

MINAEAN SP CONSTRUCTION CORP.

Condensed Interim Consolidated Financial Statements

For the Three Months Ended June 30, 2020 and 2019

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 interim consolidated financial statements, they must be accompanied by a notice indicating that the interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited 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 interim consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

August 31, 2020

MINAEAN SP CONSTRUCTION CORP.

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

	Note	June 30, 2020	March 31, 2020
ASSETS			
Current			
Cash		\$ 56,708	\$ 7,943
Short-term investments	3	19,718	20,570
Receivables	4	282,646	292,408
Holdback receivable	5	20,289	21,166
Prepaid expenses and deposits		3,978	5,278
		383,339	347,365
Long-term receivables	4	994,725	1,018,072
Equipment	6	1,850	2,009
		\$ 1,379,914	\$ 1,367,446
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current			
Trades payable and accrued liabilities		\$ 258,717	\$ 253,448
Due to related parties	8	250,891	241,013
Deferred government grant	9	4,481	-
		514,089	494,461
Government loan payable	9	31,184	-
		545,273	494,461
Shareholders' deficiency			
Capital stock	10	10,357,804	10,357,804
Share based payment reserve	10	1,872,915	1,872,915
Accumulated other comprehensive loss		1,035	7,816
Deficit		(11,397,113)	(11,365,550)
		834,641	872,985
		\$ 1,379,914	\$ 1,367,446

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 Equity (Deficiency)
(Expressed in Canadian Dollars)

	Share Capital					Accumulated other comprehensive loss		Deficit	Total equity
	Number of shares	Amount		Share-based payment reserves					
Balance, March 31, 2019	58,159,883	\$ 10,357,804	\$	1,872,915	\$	10,106	\$	(11,395,885)	\$ 844,940
Net loss for the quarter	-	-		-		-		(78,083)	(78,083)
Cumulative translations adjustment	-	-		-		(2,594)		-	(2,594)
Balance, June 30, 2019	58,159,883	10,357,804		1,872,915		7,512		(11,473,968)	764,263
Net income for the quarter	-	-		-		-		108,418	108,418
Cumulative translations adjustment	-	-		-		304		-	304
Balance, March 31, 2020	58,159,883	10,357,804		1,872,915		7,816		(11,365,550)	872,985
Net loss for the quarter	-	-		-		-		(31,563)	(31,563)
Cumulative translations adjustment	-	-		-		(6,781)		-	(6,781)
Balance, June 30, 2020	58,159,883	\$ 10,357,804	\$	1,872,915	\$	1,035	\$	(11,397,113)	\$ 834,641

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 three months ended June 30, 2020 and 2019

(Expressed in Canadian Dollars)

			Three months ended June 30,	
	Notes		2020	2019
Expenses				
Amortization	6	\$	109	\$ -
Interest and bank charges			1,411	1,457
Office and administration	8		14,507	20,497
Professional fees			4,582	1,364
Regulatory and transfer agent fees			1,981	3,593
Rent			9,000	9,000
Travel and entertainment			3,778	3,004
Wages and benefits			1,471	41,407
			<u>36,839</u>	<u>80,322</u>
Loss before other items			(36,839)	(80,322)
Other items				
Interest and other income	9		<u>5,276</u>	<u>2,239</u>
			<u>5,276</u>	<u>2,239</u>
Loss for the period			(31,563)	(78,083)
Foreign currency translation reserve			(6,781)	(2,593)
Comprehensive loss for the period		\$	<u>(38,344)</u>	<u>\$ (80,676)</u>
Loss per share				
- basic and diluted		\$	<u>(0.00)</u>	<u>\$ (0.00)</u>
Weighted average number of shares outstanding				
- basic and diluted			58,199,883	58,199,883

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 three months ended June 30, 2020 and 2019

(Expressed in Canadian Dollars)

