

MINAEAN SP CONSTRUCTION CORP.

Consolidated Financial Statements

For the Years Ended March 31, 2018 and 2017

Expressed in Canadian Dollars

MINAEAN SP CONSTRUCTION CORP.

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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, 2018 and 2017 and the consolidated statements of changes in shareholders' equity, 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, 2018 and 2017 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 30, 2018



MINAEAN SP CONSTRUCTION CORP.

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

		March 31, 2018	March 31, 2017
ASSETS			
Current			
Cash		\$ 67,451	\$ 79,510
Short-term investments	4	31,763	22,245
Receivables	5	1,012,885	672,847
Holdback receivable	6	42,571	45,189
Prepaid expenses and deposits		11,027	16,622
		1,165,697	836,413
Long-term investment	4	198	205
Long-term receivables	5	285,663	426,296
Equipment	7	1,488	2,510
		\$ 1,453,046	\$ 1,265,424
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Trade payables and accrued liabilities		\$ 329,048	\$ 312,258
Deferred revenue		-	2,300
Due to related parties	9	134,044	94,483
		463,092	409,041
Shareholders' equity			
Capital stock	8	10,347,616	10,347,616
Share based payment reserve	8	1,877,903	1,877,903
Accumulated other comprehensive income		14,868	26,337
Deficit		(11,250,433)	(11,395,473)
		989,954	856,383
		\$ 1,453,046	\$ 1,265,424

Nature and continuance of operations (Note 1)

Commitment (Note 10)

Subsequent event (Note 16)

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

MINAEAN SP CONSTRUCTION CORP.

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

	Share Capital		Share-based payment reserves	Accumulated other comprehensive income (loss)	Deficit	Total equity
	Number of shares	Amount				
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 translation 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
Net income for the year	–	–	–	–	145,040	145,040
Cumulative translation adjustment	–	–	–	(11,469)	–	(11,469)
Balance, March 31, 2018	58,159,883	\$ 10,347,616	\$ 1,877,903	\$ 14,868	\$ (11,250,433)	\$ 989,954

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, 2018 and 2017

(Expressed in Canadian Dollars)

	Notes	2018	2017
Sales		\$ 814,711	\$ 1,750,921
Cost of sales		203,028	845,178
		611,683	905,743
Expenses			
Amortization	7	953	3,272
Bad debt		6,167	28,898
Consulting		10,498	6,500
Foreign exchange loss		—	18,769
Interest and bank charges		12,909	13,448
Office and administration	9	130,980	83,791
Professional fees		40,797	41,916
Regulatory and transfer agent fees		12,563	21,970
Rent	9	26,277	27,685
Travel and entertainment		48,077	47,259
Wages and benefits	9	178,700	156,675
		467,921	450,183
Income before other items		143,762	455,560
Other items			
Interest and other income		1,278	10,563
Gain on sale of equipment		—	23,064
		1,278	33,627
Net income for the year		145,040	489,187
Cumulative translation adjustment		(11,469)	32,482
Comprehensive income for the year		\$ 133,571	\$ 521,669
Earnings per share - basic and diluted			
- basic		\$ 0.00	\$ 0.01
- diluted		\$ 0.00	\$ 0.01
Weighted average number of shares outstanding			
- basic		58,159,883	58,159,883
- diluted		58,201,909	63,761,499

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, 2018 and 2017
(Expressed in Canadian Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income for the year	\$ 145,040	\$ 489,187
Items not affecting cash:		
Amortization	953	3,272
Bad debt	6,167	28,898
Gain on sale of equipment	—	(23,064)
	<u>152,160</u>	<u>498,293</u>
Changes in non-cash working capital items:		
Receivables	(224,772)	(786,094)
Holdback receivable	995	90,277
Prepaid expenses and deposits	5,210	7,302
Deferred revenue	(2,228)	(133,266)
Trades payable and accrued liabilities	19,215	76,321
Dues to related parties	41,797	32,634
Net cash used in operating activities	<u>(7,623)</u>	<u>(214,533)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption (investment) in short-term investments	(10,369)	308
Proceeds on disposal of property, plant & equipment	—	112,188
Net cash provided by (used in) investing activities	<u>(10,369)</u>	<u>112,496</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment to related party loans	—	(61,620)
Net cash used in financing activities	<u>—</u>	<u>(61,620)</u>
Effect of foreign exchange on cash flows	<u>5,933</u>	<u>72,108</u>
Change in cash	(12,059)	(91,549)
Cash, beginning of year	79,510	171,059
Cash, end of year	\$ 67,451	\$ 79,510
Cash paid for interest	\$ 6,767	\$ 8,072
Cash paid for taxes	\$ —	\$ —

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, 2018

(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.

