



**KHOT INFRASTRUCTURE HOLDINGS, LTD.**

**Notice of Meeting**

**and**

**Information Circular**

**in respect of an**

**ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS**

**to be held on Monday, April 9, 2018**

***INFORMATION CIRCULAR***

**Dated: March 9, 2018**

This document requires immediate attention. If you are in doubt as to how to deal with the documents or matters referred to in this Information Circular, you should immediately contact your advisor.

## KHOT INFRASTRUCTURE HOLDINGS, LTD.

### NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

**NOTICE IS HEREBY GIVEN** that an annual general and special meeting (the “**Meeting**”) of the holders of common shares of **Khot Infrastructure Holdings, Ltd.** (the “**Company**”) will be held on **Monday, April 9, 2018**, at the hour of **4:00 p.m.** (Eastern time), at the offices of Firebird Management LLC located at 152 West 57th Street, 24th Floor, New York, New York, USA for the following purposes:

1. To receive the audited consolidated financial statements of the Company for the years ended December 31, 2016 and December 31, 2017, and the reports of the auditors thereon;
2. To set the maximum number of directors at five (5) and to elect directors of the Company for the ensuing year;
3. To appoint DMCL LLP as auditors for the Company for the ensuing financial year and to authorize the directors to fix their remuneration;
4. To consider and, if deemed advisable, to pass, with or without variation, an ordinary resolution authorizing the adoption by the Company of a new stock option plan, including the reservation for issuance under the new stock option plan at any time of a maximum of 10% of the issued and outstanding shares of the Company;
5. To consider, and if deemed advisable, to adopt, with or without variation, an ordinary resolution (the “**Change of Business Resolution**”), the full text of which is more particularly described in the accompanying management information circular, approving a change in the Company’s business from transportation infrastructure engaged in the construction of highways and regional roads in Mongolia to that of developing proprietary indexes and ancillary data products for emerging blockchain and digital currency markets;

AND in the event that the Change of Business Resolution IS adopted:

6. To consider, and if deemed advisable, to pass a special resolution approving the Company’s sale of its Mongolian subsidiary, Ashid Munkhiin Zam LLC, as more fully set forth in the accompanying management information circular;
7. To consider and, if thought appropriate, to pass, with or without variation, a special resolution approving an amendment to the articles of the Company to consolidate the outstanding common shares of the Company on a one (1) new common share for every ten (10) outstanding common shares basis, with the directors authorized to determine the final consolidation basis within such range;
8. To consider, and if deemed advisable, to pass a special resolution to amend the Company’s articles of incorporation to change the name of the Company to “Blockchain Holdings Ltd.” or such other name that is acceptable to the board of directors of the Company, as more particularly described in the accompanying management information circular; and
9. To transact such other business as may properly come before the Meeting or any adjournment thereof.

The accompanying management information circular provides additional information relating to the matters to be dealt with at the Meeting and is supplemental to, and expressly made a part of, this Notice of Annual General and Special Meeting.

The Company’s board of directors has fixed **March 5, 2018**, as the **record date** for the determination of shareholders entitled to notice of and to vote at the Meeting and at any adjournment or postponement thereof. Each registered shareholder at the close of business on that date is entitled to such notice and to vote at the Meeting in the circumstances set out in the accompanying Information Circular.

If you are a registered shareholder of the Company and unable to attend the Meeting in person, please complete, date and sign the accompanying form of proxy and deposit it with the Company’s transfer agent, Computershare Investor Services Inc. (the “**Transfer Agent**”), at their offices located on the 9th Floor, 100 University Avenue, Toronto ON M5J 2Y1, or by toll-free fax within North America at 1-866-249-7775 by **4:00 p.m. (Eastern time)** on **April 5, 2018**, or at least 48 hours (excluding Saturdays, Sundays and holidays recognized in the Province of British Columbia) before the time and date of any adjournment or postponement thereof.

If you are a non-registered shareholder of the Company and received this Notice of Annual General and Special Meeting and accompanying materials through a broker, a financial institution, a participant, a trustee or administrator of a self-administered retirement savings plan, retirement income fund, education savings plan or other similar self-administered savings or investment plan registered under the *Income Tax Act* (Canada), or a nominee of any of the foregoing or any other person that holds your security on your behalf (the “**Intermediary**”), please complete and return the materials in accordance with the instructions provided to you by your Intermediary.

**DATED** at Vancouver, British Columbia, this 9<sup>th</sup> day of March, 2018.

**BY ORDER OF THE BOARD OF DIRECTORS**

Yours truly,

(signed) *Donald Padgett*

Donald Padgett  
President and CEO

# KHOT INFRASTRUCTURE HOLDINGS, LTD.

## INFORMATION CIRCULAR

For the Annual General and Special Meeting of Shareholders to be held on **April 9, 2018**  
(containing information as at **March 9, 2018** unless otherwise indicated)

### SOLICITATION OF PROXIES

This Information Circular (the "**Circular**") is furnished in connection with the solicitation of proxies by the management (the "**Management**") of Khot Infrastructure Holdings, Ltd. (the "**Company**"), for use at the annual general and special meeting (the "**Meeting**") of the shareholders (the "**Shareholders**") of the Company to be held on **Monday, April 9, 2018** at the time and location and for the purposes set forth in the accompanying notice of meeting (the "**Notice**") and at any adjournment thereof.

### PERSONS MAKING THE SOLICITATION

**The enclosed form of proxy is solicited by Management.** Solicitations will be made by mail and possibly supplemented by telephone or other personal contact to be made without special compensation by regular officers and employees of the Company. The Company may reimburse shareholders' nominees or agents (including brokers holding shares on behalf of clients) for the cost incurred in obtaining authorization from their principals to execute the proxy. No solicitation will be made by specifically engaged employees or soliciting agents. The cost of solicitation will be borne by the Company. None of the directors of the Company have advised that they intend to oppose any action intended to be taken by Management as set forth in this Circular.

### APPOINTMENT AND REVOCATION OF PROXIES

The persons named as proxy nominees (the "**Designated Persons**") in the enclosed instrument of proxy (the "**Proxy**") are directors and/or officers of the Company, or persons designated by them.

**A Shareholder has the right to appoint a person or corporation (who need not be a Shareholder) to attend and represent the Shareholder at the Meeting other than the Designated Persons. To exercise this right, a Shareholder shall strike out the printed names of the Designated Persons in the Proxy and insert the name of its proxy nominee in the blank space provided in the Proxy, or complete another valid instrument of proxy.** Such Shareholder should notify its proxy nominee of the appointment, obtain the proxy nominee's consent to act as proxy nominee and provide instructions to its proxy nominee on how the Shareholder's common shares should be voted. The proxy nominee should bring personal identification to the Meeting.

### EXECUTION AND DELIVERY OF PROXY

An instrument of proxy will not be valid unless signed and dated by the Shareholder giving it or that Shareholder's attorney-in-fact duly authorized in writing, or, in the case of a corporation, signed and dated by an officer or attorney-in-fact duly authorized in writing for the corporate Shareholder. If an instrument of proxy is executed by an attorney-in-fact, or by an officer or attorney-in-fact for a corporate Shareholder, the instrument so empowering the attorney-in-fact or officer, as the case may be, or a notarially certified copy thereof, should accompany the instrument of proxy.

An instrument of proxy will not be valid unless deposited with the Company's registrar and transfer agent, Computershare Investor Services Inc. (the "**Transfer Agent**"), at its offices located on the 9th Floor, 100 University Avenue, Toronto, ON M5J 2Y1, or by toll-free fax within North America to 1-866-249-7775, at least 48 hours (excluding Saturdays, Sundays and holidays recognized in the Province of British Columbia) prior to the scheduled time of the Meeting, or any adjournment or postponement thereof.

### VOTING OF PROXY

If instructions as to voting indicated in a Proxy are certain, the common shares represented by a Proxy will be voted or withheld from voting by the Designated Persons in accordance with the instructions of the Shareholder on any ballot that may be called for, and if the Shareholder specifies a choice with respect to any matter to be acted upon, the securities will be voted accordingly. **In the absence of certain instructions in a Proxy or other instrument of**

**proxy, it is intended that the common shares represented thereby will be voted in favour of the motions proposed to be made at the Meeting as stated in the Notice and in this Circular.**

The Proxy, when properly signed and delivered, confers discretionary authority upon the proxy nominee with respect to any amendments or variations to the matters identified in the Notice or in this Circular or any other matters which may properly come before the Meeting. At the date of this Circular, Management is not aware of any such amendments, variations or other matters. If, however, any amendments, variations or other matters should properly come before the Meeting, such discretionary authority conferred by a Proxy will be exercised in accordance with the best judgment of the Designated Persons on such matters.

In the case of abstentions from, or withholding of, the voting of common shares on any matter, the common shares that are the subject of the abstention or withholding will be counted for determination of a quorum, but will not be counted as affirmative or negative on the matter to be voted upon.

### **REVOCATION OF PROXY**

A Shareholder who has given an instrument of proxy may revoke it at any time before it is exercised. The revocation of an instrument of proxy does not affect any matter on which a vote has been taken prior to such revocation.

In addition to revocation in any other manner permitted by law, an instrument of proxy may be revoked by an instrument in writing (i) signed by the Shareholder or that Shareholder's attorney-in-fact duly authorized in writing, or, in the case of a corporation, signed by an officer or attorney-in-fact duly authorized in writing for the corporate Shareholder; and (ii) delivered either to the Transfer Agent at the address/fax number set forth above at any time up to and including the last business day preceding the day of the Meeting or any adjournment or postponement thereof, or to the Chair of the Meeting on the day of the Meeting and prior to the commencement thereof or, in the case of any adjournment or postponement, prior to the reconvening thereof.

An instrument of proxy will also automatically be revoked by either (i) attendance at the Meeting and participation in a poll (ballot) by the Shareholder, or (ii) submission of a subsequent proxy in accordance with the foregoing procedures.

### **ADVICE TO BENEFICIAL SHAREHOLDERS**

**The information set forth in this section is of significant importance to many Shareholders as a substantial number of Shareholders do not hold common shares in their own name.** Shareholders who do not hold their common shares in their own name (referred to herein as a "**Beneficial Shareholder**") should note that only proxies deposited by Shareholders whose names appear on the records of the Company as the registered holders of common shares (a "**Registered Shareholder**") can be recognized and acted upon at the Meeting.

**If common shares are listed in an account statement provided to a Shareholder by a broker or another intermediary then in almost all cases those common shares will not be registered in the name of the Shareholder on the records of the Company, but in the name of that broker or intermediary or an agent of the broker or intermediary.** In Canada, the vast majority of such common shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms and banks) and in the United States, under the name of Cede & Co. as nominee for The Depository Trust Company (which acts as depository for many United States brokerage firms and banks).

**Beneficial Shareholders should ensure that instructions respecting the voting of their common shares are communicated to the appropriate person well in advance of the Meeting.** Applicable regulatory policies require intermediaries and brokers to seek voting instructions from Beneficial Shareholders in advance of shareholder meetings. Each intermediary and broker has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their common shares are voted at the Meeting. The form of proxy supplied to a Beneficial Shareholder by its broker or intermediary or an agent of that broker or intermediary is often similar to the Proxy provided to Registered Shareholders by the Company. Its purpose, however, is limited to instructing the Registered Shareholder (the broker or intermediary or an agent of that broker or intermediary) on how to vote on behalf of the Beneficial Shareholder.

The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically applies a special sticker to proxy forms, mails those forms to the Beneficial Shareholders, and asks those Beneficial Shareholders to return the forms to Broadridge or follow specific telephone or other voting procedures. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of the common shares to be represented at the Meeting. **A Beneficial Shareholder receiving a Broadridge proxy form cannot use that proxy form to vote common shares directly at the Meeting. The proxy form must be returned to Broadridge or the alternative voting procedures must be completed well in advance of the Meeting in order to ensure such common shares are voted at the Meeting.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting common shares registered in the name of his broker or intermediary (or agent of that broker or intermediary), a Beneficial Shareholder may attend at the Meeting as proxy holder for the Registered Shareholder and vote their common shares in that capacity. Beneficial Shareholders who wish to attend the Meeting and indirectly vote their common shares as proxy holder for the Registered Shareholder should contact their broker, intermediary or other agent or nominee holder well in advance of the Meeting for instructions.

These security holder materials are being sent to both registered and non-registered owners of the common shares of the Company. If you are a non-registered owner and the Company or its agent has sent these materials directly to you, your name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf. In this event, by choosing to send these materials to you directly, the Company (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you; and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

**All references to Shareholders in this Circular and the Proxy are to Registered Shareholders unless specifically stated otherwise.**

#### **INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

No person who has been a director or an officer of the Company at any time since the beginning of its last completed financial year or any proposed nominee for election as a director, or any associate of any such director or officer, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting other than the election of directors and the appointment of auditors, except as generally disclosed in this Circular or otherwise particularly described in the disclosure for a matter to be acted upon.

#### **VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

The Company has determined **March 5, 2018** as the record date (the "**Record Date**") for purposes of determining the persons entitled to notice of and to vote at the Meeting. The authorized share capital of the Company consists of an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. As at the close of business on the Record Date, there were **65,302,351** common shares issued and outstanding and nil preferred shares issued and outstanding.

Each common share carries, on any poll at the Meeting, one vote. Only registered holders of common shares as at the close of business on the Record Date will be entitled to receive notice of and to vote their common shares so shown on the register of the Company as at the close of business on the Record Date, at the Meeting. See also "*Advice to Beneficial Shareholders*", above.

To the knowledge of the Company's directors and executive officers, no person or company beneficially owns or exercises control or direction over, directly or indirectly, common shares carrying 10% or more of the voting rights attached to the outstanding common shares of the Company on the Record Date, other than as set forth below:

Name <sup>(1)</sup>	Approximate no. of common shares owned, controlled or directed	Percentage of Issued and Outstanding Shares <sup>(2)</sup>
James Passin	32,169,605 <sup>(3)</sup>	49.26%
SMDD Capital Ltd.	9,788,067	14.99%

(1) The majority of the common shares are held by the CDS & Co., an intermediary, and as such Management is unaware of the beneficial holders thereof. The above information is based upon information supplied by the Company's registrar and transfer agent and the Company's Management.

(2) Based on 65,302,351 common shares outstanding on the Record Date.

(3) Disclosed holding is controlled by James Passin, a director of the Company, who has direct control of 1,000,000 common shares and indirect control and direction of (i) 126,250 common shares held by Passin Management Limited Partnership, (ii) 15,187,580 common shares held by Firebird Mongolia Fund, Ltd. ("**Firebird Mongolia**"), (iii) 530,747 common shares held by Firebird Global Master Fund Holdings, Ltd. ("**FGMF**"), (iv) 461,392 common shares held by Firebird Global Master Fund II Holdings, Ltd. ("**FGMF2**") and (v) 14,863,636 common shares held by Firebird New Mongolia Fund, LP ("**Firebird New Mongolia**").

## STATEMENT OF EXECUTIVE COMPENSATION

Unless otherwise noted the following information is for the Company's last completed financial year ended December 31, 2017.

For the purpose of the Circular:

"compensation securities" includes stock options, convertible securities, exchangeable securities and similar instruments including stock appreciation rights, deferred share units and restricted stock units granted or issued by the Company or one of its subsidiaries (if any) for services provided or to be provided, directly or indirectly to the Company or any of its subsidiaries (if any);

A Named Executive Officer ("NEO") of the Company means each of the following individuals:

- (a) a chief executive officer ("CEO") of the Company;
- (b) a chief financial officer ("CFO") of the Company; and
- (c) each of the Company's three most highly compensated executive officers, or individuals acting in a similar capacity, other than the CEO and CFO, at the end of, or during, the most recently completed financial year if their individual total compensation was more than \$150,000 for that financial year, including individuals who would be an NEO under this paragraph but for the fact that he or she was not acting in such capacity at the end of the financial year.

As of the fiscal year ended December 31, 2017, the Company had two NEOs, namely (i) Mr. Donald Padgett who serves as President and CEO; (ii) Mr. Sabino Di Paola who served as CFO of the Company until his resignation on February 28, 2017; and (iii) Mr. Alan Tam, who was appointed as Chief Financial Officer of the Company on August 2, 2017.

All dollar amounts referenced herein are Canadian Dollars unless otherwise specified.

### Compensation Discussion and Analysis

#### ***Philosophy and Objectives***

The compensation program for the senior management of the Company is designed to ensure that the level and form of compensation achieves certain objectives, including:

- to attract and retain highly qualified management;
- to align executive compensation with shareholders' interests;
- to focus performance by linking incentive compensation to the achievement of business objectives and financial results; and
- to encourage retention of key executives for leadership succession.

The Company's executive compensation program comprises three elements: base salary, bonus incentives and equity participation. The compensation program is designed to pay for performance. Employees, including senior executives, are rewarded for the achievement of annual operating and financial goals, progress in executing the Company's long-term growth strategy and delivering strong total shareholder return performance.

The Company reviews industry compensation information and compares its level of overall compensation with those of comparable sized infrastructure development and construction companies. Generally, the Company targets base management fees at levels approximating those holding similar positions in comparably sized companies in the industry and hopes to achieve competitive compensation levels through the fixed and variable components.

The Company's total compensation mix places a significant portion of the executive's compensation at risk and relies heavily on the award of stock options. The design takes into account individual and corporate performance. Compensation practices, including the mix of base management fees, short-term incentives and long-term incentives, are regularly assessed to ensure they are competitive, take account of the external market trends and support the Company's long-term growth strategies. Due to the early stage of the Company's development programs, the flexibility to quickly increase or decrease appropriate human resources is critical. Accordingly, the Company does not enter into long-term commitments with its officers.

The board of directors of the Company (the "Board") has not conducted a formal evaluation of the implications of the risks associated with the Company's compensation policies. Risk management is a consideration of the Board when implementing its compensation policies and the Board does not believe that the Company's compensation policies result in unnecessary or inappropriate risk-taking including risks that are likely to have a material adverse effect on the Company.

#### *Role of the Compensation Committee*

The Compensation Committee was established on July 9, 2012 by the Board to assist in fulfilling the Board's responsibilities relating to compensation issues and to establish a plan of continuity for executive officers. The Compensation Committee ensures that the Company has an executive compensation plan that is both motivational and competitive so that it will attract, hold and inspire performance by executive officers of a quality and nature that will enhance the sustainable profitability and growth of the Company.

The Compensation Committee reviews and recommends the compensation philosophy and guidelines for the Company which includes reviewing compensation for executive officers for recommendation to the Board.

The Compensation Committee reviews, on an annual basis, the cash compensation, performance and overall compensation package for each executive officer. It then submits its recommendations to the Board with respect to the basic salary, bonus and participation in share compensation arrangements for each executive officer.

In making its recommendations in fiscal 2017, the Compensation Committee was satisfied that all recommendations complied with the Compensation Committee's philosophy and guidelines.

#### *Composition of the Compensation Committee*

As of December 31, 2017, the Compensation Committee was comprised of three of the Company's five Directors: James Passin, Donald Padgett, and Erin Chutter. After the Meeting, the Board will be appointing new members to the Compensation Committee. In making these appointments, the Board will consider those individuals who are well-qualified to serve on the Compensation Committee given the expertise they have accrued in their business careers.



## Director and NEO Compensation, Excluding Compensation Securities

The following table sets forth all annual and long-term compensation for services paid to or earned by the NEOs and the directors for the three fiscal years ended December 31, 2017, 2016 and 2015.

Table of compensation excluding compensation securities							
Name and position	Year	Salary, consulting fee, retainer or commission (\$USD)	Bonus (\$USD)	Committee or meeting fees (\$USD)	Value of perquisites (\$USD)	Value of all other compensation (\$USD)	Total compensation (\$USD)
Donald Padgett <sup>(1)</sup> CEO, Director	2017	60,000	Nil	Nil	Nil	Nil	60,000
	2016	60,000	Nil	Nil	Nil	Nil	60,000
	2015	58,178	Nil	Nil	Nil	Nil	58,178
Alan Tam <sup>(2)</sup> Current CFO (August 2017 onward)	2017	25,398	Nil	Nil	Nil	Nil	25,398
Sabino Di Paola <sup>(3)</sup> Former CFO (Up to February 2017)	2017	2,644	Nil	Nil	Nil	Nil	2,644
	2016	27,185	Nil	Nil	Nil	Nil	27,185
	2015	43,340	Nil	Nil	Nil	Nil	43,340
Erin Chutter <sup>(4)</sup> Former COO, Director	2017	Nil	Nil	Nil	Nil	Nil	Nil
	2016	36,181	Nil	Nil	Nil	Nil	36,181
	2015	23,969	Nil	Nil	Nil	Nil	23,969
James Passin <sup>(5)</sup> Director	2017	Nil	Nil	Nil	Nil	Nil	Nil
	2016	Nil	Nil	Nil	Nil	Nil	Nil
	2015	Nil	Nil	Nil	Nil	Nil	Nil
Orgilmaa Siizkhuu <sup>(6)</sup> Former Director	2017	Nil	Nil	Nil	Nil	Nil	Nil
	2016	Nil	Nil	Nil	Nil	Nil	Nil
	2015	Nil	Nil	Nil	Nil	Nil	Nil
Kenneth Farrell <sup>(7)</sup> Former Director	2017	Nil	Nil	Nil	Nil	Nil	Nil
	2016	Nil	Nil	Nil	Nil	Nil	Nil
	2015	Nil	Nil	Nil	Nil	Nil	Nil
Anthony Milewski <sup>(8)</sup> Former Director	2017	N/A	N/A	N/A	N/A	N/A	N/A
	2016	N/A	N/A	N/A	N/A	N/A	N/A
	2015	Nil	Nil	Nil	Nil	Nil	Nil
Larry Van Hatten <sup>(9)</sup> Former Director	2017	N/A	N/A	N/A	N/A	N/A	N/A
	2016	N/A	N/A	N/A	N/A	N/A	N/A
	2015	Nil	Nil	Nil	Nil	Nil	Nil

(1) Mr. Padgett was appointed as CEO and director on November 14, 2011. As at December 31, 2017, \$94,812 (\$54,559 – 2016) in payables or accruals were due to Mr. Padgett. Mr. Padgett is being paid in US\$.

(2) Mr. Alan Tam was appointed CFO of the Company on August 2, 2017. As at December 31, 2017, \$3,225 in payables or accruals were due to Mr. Tam. Mr. Tam is being paid in CAD.

(3) Mr. Di Paola was appointed as CFO on November 14, 2011 and resigned as CFO on February 28, 2017.

(3) Ms. Chutter was appointed as COO on May 2, 2016 and as a director on April 5, 2015. As at December 31, 2017, \$9,066 (\$26,675 – 2016) in payable was due to Ms. Chutter.

(4) Mr. Passin was appointed as a director on November 14, 2011.

(5) Ms. Siizkhuu was appointed as a director on November 14, 2011.

(6) Mr. Farrell was appointed as a director on March 20, 2012.

(7) Mr. Milewski was appointed as a director on January 1, 2014 and resigned as a director on December 11, 2015.

(8) Mr. Van Hatten was appointed as a director on November 14, 2011 and resigned as a director on April 4, 2015.

### Stock Options and Other Compensation Securities

The following table discloses all compensation securities granted or issued to each NEO and director by the Company in the financial year ended December 31, 2017 for services provided or to be provided, directly or indirectly, to the Company:

Compensation Securities							
Name and Position	Type of compensation security	Number of compensation securities, number of underlying securities, & percentage of class <sup>(1)</sup>	Date of issue or grant	Issue, conversion or exercise price (\$)	Closing price of security or underlying security on date of grant (\$)	Closing price of security or underlying security at year end (\$)	Expiry Date
Donald Padgett <sup>(2)</sup> CEO, Director	Stock Options	Nil	N/A	N/A	N/A	N/A	N/A
Alan Tam <sup>(3)</sup> Current CFO	Stock Options	Nil	N/A	N/A	N/A	N/A	N/A
Sabino Di Paola <sup>(4)</sup> Former CFO	Stock Options	Nil	N/A	N/A	N/A	N/A	N/A
Erin Chutter <sup>(5)</sup> Former COO, Director	Stock Options	Nil	N/A	N/A	N/A	N/A	N/A
James Passin <sup>(6)</sup> Director	Stock Options	Nil	N/A	N/A	N/A	N/A	N/A
Orgilmaa Siizkhuu <sup>(7)</sup> Former Director	Stock Options	Nil	N/A	N/A	N/A	N/A	N/A
Kenneth Farrell <sup>(8)</sup> Former Director	Stock Options	Nil	N/A	N/A	N/A	N/A	N/A
Anthony Milewski <sup>(9)</sup> Former Director	Stock Options	Nil	N/A	N/A	N/A	N/A	N/A
Larry Van Hatten <sup>(10)</sup> Former Director	Stock Options	Nil	N/A	N/A	N/A	N/A	N/A

- (1) All stock options are fully vested. One common share is issuable on the exercise of each stock option.
- (2) On December 31, 2017, Mr. Padgett held stock options exercisable as follows: 250,000 exercisable at \$0.25 until January 8, 2019 and 50,000 exercisable at \$0.20 until December 3, 2020.
- (3) On December 31, 2017, Mr. Tam held no stock options.
- (4) On December 31, 2017, Mr. Di Paola held 150,000 stock options exercisable at \$0.25 until January 8, 2019.
- (5) On December 31, 2017, Ms. Chutter held 300,000 stock options exercisable at \$0.20 until December 3, 2020.
- (6) On December 31, 2017, Mr. Passin held 250,000 stock options exercisable at \$0.25 until January 8, 2019.
- (7) On December 31, 2017, Ms. Siizkhuu held no stock options.
- (8) On December 31, 2017, Mr. Farrell held 350,000 stock options exercisable at \$0.25 until January 8, 2019.
- (9) On December 31, 2017, Mr. Milewski held no stock options.
- (10) On December 31, 2017, Mr. Van Hatten held no stock options.

### Exercise of Compensation Securities by Directors and NEOs

No director or NEO exercised any compensation securities, being solely comprised of stock options, during the year ended December 31, 2017.

## Stock Option Plan and Other Incentive Plans

As at the end of the most recently completed fiscal year ended December 31, 2017, there were 2,500,000 options outstanding. Based on the Company having an outstanding share capital of 65,302,351 common shares issued and outstanding, an additional 4,030,235 options could be granted under the Plan.

The Company has no other plan providing for the grant of stock appreciation rights, deferred share units or restricted stock units or any other incentive plan or portion of a plan under which awards are granted.

## Employment, Consulting and Management Agreements

During the most recently completed financial year, the significant terms of the employment agreement or arrangement for each NEO is as follows:

- Mr. Padgett has a consulting contract with the Company that provides for monthly compensation of USD\$4,000 a month for management fees as well as a salary of CND \$1,000 a month for performing services as the CEO. On September 30, 2015, Mr. Padgett's monthly salary was terminated and his consulting fees were increased to US\$5,000 per month.
- Mr. Tam does not have a compensation arrangement with the Company but invoices the Company on a monthly basis for management and CFO services performed.
- Ms. Chutter did not have any compensation arrangement with the Company. She was paid CAD\$4,000 on a month by month basis for consulting services. Ms. Chutter will not be seeking re-election as a director at the Meeting.
- Mr. Passin did not have any compensation arrangement with the Company.
- Ms. Siizkhuu did not have any compensation arrangement with the Company.
- Mr. Farrell did not have any compensation arrangement with the Company.
- Mr. Milewski did not have any compensation arrangement with the Company.
- Mr. Van Hatten did not have any compensation arrangement with the Company.

## Pension Plan Benefits

The Company has no pension, defined benefit or defined contribution plans in place.

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The Company has no compensation plans under which equity securities are authorized for issuance as at the end of the most recently completed financial year other than the Plan.

The following table sets forth information with respect to the Plan as at the end of the most recently completed financial year.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans [excluding securities reflected in column (a)]
Equity compensation plans approved by security holders <sup>(1)</sup>	2,500,000	\$0.225	4,030,235
Equity compensation plans not approved by security holders	0	N/A	N/A
Total	2,500,000	\$0.225	4,030,235

- (1) Refers to the "rolling" Stock Option Plan of the Company, which was adopted on May 29, 2012, and pursuant to which directors, officers, employees and consultants may be granted options to acquire common shares as an incentive mechanism to foster their interest in the success of the Company and to encourage their proprietary ownership of the Company.

## INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

Except as disclosed below, none of the individuals who are, or at any time during the most recently completed year were, directors or executive officers of the Company or any subsidiary thereof, the proposed nominees for election as a director, or associates of such persons, is or has been indebted to the Company (other than routine indebtedness) at any time since the beginning of the most recently completed financial year, or is a person whose indebtedness to

another entity is, or at any time since the beginning of the most recently completed financial year has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or a subsidiary thereof.

As at December 31, 2017, USD\$135,267 (\$Nil – 2015) was owed to James Passin, one of the directors of the Company, for monies advanced by him to the Company. As at the Record Date, an aggregate of USD\$132,598 was owed to James Passin for loans advanced to the Company. In addition, USD\$40,393 is owed by the Company to Wayne Lloyd, a proposed director nominee, and USD\$18,804 is owed by the Company to Jeremy Gardner, a proposed director nominee, as at the Record Date.

### INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

For the purposes of this Circular, "**informed person**" means: (a) a director or executive officer of the Company; (b) a director or executive officer of a person or company that is itself an informed person or subsidiary of the Company; (c) any person or company who beneficially owns, directly or indirectly, voting securities of the Company or who exercises control or direction over voting securities of the Company, or a combination of both, carrying more than 10% of the voting rights attached to all outstanding voting securities of the Company, other than voting securities held by the person or company as underwriter in the course of a distribution; and (d) the Company if it has purchased, redeemed or otherwise acquired any of its own securities, for so long as it holds any of its securities.

Except as disclosed herein, no informed person or proposed director of the Company, nor any associate or affiliate of any such informed person or proposed director, has any material interest, direct or indirect, in any material transaction since the commencement of the Company's last completed financial year or in any proposed transaction which, in either case, has materially affected or will materially affect the Company or any subsidiary thereof, except as generally disclosed in this Circular or otherwise under the heading for the matter to be acted upon.

During the fiscal year ended December 31, 2017, the Company entered into loan agreements with certain directors and officers of the Company, both current and proposed, as well as certain arm's length parties, to provide an aggregate of USD\$448,366 (CAD\$562,496) in loans to the Company. Each loan is repayable twelve months from the effective date of each loan agreement without any deduction or withholding. The Company may make early repayment of the loan at any time prior to the maturity date without any prepayment penalty. The loans accrue interest at a rate of 8% per annum, with the accrued interest to be paid at the time of the repayment of the loans. The first loan agreements were entered into during the fiscal period ended June 30, 2017, when the Company accepted USD\$81,785 in loan funding, of which USD\$74,350 were loans from Mr. James Passin, a director. From June 30, 2017 and up to September 30, 2017, a total of USD\$284,894 in loans was received. From October 1 to December 31, 2017, a total of USD\$114,635 (CAD\$143,978) was received. Subsequent to December 31, 2017, the Company received an additional USD\$23,118 (CAD\$30,000) in loans.

Of the total loans received as at December 31, 2017, USD\$130,707 was provided by Mr. James Passin, who beneficially owns, directly or indirectly, or exercises control or direction over, 32,169,605 common shares, representing approximately 49.26% of the issued and outstanding common shares of the Company. Mr. Passin, a director of the Company, is a "related party" of the Company within the meaning of Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* ("MI 61-101"). As such, Mr. Passin's loan constitutes a "related party transaction" within the meaning of MI 61-101. In accepting the loans from Mr. Passin, the Company relied on an exemption from the minority approval requirement that applies to related party transactions, which exemption is available to the Company as: (i) the loan comprises a loan or credit facility obtained on reasonable commercial terms that are not less advantageous to the Company than if the loan or credit facility were obtained from a person dealing at arm's length with the Company; (ii) the loan is not convertible into equity or voting securities of the Company or a subsidiary of the Company; and (iii) the loan is not repayable as to principal or interest in equity or voting securities of the Company or a subsidiary of the Company.

The loan agreements have been reviewed and approved by the board of directors who have determined that it is in the best interest of the Company to gain access to the funds pursuant to the loans.

The purpose of the loan funding is for the Company to fund the expenses related to obtaining the revocation order, calling the Meeting, undertaking the change of business, and requalifying for listing on the Canadian Securities Exchange, all of which Management believes is for the benefit of all shareholders.

Currently, the Company's current liabilities total USD\$1,074,396, of which USD\$324,315 consists of accounts payable and accrued liabilities; USD\$456,607 consists of loan and interest payable; and \$293,474 consists of road repair

provision. To clean up its balance sheet, the Company proposes to resolve the balance of its current liabilities as follows:

**Accounts payable and accrued liabilities:**

The Company has entered into agreements dated effective December 31, 2017, with Don Padgett, Erin Chutter, and various consultants to whom it has accrued liabilities to defer any payment demands until after June 30, 2019, resulting in a reclassification of these amounts owing to long-term debt. The Company, in its discretion, intends to settle the debt when its cash situation has stabilized.

**Loan and interest payable:**

The Company proposes to enter into debt settlement agreements with the lenders to convert an aggregate of USD\$487,376 (CAD\$628,304.68) in loans (principal and interest) into common shares of the Company at a post-consolidated price of \$0.10 per share.

