

**KHOT INFRASTRUCTURE HOLDINGS, LTD.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017**

***Cautionary Statements***

Forward-Looking Information

Except for statements of historical fact relating to Khot Infrastructure Holdings Ltd., certain statements contained in this MD&A constitute forward-looking information, future oriented financial information or financial outlooks (collectively "forward looking information") within the meaning of Canadian securities laws. Forward-looking information may relate to this document and other matters identified in the Company's public filings, Khot Infrastructure Holdings, Ltd.'s future outlook and anticipated events or results and in some cases, can be identified by terminology such as "may", "will", "could", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "projects", "predict", "potential", "targeted", "possible", "continue", "objective" or other similar expressions concerning matters that are not historical facts and include, access to sufficient capital resources, the timing and amount of future infrastructure development, the timing of construction of the proposed infrastructure projects, the timing of cash flows, capital and operating expenditures, the timing of receipt of permits, employee relations, availability of financing and any and all other timing, development, operational, financial, economic, legal, regulatory and political factors that may influence future events or conditions. Such forward-looking statements are based on a number of material factors and assumptions, including, but not limited in any manner, those disclosed in any other of Khot Infrastructure Holdings, Ltd.'s public filings, availability and final receipt of required approvals, licenses and permits, ability to acquire necessary road construction, sufficient working capital to complete road development projects, access to adequate services and supplies, economic conditions, foreign currency exchange rates, interest rates, access to capital and debt markets and associated cost of funds, availability of a qualified work force, positive employee relations, lack of social opposition and legal challenges, and the ability to settle disputes. While Khot Infrastructure Holdings, Ltd. considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect. Actual results may vary from such forward-looking information for a variety of reasons, including but not limited to risks and uncertainties disclosed in other Khot Infrastructure Holdings, Ltd.'s filings. Forward-looking statements are based upon management's beliefs, estimate and opinions on the date the statements are made and other than as required by law, Khot Infrastructure Holdings, Ltd. does not intend and undertakes no obligation to update any forward-looking information to reflect, among other things, new information or future events.

The following management's discussion and analysis ("MD&A") of Khot Infrastructure Holdings, Ltd. ("KHOT" or the "Company"), is prepared as of November 28, 2017, and should be read together with the consolidated financial statements for the year ended December 31, 2016. All financial amounts are stated in United States dollars unless otherwise indicated.

For the purpose of preparing this MD&A, Management in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (1) if such information results in or would reasonably be expected to result in a significant change in the market price or value of the Company's common shares; or (ii) there is substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) if it would significantly alter the total mix of information available to investors. Management in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Further information about the Company and its operations is available on SEDAR at [www.sedar.com](http://www.sedar.com).

All amounts in this MD&A are expressed in United States dollars ("US\$"), unless otherwise noted.

## **DESCRIPTION OF BUSINESS**

Khot Infrastructure Holdings, Ltd., (formerly Undur Tolgoi Minerals Inc.) [“Khot” or the “Company”] was engaged in the construction and maintenance of roads and bridges in Mongolia.

