik-Build Systems. The Company also provides a variety of contracting services including consulting on large scale construction projects, engineering, procurement, construction and design-build capabilities in the residential, commercial, industrial, healthcare, and hospitality sectors.

The Company’s head office, principal address and records office is Suite 2050-1055 West Georgia Street, PO Box 11121, Royal Centre, Vancouver, BC V6E 3P3. The registered office is Suite 400, 725 Granville Street, Vancouver, BC V7Y 1G5.

These consolidated financial statements have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. During the year ended March 31, 2017, the Company generated \$1,750,921 (2016 - \$783,308) in revenues and incurred net income of \$489,187 (2016 – \$1,277,844). As at March 31, 2017, the Company has an accumulated deficit of \$11,395,473 (March 31, 2016 - \$11,884,660) and working capital of \$427,372 (March 31, 2016 – working capital deficiency \$17,862).

While the Company has been successful in obtaining its required financing in the past, mainly through the issuance of equity capital and debt financing from both arms length and non-arms length parties, there is no assurance that such financing will be available or be available on favorable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Management estimates that it has sufficient working capital to continue operations for the next twelve months.

The Company has never paid dividends.

MINAEAN SP CONSTRUCTION CORP.

Notes to Consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

These financial statements were authorized for issue on July 26, 2017 by the directors of the Company.

Statement of compliance and conversion to International Financial Reporting Standards

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

Basis of presentation

The consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

Subsidiaries

In addition to the Company, the consolidated financial statements include all subsidiaries. Subsidiaries are all corporations over which the Company is able directly or indirectly, to control financial and operational policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. They are de-consolidated from the date that control by the Company ceases.

The subsidiaries of the Company are as follows:

| | Country of incorporation | Percentage owned | |
|----------------------------------|--------------------------|---------------------|---------------------|
| | | March 31, 2017 | March 31, 2016 |
| Minaean Building Solutions Inc. | Canada | 100% | 100% |
| Minaean Habitat India Pvt Ltd. | India | 100% ⁽¹⁾ | 100% ⁽¹⁾ |
| Minaean Building Structures Inc. | Canada | 100% | 100% |
| Minaean (Ghana) Limited | Ghana | 100% | 100% |
| Minaean SP SL Limited | Sierra Leone | 100% | 100% |

(1) owned by Minaean Building Solutions Inc.

(2) owned by Minaean Habitat India Pvt Ltd.

Consolidation

Assets, liabilities, revenues and expenses of the subsidiaries are recognized in accordance with the Company’s accounting policies. Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

MINAEAN SP CONSTRUCTION CORP.

Notes to Consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Critical Accounting Estimates and Judgments

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the year. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- 1) *Receivables* The recoverability of receivables that are included in the statements of financial position is based on the historical collection of receivables. The Company's long term receivables include balances subject to Government review and approval. The Company has estimated the fair value to approximate cost, as well as believes no provision is necessary for past amounts.
- 2) *Share-based payments* The Company uses the Black-Scholes option pricing model to determine the fair value of options and warrants in order to calculate share-based payments expense and the fair value of agent warrants. The Black-Scholes model involves six key inputs to determine fair value of an option: risk-free interest rate, exercise price, market price at date of issue, expected dividend yield, expected life, and expected volatility. Certain of the inputs are estimates that involve considerable judgment and are or could be affected by significant factors that are out of the Company's control. The Company is also required to estimate the future forfeiture rate of options based on historical information in its calculation of share-based payments expense.

The information about significant areas of judgment considered by management in preparing the consolidated financial statements are as follows:

Determination of functional currency

The effect of Changes in Foreign Exchange Rates (IAS 21) defines the functional currency as the currency of the primary economic environment in which an entity operates. The determination of functional currency, which is performed on an entity by entity basis, is based on various judgmental factors outlined in IAS 21. Based on assessment of the factors in IAS 21, primarily those that influence labour, material and other costs of goods or services received by its subsidiary, management determined that the functional currency for the Company and its subsidiaries is the Canadian dollar, with the exception of Minaean Habitat India Pvt Ltd. which is the Rupee, and Minaean SP SL Limited which is the Leone.