As at December 31, 2017, USD\$135,267 \$Nil – 2015) was owed to James Passin, one of the directors of the Company, for monies advanced by him to the Company. As at the Record Date, an aggregate of USD\$132,598 was owed to James Passin for loans advanced to the Company. In addition, USD\$40,393 is owed by the Company to Wayne Lloyd, a proposed director nominee, and USD\$18,804 is owed by the Company to Jeremy Gardner, a proposed director nominee, as at the Record Date. The Company proposes to enter into debt settlement agreements with the directors and proposed directors to settle their outstanding loans.

**Road repair provision:**

The road repair provision was included in the Company's financial statements based on the opinion of the Company's former auditor that the road repair provisions represent a theoretical possibility that the Ministry of Construction in Mongolia could demand that the Company's Mongolian subsidiary, Ashid Munkhiin Zam LLC repave the road in Mongolia, and an accounting estimation of what could happen was deemed to be necessary. The liabilities do not represent an actual cash amount that the Company is required to pay but rather is an estimate of future potential liability. The Company has not received any communication from the Ministry of Construction and as a result of its proposed change of business, will be disposing of its Mongolian subsidiary for a nominal amount and the liability is expected to disappear as a line item in the Company's financial statements.

The Company has called the Meeting in connection with the following proposed transactions: (a) a change of business; (b) the sale of the Company's Mongolian subsidiary, Ashid Munkhiin Zam LLC; (c) a 10:1 share consolidation; and (d) change of name, among other things.

## **MANAGEMENT CONTRACTS**

The management functions of the Company and any subsidiary thereof are not, to any substantial degree, performed by any person other than the directors and executive officers of the Company or any subsidiary thereof.

## **AUDIT COMMITTEE AND RELATIONSHIP WITH AUDITOR**

National Instrument 52-110 Audit Committees of the Canadian Securities Administrators ("NI 52-110") requires the Company, as a venture issuer, to disclose annually in its information circular certain information concerning the constitution of its audit committee and its relationship with its independent auditor, as set forth in the charter for the Audit Committee of our Board of Directors attached to this Circular as Schedule "B".

The Audit Committee's primary function is assisting the Board in fulfilling its oversight responsibilities to shareholders. The Committee is ultimately responsible for the policies and practices relating to integrity of financial and regulatory reporting, as well as internal controls to achieve the objectives of safeguarding corporate assets, reliability of financial information, and compliance with policies and laws, as well as serving as an independent and objective party to liaise with the external auditor, independent of Management, and to monitor preparation of financial statements and other financial information.

## **Audit Committee Members**

As at December 31, 2017, Donald Padgett (Chair), James Passin, Kenneth Farrell and Erin Chutter were members of the Company's Audit Committee. James Passin, Kenneth Farrell and Erin Chutter are considered "independent" applying the guidelines contained in applicable securities legislation and all four of the Audit Committee members

have the ability to read and understand financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by our financial statements. Donald Padgett, the Company's President and Chief Executive Officer is not considered to be independent of the Management.

After the Meeting, the Board will be appointing new members to the Audit Committee. The proposed members of the Audit Committee will be Gregory Kallinikos (proposed Chair and an independent member), James Passin (independent) and Jeremy Gardner (independent). In making these appointments, the Board will consider those individuals who are well-qualified to serve on the Audit Committee, given the expertise they have accrued in their business careers, and who meet the independence and financial literacy requirements of National Instrument 52-110 *Audit Committees*.

### Relevant Education and Experience

All of the Audit Committee members are business people with experience in financial matters; each has an understanding of accounting principles used to prepare financial statements and varied experience as to general application of such accounting principles, internal controls and procedures necessary for financial reporting, which experience has been garnered from working in their individual fields of endeavour.

Biographies of each of the members and proposed members of the Audit Committee can be found under Election of Directors on page 20 of this Circular.

### Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year has a recommendation of the Audit Committee to nominate or compensate an external auditor not been adopted by the Board.

### Reliance on Certain Exemptions

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the exemption in section 2.4 of N 52-110 (*De Minimis Non-audit Services*), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

### Pre-Approval Policies and Procedures

The Committee has adopted specific policies and procedures for the engagement of non-audit services as described above under the heading "External Auditors".

### External Auditor Service Fees (By Category)

The aggregate fees billed by the Company's external auditor for the fiscal periods ending December 31, 2017 and 2016 are as follows:

Financial Year Ending	Audit Fees <sup>(1)</sup>	Audit Related Fees <sup>(2)</sup>	Tax Fees <sup>(3)</sup>	All Other Fees <sup>(4)</sup>
December 31, 2017	\$20,000	Nil	Nil	Nil
December 31, 2016	\$18,000	Nil	Nil	Nil

(1) The aggregate fees billed or anticipated to be billed by the Company's auditor for audit fees.

(2) Fees charged for assurance and related services reasonably related to the performance of an audit, and not included under "Audit Fees".

(3) Fees charged for tax compliance, tax advice and tax planning services.

(4) Fees for services other than disclosed in any other column.

### Exemption

The Company is relying upon the exemption in section 6.1 of NI 52-110 with respect to compliance with the requirements of Part 3 (*Composition of the Audit Committee*) and Part 5 (*Reporting Obligations*) of NI 52-110.

## CORPORATE GOVERNANCE DISCLOSURE

The Board believes that good corporate governance improves corporate performance and benefits all shareholders. National Policy 58-201 *Corporate Governance Guidelines* provides non-prescriptive guidelines on corporate governance practices for reporting issuers such as the Company. In addition, National Instrument 58-101 *Disclosure of Corporate Governance Practices* ("NI 58-101") prescribes certain disclosure by the Company of its corporate governance practices. The following information has been prepared and provided as required by NI 58-101.

### **Board of Directors**

The Board facilitates its exercise of independent supervision over the Management through frequent communication with Management.

In accordance with NI 52-101, a director is considered "independent" if he or she has no direct or indirect "material relationship" with the Company, being a relationship that could, in the view of the Board, be reasonably expected to interfere with the exercise of a director's independent judgment, subject to certain specified circumstances where an individual is considered to have a material relationship.

### **Directorships**

The directors listed below are presently directors of a reporting issuer (or equivalent) in a jurisdiction of Canada or a foreign jurisdiction.

<b>Director</b>	<b>Directorship in other Reporting Issuer(s)</b>
Donald Padgett	Vanoil Energy Ltd. (TSXV:VELV)
James Passin	BDSec Joint Stock Company (MSE:BDS) Sharyn Gol JSC (MSE:SHG) Khot Development JSC (MSE:SDT) Berkh Uul JSC

### **Orientation and Continuing Education**

Each new director brings a different background and skill set and with this information the Board determines what orientation as to the nature and operations of the Company's business will be necessary and relevant to each new director. The Company provides continuing education for its directors as such need arises and encourages open discussion at all meetings which facilitates participation and open learning by the directors.

### **Ethical Business Conduct**

The Board expects Management to operate the business of the Company in a manner that enhances shareholder value and is consistent with the highest level of integrity. Management is expected to execute the Company's business plan and to meet performance objectives and goals, and Management is encouraged to discuss with the Board any perceived or potential issues in ethical business conduct.

In addition, the Board must comply with conflict of interest provisions of applicable corporate, securities and common law, in order to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.

### **Nomination of Directors**

Individual directors identify new nominees to the Board based on perceived or potential requirements for particular knowledge or skills. The nominees are generally the result of recruitment efforts by the Board members, including both formal and informal discussions among Board members and the President and Chief Executive Officer of the Company.

### **Compensation**

As of December 31, 2017, the Compensation Committee was comprised of James Passin (chair), Donald Padgett and Erin Chutter. After the Meeting, the Board will appoint Jeremy L. Gardner, Gregory Kallinikos, and James Passin as

new members of the Compensation Committee and adopt a Compensation Committee Charter in the form attached as Schedule “C” to this Circular.

The Board reviews, as needed, compensation to directors and to officers with respect to industry comparables and with regards to the particular circumstances of the Company and its financial position.

### **Other Board Committees**

The Company has no standing committees other than the Audit Committee and the Compensation Committee.

### **Assessments**

The Board collectively conducts and reviews informal annual assessments of the effectiveness of the Board, its individual committees and its individual directors.

## **PARTICULARS OF MATTERS TO BE ACTED UPON**

### **APPOINTMENT OF AUDITOR**

At the Meeting, Shareholders will be asked to pass an ordinary resolution appointing Dale Matheson Carr-Hilton Labonte LLP, Chartered Professional Accountants, (“DMCL LLP”) as auditors of the Company for the ensuing year at a remuneration to be fixed by the Company’s Board of Directors. Unless directed otherwise by a proxy holder, Management’s Designated Person, if named as proxy, intends to vote the common shares represented by any such proxy FOR the appointment of DMCL LLP, of Suite 1500 – 1140 West Pender Street, Vancouver, BC V6E 4G1, as auditors of the Company and to authorize the Board to fix their remuneration. DMCL LLP were first appointed auditors of the Company on July 27, 2017, to fill the vacancy created by the resignation of Ernst & Young LLP, Chartered Accountants, as auditors of the Company, effective May 31, 2016. The change of auditor of the Company was approved by the Company’s Audit Committee. A copy of the Notice of Change of Auditor and copies of the supporting letter from each of the former and successor auditors (collectively, the “Reporting Package”) is attached as Schedule “D” to this Circular and has been filed on the Company’s profile at [www.sedar.com](http://www.sedar.com) pursuant to the requirements of National Instrument 51-102. There were no “reportable events”, as such term is defined in NI 51-102, nor any modified opinions expressed in the auditors’ reports on the financial statements of the Company during the period that Ernst & Young LLP was the Company’s auditor.

### **ELECTION OF DIRECTORS**

The directors of the Company are elected annually and hold office until the next annual general meeting of Shareholders or until their successors are duly elected or appointed, unless an office is earlier vacated by death or by resignation or removal in accordance with the BVI Business Companies Act and the Memorandum and Articles of Association of the Company.

### **Number of Directors**

Management recommends, and the Designated Persons, if named as proxy, intend to vote in favour of, a resolution fixing the number of directors for the ensuing year at five (5). Unless a proxy contains express instructions to vote otherwise, it is intended that all proxies received will be voted in favour of such resolution.

### **Management Nominees for Directorship**

The following table sets out required information, as at the Record Date, regarding Management's nominees for election as a director. Management does not contemplate that any of its nominees will be unable to serve as a director.

No proposed director is to be elected under any arrangement or understanding between the proposed director and any other person or company, except the directors and executive officers of the Company acting solely in such capacity and except as generally disclosed in this Circular or otherwise under the heading for the matter to be acted upon. The Company has not received notice of, and Management is not aware of, any proposed nominee for director other than Management's nominees.



Name, Province/State and Country of ordinary residence <sup>(1)</sup> , and positions held with the Company	Principal occupation and, IF NOT elected to present term of office, principal occupation for the past five years <sup>(1)</sup>	Period(s) serving as Director	Common shares beneficially owned or controlled or directed <sup>(2)</sup>
<b>DONALD PADGETT</b> British Columbia, Canada President, CEO & Director	Mining executive; corporate finance and investment banking executive; director and officer of several public companies	Nov 14, 2011 to present	472,940
<b>JAMES PASSIN</b> New York, USA Director	Principal of FGS Advisors LLC; Director of FGMF, FGMF2, Firebird Mongolia, and Firebird New Mongolia	Nov 14, 2011 to present	32,169,605 <sup>(3)</sup>
<b>JEREMY L. GARDNER</b> Massachusetts, USA Nominee for Director	Entrepreneur-in-Residence, Blockchain Capital, October 2015 to present; Blockchain Education Network, founder and chairman of the board, 2014 to present; Augur, founder, 2014; editor-in-chief, Distributed magazine	N/A	Nil
<b>WAYNE LLOYD</b> British Columbia, Canada Nominee for Director	Founder of financial analytics firm Market Memory, providing data analytics to large commodity traders; Active investor, advisor, and board member to several fintech and cryptocurrency startups; CFA Charterholder.	N/A	Nil
<b>GREGORY KALLINIKOS</b> London, United Kingdom Nominee for Director	Chief of Staff to the CEO of INTL FCStone Ltd. since March 2015; Senior Vice President of INTL FCStone Ltd. from October 2012 to March 2015	N/A	Nil

(1) The information as to country of residence and principal occupation, not being within the knowledge of the Company, has been furnished by the respective directors individually.

(2) The information as to common shares beneficially owned directly or indirectly or over which a director exercises control or direction, not being within the knowledge of the Company, has been furnished by the respective directors individually.

(3) James Passin has direct control of 1,000,000 common shares and indirect control and direction of (i) 126,250 common shares held by Passin Management Limited Partnership, (ii) 15,187,580 common shares held by Firebird Mongolia, (iii) 530,747 common shares held by FGMF, (iv) 461,392 common shares held by FGMF2 and (v) 14,863,636 common shares held by Firebird New Mongolia.

### **Biography for Directors**

**James Passin** joined New York-based investment management company, Firebird Management LLC, in 1999. He co-founded and manages several hedge funds and private equity funds and has 18 years of experience as a professional investor and fund manager. James is a Chartered Market Technician and member of the CMT Association. James has deep experience in venture capital and capital markets and serves on the board of directors of several public companies, including Sharyn Gol JSC and BDsec JSC, the largest investment bank in Mongolia. James is a recipient of the Friendship Medal, the highest honor awarded by the Mongolian state to foreign citizens. James was named “Fund Manager of the Year” at the 2012 Mines and Money Conference in Hong Kong. James has been actively investing in cryptocurrencies and blockchain startups since 2016.

**Donald Padgett** is an experienced senior management leader with a proven track record of developing and executing successful strategies for profitable international business ventures. He has served as Chairman, President and director of several public and private companies. Mr. Padgett has also enjoyed a successful investment banking career in senior management positions including: Managing Director of the investment banking group at Canaccord Financial Ltd.'s Western Canadian office and more than 10 years as a senior member of the Investment Banking Group at Burns Fry, now Nesbitt Burns. Mr. Padgett holds a law degree from Dalhousie University, an MBA from McMaster and a BSc from University of Toronto.

### **Biography for Director-Nominees**

**Jeremy Gardner** is the Co-founder and GP of Ausum Ventures, a venture firm investing in blockchain technology for the betterment of humanity and the world. While attending the University of Michigan, Jeremy founded the Blockchain Education Network (BEN), a global educational nonprofit and cofound Augur, the decentralized prediction market platform, and led their ICO— the first ever on Ethereum. He most recently worked as an entrepreneur-in-residence and investing partner at Blockchain Capital, where invested in over a half dozen startups and started a new company, SAAVHA, a legacy database security firm. He also served as the founding editor-in-chief of Distributed Magazine. Lastly, Gardner helped structure the landmark Blockchain Capital security token ICO (ticker: BCAP).

**Wayne Lloyd**, a CFA Charterholder based in Vancouver, British Columbia, founded the financial analytics firm Market Memory, providing data analytics to physical commodity traders, and is an active investor, trader, and board member and advisor to several financial technology and blockchain start-ups, including SecFi, financial services company connecting institutional investors to late stage startups.

**Gregory Kallinikos** is a senior management executive with broad UK and international financial services experience, with a specific focus on mergers and acquisitions, corporate and business development, strategic planning, and developing potentially industry-disruptive electronic trading platforms. Currently in the process of transitioning into the position of Deputy Chief Executive Officer - Asia for INTL FCStone Ltd., Mr. Kallinikos will be responsible for running the Asian region for the Group, including becoming the Managing Director of the local legal entities and having oversight of offices in Singapore, Hong Kong, Shanghai and Sydney.

### ***Corporate Cease Trade Orders, Bankruptcies and Penalties and Sanctions***

For purposes of the disclosure in this section, an "order" means a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days; and for purposes of item (a)(i) below, specifically includes a management cease trade order which applies to the directors or executive officers of the relevant company that was in effect for a period of more than 30 consecutive days.

Except as disclosed below, none of the proposed Management nominees for election as a director of the Company:

- (a) is, as at the date of this Circular, or has been, within 10 years before the date of this Circular, a director, chief executive officer or chief financial officer of any company (including the Company) that:
  - (i) was subject to an order that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or
  - (ii) was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer;
- (b) is, as at the date of this Circular, or has been within 10 years before the date of this Circular, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;
- (c) has, within the 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director;
- (d) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority since December 31, 2000, or before December 31, 2000 if the disclosure of which would likely be important to a reasonable security holder in deciding whether to vote for a proposed director; or
- (e) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

On May 5, 2017, the Ontario Securities Commission (the "OSC") issued a cease trade order (the "CTO") under the securities legislation of Ontario that all trading in the securities of the Company cease until Khot filed its (i) audited annual financial statements for the year ended December 31, 2016, (ii) management's discussion and analysis for the year ended December 31, 2016 and (iii) certification of the annual filings for the year ended December 31, 2016, as required by applicable securities legislation.

On August 2, 2017, the Company filed its audited annual financial statements and management's discussion and analysis, along with the CEO and CFO certifications of the annual filings for the year ended December 31, 2016, and paid the applicable filing fees, as required by applicable securities legislation. On August 10, 2017, Khot filed its interim financial report and management's discussion and analysis, along with the CEO and CFO certifications of the interim filings for the period ended March 31, 2017, as required by applicable securities legislation.

On February 2, 2018, the Company obtained an order from the Ontario Securities Commission revoking the CTO. As a condition of revoking the CTO, the Ontario Securities Commission requested that the Company undertake not to complete a restructuring transaction, significant acquisition or reverse takeover of a business not located in Canada unless the Company first receives a receipt for a final prospectus in respect of such business. The Company has given such undertaking.

Mr. Padgett is President, CEO and Director of Vanoil Energy Ltd., a Canadian public company, which is subject to a cease trade order issued by the BCSC on February 3, 2017 for failure to file audited annual financial statements for the year ended September 30, 2016. Such cease trade order remains in effect.

Mr. Passin was Chairman and Director of Vanoil Energy Ltd., a Canadian public company, from December 10, 2009 to September 20, 2017, which is subject to a cease trade order issued by the BCSC on February 3, 2017 for failure to file audited annual financial statements for the year ended September 30, 2016. Such cease trade order remains in effect.

## **Recommendation**

Management recommends, and the Designated Persons, if named as proxy, intend to vote in favour of, the election of Management's nominees for election as a director. Unless a proxy contains express instructions to vote otherwise, it is intended that all proxies received will be voted in favour of such election.

### **APPROVAL AND RATIFICATION OF STOCK OPTION PLAN**

The Board approved a rolling stock option plan, the Company's 2017 Stock Option Plan, on August 15, 2017. The Stock Option Plan authorizes the Board to issue options to directors, officers, key employees and others who are in a position to contribute to the future success and growth of the Company.

Under the Stock Option Plan, the aggregate number of common shares issuable upon exercise of options granted thereunder may not exceed 10% of the total number of outstanding common shares at the time the options are granted. Further, the aggregate number of common shares issuable upon the exercise of the options granted thereunder to any one individual may not exceed 5% of the total number of outstanding common shares of the Company. Options issued pursuant to the Stock Option Plan must have an exercise price not less than that from time to time permitted by the stock exchange on which the common shares are then listed. The period during which an option may be exercised shall be determined by the Board at the time the option is granted, subject to any vesting limitations which may be imposed by the Board at the time such option is granted, provided no option shall be exercisable for a period exceeding ten years from the date the option is granted.

The options granted under the Stock Option Plan expire on the earlier of the date of the expiration of the option period noted above and in the case of optionees who are directors, officers, employees or consultants must expire within a reasonable period not exceeding one year after the date that a holder ceases to hold the position or positions of director, officer, employee or consultant of the Company, and within 30 days for any optionee engaged in investor relations activities. In the event of the death or permanent disability of a holder, any option previously granted to him shall be exercisable until the end of the option period noted above or until the expiration of 12 months after the date of death or permanent disability of such option holder, whichever is earlier.

In addition to the terms of the Stock Option Plan mentioned above, regulatory policies require approval by the affirmative vote of a majority of the votes cast at the Meeting, other than the votes attaching to the common shares beneficially owned by the insiders of the Company to whom the options may be granted pursuant to the Stock Option Plan, or their associates to the Company if the Company is proposing any of the following:

- (a) decreasing the exercise price of stock options previously granted to insiders;
- (b) issuing to insiders, upon the exercise of stock options, within a one-year period, shares exceeding 10% of the outstanding listed shares; and
- (c) issuing to any one insider and such insider's associates, upon the exercise of stock options, within a one-year period, shares exceeding 5% of the outstanding listed shares.

The Company requires disinterested shareholder approval for the actions mentioned above; otherwise, a majority of shareholders suffices to renew the Stock Option Plan.

A copy of the Stock Option Plan is attached to this Information Circular as Schedule "A" and will be available for Shareholders to review at the Meeting, if requested.

At the Meeting, Shareholders will be asked to pass a resolution in the following form:

“UPON MOTION IT WAS RESOLVED that the Company approve and ratify, subject to regulatory approval, the Stock Option Plan pursuant to which the directors may, from time to time, authorize the issuance of options to directors, officers, employees and consultants of the Company and its subsidiaries to a maximum of 10% of the issued and outstanding common shares at the time of the grant, with a maximum of 5% of the Company’s issued and outstanding shares being reserved to any one person on a yearly basis.”

**Unless such authority is withheld, the persons named in the enclosed Proxy intend to vote for the approval and ratification of the Plan.**

## **CHANGE OF BUSINESS RESOLUTION**

### **Change of Business**

In light of the current state of the transportation infrastructure sector and the current economic climate in Mongolia, and given the expertise and skill set of the Board and management, management and the Board believe that the optimal allocation of the Company’s working capital would be within the framework of developing proprietary indexes and ancillary data products for emerging blockchain and digital currency markets, rather than as a transportation infrastructure company where its working capital would be spent on a limited number of construction projects without any reasonable prospect for internally generated cash flow over the next several years. For those reasons, management and the Board have proposed that the Company undergo a Change of Business from transportation infrastructure to that of aggregating disparate datasets into a single cohesive data feed and creating valuable derivative datasets for sale to its customers. In addition, the Company may develop indexes for third parties. Its focus will be the data from emerging blockchain software applications.

Emerging uses of the blockchain allow for new and sometimes disruptive financial market applications. However, due to the decentralized nature of the blockchain, the data created by a blockchain application is often spread out and dispersed in a large number of locations. This makes data aggregation more costly and time-consuming than the centralized applications they are replacing.

An example of a centralized exchange would be the New York Stock Exchange (NYSE), which collects market data in central databases. The aggregation of NYSE trade data is trivial because the data is centralized. By contrast, on new digital currency exchanges a single asset is traded at multiple decentralized and otherwise unconnected exchanges. These exchanges are not linked by any mechanism except for the clearing done on the blockchain. In fact, many exchanges internalize orders and only clear on the blockchain occasionally.

The Company’s single cohesive data feed represents significant value to end users because the data is presented to the user in a clean and approachable way, and this portfolio of proprietary technology tools will include:

- (i) the BCX Index, a family of indexes which segments the market based on the particular objectives that a group of digital currencies is designed to solve (for example, privacy issues, value, computation) and provides an indexing solution to track the aggregate digital currency token in a given field using market capitalization, momentum, developer engagement, and market utility of the index constituents as the basis for the index weightings;
- (ii) the Developer Interest Index, a platform for tracking the engagement of the open source development community in each blockchain project, and the Company’s first index with a complete proprietary dataset which will allow investors to monitor the activities of open source development teams working on the world’s largest digital currency projects such as Bitcoin and Ethereum. The Developer Interest Index will allow investors to assess the interest that software developers around the world are taking in these projects so they can make informed decisions about a project’s financial viability; and
- (iii) the AML Index, the Company’s second dataset and a black-market money tracking tool that tracks know your customer (KYC) and anti-money laundering (AML) standards. The Company will be able to provide accurate estimations of the coins that are being used for both legal and illegal activities and track those changes over time. The Company will charge users a recurring subscription fee or on a pay-as-you-go basis based on the number of API calls a customer makes. The Company may also create digital currency indexes and applications for third parties. For example, by using the AML Index as a starting point the Company could create customized datasets for financial institutions interested in anti-money laundering compliance. The incremental revenue will offset programming development costs as the Company builds even larger datasets.

As of late 2017, the blockchain and digital currency sector is moving into the mainstream adoption stage, creating huge opportunities for development and distribution of blockchain-related datasets. As the world's largest banks and financial institutions invest billions of dollars to research and deploy blockchains, the market for data tools and analysis is expanding. There is currently a large opening in the market for usable software and meaningful data that fully captures the scope of usage of all these different blockchains and digital currencies. The Company will create value for its shareholders by developing applications and indexes that fill the void. Current opportunities are emerging for tracking the global use of digital currencies as banks and other financial institutions begin to participate. These opportunities include:

- Constructing indexes for all digital currencies
- Performing portfolio analytics
- Aggregating exchange price data
- Aggregating developer data
- Aggregating liquidity data from worldwide exchanges
- Aggregating community interest and social media mentions to track popularity
- Discovering and tracking emergent protocols
- Aggregating token distribution rules from digital currency white papers

Industry experts expect that most applications currently in use will eventually utilize decentralized blockchain technology. The Company believes it is positioned to become the data provider of record for the entire blockchain ecosystem. The key to the Company's success will be its ability to combine useful blockchain-based data with efficient time-to-market methods to ensure a solid first-mover advantage.

The Company expects to accomplish the following objectives over a 12-month period:

- (a) Complete development work on the BCX Indexes, Developer Interest Index, and the AML Index;
- (b) Submit completed work to third-party vendors and data marketplaces;
- (c) Expand Developer Interest Index to expanded set of blockchain assets including emerging ICOs;
- (d) Complete rollout to global financial centers and regions with high concentrations of blockchain adoption;
- (e) Add sales and marketing division to raise awareness;
- (f) Hire additional developers and increase headcount of financial analysts.

The Company's main source of revenue will be:

- (a) SaaS monthly subscription  
Index access will be available based on a monthly subscription where the user pre-pays a set monthly fee for unlimited access
- (b) API-based metered billing  
Third-party vendors (such as Quandl) will list the Company's datasets and charge users on a pay-per-use basis allowing for subscribers to follow a single index at a time.

Pursuant to Canadian Securities Exchange Policy 8 *Fundamental Changes and Changes of Business*, the change of business must be approved by the Canadian Securities Exchange and the shareholders of the Company prior to completion of the transaction. The issuer resulting from a fundamental change must meet the criteria for a new listing and make a complete initial application to qualify for listing by filing all of the documents and following the procedures set out in Canadian Securities Exchange Policy 2 concurrently with filing this Circular. In addition, the Company has submitted a Form 2A listing statement to the Canadian Securities Exchange, a copy of which is appended to this Circular, and provided an undertaking to the Ontario Securities Commission to hold an annual general and special meeting of shareholders to approve the change of business within three months of the date of the revocation order. As a condition of revoking the Ontario cease trade order, the Ontario Securities Commission also requested that the Company undertake not to complete a restructuring transaction, significant acquisition or reverse takeover of a business not located in Canada unless the Company first receives a receipt for a final prospectus in respect of such business. The Company has given such undertaking. The Change of Business remains subject to Shareholder and Canadian Securities Exchange approval.

The Change of Business Resolution must be approved by at least a majority of the votes cast by the Shareholders present in person or represented by proxy at the Meeting.

At the Meeting, Shareholders will be asked to consider and, if deemed advisable, to adopt the Change of Business Resolution, the full text of which is set forth below, approving, among other things, a change in the Company's business from transportation infrastructure engaged in the construction of highways and regional roads in Mongolia to that of developing broad-based indexing products and blockchain tracking metrics critical to financial services firms participating in blockchain applications. In anticipation of the further adoption of blockchain technologies in diverse industries, the Company also intends to expand their indexing capabilities to cover multiple blockchains and cryptocurrency applications. Future applications will be able to track industry participation, transaction velocity, aggregate KYC/AML exchange data, and peer-to-peer transactions, thus creating a transparent and robust dataset for financial market participants. The Company intends to launch these blockchain intelligence products in a SaaS model with a web-enabled customer portal.

**BE IT RESOLVED, AS AN ORDINARY RESOLUTION, THAT:**

1. The proposed change in the Company's business from transportation infrastructure engaged in the construction of highways and regional roads in Mongolia to that of developing proprietary indexes and ancillary data products for emerging blockchain and digital currency markets, as more particularly described in the Company's information circular dated March 9, 2018, is hereby confirmed, ratified and approved;
2. The Company's transition from listing as a "Diversified Industries" issuer to listing as a "Technology" issuer on the Canadian Securities Exchange, including its application to requalify the common shares for listing on the Canadian Securities Exchange, and any other documents necessary to satisfy the requirements or requests of the Canadian Securities Exchange without requiring further approval of the shareholders of the Company, is hereby confirmed, ratified and approved; and
3. Any one director or officer of the Company is hereby authorized and directed, for and on behalf of the Company, to execute and deliver all such documents and to do all such other acts or things as such director or officer may determine to be necessary or advisable to give effect to the foregoing resolutions, the execution of any such document or the doing of any such other act or thing being conclusive evidence of such determination.

The Change of Business Resolution must be approved by at least a majority of the votes cast by the Shareholders present in person or represented by proxy at the Meeting.

**The Board unanimously recommends that Shareholders vote in favor of the Change of Business Resolution. Unless otherwise specified, the persons named in the enclosed form of proxy intend to vote FOR the Change of Business Resolution.**

**SALE OF AMZ RESOLUTION**

The Company has decided to sell its 75% interest in AMZ for nominal consideration to avoid any ongoing costs required to support AMZ and sufficient enough to cover existing and prospective liabilities related to the liquidation of this entity. As of the date of this Circular, the Company has not yet entered into a definitive agreement pertaining to the sale of AMZ and under no circumstances would AMZ be sold to a related party of the Company.

The Company proposes to change its name and business strategy to focus on the dynamic opportunity offered in the emerging blockchain and digital currency markets. To this end, new management and directors have agreed to join the Company and will be bringing expertise and a successful track record in this game-changing environment. Working collaboratively, new management and director nominees have already started to develop proprietary technology tools known as the BCX Index, the Developer Interest Index, and the AML Index to aggregate disparate datasets into a single cohesive data feed and create valuable datasets for potential sale to the world's largest banks and financial institutions. There is currently a large opening in the market for usable software and meaningful data that fully captures the scope of usage of all these different blockchains and digital currencies, and the Company intends to create value for its shareholders by developing applications and indexes that fill that void. The Company will rely heavily on management expertise to create shareholder value on an ongoing basis.

In summary, Company management uniformly regard this opportunity as having superior potential in a sector driven by growing global awareness and impact potential.

At the meeting, Shareholders will be asked to approve the following special resolution authorizing the sale of its Mongolian subsidiary, Ashid Munkhiin Zam LLC (“AMZ”):

"BE IT RESOLVED as a special resolution that:

- (a) the sale of the Company’s Mongolian subsidiary, Ashid Munkhiin Zam LLC (“AMZ”), as described in the management information circular of the Company dated March 9, 2018 (the "Sale"), be and is hereby authorized and approved;
- (b) the Company be and is hereby authorized to take all such further actions and to execute and deliver all such further instruments or documents relating to, contemplated by or necessary or desirable in connection with the sale of AMZ, including the entering into, execution and delivery of a share purchase agreement on terms satisfactory to the directors of the Company, and the Company be and is hereby authorized to perform all of its obligations thereunder;
- (d) any officer or director of the Company be and is hereby authorized and directed for and on behalf of the Company to execute or cause to be executed, under the seal of the Company or otherwise, and to deliver or cause to be delivered all such documents, agreements and instruments, and to perform or cause to be performed all such acts and things, as such officer or director shall determine to be necessary or desirable to give full effect to this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of such documents, agreements or instruments or the performing or causing to be performed of such other acts or things; and
- (e) notwithstanding that this special resolution has been duly passed by the shareholders of the Company, the board of directors of the Company be and is hereby authorized and empowered to defer acting on this special resolution or revoke this special resolution at any time before it is acted upon without further notice to or approval, ratification or confirmation by the shareholders, if it determines that the sale of AMZ is no longer in the best interests of the Company."

The Board has determined that passing the Sale of AMZ Resolution is in the best interests of the Company and its shareholders and recommends that shareholders vote IN FAVOUR of the Sale of AMZ Resolution. The Sale of AMZ Resolution requires the affirmative vote of at least two-thirds (66⅔%) of the votes cast by shareholders present in person or by proxy at the Meeting. In the absence of a contrary instruction, the persons designated by management of the Company in the enclosed Proxy intend to vote FOR the Sale of AMZ Resolution.

#### **SHARE CONSOLIDATION RESOLUTION**

The Company proposes to consolidate the common shares by a ratio of up to 10:1. Based on the Company’s 65,302,351 currently issued and outstanding common shares, the proposed share consolidation would result in 6,530,235 issued and outstanding common shares.

If the Share Consolidation Resolution is approved at the Meeting, the Company intends to file articles of amendment to effect the share consolidation as soon as practicable after the closing of the change of business and other transactions at a date to be determined by the Company. Upon such matters being determined by the Board, the Company will notify the Shareholders and the public of the record date, the consolidation ratio and effective date selected to give effect to the share consolidation, and will provide instructions to the Shareholders as to the procedures for the share consolidation.

The share consolidation is subject to regulatory approval, including approval of the Canadian Securities Exchange. As a condition to the approval of a consolidation of shares listed for trading on the Canadian Securities Exchange, the Canadian Securities Exchange requires, among other things, that a listed issuer continues to meet the Canadian Securities Exchange’s “Initial Listing Requirements” after the share consolidation. In order for the Company to continue to meet the applicable Initial Listing Requirements, the Company must have at least 150 “public shareholders” (as defined under the policies of the Canadian Securities Exchange) holding a certain minimum number of common shares, each free of “resale restrictions” (as defined under the policies of the Canadian Securities Exchange), after completion of the share consolidation.

