

MINAEAN SP CONSTRUCTION CORP.

Condensed Interim Consolidated Financial Statements

For the Six Months Ended September 30, 2022 and 2021

Unaudited - Expressed in Canadian Dollars

MINAEAN SP CONSTRUCTION CORP.

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MINAEAN SP CONSTRUCTION CORP.

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim consolidated financial statements by an entity's auditors.

November 29, 2022

MINAEAN SP CONSTRUCTION CORP.

Condensed Interim Consolidated Statements of Financial Position
(Unaudited - Expressed in Canadian Dollars)

	Note	September 30, 2022	March 31, 2022
		Unaudited	Audited
ASSETS			
Current			
Cash		\$ 72,303	\$ 63,966
Short-term investments	3	18,351	18,002
Receivables	4	16,573	13,191
Holdback receivable	5	18,883	18,523
Prepaid expenses and deposits		1,408	4,208
		<u>127,518</u>	117,890
Long-term receivables	4,13	537,500	537,500
Equipment	6	<u>1,191</u>	1,215
		<u>\$ 666,209</u>	\$ 656,605
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current			
Trades payable and accrued liabilities		\$ 280,297	\$ 258,769
Due to related parties	9	413,904	324,352
		<u>694,201</u>	583,121
Government loan payable	7	<u>39,016</u>	37,121
		<u>733,217</u>	620,242
Shareholders' equity			
Share capital	8	10,804,601	10,689,546
Share based payment reserves	8	1,913,362	1,923,417
Accumulated other comprehensive loss		7,326	10,893
Deficit		<u>(12,792,297)</u>	(12,587,493)
		<u>(67,008)</u>	36,363
		<u>\$ 666,209</u>	\$ 656,605

Nature and continuance of operations (Note 1)

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

MINAEAN SP CONSTRUCTION CORP.

Condensed Interim Consolidated Statement of Change in Shareholders' Equity
(Unaudited - Expressed in Canadian Dollars)

	Notes	Share Capital		Share-based payment reserves	Accumulated other comprehensive loss	Deficit	Total equity
		Number of shares	Amount				
Balance, March 31, 2021		59,609,883	\$ 10,589,558	\$ 1,932,155	\$ 4,551	\$ (11,647,932)	\$ 878,332
Options exercised	8	295,000	48,488	(4,238)	-	-	44,250
Net loss for the period		-	-	-	-	(117,620)	(117,620)
Cumulative translations adjustment		-	-	-	853	-	853
Balance, September 30, 2021		59,904,883	10,638,046	1,927,917	5,404	(11,765,552)	805,815
Options exercised	8	313,333	51,500	(4,500)	-	-	47,000
Net loss for the period		-	-	-	-	(821,941)	(821,941)
Cumulative translations adjustment		-	-	-	5,489	-	5,489
Balance, March 31, 2022		60,218,216	10,689,546	1,923,417	10,893	(12,587,493)	36,363
Options exercised	8	699,999	115,055	(10,055)	-	-	105,000
Net loss for the period		-	-	-	-	(204,804)	(204,804)
Cumulative translations adjustment		-	-	-	(3,567)	-	(3,567)
Balance, September 30, 2022		60,918,215	\$ 10,804,601	\$ 1,913,362	\$ 7,326	\$ (12,792,297)	\$ (67,008)

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

MINAEAN SP CONSTRUCTION CORP.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the six months ended September 30, 2022 and 2021

(Unaudited - Expressed in Canadian Dollars)