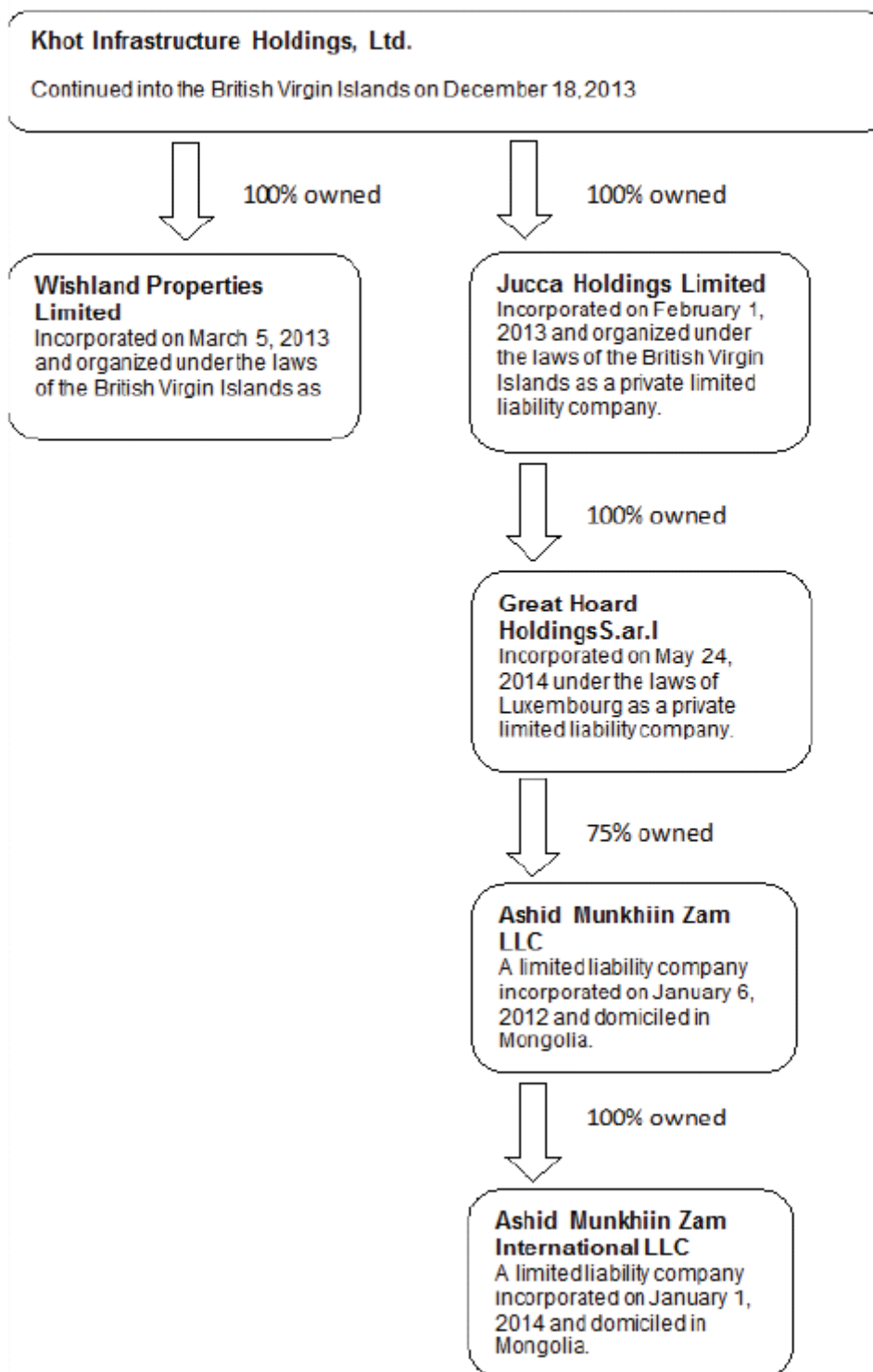
On December 18, 2013, Undur Tolgoi Minerals Inc. completed the continuance from the laws of the Province of British Columbia to the laws of the British Virgin Islands. Effective on January 7, 2014, the Company changed its name from Undur Tolgoi Minerals Inc. to Khot Infrastructure Holdings, Ltd. to have its name reflect the Company’s new focus on cash generating, non-resource infrastructure projects within Mongolia.

The Company’s common shares are listed and posted for trading on the Canadian Securities Exchange (the “CSE”) under the symbol “KOT”; however, on May 5, 2017, the Company’s common shares were suspended from trading by the CSE and a cease trade order was issued against the Company by the Ontario Securities Commission for failure to file annual audited financial statements and accompanying management’s discussion and analysis and CEO and CFO certifications.

The registered office of KHOT is Sea Meadow House, Blackburne Highway, PO Box 116, Road Town, Tortola, British Virgin Islands.

KHOT has a 100% interest in Jucca Holdings Limited [“Jucca”], Wishland Properties Limited [“Wishland”], Great Hoard Holdings S. à r. l. [“GHH”] and a 75% interest in Ashid Munkhiin Zam LLC [“AMZ”] & Ashid Munkhiin Zam International LLC [“AMZI”].