## **Background**

At the Meeting, shareholders will be asked to approve the Share Consolidation Resolution. In order to be effective, the Share Consolidation Resolution must be approved by at least two-thirds of the shareholder votes cast at the Meeting and be accepted by the Canadian Securities Exchange.

The Board has determined that the Company's existing current share structure is not conducive to securing additional equity financing and completing the related re-capitalization transactions, each as described below (the "Related Transactions"). While shareholder approval is not required for the Related Transactions, the consolidation is being undertaken in connection with, and is a condition precedent to, the Related Transactions.

## **Principal Effects of the Consolidation**

As of the date of this Circular, there are currently 65,302,351 common shares issued and outstanding. Following completion of the proposed consolidation, the number of common shares of the Company issued and outstanding will be 6,530,235.

As the Company currently has an unlimited number of common shares authorized for issuance, the consolidation will not have any effect on the number of common shares that remain available for future issuances. The common shares reserved for issuance pursuant to the Stock Option Plan will be reduced proportionately.

The consolidation may result in some shareholders owning "odd lots" of less than 500 common shares of the Company on a post-consolidation basis. Odd lots may be more difficult to sell, or require greater transaction costs per share to sell, than shares in "board lots" of even multiples of 500 shares. Brokerage commissions and other costs of transactions in odd lots are often higher than the costs of transactions in "roundlots" of even multiples of 500 shares.

The consolidation will not give rise to a capital gain or loss under the *Income Tax Act* (Canada) for a shareholder who holds such common shares as capital property. The adjusted cost base to the shareholder of the new common shares immediately after the consolidation will be equal to the aggregate adjusted cost base to the shareholder of the old common shares immediately before the consolidation.

## **Certain Risks Associated with the Consolidation**

There can be no assurance that the total market capitalization of the common shares (the aggregate value of all common shares at the then market price) immediately after the consolidation will be equal to or greater than the total market capitalization immediately before the consolidation. In addition, there can be no assurance that the per-share market price of the common shares following the consolidation will remain higher than the per share market price immediately before the consolidation or equal or exceed the direct arithmetical result of the consolidation. In addition, a decline in the market price of the common shares after the consolidation may result in a greater percentage decline than would occur in the absence of a consolidation, and the liquidity of the common shares could be adversely affected.

## **Procedure for Consolidation**

### *Letter of Transmittal and Share Certificates*

Shareholders will have received with this Circular a Letter of Transmittal. If the share consolidation is approved by Shareholders and implemented by the Board, the registered holders of the common shares will be required to exchange the share certificates representing their pre-share consolidation shares for new share certificates representing the post-share consolidation shares to which they are entitled. A Letter of Transmittal accompanies this Circular and is being sent by the Company's transfer agent, Computershare Investor Services Inc., to each of the Company's Registered Shareholders. The Letter of Transmittal contains instructions on how to surrender common share certificates representing pre-share consolidation shares to Computershare Investor Services Inc. should the share consolidation be approved at the Meeting and implemented. Computershare Investor Services Inc. will then forward to each Registered Shareholder who has sent the required documents a new share certificate representing the number of post-share consolidation shares to which the Shareholder is entitled. Until surrendered, each share certificate representing pre-share consolidation shares will be deemed for all purposes to represent the number of whole post-share consolidation shares to which the holder is entitled as a result of the share consolidation. Shareholders should not destroy any share certificates and should not submit any share certificates until such time, if any, that the share consolidation is completed. As described above, the Company will publicly announce if and when the share consolidation is implemented.



The Letter of Transmittal is for use by Registered Shareholders only. In order to receive certificates representing post-share consolidation shares if the share consolidation is implemented, a Registered Shareholder must complete, sign, date and return the enclosed Letter of Transmittal in accordance with the instructions set out therein and in this Circular. The Letter of Transmittal is also available on SEDAR at [www.sedar.com](http://www.sedar.com). The Letter of Transmittal contains instructions and should be reviewed carefully. Non-registered shareholders holding common shares that are registered in the name of a broker or other intermediary must contact their intermediary to arrange for the surrender of their shares.

### ***Effect on Fractional Shares***

No fractional common shares of the Company will be issued upon the consolidation. All fractions of post-consolidation common shares will be rounded down to the next lowest whole number.

### ***Percentage Shareholdings***

The consolidation will not affect any shareholder's percentage ownership in the Company, even though such ownership will be represented by a smaller number of common shares. Instead, the consolidation will reduce proportionately the number of common shares held by all shareholders.

### ***Implementation***

The implementation of the special resolution is conditional upon the Company obtaining the necessary regulatory consents. The special resolution provides that the Board of Directors is authorized, in its sole discretion, to determine not to proceed with the proposed consolidation, without further approval of the Company's shareholders.

### ***Effect on Non-registered Shareholders***

Non-registered shareholders holding their common shares through a bank, broker or other nominee should note that such banks, brokers or other nominees may have different procedures for processing the consolidation than those that will be put in place by the Company for registered shareholders. If you hold your common shares with such a bank, broker or other nominee and if you have any questions in this regard, you are encouraged to contact your nominee.

### ***Related Transactions***

As discussed above, the consolidation is being undertaken in connection with the Related Transactions. **SHAREHOLDERS ARE NOT REQUIRED TO APPROVE THE RELATED TRANSACTIONS.** However, the Related Transactions are key components of the Company's growth plan and strategy, as recommended by management and approved by the Board. Failure to approve the consolidation would prevent the Company from consummating the Related Transactions. In order to assist shareholders in their consideration of the resolution to approve the consolidation, the Company has provided shareholders with an overview and summary of the Related Transactions below. Shareholders are cautioned that the following is only a summary of the key terms of the Related Transactions and does not purport to be an exhaustive description of every aspect of the Related Transactions.

### ***Non-Brokered Private Placement***

Following the consolidation, the Company intends to complete a non-brokered private placement of up to 5,000,000 common shares of the Company at a post-consolidation price of \$0.10 per share for aggregate proceeds of up to \$500,000. Following the completion of the Related Transactions, it is anticipated that the Company will apply for requalification for listing on the Canadian Securities Exchange, and management believes the Related Transactions will enable the Company to meet the minimum listing requirements of the Canadian Securities Exchange.

### ***Debt Settlements***

During the fiscal year ended December 31, 2017, the Company entered into loan agreements with certain directors and officers of the Company, both current and proposed, as well as certain arm's length parties, to provide an aggregate of USD\$448,366 (CAD\$562,496) in loans to the Company. Each loan is repayable twelve months from the effective date of each loan agreement without any deduction or withholding. The Company may make early repayment of the loan at any time prior to the maturity date without any prepayment penalty. The loans accrue interest at a rate of 8% per annum, with the accrued interest to be paid at the time of the repayment of the loans. The first loan agreements were entered into during the fiscal period ended June 30, 2017, when the Company accepted USD\$81,785 in loan funding, of which USD\$74,350 were loans from Mr. James Passin, a director. From June

30, 2017 and up to September 30, 2017, a total of USD\$284,894 in loans was received. From October 1 to December 31, 2017, a total of USD\$114,635 (CAD\$143,978) was received. Subsequent to December 31, 2017, the Company received an additional USD\$23,118 (CAD\$30,000) in loans.

Of the total loans received as at December 31, 2017, USD\$130,707 was provided by Mr. James Passin, who beneficially owns, directly or indirectly, or exercises control or direction over, 32,169,605 common shares, representing approximately 49.26% of the issued and outstanding common shares of the Company. Mr. Passin, a director of the Company, is a “related party” of the Company within the meaning of MI 61-101. As such, Mr. Passin’s loan constitutes a “related party transaction” within the meaning of MI 61-101. In accepting the loans from Mr. Passin, the Company relied on an exemption from the minority approval requirement that applies to related party transactions, which exemption is available to the Company as: (i) the loan comprises a loan or credit facility obtained on reasonable commercial terms that are not less advantageous to the Company than if the loan or credit facility were obtained from a person dealing at arm’s length with the Company; (ii) the loan is not convertible into equity or voting securities of the Company or a subsidiary of the Company; and (iii) the loan is not repayable as to principal or interest in equity or voting securities of the Company or a subsidiary of the Company.

In addition, USD\$40,393 is owed by the Company to Wayne Lloyd, a proposed director nominee, and USD\$18,804 is owed by the Company to Jeremy Gardner, a proposed director nominee, as at the Record Date.

The loan agreements were reviewed and approved by the board of directors who determined that it is in the best interest of the Company to gain access to the funds pursuant to the loans.

The purpose of the loan funding was for the Company to fund the expenses related to obtaining the revocation order, calling the Meeting, undertaking the change of business, and requalifying for listing on the Canadian Securities Exchange, all of which Management believes is for the benefit of all shareholders.

#### *Related Party Transaction*

Concurrently with the closing of the non-brokered private placement, the Company proposes to enter into debt settlement agreements with the lenders to convert an aggregate of USD\$487,376 (CAD\$628,304) in loans into common shares of the Company at a post-consolidated price of \$0.10 per share. As a result of the debt settlement, Mr. James Passin, a director and significant shareholder, will receive 1,719,597 post-consolidated common shares of the Company; Mr. Wayne Lloyd, a proposed director, will receive 523,842 post-consolidated common shares of the Company; and Mr. Jeremy Gardner, a proposed director, will receive 243,862 post-consolidated common shares of the Company.

Pursuant to MI 61-101, the issuance of a security to Mr. James Passin, a related party, is a related party transaction and requires majority of the minority approval at a meeting of shareholders, as well as the commissioning of a valuation report pursuant to section 5.4 of MI 61-101, unless an exemption is found under MI 61-101.

The Company is relying on the exemptions in section 5.5(c) and (g) of MI 61-101 from the formal valuation requirement, specifically:

- (a) under section 5.5(c) of MI 61-101, the transaction is a distribution of securities of the Company to a related party (Mr. Passin) for cash consideration related to cash advanced over a period of time to the Company by Mr. Passin, and (i) neither the Company nor, to the knowledge of the Company after reasonable inquiry, Mr. Passin has knowledge of any material information concerning the Company or its securities that has not been generally disclosed, (ii) the effect of the debt settlement with Mr. Passin will result in Mr. Passin increasing his share position from 32,169,605 common shares (pre-consolidated) to 49,365,571 common shares (pre-consolidated), thereby increasing his percentage ownership of the Company from 49.26% to 38.53%, and increasing his direct voting interest proportionally; and
- (b) under section 5.5(g) of MI 61-101, the Company is insolvent or in serious financial difficulty, (ii) the transaction is designed to improve the financial position of the Company, (iii) the transaction is not subject to court approval, or a court order that the transaction be effected under bankruptcy or insolvency law, (iv) the Company has one or more independent directors in respect of the transaction, and (v) the Company’s board of directors, acting in good faith, determines, and at least two-thirds of the Company’s independent directors, acting in good faith, determine that (A) the Company is insolvent or in serious financial difficulty and the transaction is designed to improve the financial position of the Company, and (B) the terms of the transaction are reasonable in the circumstances of the Company.

In addition, the Company is relying on the exemptions in section 5.7(b) and (e) of MI 61-101 from the minority approval requirement, specifically:

- (a) as described in section 5.5(c) of MI 61-101, the transaction is a distribution of securities of the Company to a related party (Mr. Passin) for cash consideration related to cash advanced over a period of time to the Company by Mr. Passin and (i) no securities of the Company are listed or quoted on the Toronto Stock Exchange, Aequitas NEO Exchange Inc., the New York Stock Exchange, the American Stock Exchange, the NASDAQ Stock Market, or a stock exchange outside of Canada and the United States other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc, (ii) at the time the transaction is agreed to, neither the fair market value of the securities to be distributed in the transaction nor the consideration to be received for those securities, insofar as the transaction involves interested parties, exceeds \$2,500,000, (iii) the Company has one or more independent directors in respect of the transaction who are not employees of the Company, and (iv) at least two-thirds of the independent directors approve the transaction; and
- (b) as described in section 5.6(g) of MI 61-101, the Company is insolvent or in serious financial difficulty, (ii) the transaction is designed to improve the financial position of the Company, (iii) the transaction is not subject to court approval, or a court order that the transaction be effected under bankruptcy or insolvency law, (iv) the Company has one or more independent directors in respect of the transaction, and (v) the Company's board of directors, acting in good faith, determines, and at least two-thirds of the Company's independent directors, acting in good faith, determine that (A) the Company is insolvent or in serious financial difficulty and the transaction is designed to improve the financial position of the Company, and (B) the terms of the transaction are reasonable in the circumstances of the Company, if there is no other requirement, corporate or otherwise, to hold a meeting to obtain any approval of the holders of any class of affected securities.

Following closing of the non-brokered private placement and debt settlements, the Company is anticipated to have 17,813,282 post consolidated common shares issued and outstanding. All securities issued pursuant to the debt settlements will be subject to a four-month hold period.

In the event the Change of Business Resolution is adopted, Shareholders will be asked to consider and, if deemed advisable, to adopt the Share Consolidation Resolution, the full text of which is set forth below, authorizing an amendment to the Memorandum and Articles of Association of the Company in order to consolidate the common shares by a ratio of up to 10:1, or such other ratio as may be accepted by the relevant regulatory authorities and approved by the Board, with any resulting fractional shares being rounded down to the nearest whole common share:

**BE IT RESOLVED, AS A SPECIAL RESOLUTION, THAT:**

1. The amendment to the memorandum and articles of association of the Company, to consolidate the common shares of the Company by a ratio of 10:1, or such other ratio as may be accepted by the relevant regulatory authorities and approved by the directors of the Company, with any resulting fractional shares being rounded down to the nearest whole common share, is hereby authorized and approved.
2. Notwithstanding the approval of these resolutions by the shareholders of the Company, the board of directors of the Company is hereby authorized and empowered without further notice to, or approval of, the shareholders to abandon the proposed amendment to the memorandum and articles of association of the Company contemplated in the foregoing resolutions.
3. Any one director or officer of the Company is hereby authorized and directed, for and on behalf of the Company, to execute and deliver all such documents and to do all such other acts or things as such director or officer may determine to be necessary or advisable to give effect to the foregoing resolutions, the execution of any such document or the doing of any such other act or thing being conclusive evidence of such determination.

The Share Consolidation Resolution must be approved by at least a special majority, being not less than two-thirds of the votes cast by the Shareholders present in person or represented by proxy at the Meeting. **The Board unanimously recommends that Shareholders vote in favor of the Share Consolidation Resolution. Unless otherwise specified, the persons named in the enclosed form of proxy intend to vote FOR the Share Consolidation Resolution.**

Notwithstanding its approval, the Share Consolidation Resolution authorizes the Board, without further notice to or approval of the Shareholders, to elect to not proceed with the Share Consolidation.

## NAME CHANGE RESOLUTION

In the event that the Change of Business Resolution is adopted, Shareholders will be asked to consider and, if deemed advisable, to adopt the Name Change Resolution, the full text of which is set forth below, authorizing an amendment to the memorandum and articles of association of the Company in order to change the name of the Company to "Blockchain Holdings, Ltd." to reflect the new strategic direction of the Company, and in recognition of the block chain's significance as the core infrastructure underpinning the cryptocurrency world, or to such other name as may be approved by the Board and the applicable regulatory authorities. The Company has also reserved the symbol "BCX" with the Canadian Securities Exchange. If the Name Change Resolution is approved at the Meeting, the Company intends to file articles of amendment to change its name as soon as practicable after the closing of the change of business and other transactions at a date to be determined by the Board of Directors:

### BE IT RESOLVED, AS A SPECIAL RESOLUTION, THAT:

1. The amendment to the memorandum and articles of association of the Company, to change the name of the Company to "Blockchain Holdings Ltd.", or such other name as may be approved by the board of directors as more particularly described in the Circular, is hereby authorized and approved.
2. Notwithstanding the approval of these resolutions by the shareholders of the Company, the board of directors of the Company is hereby authorized and empowered without further notice to, or approval of, the shareholders to abandon the proposed amendment to the memorandum and articles of association of the Company contemplated in the foregoing resolutions.
3. Any one director or officer of the Company is hereby authorized and directed, for and on behalf of the Company, to execute and deliver all such documents and to do all such other acts or things as such director or officer may determine to be necessary or advisable to give effect to the foregoing resolutions, the execution of any such document or the doing of any such other act or thing being conclusive evidence of such determination.

The Name Change Resolution must be approved by at least a special majority, being not less than two-thirds of the votes cast by the Shareholders present in person or represented by proxy at the Meeting. **The Board unanimously recommends that Shareholders vote in favor of the Name Change Resolution. Unless otherwise specified, the persons named in the enclosed form of proxy intend to vote FOR the Name Change Resolution.**

Notwithstanding its approval, the Name Change Resolution authorizes the Board, without further notice to or approval of the Shareholders, to elect to not proceed with the Name Change.

### OTHER MATTERS

Other than the above, management of the Company knows of no other matters to come before the Meeting, other than those referred to in the Notice of Meeting. However, if any other matters shall properly come before said Meeting, the shares represented by the proxy solicited hereby will be voted on such matters in accordance with the best judgment of the persons voting the shares represented by the proxy.

### ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information concerning the Company is provided in the Company's comparative financial statements and MD&A for its most recently completed financial year, which is available on SEDAR at the internet address indicated above. Shareholders may contact the Company at the address or contact numbers below to request copies of the Company's financial statements and MD&A:

Khot Infrastructure Holdings, Ltd.  
Sea Meadow House, Blackburne Hwy, P.O. Box 116,  
Road Town, Tortola, VG 1110 British Virgin Islands

Tel: (604) 689-1515

E-mail: [ba@primarycapital.net](mailto:ba@primarycapital.net)

**DIRECTOR APPROVAL**

The contents and the sending of this Circular to the Shareholders has been approved by the Board of Directors.

Dated: March 9, 2018

BY ORDER OF THE BOARD

(signed) Donald Padgett

President and CEO

## SCHEDULE "A"

### KHOT INFRASTRUCTURE HOLDINGS, LTD.

#### INCENTIVE STOCK OPTION PLAN

##### 1. PURPOSE

The purpose of the Stock Option Plan (the "Plan") of **Khot Infrastructure Holdings, Ltd.**, a body corporate incorporated under the *BVI Business Companies Act, 2004* (the "Company"), is to advance the interests of the Company by encouraging the directors, officers, employees and consultants of the Company to acquire shares in the Company, thereby increasing their proprietary interest in the Company, encouraging them to remain associated with the Company and furnishing them with additional incentive in their efforts on behalf of the Company in the conduct of their affairs.

##### 2. ADMINISTRATION AND GRANTING OF OPTIONS

The Plan shall be administered by the Board of Directors of the Company or, if appointed, by a special committee of directors appointed from time to time by the Board of Directors of the Company, subject to approval by the Board of Directors of the Company (such committee or, if no such committee is appointed, the Board of Directors of the Company, is hereinafter referred to as the "Committee") pursuant to rules of procedure fixed by the Board of Directors.

The Committee may from time to time designate bona fide directors, officers, employees or consultants of the Company (the "Participants") to whom options to purchase common shares of the Company (each, an "Option") may be granted and the number of common shares to be optioned to each, provided that the total number of common shares to be optioned shall not exceed the number provided in Clauses 3 and 4 hereof. The Company represents that Participants who are granted Options will be bona fide directors, officers, employees or consultants of the Company at the time of grant.

##### 3. SHARES SUBJECT TO PLAN

Subject to adjustment as provided in Clause 12 hereof, the shares to be offered under the Plan shall consist of Options to acquire up to a maximum of 10% (rolling) of the issued and outstanding common shares in the Company's capital stock from time to time. The aggregate number of shares to be delivered upon the exercise of all Options granted under the Plan shall not exceed the maximum number of shares permitted under the rules of any stock exchange on which the common shares are then listed or other regulatory body having jurisdiction. If any Option granted hereunder shall expire or terminate for any reason without having been exercised in full, the unpurchased shares subject thereto shall again be available for the purpose of this Plan.

##### 4. NUMBER OF OPTIONED SHARES

The number of shares subject to an Option to a Participant, other than a Consultant (as defined in the policies of the Canadian Stock Exchange (the "Exchange")) and an Employee (as defined in the policies of the Exchange) conducting Investor Relations Activities (as defined in the policies of the Exchange) shall be determined by the Committee, but no Participant, where the Company is listed on any stock exchange, shall be granted an Option which exceeds the maximum number of shares permitted under any stock exchange on which the common shares are then listed or other regulatory body having jurisdiction, which maximum number of shares is presently an amount equal to 5% of the then issued and outstanding shares of the Company (on a non-diluted basis) in any 12 month period.

The maximum number of shares subject to an Option to a Participant who is a Consultant is presently limited to an amount equal to 2% of the then issued and outstanding shares of the Company (on a non-diluted basis) in any 12 month period.

The number of options granted to all persons in aggregate who are employed to perform Investor Relations Activities is presently limited to an amount equal to 2% of the then issued and outstanding shares of the Company (on a non-diluted basis) in any 12 month period, provided that such Options vest in stages over a 12 month period with no more than 1/4 of the Options vesting in any three month period.

##### 5. MAINTENANCE OF SUFFICIENT CAPITAL

The Company shall at times during the term of the Plan reserve and keep available such numbers of shares as will be sufficient to satisfy the requirements of the Plan.

## **6. PARTICIPATION**

The Committee shall determine to whom Options shall be granted, the terms and provisions of the respective option agreements, the time or times at which such Options shall be granted and the number of shares to be subject to each Option. An individual who has been granted an Option may, if the individual is otherwise eligible, and if permitted by any stock exchange on which the common shares are then listed or other regulatory body having jurisdiction, be granted an additional Option or Options if the Committee shall so determine.

## **7. EXERCISE PRICE**

The exercise price of the shares covered by each Option shall be determined by the Committee. The exercise price shall not be less than the price permitted by the Exchange or other regulatory body having jurisdiction. Currently, the minimum exercise price as determined by the Exchange is not less than the Discounted Market Price (as defined by the Exchange).

## **8. DURATION OF OPERATION**

Each Option and all rights thereunder shall be expressed to expire on the date set out in the option agreements and shall be subject to earlier termination as provided in Clauses 10 and 11.

## **9. OPTION PERIOD, CONSIDERATION AND PAYMENT**

- (a) The option period (the "Option Period") shall be a period of time fixed by the Committee, not to exceed the maximum period permitted by any stock exchange on which the common shares are then listed or other regulatory body having jurisdiction, which maximum period is presently five years from the date the Option is granted, provided that the Option Period shall be reduced with respect to any Option as provided in Clauses 11 and 12 covering cessation as a director, officer, employee or consultant of the Company or death of the Participant.
- (b) Except as set forth in Clauses 11 and 12, no Option may be exercised unless the Participant is, at the time of such exercise, a director, officer, employee or consultant of the Company.
- (c) The exercise of any Option will be contingent upon receipt by the Company at its head office of a written notice of exercise, specifying the number of shares with respect to which the Option is being exercised, accompanied by cash payment, certified cheque or bank draft for the full purchase price of such shares with respect to which the Option is exercised. No Participant or his legal representatives, legatees or distributees will be, or will be deemed to be, a holder of any shares subject to an Option under this Plan unless and until the certificates for such shares are issued to such persons under the terms of the Plan.

## **10. HOLD PERIOD**

Share certificates issued on exercise of an Option shall be legended in all cases as may be required by applicable securities laws and the rules of the Exchange.

## **11. CEASING TO BE A DIRECTOR, OFFICER, EMPLOYEE OR CONSULTANT**

If a Participant shall cease to be a director, officer, employee or consultant, as the case may be, of the Company for any reason (other than death), he may, but only within 12 months next succeeding his ceasing to be a director, officer, employee or consultant, exercise his Option to the extent that he was entitled to exercise it at the date of such cessation provided that, in the case of a Participant who is engaged in Investor Relations Activity on behalf of the Company, this 12 month period referenced herein shall be shortened to 30 days.

Nothing contained in the Plan, nor in any Option granted pursuant to the Plan, shall as such confer upon any Participant any right with respect to continuance as a director, officer, employee or consultant of the Company or of any affiliate.

## **12. DEATH OF A PARTICIPANT**

In the event of the death of a Participant, the Option previously granted to him shall be exercisable only within the 12 months next succeeding such death and then only:

- (a) by the person or persons to whom the Participant's rights under the Option shall pass by the Participant's will or the laws of descent and distribution; and
- (b) if and to the extent that he was entitled to exercise the Option at the date of his death.

### **13. ADJUSTMENTS**

Appropriate and proportional adjustments in the exercise price of the Options and in the number of Options granted or to be granted may be made by the Committee in its discretion to give effect to adjustments in the number of common shares of the Company resulting from subdivisions, consolidations or reclassification of the common shares of the Company, the payment of stock dividends by the Company or other relevant changes in the capital of the Company.

### **14. TRANSFERABILITY**

The benefits, rights and Options accruing to the Participant in accordance with the terms and conditions of the Plan shall not be transferable or assignable unless specifically provided herein. During the lifetime of a Participant any benefits, rights and Options may only be exercised by the Participant.

### **15. AMENDMENT AND TERMINATION OF PLAN**

The Committee may, at any time, suspend or terminate the Plan. The Board of Directors may, subject to such approvals as may be required under the rules of the Exchange or other regulatory body having jurisdiction, also at any time amend or revise the terms of the Plan, PROVIDED that no such amendment or revision shall alter the terms of any Options theretofore granted under the Plan.

### **16. NECESSARY APPROVALS**

The ability of the Options to be exercised and the obligation of the Company to issue and deliver shares in accordance with the Plan is subject to any approvals which may be required from the shareholders of the Company, the Exchange or any other regulatory authority having jurisdiction over the securities of the Company. So long as it remains a policy of the Exchange, the Company will obtain disinterested shareholder approval for:

- (a) any reduction in the exercise price of the Option if the Participant is an insider of the Company at the time of the proposed amendment;
- (b) the grant to any Participant, if the Participant is an insider of the Company at the time of the grant, within a 12 month period, of a number of options exceeding 10% of the issued shares;
- (c) the issuance to any one Participant, if the Participant is an insider of the Company at the time of the grant, of a number of shares exceeding 10% of the issued shares; or
- (d) the grant of Options if the Plan, together with all of the Company's previously established and outstanding stock option plans or grants, could result at any time in the grant to insiders of the Company, within a 12 month period, of a number of Options exceeding 10% of the issued shares.

If any shares cannot be issued to the Participant for whatever reason, the obligation of the Company to issue such shares shall terminate and any Option exercise price paid to the Company will be returned to the Participant.

### **17. PRIOR PLANS**

The Plan shall entirely replace and supersede any prior share option plans, if any, adopted by the Board of Directors of the Company or its predecessor companies.

### **18. EFFECTIVE DATE OF PLAN**

The Plan has been adopted by the Board of Directors subject to the approval of any stock exchange on which the shares of the Company are to be listed or other regulatory body having jurisdiction and approval of the shareholders and, if so approved, the Plan shall become effective upon such approvals being obtained.

Approved by the Directors on August 15, 2017.



## SCHEDULE "B"

### KHOT INFRASTRUCTURE HOLDINGS, LTD.

#### CHARTER OF THE AUDIT COMMITTEE

##### Purpose of the Committee

The purpose of the Audit Committee (the "Audit Committee") of the Board is to provide an open avenue of communication between management, the Company's independent auditors and the Board and to assist the Board in its oversight of:

- (a) the integrity, adequacy and timeliness of the Company's financial reporting and disclosure practices;
- (b) the Company's compliance with legal and regulatory requirements related to financial reporting; and
- (c) the independence and performance of the Company's independent auditors.

The Audit Committee shall also perform any other activities consistent with this Charter, the Company's Articles and governing laws as the Audit Committee or the Board deems necessary or appropriate.

1. Members. The Board of Directors will appoint an Audit Committee of at least three (3) members, all of whom should be "independent" directors of the Board. "Independent" means a director who meets the definition of "independence" under National Instrument 52-110 or any successor policy promulgated by securities regulatory authorities.

All members of the Audit Committee should be "financially literate". An individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements. Each appointed member of the Audit Committee shall be subject to annual reconfirmation and may be removed by the Board of Directors at any time.

2. Purposes, Duties, and Responsibilities. The Audit Committee represents the Board of Directors in discharging its responsibility relating to the accounting, reporting and financial practices of the Company and its subsidiaries, and has general responsibility for oversight of internal controls, accounting and audit activities and legal compliance of the Company and its subsidiaries; however, the Audit Committee's function shall not relieve the Company's management of its responsibilities for preparing financial statements which accurately and fairly present the Company's financial results and conditions or the responsibilities of the independent accountants relating to the audit or review of financial statements. Specifically, the Audit Committee will:

- (a) Recommend to the Board the appointment (including terms of appointment such as compensation and scope of duties) and discharge the external auditor of the Company (the "auditor") who perform the annual audit or other audit, review or attest services in accordance with applicable securities laws, which auditor shall be ultimately accountable to the Board of Directors through the Audit Committee. The auditor of the Company must report directly to the Audit Committee;
- (b) Have the authority to communicate directly with the auditor of the Company;
- (c) Review with the auditor the scope of the audit and the results of the annual audit examination by the auditor and any reports of the auditor with respect to reviews of interim financial statements or other audit, review or attest services. The Audit Committee will be responsible for resolving any disagreements between management and the auditor regarding financial reporting;
- (d) Review information, including written statements, if any, from the auditor concerning any relationships between the auditor and the Company or any other relationships that may adversely affect the independence of the auditor and assess the independence of the auditor;
- (e) Review and discuss with management and the auditor the Company's annual audited financial statements prior to their public disclosure, including a discussion with the auditors of their judgments as to the quality of the Company's accounting principles;
- (f) Review the Company's financial statements, MD&A and annual and interim earnings press releases before the Company publicly discloses this information;

- (g) Review the services to be provided by the auditor to assure that the auditor does not undertake any engagement for services for the Company that would constitute prohibited services under applicable securities laws under the rules of any stock exchange or trading market on which the Company's shares are listed for trading, or could be viewed as compromising the auditor's independence. The Audit Committee must pre-approve all non-audit services to be provided to the Company or its subsidiaries by the auditor;
- (h) Review with management and the auditor the results of any significant matters identified as a result of the auditor's interim review procedures prior to the filing of each quarterly financial statements or as soon thereafter as possible;
- (i) Review the annual program for the Company's internal audits, if any, and review audit reports submitted by the internal auditing staff, if any;
- (j) Periodically review the adequacy of the Company's internal controls;
- (k) Review changes in the accounting policies of the Company and accounting and financial reporting proposals that are provided by the auditor that may have a significant impact on the Company's financial reports, and make comments on the foregoing to the Board of Directors;
- (l) Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the issuer;
- (m) Periodically review the adequacy of this Audit Committee Charter;
- (n) Make reports and recommendations to the Board of Directors within the scope of its functions;
- (o) Approve material contracts where the Board of Directors determines that it has a conflict;
- (p) Establish procedures for receipt, retention and treatment of complaints received by the Company regarding auditing, internal accounting controls or accounting matters and establish procedures for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;
- (q) Where considered necessary by the Audit Committee to carry out its duties, have the authority to engage independent counsel and/or other advisors at the Company's expense upon the terms and conditions, including compensation, determined by the Audit Committee;
- (r) Satisfy itself that management has put into place procedures that facilitate compliance with the disclosure and financial reporting controls provisions of applicable securities laws, including adequate procedures for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements. The Audit Committee will assess the adequacy of these procedures annually;
- (s) Review all loans to officers;
- (t) Review and monitor all related party transactions which may be entered into by the Company as required by rules of the stock exchange or trading market upon which the Company's shares are listed for trading; and
- (u) Ensure all public disclosure regarding the audit committee is made in compliance with applicable stock exchange rules and securities legislation.

3. Meetings. The Audit Committee will, when expedient, meet to review the Company's quarterly and annual financial statements and MD&A, and will hold special meetings as it deems necessary or appropriate in its judgment. The Audit Committee will endeavour to meet at any time that the auditor believes that communication to the Audit Committee is required. As it deems appropriate, but not less than once each year, the Audit Committee will meet in private session with the independent accountants. The majority of the members of the Audit Committee constitute a quorum and shall be empowered to act on behalf of the Audit Committee. The members of the Audit Committee will designate one member as chair. Meetings may be held in person or by telephone, and shall be at such times and places as the Audit Committee determines.

## **SCHEDULE "C"**

**KHOT INFRASTRUCTURE HOLDINGS, LTD.  
(the "Company")  
Compensation Committee Charter  
September 19, 2017**

### **OVERALL ROLE AND RESPONSIBILITY**

The Compensation Committee (the "Committee") shall assist the Board of Directors in its oversight role with respect to:

- (i) the Company's global human resources strategy, policies and programs; and
- (ii) all matters relating to proper utilization of human resources within the Company, with special focus on management succession, development and compensation.

### **MEMBERSHIP AND MEETINGS**

The Committee shall consist of three or more Directors appointed by the Board of Directors, a majority of whom shall be independent and unrelated to the Company and as such shall not be officers (other than a non-executive Chairman or Corporate Secretary who is not an employee of the Company) or employees of the Company or any of the Company's affiliates.

Each of the members of the Committee shall satisfy the applicable independence and experience requirements of the laws governing the Company, the applicable stock exchanges on which the Company's securities are listed and applicable securities regulatory authorities.

The Board of Directors shall designate one member of the Committee as the Committee Chair. Members of the Committee shall serve at the pleasure of the Board of Directors for such term or terms as the Board of Directors may determine.