Deferred tax assets

Deferred tax assets are recognized in respect of tax losses and other temporary differences to the extent it is probable that taxable income will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable income together with future tax planning strategies.

MINAEAN SP CONSTRUCTION CORP.

Notes to Consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Revenue recognition

The Company uses the percentage of completion method for recognizing its revenues from long term fixed price construction contracts and consultancy service contracts. In determining the timing and appropriate amount of revenue to recognize, management estimates the actual amount of work performed and the associated costs incurred to date in relation to the total contract revenues and costs for each project.

Foreign currency translation

The functional currency of each of the Company's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent company's functional and presentation currency. The functional currency of Minaean Habitat India Pvt Ltd, which has operations in India is the Indian Rupee and the functional currency of Minaean SP SL Limited, which has operations in Sierra Leone is the Sierra Leonean Leone. All other subsidiaries and the parent have a functional currency of the Canadian Dollar.

Foreign currency transactions, balances and translation:

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive income in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation are recognized in other comprehensive income in the statement of comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Translation of Operation with a Different Functional Currency:

The financial results and position of foreign operations whose functional currency is different from the Company's functional currency are translated to the Company's presentation currency as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are transferred directly to the Company's foreign currency translation reserve in the statement of comprehensive income. These differences are recognized in the profit or loss in the period in which the operation is disposed.

MINAEAN SP CONSTRUCTION CORP.

Notes to Consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Share-based compensation

The Company operates an employee share option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. To date, share-based payments consist entirely of share options. For share options, the cost of the option is expensed or capitalized as an addition to non-monetary assets depending on the reason for the grant. The corresponding amount is recorded to the option reserve. The fair value of options granted is determined using a Black-Scholes pricing model which incorporates all market vesting conditions.

The number of share options expected to vest is adjusted on the date of grant such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Financial instruments

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments, and available-for-sale. The Company classifies its financial liabilities as either at fair value through profit or loss and other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss. Transaction costs are expensed as incurred.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at the transaction value, including transaction costs and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. Held-to-maturity investments are recognized on a trade-date basis and initially measured at fair value, including transaction costs. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Available-for-sale financial assets are measured initially at their fair value including transaction costs directly attributable to the acquisition. They are subsequently measured at fair value. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses.

MINAEAN SP CONSTRUCTION CORP.

Notes to Consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Financial instruments (cont'd)

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

MINAEAN SP CONSTRUCTION CORP.

Notes to Consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Financial instruments (cont'd)

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

The Company's financial instruments at March 31, 2017 are as follows:

| | <i>Loans & receivables</i> | <i>Available for sale</i> | <i>Fair Value through Profit or Loss</i> | <i>Other financial liabilities</i> |
|------------------------------|------------------------------------|-------------------------------|--|--|
| Financial assets | | | | |
| Cash | \$ — | \$ — | \$ 79,510 | \$ — |
| Investments | — | — | 22,450 | — |
| Receivables | 672,847 | — | — | — |
| Holdback receivables | 45,189 | — | — | — |
| Long-term receivables | 426,296 | — | — | — |
| Financial liabilities | | | | |
| Trade payables | — | — | — | 312,258 |
| Due to related parties | — | — | — | 94,483 |
| | \$ 1,144,332 | \$ — | \$ 101,960 | \$ 406,741 |

The Company's current assets and liabilities approximate fair value due to the short term nature of these instruments. The Company's holdback receivable and long term receivable approximate fair value due to the nature of these items. Holdback receivables will be collected upon completion of construction projects and long-term receivable upon completion of review by the government.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

MINAEAN SP CONSTRUCTION CORP.

Notes to Consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax expense or recovery is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting or taxable loss, nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not provide for the excess.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of share options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding share options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. If these computations prove to be anti-dilutive, diluted loss per share is the same as basic loss per share.

Provisions

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

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

MINAEAN SP CONSTRUCTION CORP.