### Group Structure



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**OVERALL OBJECTIVE**

The Company's strategic focus on Infrastructure in Mongolia has been severely impacted by negative in-country geo political events. The government's inability to finance critically needed projects is not likely to change in the foreseeable future. Consequently, Khot's management has decided to discontinue all operations in Mongolia. The Company has begun looking at a range other opportunities but to date has not entered into any material transactions nor is in advanced negotiations with any party.

**SELECTED FINANCIAL INFORMATION**

The following tables provide selected annual and quarterly financial information in accordance with IFRS for the Company's quarter ended September 30, 2017. In the quarter ended September 30, 2017, the Company has not generated any revenue and incurred loss from discontinued operations and extraordinary items of \$120,649.

Three Months Ended	Total Revenue for the period US\$	Total Expenses for the period US\$	Total discontinued operations US\$	Net Loss for the period US\$	Loss per share basic and fully diluted US\$	Cash dividends per common share US\$
June 30, 2015	-	(253,192)	-	(250,817)	-	-
September 30, 2015	-	(163,227)	-	(481,439)	(0.01)	-
December 31, 2015	-	(296,109)	-	(296,576)	-	-
March 31, 2016	-	(105,964)	-	(105,868)	-	-
June 30, 2016	-	(87,749)	-	(55,113)	-	-
September 30, 2016	-	(146,203)	-	(76,910)	-	-
December 31, 2016	-	37,935	(441,075)	(622,324)	(0.01)	-
March 31, 2017	-	(58,214)	-	(58,214)	-	-
June 30, 2017	-	(42,285)	-	(42,285)	-	-
September 30, 2017	-	(120,649)	-	(120,649)	-	-

**DIVIDEND PAYMENT**

Since its incorporation, the Company has not paid any cash dividends on its outstanding common shares. Any future dividend payment will depend on the Company's financial needs to fund its programs, future growth, and any other factors the board may deem necessary to consider. It is highly unlikely that any dividends will be paid in the near future.

**RESULTS OF OPERATION FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017**

The comprehensive loss for the three and six months ended September 30, 2017, were \$120,649 (2016 - \$76,910) and \$221,147 (2016 - \$253,146) respectively.

Significant variances for the three and nine months ended September 30, 2017

The significant variance in the management fees for the three and nine months ended September 30, 2017 compared to the same period in 2016 was due to Khot's limited activity related to revocation of the cease trade order issued against the Company by the Ontario Securities Commission.

There was no significant variance in the promotion and investor conference expense for the three months ended September 30, 2017 compared to the same period in 2016 because the amounts were immaterial.

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Regulatory, exchange, AGM, press release and transfer agent fees increased to \$25,295 in Q3 2017, an overall increase by \$18,857 compared to Q3 2016. The increase is due to Khot's activity related to revocation of the cease trade order issued against the Company by the Ontario Securities Commission.

Professional fees increased by \$37,731 in Q3 2017 compared to Q3 2016. The increase is due to current activity related to revocation of the cease trade order issued against the Company by the Ontario Securities Commission compared to the inactivity of Khot and its subsidiaries in Q3 2017.

There was no significant variance in the finance fees for the three months ended September 30, 2017 compared to the same period in 2016. Finance fees include accrued interest from recent loan agreements.

Other expense decreased by \$30,177 for the three months ended September 30, 2017 compared to the same period in 2016. The decrease is due to Khot's limited activity related to revocation of the cease trade order issued against the Company by the Ontario Securities Commission.

Overall expenses decreased for the six months ended September 30, 2017 compared to the period in 2016 due to Khot's limited activity related to revocation of the cease trade order issued against the Company by the Ontario Securities Commission.

## **LIQUIDITY AND CAPITAL RESOURCES**

At September 30, 2017, the Company had a working capital deficit of \$938,869 [September 30, 2016 - \$321,261]. All of the current accounts payable and accrued liabilities, current loan and interest payable are due and payable within 12 months. The Company will need to raise additional funding in the next 12 months to be able to meet its current obligations.

