

# **MINAEAN SP CONSTRUCTION CORP.**

Interim Management Discussion and Analysis – Quarterly Highlights  
September 30, 2019

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The Quarterly Highlights of Minaean SP Construction Corp. (the “Company” or “Minaean”) provide a summary of the activities, results of operations and financial condition of the Company as at and for the six months ended September 30, 2019. The Quarterly Highlights have been prepared by management as of November 29, 2019 and should be read in conjunction with the condensed interim consolidated financial statements and related notes thereto of the Company for the six months ended September 30, 2019 and 2018, the audited financial statements and related notes thereto of the Company for the years ended March 31, 2019 and 2018, which were prepared in accordance with International Financial Reporting Standards (“IFRS”), and the annual Management Discussion and Analysis (“MD&A”) of the Company prepared by management as of July 29, 2019.

## **Forward-looking statements**

Certain statements contained in the following Quarterly Highlights constitute forward-looking statements. Such forward-looking statements include, but are not limited to statements regarding the Company’s ability to identify and pursue a suitable business opportunity and its ability to raise sufficient financing to continue its operations. These forward-looking statements involve a number of known and unknown risks, uncertainties and other factors including financial, operational, environmental and political risks, general equity and market conditions. The outcome of these factors may cause the actual results and performance of the Company to be materially different from any plans or results expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements.

## *MINAEAN’S OUTLOOK FOR 2019-2020*

Through SP Group’s investment in Minaean, the Company has become an affiliate of the US\$6billion revenue Shapoorji Pallonji Group (SP Group) and a strategic partner with a business model to develop and execute contracts in the Americas and Africa. With SP Group’s expertise in construction and infrastructure projects related to the sectors involving Housing, Healthcare, Education, Hospitality, Stadiums and through its subsidiaries in Ports, Railways, Refineries, Bridges, Tunnels, Solar Renewable Power, and Water Purification, Minaean’s opportunity and ability to secure contracts is well defined by using its invaluable network in the Canadian market. These global contracts are developed and executed through the support of the Canadian crown corporations such as Canadian Trade Commissioners Services (“TCS”), CCC and Export Development Canada (“EDC”) as mentioned above.

With the SP Group conducting business development and/or operating in fifteen African countries and seven Middle Eastern countries, Minaean is proactively expanding its business outreach into Africa and Latin American countries. Last fiscal year, Minaean has moved well ahead in its business development efforts in the African countries supported by CCC such as Cote D’Ivoire, Ghana, Malawi, Zambia, Uganda and Cameroon, where contract developments are in progress at present. . With these contracts being in excess of US\$100 million government projects, it is part of a long term business plan which will lay a strong foundation in these specific countries with the support of its partnership with the large and credible construction group such as SP Group.

The construction work on a project developed by Minaean in Malta, construction of an acute care facility at Gozo Hospital and refurbishment at St. Luke’s hospital, has now been bought over by “Steward Healthcare” of Boston, USA. This was the first contract to be executed under the strategic partnership with the SP Group to which Minaean was engaged through a consulting agreement with SPML for securing and managing the contract and has earned 0.75% of the contract value as consulting fee. This contract is on hold at present and is being renegotiated based on a much larger expansion plan from the Govt. of Malta.

## ***Africa***

Minaean signed a Memorandum of Understanding (MOU) with the Ministry of Health (MoH), Cote D’Ivoire on December 10<sup>th</sup>, 2016 for the design and construction of a 140-bed Neurosciences Hospital in Abidjan with a current value of US\$80 Million. Though Minaean, with its Canadian partner, Alberta-based J.V. Driver International, have

# **MINAEAN SP CONSTRUCTION CORP.**

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September 30, 2019

---

submitted, through CCC, the concept proposal, the government has decided to defer the project to after the next general elections to be held in 2020 when the government expects sufficient room in its budget to execute the project.

During the official meetings held, at the request of the government of Cote D'Ivoire, an Expression of Interest has been submitted by Minaean through CCC for construction of a US\$250 million budgeted University project. EDC has submitted an official confirmation to the Prime Minister's office in Cote D'Ivoire indicating their willingness to finance the project. While Minaean is awaiting progress on this effort, it is also in discussions with JV Driver for execution of a similar project which has received approvals from MoH as also financing from Deutz Bank, sovereign risk secured through UK government Export Credit Agency. This project, valued at Euro 250 million, is awaiting finalization of the agreement between Ministry of Education and JV Driver upon which an agreement for a special purpose vehicle (SPV) between JV Driver and SP Group/Minaean will be signed.

