

# MINAEAN SP CONSTRUCTION CORP.

Management Discussion and Analysis

March 31, 2023

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This Management Discussion and Analysis (“MD&A”) of Minaean SP Construction Corp. (“Minaean” or the “Company”) has been prepared by management as of July 28, 2023 and should be read in conjunction with the audited consolidated financial statements and related notes thereto of the Company for the years ended March 31, 2023 and 2022, which were prepared in accordance with International Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and International Financial Reporting Interpretations Committee (“IFRIC”).

## **Forward-looking statements**

This MD&A contains forward-looking information which reflects management's expectations regarding the Company's growth, results of operation, performance and business prospects and opportunities. The use of words such as “anticipate”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “should”, “believe”, “outlook”, “forecast” and similar expressions are intended to identify forward-looking statements.

Forward-looking statements in this MD&A include, but not limited to, the Company's expectation of future activities and results, of its working capital needs and its ability to identify, evaluate and pursue suitable business opportunity. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results of events to differ materially from those anticipated in these forward-looking statements. Readers should not put undue reliance on forward-looking information.

Unless required by law, the Company undertakes no obligation to publicly update or review the forward-looking statements whether as a result of new information, future events or otherwise.

Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations.

## **Overall Performance**

Minaean SP Construction Corp. was incorporated under the Business Corporations Act (Alberta) on November 5, 1998 and continued into British Columbia on August 28, 2015. The Company is listed on the TSX Venture Exchange under the trading symbol “MSP”.

At March 31, 2023, the Company has three wholly-owned subsidiaries, Minaean Building Solutions Inc. (“MBSolutions”), Minaean Habitat India Private Limited (“MHIPL”), and Minaean (Ghana) Limited (“MGhana”).

The Company is in the business of developing contracts for its affiliate, Shapoorji Palloni International and providing general contracting services including engineering, procurement, construction and design-build capabilities in the residential, commercial, industrial, healthcare, and hospitality sectors.

Canadian Commercial Corporation (“CCC”) is a Canadian Crown Corporation set up by the Canadian government to support Canadian companies globally for negotiating and executing contracts on a government to government basis. Minaean has obtained the approval of CCC to develop contracts with their support and execute on a joint venture basis through another Canadian corporation. These contracts will be financed by Export Development Canada (“EDC”), another Canadian crown corporation and/or other global export credit agencies specifically set up for financing the export contracts of local companies.

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## *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 157 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 and global markets. 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 Europe. 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 the 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. Based on the directives from Minaean's Board, it has been decided to focus primarily on developing projects in African sub-continent 2023 onwards, while developing the projects in Latin American and European countries to be executed with the support of CCC's G to G to model through credible and approved Canadian corporations.

### *Africa*

The near term project that is expected for closure during 2023 is construction of an industrial park at Kasese, Uganda. 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\$225 million contract, the pricing having been revised and renewed to meet the current inflation and supply chain challenges. 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. This was followed up with visits in April 2022 (after the pandemic to revive the discussions) and is currently stationed in Kampala for the last 30 days to finalise the discussions and commence contract negotiations. The Company has completed the environmental study and submitted a preliminary proposal basis which the draft contract has been finalized as per the request of Govt. of Uganda's concerned ministry. The financial 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.

The Company has also been asked by Govt of Uganda to study and discuss on a proposal for construction of another industrial park, to be constructed on a 500 acres of land at Pakwuch Industrial Area.

A 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 currently in Kampala is working towards finalizing and signing of the MOU upon which the preliminary studies will commence. The estimated budget of this project is expected to be US\$120 million.

The govt. of Uganda has also asked for a Letter of Intent to construct affordable housing (2000 units) for armed forces of the country.

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. The discussions are on hold and will be revived during the team's visit shortly.

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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. In addition, MSP has signed a collaboration and IP agreement with University of Virginia, USA for research and development and drafting of the preliminary proposal funded by NSF, USA. The outcome of this joint efforts would be to conduct preliminary studies and submit a proposal for financing the feasibility studies by Govt. of Uganda. This project, gives MSP a platform to engage 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 Ministry of Health and has resumed discussions with the head of the Ministry's Lamyegue province healthcare division. This project which had CCC engaged from the start, will be negotiated through Govt. of Canada on a Govt to Govt. sole sourcing model. 55,000 sq meters of land had been allocated which is being reconsidered and active negotiations will commence upon signing of the MOU.

MSP has been in discussions with country's healthcare division "ESSALUD" for construction of two hospitals since early 2022. Memorandum of Understanding has now been signed for conducting the research and development of a 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. 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. MSP is awaiting further details and confirmation from ESSALUD on a move forward plan upon which CCC will be engaged through Canadian Trade Office in Lima, Peru.

## ***India***

As at March 31, 2023, there are no ongoing contracts in progress.

## **Contingency**

On February 8, 2023, the Company announced that it was named as a defendant in Notice of Civil Claim filed in the Supreme Court of British Columbia on January 24, 2023. In the Company's view, this claim lacks merit, and the Company will fully defend itself.