### **STRUCTURE AND OPERATIONS**

The affirmative vote of a majority of the members of the Committee participating in any meeting of the Committee is necessary for the adoption of any resolution.

The Committee shall meet as often as required, but not less frequently than annually. The Committee shall report to the Board of Directors on its activities after each of its meetings.

The Committee shall review and assess the adequacy of this Charter periodically and, where necessary, will recommend changes to the Board of Directors for its approval.

### **SPECIFIC DUTIES**

#### **Succession and Review**

- Review succession and leadership plans and make appropriate recommendations to the Board of Directors periodically regarding the remuneration of the Company's senior officers.
- Review periodically the assessment of the performance of senior officers as provided to the Committee by the Chief Executive Officer.

#### **Remuneration**

- Establish an overall compensation policy for the Company and monitor its implementation, with special

attention devoted to the executive group.

- Review and make recommendations to the Board of Directors periodically regarding the Company's remuneration and compensation policies, including short and long-term incentive compensation plans and equity-based plans, bonus plans, pension plans, executive stock option plans and grants and benefit plans (including the group life and health program).
- Review and approve periodically all compensation arrangements with the senior executives of the Company other than the President and Chief Executive Officer.
- Review the executive compensation sections disclosed in the annual Proxy Circular distributed to shareholders, including the Statement of Executive Compensation, Compensation Discussion and Analysis, Summary Compensation Table, Employment Contracts, Long-Term Incentive Plans, Option Based Awards, Incentive Plan Awards, Pension Plan Benefits, Director Compensation, Termination and Change of Control Benefits, and Indebtedness of Directors and Senior Officers.
- Exercise such other powers and perform such other duties and responsibilities as are incidental to the purposes, duties and responsibilities specified herein and as may from time to time be delegated to the Committee by the Board of Directors.

#### **INDEPENDENT ADVISORS**

The Committee shall have the authority to retain such independent advisors as it may deem necessary or advisable for its purposes. The expenses related to such engagement shall be funded by the Company.

**SCHEDULE "D"**

**AUDITOR REPORTING PACKAGE**

**CHANGE OF AUDITORS  
Notice of Change of Auditors  
Pursuant to National Instrument 51-102**

**TO:** Ernst & Young, LLP, Chartered Accountants  
**AND TO:** Yet to Be Appointed Chartered Accountants  
**AND TO:** Canadian Securities Exchange  
Ontario Securities Commission

September 30, 2016

**RE: Notice Regarding Change of Auditor Pursuant to National Instrument 51-102**

Notice is hereby given, pursuant to section 4.11 of National Instrument 51-102 – Continuous Disclosure Obligations ("**NI 51-102**"), of a change of auditor of Khot Infrastructure Holding, Ltd. (the "**Company**").

- (1) Ernst & Young, LLP, Chartered Accountants (the "**Former Auditor**") have resigned as auditor of the Company, effective May 31, 2016.
- (2) The Company's Audit Committee has considered the Former Auditor's resignation and has yet to appoint a new auditor.
- (3) There were no reservations in the Former Auditor's reports on the financial statements of the Company for: (a) the two most recently completed financial years; or (b) for any period subsequent thereto for which an audit report was issued and preceding the effective date of the resignation of the Former Auditor.
- (4) In the opinion of the Audit Committee and the Board of Directors of the Company, there are no reportable events, as such term is defined in subparagraph **4.11(1)** of NI 51-102.

Signed "Erin Chutter"  
Chair of the Audit Committee



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

VANCOUVER  
1500 – 1140 W. Pender Street  
Vancouver, BC V6E 4G1  
TEL 604.687.4747 | FAX 604.689.2778

TRI-CITIES  
700 – 2755 Lougheed Hwy.  
Port Coquitlam, BC V3B 5Y9  
TEL 604.941.8266 | FAX 604.941.0971

WHITE ROCK  
301 – 1656 Martin Drive  
White Rock, BC V4A 6E7  
TEL 604.531.1154 | FAX 604.538.2613

WWW.DMCL.CA

July 27, 2017

**British Columbia Securities Commission**

P.O. Box 10142, Pacific Centre  
9<sup>TH</sup> Floor – 701 West Georgia Street  
Vancouver, B.C. V7Y 1L2

**TSX Venture Exchange**

P.O. Box 11633  
Suite 2700 – 650 West Georgia Street  
Vancouver, B.C. V6B 4N9

**Ontario Securities Commission**

20 Queen Street West, 22nd Floor  
Toronto, ON M5H 3S8

Dear Sirs:

**Re: Khots Infrastructure Holding, Ltd. (the "Company")**  
**Notice Pursuant to National Instrument 51-102 - Change of Auditor**

As required by the National Instrument 51-102 and in connection with our proposed engagement as auditor of the Company, we have reviewed the information contained in the Company's Notice of Change of Auditor, dated September 30, 2016 and agree with the information contained therein, based upon our knowledge of the information relating to the said notice and of the Company at this time.

Yours very truly,

**DALE MATHESON CARR-HILTON LABONTE LLP**  
CHARTERED PROFESSIONAL ACCOUNTANTS & BUSINESS ADVISORS

**PARTNERSHIP OF:**

**VANCOUVER** Robert J. Burkart, Inc. Kenneth P. Chong Inc. Alvin F. Dale Ltd. Donald L. Furney, Ltd. David J. Goertz, Inc. Matthew G. Gosden, Inc. Barry S. Hartley, Inc. Reginald J. LaBonte Ltd. Robert J. Matheson, Inc. Rakesh I. Patel Inc. Lorraine W. Rinfret, Inc. Brad A. Robin Inc.  
**WHITE ROCK** Michael K. Braun Inc. Peter J. Donaldson, Inc. Harjit S. Sandhu, Inc. **TRI-CITIES** Fraser G. Ross, Ltd. Brian A. Shaw Inc.



September 30, 2016

Canadian Securities Exchange  
Ontario Securities Commission

Dear Sirs/Mesdames:

**Re: KHOT INFRASTRUCTURE HOLDINGS LTD. (the “Company”)  
Notice Pursuant to National Instrument 51-102 – Change of Auditor**

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As required by National Instrument 51-102, we have reviewed the information contained in the notice of change of auditor (the “Notice”) for the Company dated September 30, 2016 and, we are in agreement with the statements contained in that Notice based on our knowledge of the information contained therein at this time.

Yours truly,

A handwritten signature in black ink that reads 'Ernst &amp; Young LLP'. The signature is written in a cursive, flowing style.

**Chartered Accountants**

**SCHEDULE "E"**

**CSE FORM 2A LISTING STATEMENT**



**KHOT INFRASTRUCTURE HOLDINGS, LTD.**

**CSE FORM 2A  
LISTING STATEMENT**

**February 7, 2018**

**FORM 2A**

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## GLOSSARY

“**Affiliate**” means a corporation that is affiliated with another corporation if (a) one of them is a subsidiary of the other, (b) both of them are subsidiaries of the same corporation, or (c) each of them is controlled by the same person. A corporation is “controlled” by a person if (a) shares of the corporation are held, other than by way of security only, by the person, or are beneficially owned, other than by way of security only, by (i) the person, or (ii) a corporation controlled by the person, and (b) the votes carried by the shares are sufficient, if exercised, to elect or appoint a majority of the directors of the corporation.

“**Annual MD&A**” means the Issuer’s MD&A for the year ended September 30, 2017;

“**AML**” means anti-money laundering;

“**AMZ**” means the Issuer’s Mongolian Subsidiary, Ashid Munkiin Zam LLC;

“**API**” means an application program interface, which is a set of routines, protocols, and tools for building software applications that specifies how software components should interact and are used when programming graphical user interface (GUI) components;

“**Associate**” has the meaning ascribed to such term in the *Securities Act* (British Columbia), as amended, including the regulations promulgated thereunder;

“**ASIC Miner**” means a piece of equipment containing an ASIC chip, configured to mine for bitcoins. They can come in the form of boards that plug into a backplane, devices with a USB connector, or standalone devices including all of the necessary software, that connect to a network via a wireless link or ethernet cable;

“**Auditors**” has the meaning ascribed to it in section 21.1 of this Listing Statement;

“**BCBCA**” means the *Business Corporations Act* (British Columbia), as amended, including the regulations promulgated thereunder;

“**BVI Act**” means the BVI Business Companies Act, 2004;

“**Board**” means the board of directors of the Issuer;

“**Business Combination**” has the meaning ascribed to such term in Multinational Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*;

“**CFE**” means Certified Fraud Examiner;

“**Common Shares**” means the common shares of the Issuer;

“**Company**” unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual;

“**Computershare**” means Computershare Trust Company of Canada;

“**Cryptocurrency**” means a digital currency, which, unlike fiat currency, is based on mathematics alone and is produced by solving mathematical problems based on cryptography;

“**CSE**” means the Canadian Securities Exchange;

“**CSE Listing**” means the listing of the Common Shares on the CSE;

“**Financial Statements**” means the statement of financial position of the Issuer as at December 31, 2016, and the statements of comprehensive loss, changes in shareholders’ equity (deficiency), and cash flows for the year then ended;

“**Fintech**” means the financial technologies used and applied in the financial services sector, chiefly used by financial institutions on the back end of their businesses;

“**Governmental Authority**” means any (a) multinational, federal, provincial, territorial, state, regional, municipal, local or other government, governmental or public department, court, tribunal, commission, board or agency, domestic or foreign, or (b) regulatory authority, including any securities commission, or stock exchange, including the CSE;

“**Hash**” refers to a mathematical process that takes a variable amount of data and produces a shorter, fixed-length output and which has two important characteristics: (i) it is mathematically difficult to work out what the original input was by looking at the output; and (ii) changing even the smallest part of the input will produce an entirely different output;

“**Issuer**” means **Khot Infrastructure Holdings, Ltd.**;

“**Listing Date**” means the date of the CSE Listing;

“**Listing Statement**” means this listing statement;

“**MD&A**” means management’s discussion and analysis;

“**person**” means a Company or individual;

“**Plan**” has the meaning ascribed to it in section 8 of this Listing Statement;

“**Related Party Transaction**” has the meaning ascribed to such term in Multinational Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*.

“**SEDAR**” means System for Electronic Document Analysis and Retrieval;

“**TOR**” means an anonymous routing protocol, used by people wanting to hide their identity online, and consisting of a collection of transactions on the bitcoin network, gathered into a block that can then be hashed and added to the blockchain.

## NOTICE TO READER

No person is authorized to give any information or to make any representation not contained in this Listing Statement and, if given or made, such information or representation should not be relied upon as having been authorized. This Listing Statement does not constitute an offer to sell, or a solicitation of an offer to purchase, any securities, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or solicitation.

Unless otherwise noted, all information in this Listing Statement is provided as of February 7, 2018.

**NEITHER THE CANADIAN SECURITIES EXCHANGE NOR ANY SECURITIES REGULATORY AUTHORITY HAS IN ANY WAY PASSED UPON THE MERITS OF THE TRANSACTIONS DESCRIBED IN THIS LISTING STATEMENT.**

## FORWARD LOOKING STATEMENTS

Certain statements contained in this Listing Statement constitute forward-looking information and forward-looking statements (collectively, “**forward-looking statements**”) pursuant to the applicable securities laws. All statements, other than statements of historical fact, contained in this Listing Statement are forward-looking statements, including, without limitation, statements regarding the future financial position, business strategy, proposed acquisitions, budgets, projected costs and plans and objectives of the Issuer. The use of any of the words “anticipate”, “intend”, “continue”, “estimate”, “expect”, “may”, “will”, “plan”, “project”, “should”, “believe” and similar expressions are intended to identify forward looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Examples of such statements include: (A) expectations regarding the Issuer’s ability to raise capital; (B) the intention to grow the business and operations of the Issuer; and (C) the use of available funds of the Issuer. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this Listing Statement. Such forward-looking statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to: the economy generally; obtaining requisite licenses or governmental approvals to conduct business; the revenues from the Issuer’s proposed business in information technology relating to blockchain technology, if any revenues are obtained; consumer interest in the products of the Issuer; competition; and anticipated and unanticipated costs. These forward-looking statements should not be relied upon as representing the Issuer’s views as of any date subsequent to the date of this Listing Statement. Although the Issuer has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the Issuer. Additional factors are noted under “Risk Factors” in this Listing Statement. The forward-looking statements contained in this Listing Statement are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this Listing Statement are made as of the date of this Listing Statement and the Issuer does not undertake an obligation to publicly update such forward looking statements to reflect new information, subsequent events or otherwise unless required by applicable securities legislation.

## GENERAL MATTERS

Any market data or industry forecasts used in this Listing Statement, unless otherwise specified, were obtained from publicly available sources. Although the Issuer believes these sources to be generally reliable, the accuracy and completeness of such information are not guaranteed and have not been independently verified.

Statistical information included in this Listing Statement and other data relating to the industry in which the Issuer intends to operate is derived from recognized industry reports published by industry analysts, industry associations and independent consulting and data compilation organizations.

### 2. CORPORATE STRUCTURE

#### 2.1 Corporate Name

The full corporate name of the issuer is Khot Infrastructure Holdings, Ltd. The head office and registered office of the Issuer are located at Sea Meadow House, P.O. Box 116, Road Town, Tortola, VG 1110.

#### 2.2 Jurisdiction of Incorporation

The Issuer was incorporated on July 5, 1996 under the *Business Corporations Act*, R.S.O. 1990, c. B-16 (the “**OBCA**”), under the name “Wedge Energy International Inc.”. On February 10, 2006, Wedge Energy Inc. was incorporated in Alberta as a wholly owned subsidiary of Wedge Energy International Inc.

On January 31, 2007, Alyattes Enterprises Inc. (“**AEI**”) completed a “three-cornered” amalgamation with 1272639 Alberta Ltd. (a wholly owned subsidiary of AEI) and Wedge Energy Inc. (“**WEI**”) pursuant to the *Business Corporations Act* (Alberta). Wedge and the AEI subsidiary were amalgamated, continuing under the name Wedge Energy Inc., and AEI issued common shares to the former shareholders of WEI. On February 1, 2007, AEI changed its name to Wedge Energy International Inc.

On December 22, 2010, Undur Tolgi Minerals Inc. was incorporated under the Business Corporations Act of British Columbia as a private company. On November 14, 2011, Wedge Energy International Inc. and Undur Tolgi Minerals Inc. were amalgamated as one company under Undur Tolgi Minerals Inc. (UTM).

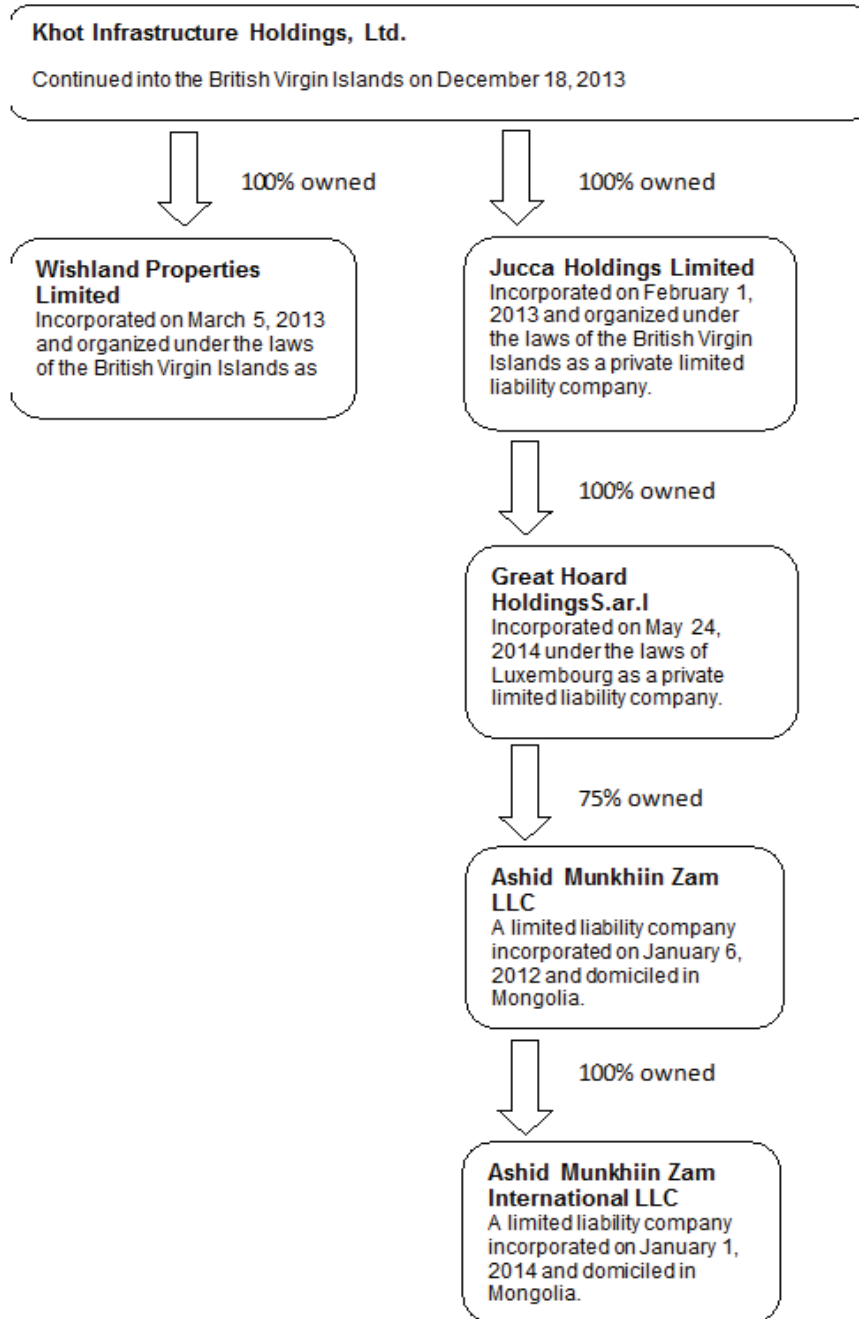
On December 18, 2013, Undur Tolgoi Minerals Inc. completed the continuance from the laws of the Province of British Columbia to the laws of the British Virgin Islands. Effective on January 7, 2014, the Issuer changed its name from Undur Tolgoi Minerals Inc. to Khot Infrastructure Holdings, Ltd. to have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

#### 2.3 Intercorporate Relationships

The Issuer 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”).

The following chart illustrates the intercorporate relationships that currently exist among the Issuer and its subsidiaries as of the date of this Listing Statement.

### Group Structure



## **2.4 Fundamental Change**

The Issuer is requalifying following the fundamental change of business from the transportation infrastructure sector in Mongolia to developing proprietary indexes and ancillary data products for emerging blockchain and digital currency markets. In addition, the Issuer may develop indexes for third parties. Its focus will be the data from emerging blockchain software applications.

## **2.5 Non-Corporate Issuers and Issuers Incorporated Outside of Canada**

The Issuer was incorporated outside of Canada under the BVI Act. Under the Memorandum of Association, the directors may from time to time change the Issuer's name by resolution of directors, which is permissible under the BCBCA. The directors must give notice of such resolution to the registered agent of the Issuer, for the registered agent to file an application for change of name with the Registrar, and any such change will take effect from the date of the certificate of change of name is issued by the Registrar. In addition, the Issuer is authorized to issue an unlimited number of shares of a single class and single series with no par value. Subject to Articles in its Memorandum of Association, the terms of the issue of any share, or any resolution of members to the contrary, a share of the Issuer confers on the holder the right to one vote at a meeting of the members or on any resolution of members; the right to an equal share in any distribution paid by the Issuer; and the right to an equal share in the distribution of the surplus assets of the Issuer on a winding up. The rights attached to any class or series of shares (unless otherwise provided by the terms of issue of the shares of that class or series), whether or not the Issuer is being wound up, may be varied with the consent in writing of all of the holders of the issued shares of that class or series or with the sanction of a resolution passed by a majority of the votes cast at a separate meeting of the holders of the shares of the class or series. The Issuer may also amend its Memorandum or Articles by a special resolution or if in the determination of the Board the amendment is required in connection with an application for the shares to be listed on a stock exchange, by a resolution of directors.

## **3. GENERAL DEVELOPMENT OF THE BUSINESS**

### **3.1 General Business**

Since incorporation the Issuer's principal activity has been the construction and maintenance of roads and bridges in Mongolia.

On May 31, 2013, the Issuer announced that it had reached a definitive agreement and subscribed for 75,950 common shares, which represents 5.05% interest in Anya-2 Sarl ("Anya"), for a total consideration of \$125,000. Anya, a private Luxembourg company, is a wholly owned subsidiary of Hulaan Coal Corporation ("Hulaan"), a private Canadian company. Anya in turn, owns 66% of Western Minex LLC ("WM"), a private Mongolian company, which owns the Ochiriin Bulag Gold Prospect (the "Project" or "OB"). Under this agreement, the Issuer was entitled to subscribe for additional shares of Anya, up to an aggregate shareholding in Anya of 30.25% interest. The Issuer has not made any further acquisitions in Anya. The investment is classified as available – for sale as a financial asset and was measured at fair value. On November 18, 2015, the Issuer sold its 5.05% interest in Anya to Mogul Ventures Corp. ("Mogul"), a Canadian private company. In exchange for the Issuer's interest in Anya, the Issuer received a 5.05% of a 2.5% net smelter royalty for any production of metals from the Project, as well as 80,800 common shares of Mogul. This consideration was valued at \$10,908 based on the last share price that Mogul shares



were issued at, adjusted for subsequent market movements. This resulted in a loss on sale of the Anya shares of \$114,092.

In 2015, the Issuer obtained unsecured loans facilities totaling \$450,000 from HBOil JSC to fund its road construction work. The loans bore interest at 6% per annum and were payable together with the loan principal on May 28, 2015. As at December 31, 2015, the Issuer repaid \$450,000 of principal on the outstanding loan. During the year ended December 31, 2015, a total of \$Nil (2014 - \$7,840) interest payments were made.

During the year ended December 31, 2015, management estimated that potential road repair costs under the Darkhan road construction contract were \$320,633 as at December 31, 2015 (December 31, 2014 - \$42,821). Management sought additional funding to complete the road repair in the summer of 2016 but was unsuccessful.

During the 2015 fiscal year the Issuer's subsidiary AMZ began legal proceedings in the amount of 520,000,000,000 MNT (approximately USD\$320,000) against the Mongolian asphalt supplier due to poor quality asphalt provided in the construction of the Darkhan Road project. As a result of the poor quality of asphalt supplied, the Mongolian Ministry of Road and Transportation requested that AMZ repave a section of the road. AMZ has obtained an analysis on samples of the asphalt and submitted them to the court to demonstrate it was not the quality specified by the asphalt supplier. The legal proceedings subsequently ended when the Issuer could not locate the asphalt company and AMZ officially requested the court to locate the company. AMZ had to pay a certain cash amount in order to file another legal proceeding, but since it did not have any money the process stopped.

On May 4, 2015, Larry Van Hatten resigned as a director of the Issuer, and was replaced by Erin Chutter.

On December 11, 2015, Anthony Milewski resigned as a director of the Issuer.

On November 12, 2015, Mongolian government granted AMZ an expanded road building permit, valid until July 2018, with new authorizations to participate in bridge construction and regular road maintenance works, in addition to the previous construction and repair authorizations. In October, AMZ also applied for a rail bed construction permit, necessary to compete for new rail bed construction opportunities that are currently under bid process as well as other contemplated rail projects.

On November 18, 2015 the Issuer has entered into a Consortium Agreement with Shandong Electric Power Construction Corporation III ("SEPCOIII"), a Chinese State-Owned Enterprise. SEPCOIII, a subsidiary of PowerChina, is a world leading Engineering, Procurement, and Construction ("EPC") company. The terms of the Consortium Agreement allow for a 75/25 percent cost sharing and revenue sharing model between SEPCOIII and AMZ on road concession projects granted by the Mongolia government.

On December 29, 2015, 387,000 units were issued at a price of CAD \$0.15 for proceeds to the Issuer of \$41,959 (CAD \$58,050). Each unit included one common share and one-half of one common share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share of the Issuer, until the close of business on December 29, 2016 at CAD\$0.20. Share issue costs of \$2,696 (CAD \$3,696) in cash and finders' warrants were incurred as part of the private placement. On December 29, 2015, as a part of the private placement, the Issuer also issued 8,800 broker warrants which allowed the holder to acquire one

additional common share of the Issuer at a price of CAD\$0.20 per share. These warrants subsequently expired on December 29, 2016. The Issuer paid finder's fees of \$1,906 and issued the 8,800 broker warrants with the same terms as the unit warrants. The finders' fee warrants have been valued based on the Black-Scholes option pricing model of \$0.0866 USD per warrant for an aggregate value of \$762.

On January 22, 2016, the Issuer closed a financing which consisted of 950,867 units at a price of CAD\$0.15 per unit for gross proceeds of \$102,406(CAD\$142,630). On January 22, 2016, 563,867 units were issued at a price of CAD \$0.15 for proceeds to the Issuer of \$60,447 (CAD\$84,580). As part of the units 475,434 non-transferable warrants (193,500 which were issued in December 2015 and 218,934 were issued in January 2016) were issued with an exercise price of CAD\$0.20 for a period of 12 months following the date of issuance.

On December 29, 2015, the Issuer, as part of a private placement, issued a total of 193,500 warrants which allowed the holder to acquire one additional common share of the Issuer at a price of CAD\$0.20 per share. These warrants expired on December 29, 2016. On December 29, 2015, the Issuer, as part of a private placement, issued 8,800 broker warrants which allowed the holder to acquire one additional common share of the Issuer at a price of CAD\$0.20 per share. These warrants expired on December 29, 2016. On January 22, 2016, the Issuer, as part of a private placement, issued 281,934 warrants which allowed the holder to acquire one additional common share of the Company at a price of CAD\$0.20 per share. These warrants expired on January 22, 2017.

On January 7, 2016, AMZ was awarded a rail bed construction permit by the Ministry of Road and Transportation of Mongolia. This rail bed construction permit issued effective December 22, 2015 is for an initial period of three (3) years and enables AMZ to bid on a number of major rail projects planned by the Government of Mongolia as an integral component of its countrywide transportation infrastructure commitment, including the USD\$1.3 billion, 547 kilometres in railway concessions already announced by the Mongolian Government in partnership with Northern Railway.

On May 2, 2016, Erdembileg Jugdernamjil resigned as the Issuer's chief operating officer, and was replaced by Erin Chutter.

During the year ended December 31, 2016, 300,000 stock options with a weighted average exercise price of \$0.24 were forfeited. During the year ended December 31, 2016, 3,095,000 stock options with a weighted average exercise price of \$0.25 expired unexercised.

As at December 31, 2016, the Issuer determined that its Mongolian operations would be disposed of in order to pursue other opportunities.

On January 22, 2017, 281,934 warrants with an exercise price of \$0.20 expired unexercised.

On February 28, 2017, Sabino Di Paola, resigned as CFO of the Issuer, and was replaced by Alan Tam.

On May 5, 2017, a cease trade order was issued by the Ontario Securities Commission as a result of the Issuer's failure to file its audited annual financial statements, related MD&A for the year ended December 31, 2016, as well as certification of the filings as required by National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* within the

prescribed timeframe as required under National Instrument 51-102 *Continuous Disclosure Obligations*.

On February 2, 2018, the Issuer announced that it had obtained an order (the “Revocation Order”) from the Ontario Securities Commission revoking the cease trade order issued on May 5, 2017.

The Issuer called an annual general and special shareholders meeting to be held on September 19, 2017, in order to present its annual audited financial statements for the fiscal year ended December 31, 2016, and to obtain shareholder approval for: (a) the election of directors; (b) the appointment of auditors; (c) adoption of an incentive stock option plan; (d) a change of business; (e) a share consolidation on the basis of one post-consolidated common share for every ten pre-consolidated common shares; and (f) a change of name. The Issuer subsequently adjourned the shareholders meeting and will amend and re-send the circular and file this Listing Statement in accordance with applicable policies of the CSE, including with respect to its proposed change of business.

On January 24, 2018, the Issuer announced it had entered into loan agreements (the “Loan Agreements”) with certain directors and officers of the Issuer, both current and proposed, and various other parties, to provide an aggregate of USD\$366,679.12 in loans (the “Loans”) to the Issuer. Each Loan is repayable twelve months from the effective date of each Loan Agreement (the “Maturity Date”) without any deduction or withholding. The Issuer may make early repayment of the Loans at any time prior to the Maturity Date without any prepayment penalty. The Loans accrue interest at a rate of 8% per annum, with the accrued interest to be paid at the time of the repayment of the Loans. The first Loan Agreements were entered into during the fiscal period ended June 30, 2017, when the Issuer accepted US\$81,785 in Loan funding, of which, USD\$74,350 were Loans from Mr. James Passin, a director. From June 30, 2017 and up to September 30, 2017, a total of US\$284,894.12 in Loans was received. Of the total amount of Loans received as at September 30, 2017, USD\$120,282.57 was provided by Mr. James Passin, who beneficially owns, directly or indirectly, or exercises control or direction over, 32,169,605 common shares of the Issuer, representing approximately 49.26% of the issued and outstanding common shares. Mr. Passin, a director of the Issuer, is a “related party” of the Issuer within the meaning of MI 61-101. As such, Mr. Passin’s Loan constitutes a “related party transaction” within the meaning of MI 61-101. The Issuer is relying on an exemption from the minority approval requirement that applies to related party transactions, which exemption is available to the Issuer as: (i) the Loan comprises a loan or credit facility obtained on reasonable commercial terms that are not less advantageous to the Issuer than if the loan or credit facility were obtained from a person dealing at arm’s length with the Issuer; (ii) the Loan is not convertible into equity or voting securities of the Issuer or a subsidiary of the Issuer; and (iii) the Loan is not repayable as to principal or interest in equity or voting securities of the Issuer or a subsidiary of the Issuer. The Loan Agreements have been reviewed and approved by the board of directors who have determined that it is in the best interest of the Issuer to gain access to the funds pursuant to the Loans. The purpose of the new Loan funding is for the Issuer to have resources to be able to fund the expenses related to obtaining the Revocation Order, calling a shareholders meeting, undergoing the change of business, providing working capital for ongoing operations and requalifying for listing on the CSE, all of which management believes is in the best interests of all shareholders.

On February 8, 2018, the Issuer filed a notice of meeting and record date for an annual general and special meeting of shareholders to be held on April 9, 2018, to approve, among other things:

- 1) A change of business from transportation infrastructure engaged in the construction of highways and regional roads in Mongolia to that of developing proprietary indexes and ancillary data products for emerging blockchain and digital currency markets;
- 2) In connection with the change of business, the sale of the Issuer's Mongolian subsidiary, Ashid Munkhiin Zam LLC (AMZ) to an arm's length party;
- 3) An amendment of the Issuer's articles of incorporation to consolidate the issued and outstanding common shares on the basis of one post-consolidated common share for every ten pre-consolidated common shares, with the directors authorized to determine the final consolidation basis with that range;
- 4) An amendment of the Issuer's articles of incorporation to change the name of the Issuer from "Khot Infrastructure Holdings, Ltd." to "Blockchain Holdings Ltd.", or such other name that is acceptable to the board of directors of the Issuer;
- 5) The conversion of outstanding loans (USD\$366,679.12 as at September 30, 2017) into common shares at a price of \$0.10 per share on a post-consolidated basis.

### **3.2 Significant Acquisitions or Dispositions**

The Issuer has decided to sell its 75% interest in AMZ for nominal consideration to avoid any ongoing costs required to support AMZ and sufficient enough to cover existing and prospective liabilities related to the liquidation of this entity.

### **3.3 Trends, Commitments, Events or Uncertainties**

#### **The Cryptocurrency Industry**

Cryptocurrency refers to any digital currency that employs principles of cryptography (communication that is secure from view of third parties) to ensure security, privacy, and anonymity. Most cryptocurrencies are decentralized - the participants in the networks validate transactions and produce new coins using the economic incentive of "mining" rather than regulated by a single central authority. Consequently, the value of a cryptocurrency is not set by anyone other than market participants, who engage in the process of buying and selling on an exchange platform. Cryptocurrencies are often referred to as electronic or digital currencies as they all share the same general peer-to-peer, connected and digital qualities.

Global cryptocurrency enthusiasts, users, and promoters have given different names and titles to cryptocurrency and its era. The nomenclature given to the digital currency by its promoters depends on their sentiment towards this groundbreaking financial innovation.

Over the past few years, cryptocurrency has triggered significant interest regarding 'alternative money' among masses and has grown exponentially. Bitcoin is the most popular and the most widely traded cryptocurrency in the world. It is the world's first decentralized, peer-to-peer digital currency, which has generated mixed reactions over time.

Advocates for bitcoin consider it as a superior payment mechanism, one that operates outside the control of governments, is global in scope, is more secure than the traditional payments systems, and which brings about a much-needed revolution in the almost 'static and stagnant' global financial industry in terms of money.

At the same time, the growth of this unregulated payment mechanism has led to heightened concerns about its usage, legality, accountability, and control.

Over the years since bitcoin's birth, hundreds of digital 'coins' with different use cases and specialities have taken to the crypto marketplace, reaching up to a mark of almost 900 cryptocurrencies.

By market capitalization, bitcoin is currently the largest blockchain network, followed by Ethereum, Bitcoin Cash, Ripple and Litecoin.