	Three months ended June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (31,563)	\$ (78,083)
Items not affecting cash:		
Amortization	109	-
Accrued interest on government loan	513	-
Grant income	(4,848)	-
	(35,789)	(78,083)
Changes in non-cash working capital items:		
Receivables	19,644	54,578
Holdback receivable	-	-
Prepaid expenses and deposits	1,300	(850)
Trades payable and accrued liabilities	11,231	25,679
Dues to related parties	10,364	-
Deferred revenue	-	472
Net cash provided by operating activities from continued operations	6,750	1,796
Cash used in operating activities from disc ops	-	(216)
Net cash used in operating activities	6,750	1,580
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption of short-term investments	-	9,697
Net cash provided by investing activities	-	9,697
CASH FLOWS FROM FINANCING ACTIVITIES		
Government loan and grant	40,000	-
Proceeds from related party loans	1,932	1,932
Net cash provided by financing activities	41,932	1,932
Effect of foreign exchange on cash flows	83	3,900
Change in cash	48,765	17,109
Cash, beginning of period	7,943	10,659
Cash, end of period	\$ 56,708	\$ 27,768
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 three months ended June 30, 2020

(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 June 30, 2020, 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”). During the year ended March 31, 2020, the Company decided to discontinue its operations of Minaean SP SL Limited (“MSL”) as it terminated its subcontract project and does not intend to further operate in Sierra Leone. (Note 3)

The Company is in the business of providing general contracting to the construction industry with a specialty in Light Gauge Steel Quik-Build Systems. The Company also provides a variety of contracting services including consulting on large scale construction projects, engineering, procurement, construction and design-build capabilities in the residential, commercial, industrial, healthcare, and hospitality sectors.

The Company’s head office, principal address and records office is Suite 2050-1055 West Georgia Street, PO Box 11121, Royal Centre, Vancouver, BC V6E 3P3. The registered office is Suite 400, 725 Granville Street, Vancouver, BC V7Y 1G5.

These consolidated financial statements have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. During the period ended June 30, 2020, the Company did not generate any revenues and incurred a net of \$31,563. As at June 30, 2020, the Company has an accumulated deficit of \$11,397,113 and working capital deficit of \$130,750.

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 as the Company received a commitment from its significant shareholder to fund the Company an estimated amount of \$240,000 within the next twelve months to continue its operations. As at June 30, 2020, the Company received \$10,000 and an additional \$30,000 subsequent to June 30, 2020 from this commitment.

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.

MINAEAN SP CONSTRUCTION CORP.

Notes to Condensed Interim Consolidated Financial Statements

For the three months ended June 30, 2020

(Unaudited - Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

These financial statements were authorized for issue on August 31, 2020 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").

Basis of presentation

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

Subsidiaries

In addition to the Company, the consolidated financial statements include all subsidiaries. Subsidiaries are all corporations over which the Company is able directly or indirectly, to control financial and operational policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. They are de-consolidated from the date that control by the Company ceases.

The subsidiaries of the Company are as follows:

	Country of incorporation	Percentage owned	
		June 30, 2020	March 31, 2020
Minaean Building Solutions Inc.	Canada	100%	100%
Minaean Habitat India Pvt Ltd.	India	100% ⁽¹⁾	100% ⁽¹⁾
Minaean (Ghana) Limited	Ghana	100%	100%
Minaean SP SL Limited ⁽²⁾	Sierra Leone	--%	100%

(1) owned by Minaean Building Solutions Inc.

(2) The Company discontinued operations during the year ended March 31, 2020. The financial results of this entity has been de-consolidated from the Company.

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.

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Notes to Condensed Interim Consolidated Financial Statements

For the three months ended June 30, 2020

(Unaudited - Expressed in Canadian Dollars)

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

Critical Accounting Estimates and Judgments (cont'd)

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- 1) *Receivables* 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.

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.

The information about significant areas of judgment considered by management in preparing the consolidated financial statements are as follows:

Determination of functional currency

The effect of Changes in Foreign Exchange Rates (IAS 21) defines the functional currency as the currency of the primary economic environment in which an entity operates. The determination of functional currency, which is performed on an entity by entity basis, is based on various judgmental factors outlined in IAS 21. Based on assessment of the factors in IAS 21, primarily those that influence labour, material and other costs of goods or services received by its subsidiary, management determined that the functional currency for the Company and its subsidiaries is the Canadian dollar, with the exception of Minaean Habitat India Pvt Ltd. which is the Rupee.

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.

3. DISCONTINUED OPERATIONS

In 2016, the Company incorporated Minaean SP SL Ltd., a wholly owned subsidiary of the Company in Sierra Leone, for the purpose of carrying out a subcontract construction project in this region. Due to financial limitations by the project owner, the project has been stalled. During the year ended March 31, 2020, the Company's management have determined that it was in the Company's best interest to terminate the subcontract and to discontinue operations of Minaean SP SL Ltd.