Danny D. Davis (the "Plaintiff") alleges that Minaean Power Structures (U.S.A.), Inc., a former subsidiary of the Company, owes him money as a result of a January 24, 2011 judgment in the Circuit Court of the State of Oregon for Lane County. The Plaintiff is seeking judgment in the amount of \$4,118,435 USD inclusive of all costs and interest from the Company.

The Plaintiff has no enforceable judgement against the Company and Minaean Power Structures (U.S.A.) is not a going concern.

The Company will continue to disclose any significant developments in relation to this Notice of Civil Claim.

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## Selected Annual Information

March 31,	2023	2022	2021
Total revenues	\$ -	\$ 300,000	\$ 300,000
Gross profit	\$ -	\$ 300,000	\$ 300,000
Net Loss	\$ (947,291)	\$ (939,561)	\$ (282,382)
Loss per share	\$ (0.02)	\$ (0.02)	\$ (0.00)
Total assets	\$ 80,628	\$ 656,605	\$ 1,333,249
Total long term liabilities	\$ 37,121	\$ 37,121	\$ 33,603
Cash dividends declared per share for each class of share	\$ Nil	\$ Nil	\$ Nil

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## Results of Operations

### Year ended March 31, 2023

During the year ended March 31, 2023, the Company recorded a net loss of \$947,291 as compared to a net loss of \$939,561 for the year ended March 31, 2022, an increase in net loss by \$7,730.

The Company earned \$nil (2022 - \$300,000) in revenues during the year ended March 31, 2023 for consulting services rendered to its affiliate company for coordination and management of a special purpose vehicle formation, design and estimation for the Industrial Park development project in Uganda .

Overall operating expenses decreased by \$298,647 primarily due to \$537,500 of bad debt recognized and recorded in F2023 compared to bad debt of \$953,100 recognized and recorded in F2022 in relation to a discontinued project. The decrease was partially offset by increases in marketing costs of \$16,428 for shareholder relations, interest and bank charges of \$13,374 in relation to accrued interest on loans payable, office and administration costs of \$16,806 for AGM printing costs and general operating costs, professional fees of \$65,308 for the ongoing contingency lawsuit and travel and entertainment costs of \$5,300 for meetings with potential clients and investors.

Interest and other income also decreased by \$23,771 as no interest was earned on cash balances or outstanding receivables. The Company recognized a gain of \$17,394 (2022 - \$nil) for the write-down of payables in relation to a warrant provision liability recorded and recognized in the fiscal year 2018.

### Three months ended March 31, 2023

For the three months ended March 31, 2023, the Company recorded a net loss of \$676,058 as compared to a net loss of \$745,875 for the three months ended March 31, 2022, a decrease in net loss by \$69,817. The decrease in loss was primarily a result of the impairment of accounts receivable during the three months ended March 31, 2023.

Overall operating expenses decreased by \$345,767 primarily due to \$537,500 of bad debt recognized and recorded in the current quarter of F2023 compared to bad debt of \$953,100 recognized and recorded in the same quarter of F2022 in relation to a discontinued project. There was also a decrease in interest and bank charges of \$6,561 on the government loan payable. The decrease was partially offset by the increases in professional fees of \$67,313 in connection with the accrued audit fees and related legal services rendered, office and administration of \$6,798 due to increases in office costs, and travel and entertainment costs of \$2,861 for meetings with potential clients and investors in this current quarter.

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## Summary of Quarterly Results

The following is a summary of certain consolidated financial information concerning the Company for each of the last eight reported quarters:

Quarter ended	Total Revenues (\$)	Gross Profit (\$)	Net Loss (\$)	Loss per share (\$)
March 31, 2023	–	–	(676,058)	(0.01)
December 31, 2022	–	–	(66,429)	(0.00)
September 30, 2022	–	–	(115,141)	(0.00)
June 30, 2022	–	–	(89,663)	(0.00)
March 31, 2022	300,000	300,000	(745,875)	(0.01)
December 31, 2021	–	–	(76,066)	(0.00)
September 30, 2021	–	–	(48,334)	(0.00)
June 30, 2021	–	–	(69,286)	(0.00)

Quarter period	Analysis
March 31, 2023	Higher loss due to impairment of accounts receivable no longer collectible.
June 30, 2022, September 30, 2022 and December 31, 2022	Net loss primarily consisted of administration and directors and management fees as the Company's operations progressed.
March 31, 2022	Higher loss due to impairment of accounts receivable no longer collectible.
June 30, 2021, September 30, 2021, December 31, 2021	Net loss increase due to operation restart and reinstatement of CEO's salary

## Liquidity and Capital Resources

The Company reported working capital deficiency of \$734,864 at March 31, 2023 compared to working capital deficiency of \$465,231 at March 31, 2022, an increase in working capital deficiency by \$269,633. As at March 31, 2023, the Company had net cash on hand of \$13,907 compared to \$63,966 at March 31, 2022.