The top 10 cryptocurrencies to date according to Crypto Currency Chart as of February 7, 2018 (19:59 UTC) are (in USD\$):

- **Bitcoin (BTC):** Currently trading at \$8,147.96, the market capitalization of the world's first decentralized cryptocurrency is more than \$137 billion.
- **Ethereum (ETH):** Ethereum is a decentralized platform that runs smart contracts: applications that run exactly as programmed without any possibility of downtime, censorship, fraud or third-party interference. Currently trading at \$824.00, market capitalization of Ethereum is over \$80 billion.
- **Ripple (XRP):** This cryptocurrency claims to be the world's only enterprise blockchain solution for global payments, connecting banks, payment providers, digital asset exchanges and corporates via RippleNet to provide a frictionless experience to send money globally. Ripple was trading recently at \$0.77, and its market capitalization is more than \$30 billion.
- **Bitcoin Cash (BCH):** Since its launch this August, the infant cryptocurrency had at one point doubled in value from \$300 to a price touching \$2,000, and investors are now wondering if its popularity poses a serious threat to the Bitcoin throne. Currently trading at \$1,000, market capitalization of Bitcoin Cash is over \$16 billion. Bitcoin Cash is essentially a clone of the existing Bitcoin blockchain with the one important feature of additional block size capacity.
- **Cardano (ADA):** Cardano is a fully featured, smart-contract capable platform designed by teams of PhDs across multiple continents, offering fast transaction speeds, solid reliability, and quantum computing resistance, among other features. It started trading in October 2017 at around \$0.02 and is now trading at \$0.36 with a market capitalization of over \$9.0 billion.
- **Litecoin (LTC):** Litecoin is an open-source, peer-to-peer Internet currency that enables instant, near-zero cost payments to anyone in the world. Currently trading at more than \$140, market capitalization of Litecoin is over \$8.0 billion.
- **NEO (NEO):** NEO is a blockchain platform and cryptocurrency which enables the development of digital assets and smart contracts. NEO uses a delegated Byzantine Fault Tolerance consensus mechanism and can support up to 10,000 transactions per second. Currently trading at more than \$110, market capitalization of NEO is over \$8.0 billion.
- **Stellar (XLM):** Stellar operates a network that uses the same blockchain technology that powers bitcoin. According to the company, one feature of Stellar is it allows users to quickly exchange government-backed currencies, such as turning U.S. dollars into euros. IBM is using Stellar's network to develop a cross-border payments system with some large banks, while consulting firm Deloitte is also a partner. Currently trading at \$0.37, market capitalization of XLM is over \$6.0 billion.
- **EOS (EOS):** EOS is a blockchain technology similar to Ethereum as a decentralized operating system, which means that developers can build applications on EOS. The operating system will be hosted on servers (data centres) which in turn will also be block producers. Block rewards in EOS are the incentive for these servers to host EOS

applications. Currently trading at more than \$8.29, market capitalization of EOS is more than \$5.0 billion.

- **NEM (XEM):** NEM or the New Economy Movement is the world's first Smart Asset blockchain. Though trading at only \$0.59, market capitalization of NEM is over \$5.0 billion.

Source: (<http://www.cryptocurrencychart.com/top/10>)

#### **4. NARRATIVE DESCRIPTION OF THE BUSINESS**

##### **4.1(1) Description of the Business**

The Issuer was engaged in the construction and maintenance of roads and bridges in Mongolia.

With the proposed change of business, the Issuer intends to develop proprietary indexes and ancillary data products for emerging blockchain and digital currency markets. In addition, the Issuer may develop indexes for third parties. Its focus will be the data from emerging blockchain software applications.

Emerging uses of the blockchain allow for new and sometimes disruptive financial market applications. However, due to the decentralized nature of the blockchain, the data created by a blockchain application is often spread out and dispersed in a large number of locations. This makes data aggregation more costly and time-consuming than the centralized applications they are replacing.

An example of a centralized exchange would be the New York Stock Exchange, which collects market data in central databases. The aggregation of NYSE trade data is trivial because the data is centralized. By contrast, on new digital currency exchanges a single asset is traded at multiple decentralized and otherwise unconnected exchanges. These exchanges are not linked by any mechanism except for the clearing done on the blockchain. In fact, many exchanges internalize orders and only clear on the blockchain occasionally.

The Issuer will aggregate disparate datasets into a single cohesive data feed and create valuable derivative datasets for sale to its customers. This aggregation represents significant value to end users because the data is presented to the user in a clean and approachable way.

Proprietary technology tools:

- (a) **BCX Index.** A family of indexes which segments the market based on the particular objectives that a group of digital currencies is designed to solve (eg. Privacy) and provides an index to track the aggregate digital currency token in a given field using market capitalization, momentum, developer engagement, and market utility of the index constituents as the basis for index weightings.
- (b) **Developer Interest Index.** The Issuer's first index with a completely proprietary dataset will allow investors to monitor the activities of open source development teams working on the world's largest digital currency projects such as Bitcoin and Ethereum. The Developer Interest Index will allow investors to assess the interest that software developers around the world are taking in these projects so they can make informed decisions about a project's financial viability.

- (c) **AML Index.** The Issuer's second unique dataset is a black market money tracking tool called the AML Index. The Issuer will track KYC AML compliance data from exchanges worldwide and correlate the transaction volume cross-referenced with their KYC AML standards. The Issuer will be able to provide accurate estimations of which coins are being used for both legal and illegal activities and track those changes over time.

The Issuer will charge users a recurring subscription fee or on a pay-as-you-go basis based on the number of API calls a customer makes.

The Issuer may create digital currency indexes and applications for third parties. For example, by using the AML Index as a starting point the Issuer could create customized datasets for financial institutions interested in anti-money laundering compliance. The incremental revenue will offset programming development costs as the Issuer builds even larger datasets.

As of late-2017, the blockchain and digital currency sector is moving into the mainstream adoption stage, creating huge opportunities for development and distribution of blockchain-related datasets.

As the world's largest banks and financial institutions invest billions of dollars to research and deploy blockchains, the market for data tools and analysis is expanding. There is currently a large opening in the market for usable software and meaningful data that fully captures the scope of usage of all these different blockchains and digital currencies. The Issuer will create value for its shareholders by developing applications and indexes that fill that void.

Current opportunities are emerging for tracking the global use of digital currencies as banks and other financial institutions begin to participate. These opportunities include:

- Constructing indexes for all digital currencies
- Performing portfolio analytics
- Aggregating exchange price data
- Aggregating developer data
- Aggregating liquidity data from worldwide exchanges
- Aggregating community interest and social media mentions to track popularity
- Discovering and tracking emergent protocols
- Aggregating token distribution rules from digital currency white papers

Industry experts expect that most applications currently in use will eventually utilize decentralized blockchain technology. The Issuer believes it is positioned to become the data provider of record for the entire blockchain ecosystem. The key to the Issuer's success will be its ability to combine useful blockchain-based data with efficient time-to-market methods to ensure a solid first-mover advantage.

#### **4.1(1)(a) Business Objectives**

The Issuer expects to accomplish the following objectives over a 12-month period:

- (a) Complete development work on the BCX Indexes, Developer Interest Index, and the AML Index;

- (b) Submit completed work to third-party vendors and data marketplaces;
- (c) Expand Developer Interest Index to expanded set of blockchain assets including emerging ICOs;
- (d) Complete rollout to global financial centers and regions with high concentrations of blockchain adoption;
- (e) Add sales and marketing division to raise awareness;
- (f) Hire additional developers and increase headcount of financial analysts.

The Issuer's main source of revenue will be:

- (a) SaaS monthly subscription

Index access will be available based on a monthly subscription where the user pre-pays a set monthly fee for unlimited access

- (b) API-based metered billing

Third-party vendors (such as Quandl) will list the the Issuer's datasets and charge users on a pay-per-use basis allowing for subscribers to follow a single index at a time.

**4.1(1)(b) Milestones**

	Description	Timeframe
Phase 1	Release of Developer Interest Index	Q1 2018
Phase 2	Release of Global AML Index	Q3 2018
Phase 3	Deployment to data marketplaces	Q4 2018
Phase 4	Further Index development	Q4 2018

**4.1(1)(c)(d) Funds Available**

Completion of the Developer Index and AML Index and commence development of a data delivery infrastructure	\$500,000
Promotion	\$25,000
Bank Service Charges	\$500
Website and Internet Expenses	\$1500
Management Fees	\$120,000
AGM/AGSM	\$20,000
Transfer Agent Fees	\$9,000
Exchange and Regulatory	\$10,000



Insurance	\$15,000
Office Supplies	\$1,200
Accounting and Audit	\$40,000
Legal for transaction	\$30,000
Additional professional fees	\$75,000
General office	\$20,000
Miscellaneous	\$5,000
Unallocated working capital	\$127,800
<b>Total</b>	<b>\$1,000,000</b>

**4.1(2) Principal Products or Services**

**4.1(2)(a) Method of Distribution of Product**

- (a) **BCX Index** is an indexing solution that will segment the blockchain landscape into broad categories (eg. Privacy, Value, Computation) and track the weightings based on a proprietary mix of Developer Engagement, Market Capitalization, Price Momentum, and market utility.
- (b) **Developer Interest Index** is a platform for tracking the engagement of the open source development community in each blockchain project. Investors interested in understanding how large groups of developers are contributing to projects will help them make better informed decisions when investing.
- (c) **AML Index.** The money tracking tool called the AML Index. The Issuer will track KYC AML compliance data from exchanges worldwide and correlate the transaction volume cross-referenced with their KYC AML standards. The Issuer will be able to provide accurate estimations of which coins are being used for both legal and illegal activities and track those changes over time.

4.1(2)(b) Not applicable.

4.1(2)(c) As at the date of this Listing Statement, BCX Index partially developed and will be ready for sale in Q1 2018. An enterprise level offering of BCX Index and Developer Interest Index is currently being developed and anticipated to be released in Q1 2018 at an anticipated additional development cost of \$500,000.

4.1(3)(a) Please refer to item 4.1(2)(c).

4.1(3)(b) Not applicable.

4.1(3)(c) The specialized skill and knowledge requirements are such that the Issuer will provide the marketing and business development resources with sufficient training and knowledge tools to make their subsequent awareness campaigns successful.

4.1(3)(d) Not applicable.

4.1(3)(e) Establishing a strong brand identity will be important in communicating to the market that BCX Index is a trusted resource. Securing lists of active managers and engaging in active outreach to those trading or investing in cryptocurrency assets will make marketing efforts more effective.

4.1(3)(f) Not applicable.

4.1(3)(g) Having secured development talent for the ongoing buildout of the platform, terminating any forthcoming contracts or employment arrangements will cause the Issuer to spend additional recruiting efforts as developers proficient in blockchain technologies are in significant demand.

4.1(3)(h) Not applicable.

4.1(3)(i) There are currently no employees. Management anticipates hiring developers within the next three months.

4.1(3)(j) Management does not see significant risk associated with foreign operations of the Issuer.

4.1(3)(k) Not applicable.

4.1(3)(l) Since the Issuer is dependent on software developers to build its product for commercial release, any renegotiation or termination of contracts or sub-contracts will likely increase the Issuer's time to market and delay cash flows associated with those business activities.

#### **4.1(4) Competitive Conditions**

##### *Competitor overview*

Competition in most global blockchain is relatively new when it comes to the supply chain side of business, with few companies dominating.

In order to know how best to compete, the Issuer needs to know the way competitors measure themselves, how they have positioned themselves and their strategies to date, their major weaknesses and strengths, and how they intend to position themselves in the future.

##### *Blockchain-enabled supply chain providers*

Chain, Inc., a San Francisco-based blockchain technology solutions provider, has recently released "Chain Core Developer Edition," a free and open source version of its distributed ledger platform that enables organizations to issue and transfer assets on permissioned blockchain networks.

Founded in 2014, Chain, Inc. is a technology company that partners with leading organizations "to build, deploy, and operate blockchain networks that enable breakthrough financial products and services." The technology company has raised more than \$40 million in funding from RRE Ventures, Khosla Ventures, and strategic partners including Capital One, Citigroup, Fiserv, NASDAQ, Orange, and Visa.

Spark Ignite is a platform in development by Spark Digital Technologies Inc. and Union Ventures. The core platform "Ignite" was built exclusively for the cannabis industry on the backbone of Globatom, a cloudbased SaaS technology that seamlessly connects all the various steps and players of global logistics. Globatom is revolutionizing international trade through innovative technology, compliance and machine learning. And while blockchain integration is mentioned in the company's presentation materials, there are no details of what that entails nor any discussion of their ability to deliver such a system.

Paragon seeks to pull the cannabis community from marginalized to mainstream by building blockchain into every step of the cannabis industry and by working toward full legalization. Its strength lies in the unique blockchain/cannabis connection that uses smart contracts. More uses of cannabis are coming to light, and Paragon wants to accelerate that process.

Paragon will use blockchain smart contracts to:

- Create an immutable ledger for all industry related data via ParagonChain
- Offer payment for industry related services and supplies through ParagonCoin
- Establish niche co-working spaces via Paragon Space
- Organize and unite global legalization efforts through Paragon Online
- Bring standardization of licensing, lab testing, transactions, supply chain and ID verification through apps built in ParagonAccelerator

### *Major players*

At the highest level are the few well-established major names in “big tech” such as IBM, Salesforce, Adobe, Oracle, SAP, and Microsoft.

IBM is a global technology and innovation company headquartered in Armonk, New York. It is the largest technology and consulting employer in the world, with more than 375,000 employees serving clients in 170 countries. The IBM Blockchain Platform is an integrated platform designed to accelerate the creation of a “built for business” global blockchain network across industries and use cases. IBM has worked with more than 400 clients globally and across industries from design to implementation. Its experts aim to help clients achieve tangible outcomes to uncover new revenue streams, save time, cut costs, and reduce risk. IBM is now emerging as a cognitive solutions and cloud platform company. Its work and people can be found in all sorts of interesting places. IBM is helping transform healthcare, improving the retail shopping experience, rerouting traffic jams, and even designing the next generation fan experience in sports stadiums around the world.

Salesforce will enter the blockchain space in some way, perhaps through acquisition or partnership. Blockchain seems like an inevitable move for Salesforce. They are renowned for being innovative, and they offer software which records transactions between parties. The question is not whether or not they will, but when and how. Brett Colbert, Solutions CTO, Vice President of Enterprise Architecture, leads the customer-facing Salesforce Enterprise Architecture team which helps customers and prospects strategically transform their business systems. Colbert has been researching blockchain for more than three years, leading customer implementations and collaborating with blockchain industry thought leaders.

Adobe will most likely enter the blockchain space as well. Jason Lopatecki, Senior Director of Innovation, Adobe Advertising Cloud, states: “Blockchain has the potential to be one of the more revolutionary technologies of our lifetime, but it is still early innings. Blockchain can automate contract fulfilment, consolidate identity management, and simplify supply-chain logistics; from a consumer perspective, it can provide peace of mind through enhanced security and verification.”

Oracle is working hard to be a SaaS vendor that matters, whether with its new autonomous database service or getting involved with blockchain. The database giant has announced a new blockchain service at Oracle OpenWorld that aims to give enterprise customers, who want to get involved with the blockchain, a fully managed approach. The Oracle blockchain service is built

on the open source Hyperledger Fabric project. Oracle joined the Hyperledger project in August ahead of this announcement. Oracle joins IBM in building a blockchain cloud service on top of the Hyperledger Fabric project.

SAP has launched a Blockchain-as-a-Service (BaaS) product and the “ready-to-use blockchain technology” will sit in the SAP Cloud. The offering is part of the new SAP Leonardo product line, with the blockchain element based on the Hyperledger open source blockchain platform, like Oracle, using its standards and protocols. SAP joined Hyperledger as a premier member early in 2017. SAP describes Leonardo as a “comprehensive digital innovation system” because it includes the blockchain cloud service element alongside other emerging technologies such as machine learning, the Internet of Things (IoT), and so on, all of which are integrated into the “one ecosystem”.

SAP believes the network benefit of automatically ordering new parts or consumables in a business supply chain, net-connected IoT system would, for example, need to use artificial intelligence (AI) inspired machine learning to automate procedures, and the blockchain could be used to enact smart contract orders and/or pay for goods. The interconnectivity of the technologies aids their effectiveness if the people, process, and technology are correctly aligned.

Microsoft Inc. is looking to make its Blockchain-as-a-Service offering easier to use in real-world scenarios by enterprises with a new framework. With a handful of user inputs and a simple single-click deployment through the Azure portal, you can provision a fully configured blockchain network topology in minutes, using Microsoft Azure compute, networking, and storage services across the globe. Rather than spending hours building out and configuring the infrastructure, they have automated these time-consuming pieces to allow for focus on building out various scenarios and applications. Customers are charged for the underlying infrastructure resources consumed, such as compute, storage, and networking. There are no incremental charges for the solution itself.

### *Competitive Advantage*

The Issuer deploys blockchain at the core of everything it does; it’s a proven technology and framework for applications, receiving worldwide praise for its security, scalability, and forward-thinking, decentralised approach to verifying, moving, and securing data. The Issuer’s competitors’ implementation of blockchain-enabled solutions validates this approach.

A critical competitive position for the Issuer will be its role in tapping into opportunities first for upstream advantage in the value chain with reliable system that encompasses trust, transparency, and provenance.

The Issuer’s agility, collaborative approach and focus give it further competitive advantage. The Issuer has a distinct competitive advantage with its focus on one industry, one product, while providing a customized, flexible, and unified solution for the public.

4.1 (5) Not Applicable.

4.1 (6) Not Applicable.

4.1 (7) Not Applicable.

4.1 (8) Not Applicable.

**4.2 Companies with Asset-backed Securities Outstanding**

Not applicable.

**4.3 Mineral Projects**

Not applicable.

**4.4 Issuers with Oil and Gas Operations**

Not applicable.

**5. SELECTED CONSOLIDATED FINANCIAL INFORMATION**

**5.1 Financial Information – Annual Information**

The consolidated financial statements of the Issuer are prepared in accordance with IFRS. The following table sets out selected financial data of the Issuer derived from its audited financial statements for the periods ended December 31, 2016, 2015, and 2014. This summary of financial data should be read together with the annual financial statements of the Issuer and notes thereto, as well as the accompanying MD&A, attached as Schedule “A” and its interim financial statements and MD&A attached as Schedule “B”.

	As at December 31, 2016 and for the year then ended (audited) (\$)	As at December 31, 2015 and for year then ended (audited) (\$)	As at December 31, 2014 and for the year then ended (audited) (\$)
Net sales or total revenues	\$Nil	\$Nil	\$1,176,693
Expenses	\$301,981	\$692,554	\$1,224,443
Impairment of exploration and other evaluation assets	(\$19,807)	\$Nil	\$Nil
Net profit/net (loss)	(\$622,324)	(\$1,169,069)	(\$1,230,101)
Net profit/net (loss) per basic and diluted share	(\$0.01)	(\$0.02)	(\$0.02)
Total assets	\$31,915	\$486,046	\$1,657,324
Total long-term financial liabilities	\$Nil	\$Nil	\$Nil

## 5.2 Quarterly Information

The following information is in respect of the Issuer for the eight quarters preceding the date of this Listing Statement:

Quarter Ended	Total Revenues	Net Income/Loss	Basic and diluted earning/loss per share
September 2017	\$nil	(\$120,649)	(\$0.00)
June 30, 2017	\$nil	(\$42,285)	(\$0.00)
March 31, 2017	\$nil	(\$58,214)	(\$0.00)
December 31, 2016	\$nil	(\$290,292)	(\$0.00)
September 2016	\$nil	(\$76,910)	(\$0.00)
June 30, 2016	\$nil	(\$71,860)	(\$0.00)
March 31, 2016	\$nil	(\$104,376)	(\$0.00)
December 31, 2015	\$nil	(\$410,553)	(\$0.00)

Copies of the respective unaudited interim financial statements for the periods listed above for the Issuer are available on the Issuer's SEDAR profile at [www.sedar.com](http://www.sedar.com).

## 5.3 Dividends

No dividends on the common shares of the Issuer have been paid to date.

## 5.4 Foreign GAAP

Not applicable.

## 6. MANAGEMENT'S DISCUSSION AND ANALYSIS

A copy of the Issuer’s annual management’s discussion and analysis for the year ended December 31, 2016 are attached as Schedule “A” and for the nine-month period ended September 2017 are attached as Schedule “B” hereto.

## 7. MARKET FOR SECURITIES

The common shares of the Issuer are currently listed on the CSE under the trading symbol “KOT”, however, trading in such shares was suspended on May 5, 2017, because it is in default of CSE requirements. In addition, the common shares of the Issuer are verified for trading on the OTCQB Venture Marketplace but trading in the common shares is currently halted.

## 8. CONSOLIDATED CAPITALIZATION

The following table summarizes the Issuer’s capitalization as of December 31, 2016, on a consolidated basis, based on the Issuer’s financial statements and as of the date of this Listing Statement based on estimates made by management.

Designation of Security	Number Authorized	As at December 31, 2016 (audited)	As at September 30, 2017 (unaudited)
Common Shares	Unlimited	65,302,351	65,302,351
Warrants <sup>(1)</sup>		281,934	0
Stock Options <sup>(2)</sup>		2,875,000	2,650,000
Loan and interest payable <sup>(3)</sup>		16,397	383,076

Notes:

- (1) Exercisable at \$0.20 for a period of 12 months, expiring January 22, 2017
- (2) 150,000 stock options were exercisable into one common share at an exercise price of \$0.10 expiring December 21, 2017, 1,950,000 options exercisable at \$0.25 expiring January 8, 2019 and 775,000 options exercisable at \$0.20 expiring December 3, 2020.
- (3) The Issuer intends to convert the outstanding loans (USD\$366,679.12 as at September 30, 2017, with accrued interest) into common shares at a price of \$0.10 per share on a post-consolidated basis.

## 9. OPTIONS TO PURCHASE SECURITIES

The Issuer currently has a stock option plan approved by the Board on August 15, 2017 (the “Plan”). The Plan will be presented to its shareholders at its next annual general meeting for approval.

Number of Shares Reserved: The number of common shares which may be issued pursuant to options granted under the Plan shall equal to 10% of the issued and outstanding shares of the Issuer from time to time at the date of grant.

Maximum Term of Options: The term of any options granted under the Plan is fixed by the Board and may not exceed five years from the date of grant. The options are non-assignable and non-transferable. The term of an option may not be amended once issued under the CSE requirements. If an option is cancelled prior to the expiry date, the Issuer shall not grant new options to the same person until 12 months have elapsed from the date of cancellation.

Exercise Price: The exercise price of options granted under the Plan is determined by the Board, provided that it is not less than the price permitted by the CSE or, if the shares are no longer listed

on the CSE, then such other exchange or quotation system on which the Common Shares are listed or quoted for trading.

Vesting: Vesting, if any, and other terms and conditions relating to such options shall be determined by the Board, or if the Board so elects, the committee, in accordance with the CSE requirements.

Termination: Any options granted pursuant to the Plan will terminate generally within 12 months of the holder ceasing to act as director, officer, or employee of the Issuer or any of its affiliates, and within generally 30 days of the holder ceasing to act as an employee engaged in investor relations activities, unless such cessation is on account of death. If such cessation is on account of death, the options terminate on the first anniversary of such cessation. If such cessation is on account of cause, or terminated by regulatory sanction or by reason of judicial order, the options terminate immediately. Options that have been cancelled or that have expired without having been exercised shall continue to be issuable under the Plan. The Plan also provides for adjustments to outstanding options in the event of any consolidation, subdivision, conversion or exchange of common shares.

Administration: The Plan is administered by the Board of, if the Board so elects, by a committee appointed by the Board.

Board Discretion: The Plan provides that, generally, the number of shares subject to each option, the exercise price, the expiry time, the extent to which such option is exercisable, including vesting schedules, and other terms and conditions relating to such options shall be determined by the Board and in accordance with CSE requirements.

As of the date hereof, the Issuer has 2,500,000 options issued and outstanding under the Plan as follows:

<b>Optionee</b>	<b>Number of Options Holding</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
Directors	850,000	\$0.25	January 8, 2019
	350,000	\$0.20	December 3, 2020
Consultant	900,000	\$0.25	January 8, 2019
	400,000	\$0.20	December 3, 2020
<b>Total</b>	<b>2,500,000</b>		

## **10. DESCRIPTION OF SECURITIES**

### **10.1 Description of Securities**

The Issuer is authorized to issue an unlimited number of common shares without par value.

The Issuer's holders of common shares are entitled to receive dividends which may be declared from time to time, and are entitled to one vote per common share at the Issuer's meetings.



Each common share ranks equally with all other common shares with respect to distribution of assets upon dissolution, liquidation or winding-up of the Issuer and payment of dividends. The holders of the common shares will be entitled to one vote for each share on all matters to be voted on by such holders and are entitled to receive pro rata such dividends as may be declared by the directors of the Issuer. The holders of common shares have no pre-emptive or conversion rights. The rights attaching to the common shares can only be modified by the affirmative vote of at least two-thirds of the votes cast at a meeting of shareholders called for that purpose.

As of the date hereof, 65,302,351 common shares are outstanding of the Issuer and 2,500,000 are reserved for issuance pursuant to convertible securities of the Issuer.

## 10.2 Debt Securities

Not applicable.

## 10.3 Other Securities

Not applicable.

## 10.4 Modification of Terms

Not applicable.

## 10.5 Other Attributes

Not applicable.

## 10.6 Prior Sales

The following table contains details of the prior sales of securities of the Issuer for the twelve-month period preceding the date hereof: N/A

No Securities were issued in the last 12 months. Last Securities were issued on January 22, 2016 by way of Private Placement.

Date Issued	Number and Type of Aida Securities	Issue Price Per Share	Aggregate Issue Price	Consideration
N/A				

## 10.7 Stock Exchange Price

The Common Shares are listed on the CSE as of the date of this Listing Statement under the symbol "KOT". The following table sets out the high and low trading price and volume of trading of Common Shares on the CSE during the last 12 months. The Issuer was cease traded on May 5, 2017 and subsequently its Common Shares were suspended from trading on the CSE pursuant to CSE Policy 3.

Period	High (\$)	Low (\$)	Volume
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November 2017 <sup>(1)</sup>	-	-	-
October 2017 <sup>(1)</sup>	-	-	-
September 2017 <sup>(1)</sup>	-	-	-
August 2017 <sup>(1)</sup>	-	-	-
July 2017 <sup>(1)</sup>	-	-	-
June 2017 <sup>(1)</sup>	-	-	-
May 2017 <sup>(1)</sup>	-	-	-
April 2017	0.025	0.02	770,000
March 2017	0.03	0.02	964,500
February 2017	0.03	0.02	535,000
January 2017	0.03	0.02	660,000
December 2016	0.035	0.03	5,170,000
November 2016	0.035	0.030	4,678,000

Notes:

- (1) Trading of the Common Shares was suspended on May 5, 2017 due to a cease trade order issued by the OSC due to failure to file its (i) audited annual financial statements for the year ended December 31, 2016, (ii) management's discussion and analysis for the year ended December 31, 2016 and (iii) certification of the annual filings for the year ended December 31, 2016 ("Annual Filings"), as required by applicable securities legislation. The Issuer filed its December 31, 2016 Annual filings on August 2, 2017; on August 10, 2017, the Issuer filed its interim financial report and management's discussion and analysis, along with the CEO and CFO certifications of the interim filings ("interim filings") for the period ended March 31, 2017; on August 25, 2017, the Issuer filed its interim filings for the period ended June 30, 2017 and on November 28, 2017, the Issuer filed its interim filings for the period ended September 30, 2017. On February 2, 2018, the Issuer announced that it had obtained a Revocation Order from the Ontario Securities Commission revoking the cease trade order issued on May 5, 2017.

## 11. ESCROWED SECURITIES

Not applicable.

## 12. PRINCIPAL SHAREHOLDERS

As of the date of this Listing Statement, the following shareholders own, beneficially and of record, more than 10% of the issued and outstanding common shares of the Issuer:

Name	Number of Common Shares <sup>(1)</sup>	Percentage of Class
James Passin	32,169,605 <sup>(2)</sup>	49.26%
SMDD Capital Ltd.	9,788,067	14.99%

Note:

- (1) Based on the 65,302,351 issued and outstanding common shares.  
(2) Disclosed holding is controlled by James Passin, a director of the Issuer, who has direct control of 1,000,000 common shares and indirect control and direction of (i) 126,250 common shares held by Passin Management Limited Partnership, (ii) 15,187,580 common shares held by Firebird Mongolia Fund, Ltd. ("Firebird Mongolia"), (iii) 530,747 common shares held by Firebird Global Master Fund Holdings, Ltd. ("FGMF"), (iv) 461,392 common shares held by Firebird Global Master Fund II Holdings, Ltd. ("FGMF2") and (v) 14,863,636 common shares held by Firebird New Mongolia Fund, LP ("Firebird New Mongolia").

## 13. DIRECTORS AND OFFICERS OF THE ISSUER

### 13.1 Directors and Executive Officers of the Issuer

As of the date of this Listing Statement, the board of directors of the Issuer is composed of five members, as set out below.

The name, municipality of residence, position or office held with the Issuer and principal occupation of each proposed director and executive officer of the Issuer, as well as the number of

voting securities beneficially owned, directly or indirectly, or over which each exercises control or direction, excluding common shares issued on the exercise of convertible securities, are as follows:

Name, place of the residence and position with Issuer	Principal occupation during the past five years <sup>(1)</sup>	Date of appointment as Director or officer	Common shares beneficially owned or controlled or directed <sup>(1)</sup>
<b>DONALD PADGETT</b> <sup>(2)(3)</sup> North Vancouver, British Columbia, Canada President, CEO & Director	President and CEO of the Issuer from November 2011 to present; Mining Executive; corporate finance and investment banking executive; director and officer of several public companies	Nov 14, 2011 to present	472,940 (0.007%)
<b>JAMES PASSIN</b> <sup>(2)(3)(5)</sup> New York, NY USA Chairman, Director	Chairman of the Issuer from November 2011 to present; Principal, FGS Advisors LLC, Director, FGMF, FGMF2, Firebird Mongolia. and Firebird New Mongolia	Nov 14, 2011 to present	32,169,605 <sup>(4)</sup> (49.26%)
<b>ORGILMAA SIIZKHUU</b> , <sup>(4)</sup> Ulaanbaatar, Mongolia Director	Chief Legal Officer at the National Investment Bank (Mongolia)	Nov 14, 2011 to present	Nil
<b>KENNETH FARRELL</b> <sup>(2)(4)</sup> Jakarta, Indonesia Director	Commissioner of both PT Kaltim Prima Coal and PT Arutmin Indonesia and director of various unlisted Indonesian mining companies.	March 20, 2012 to present	Nil
<b>ERIN CHUTTER</b> <sup>(2)(3)(4)</sup> Vancouver, British Columbia, Canada COO, Director	COO of the Issuer May 2016 to present; Executive Chairperson and Director, Global Energy Metals Corporation March 7, 2016 to present	May 5, 2015 to present	Nil

Name, place of the residence and position with Issuer	Principal occupation during the past five years <sup>(1)</sup>	Date of appointment as Director or officer	Common shares beneficially owned or controlled or directed <sup>(1)</sup>
<b>ALAN TAM</b> Vancouver, British Columbia, Canada Chief Financial Officer	CFO of the Issuer from August 2017 to present; CFO of Liberty Biopharma Inc. from December 2010 to present; A Chartered Professional Accountant, who has worked with biotechnology, start-up alternative energy and other corporations dealing with tax, regulatory, compliance and accounting matters	August 2, 2017 to present	Nil
<b>JEREMY L. GARDNER</b> Northampton, Massachusetts, USA Proposed Director	Entrepreneur-in-Residence, Blockchain Capital, October 2015 to present; Blockchain Education Network, founder and chairman of the board, 2014 to present; Augur, founder, 2014; editor-in-chief, Distributed magazine	N/A	Nil
<b>WAYNE LLOYD</b> Vancouver, British Columbia, Canada Proposed Director	Founder of financial analytics firm Market Memory, providing data analytics to large commodity traders; Active investor, advisor, and board member to several fintech and cryptocurrency startups including Secfi; Chartered Financial Analyst	N/A	Nil

Notes:

- (1) The information as to principal occupation, business or employment and shares beneficially owned or controlled is not within the knowledge of management of the Resulting Issuer and has been furnished by the respective individuals.
- (2) Member of Audit Committee.
- (3) Member of the Compensation Committee.
- (4) Will not be running for re-election as Director and/or Officer at next Annual General Meeting.
- (5) James Passin has direct control of 1,000,000 common shares and indirect control and direction of (i) 126, 250 common shares held by Passin Management Limited Partnership, (ii) 15,187,580 common shares held by Firebird Mongolia, (iii) 530,747 common shares held by FGME, (iv) 461,392 common shares held by FGME2 and (v) 14,863,636 common shares held by Firebird New Mongolia.

### 13.2 Period of Service of Directors

The term of each director expires on the date of the next annual general meeting, unless his or her office is earlier vacated or he or she is removed in accordance with the Issuer's articles and the BVI Act.

### **13.3 Directors and Executive Officers Common Share Ownership**

The directors and executive officers of the Issuer as a group, directly or indirectly, will beneficially own or exercise control or direction over 32642,545 common shares, representing approximately 49.99% of the issued and outstanding common shares of the Issuer.

### **13.4 Committees**

The Issuer's audit committee currently consists of Donald Padgett, James Passin, Ken Farrell and Erin Chutter, each of whom is a director and financially literate in accordance with National Instrument 52-110 *Audit Committees* ("NI 52-110"). James Passin, Ken Farrell and Erin Chutter are independent, as defined under NI 52-110, and Donald Padgett is not independent as he is an officer of the Issuer. The Issuer is relying upon the exemption in section 6.1 of NI 52-110 with respect to compliance with the requirements of Part 3 (*Composition of the Audit Committee*) and Part 5 (*Reporting Obligations*) of NI 52-110.