Notes to Consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Equipment

Equipment is recorded at cost less accumulated impairment losses. Where an item of equipment comprises significant components with different useful lives, the components are accounted for as separate items of equipment.

The cost of replacing part of an item within equipment is recognized when the cost is incurred if it is probable that the future economic benefits will flow to the group and the cost of the item can be measured reliably. The carrying amount of the part that has been replaced is expensed. All other costs are recognized as an expense as incurred.

An impairment loss is recognized when the carrying amount of an asset, or its cash generating unit ("CGU"), exceeds its recoverable amount. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period.

Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGUs and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

Equipment are recorded at cost. Amortization is recorded using the following rates and methods:

| Assets | Rate | Basis |
|-------------------------|---------|-------------------|
| Furniture and equipment | 20% | Declining balance |
| Computer equipment | 45%-55% | Declining balance |
| Vehicle | 30% | Declining balance |

Units

The proceeds from the issue of units is allocated between common shares and common share purchase warrants based on the residual value method. Under this method, the proceeds are allocated to share capital based on the fair value of the common shares and any residual value is allocated to common share purchase warrants.

Impairment

An impairment loss is recognized when the carrying amount of an asset, or its cash generating unit ("CGU"), exceeds its recoverable amount. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGUs and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

MINAEAN SP CONSTRUCTION CORP.

Notes to Consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Impairment (cont'd)

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment.

Revenue recognition

Revenue and income from long term fixed price construction contracts, including contracts in which the Company participates through joint ventures, are determined on the percentage of completion method, based on the ratio of costs incurred to date over estimated total costs. Contract costs include all direct material and labour costs and other costs relating to contract performance such as supplies, tools and repairs. Provision is made for anticipated contract losses as soon as they are evident. Claims for additional contract compensation are not recognized until resolved. Amounts received before work is performed are recorded as deferred revenue.

When the outcome of construction contracts cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable.

Revenue from the sales of products are recognized when the products are delivered and collection is reasonably assured. Revenue from services such as contract engineering is recognized when collection is reasonably assured and the contract is complete.

Adoption of new accounting standards

The following standards, amendments and interpretations have been adopted by the Company as of April 1, 2016. There was no impact on the financial statements as a result of the adoption of these standards, amendments and interpretations:

- *Amendments to IAS 1 Presentation of Financial Statements:* The amendments clarify guidance on materiality and aggregation, use of subtotals, aggregation and disaggregation of financial statement line items, the order of the notes to the financial statements and disclosure of significant accounting policies.
- *Amendments to IFRS 7 Financial Instrument: Disclosures:* The amendments clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required and the applicability of the amendments to IFRS 7 on offsetting disclosures to condensed interim financial statements.
- *Amendments to IAS 34 Interim Financial Reporting:* The amendments clarify the requirement relating to information required by IAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements.

MINAEAN SP CONSTRUCTION CORP.

Notes to Consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Adoption of new accounting standards

- *Amendments to IFRS 10 Consolidated Financial Statements; IFRS 12 Disclosure of Interest in Other Entities; IAS 28 Investments in Associates and Joint Ventures:* The amendments address issues in applying the consolidation exception for investment entities.
- *IFRS 11, Joint Arrangements:* The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business.
- *Amendments to IAS 27 Equity Method in Separate Financial Statements:* The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

The Company has not early adopted these standards and is currently assessing the impact that these standards will have on its financial statements.

- *IFRS 9:* New standard that replaces IAS 39 for classification and measurement of financial assets, effective for annual periods beginning on or after January 1, 2018.
- *IFRS 15:* New standard that replaces existing revenue requirements IAS 11, IAS 18, IFRIC 13, IFRIC 18 and SIC 31 for measurement, recognition, and disclosure of revenues; effective for annual periods beginning on or after January 1, 2018.
- *IFRS 16* –New standard contains a single lessee accounting model, eliminating the distinction between operating and financing leases from the perspective of the lessee. The accounting requirements from the perspective of the lessor remains largely in line with previous IAS 17 requirements, effective for annual reporting periods beginning on or after January 1, 2019 for public entities with early adoption permitted.