As at March 31, 2018, Minaean has four wholly-owned subsidiaries, Minaean Building Solutions Inc. (“MBSolutions”), Minaean Habitat India Private Limited (“MHIPL”), Minaean (Ghana) Limited (“MGhana”) and Minaean SP SL Limited (“MSL”) (collectively the “Company”). On February 24, 2018, the Company’s North American subsidiary, Minaean Building Structures Inc., dissolved.

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, 2018, the Company generated \$814,711 (2017 - \$1,750,921) in revenues and incurred net income of \$145,040 (2017 - \$489,187). As at March 31, 2018, the Company has an accumulated deficit of \$11,250,433 (March 31, 2017 - \$11,395,473) and working capital of \$702,605 (March 31, 2017 - \$427,372).

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 arm’s length and non-arm’s 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.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

These financial statements were authorized for issue on July 30, 2018 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”).

MINAEAN SP CONSTRUCTION CORP.

Notes to Consolidated Financial Statements

For the year ended March 31, 2018

(Expressed in Canadian Dollars)

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

Basis of presentation

The consolidated financial statements of the Company have been prepared on an accrual basis except for cash flow information 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, 2018	March 31, 2017
Minaean Building Solutions Inc.	Canada	100%	100%
Minaean Habitat India Pvt Ltd.	India	100% ⁽¹⁾	100% ⁽¹⁾
Minaean Building Structures Inc.	Canada	100%	100%
		Dissolved on February 24, 2018	
Minaean (Ghana) Limited	Ghana	100%	100%
Minaean SP SL Limited	Sierra Leone	100%	100%

(1) owned by Minaean Building Solutions Inc.

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.

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 period. 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, and believes no provision is necessary for past amounts.

MINAEAN SP CONSTRUCTION CORP.

Notes to Consolidated Financial Statements

For the year ended March 31, 2018

(Expressed in Canadian Dollars)

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

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.

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 have a functional currency of the Canadian Dollar.

MINAEAN SP CONSTRUCTION CORP.

Notes to Consolidated Financial Statements

For the year ended March 31, 2018

(Expressed in Canadian Dollars)

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

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 period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

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.

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.

MINAEAN SP CONSTRUCTION CORP.

Notes to Consolidated Financial Statements

For the year ended March 31, 2018

(Expressed in Canadian Dollars)

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

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. 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.

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.

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.

MINAEAN SP CONSTRUCTION CORP.

Notes to Consolidated Financial Statements

For the year ended March 31, 2018

(Expressed in Canadian Dollars)

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

Financial instruments (cont'd)

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.

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.

MINAEAN SP CONSTRUCTION CORP.

Notes to Consolidated Financial Statements

For the year ended March 31, 2018

(Expressed in Canadian Dollars)

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

Financial instruments (cont'd)

The Company's financial instruments at March 31, 2018 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	\$ –	\$ –	\$ 67,451	\$ –
Investments	–	–	31,763	–
Long-term investment	–	–	198	–
Receivables	1,012,885	–	–	–
Holdback receivables	42,571	–	–	–
Long-term receivables	285,663	–	–	–
Financial liabilities				
Trade payables	–	–	–	329,048
Due to related parties	–	–	–	134,044
	\$ 1,341,119	\$ –	\$ 99,412	\$ 463,092

The Company's current assets and liabilities approximate fair value due to the short term nature of these instruments. The Company's long-term investment and long term receivable approximate fair value due to the nature of these items. Holdback receivables are expected to be collected within the next 12 months 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.

The fair value of cash and investments are measures using level 1 inputs.

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.