The Company's working capital amounts are as follows:

	<b>September 30, 2017</b>	September 30, 2016
	<b>\$</b>	<b>\$</b>
Cash	<b>250,467</b>	37,227
Accounts receivable	-	237,987
Prepayments	<b>3,249</b>	4,846
Accounts payable and accrued liabilities	<b>(516,035)</b>	(302,638)
Loan and interest payable	<b>(383,076)</b>	(16,395)
Warrants liability	-	(18)
Road repair provision	<b>(293,474)</b>	(282,270)
	<b>(938,869)</b>	(321,261)

The Company, which was involved in early stage infrastructure development, had revenues of \$Nil in Q3 2017, which were not significant to sustain operations in the current period. Until the Company is able to secure sufficient revenue, the Company must utilize its current cash reserves, income from cash held in the bank, funds obtained from the exercise of stock options and other financing transactions to maintain its capacity to meet working capital requirements. The Company anticipates going to the market to raise capital when the opportunity arises.

During the nine months ended September 30, 2017, the Company expended \$133,293 (2016 - \$142,915) cash on operating activities.

During the nine months ended September 30, 2017, the Company entered into loan agreements with various investors and related parties (see note 8). The terms of each loan is for one year from the date of each agreement and accrue interest at 8%.

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Khot's management has decided to discontinue all operations in Mongolia. The Company has begun looking at a range other opportunities but to date has not entered into any material transactions nor is in advanced negotiations with any party.

### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has not engaged in any off-balance sheet arrangements such as: obligations under guarantee contracts, a retained or contingent interest in assets transferred to an unconsolidated entity, any obligation under derivative instruments or any obligation under a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the Company or that engages in leasing, hedging or research and development services with the Company.

### **PROPOSED TRANSACTIONS**

As is typical of the infrastructure development industry, the Company is continually reviewing potential merger, acquisition, investment and joint venture transactions and opportunities that could enhance shareholder value. Currently, there are no material transactions being pursued or negotiated by the Group that is not otherwise disclosed herein.

### **GOING CONCERN**

The assessment of the Company's ability to continue as a going concern and ability to fund potential infrastructure construction contracts, involves significant judgements based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

The Company's business of infrastructure development in Mongolia involves a high degree of risk and there can be no assurance that current construction permit applications will ultimately result in profitable infrastructure development operations. The Company's continued existence is dependent upon its ability to secure development contracts and the achievement of profitable operations, or the ability of the Company to raise additional financing. Changes in future conditions could require material write-downs to the carrying values of the Company's assets, in particular its trade receivables. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

These consolidated financial statements have been prepared on a basis which assumes the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. In assessing whether this assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. This assessment is based upon planned actions that may or may not occur for a number of reasons including the Company's own resources and external market conditions.

The Company will require additional financing, through various means including but not limited to equity financing, to continue to pursue infrastructure development contracts in Mongolia, and to meet its general and administrative costs. There is no assurance that the Company will be successful in raising the additional required funds. These conditions represent a material uncertainty that may cast significant doubt regarding the Company's ability to continue as a going concern. In the event that Company is not able to secure additional financing and continue as a going concern, material adjustments would be required to the carrying value of assets and liabilities and the balance sheet classification used.

The Company has had a history of losses and has accumulated a \$9,851,430 deficit as at September 30, 2017 and has a working capital deficiency of \$938,869 (September 2016 - \$321,261), including \$250,467 (September 2016 - \$37,227) in cash and cash equivalents. As at September 30, 2017, the Company had abandoned its infrastructure activities in Mongolia and has begun to assess other business ventures.

## **RELATED PARTY TRANSACTIONS**

1) Management fees include \$45,000 (\$45,000 – 2016) paid or accrued to Don Padgett, the Company's Chief Executive Officer. As at September 30, 2017, \$94,812 (\$32,948 – 2016) payables and accruals were due to Don Padgett.

2) Management fees include \$11,225 (\$nil – 2016) paid to Alan Tam, the Company's current Chief Financial Officer. As at September 30, 2017, \$3,832 (\$nil – 2016) was accrued to Alan Tam. Prior management fees included amounts paid to Sabino Di Paola, the Company's former Chief Financial Officer and Corporate Secretary.

3) Consulting and advisory fees include \$9,066 (\$18,118 – 2016) paid or accrued to Erin Chutter, one of the directors of the Company. As at September 30, 2017, \$9,066 (\$9,290 – 2016) payable were due to Erin Chutter.