After the Annual General and Special Meeting, the Board will be appointing new members to the Audit Committee. The proposed members of the Audit Committee will be (proposed Chair and an independent member), James Passin (independent) and Donald Padgett (not independent).

The Issuer's compensation committee is comprised of James Passin (chair), Donald Padgett and Erin Chutter. After the Annual General Meeting, the Board will appoint new members to the Compensation Committee and adopt a Compensation Committee Charter.

The board of directors of the Issuer may from time to time establish additional committees.

### **13.5 Principal Occupation of Directors and Executive Officers**

Information on directors and executive officers' principal occupation is set out in section 13.1 – *Directors and Executive Officers of the Issuer*.

### **13.6 Corporate Cease Trade Orders or Bankruptcies**

Other than as disclosed herein, no proposed director or officer of the Issuer or a shareholder holding a sufficient number of securities of the Issuer to affect materially the control of the Issuer, is, or within 10 years before the date of the Listing Statement has been, a director or officer of any other issuer that, while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order, or an order that denied the other Issuer access to any exemptions under Ontario securities law, for a period of more than 30 consecutive days;
- (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
- (c) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

- (d) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

On May 5, 2017, the Ontario Securities Commission (the “OSC”) issued a cease trade order (the “CTO”) under the securities legislation of Ontario that all trading in the securities of the Issuer cease until the Issuer filed its (i) audited annual financial statements for the year ended December 31, 2016, (ii) management’s discussion and analysis for the year ended December 31, 2016 and (iii) certification of the annual filings for the year ended December 31, 2016, as required by applicable securities legislation.

On August 2, 2017, the Issuer filed its audited annual financial statements and management’s discussion and analysis, along with the CEO and CFO certifications of the annual filings for the year ended December 31, 2016, and paid the applicable filing fees, as required by applicable securities legislation. On August 10, 2017, the Issuer filed its interim financial report and management’s discussion and analysis, along with the CEO and CFO certifications of the interim filings for the period ended March 31, 2017, as required by applicable securities legislation.

On February 2, 2018, the Issuer announced that it had obtained a Revocation Order from the Ontario Securities Commission revoking the CTO issued on May 5, 2017.

Mr. Padgett is President, CEO and Director of Vanoil Energy Ltd., a Canadian public company, which is subject to a cease trade order issued by the BCSC on February 3, 2017 for failure to file audited annual financial statements for the year ended September 30, 2016. Such cease trade order remains in effect.

Mr. Passin is Chairman and Director of Vanoil Energy Ltd., a Canadian public company, which is subject to a cease trade order issued by the BCSC on February 3, 2017 for failure to file audited annual financial statements for the year ended September 30, 2016. Such cease trade order remains in effect.

### **13.7 Penalties or Sanctions**

Other than as disclosed below, no proposed director or executive officer of the Issuer, or a shareholder holding a sufficient number of the Issuer’s securities to affect materially the control of the Issuer, has been subject to:

- (a) any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision

### **13.8 Settlement Agreements**

Not applicable.

### **13.9 Personal Bankruptcies**

Except as disclosed herein, no proposed director or executive officer of the Issuer or a shareholder holding a sufficient number of securities of the Issuer to affect materially the control of the Issuer, or a personal holding company of any such persons has, within the 10 years before the date of the Listing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer.

### **13.10 Conflicts of Interest**

The proposed directors of the Issuer are required by law to act honestly and in good faith with a view to the best interests of the Issuer and to disclose any interests, which they may have in any project or opportunity of the Issuer. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his or her interest and abstain from voting on such matter.

To the best of the Issuer's knowledge, there are no known existing or potential conflicts of interest among the Issuer, proposed directors, proposed officers or other proposed members of management of the Issuer as a result of their outside business interests except that certain proposed directors and officers may serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Issuer and their duties as a director or officer of such other companies. See "*Risk Factors*".

### **13.11 Management Details**

The following sets out details of the proposed directors and management of the Issuer:

#### **Donald Padgett (65), *Chief Executive Officer, President and Director***

Mr. Padgett has served as the Chief Executive Officer, President and Director of the Issuer since November 2011. He is an experienced senior management leader with a proven track record of developing and executing successful strategies for profitable international business ventures. He has served as Chairman, President and director of several public and private companies. Mr. Padgett has also enjoyed a successful investment banking career in senior management positions including: Managing Director of the investment banking group at Canaccord Financial Ltd.'s Western Canadian office and more than 10 years as a senior member of the Investment Banking Group at Burns Fry, now Nesbitt Burns. Mr. Padgett holds a law degree from Dalhousie University, an MBA from McMaster and a BSc from University of Toronto.

#### **James Passin (46), *Chairman and Director***

Mr. Passin has served as the Chairman and Director of the Issuer since November 14, 2011. He joined New York-based investment management company, Firebird Management LLC, in 1999. He co-founded and manages several hedge funds and private equity funds and has 18 years of experience as a professional investor and fund manager. James is a Chartered Market Technician and member of The CMT Association. James has deep experience in venture capital and capital markets and serves on the board of directors of several public companies, including Sharyn Gol JSC and BDSec JSC, the largest investment bank in Mongolia. James is a recipient of the

Friendship Medal, the highest honor awarded by the Mongolian state to foreign citizens. James was named “Fund Manager of the Year” at the 2012 Mines and Money Conference in Hong Kong. James has been actively investing in cryptocurrencies and blockchain startups since 2016.

**Erin Chutter (43), Chief Operating Officer and Director**

Ms. Chutter has served as a Director of the Issuer since May 2015 and Chief Operating Officer since May 2016. She serves as the Executive Chairperson and Director of Global Energy Metals Corporation and former President and CEO of Global Cobalt Corp, after founding the company in 2007. Erin has led a multinational and multidisciplinary financial and technical team to develop the Karakul Cobalt Mine Project in Altai, Russia, as well as, mining projects in Canada and the US. She carries particular expertise in complex international mining projects requiring creative financing solutions. Erin was also a founding Director of Niocorp. Erin is a Director of the MacDonald Laurier Institute, a world-renowned Ottawa-based think tank leading new research on social license and resource extraction, and is the Chair for the Canadian Eurasian Russia Business Association (Vancouver Chapter). In 2011, she was honoured as a “40 Under 40” by *Business in Vancouver*.

Ms. Chutter will not be running for re-election as Chief Operating Officer and Director at the next Annual General Meeting.

**Kenneth Farrell (62), Director**

Mr. Farrell has served as a Director of the Issuer since March 20, 2012. He is formerly an executive director of PT Bumi Resources Tbk, the largest publicly traded Indonesian Mining Company. Mr. Farrell is presently a Commissioner of both PT Kaltim Prima Coal and PT Arutmin Indonesia. The former is the world’s largest export coal mining company. He is also a director of various other unlisted mining companies in Indonesia, Africa and Mongolia. Prior to joining Bumi Resources in 2002, Mr. Farrell worked for BHP Billiton for 21 years in various executive and managerial capacities in iron ore, transport, manganese and coal business units. Mr. Farrell commenced his career as a civil engineer in road and bridge construction in Queensland Australia. He is a Member of the Institution of Engineers, Australia; a Member of the Australasian Institute of Mining and Metallurgy and a Fellow of the Australian Institute of Company Directors.

Mr. Farrell will not be running for re-election as Director at the next Annual General Meeting.

**Orgilmaa Siizkhuu (41), Director**

Ms. Siizkhuu has served as a Director of the Issuer since November 14, 2011. She is the Chief Legal Officer of NIBank in Ulaanbaatar. She is an expert in Mongolia corporate and securities law. Ms. Siizkhuu holds a law degree from the Law School of the State University of Mongolia and is a member of the Mongolian Advocates Association.

Ms. Siizkhuu will not be running for re-election as Director at the next Annual General Meeting.

**Jeremy L. Gardner (25), Proposed Director**

Mr. Gardner is an Entrepreneur-in-Residence at Blockchain Capital and has been involved in the blockchain sector since 2013, having founded several successful ventures in the industry. In early 2014, Mr. Gardner founded the Blockchain Education Network, a global network of student



organizations in over 30 countries and nearly 400 schools, of which he still serves as chairman of the board. In late 2014, Mr. Gardner co-founded Augur, a decentralized prediction market platform built on the Ethereum blockchain. Mr. Gardner is also the editor-in-chief of Distributed, the only print magazine dedicated to blockchain technology. Outside of the blockchain space, he is a board member at Unsung, the food waste and hunger-fighting nonprofit startup.

#### **Wayne Lloyd (36), Proposed Director**

Mr. Lloyd is the founder of Market Memory, a quantitative market analysis product used by asset managers around the world, which was among the first financial tools to incorporate cryptocurrency analysis into its toolset. Previously, he was a portfolio manager in a family office as well as a proprietary trading desk and has over 10 years experience as a professional investor and portfolio manager. Wayne is a Chartered Financial Analyst (CFA Charterholder) and member in good standing of the CFA Institute. Wayne is an entrepreneur, investor, and board member of several financial technology and cryptocurrency start-ups, including SecFi, financial services a company connecting institutional investors to late stage startups.

#### **Alan Tam (44), Chief Financial Officer**

Mr. Tam has served as a Chief Financial Officer of the Issuer since August 2017. Since December 2010, he has served as the Chief Financial Officer of Liberty Biopharma Inc. (formerly Avagenesis Corp.), which merged with Avapecia Life Sciences Corp. in December 2016, both were Exchange-listed companies. He possesses over 15 years of finance, financial management and accounting experience. Mr. Tam is a Chartered Professional Accountant and has worked with biotechnology, start-up alternative energy and other corporations dealing with tax, regulatory, compliance and accounting matters. Mr. Tam is a former accountant of NovaDx Ventures Corp., an Exchange-listed company and from September 2007 to December 2011, was in a mid-sized accounting firm, Lohn Caulder LLP. Mr. Tam is a former financial planner of RBC Wealth Management from December 2002 to May 2007.

## **14. CAPITALIZATION**

14.1 Prepare and file the following chart for each class of securities to be listed:

**Issued Capital**

	<b>Number of Securities (non-diluted)</b>	<b>Number of Securities (fully diluted)</b>	<b>% of Issued (non-diluted)</b>	<b>% of Issued (fully diluted)</b>
<u>Public Float</u>				
Total outstanding (A)	65,302,351	67,802,351	100%	100%
Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B)				
	43,732,612	46,232,612	66.97%	68.26%
Total Public Float (A-B)	21,569,739	21,569,739	33.03%	31.74%
<u>Freely-Tradeable Float</u>				
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)				
	32,169,605	32,419,605	49.26%	47.81%
Total Tradeable Float (A-C)	33,132,746	35,382,746	50.74%	52.19%

Public Securityholders (Registered)

**Instruction:** For the purposes of this report, "public securityholders" are persons other than persons enumerated in section (B) of the previous chart. List registered holders only.

<u>Class of Security</u> <u>Size of Holding</u>	<u>Number of</u> <u>holders</u>	<u>Total</u> <u>number of</u> <u>securities</u>
1 – 99 securities	137	3,222
100 – 499 securities	9	1,870
500 – 999 securities	139	69,694
1,000 – 1,999 securities	11	13,116
2,000 – 2,999 securities	1	2,050
3,000 – 3,999 securities	3	9,378
4,000 – 4,999 securities	0	0
5,000 or more securities	44	13,864,317
	344	13,963,647

Public Securityholders (Beneficial)

**Instruction:** Include (i) beneficial holders holding securities in their own name as registered shareholders; and (ii) beneficial holders holding securities through an intermediary where the Issuer has been given written confirmation of shareholdings. For the purposes of this section, it is sufficient if the intermediary provides a breakdown by number of beneficial holders for each line item below; names and holdings of specific beneficial holders do not have to be disclosed. If an intermediary or intermediaries will not provide details of beneficial holders, give the aggregate position of all such intermediaries in the last line.

<u>Class of Security</u> <u>Size of Holding</u>	<u>Number of</u> <u>holders</u>	<u>Total number of</u> <u>securities</u>
1 – 99 securities	150	3,629
100 – 499 securities	16	3,732
500 – 999 securities	151	76,961
1,000 – 1,999 securities	16	19,491
2,000 – 2,999 securities	6	12,737
3,000 – 3,999 securities	3	9,378
4,000 – 4,999 securities	1	4,800
5,000 or more securities	61	16,181,619
Unable to confirm	0	0
	404	16,312,347

Non-Public Securityholders (Registered)

**Instruction:** For the purposes of this report, "non-public securityholders" are persons enumerated in section (B) of the issued capital chart.

**Class of Security**

<b><u>Size of Holding</u></b>	<b><u>Number of holders</u></b>	<b><u>Total number of securities</u></b>
1 – 99 securities	-	-
100 – 499 securities	-	-
500 – 999 securities	-	-
1,000 – 1,999 securities	-	-
2,000 – 2,999 securities	1	2,000
3,000 – 3,999 securities	-	-
4,000 – 4,999 securities	-	-
5,000 or more securities	5	43,730,612
	6	4,732,612

14.2 Provide the following details for any securities convertible or exchangeable into any class of listed securities

<b>Description of Security (include conversion / exercise terms, including conversion/ exercise price)</b>	<b>Number of convertible / exchangeable securities outstanding</b>	<b>Number of listed securities issuable upon conversion / exercise</b>
Fully vested stock options issued pursuant to the Issuer's Stock Option on January 8, 2014 with an exercise price of \$0.25 and expiring on January 8, 2019 to the following persons:		
James Passin		250,000
Donald Padgett		250,000
Batbaatar Badan		250,000
Malcolm Burke		150,000
Betty Anne Loy		50,000
Kenneth Farrell		350,000
Myanganbayar Batsukh		100,000
Purevbaatar Bayarsaikhan		100,000
Erdembileg Jugdernamjil		250,000
Fully vested stock options issued pursuant to the Issuer's Stock Option on December 3, 2015 with an exercise price of \$0.20 and expiring on		

December 3, 2020 to the following persons:		
Don Padgett		50,000
Erin Chutter		300,000
Malcolm Burke		50,000
Betty Anne Loy		25,000
Purevbaatar Bayarsaikhan		150,000
Orgilbold Chimeddorj		150,000
Myanganbayar Batsukh		25,000

14.3 Not applicable.

## 15. EXECUTIVE COMPENSATION

### Statement of Executive Compensation

Unless otherwise noted the following information is for the Issuer’s last completed financial year ended December 31, 2017.

For the purpose of the Listing Statement:

“compensation securities” includes stock options, convertible securities, exchangeable securities and similar instruments including stock appreciation rights, deferred share units and restricted stock units granted or issued by the Issuer or one of its subsidiaries (if any) for services provided or to be provided, directly or indirectly to the Issuer or any of its subsidiaries (if any);

A Named Executive Officer (“NEO”) of the Issuer means each of the following individuals:

- (a) a chief executive officer (“CEO”) of the Issuer;
- (b) a chief financial officer (“CFO”) of the Issuer; and
- (c) each of the Issuer’s three most highly compensated executive officers, or individuals acting in a similar capacity, other than the CEO and CFO, at the end of, or during, the most recently completed financial year if their individual total compensation was more than \$150,000 for that financial year, including individuals who would be an NEO under this paragraph but for the fact that he or she was not acting in such capacity at the end of the financial year.

As of the fiscal year ended December 31, 2016, the Issuer had two NEOs, namely (i) Mr. Donald Padgett who serves as President and CEO; and (ii) Mr. Sabino Di Paola who served as CFO of the Issuer. Subsequent to the end of the most recently completed financial year, Mr. Di Paola resigned as CFO on February 28, 2017 and Mr. Alan Tam was appointed as CFO of the Issuer on August 2, 2017.

All dollar amounts referenced herein are Canadian Dollars unless otherwise specified.

### Compensation Discussion and Analysis

#### Philosophy and Objectives

The compensation program for the senior management of the Issuer is designed to ensure that the

level and form of compensation achieves certain objectives, including:

- to attract and retain highly qualified management;
- to align executive compensation with shareholders' interests;
- to focus performance by linking incentive compensation to the achievement of business objectives and financial results; and
- to encourage retention of key executives for leadership succession.

The Issuer's executive compensation program comprises three elements: base salary, bonus incentives and equity participation. The compensation program is designed to pay for performance. Employees, including senior executives, are rewarded for the achievement of annual operating and financial goals, progress in executing the Issuer's long-term growth strategy and delivering strong total shareholder return performance.

The Issuer reviews industry compensation information and compares its level of overall compensation with those of comparable sized infrastructure development and construction companies. Generally, the Issuer targets base management fees at levels approximating those holding similar positions in comparably sized companies in the industry and hopes to achieve competitive compensation levels through the fixed and variable components.

The Issuer's total compensation mix places a significant portion of the executive's compensation at risk and relies heavily on the award of stock options. The design takes into account individual and corporate performance. Compensation practices, including the mix of base management fees, short-term incentives and long-term incentives, are regularly assessed to ensure they are competitive, take account of the external market trends and support the Issuer's long-term growth strategies. Due to the early stage of the Issuer's development programs, the flexibility to quickly increase or decrease appropriate human resources is critical. Accordingly, the Issuer does not enter into long-term commitments with its officers.

The board of directors of the Issuer (the "Board") has not conducted a formal evaluation of the implications of the risks associated with the Issuer's compensation policies. Risk management is a consideration of the Board when implementing its compensation policies and the Board does not believe that the Issuer's compensation policies result in unnecessary or inappropriate risk-taking including risks that are likely to have a material adverse effect on the Issuer.

#### *Role of the Compensation Committee*

The Compensation Committee was established on July 9, 2012 by the Board to assist in fulfilling the Board's responsibilities relating to compensation issues and to establish a plan of continuity for executive officers. The Compensation Committee ensures that the Issuer has an executive compensation plan that is both motivational and competitive so that it will attract, hold and inspire performance by executive officers of a quality and nature that will enhance the sustainable profitability and growth of the Issuer.

The Compensation Committee reviews and recommends the compensation philosophy and guidelines for the Issuer which include reviewing compensation for executive officers for recommendation to the Board.

The Compensation Committee reviews, on an annual basis, the cash compensation, performance and overall compensation package for each executive officer. It then submits its

recommendations to the Board with respect to the basic salary, bonus and participation in share compensation arrangements for each executive officer.

In making its recommendations in fiscal 2017, the Compensation Committee was satisfied that all recommendations complied with the Compensation Committee's philosophy and guidelines.

*Composition of the Compensation Committee*

As of December 31, 2017, the Compensation Committee was comprised of three of the Issuer's five Directors: James Passin, Donald Padgett, and Erin Chutter. After the Meeting, the Board will be appointing new members to the Compensation Committee. In making these appointments, the Board will consider those individuals who are well-qualified to serve on the Compensation Committee given the expertise they have accrued in their business careers.

**Director and NEO Compensation, Excluding Compensation Securities**

The following table sets forth all annual and long-term compensation for services paid to or earned by the NEOs and the directors for the three fiscal years ended December 31, 2017, 2016 and 2015.

<b>Table of compensation excluding compensation securities</b>							
<b>Name and position</b>	<b>Year</b>	<b>Salary, consulting fee, retainer or commission (\$USD)</b>	<b>Bonus (\$USD)</b>	<b>Committee or meeting fees<sup>1)</sup> (\$USD)</b>	<b>Value of perquisites (\$USD)</b>	<b>Value of all other compensation (\$USD)</b>	<b>Total compensation (\$USD)</b>
Donald Padgett <sup>(1)</sup> CEO, Director	2017	60,000	Nil	Nil	Nil	Nil	60,000
	2016	60,000	Nil	Nil	Nil	Nil	60,000
	2015	58,178	Nil	Nil	Nil	Nil	58,178
Alan Tam <sup>(2)</sup> Current CFO (August 2017 onward)	2017	21,642	Nil	Nil	Nil	Nil	21,642
Sabino Di Paola <sup>(2)</sup> Former CFO (Up to February 2017)	2017	2,644	Nil	Nil	Nil	Nil	2,644
	2016	27,185	Nil	Nil	Nil	Nil	27,185
	2015	43,340	Nil	Nil	Nil	Nil	43,340
Erin Chutter <sup>(3)</sup> Former COO, Director	2017	Nil	Nil	Nil	Nil	Nil	Nil
	2016	36,181	Nil	Nil	Nil	Nil	36,181
	2015	23,969	Nil	Nil	Nil	Nil	23,969
James Passin <sup>(4)</sup> Director	2017	Nil	Nil	Nil	Nil	Nil	Nil
	2016	Nil	Nil	Nil	Nil	Nil	Nil
	2015	Nil	Nil	Nil	Nil	Nil	Nil
Orgilmaa Siizkhuu <sup>(5)</sup> Former Director	2017	Nil	Nil	Nil	Nil	Nil	Nil
	2016	Nil	Nil	Nil	Nil	Nil	Nil
	2015	Nil	Nil	Nil	Nil	Nil	Nil
Kenneth Farrell <sup>(6)</sup> Former Director	2017	Nil	Nil	Nil	Nil	Nil	Nil
	2016	Nil	Nil	Nil	Nil	Nil	Nil
	2015	Nil	Nil	Nil	Nil	Nil	Nil

Anthony Milewski <sup>(7)</sup> Former Director	2017	N/A	N/A	N/A	N/A	N/A	N/A
	2016	N/A	N/A	N/A	N/A	N/A	N/A
	2015	Nil	Nil	Nil	Nil	Nil	Nil
Larry Van Hatten <sup>(8)</sup> Former Director	2017	N/A	N/A	N/A	N/A	N/A	N/A
	2016	N/A	N/A	N/A	N/A	N/A	N/A
	2015	Nil	Nil	Nil	Nil	Nil	Nil

- (1) Mr. Padgett was appointed as CEO and director on November 14, 2011. As at December 31, 2017, \$94,812 (\$54,559 – 2016) payables or accruals were due to Mr. Padgett. Mr. Padgett is being paid in US\$.
- (2) Mr. Alan Tam was appointed CFO of the Issuer on August 2, 2017. Mr. Di Paola was appointed as CFO on November 14, 2011. Mr. Di Paola resigned as CFO on February 28, 2017.
- (3) Ms. Chutter was appointed as COO on May 2, 2016 and as a director on April 5, 2015. As at December 31, 2017, \$9,066 (\$26,675 – 2016) in payable was due to Ms. Chutter.
- (4) Mr. Passin was appointed as a director on November 14, 2011.
- (5) Ms. Siizkhuu was appointed as a director on November 14, 2011.
- (6) Mr. Farrell was appointed as a director on March 20, 2012.
- (7) Mr. Milewski was appointed as a director on January 1, 2014 and resigned as a director on December 11, 2015.
- (8) Mr. Van Hatten was appointed as a director on November 14, 2011 and resigned as a director on April 4, 2015.

### Stock Options and Other Compensation Securities

The following table discloses all compensation securities granted or issued to each NEO and director by the Issuer in the financial year ended December 31, 2017 for services provided or to be provided, directly or indirectly, to the Issuer:

Compensation Securities							
Name and Position	Type of compensation security	Number of compensation securities, number of underlying securities, & percentage of class <sup>(1)</sup>	Date of issue or grant	Issue, conversion or exercise price (\$)	Closing price of security or underlying security on date of grant (\$)	Closing price of security or underlying security at year end (\$)	Expiry Date
Donald Padgett <sup>(2)</sup> CEO, Director	Stock Options	Nil	N/A	N/A	N/A	N/A	N/A
Alan Tam <sup>(10)</sup> Current CFO	Stock Options	Nil	N/A	N/A	N/A	N/A	N/A
Sabino Di Paola <sup>(3)</sup> Former CFO	Stock Options	Nil	N/A	N/A	N/A	N/A	N/A
Erin Chutter <sup>(4)</sup> Former COO,	Stock Options	Nil	N/A	N/A	N/A	N/A	N/A



Director							
James Passin <sup>(5)</sup> Director	Stock Options	Nil	N/A	N/A	N/A	N/A	N/A
Orgilmaa Siizkhuu <sup>(6)</sup> Former Director	Stock Options	Nil	N/A	N/A	N/A	N/A	N/A
Kenneth Farrell <sup>(7)</sup> Former Director	Stock Options	Nil	N/A	N/A	N/A	N/A	N/A
Anthony Milewski <sup>(8)</sup> Former Director	Stock Options	Nil	N/A	N/A	N/A	N/A	N/A
Larry Van Hatten <sup>(9)</sup> Former Director	Stock Options	Nil	N/A	N/A	N/A	N/A	N/A

- (1) All stock options are fully vested. One common share is issuable on the exercise of each stock option.
- (2) On December 31, 2016, Mr. Padgett held stock options exercisable as follows: 250,000 exercisable at \$0.25 until January 8, 2019 and 50,000 exercisable at \$0.20 until December 3, 2020.
- (3) On December 31, 2017, Mr. Di Paola held 150,000 stock options exercisable at \$0.25 until January 8, 2019.
- (4) On December 31, 2017, Ms. Chutter held 300,000 stock options exercisable at \$0.20. until December 3, 2020.
- (5) On December 31, 2017, Mr. Passin held 250,000 stock options exercisable at \$0.25 until January 8, 2019.
- (6) On December 31, 2017, Ms. Siizkhuu held no stock options.
- (7) On December 31, 2017, Mr. Farrell held 350,000 stock options exercisable at \$0.25 until January 8, 2019.
- (8) On December 31, 2017, Mr. Milewski held no stock options.
- (9) On December 31, 2017, Mr. Van Hatten held no stock options.
- (10) On December 31, 2017, Mr. Tam held no stock options.

### **Exercise of Compensation Securities by Directors and NEOs**

No director or NEO exercised any compensation securities, being solely comprised of stock options, during the year ended December 31, 2017.

### **Stock Option Plan and Other Incentive Plans**

As at the end of the most recently completed fiscal year ended December 31, 2017, there were 2,500,000 options outstanding. Based on the Issuer having an outstanding share capital of 65,302,351 Common Shares issued and outstanding, an additional 4,030,235 options could be granted under the Plan.

The Issuer has no other plan providing for the grant of stock appreciation rights, deferred share units or restricted stock units or any other incentive plan or portion of a plan under which awards are granted.

### **Employment, Consulting and Management Agreements**

During the most recently completed financial year, the significant terms of the employment

agreement or arrangement for each NEO is as follows:

- Mr. Padgett has a consulting contract with the Issuer that provides for monthly compensation of USD\$4,000 a month for management fees as well as a salary of CND \$1,000 a month for performing services as the CEO. On September 30, 2015, Mr. Padgett's monthly salary was terminated and his consulting fees were increased to US\$5,000 per month.
- Mr. Tam does not have a compensation arrangement with the Issuer but invoices the Issuer on a monthly basis for management and CFO services performed.
- Ms. Chutter did not have any compensation arrangement with the Issuer. She was paid CAD\$4,000 on a month by month basis for consulting services. Ms. Chutter will not be seeking re-election as a director at the Meeting.
- Mr. Passin did not have any compensation arrangement with the Issuer.
- Ms. Siizkhuu did not have any compensation arrangement with the Issuer.
- Mr. Farrell did not have any compensation arrangement with the Issuer.
- Mr. Milewski did not have any compensation arrangement with the Issuer.
- Mr. Van Hatten did not have any compensation arrangement with the Issuer.

### **Pension Plan Benefits**

The Issuer has no pension, defined benefit or defined contribution plans in place.

## **16. INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

No director or officer of the Issuer or person who acted in such capacity in the last financial year of the Issuer, or proposed director or officer of the Issuer, or any Associate of any such director or officer is, or has been, at any time since the beginning of the most recently completed financial year of the Issuer, indebted to the Issuer nor is any indebtedness of any such person to another entity the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Issuer.

Loan agreements were entered into during the fiscal period ended June 30, 2017, when the Company accepted US\$81,785 in loan funding, of which, USD\$74,350 were loans from Mr. James Passin, a Director.

As at September 30, 2017, USD\$120,282.57 in loans was provided by Mr. James Passin, who beneficially owns, directly or indirectly, or exercises control or direction over, 32,169,605 common shares of the Issuer, representing approximately 49.26% of the issued and outstanding common shares.

The Issuer intends to convert all outstanding loans (USD\$366,679.12 in principal amount as at September 30, 2017) into Common Shares at a price of \$0.10 per share on a post-consolidated basis.

As at September 30, 2017, \$94,812 in management fee payables and accruals were due to Don Padgett, the Chief Executive Officer and Director.

As at September 30, 2017, \$9,066 in consulting and advisory fee payables were due to Erin Chutter, a Director.

## **17. RISK FACTORS**

Prior to making any investment decision regarding the Issuer, investors should carefully consider, among other things, the risk factors set forth below.

While this Listing Statement has described the risks and uncertainties that management of the Issuer believe to be material to the Issuer's business, it is possible that other risks and uncertainties affecting the Issuer's business will arise or become material in the future.

If the Issuer is unable to address these and other potential risks and uncertainties, its business, financial condition or results of operations could be materially and adversely affected. In this event, the value of the Common Shares could decline and an investor could lose all or part of their investment.

The following is a description of the principal risk factors that will affect the Issuer:

### **17.1 Risks Related to the Issuer's Business**

#### ***Low Barriers to Entry***

There is high potential that the Issuer will face competition from other companies, some of which can be expected to have longer operating histories and more financial resources and marketing experience than the Issuer. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Issuer.

The market for blockchain technology solutions and data analytics is evolving and while competition is low, the Issuer expects competition to increase in the future. The Issuer currently or potentially competes with other companies. Some of the Issuer's current competitors whom offer similar services are:

- Elliptic Enterprises Limited, a United Kingdom fintech startup providing data and analytics services to financial institutions and law enforcement agencies.
- Chainalysis Inc., a United States fintech startup providing anti-money laundering software for bitcoin.

There is no guarantee that any factors that differentiate the Issuer from its competitors will give the Issuer a market advantage or continue to be a differentiating factor for the Issuer in the foreseeable future.

Competitive pressures created by any one of the above-mentioned companies, or by the Issuer's competitors collectively, could have a material adverse effect on its business, results of operations and financial condition.

#### ***Early Market Development Stage***

The Issuer is currently in an early development stage and its growth and success is heavily dependent upon the Issuer's ability to develop a market for its products. The existence of a market for products like BCX Index, Developer Interest Index, and AML Index is wholly dependent upon the Issuer's efforts to create and establish such market.

The Issuer has currently developed and targeted its products for, and substantially all of the Issuer's revenues for the foreseeable future will be derived from, its current identified market, being Law Enforcement, Banking, Fintech and Regulatory sectors. Should this market cease to exist, fail to grow or grow more slowly than anticipated, or become saturated with competitors, the Issuer's business, financial condition and results of operations could be adversely affected.

### ***Failure to Innovate***

The Issuer's success depends upon its ability to design, develop, test, market, license and support new software products and enhancements of current products on a timely basis in response to both competitive threats and marketplace demands. In addition, software products and enhancements must remain compatible with the other software products and systems used by its customers. Often, the Issuer must integrate software licensed or acquired from third parties with its proprietary software to create or improve its products. If the Issuer is unable to successfully integrate third party software to develop new software products and enhancements to existing products, or to complete products currently under development, its operating results will materially suffer. In addition, if the integrated or new products or enhancements do not achieve acceptance by the marketplace, the Issuer's operating results will materially suffer. Also, if new industry standards emerge that the Issuer does not anticipate or adapt to, its software products could be rendered obsolete and, as a result, its business and operating results, as well as its ability to compete in the marketplace, would be materially harmed

### ***Competition***

The Issuer is engaged in an industry that is highly competitive. Because its industry is evolving and characterized by technological change, it is difficult for the Issuer to predict whether, when and by whom new competing technologies may be introduced or when new competitors may enter the market. The Issuer faces increased competition from companies with strong positions in certain markets the Issuer intends to serve and in new markets and regions it may enter. Many of the Issuer's competitors have significantly greater financial and other resources than the Issuer currently possesses and may spend significant amounts of resources to gain market share. The Issuer cannot assure investors that it will be able to compete effectively against current and future competitors. In addition, increased competition or other competitive pressures may result in price reductions, reduced margins or loss of market share, any of which could have a material adverse effect on the Issuer's business, financial condition or results of operations. Competitors may be able to respond to new or emerging technologies and changes in customer requirements more effectively than the Issuer can, or devote greater resources to the development, promotion and sale of products than the Issuer can. Current and potential competitors may establish cooperative relationships among themselves or with third parties, including through mergers or acquisitions, to increase the ability of their products to address the needs of the Issuer's prospective customers. If these competitors were to acquire significantly increased market share, it could have a material adverse effect on the Issuer's business, financial condition or results of operations. The Issuer's competitors may also establish or strengthen co-operative relationships with systems integrators, third party consulting firms or other parties with whom the Issuer has relationships, thereby limiting its ability to promote its products.

