

# MINAEAN SP CONSTRUCTION CORP.

Management Discussion and Analysis

September 30, 2022

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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, 2022. The Quarterly Highlights have been prepared by management as of November 29, 2022 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, 2022 and 2021, the audited financial statements and related notes thereto of the Company for the years ended March 31, 2022 and 2021, 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 28, 2022.

## **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.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on business operations cannot be reasonably estimated at this time. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about by the pandemic’s impact on its business, results of operations, financial position and cash flows in the future.

## *MINAEAN’S OUTLOOK FOR 2022-2023*

Through Minaean’s affiliated partner, Shapoorji Pallonji Group (“SP Group”), the Company operates a business model to develop and execute contracts globally on a sole sourcing basis. With SP Group’s expertise (a 156 year old conglomerate) in construction and infrastructure projects, Minaean’s 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”), Canadian Commercial Corp. (“CCC”), Export Development Canada (“EDC”) and other export credit agencies.

Through SP Group’s global network, Minaean is proactively expanding its business outreach into Africa, Latin America and Greece. Minaean’s business development efforts supported by CCC and other global Export Credit Agencies in the African and LATAM countries are well in progress at present. With these contracts primarily being negotiated with the governments of developing nations, being in excess of US\$100 million each, is part of a long term business plan of Minaean, 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.

## *Greece*

The Company submitted an Expression of Interest for construction of the “Aristotle University of Thessaloniki” project in Thessaloniki, Greece which has been accepted and discussions are ongoing for a signing of a Memorandum of Understanding (“MOU”).

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The new hospital complex will be an 800 bed university teaching hospital which will provide education and clinical facilities and a research center. The existing AHEPA Hospital will be relocated to the new facilities on a 220 acre farm owned by the university near the airport.

It is proposed that the new hospital will have a capacity of 800 beds in buildings totaling 80,000 square meters, the School of Medicine of the Aristotle University of Thessaloniki in buildings totaling 40,000 square meters and the Research Centre in buildings totaling 20,000 square meters. In addition, the premises will have a conference and exhibition center, a hotel for the organization of international conferences and exhibitions of a medical nature, a shopping center and a medical store.

The Government of Greece has announced a Euro 100 million contribution towards the development of the infrastructure and the European Investment Bank has agreed to conduct the feasibility study and part of the financing of the project. The government has agreed to guarantee the minimum revenues necessary to service the loan and ensuring profitability on the project.

Minaean with the support of CCC has been in discussion the University officials to obtain the clearance from European Union for signing of an MOU and formation of a consortium for the execution of the project. As per the suggestions from the management of AHEPA University Hospital, to support its efforts in obtaining clearance from EU, Minaean is working towards formation of an alliance with Montreal based McGill University or Vancouver based University of British Columbia to start the process. Discussions are in progress with European Investment Bank for financing the feasibility studies.

## *Africa*

Minaean introduced and negotiated a Teaming agreement between JV Driver International (JVD) and Shapoorji Pallonji Middle East Ltd. (SPML) for construction of Adiake University and 5,000 units students' campus on the outskirts of Abidjan. Based on JV Driver's signed binding MOU with the Govt. of Cote D'Ivoire and SPML's agreement with JVD for 85% of the sub-contract, SPML has invested US\$2.5 million for conducting the project studies. The initial offer submitted by SPML was not accepted by Ministry of Education and the revised offer has also not been accepted. The negotiations are at status quo currently in view of a wide gap in price point.

Pursuant to appointing CCC-approved AKSA Infrastructure Corp. as a business development subcontractor, Minaean's efforts have resulted into finalizing the draft contract for the execution of US\$193 million Industrial Park project to be constructed at Kasese, Uganda. The team visited Kampala, Uganda in February 2020 to firm up the details of the industrial park through meetings with the govt. officials and Ministry of Finance (MoF), Uganda. The outcome of the technical proposal submitted by Minaean SP and preliminary environmental study has been engaging Canadian Commercial Corp. (CCC) to officially submit the draft contract and commence contract negotiations. The financing term sheet from Standard Chartered Bank, London, with the financing risk to be underwritten by Danish Export Credit Agency EKF has been submitted to MoF Uganda. CCC has approved MSP as the SPV partner, however MSP is in negotiation with an alternate Canadian contractor to replace JV Driver due to internal decision. Vancouver based consortium HQI Inc. has been finalized and due diligence is in progress with CCC for the approval and official submission of draft contract to Govt. of Uganda.