4. INVESTMENTS

Investments consist of highly liquid Indian Rupee denominated term deposits. Short-term investments have a term to maturity of greater than ninety days but not more than one year and long-term investments have a term to maturity of greater than one year. The counter-party is a financial institution. At March 31, 2017, the Company held the following investments:

| | March 31, 2017 | March 31, 2016 |
|---|----------------|----------------|
| Indian term deposits yielding interest rates between 7% to 8.5% maturing between September 30, 2017 and March 31, 2018. | \$ 22,450 | \$ 21,695 |
| | \$ 22,450 | \$ 21,695 |

The Indian term deposits are invested with State Bank of India as guarantee against performance bonds issued on Government awarded contracts. Performance bonds are held until the completion of the contract close out and redeemable within twelve months of contract close out date. Of the total balance, \$205 (2016 - \$196) is classified as long-term.

MINAEAN SP CONSTRUCTION CORP.

Notes to Consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Canadian Dollars)

5. RECEIVABLES

Short-term receivables consist of amounts due within twelve months.

| Short-term receivables | March 31, 2017 | March 31, 2016 |
|--|----------------|----------------|
| Progress billings on constructions contracts | \$ 669,162 | \$ 62,015 |
| Government sales input tax credits | 3,685 | 2,329 |
| | \$ 672,847 | \$ 64,344 |

Long-term receivables of \$291,296 (March 31, 2016 - \$261,730) represent amounts for various government tax credits and refunds under re-assessment and have been withheld by the government pending completion of their review and amounts that will be collected in excess of a twelve month period. The remaining \$135,000 balance in long-term receivables relates to consulting revenues expected to be collected in fiscal 2019.

6. HOLDBACK RECEIVABLE

Holdback receivables represent amounts retained by the client on construction contracts as per milestones established in the contract released upon the expiration of the lien period after the construction project has completed in its entirety.

7. EQUIPMENT

| | Furniture & Equipment | Computer Equipment | Vehicle | Total |
|------------------------------|-----------------------|--------------------|-----------|------------|
| Cost: | | | | |
| At March 31, 2015 | \$ 283,322 | \$ 11,905 | \$ 24,584 | \$ 319,811 |
| Additions | – | 1,958 | – | 1,958 |
| Forex translation adjustment | (10,711) | (90) | (930) | (11,731) |
| At March 31, 2016 | 272,611 | 13,773 | 23,654 | 310,038 |
| Disposals | (285,716) | – | – | (285,716) |
| Forex translation adjustment | 13,105 | 143 | 1,159 | 14,407 |
| At March 31, 2017 | \$ – | \$ 13,916 | \$ 24,813 | \$ 38,729 |
| Amortization: | | | | |
| At March 31, 2015 | \$ 183,818 | \$ 10,737 | \$ 22,901 | \$ 217,456 |
| Amortization for the year | 8,755 | 1,156 | 120 | 10,031 |
| Forex translation adjustment | (7,148) | (81) | (870) | (8,099) |
| At March 31, 2016 | 185,425 | 11,812 | 22,151 | 219,388 |
| Amortization for the year | 2,228 | 858 | 186 | 3,272 |
| Disposals | (196,592) | – | – | (196,592) |
| Forex translation adjustment | 8,939 | 117 | 1,095 | 10,151 |
| At March 31, 2017 | \$ – | \$ 12,787 | \$ 23,432 | \$ 36,219 |
| Net book value: | | | | |
| At March 31, 2016 | \$ 87,186 | \$ 1,961 | \$ 1,503 | \$ 90,650 |
| At March 31, 2017 | \$ – | \$ 1,129 | \$ 1,381 | \$ 2,510 |

MINAEAN SP CONSTRUCTION CORP.

Notes to Consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Canadian Dollars)

8. SHARE CAPITAL AND RESERVES

Authorized share capital

Unlimited common shares with no par value.

Share issuances

During the year ended March 31, 2017, there were no transactions affecting share capital.