	Notes	Three months ended September 30,		Six months ended September 30,	
		2022	2021	2022	2021
Expenses					
Amortization	6	\$ 22	\$ 50	\$ 45	\$ 100
Consulting		-	1,000	-	2,000
Interest and bank charges	7	24,714	3,653	27,573	7,007
Marketing		-	-	16,428	-
Office and administration	9,10	33,574	18,047	48,356	33,416
Professional fees		3,671	6,462	7,390	6,496
Regulatory and transfer agent fees		6,542	4,271	11,389	9,097
Rent	9	9,000	9,000	18,000	18,000
Travel and entertainment		6,062	4,200	11,852	7,875
Wages and benefits	9	31,561	31,886	63,778	64,065
		115,146	78,569	204,811	148,056
Loss before other items		(115,146)	(78,569)	(204,811)	(148,056)
Other items					
Interest and other income	7	5	30,235	7	30,436
		5	30,235	7	30,436
Loss for the period		(115,141)	(48,334)	(204,804)	(117,620)
Foreign currency translation reserve		(4,946)	(4,030)	(3,567)	853
Comprehensive loss for the period		\$ (120,087)	\$ (52,364)	\$ (208,371)	\$ (116,767)
Loss per share - basic and diluted		(0.00)	(0.00)	\$ (0.00)	\$ (0.00)
Weighted average number of shares outstanding					
- basic and diluted		60,712,780	59,904,883	60,218,216	59,804,364

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

MINAEAN SP CONSTRUCTION CORP.

Condensed Interim Consolidated Statements of Cash Flows

For the six months ended September 30, 2022 and 2021

(Unaudited - Expressed in Canadian Dollars)

	Six months ended September 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (204,804)	\$ (117,620)
Items not affecting cash:		
Amortization	45	100
Accrued interest on government loan	1,895	1,715
	<u>(202,864)</u>	<u>(115,805)</u>
Changes in non-cash working capital items:		
Receivables	(3,283)	3,693
Prepaid expenses and deposits	2,800	1,972
Trades payable and accrued liabilities	18,735	(9,702)
Dues to related parties	88,560	79,150
Net cash used in operating activities	<u>(96,052)</u>	<u>(40,692)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issuances	105,000	44,250
Net cash provided by financing activities	<u>105,000</u>	<u>44,250</u>
Effect of foreign exchange on cash flows	<u>(611)</u>	494
Change in cash	8,337	4,052
Cash, beginning of period	63,966	88,095
Cash, end of period	\$ 72,303	\$ 92,147
Cash paid for interest	\$ -	\$ -
Cash paid for taxes	\$ -	\$ -

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

MINAEAN SP CONSTRUCTION CORP.

Notes to Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2022 and 2021

(Unaudited - 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 September 30, 2022, Minaean has three wholly-owned subsidiaries, Minaean Building Solutions Inc. (“MBSolutions”), Minaean Habitat India Private Limited (“MHIPL”), and Minaean (Ghana) Limited (“MGhana”) (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 1008, 550 Burrard Street, Vancouver, BC V6C 2B5.

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 six months ended September 30, 2022, the Company incurred a net loss of \$204,804 (2021 - \$117,620). As at September 30, 2022, the Company has 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). These conditions may cast significant doubt about the Company’s ability to continue as a going concern.

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.

The Company has never paid dividends.

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.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

These condensed interim consolidated financial statements were authorized for issue on November 29, 2022 by the directors of the Company.

Statement of compliance and conversion to International Financial Reporting Standards

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounts Standards (“IAS”) 34, “Interim Financial Reporting” using accounting policies consistent 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 Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2022 and 2021

(Unaudited - Expressed in Canadian Dollars)

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

Basis of presentation

The condensed interim consolidated financial statements of the Company have been prepared on an accrual basis except for cash flow information and are based on historical costs, except for financial instrument carried at fair value, modified where applicable. The condensed interim consolidated financial statements are presented in Canadian dollars unless otherwise noted.

Subsidiaries

In addition to the Company, the condensed interim 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	
		September 30, 2022	March 31, 2022
Minaean Building Solutions Inc.	Canada	100%	100%
Minaean Habitat India Pvt Ltd.	India	100% ⁽¹⁾	100% ⁽¹⁾
Minaean (Ghana) Limited	Ghana	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:

Receivables An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

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Notes to Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2022 and 2021

(Unaudited - Expressed in Canadian Dollars)

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

Critical Accounting Estimates and Judgments (cont'd)

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

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:

i. 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.

ii. 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.

iii. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The Company considers the terms of the contracts, the nature of the transaction, estimated time required on the project, and the specific circumstances of each arrangement. The Company recognizes revenues when services are completed and billed. Judgement involves in determining when revenue recognition criteria have been met including when all performance obligation have been fulfilled.