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Notes to Condensed Interim Consolidated Financial Statements

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(Unaudited - Expressed in Canadian Dollars)

4. INVESTMENTS

Investments consist of highly liquid Indian Rupee denominated term deposits. Short-term investments have a term to maturity of greater than ninety days but not more than one year and long-term investments have a term to maturity of greater than one year. The counter-party is a financial institution. At June 30, 2020 and March 31, 2020, the Company held the following investments:

	June 30, 2020	March 31, 2020
Indian term deposits yielding an interest rate between 6% and 9.7%	\$ 19,718	\$ 20,570
	\$ 19,718	\$ 20,570

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.

5. RECEIVABLES

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

Short-term receivables	June 30, 2020	March 31, 2020
Trade receivables	\$ 273,597	\$ 285,482
Government sales input tax credits	9,049	6,926
	\$ 282,646	\$ 292,408

Long-term receivables of \$994,725 (March 31, 2020 - \$1,018,072) consists of \$254,125 in amounts for various government tax credits and refunds under re-assessment and have been withheld by the government pending completion of their review and \$740,600 in trade receivables that are estimated to be collected in excess of a twelve month period.

6. HOLDBACK RECEIVABLE

Holdback receivables represent amounts retained by the client on construction contracts as per milestones established in the contract released upon the expiration of the twelve month lien period after the construction project has completed in its entirety as negotiated in the contract.

7. EQUIPMENT

	Computer Equipment	Vehicle	Total
Cost:			
At March 31, 2019	\$ 13,735	\$ 23,340	\$ 37,075
Additions	1,113	-	1,113
Forex translation adjustment	(74)	(604)	(678)
At March 31, 2020	14,774	22,736	37,510
Forex translation adjustment	(116)	(943)	(1,059)
At June 30, 2020	\$ 14,658	\$ 21,793	\$ 36,451

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Notes to Condensed Interim Consolidated Financial Statements

For the three months ended June 30, 2020

(Unaudited - Expressed in Canadian Dollars)

7. EQUIPMENT (cont'd)

Amortization:			
At March 31, 2019	\$	13,669	\$ 22,172 \$ 35,841
Amortization for the period		306	- 306
Forex translation adjustment		(73)	(573) (646)
At March 31, 2020		13,902	21,599 35,501
Amortization for the period		109	- 109
Forex translation adjustment		(112)	(896) (1,009)
At June 30, 2020	\$	13,899	\$ 20,703 \$ 34,601
Net book value:			
At March 31, 2020	\$	872	\$ 1,137 \$ 2,009
At June 30, 2020	\$	759	\$ 1,091 \$ 1,850

Certain equipment and vehicle were not used during the period ended June 30, 2020 and the year ended March 31, 2020, therefore no amortization was taken during these periods.

8. GOVERNMENT LOAN AND GRANT

In response to the global outbreak of Novel Coronavirus ("COVID-19"), the federal government of Canada introduced the Canada Emergency Business Account ("CEBA"). CEBA provides an interest-free loan ("CEBA Loan") of \$40,000 to eligible businesses. The CEBA Loan has an initial term that expires on December 31, 2022, throughout which, the CEBA Loan remains interest free. Repayment of \$30,000 by December 31, 2022, results in a \$10,000 loan forgiveness. In April 2020, the Company applied for and received a CEBA Loan.

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 the 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 the interest-free component. The difference of \$9,329 will be accreted to the loan liability over the term of the CEBA Loan and offset to other income on the statements of loss and comprehensive loss.

To date, the Company spent an aggregate of \$20,788 of the CEBA Loan on eligible non-deferrable expenses. Accordingly, \$4,848 of the loan liability was recognized as other income.

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Notes to Condensed Interim Consolidated Financial Statements

For the three months ended June 30, 2020

(Unaudited - Expressed in Canadian Dollars)

9. SHARE CAPITAL

Authorized share capital

Unlimited common shares with no par value.

Share issuances

During the period ended June 30, 2020 and the year ended March 31, 2020, there were no transactions affecting share capital.

Stock options

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock, less applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of 10 years and vest at the discretion of the Board of Directors.