During the year ended March 31, 2016:

- (a) the Company consolidated of all its issued and outstanding share capital on a 2:1 basis;
- (b) 2,157,500 share options were exercised at a price between of \$0.13 per share and \$0.14 per share, and 2,157,500 common shares were issued for total proceeds of \$286,525. In addition, a reallocation of \$294,815 from reserves to capital stock was recorded on the exercise of these options. This amount constitutes the fair value of options recorded at the original grant date;
- (c) the Company completed a non-brokered private placement of 27,500,000 common shares at a price of \$0.06 per share for gross proceeds of \$1,650,000;
- (d) the Company negotiated a debt settlement of \$175,000 in debt in exchange for 1,750,000 shares of the Company with a fair value of \$105,000 on issuance; and
- (e) the Company paid an aggregate of \$30,619 in shares issuance costs associated to the private placement and debt settlement.

Stock options and warrants

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock, less applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of 10 years and vest at the discretion of the Board of Directors.

MINAEAN SP CONSTRUCTION CORP.

Notes to Consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Canadian Dollars)

8. SHARE CAPITAL AND RESERVES (cont'd)

Stock options and warrants (cont'd)

Stock option and share purchase warrant transactions are summarized as follows:

| | Warrants | | Stock Options | |
|--------------------------------------|-----------|---------------------------------|---------------|---------------------------------|
| | Number | Weighted Average Exercise Price | Number | Weighted Average Exercise Price |
| Outstanding, March 31, 2015 | 136,270 | \$ 0.20 | 2,352,500 | \$ 0.13 |
| Expired | (136,270) | (0.20) | – | – |
| Exercised | – | – | (2,157,500) | (0.13) |
| Forfeited | – | – | (127,500) | (0.17) |
| Granted | – | – | 5,534,116 | 0.26 |
| Outstanding, March 31, 2016 and 2017 | – | \$ – | 5,601,616 | \$ 0.26 |
| Number currently exercisable | – | \$ – | 5,601,616 | \$ 0.26 |

As at March 31, 2017, the following were outstanding:

| | Expiry Date | Number of Shares | Weighted Average Exercise Price | Weighted average period |
|----------------|------------------|------------------|---------------------------------|-------------------------|
| Options | May 28, 2018 | 40,000 | \$ 0.13 | 1.16 years |
| | October 24, 2018 | 62,500 | \$ 0.14 | 1.57 years |
| | August 30, 2020 | 5,499,116 | \$ 0.26 | 3.42 years |

Share-based compensation

During the year ended March 31, 2017, the Company recognized \$nil (2016 - \$908,117) of compensation expense on options granted to directors, officers, consultants and employees.

Options granted with vesting terms are recalculated each period to adjust for the changes in the variables used in determining the fair value. The Company applies the fair value method in accounting for its stock options using the Black-Scholes option pricing model using the following estimates:

| March 31, | 2017 | 2016 |
|---------------------------------|------|---------|
| Risk free rate | - | 0.58% |
| Expected dividend yield | - | – % |
| Expected stock price volatility | - | 79% |
| Weighted average expected life | - | 5 years |
| Weighted average fair value | - | \$0.16 |

MINAEAN SP CONSTRUCTION CORP.

Notes to Consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Canadian Dollars)

9. RELATED PARTY TRANSACTIONS

Key management personnel are persons responsible for planning, directing and controlling activities of an entity, and include executive and non-executive directors. The remuneration of directors and other key management personnel during the years ended March 31, 2017 and 2016 were as follows:

| | 2017 | 2016 |
|--------------------------|------------|------------|
| Management salaries | \$ 120,000 | \$ 71,000 |
| Bonuses | – | 446,000 |
| Share based compensation | – | 243,739 |
| Total | \$ 120,000 | \$ 760,739 |

The Company entered into the following related party transactions:

- (a) On October 1, 2014, the Company entered into an administrative agreement for administrative services in exchange for a monthly fee of \$4,000 plus applicable tax (Note 10).

During the year ended March 31, 2017, the Company paid or accrued \$48,000 (2016 - \$48,000) in administrative fees to VCC.

As at March 31, 2017, \$7,350 (2016-Nil) was owed to VCC pursuant to this agreement.