One 300 bed trauma hospital in Zambia to be executed under a Public-Private partnership basis is under development. The govt of Zambia has confirmed the issue of sovereign guarantee towards the loan repayment, however due to poor credit rating of the country the financial institutions are unwilling to finance the contract. Ministry of Finance, Govt of Zambia has recently communicated that IMF is finalizing an interim credit increase which will enable the govt. to revive this project. The official communication on this project is yet to commence. No further progress since last quarter.

Letter of Intent has been submitted and a MOU is under negotiation for construction of a 200 bed trauma hospital in the province of Budaka, Uganda. The business development team is traveling to Kampala to finalise and sign the MOU upon which the official communication will commence. The estimated budget of this project is expected to be US\$120 million.

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Based on the request from the Govt. of Zanzibar for construction of an Industrial Park similar to the one in Uganda, a brief proposal was submitted early this year and has been accepted. The Ministry of Finance has set aside a budget of US\$220 million for construction of a free trade zone (FTZ) consisting an Industrial Park based on the preliminary study conducted by their consultants and a MOU is under negotiation currently.

A Memorandum of Understanding has been signed by AKSA and agreement by MSP for developing a 650 MW Geothermal Project in Uganda. The initial studies for submission of a preliminary proposal is ongoing and MSP has finalized with SPEPC, the Mumbai based subsidiary of Shapoorji Pallonji group with expertise in this field for support in developing this project. Likely to be a long term project gives MSP a platform to involve themselves in the prestigious renewable energy sector on a long term basis.

## ***Latin America***

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

SP Group's office based in Lima, Peru has revived the hospital construction project which was under development in 2019 through the country's healthcare division "ESSALUD" and a MOU has been finalized for construction of two hospitals. 324 bed multidisciplinary hospital project to be constructed in Chiclayo city of Lambayeque province with a budget of US\$200 million is considered to be of a priority to the Govt. of Peru and will be negotiated through Govt. of Canada on a Govt to Govt. sole sourcing model. 55,000 sq meters of land has been allocated and active negotiations will commence upon signing of the MOU with ESSALUD. The 2nd hospital known as TACNA Hospital which is 214 beds is to be constructed in the Calana Province of Peru. Though the decision of Minaean's board is to pursue one project only, the option for construction of two hospitals is being kept open based on the decision taken jointly with the Govt. of Canada who will be leading the negotiations on the contract. ESSALUD has made a public announcement on their involvement through Minaean for construction of these contracts through Canadian Govt. Involvement of Canadian Trade Office in supporting MSP's efforts in signing of the MOU with ESSALUD has been sought and is being pursued prior signing of the MOU.

## ***India***

As at September 30, 2022, there are no ongoing contracts in progress.

## **Results of Operations**

### **Six months ended September 30, 2022**

During the six months ended September 30, 2022, the Company recorded a net loss of \$204,804 as compared to a net loss of \$117,620 for the six months ended September 30, 2021, an increase in net loss by \$87,184. The increase in loss was primarily a result of the Company's increased marketing costs, interest and bank charges, office and administration and travel and entertainment as well as decreased interest and other income.

Overall operating expenses increased by \$56,755 primarily due to increases in marketing costs of \$16,428 for shareholder relations, interest and bank charges of \$20,566 in relation to the accrued interest on loans payable, office and administration of \$14,440 for printing costs for the Company's upcoming AGM and general operating costs, and travel and entertainment costs of \$3,977 for meetings with potential clients and investors.

Interest and other income also decreased by \$30,429 as no interest was earned on cash balances or outstanding receivables.