On June 30, 2017, James Passin, one of the directors, signed a loan agreement with the Company to convert \$18,588 in existing related party loan balances to long term loan debt and also provided an additional \$74,350 in new loan proceeds. The term of the loan is for one year, maturing June 30, 2018 and accrue interest at 8%.

All related party transactions were within the normal course of operations and have been recorded at amounts agreed to by the transacting parties.

## **FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash, accounts receivable, available for sale investments, accounts payable and accrued liabilities and due to related parties. Given their short-term nature, the fair value of these instruments approximates their carrying value. It is management's opinion that the Company is not exposed to significant credit risks arising from these financial instruments.

### Risk management

The Company's activities expose it to a variety of risks including interest rate risk, credit risk, liquidity risk and commodity price risk. Reflecting the current stage of development of the Company's various projects, the Company's overall risk management program focuses on facilitating the Company's ability to continue as a going concern and seeks to minimize potential adverse effects on the Company's ability to execute its business plan. Risk management is the responsibility of the finance function. Material risks are identified and monitored and are discussed by senior management and with the Audit Committee and the Board of Directors.

### *Interest rate risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's exposure to market risk for changes in interest rates relates primarily to the Company's fixed rate current accounts in the bank and borrowings. As of the reporting date, the Company has not adopted sensitivity analysis to measure interest rate risk due principally to the fact that the Company has no floating rate financial assets and liabilities.

### *Credit risk*

Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations, as and when they fall due. It is inherent to the business as potential losses may arise due to the failure of its customers and counterparties to fulfill their obligations on maturity periods or due to adverse market conditions. The Company's financial assets exposed to credit risk are primarily composed of cash, and



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accounts receivable (trade and other). Maximum exposure is equal to the carrying values of these assets. The Company's cash is held at several large financial institutions.

None of the Company's financial assets are secured by collateral or other credit enhancements.

*Liquidity risk*

Liquidity risk encompasses the risk that the Company cannot meet its financial obligations. The Company actively manages its operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall prudent liquidity management, the Company maintains sufficient levels of cash and cash equivalents to meet its working capital requirements. At September 30, 2017, the Company had a working capital deficit of \$938,869 [September 30, 2016 - \$321,261]. The Company will need to raise additional funding in the next 12 months to be able to meet its current obligations.

*Foreign exchange risk*

During the period the Company subsidiary operations various jurisdiction where many of its transactions are denominated in other currencies. Accordingly, the results of operations and financial position of the Company are subject to changes in the exchange rate between the US dollar ("USD") and the other currencies.

The Company is listed on a Canadian stock exchange and incurs annual transactions in Canadian dollars to maintain its listing.

The Company's policy is to manage its foreign financial assets and liabilities using the best available foreign currency exchange rates.

Khot's management has decided to discontinue all operations in Mongolia. The Company has begun looking at a range other opportunities but to date has not entered into any material transactions nor is in advanced negotiations with any party. Due to the minimal activity of Khot and its subsidiaries, foreign exchange risk is believed to be limited.

**SHARE CAPITAL AND OUTSTANDING SHARE INFORMATION**

Authorized capital

The authorized capital of the company consists of unlimited common shares without par value.

The holders of common shares are entitled to receive dividends which may be declared from time to time, and are entitled to one vote per share at KHOT's meetings. All shares are ranked equally with regards to the Company's residual assets.

The equity structure of the group represents the equity structure of the legal parent.

Issued share capital

Information with respect to outstanding common shares, warrants, and stock options as at September 30, 2017, and September 30, 2016, is as follows:

	September 30, 2017	September 30, 2016
Common shares	65,302,351	65,302,351
Warrants	-	484,234
Stock options	2,650,000	5,970,000
	<u>67,952,351</u>	<u>71,756,585</u>

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The preparation of the Consolidated Financial Statements requires management to make estimates and assumptions about the future that affect the amounts recorded in the Consolidated Financial Statements and accompanying notes. These estimates and assumptions are based on the Company's experience and Management's expectations about future events that are believed to be reasonable under the circumstances, and they are continually being evaluated based on the new facts and experience. Actual results may differ from these estimates and assumptions. The effect of a change in accounting estimate is recognized prospectively in the period of change and future periods if the change impacts both periods.

The Company's significant accounting policies and estimates are fully described in Note 3 to the consolidated financial statements for the year ended December 31, 2016.