As at March 31, 2023, the Company's primary source of liquidity included cash of \$13,907 (2022 - \$63,966), short-term investments of \$18,237 (2022 - \$18,002), receivables of \$24,449 (2022 - \$13,191) and holdback receivables of \$18,523 (2022 - \$18,523). Other current assets at March 31, 2023 consisted of prepaid expenses and deposits of \$4,460 (2022 - \$4,208).

Current liabilities as at March 31, 2023 were \$814,440 (2022 - \$583,121).

During the year ended March 31, 2023, the Company utilized \$210,054 (2022 - \$115,244) in cash from operations.

The Company also received \$140,001 (2022 - \$91,250) from stock options exercised and \$20,000 (2022- \$nil) note payable from a related party during the year.

The 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, 2023, the Company incurred a net loss of \$947,291 (2022 - \$939,561). As at March 31, 2023, the

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Company had an accumulated deficit of \$13,534,784 (2022 - \$12,587,493) and working capital deficit of \$734,864 (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. Different basis of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The Company's ability to continue as a going concern is dependent upon generating a profit from operations and its ability to raise equity capital or borrowings sufficient to meet current and future obligations. There are many external factors that can adversely affect general workforces, economies and financial markets globally. Examples include but are not limited to the COVID-19 global pandemic from March 2020 and political conflicts in other regions. While the Company has been successful in obtaining its required financing in the past, there is no assurance that such financing will be available or be available on favourable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern. The 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. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

## 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, 2023 and 2022 were as follows:

	2023	2022
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. During the year ended March 31, 2023, the Company paid or accrued \$48,000 (2022 - \$48,000) in administrative fees to Varshney Capital Corp. ("VCC").

As at March 31, 2023, \$119,000 (2022 - \$88,270) was owed to VCC pursuant to this agreement and is included in due to related parties.

- (b) During the year ended March 31, 2023, the Company paid or accrued \$36,000 (2022 - \$36,000) in rent to a company controlled by the spouse of the CFO and director of the Company.

As at March 31, 2023, \$95,918 (2022 - \$63,945) was owed to this company for rent. This amount has been included in accounts payable.

- (c) As at March 31, 2023, \$262,495(2022 - \$179,145) was included in due to related parties for amounts owing to the CEO and director of the Company.

- (d) As at March 31, 2023, \$6,419 (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) During the year ended March 31, 2023, the Company earned \$nil (2022 - \$300,000) revenues from a significant shareholder of the Company, for consulting services to its affiliate company to coordinate and advise on programming, management of a special purpose vehicle formation, design and estimation for the Industrial Park project in Kasese, Uganda.

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As at March 31, 2023, \$nil (2022 - \$950,000) was receivable from a significant shareholder of the Company.

- (f) As at March 31, 2023, \$83,997 (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 year ended March 31, 2023, the Company's significant shareholder received 933,331 common shares for the exercise of 933,331 stock options for total gross proceeds of \$140,001 (2022 – 313,333 common shares for the exercise of 313,333 stock options for total gross proceeds of \$47,000).
- (h) On February 7, 2023, the Company entered into a promissory note payable of \$20,000 to Madhuri Ventures Inc., a company controlled by a director and officer of the Company. The promissory note is unsecured, bearing interest at 6% per annum, and matures on August 7, 2023. As at March 31, 2023, the accrued interest of \$167 (2022- \$nil) was included in note payable.

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

## **Subsequent Events**

On June 30, 2023, the Company issued an aggregate of 133,333 common shares on the exercise of 133,333 stock options at an exercise price of \$0.15 for total gross proceeds of \$20,000. In addition, a reallocation of \$1,915 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.

## **Proposed Transactions**

None.

## **Critical Accounting Estimates**

Not applicable to venture issuers.

## **Changes in Accounting Policies**

The financial information presented in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS"). Our significant accounting policies are set out in Note 2 of the consolidated financial statements of the Company, as at and for the years ended March 31, 2023 and 2022.

## **Accounting Standards Issued but not yet Effective**

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

## **Financial Instruments and Other Instruments**

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.

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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 March 31, 2023, the Company recognized expected credit losses of \$537,500 (2022 - \$953,100).

## *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, 2023, the Company had a working capital deficiency of \$734,864 including cash deposits of \$13,907, short term investment of \$18,237, receivables of \$24,449 and holdback receivables of \$18,523, and prepaid expenses and deposits of \$4,460 to settle current liabilities of \$814,440.

## *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 March 31, 2023, MHIPL had net financial liabilities of Rs 9,788,189. A 10% change in the Canadian dollar versus the Rupee would give rise to a gain/loss of approximately \$16,121.

### (c) Price risk

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

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## **Summary of Outstanding Share Data as at July 28, 2023:**

1. Authorized – Unlimited common shares without par value.
2. Issued and outstanding: 61,284,880 common shares
3. Stock options: 2,449,119

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**

President and CEO