Minaean has finalized a memorandum of understanding with the MoH, Government of Cameroon for construction of a Greenfield 200-bed hospital project (Cancer and General) on a Build, Finance and Maintain model, a similar concept to that of Cote D'Ivoire. CCC's and EDC's in principle go ahead has been obtained. This MOU has been finalized and approved by the MoH and has been submitted to the President's office for approval. With the Presidential election now over, the approval on the signing of the MOU is expected shortly. This project is not expected to be active soon, however, MoH Cameroon has confirmed its needs and SP Group's business development arm for Africa is pursuing this project.

Minaean has finalized the costing and is in contract negotiations with the developer, SURGE, appointed by Malawi Housing Corporation (MHC), an arm of the Republic of Malawi for construction of 2,516 housing units in four different locations. The detail project study with the drawings has been completed by SURGE and the contract has been finalized, pending signature due to government unrest caused by the latest elections. Minaean's contract value of US\$155 million has been agreed upon and will be signed upon new government taking oath or the court awarding its verdict by the end of December 2019.

Minaean SP has appointed CCC approved AKSA Infrastructure Corp. for developing contracts in Zambia and Uganda based on them introducing the construction of a 300 bed hospital project in Zambia and construction of an industrial park in Uganda. Both these projects have received the LOI for financing and are currently under development.

## ***Latin America***

With Board approval, Minaean has taken a decision to promote and develop healthcare and other projects in Latin America.

Based on the business development efforts and visits of the CEO to Costa Rica, three projects have been shortlisted for financing and execution on a sole sourcing CCC/EDC support model. To confirm their support, EDC has issued a marketing letter for financing of construction of a hospital project. Further to the issuance of an Expression of Interest to the Health Dept. for construction of a Greenfield hospital project in the state of LIMON, valued at \$80 million and construction of a Port Cruise Terminal, a follow up visit was conducted by Minaean along with CCC and the SPV partner, JV Driver International, in January 2019. This visit has resulted into the possibility of signing of an MOU with "JAPDEVA" for construction of a Cruise Port Terminal as also further discussions on construction of two hospitals. The outcome of this visit was meetings with the Port, Minister of Infrastructure and First Lady of Costa Rica where G to G concept was explained in detail and a foundation for moving forward has been laid. CCC has submitted the draft MOU to JAPDEVA and TCS is pursuing the signing of the same for further action. The govt. of Costa Rica has appointed a legal committee to approve the government to government contracting model and will give the go ahead upon receiving the same.

On SP Group's request, an Expression of Interest has been submitted to Ministry of Agriculture, Peru for construction of the DELICIA Dam in the province of Lambayeque, Peru, a US\$260 million project. Minaean has received CCC's

# **MINAEAN SP CONSTRUCTION CORP.**

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September 30, 2019

---

approval for execution of this project in partnership with JV Driver and AFCONS. Initial meetings have been held by CCC, TCS along with Minaean's local rep in Peru for laying the foundation towards moving forward.

## ***Canada***

Minaean has been given the go ahead for developing construction contracts in Vancouver region to be executed on a joint arrangement basis in partnership with a local partner with the support from SP Group's office in Dubai. Joint arrangements with three different local general contractors have been agreed upon in principle to be finalized upon sourcing a suitable project for execution. "ANGUS PLAZA", a strip mall project of 46,000 sq. feet for construction in Toronto on a joint arrangement basis is under discussion. ICICI Bank, Toronto is in the final stages of its due diligence and the MOU with the developer, Miller Group, has been finalized for execution and formation of the SPV. The financing will be based on the corporate guarantee from SP International in Dubai.

## ***India***

As at September 30, 2019, there are no ongoing contracts in progress.

## **Six months ended September 30, 2019**

For the six months ended September 30, 2019, the Company recorded net loss of \$163,439 as compared to a net loss of \$217,329 for the six months ended September 30, 2018, a decrease in net loss by \$53,890.