- (b) The Company paid an aggregate of \$nil (2015 – \$446,000) in bonuses to the CEO, CFO and a former director of the Company.
- (c) During the year ended March 31, 2017, the Company paid \$24,000 (2016 - \$24,000) in rent to a company controlled by the spouse of the CFO and director of the Company.
- (d) As at March 31, 2017, \$25,513 (March 31, 2016- \$19,784) was included in due to related parties for amounts owing to the CEO and director of the Company.
- (e) During the year ended March 31, 2017 the Company recognized \$1,028,788 (2016 -\$nil) in revenues from a significant shareholder of the Company. As at March 31, 2017, \$625,588 (2016 - \$nil) was receivable from a significant shareholder of the Company. Of the amount receivable, \$135,000 (2016 - \$nil) is included in long-term receivables.
- (f) As at March 31, 2017, \$61,620 (2016 –\$97,900) in operating loans included in due to related parties were due to the SP Group, a shareholder of the Company.

Unless otherwise specified above, amounts due to related parties are unsecured and have no specified interest rate or terms of repayment.

10. COMMITMENT

On October 1, 2014, the Company entered into an agreement with VCC to provide administrative services to the Company for a period of three years in exchange for a monthly fee of \$4,000. At the end of the service term, the terms of the agreement are automatically renewed on an annual basis until either party provides notice of termination.

MINAEAN SP CONSTRUCTION CORP.

Notes to Consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Canadian Dollars)

11. SEGMENTED INFORMATION

The Company operates in one industry segment, being the development and production of building framing systems, and in the geographic areas as follows:

| March 31, | 2017 | 2016 |
|-------------------------------|-----------------------|-----------------------|
| Sales for the year | | |
| India | \$ 722,133 | \$ 783,308 |
| Sierra Leone | 178,788 | – |
| North America | <u>850,000</u> | <u>–</u> |
| | \$ 1,750,921 | \$ 783,308 |
| | | |
| | March 31, 2017 | March 31, 2016 |
| Long-term investments – India | \$ 205 | \$ 196 |
| Long-term receivables | | |
| India | 291,296 | 261,730 |
| North America | <u>135,000</u> | <u>–</u> |
| | <u>426,296</u> | <u>261,730</u> |
| Equipment | | |
| North America | 582 | 1,292 |
| India | <u>1,928</u> | <u>89,358</u> |
| | <u>2,510</u> | <u>90,650</u> |
| | \$ 429,011 | \$ 352,576 |

12. SIGNIFICANT CUSTOMERS

During the year ended March 31, 2017, two customers comprised 100% (2016-100%) of total sales.

MINAEAN SP CONSTRUCTION CORP.

Notes to Consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Canadian Dollars)

13. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments based on the funds available in order to support continued operation and future business opportunities. The board of directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company considers its capital to be shareholders' equity.

The Company's operations have improved, however the Company is dependent on external financing to fund its activities. In order to carry out potential expansion and to continue operations, and pay for administrative costs, the Company will spend its existing working capital, and raise additional amounts as needed.

During the year, the Company commenced operations to earn revenues from its revenue generating projects. Management estimates that the earnings from the projects will be sufficient to cover the operating expenses of the Company for the next twelve months of operations and to satisfy its liabilities.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended March 31, 2017. The Company is not subject to externally imposed capital requirements.

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

There were no significant non-cash transactions for the year ended March 31, 2017.

Significant non-cash transactions for the year ended March 31, 2016 included:

- An allocation of \$294,815 from reserves to capital stock upon the exercise of stock options; and
- The issuance of 1,750,000 common shares of the Company valued at \$105,000 in settlement of \$75,000 in accounts payable and \$100,000 in loans payable resulting in a gain on debt settlement of \$70,000.
- The forgiveness of \$428,147 included in accounts payable, \$551,367 in promissory notes, \$1,067,372, in other payable, \$122,413 in loans payable, and \$971,416 in due to related parties resulting in a gain on debt settlement of \$3,140,715.
- The write-off of \$60,435 of receivables related to GST receivable on balances owing to creditors included in the Debt Settlement, which has been netted against the gain on debt settlement.