3. SHORT-TERM 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 September 30, 2022 and March 31, 2022, the Company held the following investments:

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Notes to Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2022 and 2021

(Unaudited - Expressed in Canadian Dollars)

3. SHORT-TERM INVESTMENTS (cont'd)

	September 30, 2022	March 31, 2022
Indian term deposits yielding an interest rate between 6% and 9.7%	\$ 18,351	\$ 18,002
	\$ 18,351	\$ 18,002

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 a minimum of twelve months of contract close out date as negotiated in the contract.

4. RECEIVABLES

Short-term receivables consist of government sales input tax credits of \$16,573 (March 31, 2022 - \$13,191) due within twelve months.

Long-term receivables consists of trade receivables that are estimated to be collected in excess of a twelve month period.

	September 30, 2022	March 31, 2022
Long-term trade receivables	\$ 950,000	\$ 950,000
Expected credit loss	(412,500)	(412,500)
	\$ 537,500	\$ 537,500

The Company maintains an allowance for ECL that represents its estimate of uncollectible amounts based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the customers and the economic environment. During the six months ended September 30, 2022, the Company recorded ECL of \$Nil (March 31, 2022 - \$412,500) and write-off of \$Nil (March 31, 2022 - \$540,600) of its long-term receivables (Note 13).

The aging analysis of the long-term receivables, net of ECL, at each reporting date was as follows:

	September 30, 2022	March 31, 2022
Not past due under 365 days	\$ 300,000	\$ 300,000
Past due 366-730 days	150,000	150,000
Past due 731-1095 days	87,500	87,500
Past due over 1096 days	-	-
Long term trade receivables	\$ 537,500	\$ 537,500

5. 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 twelve month lien period after the construction project has completed in its entirety as negotiated in the contract.

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Notes to Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2022 and 2021

(Unaudited - Expressed in Canadian Dollars)

6. EQUIPMENT

	Computer Equipment	Vehicle	Total
Cost:			
At March 31, 2021	\$ 14,532	\$ 20,766	\$ 35,298
Forex translation adjustment	(107)	(869)	(976)
At March 31, 2022	14,425	19,897	34,322
Forex translation adjustment	48	387	435
At September 30, 2022	\$ 14,473	\$ 20,284	\$ 34,757
Depreciation:			
At March 31, 2021	\$ 14,110	\$ 19,727	\$ 33,837
Depreciation for the year	200	-	200
Forex translation adjustment	(104)	(826)	(930)
At March 31, 2022	14,206	18,901	33,107
Depreciation for the period	45	-	45
Forex translation adjustment	47	(367)	414
At September 30, 2022	\$ 14,298	\$ 19,268	\$ 33,566
Net book value:			
At March 31, 2022	\$ 219	\$ 996	\$ 1,215
At September 30, 2022	\$ 175	\$ 1,016	\$ 1,191

7. GOVERNMENT LOAN AND GRANT

On April 30, 2020, the Company received the Canada Emergency Business Account (“CEBA”) loan which is an interest-free loan to cover operating costs. Repaying the balance of the loan on or before December 31, 2023, as extended from December 31, 2022 by the Government of Canada, will result in a loan forgiveness of \$10,000.

Pursuant to IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, the benefit of a government loan at below-market rate is treated as a government grant and measured in accordance with IFRS 9 *Financial Instruments*: the benefit of below-market rate shall be measured as the difference between initial carrying value of the loan (being the present value of a similar loan at market rates) and the proceeds received. The Company has estimated the initial carrying value of the CEBA Loan at \$30,671, using a discount rate of 10%, which was the estimated rate for a similar loan without interest-free component. The difference of \$9,329 will be accredited to the loan liability over the term of the CEBA Loan and offset to other income on the statement of loss and comprehensive loss.