## **BOARD PURPOSE AND FUNCTION**

The directors and management of the parent company have extensive experience operating and taking projects through to various stages of exploration and development. There is a balanced representation of directors with operational, corporate and financial backgrounds.

The board's purpose is to ensure corporate governance, risk, strategy and shareholder interests are priorities at all times. At the end of the period the board consisted of five members.

## **RISK FACTORS**

The following risk factors, and the information incorporated by reference herein, should be considered carefully. These risk factors could materially and adversely affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

### Contractual factors

Khot performs construction activities under a fixed price contracts, under which the Company is committed to provide services at a fixed price. Any increase in Khot's cost over the price bid, whether due to estimating error, inefficiency in project execution, inclement weather, inflation or other factors, will negatively affect Khot's profitability.

### Dependence on Key Personnel, Contractors and Service Providers

Shareholders of our Company rely on the good faith, experience and judgment of the Company's management, contractors and service providers in supervising and providing for the effective management of the business and the operations of the Company and in selecting and developing new investment and expansion opportunities. The Company may need to recruit additional qualified contractors and service providers to supplement existing management. The Company will be dependent on a relatively small number of key persons, the loss of any one of whom could have an adverse effect on the Company.

### Value of Our Common Shares

The value of the Company's common shares could be subject to significant fluctuations in response to variations in quarterly and annual operating results, the success of the Company's business strategy, competition or other applicable regulations which may affect the business of the Company and other factors.

### Additional Funding and Financing Risk

Additional funds will be required for future exploration and development. There is no assurance that sufficient equity financing will be available at reasonable terms to the Company. In addition, any future equity financings by the Company may result in substantial dilution for existing shareholders.

### Conflicts of Interest

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Certain Directors of the Company also serve as Directors of other companies involved in mineral resource exploration, development and production. Consequently, there exists the possibility that such Directors will be in a position of conflict of interest. Any decision made by such Directors involving the Company are made in accordance with their duties and obligations to deal fairly and in good faith with the Company and such other companies. In addition, such Directors will declare, and refrain from voting on, any matter in which such Directors may have a material conflict of interest.

Regulatory Matters

The Company's business is subject to various federal, provincial and local laws governing prospecting and development, taxes, labor standards and occupational health, mine safety, toxic substances, environmental protection and other matters. Construction and infrastructure development are also subject to various federal, provincial and local laws and regulations relating to the protection of the environment. A violation of these laws may result in the imposition of substantial fines and other penalties.

Litigation risk

Disputes are common in the construction industry and as such, in the normal course of business, the Company may be involved in various legal actions and proceedings which arise from time to time, some of which may be substantial. However, there is no assurance that the Company's insurance arrangements will be sufficient to cover claims that may arise in the future. Furthermore, the Company may be subject to the risk of claims and legal actions for various contractual matters, primarily arising from construction disputes, in respect of which insurance is not available.

Insufficient revenues

As of the date of this MD&A, the Company did not have sufficient revenues to cover its operating costs. All of the Company's short to medium-term operating and project expenses must be derived from its existing cash position or from external financing.

New business venture

As of the date of this MD&A, the Company has abandoned its infrastructure activities in Mongolia and has begun to assess other business ventures. There is no assurance that the Company will be successful in identifying a new business venture or, if identified, that the Company would be successful in transitioning to the new business venture and become profitable.

Potentially dilutive loans from related parties

As of the date of this MD&A, the Company has signed loan agreements with individual investors and related parties to raise cash to continue to fund operations.

**STRATEGY AND OUTLOOK**

The Company's remains committed to the creation of shareholder value. The directors and management have a wide entrepreneurial network which can provide a range of future opportunities. The focus will be on projects and sectors that attract investor interest and offer significant growth potential. This could range from resources to various technologies including fintech.

**OTHER INFORMATION**

Other information and additional disclosure of the Company's technical reports, material change reports, new releases, and other information may be found on the SEDAR website at [www.SEDAR.com](http://www.SEDAR.com).

***Corporate Office's***

Head Office

Sea Meadow House, Blackburne Highway, PO Box 116,  
Road Town, Tortola,  
British Virgin Islands.

**Website**

<http://Khot-infrastructure.com/>