### ***Failure to Protect its Intellectual Property***

Failure to protect the Issuer's intellectual property could harm its ability to compete effectively. The Issuer is highly dependent on its ability to protect its proprietary technology. The Issuer

intends to rely on a combination of copyright, trademark and trade secret laws, as well as non-disclosure agreements and other contractual provisions to establish and maintain its proprietary rights. The Issuer intends to protect its rights vigorously. However, there can be no assurance that these measures will, in all cases, be successful. Enforcement of the Issuer's intellectual property rights may be difficult, particularly in some nations outside of North America in which the Issuer may seek to market its products. While U.S. and Canadian copyright laws, international conventions and international treaties may provide meaningful protection against unauthorized duplication of software, the laws of some foreign jurisdictions may not protect proprietary rights to the same extent as the laws of Canada or of the United States. The absence of internationally harmonized intellectual property laws makes it more difficult to ensure consistent protection of the Issuer's proprietary rights. Software piracy has been, and is expected to be, a persistent problem for the software industry, and piracy of the Issuer's products represents a loss of revenue to the Issuer. Despite the precautions the Issuer may take, unauthorized third parties, including its competitors, may be able to: (i) copy certain portions of its products; or (ii) reverse engineer or obtain and use information that the Issuer regards as proprietary. Also, the Issuer's competitors could independently develop technologies that are perceived to be substantially equivalent or superior to the Issuer's technologies. The Issuer's competitive position may be materially adversely affected by its possible inability to effectively protect its intellectual property.

### ***Intellectual Property Infringement***

Other companies may claim that the Issuer has infringed their intellectual property, which could materially increase costs and materially harm the Issuer's ability to generate future revenue and profits. Claims of infringement are becoming increasingly common as the software industry develops and as related legal protections, including patents are applied to software products. Although the Issuer does not believe that its products infringe on the rights of third parties, third parties may assert infringement claims against the Issuer in the future. Although most of the Issuer's technology is proprietary in nature, the Issuer does include significant amounts of third party software in its products. In these cases, this software is licensed from the entity holding the intellectual property rights. Although the Issuer believes that it has secured proper licenses for all third-party software that is integrated into its products, third parties may assert infringement claims against the Issuer in the future. Any such assertion may result in litigation or may require the Issuer to obtain a license for the intellectual property rights of third parties. Such licenses may not be available, or they may not be available on reasonable terms. In addition, such litigation could be disruptive to the Issuer's ability to generate revenue or enter into new market opportunities and may result in significantly increased costs as a result of the Issuer's efforts to defend against those claims or its attempt to license the patents or rework its products to ensure they comply with judicial decisions. Any of the foregoing could have a significant adverse impact on the Issuer's business and operating results as well as its ability to generate future revenue and profits. The loss of licenses to use third-party software or the lack of support or enhancement of such software could materially adversely affect the Issuer's business. The Issuer could also be forced to do one or more of the following: (i) stop selling, incorporating or using its products that use the challenged intellectual property; (ii) obtain from the owner of the infringed intellectual property right a license to sell or use the relevant technology, which license may not be available on reasonable terms, or at all; (iii) redesign those products that use allegedly infringing technology which may be costly or time-consuming; or (iv) refund license fees and other amounts received, and make payments of additional amounts in damages or settlement payments, for allegedly infringing technology or products.

### ***Reliance on Third Party Software***

The Issuer currently depend upon third-party software products to develop its products. If in future such reliance existed and the software products were not available, the Issuer might experience delays or increased costs in the development of its products. The Issuer currently does not rely on software products that it licenses from third-parties. Should the Issuer in the future rely upon third-party software licenses that may not continue to be available to the Issuer, and the related software may not continue to be appropriately supported, maintained, or enhanced by the licensors, the loss by the Issuer of the license to use, or the inability by licensors to support, maintain, and enhance any of such software, could result in increased costs or in delays or reductions in product shipments until equivalent software is developed or licensed and integrated with internally developed software. Such increased costs or delays or reductions in product shipments could materially adversely affect its business. The loss of the Issuer's rights to use software licensed to it by third parties could increase its operating expenses by forcing the Issuer to seek alternative technology and materially adversely affect its ability to compete. In addition, the Issuer's web based software applications depend on the stability, functionality and scalability of the underlying infrastructure software including application servers, databases, java platform software and operating systems produced by IBM, Microsoft and others. If weaknesses in such infrastructure software exist, the Issuer may not be able to correct or compensate for such weaknesses. If the Issuer is unable to address weaknesses resulting from problems in the infrastructure software such that its products do not meet customer needs or expectations, its reputation, and consequently, its business may be significantly harmed.

### ***Regulatory Risks***

The activities of the Issuer will be subject to regulation by governmental authorities. Achievement of the Issuer's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Issuer cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Issuer.

### ***Use of Open Source Software***

The Issuer's software makes use of and incorporates open source software components. These components are developed by third parties over whom the Issuer has no control. There are no assurances that those components do not infringe upon the intellectual property rights of others. The Issuer could be exposed to infringement claims and liability in connection with the use of those open source software components, and the Issuer may be forced to replace those components with internally developed software or software obtained from another supplier, which may increase its expenses. The developers of open source software are usually under no obligation to maintain or update that software, and the Issuer may be forced to maintain or update such software itself or replace such software with internally developed software or software obtained from another supplier, which may increase its expenses. Making such replacements could also delay enhancements to its products. Certain open source software licenses provide that the licensed software may be freely used, modified and distributed to others provided that any modifications made to such software, including the source code to such modifications, are also made available under the same terms and conditions. As a result, any modifications the Issuer makes to such software will be available to all downstream users of the software, including its competitors. In addition, certain open source licenses provide that if the Issuer wishes to combine

the licensed software, in whole or in part, with its proprietary software, and distribute copies of the resulting combined work, the Issuer may only do so if such copies are distributed under the same terms and conditions as the open source software component of the work was licensed to the Issuer, including the requirement to make the source code to the entire work available to recipients of such copies. The types of combinations of open source software and proprietary code that are covered by the requirement to release the source code to the entire combined work are uncertain and much debated by users of open source software. An incorrect determination as to whether a combination is governed by such provisions will result in non-compliance with the terms of the open source license. Such non-compliance could result in the termination of the Issuer's license to use, modify and distribute copies of the affected open source software and the Issuer may be forced to replace such open source software with internally developed software or software obtained from another supplier, which may increase its expenses. In addition to terminating the affected open source license, the licensor of such open source software may seek to have a court order that the proprietary software that was combined with the open source software be made available to others, including its competitors, under the terms and conditions of the applicable open source license.

### ***Lack of Operating History***

The Issuer has only recently started to carry on its business. The Issuer is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. The failure by the Issuer to meet any of these conditions could have a materially adverse effect on the Issuer and may force it to reduce, curtail, or discontinue operations. There is no assurance that the Issuer will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations. The Issuer may not successfully address all of the risks and uncertainties or successfully implement its existing and new products and services. If the Issuer fails to do so, it could materially harm its business and impair the value of its common stock, resulting in a loss to shareholders. Even if the Issuer accomplishes these objectives, the Issuer may not generate the anticipated positive cash flows or profits. No assurance can be given that the Issuer can or will ever be successful in its operations and operate profitably.

### ***Growth and Consolidation in the Industry***

Acquisitions or other consolidating transactions could have adverse effects on the Issuer. The Issuer could lose strategic relationships if its partners are acquired by or enter into agreements with a competitor, causing the Issuer to lose access to distribution, content and other resources. The relationships between the Issuer and its strategic partners may deteriorate and cause an adverse effect on the business. The Issuer could lose customers if competitors or user of competing technology consolidate with the Issuer's current or potential customers. Furthermore, the Issuer's current competitors could become larger players in the market or new competitors could form from consolidations. Any of the foregoing events could put the Issuer at a competitive disadvantage, which could cause the Issuer to lose customers, revenue, and market share. Consolidation in the industry could also force the Issuer to divert greater resources to meet new or additional competitive threats, which could harm the Issuer's operating results.

### ***Intellectual Property Risks***

The Issuer's ability to compete largely depends on the superiority, uniqueness, and value of its intellectual property and technology, including both internally-developed technology and the

ability to acquire patent protection and/or trademark protection. To protect its proprietary rights, the Issuer will rely on a combination of trademark, copyright, and trade secret laws, trademark and patent applications, confidentiality agreements with its employees and third parties, and protective contractual provisions. Despite these efforts, certain risks may reduce the value of the Issuer's intellectual property. The Issuer's applications for trademarks and copyrights relating to its business may not be granted, and if granted, may be challenged or invalidated. There is no guarantee that issued trademarks and registered copyrights will provide the Issuer with any competitive advantages. The Issuer's efforts to protect its intellectual property rights may not be effective in preventing misappropriation of its technology and may not prevent the development and design by others of products or technology similar to, competitive with, or superior to those the Issuer develops. There is a risk that another party may obtain a blocking patent and the Issuer would need to either obtain a license or design around the patent in order to continue to offer the contested feature or service in its products.

### **Disruption of its Information Technology Systems**

The Issuer relies on information technology in virtually all aspects of our business. A significant disruption or failure of our information technology systems could result in service interruptions, safety failures, security violations, regulatory compliance failures, and inability to protect information and assets against intruders, and other operational difficulties. Attacks perpetrated against its information systems could result in loss of assets and critical information and exposes us to remediation costs and reputational damage. Although the Issuer has taken steps intended to mitigate these risks, including business continuity planning, disaster recovery planning and business impact analysis, a significant disruption or cyber intrusion could lead to misappropriation of assets or data corruption and could adversely affect its results of operations, financial condition and liquidity. Additionally, if the Issuer is unable to acquire or implement new technology, it may suffer a competitive disadvantage, which could also have an adverse effect on its results of operations, financial condition and liquidity. Cyber-attacks could further adversely affect the Issuer's ability to operate facilities, information technology and business systems, or compromise confidential customer and employee information. Political, economic, social or financial market instability or damage to or interference with its operation assets, or its customers or suppliers may result in business interruptions, lost revenue, higher commodity prices, disruption in fuel supplies, lower energy consumption, unstable markets, increased security and repair or other costs, any of which may materially affect its consolidated financial results. Furthermore, instability in the financial markets as a result of terrorism, sustained or significant cyber-attacks, or war could also materially adversely affect the Issuer's ability to raise capital.

### ***Market for Securities and Volatility of Share Price***

There can be no assurance that an active trading market in the Issuer's securities will be established or sustained. The market price for the Issuer's securities could be subject to wide fluctuations. Factors such as announcements of quarterly variations in operating results and acquisition or disposition of properties, as well as market conditions in the industry, may have a significant adverse impact on the market price of the securities of the Issuer. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies.

### ***Payment of Dividends Unlikely***

There is no assurance that the Issuer will pay dividends on its shares in the near future or ever. The Issuer will likely require all its funds to further the development of its business.



### ***Management of Growth***

Any expansion of the Issuer's business may place a significant strain on its financial, operational and managerial resources. There can be no assurance that the Issuer will be able to implement and subsequently improve its operations and financial systems successfully and in a timely manner in order to manage any growth it experiences. There can be no assurance that the Issuer will be able to manage growth successfully. Any ability of the Issuer to manage growth successfully could have a material adverse effect on the Issuer's business, financial condition and results of operations.

### ***Reliance on Key Personnel and Consultants***

There can be no assurance that any of the Issuer's officers, directors, employees and consultants will remain with the Issuer or that, in the future, they will not organize competitive businesses or accept opportunities with companies competitive with the Issuer. The Issuer will depend on a number of key officers and directors the loss of any one of whom could have an adverse effect on the Issuer.

### ***Shareholders' Interest may be Diluted in the Future***

The Issuer will require additional funds for its planned activities. If the Issuer raises additional funding by issuing equity securities, which is highly likely, such financing could substantially dilute the interests of the Issuer's shareholders. Sales of substantial amounts of shares, or the availability of securities for sale, could adversely affect the prevailing market prices for the Issuer's shares. A decline in the market prices of the Issuer's shares could impair the ability of the Issuer to raise additional capital through the sale of new common shares should the Issuer desire to do so.

### ***Conflicts of Interest***

Certain of the proposed directors and officers of the Issuer are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Issuer and as officers and directors of such other companies.

### ***Litigation***

The Issuer may be forced to litigate, enforce, or defend its intellectual property rights, protect its trade secrets, or determine the validity and scope of other parties' proprietary rights. Such litigation would be a drain on the financial and management resources of the Issuer which may affect the operations and business of the Issuer. Furthermore, because the content of most of the Issuer's intellectual property concerns cryptocurrency and other activities where legal status has not been established or is in flux in some state jurisdictions, the Issuer may face additional difficulties in defending its intellectual property rights. The Issuer may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Issuer becomes involved be determined against the Issuer such a decision could adversely affect the Issuer's ability to continue operating and the market price for Issuer Shares and could use significant resources. Even if the Issuer is involved in litigation and wins, litigation can redirect significant company resources.

## **18. PROMOTERS**

To the knowledge of the management of the Issuer, as of the date hereof, no professional person or any Associate or Affiliate of such person has any beneficial interest, direct or indirect, in the securities of the Issuer or of an Associate or Affiliate of any of them, and, except as disclosed herein, no professional is expected to be elected, appointed or employed as a director, senior officer or employee of the Issuer or of an Associate or Affiliate of any of them, or as a promoter of any such entity or an Associate or Affiliate of any such entity.

## **19. LEGAL PROCEEDINGS**

There are no legal proceedings to which the Issuer is, or has been, a party or of which any of its property is, or has been, the subject matter. Additionally, to the reasonable knowledge of the management of the Issuer, there are no such proceedings contemplated.

## **20. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Except as described herein, to the knowledge of the Issuer's management, no director or officer, insider, nor any of their respective associates, affiliates or member of their group have any interest in any material transaction of the Issuer since its incorporation.

## **21. AUDITORS, TRANSFER AGENTS AND REGISTRARS**

### **21.1 Auditors**

The auditors of the Issuer are Dale Matheson Carr-Hilton LaBonte LLP, Chartered Professional Accountants (the "**Auditors**") located at Suite 1500 – 1140 West Pender Street, Vancouver, British Columbia V6E 4G1.

### **21.2 Transfer Agent and Registrar**

The transfer agent and registrar for the Issuer is Computershare Limited, located at 1500 Robert-Bourassa Boulevard, Montreal, Quebec, H3A 3S8.

## **22. MATERIAL CONTRACTS**

Except for contracts entered into by the Issuer in the ordinary course of business, the only material contracts entered into by the Issuer in the previous two years is the following:

- a) Cash Management Services Selection Agreement between the Bank of Montreal and the Issuer dated December 12, 2017.
- b) Consulting Agreement between Leede Jones Gable Inc. and the Issuer dated November 13, 2017
- c) Mutual Confidentiality and Non-Disclosure Agreement between VOIT Ltd. and the Issuer dated October 18, 2017.
- d) Loan Agreement between Ronald Guttman and the Issuer dated December 12, 2017.
- e) Loan Agreement between Kim Iskyan and the Issuer dated November 14, 2017.

- f) Loan Agreement between Estelle Bober Trust and the Issuer dated October 20, 2017.
- g) Loan Agreement between Gordon Holmes and the Issuer dated October 2, 2017.
- h) Loan Amendment Agreement between James Passin and the Issuer dated October 1, 2017.
- i) Loan Agreement between Drawone PTY Ltd. and the Issuer dated September 14, 2017.
- j) Loan Agreement between Jeremy Gardner and the Issuer dated September 14, 2017.
- k) Loan Agreement between the DiCapo Family Trust and the Issuer dated September 14, 2017.
- l) Loan Agreement between Peregrine Corporate Limited and the Issuer dated August 24, 2017.
- m) Loan Agreement between Robert Bregani and the Issuer dated August 16, 2017.
- n) Loan Agreement between Wayne Shaw and the Issuer dated August 4, 2017.
- o) Loan Agreement between Myanganbayar Batsukh and the Issuer dated August 4, 2017.
- p) Loan Agreement between Wayne Lloyd and the Issuer dated August 4, 2017.
- q) Loan Agreement between Emma Lloyd and the Issuer dated August 4, 2017.
- r) Loan Agreement between Howard Lindzon and the Issuer dated August 4, 2017.
- s) Loan Agreement between Andrew Clover and the Issuer dated June 30, 2017.
- t) Loan Agreement between James Passin and the Issuer dated June 30, 2017.

### **23. INTEREST OF EXPERTS**

The Auditors audited the Issuer's Financial Statements and are independent within the meaning of the CPA Code of Professional Conduct of British Columbia. Based on information provided by the Auditors, the Auditors have not received nor will receive the direct or indirect interests in the property of the Issuer. The Auditors nor any of the directors, officers, employees and partners thereof, beneficially own, directly or indirectly, any securities of the Issuer or its associates and affiliates.

### **24. OTHER MATERIAL FACTS**

The Issuer is not aware of any other material facts relating to the Issuer or to the Transaction that are not disclosed under the preceding items and are necessary in order for this Listing Statement to contain full, true and plain disclosure of all material facts relating to the Issuer, assuming completion of the Transaction, other than those set forth herein.

## **25. FINANCIAL STATEMENTS**

### **25.1 Financial Statements**

A copy of the financial statements of the Issuer for the year ended December 31, 2016 and accompanying MD&A are attached as Schedule “A” and the interim financial statements for the nine-month period ended September 30, 2017, along with the accompanying MD&A, are attached as Schedule “B” to this Listing Statement.

The first certificate below must be signed by the CEO, CFO, any person or company who is a promoter of the Issuer and two directors of the Issuer. In the case of an Issuer re-qualifying following a fundamental change, the second certificate must also be signed by the CEO, CFO, any person or company who is a promoter of the target and two directors of the target.

#### CERTIFICATE OF THE ISSUER

Pursuant to a resolution duly passed by its Board of Directors, (full legal name of the Issuer), hereby applies for the listing of the above mentioned securities on CNSX. The foregoing contains full, true and plain disclosure of all material information relating to (full legal name of the Issuer). It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at \_\_\_\_\_

This        day of February, 2018.

\_\_\_\_\_  
Donald Padgett, Chief Executive Officer &  
Director

\_\_\_\_\_  
Alan Tam, Chief Financial Officer

\_\_\_\_\_  
James Passin, Director

**Schedule A**

*See attached*

Consolidated Financial Statements  
[Expressed in United States dollars]

**Khot Infrastructure Holdings, Ltd.**

For the years ended December 31, 2016 and 2015



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Khot Infrastructure Holdings, Ltd.

We have audited the accompanying consolidated financial statements of Khot Infrastructure Holdings, Ltd., which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Khot Infrastructure Holdings, Ltd. as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Khot Infrastructure Holdings, Ltd.'s ability to continue as a going concern.

### Other Matter

The consolidated financial statements of Khot Infrastructure Holdings, Ltd. for the year ended December 31, 2015 were audited by another auditor who expressed an unmodified opinion on those statements on April 27, 2016.

*DMCL*

DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada  
July 28, 2017



**Khot Infrastructure Holdings, Ltd.**  
**Consolidated Statements of Financial Position**

(expressed in United States dollars)

	Notes	As at December 31, 2016	As at December 31, 2015
<b>Assets</b>			
Current assets:			
Cash	5	\$ 12,780	\$ 119,445
Accounts receivable	6	-	284,231
Prepayment		7,784	13,324
<b>Total current assets</b>		<b>20,564</b>	<b>417,000</b>
Non-current assets			
Property, plant and equipment	7	-	14,171
Long term receivable	6	-	43,464
Investments	8	11,351	11,411
<b>Total non-current assets</b>		<b>11,351</b>	<b>69,046</b>
<b>Total assets</b>		<b>\$ 31,915</b>	<b>\$ 486,046</b>
<b>Liabilities and shareholders' equity</b>			
Current liabilities:			
Accounts payable and accrued liabilities	9	\$ 428,416	\$ 177,310
Loan and interest payable		16,397	19,861
Warrants liability	11	-	16,763
Road repair provisions	10	293,474	320,633
<b>Total current liabilities</b>		<b>738,287</b>	<b>534,567</b>
<b>Shareholders' equity (deficiency)</b>			
Share capital	11	8,049,254	8,005,895
Other reserves		1,230,289	1,289,453
Deficit		(9,630,283)	(9,132,211)
		(350,740)	163,137
Non Controlling Interests		(355,632)	(211,658)
<b>Total shareholders' deficiency</b>		<b>(706,372)</b>	<b>(48,521)</b>
<b>Total liabilities and shareholders' equity (deficiency)</b>		<b>\$ 31,915</b>	<b>\$ 486,046</b>
Events after the reporting date	19		

The notes to the consolidated financial statements are an integral part of these statements.

These consolidated financial statements were approved and authorized for issue by the Board of Directors on July 28, 2017, and are signed on its behalf by:

signed "James Passin"  
 \_\_\_\_\_  
 Director

signed "Don Padgett"  
 \_\_\_\_\_  
 Director

# Khot Infrastructure Holdings, Ltd.

## Consolidated Statements of Comprehensive Loss

(expressed in United States dollars)

	Notes	Year ended December 31, 2016	Year ended December 31, 2015
<b>Expenses</b>			
Management fees		\$ 123,366	\$ 101,518.00
Promotion & investor conference		31,578	61,611
Regulatory, exchange, AGM, press release and transfer agent fees		14,149	16,156
Professional fees		31,977	53,861
Finance costs		1,666	13,723
Stock bases compensation	11	-	110,860
Loss on sale of investments	8	-	114,092
Foreign exchange (gain) loss		(11,929)	7,047
Other expenses	12	111,174	213,686
		<u>301,981</u>	<u>692,554</u>
<b>Other income</b>			
Revaluation of warrants liability		33,852	-
Interest and other income		106,687	909
Impairment of cash		(19,807)	-
<b>Loss from continuing operations</b>		<u>(181,249)</u>	<u>(691,645)</u>
Discontinued operations	15	(441,075)	(477,424)
<b>Net Loss</b>		<u>(622,324)</u>	<u>(1,169,069)</u>
<b>Other comprehensive loss</b>			
Exchange difference on translating foreign operations		(78,886)	10,465
<b>Total comprehensive loss for the year</b>		<u>\$ (543,438)</u>	<u>\$ (1,179,534)</u>
Net loss attributed to:			
Equity holders of the parent		\$ (498,072)	\$ (1,047,469)
Non-controlling interests		(124,252)	(121,600)
		<u>\$ (622,324)</u>	<u>\$ (1,169,069)</u>
Total comprehensive loss attributed to:			
Equity holders of the parent		\$ (438,908)	\$ (1,055,318)
Non-controlling interests		(143,974)	(124,216)
		<u>\$ (543,438)</u>	<u>\$ (1,179,534)</u>
<b>Loss per common share:</b>			
Basic and diluted		<u>\$ (0.01)</u>	<u>\$ (0.02)</u>
Weighted average number of common shares outstanding:			
Basic and diluted		<u>65,112,336</u>	<u>64,354,664</u>

The notes to the consolidated financial statements are an integral part of these statements

**Khot Infrastructure Holdings, Ltd.**  
**Consolidated Statements of Changes in Shareholders' Equity (Deficiency)**

(expressed in United States dollars)

	Number of common shares	Share Capital	Reserves			Deficit	Attributable to Equity Holders of the		Total
			Foreign currency translation reserve	Warrants	Share based payment reserve		Parent	Non - Controlling Interest	
<b>Balance at December 31, 2014</b>	<b>64,351,484</b>	<b>\$ 7,983,250</b>	<b>\$ (95,821)</b>	<b>\$ -</b>	<b>\$ 1,212,949</b>	<b>\$ (8,025,888)</b>	<b>\$ 1,074,490</b>	<b>\$ (87,442)</b>	<b>\$ 987,048</b>
Liquidation of Novametal Resources Inc.	-	-	58,854	-	-	(58,854)	-	-	-
Units issued (Note 11)	387,000	41,912	-	-	-	-	41,912	-	41,912
Share issue costs (Note 11)	-	(19,267)	-	650	-	-	(18,617)	-	(18,617)
Issuance of stock options (Note 11)	-	-	-	-	120,670	-	120,670	-	120,670
Total comprehensive loss for the year	-	-	(7,849)	-	-	(1,047,469)	(1,055,318)	(124,216)	(1,179,534)
<b>Balance at December 31, 2015</b>	<b>64,738,484</b>	<b>\$ 8,005,895</b>	<b>\$ (44,816)</b>	<b>\$ 650</b>	<b>\$ 1,333,619</b>	<b>\$ (9,132,211)</b>	<b>\$ 163,137</b>	<b>\$ (211,658)</b>	<b>\$ (48,521)</b>
Units issued (Note 11)	563,867	43,359	-	-	-	-	43,359	-	43,359
Total comprehensive loss for the year	-	-	(59,164)	-	-	(498,072)	(557,236)	(143,974)	(701,210)
<b>Balance at December 31, 2016</b>	<b>65,302,351</b>	<b>\$ 8,049,254</b>	<b>\$ (103,980)</b>	<b>\$ 650</b>	<b>\$ 1,333,619</b>	<b>\$ (9,630,283)</b>	<b>\$ (350,740)</b>	<b>\$ (355,632)</b>	<b>\$ (706,372)</b>

The notes to the consolidated financial statements are an integral part of these statements.

**Khot Infrastructure Holdings, Ltd.**  
**Consolidated Statements of Cash Flows**

(expressed in United States dollars)

	Year ended December 31, 2016	Year ended December 31, 2015
<b>Cash flow from operating activities</b>		
Loss for the year	\$ (181,249)	\$ (691,645)
Adjustments to reconcile loss to net cash used in operating activities:		
Stock option expense	-	110,860
Non-cash promotion expenses	-	9,810
Change in provision	-	277,812
Loss on sale of investment	-	114,092
Other income	(106,687)	-
Revaluation of warrants liability	(33,852)	-
Unrealized foreign exchange	-	(1,195)
Depreciation	-	-
Change in non-cash working capital balances:		
Accounts receivable	-	-
Accounts payable and accrued liabilities	193,138	5,370
Prepayments	5,540	4,359
<b>Cash used in operating activities - continued operations</b>	<b>(123,110)</b>	<b>(170,537)</b>
<b>Cash used in operating activities - discontinued operations</b>	<b>(126,022)</b>	<b>(370,778)</b>
<b>Cash flows from investing activities</b>		
Purchase of equipment	-	(863)
<b>Total cash from investing activities</b>	<b>-</b>	<b>(863)</b>
<b>Cash flows from financing activities</b>		
Proceeds from sale of units	60,447	41,912
Unit issue costs	-	(1,906)
Repayment of loans	-	(435,654)
<b>Total cash from financing activities</b>	<b>60,447</b>	<b>(395,648)</b>
<b>Effect of foreign exchange on cash</b>	<b>82,020</b>	<b>(11,766)</b>
<b>Total decrease in cash during the year</b>	<b>(106,665)</b>	<b>(949,592)</b>
<b>Cash - Beginning of the year</b>	<b>119,445</b>	<b>1,069,037</b>
<b>Cash - End of the year</b>	<b>\$ 12,780</b>	<b>\$ 119,445</b>
<b>Cash interest payments made during the year</b>	<b>\$ -</b>	<b>\$ -</b>

The notes to the consolidated financial statements are an integral part of these statements.

## **Khot Infrastructure Holdings, Ltd.**

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2016 and 2015  
(Expressed in United States dollars)

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### **1. CORPORATE INFORMATION**

Khot Infrastructure Holdings, Ltd., (formerly Undur Tolgoi Minerals Inc.) [“KOT” or the “Company”] was incorporated on December 22, 2010 under the Business Corporations Act of British Columbia as a private company. KOT was engaged in the construction and maintenance of roads and bridges in Mongolia. Effective October 1, 2016, management decided it would discontinue its Mongolian operations and pursue other business ventures (note 15).

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 continues to be a reporting issuer with the Ontario Securities Commission and its shares trade on the Canadian Securities Exchange (“CSE”) under the symbol “KOT”.

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

KOT has a 100% interest in, Jucca Holdings Limited [“Jucca”], Wishland Properties Limited [“Wishland”], Great Hoard Holdings S. à r. l. [“GHH”]. During the year ended December 31, 2016, the Company abandoned its activities in Mongolia (note 15).

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### **2. BASIS OF PREPARATION**

#### **(a) Statement of compliance**

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by International Accounting Standards Board (“IASB”).

The preparation of the consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgements in applying the Company’s accounting policies. The areas involving higher degrees of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

These consolidated financial statements were authorized for issue by the Board of Directors on July 28, 2017.

#### **(b) Basis of measurement, functional currency and going concern**

These consolidated financial statements have been prepared on a historical cost basis, except for the available-for-sale financial instruments which are measured at fair value, and are expressed in United States dollars, which is the Company’s functional and presentation currency. The functional currency for each consolidated entity is determined by the currency of the primary economic environment in which it operates.

##### 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.

## **Khot Infrastructure Holdings, Ltd.**

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2016 and 2015  
(Expressed in United States dollars)

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### **2. BASIS OF PREPARATION (Continued)**

#### **(b) Basis of measurement, functional currency and going concern (continued)**

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 has had a history of losses and has accumulated a \$9,630,283 deficit as at December 31, 2016 and has a working capital deficiency of \$717,723, including \$12,780 in cash and cash equivalents.

The Company will require additional financing, through various means including but not limited to equity financing, to pursue business opportunities 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.

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### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2016 and 2015.

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company has all of the following:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

When the Company has less than a majority of the voting, or similar, rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Company's voting rights and potential voting rights

## **Khot Infrastructure Holdings, Ltd.**

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2016 and 2015  
(Expressed in United States dollars)

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### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(a) Basis of consolidation (continued)**

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies. All intracompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

The subsidiaries of the Company at December 31, 2016 and their principal activities are described below:

Name of subsidiary	Place of incorporation	Ownership interest	Principal activity
Jucca Holdings Limited	British Virgin Islands	100%	Holding Company
Wishland Properties Limited	British Virgin Islands	100%	Holding Company
Great Hoard Holdings S.a.r.l	Luxembourg	100%	Holding Company

During the year ended December 31, 2016, the Company discontinued its activities in Mongolia (note 15).

On January 30, 2015, the Company dissolved its wholly owned subsidiary Novametal Resources LLC, which resulted in a transfer of \$Nil (2014 - \$58,854) from the foreign currency reserve to the deficit in the consolidated statement of changes in equity.

On June 30, 2015, the Company liquidated its wholly owned subsidiary Natalya-1 S. à r. l.

#### **(b) Business combinations**

Business combinations are accounted for using the acquisition method. For each business combination at the acquisition date, the Company recognizes at fair value all of the identifiable assets acquired, the liabilities assumed, the non-controlling interest in the acquiree and the aggregate of the consideration transferred, including any contingent consideration to be transferred. When the fair value of the consideration transferred and the amount recognized for non-controlling interest exceeds the net amount of the identifiable assets acquired and the liabilities assumed measured at fair value (the "net identifiable assets"), the difference is treated as goodwill. After initial recognition, goodwill is measured at its initial cost from the acquisition date, less any accumulated impairment losses.

Goodwill is reviewed annually for impairment or when there is an indication of potential impairment. If the fair value of the Company's share of the net identifiable assets exceeds the fair value of the consideration transferred and non-controlling interest at the acquisition date, the difference is immediately recognized in comprehensive income (loss). If the business combination is achieved in stages, the acquisition date fair value of the previously held interest in the acquiree is re-measured to fair value as at the acquisition date through net income (loss). The Company does not currently have goodwill.

## **Khot Infrastructure Holdings, Ltd.**

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2016 and 2015  
(Expressed in United States dollars)

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### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(b) Business combinations (Continued)**

Acquisition costs are expensed as incurred in comprehensive income (loss). Costs associated with the issuance of equity are charged to the relevant account within equity.

#### **(c) Foreign currency translation**

The consolidated financial statements are presented in United States dollars. The Company during the course of the year has foreign operations in Luxembourg and had foreign operations in Mongolia until October 1, 2016.

The functional currencies of the Company and its subsidiaries are as follows:

<u>Company</u>	<u>Functional Currency</u>	
Khot Infrastructure Holding, Ltd.	United States Dollar	USD
Jucca Holdings Limited	United States Dollar	USD
Wishland Properties Limited	United States Dollar	USD
Great Hoard Holdings S.a.r.l	United States Dollar	USD
Ashid Munkhiin Zam International LLC	Mongolian Tugrik	MNT
Ashid Munkhiin Zam LLC	Mongolian Tugrik	MNT

Monetary assets and liabilities denominated in foreign currencies are translated to the spot rate of exchange at the reporting date. All differences are taken to the consolidated statement of comprehensive loss in the period in which they arise.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the date of the initial transaction. Non-monetary items measured at a revalued amount in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Exchange differences resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognized in profit or loss.

Foreign currency translation reserve is used to record exchange differences arising from the translation of foreign subsidiaries.



## **Khot Infrastructure Holdings, Ltd.**

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2016 and 2015  
(Expressed in United States dollars)

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### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(d) Financial instruments**

##### *i) Financial Assets*

###### Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale (AFS) financial assets, or derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets in a timeframe established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

###### Subsequent Measurement

The subsequent measurements of financial assets are classified into four categories:

- Loans and receivables;
- Financial assets at fair value through profit or loss;
- Held-to-maturity investments; and
- Available-for-sale financial assets

###### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash, accounts receivable, and long-term receivables fall into this category of financial instruments.

###### Financial assets at fair value through profit or loss ("FVTPL")

The Company has no financial assets in this category.

###### Held-to-maturity investments

The Company has no financial assets in this category.

###### Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Company has an investment in Mogul Ventures Inc, which falls into this category of financial instruments.

## **Khot Infrastructure Holdings, Ltd.**

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2016 and 2015  
(Expressed in United States dollars)

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### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(d) Financial instruments (continued)**

All available-for-sale financial assets are measured at fair value. Unrealized gains and losses are recognized in other comprehensive income / (loss), except for impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognized in other comprehensive income/(loss) is reclassified to profit or loss and presented as a reclassification adjustment within other comprehensive income/(loss). Interest calculated using the effective interest method and dividends are recognized in profit or loss within interest income.