MINAEAN SP CONSTRUCTION CORP.

Notes to Consolidated Financial Statements

For the year ended March 31, 2018

(Expressed in Canadian Dollars)

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

Income taxes (cont'd)

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.

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.

MINAEAN SP CONSTRUCTION CORP.

Notes to Consolidated Financial Statements

For the year ended March 31, 2018

(Expressed in Canadian Dollars)

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

Equipment (cont'd)

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 or 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.

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.

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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. .

- *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. The adoption of IFRS 9, on April 1, 2018, has not had an effect on the Company's accounting policies related to the financial assets and financial liabilities.
- *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. The adoption of IFRS 15, on April 1, 2018, is not expected to have an effect on the Company's accounting policies on revenue recognition.
- *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. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on or after January 1, 2019. The extent of the impact of adoption of IFRS 16 has not yet been determined.

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, 2018 and 2017, the Company held the following investments:

	March 31, 2018	March 31, 2017
Indian term deposits yielding interest rates between 7% to 8.5% maturing between September 30, 2018 and December 31, 2018.	\$ 31,961	\$ 22,450
	\$ 31,961	\$ 22,450

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, \$198 (March 31, 2017 - \$205) is classified as long-term.

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5. RECEIVABLES

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

Short-term receivables	March 31, 2018	March 31, 2017
Trade receivables	\$ 1,007,285	\$ 669,162
Government sales input tax credits	5,600	3,685
	\$ 1,012,885	\$ 672,847

Long-term receivables of \$285,663 (March 31, 2017 - \$291,296) 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.

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, 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
Forex translation adjustment	–	(110)	(894)	(1,004)
At March 31, 2018	\$ –	\$ 13,806	\$ 23,919	\$ 37,725
Accumulated Amortization:				
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
Amortization for the year	–	875	78	953
Forex translation adjustment	–	(92)	(843)	(935)
At March 31, 2018	\$ –	\$ 13,570	\$ 22,667	\$ 36,237
Net book value:				
At March 31, 2017	\$ –	\$ 1,129	\$ 1,381	\$ 2,510
At March 31, 2018	\$ –	\$ 236	\$ 1,252	\$ 1,488

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8. SHARE CAPITAL

Authorized share capital

Unlimited common shares with no par value.

Share issuances

During the years ended March 31, 2018 and 2017, there were no transactions affecting share capital.

Stock options

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.

Stock option transactions are summarized as follows:

	Stock Options	
	Number	Weighted Average Exercise Price
Outstanding, March 31, 2016 and 2017	5,601,616	\$ 0.26
Forfeited	(35,000)	0.26
Outstanding, March 31, 2018	5,566,616	\$ 0.26
Exercisable, March 31, 2018	5,566,616	\$ 0.26

As at March 31, 2018, the following were outstanding:

	Expiry Date	Number of Shares	Weighted Average Exercise Price	Weighted average remaining contractual life
Options	May 28, 2018 ⁽¹⁾	40,000	\$ 0.13	0.16 years
	October 24, 2018	62,500	\$ 0.14	0.57 years
	August 30, 2020	5,464,116	\$ 0.26	2.42 years

⁽¹⁾ Subsequent to March 31, 2018, 40,000 stock options were exercised for gross proceeds of \$5,200.

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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, 2018 and 2017 were as follows:

	2018	2017
Management salaries	\$ 120,000	\$ 120,000
Total	\$ 120,000	\$ 120,000

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, 2018, the Company paid or accrued \$48,000 (2017 - \$48,000) in administrative fees to Varshney Capital Corp. ("VCC").

As at March 31, 2018, \$25,200 (2017-\$7,350) was owed to VCC pursuant to this agreement and is included in due to related parties.

- (b) During the year ended March 31, 2018, the Company paid \$25,000 (2017 - \$24,000) in rent to a company controlled by the spouse of the CFO and director of the Company.

As at March 31, 2018, \$9,639 (2017 - \$Nil) was owed to this company for rent. This amount has been included in accounts payable.

- (c) As at March 31, 2018, \$49,444 (2017- \$25,513) was included in due to related parties for amounts owing to the CEO and director of the Company.