### **Three months ended September 30, 2022**

For the three months ended September 30, 2022, the Company recorded a net loss of \$115,141 as compared to a net loss of \$48,334 for the three months ended September 30, 2021, an increase in net loss by \$66,807. The increase in loss was primarily a result of the Company's increased interest and bank charges and office and administration as well as decreased interest and other income.

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Overall operating expenses increased by \$36,577 primarily due to an increase in interests and bank charges of \$21,061 in relation to the accrued interest on loans payable, office and administration of \$15,027 for the printing costs for the Company's upcoming AGM and general operating costs.

Interest and other income also decreased by \$30,230 as no interest was earned on cash balances or outstanding receivables.

## **Liquidity and Capital Resources**

The Company reported working capital deficiency of \$566,683 at September 30, 2022 compared to working capital deficiency of \$465,231 at March 31, 2022, an increase in working capital deficiency by \$101,452. As at September 30, 2022, the Company had net cash on hand of \$72,303 compared to \$63,966 at March 31, 2022.

As at September 30, 2022, the Company's primary source of liquidity included cash of \$72,303 (March 31, 2022 - \$63,966), short-term investments of \$18,351 (March 31, 2022 - \$18,002), receivables of \$16,573 (March 31, 2022 - \$13,191) and holdback receivables of \$18,883 (March 31, 2022 - \$18,523). Other current assets at September 30, 2022 consisted of prepaid expenses and deposits of \$1,408 (March 31, 2022 - \$4,208).

Current liabilities as at September 30, 2022 were \$694,201 (March 31, 2022 - \$583,121).

During the period ended September 30, 2022, the Company utilized \$96,052 (September 30, 2021 - \$40,692) in cash from operations.

The Company also received \$105,000 (September 30, 2021 - \$44,250) from stock options exercised during the period.

The condensed interim 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 period ended September 30, 2022, the Company incurred a net loss of \$204,804 (2021 - \$117,620). As at September 30, 2022, the Company had an accumulated deficit of \$12,792,297 (March 31, 2022 - \$12,587,493) and working capital deficit of \$566,683 (March 31, 2022 - \$465,231).

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 will have sufficient working capital to continue its operations from its existing resources.

## **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 period ended September 30, 2022 and 2021 were as follows:

	2022	2021
Management salaries	\$ 60,000	\$ 60,000
Total	\$ 60,000	\$ 60,000

The Company entered into the following related party transactions:

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- (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. During the period ended September 30, 2022, the Company paid or accrued \$24,000 (2021 - \$24,000) in administrative fees to Varshney Capital Corp. (“VCC”).

As at September 30, 2022, \$105,000 (March 31, 2022 - \$88,270) was owed to VCC pursuant to this agreement and is included in due to related parties.

- (b) During the period ended September 30, 2022, the Company paid or accrued \$18,000 (2021 - \$18,000) in rent to a company controlled by the spouse of the CFO and director of the Company.

As at September 30, 2022, \$79,931 (March 31, 2022 – \$63,945) was owed to this company for rent. This amount has been included in accounts payable.

- (c) As at September 30, 2022, \$223,275 (March 31, 202 - \$179,145) was included in due to related parties for amounts owing to the CEO and director of the Company.

- (d) As at September 30, 2022, \$nil (March 31, 2022 -\$5,880) was included in due to related parties for amounts owing to the CFO and director of the Company for reimbursement of business expenses.

- (e) As at September 30, 2022, \$537,500 (March 31, 2022 - \$537,500) was receivable from a significant shareholder of the Company.

- (f) As at September 30, 2022, \$85,629 (March 31, 2022 - \$51,057) 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.

- (g) During the period ended September 30, 2022, the Company’s significant shareholder received 699,999 common shares for the exercise of 699,999 stock options for total gross proceeds of \$105,000 (March 31, 2022 – 313,333 common shares for the exercise of 313,333 stock options for total gross proceeds of \$47,000).

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

## **Summary of Outstanding Share Data as at November 29, 2022:**

1. Authorized – Unlimited common shares without par value.
2. Issued and outstanding: 60,918,215 common shares
3. Stock options: 2,815,784

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