Stock option transactions are summarized as follows:

	Stock Options	
	Number	Weighted Average Exercise Price
Outstanding, March 31, 2019	5,089,116	\$ 0.26
Forfeited	(60,000)	0.26
Outstanding and exercisable, March 31, 2020 and June 30, 2020	5,029,116	\$ 0.26

As at June 30, 2020, the following were outstanding:

	Expiry Date	Number of Shares	Weighted Average Exercise Price	Weighted average remaining contractual life
Options	August 30, 2020 ⁽¹⁾	5,029,116	\$ 0.26	0.17 years

⁽¹⁾ Subsequent to June 30, 2020, 5,029,116 stock options expired unexercised.

MINAEAN SP CONSTRUCTION CORP.

Notes to Condensed Interim Consolidated Financial Statements

For the three months ended June 30, 2020

(Unaudited - Expressed in Canadian Dollars)

10. 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 June 30, 2020 and 2019 were as follows:

	2020	2019
Management salaries	\$ -	\$ 30,000
Total	\$ -	\$ 30,000

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 11).

During the period ended June 30, 2020, the Company paid or accrued \$12,000 (2019 - \$12,000) in administrative fees to Varshney Capital Corp. ("VCC").

As at June 30, 2020, \$85,200 (March 31, 2020 - \$72,600) was owed to VCC pursuant to this agreement and is included in due to related parties.

- (b) During the period ended June 30, 2020, the Company paid or accrued \$9,000 (2019 - \$9,000) in rent to a company controlled by the spouse of the CFO and director of the Company.

As at June 30, 2020, \$54,353 (March 31, 2020 - \$47,959) was owed to this company for rent. This amount has been included in accounts payable.

- (c) As at June 30, 2020, \$109,546 (March 31, 2020 - \$109,546) was included in due to related parties for amounts owing to the CEO and director of the Company.

- (d) As at June 30, 2020, \$221 (March 31, 2020 - \$525) 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 June 30, 2020, \$970,600 (March 31, 2020 - \$980,600) was receivable from a significant shareholder of the Company.

- (f) As at June 30, 2020, \$55,924 (March 31, 2020 - \$58,342) 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.

11. 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

For the three months ended June 30, 2020

(Unaudited - Expressed in Canadian Dollars)

12. SEGMENTED INFORMATION

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

	June 30, 2020	March 31, 2020
Long-term receivables – India	\$ 254,125	\$ 277,472
Long-term receivables – Canada	740,600	740,600
Equipment – India	1,152	1,201
Equipment – Canada	698	807
	<u>\$ 996,575</u>	<u>\$ 1,020,080</u>

13. SIGNIFICANT CUSTOMERS

During the three months ended June 30, 2020 and 2019, the Company had no customers.

14. 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 period, the Company did not generate cash flow from revenues. In order to carry out potential expansion and to continue operations, and pay for administrative costs, the Company will spend its existing working capital, and raise additional amounts as needed.

Management estimates that the collection of its receivables will be sufficient to cover the operating expenses of the Company for the next twelve months of operations and to satisfy its liabilities.

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 period ended June 30, 2020. The Company is not subject to externally imposed capital requirements.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The Company's current assets and liabilities approximate fair value due to the short term nature of these instruments. The Company's holdback receivable 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.

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Notes to Condensed Interim Consolidated Financial Statements

For the three months ended June 30, 2020

(Unaudited - Expressed in Canadian Dollars)

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

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Management believes that the credit risk concentration with respect to financial instruments included in cash is remote. Current receivables are due primarily from one customer consisting of 81% of total receivables. 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.

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 June 30, 2020, the Company had a working capital deficiency of \$130,750 including cash deposits of \$56,708, short term investment of \$19,718, receivables and holdback receivables of \$302,935, and prepaid expenses and deposits of \$3,978 to settle current cash liabilities of \$514,089.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and equity prices. These fluctuations may be significant and the Company, as all other companies in its industry, has exposure to these risks.

(a) Interest rate risk

Interest rate risk is the risk that an investment's value will change due to a change in the level of interest rates. The Company is exposed to interest rate risk as its bank account earns interest income at variable rates. The income earned on the bank account is subject to the movements in interest rates. Management considers the risk to be minimal.

(b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, short-term investments, receivables, holdback receivable, trades payable and accrued liabilities and due to related parties that are denominated in Indian Rupees and Sierra Leonean Leone. Management does not hedge its exposure to foreign exchange risk and does not believe the Company's net exposure to foreign currency risk is significant.

As at June 30, 2020, MHIPL had net financial assets of Rs 8,577,985. A 10% change in the Canadian dollar versus the Rupee would give rise to a gain/loss of approximately \$15,475.

(c) Price risk

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