The Company did not earn revenues in the first half of fiscal years 2020 and 2019

Overall operating expenses decreased by \$51,686 due to a reduction in project development costs, travel and entertainment and wages and benefits. All other expenditures did not have significant changes between the comparative periods.

## **Three months ended September 30, 2019**

For the three months ended September 30, 2019, the Company recorded a net loss of \$85,356 as compared to a net loss of \$120,278 for the three months ended September 30, 2018, a decrease in net loss by \$34,922.

The Company did not earn revenues in the first quarters of fiscal years 2020 and 2019 and overall operating expenses decreased by \$34,928 as the Company did not incur project development costs in the current quarter and wages and benefits decreased. All other expenditures did not have significant changes between the comparative periods.

## **Liquidity and Capital Resources**

The Company reported working capital deficiency of \$165,072 at September 30, 2019 compared to working capital deficiency of \$6,450 at March 31, 2019, an increase in working capital deficiency by \$158,622. As at September 30, 2019, the Company had net cash on hand of \$10,072 compared to \$10,659 at March 31, 2019.

As at September 30, 2019, the Company's primary source of liquidity included cash of \$10,072, short-term investments of \$20,472, receivables of \$234,211 and holdback receivables of \$21,065. Other current assets at September 30, 2019 consisted of prepaid expenses and deposits of \$2,092.

Current liabilities as at September 30, 2019 increased by \$4,403.

During the period ended September 30, 2019, the Company used \$21,333 in cash from operations, collected \$9,575 from short term investments and received \$1,932 from related parties.

# MINAEAN SP CONSTRUCTION CORP.

Interim Management Discussion and Analysis – Quarterly Highlights  
September 30, 2019

---

To-date, the other sources of funds potentially available to the Company are through the exercise of outstanding 5,089,116 stock options at an exercise price of \$0.26 per share which expire August 30, 2020.

The Company's continuing operations are dependent upon its ability to either secure additional equity capital or generate consistent cash flow from operations in the future. During the period ended September 30, 2019, the Company did not generate any revenues and incurred a net loss of \$163,439 (2018 – \$217,329). As at September 30, 2019, the Company has an accumulated deficit of \$11,559,324 (March 31, 2019 - \$11,395,885) and working capital deficiency of \$165,072 (March 31, 2019 – \$6,450).

## *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 periods ended September 30, 2019 and 2018 were as follows:

	2019	2018
Management salaries	\$ 60,000	\$ 60,000
Total	\$ 60,000	\$ 60,000

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 9).

During the six months ended September 30, 2019, the Company paid or accrued \$24,000 (2018 - \$24,000) in administrative fees to Varshney Capital Corp. ("VCC").

As at September 30, 2019, \$54,600 (March 31, 2019 - \$46,200) was owed to VCC pursuant to this agreement and is included in due to related parties.

- (b) During the six months ended September 30, 2019, the Company paid or accrued \$18,000 (2018 - \$18,000) in rent to a company controlled by the spouse of the CFO and director of the Company.

As at September 30, 2019, \$28,775 (March 31, 2019 – \$15,986) was owed to this company for rent. This amount has been included in accounts payable.

- (c) As at September 30, 2019, \$93,481 (March 31, 2019 - \$73,921) was included in due to related parties for amounts owing to the CEO and director of the Company.

- (d) As at September 30, 2019, \$745,230 (March 31, 2019 - \$886,401) was receivable from a significant shareholder of the Company.

- (e) As at September 30, 2019, \$58,063 (March 31, 2019 - \$59,892) in loans from the SP Group, a shareholder of the Company, were included in due to related parties. The loan is non-interest bearing and is due upon demand.

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

# **MINAEAN SP CONSTRUCTION CORP.**

Interim Management Discussion and Analysis – Quarterly Highlights  
September 30, 2019

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## **Summary of Outstanding Share Data as at November 29, 2019:**

1. Authorized – Unlimited common shares without par value.
2. Issued and outstanding: 58,199,883 common shares
3. Stock options outstanding: 5,089,116

Additional disclosures pertaining to the Company’s management information circulars, material change reports, press releases and other information are available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

On behalf of the Board of Directors, thank you for your continued support.

*“Mervyn Pinto”*

**Mervyn Pinto**  
President and CEO