MINAEAN SP CONSTRUCTION CORP.

Notes to Consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Canadian Dollars)

15. INCOME TAXES

A reconciliation of current income taxes at statutory rates with the reported taxes is as follows:

| | 2017 | 2016 |
|---|------------|--------------|
| Income (Loss) before income taxes | \$ 489,189 | \$ 1,277,844 |
| Combined Canadian federal and provincial statutory rate | 26% | 26% |
| Expected income tax recovery at statutory tax rates | \$ 127,000 | \$ 332,000 |
| Share issuance costs | - | (8,000) |
| Non-deductible expenditures | - | 165,000 |
| Impact of differing foreign statutory tax rates on earnings of subsidiaries | (5,000) | 11,000 |
| Change in unrecognized deductible temporary differences and other | (122,000) | (500,000) |
| Total deferred tax recovery | \$ - | \$ - |

Significant components of deductible and taxable temporary differences, unused tax losses and unused tax credits that have not been included on the statement of financial position are as follows:

| | 2017 | Expiry dates | 2016 | Expiry dates |
|---------------------------|--------------|--------------|--------------|--------------|
| Share issue costs | 19,000 | No expiry | \$ 32,000 | No expiry |
| Non-Capital losses | 9,011,000 | 2026 to 2036 | 5,939,000 | 2026 to 2036 |
| Capital assets | 112,000 | No expiry | 112,000 | No expiry |
| Canadian eligible capital | 2,000 | No expiry | 1,000 | No expiry |
| Allowable capital losses | 43,000 | No expiry | 43,000 | No expiry |
| ITC | 51,000 | 2027 to 2035 | 51,000 | 2027 to 2035 |
| | \$ 9,238,000 | | \$ 6,178,000 | |

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The Company's current assets and liabilities approximate fair value due to the short term nature of these instruments. The Company's holdback receivable, investments, and long term receivable approximate fair value due to the nature of these items, which primarily includes government refunds and holdback receivables which will be collected upon completion of construction projects.

MINAEAN SP CONSTRUCTION CORP.

Notes to Consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Canadian Dollars)

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Management believes that the credit risk concentration with respect to financial instruments included in cash is remote. Current receivables are due primarily from one customer for North America and Sierra Leone consisting of 73% of total receivables. The Company's long term receivables related to various government tax credits and refunds are at various stages of review by government authorities in India. Should the Company receive an unfavorable ruling, a loss provision will be made in the year incurred. The Company has credit risk as it relates to the collection of these receivables. Management continues to monitor the credit granted to all customers and has used the services of Export Development Canada where possible.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. As at March 31, 2017, the Company had a working capital of \$427,372 including cash deposits of \$79,510 and receivables of \$672,847 to settle current cash liabilities of \$409,041. Management believes it has sufficient funds to meet its current obligations as they become due and to fund its administrative costs in the next 12 months.

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 commodity and equity prices. These fluctuations may be significant and the Company, as all other companies in its industry, has exposure to these risks.

(a) Interest rate risk

Interest rate risk is the risk that an investment's value will change due to a change in the level of interest rates. The Company is exposed to interest rate risk as its bank account earns interest income at variable rates. The income earned on the bank account is subject to the movements in interest rates. Management considers the risk to be minimal.

(b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables, accounts payable and accrued liabilities and other payables that are denominated in Indian Rupees and Sierra Leonean Leone. Management does not hedge its exposure to foreign exchange risk and does not believe the Company's net exposure to foreign currency risk is significant.

As at March 31, 2017, MHIPL had net financial assets of Rs 18,788,777. A 10% change in the Canadian dollar versus the Rupee would give rise to a gain/loss of approximately \$38,592.

As at March 31, 2017, MSL had net financial liabilities of SLL 138,117,866. A 10% change in the Canadian dollar versus the Leone would give rise to a gain/loss of approximately \$2,434.

(c) Price risk

The Company does not feel it is significantly exposed to price risk with respect to commodity prices.