- (d) During the year ended March 31, 2018, the Company recognized \$686,587 (2017 -\$1,028,788) in revenues from a significant shareholder of the Company. As at March 31, 2018, \$876,114 (2017 - \$625,588) was receivable from a significant shareholder of the Company. Of the amount receivable, \$Nil (2017 - \$135,000) is included in long-term receivables.

- (e) As at March 31, 2018, \$59,400 (2017 -\$61,620) in operating loans included in due to related parties were due to the SP Group, a shareholder of the Company. The loans are non-interest bearing and are due upon demand.

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.

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11. SEGMENTED INFORMATION

The Company operates in one industry segment, being general contracting services, and in the geographic areas as follows:

	March 31, 2018	March 31, 2017
Sales for the year		
India	\$ 128,124	\$ 722,133
Sierra Leone	36,587	178,788
Canada	<u>650,000</u>	<u>850,000</u>
	<u>\$ 814,711</u>	<u>\$ 1,750,921</u>
	March 31, 2018	March 31, 2017
Long-term investments – India	\$ 198	\$ 205
Long-term receivables		
India	285,663	291,296
Canada	<u>–</u>	<u>135,000</u>
	<u>285,663</u>	<u>426,296</u>
Equipment		
Canada	–	582
India	<u>1,488</u>	<u>1,928</u>
	<u>1,488</u>	<u>2,510</u>
	<u>\$ 287,349</u>	<u>\$ 429,011</u>

12. SIGNIFICANT CUSTOMERS

During the year ended March 31, 2018, two customers comprised 100% (2017- 100%) of total sales.

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 shareholders' capital to be capital.

The Company has generated cash flow from its revenues. 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.

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.

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13. CAPITAL MANAGEMENT (cont'd)

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, 2018. The Company is not subject to externally imposed capital requirements.

14. INCOME TAXES

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

	2018	2017
Income before income taxes	\$ 145,040	\$ 489,187
Expected income tax at statutory tax rates	\$ 52,000	\$ 127,000
Permanent difference	(2,000)	-
Change in statutory, foreign tax, foreign exchange rates and other	(237,000)	(5,000)
Adjustments and change in unrecognized deductible temporary differences	187,000	(122,000)
Total income tax expense	\$ -	\$ -

In September 2017, the British Columbia (BC) Government proposed changes to the general corporate income tax rate to increase the rate from 11% to 12% effective January 1, 2018 and onwards. This change in tax rate was substantively enacted on October 26, 2017. The relevant deferred tax balances have been remeasured to reflect the increase in the Company's combined Federal and Provincial (BC) general corporate income tax rate from 26% to 27%.

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

	2018	Expiry dates	2017	Expiry dates
Share issue costs	\$ 12,000	No expiry	\$ 19,000	No expiry
Non-Capital losses	5,051,000	2026 to 2038	9,011,000	2026 to 2037
Capital assets	113,000	No expiry	112,000	No expiry
Canadian eligible capital	-	No expiry	2,000	No expiry
Allowable capital losses	37,000	No expiry	43,000	No expiry
Investment tax credits	51,000	2027 to 2038	51,000	2027 to 2037
	\$ 5,264,000		\$ 9,238,000	

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15. 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, long-term 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.

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 84% 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, 2018, the Company had a working capital of \$702,605 including cash deposits of \$67,451 and receivables of \$1,012,885 to settle current cash liabilities of \$463,092. Management believes it will have 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 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, short-term investments, receivables, holdback receivable, trades payable and accrued liabilities and due to related parties 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.

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Notes to Consolidated Financial Statements

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

As at March 31, 2018, MHIPL had net financial assets of Rs 12,260,496. A 10% change in the Canadian dollar versus the Rupee would give rise to a gain/loss of approximately \$24,276.

As at March 31, 2018, MSL had net financial liabilities of SLL 122,136,409. A 10% change in the Canadian dollar versus the Leone would give rise to a gain/loss of approximately \$2,057.

(c) Price risk

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

16. SUBSEQUENT EVENT

Subsequent to March 31, 2018, 40,000 stock options were exercised and 40,000 common shares were issued for gross proceeds of \$5,200.