	September 30, 2022	March 31, 2022
Balance, beginning of period	\$ 37,121	\$ 33,603
Finance expense	1,895	3,518
Balance, end of period	\$ 39,016	\$ 37,121

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Notes to Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2022 and 2021

(Unaudited - Expressed in Canadian Dollars)

8. SHARE CAPITAL

Authorized share capital

Unlimited common shares with no par value.

Share issuances

During the six months ended September 30, 2022, the Company issued an aggregate of 699,999 common shares on the exercise of 699,999 stock options at an exercise price of \$0.15 for total gross proceeds of \$105,000. In addition, a reallocation of \$10,055 from reserves to share capital was recorded on the exercise of these options. This amount constitutes the fair value of options recorded at the original grant date.

During the year ended March 31, 2022, the Company issued an aggregate of 608,333 common shares on the exercise of 608,333 stock options at an exercise price of \$0.15 for total gross proceeds of \$91,250. In addition, a reallocation of \$8,738 from reserves to share capital was recorded on the exercise of these options. This amount constitutes the fair value of options recorded at the original grant date.

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:

	Number	Weighted Average Exercise Price
Outstanding, March 31, 2021	4,124,116	\$ 0.15
Exercised	(608,333)	0.15
Outstanding, March 31, 2022	3,515,783	0.15
Exercised	(699,999)	0.15
Outstanding, September 30, 2022	2,815,784	\$ 0.15

As at September 30, 2022, the following were outstanding and exercisable:

	Expiry Date	Number of Shares	Weighted Average Exercise Price	Weighted average remaining contractual life
Options	January 7, 2026	2,815,784	\$ 0.15	3.27 years

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Notes to Condensed Interim Consolidated Financial Statements

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(Unaudited - 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 six months 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:

- (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 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.

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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Notes to Condensed Interim Consolidated Financial Statements

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(Unaudited - Expressed in Canadian Dollars)

11. SEGMENTED INFORMATION

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

	September 30, 2022	March 31, 2022
Long-term receivables – Canada	\$ 537,500	\$ 537,500
Equipment – India	1,072	1,052
Equipment – Canada	119	163
	<u>\$ 538,691</u>	<u>\$ 538,715</u>

12. 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.

During the six months ended September 30, 2022, the Company generated \$105,000 in proceeds from stock options exercised. 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 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 six months ended September 30, 2022. The Company is not subject to externally imposed capital requirements.

13. 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 and long-term receivable approximate fair value due to the nature of these items, which primarily includes government refunds, holdback receivables which will be collected upon expiration of warranty period in effect from the completion of construction projects, and trades receivables.

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 comprise of GST input tax credits refundable by the government. The Company's long-term receivables related to long-term portion of trade receivable and 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.

To measure expected credit losses, long-term trade receivables are grouped based on risk characteristics and due dates. At September 30, 2022, the Company recognized expected credit losses of \$Nil (March 31, 2022 - \$412,500) and write-off of \$Nil (March 31, 2022 - \$540,600) (Note 4).

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Notes to Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2022 and 2021

(Unaudited - Expressed in Canadian Dollars)

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

As at March 31, 2022 and September 30, 2022	Under 365 days past due	366-730 days past due	731-1095 days past due	Over 1096 days past due	Total
Trades receivable	\$ 300,000	\$ 300,000	\$ 350,000	\$ -	\$ 950,000
Expected credit loss	-	(150,000)	(262,500)	-	(412,500)
Long term receivables, net	\$ 300,000	\$ 150,000	\$ 87,500	\$ -	\$ 537,500
Historical loss rate	-%	50%	75%	-%	

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 September 30, 2022, the Company had a working capital deficiency of \$566,683 including cash deposits of \$72,303, short term investment of \$18,351, receivables and holdback receivables of \$35,456, and prepaid expenses and deposits of \$1,408 to settle current liabilities of \$694,201.

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, holdback receivable, trades payable and accrued liabilities and due to related parties that are denominated in Indian Rupees. 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 September 30, 2022, MHIPL had net financial liabilities of Rs 11,055,409. A 10% change in the Canadian dollar versus the Rupee would give rise to a gain/loss of approximately \$18,478.

(c) Price risk

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