Reversals of impairment losses are recognized in other comprehensive income/(loss).

#### Impairment of financial assets

Financial assets are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

For available-for-sale financial investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of marketable securities designated as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risk characteristics. The percentage of the write-down is then based on recent historical counterparty default rates for each identified group. Impairment of receivables is presented in profit or loss.

#### *ii) Financial Liabilities*

##### Initial Recognition and Measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss, other financial liabilities, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs.

## **Khot Infrastructure Holdings, Ltd.**

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2016 and 2015  
(Expressed in United States dollars)

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### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(d) Financial instruments (continued)**

The Company's financial liabilities include accounts payable, loan and interest payable and accrued liabilities and are classified as other financial liabilities subsequently measured at amortized cost. Financial liabilities classified as FVTPL include warrants with exercise prices denominated in a currency other than the Company's functional currency. Fair value changes on financial liabilities classified as FVTPL are recognized in the Statement of Comprehensive Loss. Transaction costs associated with FVTPL liabilities are expensed as incurred. Financial liabilities are measured subsequently at amortized cost using the effective interest method.

#### **(e) Property, plant and equipment**

Property, plant and equipment ("PPE") are carried at cost, less accumulated amortization and accumulated impairment losses.

The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Amortization is recognized based on the cost of an item of equipment, less its estimated residual value, over its estimated useful life at the following rates:

<u>Detail</u>	<u>Percentage</u>	<u>Method</u>
Furniture and fixtures	10 years	Straight line
Computers	3 years	Straight line

An asset's residual value, useful life and amortization method are reviewed, and adjusted if appropriate, on an annual basis.

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

#### **(f) Impairment of non-financial assets**

The Company assesses non-financial assets including property, plant & equipment for impairment when facts and circumstances suggest that the carrying amount of the asset may not exceed its recoverable amount, being the higher of the value in use and the fair value less costs of disposal. In assessing value in use, the estimated future cash flows associated with the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount with the impairment recognized immediately in comprehensive income (loss).

Where an impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, subject to the amount not exceeding the carrying amount that would have been determined had impairment not been recognized for the asset in prior periods. Any reversal of impairment is recognized immediately in comprehensive income (loss).

## **Khot Infrastructure Holdings, Ltd.**

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2016 and 2015  
(Expressed in United States dollars)

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### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(g) Cash and cash equivalents**

Cash and cash equivalents include cash in interest-bearing accounts with high credit quality financial institutions, and short-term, highly liquid investments with original maturity of three months or less when acquired.

#### **(h) Assets held for sale**

Non-current assets, or assets of a disposal group, are classified as held for sale if their carrying amount will be recovered principally through a sale transactions rather than through continuing use. This condition is met when assets are available for immediate sale in their present condition, subject only to terms that are usual and customary for sale of such assets, and their sale is highly probable. The Company must be committed to the sale, which should be expected to qualify as a complete sale within one year from the date of classification.

Assets classified as held for sale are measured at the lower of their carrying amounts and their fair value less costs to sell.

#### **(i) Provisions, contingent liabilities and contingent assets**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed — for example, under an insurance contract — the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as part of finance costs in profit or loss.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination. In a business combination, contingent liabilities are recognized in the course of the allocation of the purchase price to the assets and liabilities acquired in the business combination. They are subsequently measured at the higher amount of a comparable provision as described above and the amount initially recognized, less any amortization.

Possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets.

In the normal conduct of operations, the Company can become party to potential litigations, the outcome of which may not easily determinable. It is in management's opinion that there are no matters, which will materially affect the Company.

## **Khot Infrastructure Holdings, Ltd.**

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2016 and 2015  
(Expressed in United States dollars)

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### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(i) Provisions, contingent liabilities and contingent assets (continued)**

Any contingent liabilities will be recorded by management in the period in which management has been able to reasonably quantify the asset or liability and the amount of cash inflow or outflow resulting from the contingent asset or liabilities can be reasonably assured.

#### **(j) Share capital and reserves**

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

Share capital represents the nominal value of the shares issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefit.

Share based payment reserve is used to recognize the value of equity settled, share based payment transactions provided to employees including key management personnel, as part of their remuneration.

Foreign currency translation reserve is used to record exchange differences arising from the translation of foreign subsidiaries.

Accumulated deficit includes all current and prior period net income or losses.

#### **(k) Share-based payment transactions**

The Company operates an equity-settled share-based remuneration plan (stock option plan) for directors, officers, employees and certain consultants. The Company's plan does not feature any options for a cash settlement. Occasionally, the Company may issue warrants to brokers.

All goods and services received in exchange for the grant of any share-based payments are measured at the fair values of the goods and services received. If the fair value of the goods and services are not determinable, the share-based payments is valued based upon the share price on service date of which the goods or services are received. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment is made to any expense recognized in prior periods if share options ultimately exercised are different to that estimated on vesting. Share-based payment expense incorporates an expected forfeiture rate.

When the terms of an equity-settled award are modified, the minimum expense recognized is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

## **Khot Infrastructure Holdings, Ltd.**

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2016 and 2015  
(Expressed in United States dollars)

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### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(k) Share-based payment transactions (continued)**

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

All share-based payments under the plan are ultimately recognized as an expense in profit or loss with a corresponding credit to share-based payment reserve in equity over the period in which performance and/or service conditions are fulfilled. At the same time, upon exercise of a stock option, the proceeds received net of any directly attributable transaction costs are recorded as capital stock. The accumulated charges related to the share options recorded in share-based payment reserve are then transferred to share capital.

##### Options issued to key management and employees

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the expected term of the option.

##### Options issued to service providers

Options issued to service providers, are measured based on the fair value of the goods or services received, at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably, the options are measured by determining the fair value of the options granted, using a valuation model.

#### **(l) Income taxes**

Tax expense recognized in profit or loss comprises the sum of deferred and current tax not recognized in other comprehensive income or directly in equity.

##### Current income taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations where applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

## **Khot Infrastructure Holdings, Ltd.**

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2016 and 2015  
(Expressed in United States dollars)

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### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(1) Income taxes (Continued)**

##### Deferred income taxes

Deferred tax is provided using the balance sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences except:

- Where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination, and at the time of the transaction, that affects neither the accounting profit nor taxable profit (loss).
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled by the parent, and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred assets are recognized for all temporary differences, the carry forward of unused tax credits, any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred tax assets relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, and at the time of the transaction, that affects neither the accounting profit nor taxable profit (loss).
- In respect of taxable temporary differences associated with investments in subsidiaries, deferred tax assets are recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available, against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax relating to items recognized in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

## **Khot Infrastructure Holdings, Ltd.**

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### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(l) Income taxes (Continued)**

##### Sales tax

Revenues, expenses, assets and liabilities are recognized net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

#### **(m) Loss per common share**

Basic loss or earnings per common share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares issued and outstanding for the relevant period.

Diluted loss or earnings per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

#### **(n) Segmented reporting**

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segment results that are reported to Company's chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

During the years ended December 31, 2015, the Company operated in one reportable operating segment, which was infrastructure development in Mongolia.

#### **(o) Standards, amendments and interpretations**

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The Company has not yet assessed the impact of these new standards on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

- IFRS 9 (Final version) *Financial Instruments*
- IFRS 15 *Revenue from Contracts with Customers*

Effective for annual periods beginning on or after 1 January 2018

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## **Khot Infrastructure Holdings, Ltd.**

Notes to the Consolidated Financial Statements

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### **4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of these consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities at the date of the consolidated financial statements. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In particular, the Company has identified the following areas where significant judgements, estimates and assumptions are required. Changes in these assumptions may materially affect the financial position or financial results reported in future periods. Further information on each of these areas and how they impact the various accounting policies are described below and also in the relevant notes to the consolidated financial statements.

#### Significant management judgements

The following are significant management judgements in applying the accounting policies of the Company and have the most significant effect on the consolidated financial statements.

#### Contingencies

By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence and potential quantum of contingencies inherently involves the exercise of significant judgements and the use of estimates regarding the outcome of future events.

#### Functional currency

The functional currency for the parent entity, and each of its subsidiaries, is the currency of the primary economic environment in which the entity operates. The parent entity has determined the functional currency of the Company is the United States dollar. Determination of functional currency may involve certain judgements to determine the primary economic environment and the parent entity reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

#### Road repair provision

The Company provides for estimated repair obligations relate to the remaining costs to complete ongoing road constructions projects based on the estimated percentage completion of the project, inspection completed by Mongolian authority on the road construction project, as well as faults in the construction of the road noted by management due to poor weather, or defects in the materials used. Management continues to monitor the construction in process in determining the need for road repair provisions.

The Company's provision for road repair could materially change and may result in significant changes to road repair provision balances as management continues to monitor the completion of the construction projects.

## **Khot Infrastructure Holdings, Ltd.**

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### **4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)**

#### Investments in private companies

The Company provides for changes in valuation in its investments that don't have quoted prices in active markets. Mogul Venture Corp is an investment in the common shares of a private company and as a result there was no quoted price in active markets. Management estimates the fair value of the investment based primarily on the changes in the value of underlying assets own by those companies at each reporting period. The investment in Mogul Ventures Corp was measured against the most recent external financing completed by the company, and subsequently adjusted for changes in coal prices.

#### Allowance for doubtful accounts

The Company provides for doubtful accounts based principally on historical collection rates and management's expectation of success rates for collection of overdue accounts as well as management's expectation of success rates for collection through legal proceedings. Management continuously monitors the collection of overdue accounts

#### Allowance for doubtful accounts

The Company provides for doubtful accounts based principally on historical collection rates and management's expectation of success rates for collection of overdue accounts as well as management's expectation of success rates for collection through legal proceedings. Management continuously monitors the collection of overdue accounts including the allowance for doubtful accounts. In determining the allowance for doubtful accounts, the Company considers a number of factors affecting the likelihood of collection.

The Company's provision for overdue accounts could materially change and may result in significant changes to accounts receivable balances as management continues to monitor the collection of outstanding accounts.

As at December 31, 2016 and 2015, the Company recorded an allowance for doubtful accounts of \$Nil. There were no recoveries of doubtful accounts during these periods.

#### Share-based payments

The estimation of share-based payment costs requires the selection of an appropriate valuation model and data and consideration as to the volatility of the Company's own share price, the expected forfeiture, the probable life of share options and warrants granted and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes valuation model (Note 11).

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## **Khot Infrastructure Holdings, Ltd.**

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### **5. Cash**

Cash consists of the following:

	<b>December 31, 2016</b>	December 31, 2015
	\$	\$
Cash in banks	<b>12,780</b>	119,445

As at December 31, 2016, Canadian Dollars CND \$822 (CND\$79,708- December 31, 2015) and Mongolian Tugrik, MNT 264,136 (MNT 22,872,236 – December 31, 2015) was included in cash of the Company. These amounts are translated into USD using the closing exchange rates on December 31, 2016 and 2015. Cash earns interest at floating rates based on the daily bank deposit rates.

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### **6. ACCOUNTS RECEIVABLE AND LONG TERM RECEIVABLE**

#### Accounts receivable

	<b>December 31, 2016</b>	December 31, 2015
	\$	\$
Trade receivables	-	262,682
Other receivables (net of AFDA)	-	21,549
	<b>-</b>	<b>284,231</b>

#### Long term receivable

	<b>December 31, 2016</b>	December 31, 2015
	\$	\$
Long term receivable	-	43,464

During the year ended December 31, 2016, accounts receivables of \$269,995 were determined to be uncollectible and were impaired to \$Nil. This impairment has been included in discontinued operations (Note 15).

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### **7. PROPERTY, PLANT AND EQUIPMENT**

During the year ended December 31, 2016, the Company assessed that the carrying value of property, plant and equipment was not recoverable and recorded an impairment of \$8,336. This impairment has been included in discontinued operations (Note 15).

### **8. INVESTMENTS**

On November 18, 2015, Khot has sold its 5.05% interest in Anya-2 to Mogul Ventures Corp. (“Mogul”), a Canadian private company. In exchange for the Company’s interest in Anya-2, Khot has received a 5.05% of a 2.5% net smelter royalty for any production of metals from the Ochiryn Bulag project, as well as 80,800 common shares of Mogul. This consideration was valued at \$10,909 based on the last share price that Mogul shares were issued at, adjusted for subsequent market movements.

## **Khot Infrastructure Holdings, Ltd.**

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### **8. INVESTMENTS (Continued)**

Investments:

	<b>December 31, 2016</b>	December 31, 2015
	\$	\$
Investment in Mogul	<b>10,909</b>	10,909
Other investments	<b>442</b>	502
	<b>11,351</b>	11,411

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### **9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>December 31, 2016</b>	December 31, 2015
	\$	\$
Trade payables	<b>236,186</b>	73,413
Accrued liabilities	<b>69,394</b>	103,897
Due to related parties	<b>122,836</b>	-
	<b>428,416</b>	177,310

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### **10. ROAD REPAIR PROVISION**

	<b>December 31, 2016</b>	December 31, 2015
	\$	\$
Balance, beginning of the year	<b>320,633</b>	42,821
Additions to the provision	-	327,362
Usage of the provision	-	(42,821)
Effect of changes in foreign exchange rates	<b>(27,159)</b>	(6,729)
Balance, end of the year	<b>293,474</b>	320,633

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Road repair obligations relate to the remaining costs to complete the road constructions contract recognized in the current year, as a result of prior years' inspection completed by Mongolian authority on the road construction project.

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### **11. SHARE CAPITAL**

#### **Authorized share 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 (if any) which are declared from time to time, and are entitled to one vote per share at KOT's shareholder meetings. All shares are ranked equally with regards to the Company's residual assets.

## **Khot Infrastructure Holdings, Ltd.**

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### **11. SHARE CAPITAL (Continued)**

#### **Issued share capital**

At December 31, 2016, there was 65,302,351 (December 31, 2015 - 64,738,484) common shares outstanding.

On January 22, 2016, the Company closed a financing consisted of 563,867 units at a price of CAD\$0.15 per unit for gross proceeds of \$60,447 (CAD\$84,580). As part of the units 475,434 non-transferable warrants (193,500 which were issued in December 2015) were issued with an exercise price of CAD\$0.20 for a period of 12 months following the date of issuance.

The Company has determined that these warrants will give rise to a derivative which has been recorded as a liability on the Company's Consolidated Statement of Financial Position with changes in fair value from period to period recorded as a non-cash gain or loss in the Consolidated Statement of Loss and Comprehensive Loss. The reason for this accounting treatment is that the warrants are denominated in Canadian dollars, while the functional currency of the Company is the US dollar. As a result of this difference in currencies, the proceeds that may be received by the Company are not fixed and will vary based on foreign exchange rates. Although the Company will record a liability for these warrants, there are no circumstances in which the Company would be required to pay any cash upon exercise or expiry.

The fair value of the warrants was estimated at \$21,164 or \$0.0751 per warrant on the date issued based on the Black-Scholes option pricing model assuming an expected volatility of 289%, a risk-free interest rate of 0.43%, a dividend yield of 0%, and an expected term of one year.

On December 29, 2015, 387,000 units were issued at a price of CND \$0.15 for proceeds to the Company of \$41,959 (CND \$58,050). Each unit includes one common share and one half warrant, each whole warrant entitles the holder to purchase one common share of the Company, for a period until the close of business on December 29, 2016 at CND\$0.20. Share issue costs of \$2,696 (CND \$3,696) in cash and finders' warrants were incurred as part of the private placement.

As a part of the private placement, the Company also issued 8,800 broker warrants which allow the holder to acquire one additional Common Share of the Company at a price of CND\$0.20 per share. These Warrants expire after on December 29, 2016.

The Company has determined that these warrants will give rise to a derivative which has been recorded as a liability on the Company's Consolidated Statement of Financial Position with changes in fair value from period to period recorded as a non-cash gain or loss in the Consolidated Statement of Loss and Comprehensive Loss.

The fair value of the warrants was estimated at \$16,763 or \$0.0866 per warrant on the date issued based on the Black-Scholes option pricing model assuming an expected volatility of 265%, a risk-free interest rate of 0.48%, a dividend yield of 0%, and an expected term of one year.

The Company paid finder's fees of \$1,906 and issued 8,800 broker warrants with the same terms as the unit warrants. The finders' fees warrants have been valued based on the Black-Scholes option pricing model of \$0.0866 USD per warrant for an aggregate value of \$762.

## Khot Infrastructure Holdings, Ltd.

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### 11. SHARE CAPITAL (Continued)

#### Warrants

The following table reflects the continuity of warrants:

	Number of warrants	Weighted Average Exercise Price CND \$
Balance, December 31, 2014	-	-
Unit warrants issued	193,500	0.20
Finders' warrants	8,800	0.20
Balance, December 31, 2015	202,300	0.20
Unit warrants issued	281,934	0.20
Expired	(202,300)	-
Balance, December 31, 2016	281,934	0.20

As at December 31, 2016, the following warrants were issued and outstanding:

Expiry Date	Exercise Price (CND)	Warrants Outstanding	Carrying Value USD
January 22, 2017	\$ 0.20	281,934 <sup>(1)</sup>	\$ -

(1) The warrants issued in association with the private placement have been recorded as financial liabilities as the exercise price is in a currency other than the functional currency of the Company.

Subsequent to the year end 281,934 warrants with an exercise price of \$0.20 expired unexercised.

#### Warrant liability

On December 29, 2015, the Company, as part of a private placement, issued a total of 193,500 warrants which allow the holder to acquire one additional Common Share of the Company at a price of CND\$0.20 per share. These warrants expire on December 29, 2016. As the strike price of the warrants is in Canadian dollars, which is not the functional currency of the Company, the warrants were classified as liability instruments

On January 22, 2016, the Company, as part of a private placement, issued 281,934 warrants which allow the holder to acquire one additional Common Share of the Company at a price of CND\$0.20 per share. These warrants expire on January 22, 2017. As the strike price of the warrants is in Canadian dollars, which is not the functional currency of the Company, the warrants were classified as liability instruments.

	Number of warrants	Value of warrants \$
Balance, December 31, 2014	-	-
Additions	193,500	16,763
Balance, December 31, 2015	193,500	16,763
Additions	281,934	21,164
Expired warrants	(193,500)	-
Valuation change	-	(37,927)
Balance, December 31, 2016	281,934	-

## **Khot Infrastructure Holdings, Ltd.**

Notes to the Consolidated Financial Statements  
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### **11. SHARE CAPITAL (Continued)**

For the year ended December 31, 2016 the Company recorded a mark to market gain of \$33,852 (2015 – \$Nil) on the revaluation of warrants. As at December 31, 2016, the outstanding liability portion of the warrants, have a fair value of \$ Nil (December 31, 2015 – \$16,763).

The fair values of these warrants were estimated using the Black-Scholes Option Pricing Model using the following assumptions.

- The stock price was based upon the publicly traded price at the time of issuance;
- The risk-free interest rate assumption is based on the daily treasury yield curve rate, per US Department of Treasury for a period consistent with the expected term of the option in effect at the time of the grant;
- The Company does not pay dividends on common stock and does not anticipate paying dividends on its common stock in the foreseeable future. Therefore, the expected dividend rate was 0%;
- The expected life of the warrants was estimated to be the difference between the translation date and the remaining contractual term; and
- The expected volatility was based off of the historical trading prices of the Company's common stock price over a period equivalent to the expected life of the warrants.

The fair values of these warrants were estimated using the Black-Scholes Option Pricing Model using the following inputs (weighted averages):

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Expected volatility	56.00%	264.61%
Expected life	0.06 years	1 year
Dividends	0.00%	0.00%
Risk-free interest rate	0.46%	0.48%

### **Stock options**

Under the terms of the Company's stock option plan (the "Plan") all options are granted with an exercise price above the closing market price on the day immediately preceding the date of grant. The term of options is determined by the Board of Directors and is typically three or five years with a maximum term of 10 years. Options issued to consultants who perform investor relations activities will be subject to a vesting schedule whereby no more than 25% of the options granted may vest in any three month period. The maximum number of options authorized for issue shall be 10% of the outstanding shares in issue at the date of the option grant.

The Company records a charge to the statement of comprehensive loss using the Black-Scholes fair valuation option pricing model. The valuation is dependent on a number of estimates, including the risk free interest rate, the level of stock volatility, together with an estimate of the level of forfeiture. The level of stock volatility is calculated with reference to historic traded daily closing share prices at the date of issuance.

Option pricing models require the inputs of highly subjective assumptions including the expected price volatility. Changes to the subjective input assumptions can materially affect the fair value estimate and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's share options.

## Khot Infrastructure Holdings, Ltd.

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### 11. SHARE CAPITAL (Continued)

#### Stock options (continued)

The following table provides detailed information about stock options outstanding as at December 31, 2016

Expiry Date	Exercise Price CND	Options Outstanding	Weighted Average Remaining contractual Life (years)	Options Vested	Options unvested
December 31, 2017	\$ 0.10	150,000	1.00	90,000	60,000
January 8, 2019	\$ 0.25	1,950,000	2.02	1,950,000	-
December 3, 2020	\$ 0.20	775,000	3.93	775,000	-
<b>Total</b>		<b>2,875,000</b>	<b>2.48</b>	<b>2,815,000</b>	<b>60,000</b>

Stock option activity is as follows:

	Number	Weighted- Average exercise price CND \$
<b>Outstanding December 31, 2014</b>	<b>5,975,000</b>	<b>0.25</b>
Granted	1,245,000	0.20
Forfeited	(950,000)	0.23
<b>Outstanding, December 31, 2015</b>	<b>6,270,000</b>	<b>0.24</b>
Expired	(3,095,000)	0.25
Forfeited	(300,000)	0.24
<b>Outstanding, December 31, 2016</b>	<b>2,875,000</b>	<b>0.24</b>

#### 2016

During the year ended December 31, 2016, 300,000 stock options with a weighted average exercise price of \$0.24 were forfeited.

During the year ended December 31, 2016, 3,095,000 stock options with a weighted average exercise price of \$0.25 expired unexercised.

#### 2015

On April 1, 2015, the Company granted, under its Stock Option Plan, incentive stock options to consultants to purchase up to an aggregate of 300,000 common shares in the capital of the Company exercisable for a period ending on December 21, 2017, at an exercise price of CND \$0.10 per share. 60,000 options vested on the date of grant with the remaining options vest at a rate of 20% every three months with the last tranche vesting on April 1, 2016.



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### 11. SHARE CAPITAL (Continued)

On December 3 2015, the Company granted, under its Stock Option Plan, fully vested incentive stock options to certain directors, senior officers, and consultants to purchase up to an aggregate of 825,000 common shares in the capital of the Company exercisable for a period of five years ending on December 3, 2020, at an exercise price of CND \$0.20 per share.

On December 3, 2015, the Company granted, under its Stock Option Plan, incentive stock options to consultants to purchase up to an aggregate of 120,000 common shares in the capital of the Company exercisable for a period of one year ending on December 3, 2016, at an exercise price of CND \$0.20 per share. 60,000 options vested on the date of grant and the balance vest on March 3, 2016.

During the year ended December 31, 2015, 950,000 stock options were forfeited. 800,000 stock options previously granted to directors of the Company, were exercisable at \$CND 0.25 and expiring on December 6, 2016. The remaining 150,000 stock options, granted to investor relations consultants, were exercisable at CND \$0.10 and expiring on January 8, 2019.

The weighted average fair value of each option granted during the year ended December 31, 2015, was estimated using the Black Scholes option pricing model with the following weighted average assumptions:

	April 1, 2015	December 3, 2015	December 3, 2015
Average share price at date of grant CND	\$0.01	\$0.18	\$0.18
Expected dividend yield	0.00%	0.00%	0.00%
Expected share price volatility	221%	252%	252%
Risk free interest rate	0.68%	0.48%	0.48%
Expected life of options	2.70 years	5 years	1 year
Average exercise price at date of grant CND	\$0.10	\$0.20	\$0.20
Black-Scholes Value USD	\$1,162	\$110,860	\$8,648

The underlying expected volatility was determined by reference to historical data of KOT's shares listed on the CSE based on annual price volatility since the change in business to infrastructure development in the road construction industry for the expected term of the options. No special features inherent to the options granted were incorporated into measurement of fair value.

### Share based payment reserve

Amounts recorded in share based payment reserve in shareholders' equity relate to the fair value of stock options.

Activity with respect to the share based payment reserve is summarized as follows:

	December 31, 2016 \$	December 31, 2015 \$
Balance, beginning of the year	1,333,619	1,212,949
Stock-based compensation	-	120,670
<b>Balance, end of the year</b>	<b>1,333,619</b>	<b>1,333,619</b>

## **Khot Infrastructure Holdings, Ltd.**

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### **12. OTHER EXPENSES**

	<b>December 31, 2016</b>	December 31, 2015
	\$	\$
Phone, utilities, supplies and other	<b>1,514</b>	3,085
Website, internet and printing	<b>819</b>	1,358
Contractor fees, salary and source deductions	<b>64,904</b>	94,866
Travel	<b>21,876</b>	54,526
Other expenses	<b>15,810</b>	44,415
Insurance	<b>6,251</b>	15,436
	<b>111,174</b>	213,686

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### **13. INCOME TAXES**

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate for the full financial year applied to the pre-tax loss for the year. The Company's effective tax rate for the year ended December 31, 2016 was 10% (December 31, 2015 – 10%) as the Company's operations were located in Mongolia.

The reconciliation of the Company's statutory income tax rates to the effective tax rates is as follows:

	<b>December 31, 2016</b>	December 31, 2015
Loss for the year before income taxes	<b>(622,324)</b>	(1,169,069)
Statutory tax rate	<b>10%</b>	10%
Expected income tax recovery	<b>(62,000)</b>	(116,907)
Non-deductible permanent differences	<b>5,000</b>	9,851
Difference in foreign tax rates	<b>14,000</b>	55,432
Deferred tax assets not recognized	<b>50,000</b>	56,112
Other	<b>(7,000)</b>	(4,488)
Income tax expense	<b>-</b>	-

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As a Company continued under the BVI International Business Companies Act (Cap. 291), the Company is exempt from taxes on profits, income or dividends. Each company incorporated in BVIs is required to pay an annual government fee, which is determined by reference to the amount of the company's authorized share capital.

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## **Khot Infrastructure Holdings, Ltd.**

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### **14. RELATED PARTY TRANSACTIONS**

Related parties include the Board of Directors, close family members, key management personnel, significant shareholders and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

#### Transactions with Key management personnel

Key management of the Company are members of the Board of Directors, the Chief Executive Officer, and Chief Financial Officer. Key management remuneration includes the following:

	<b>Year Ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
<u>Short-term Key management benefits</u>	\$	\$
Compensation including salary	<b>123,366</b>	125,487
<u>Long-term Key management benefits</u>		
Share based payments	-	53,760
Total remuneration	<b>123,366</b>	179,247

1) Management fees include \$60,000 (\$58,178 – 2015) paid to Don Padgett, the Company's Chief Executive Officer. The Company has a consulting contract with Don Padgett whereby the company pays \$4,000 a month for management fees as well as a salary of CND \$1,000 a month for performing services as the CEO. On September 30, 2015, Mr. Padgett's monthly salary was terminated and his consulting fees were increased to \$5,000 per month. As at December 31, 2016, \$54,559 (\$ Nil – 2015) payables were due to Don Padgett.

2) Management fees include \$27,185 (\$43,340 – 2015) paid to Sabino Di Paola, the Company's current Chief Financial Officer and Corporate Secretary. The Company has a consulting contract with Sabino Di Paola whereby the company pays CND\$110/hour for services rendered as well as CND \$1,000 a month for performing services as the CFO. On September 30, 2015, Mr. Di Paola's monthly salary was terminated. As at December 31, 2016, accounts payable of \$12,788 (\$Nil – 2015) were due to Sabino Di Paola.

3) Consulting and advisory fees include \$36,181 (\$23,969 – 2015) paid to Erin Chutter, one of the directors of the Company. As at December 31, 2016, \$26,813 (\$Nil – 2015) payable were due to Erin Chutter.

4) As at December 31, 2016, \$28,675 (\$Nil – 2015) was owing to James Passin, one of the directors of the Company.

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### **14. RELATED PARTY TRANSACTIONS (Continued)**

#### Transactions with related companies and directors

##### *Borrowings from HBOil JSC*

	<b>December 31, 2016</b>	December 31, 2015
	\$	\$
Balance, beginning of the year	<b>19,861</b>	455,515
Additions	-	-
Repayment	-	(448,104)
Interest expense	-	7,880
Translation difference	<b>(3,466)</b>	4,570
Balance, end of the year	<b>16,395</b>	19,861

During the year ended December 31, 2016, HBOiL JSC had a loan outstanding with AMZ LLC. HBOIL JSC has a significant shareholder in common with Khot Infrastructure Holdings Ltd.

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### **15. DISCONTINUED OPERATIONS**

As at December 31, 2016, the Company determined that its Mongolian operations would be disposed of in order to pursue other opportunities.

The net loss from discontinued operations for the years ended December 31, 2016 and 2015 is as follows:

	<b>December 31, 2016</b>	December 31, 2015
	\$	\$
Cost of sales	-	327,452
Rental income	-	(8,531)
Interest income	<b>(123)</b>	(4,846)
Depreciation	-	5,949
Foreign exchange (gain) loss	<b>(42,687)</b>	15,884
Impairment of accounts receivable	<b>269,995</b>	-
Impairment of equipment	<b>8,336</b>	-
Other expenses	<b>115,562</b>	40,613
Administrative expenses	<b>89,991</b>	100,903
	<b>441,075</b>	477,424

## **Khot Infrastructure Holdings, Ltd.**

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2016 and 2015  
(Expressed in United States dollars)

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### **16. SEGMENT REPORTING**

As at December 31, 2016, the Company had one reportable operating segment of infrastructure development.

The Company has the following non-current assets located in Mongolia for its infrastructure development activities:

	<b>December 31, 2016</b>	December 31, 2015
	\$	\$
Property, plant and equipment	-	14,171
Investments	<b>442</b>	502
Long term receivable	-	43,464
	<b>442</b>	58,137

The Company has the following noncurrent assets located in Canada:

	<b>December 31, 2016</b>	December 31, 2015
	\$	\$
Investment in Mogul Venture	<b>10,909</b>	10,909

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### **17. CAPITAL MANAGEMENT**

The Company's capital structure has been defined by Management as being comprised of shareholders' equity, which comprises share capital and other components of equity and accumulated deficit, which at December 31, 2016, totals (\$369,241) (December 2015 – surplus of \$163,137). The Company's objectives when managing its capital structure are to preserve the Company's access to capital markets and its ability to meet its financial obligations and to finance its future infrastructure activities and general corporate costs. This is achieved by the Board of Directors' review and acceptance of infrastructure budgets that are achievable within existing resources and the timely matching and release of the next stage of expenditures with the resources made available from private placements or other funding.

The Company monitors its capital structure using annual forecasted cash flows, infrastructure budgets and targets for the year.

The Company is dependent upon external financing to fund its activities. In order to pay for administrative costs, the Company will spend its existing working capital and raise additional funds 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.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company to maintain flexibility while achieving the objectives stated above as well as supporting future business opportunities. To manage the capital structure the Company may adjust its operating expenditure plans, or issue new common shares.

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.

There were no changes in the Company's approach to capital management for the years ended December 31, 2016 and December 31, 2015. The Company is not subject to externally imposed capital requirements or covenants.

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## **Khot Infrastructure Holdings, Ltd.**

Notes to the Consolidated Financial Statements  
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### **18. FINANCIAL RISK MANAGEMENT**

The carrying values of the Company's financial instruments are classified into the categories below. Fair values are determined either directly by reference to published price quotations in an active market, or from valuation techniques using observable inputs.

	<b>December 31, 2016</b>	December 31, 2015
	\$	\$
Available for sale investments	<b>11,351</b>	11,411
Current loans and receivables <sup>2</sup>	<b>12,780</b>	403,676
Long term loans and receivables	-	43,464
Loan and interest payable	<b>(16,397)</b>	(19,861)
Financial liabilities	-	(16,763)
Other financial liabilities <sup>1</sup>	<b>(428,416)</b>	(177,310)

<sup>1</sup> accounts payable and accrued liabilities

<sup>2</sup> cash and current accounts receivable

The three levels of the fair value hierarchy are:

- [i] Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities
- [ii] Level 2 – Inputs other than quoted prices that are observable for the asset or liability directly or indirectly
- [iii] Level 3 – Inputs that are not based on observable market data

As at December 31, 2016 and December 31, 2015, the Company's financial instruments which are measured at fair value on a recurring basis were cash and investments. Cash was classified as Level 1 financial instrument.

The investment in Mogul Venture Corp is an investment in the common shares of a private company and as a result there was no quoted price in active markets. The investment was measured against the most recent external financing completed by the company, and subsequently adjusted for changes in coal prices as at December 31, 2016, and as a result has been classified as a level 3.

The warrants liability is the provision for the Company's warrants denominated in a currency other than the Company's functional currency, and as a result the ultimate settlement on exercising of the warrants varies as the exchange rate between the Company's functional currency and the currency in which the warrants are denominated varies. As a result the warrants are valued based on the Black-Scholes valuation model and have been classified as a level 2.

#### **Risks arising from financial instruments and 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.

## Khot Infrastructure Holdings, Ltd.

Notes to the Consolidated Financial Statements  
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### 18. FINANCIAL RISK MANAGEMENT (Continued)

#### 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 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.

The Company's trade receivables are only with the Mongolian government and are recognized, creditworthy third parties. It is the Company's policy that governments who wishes to trade on credit terms are subject to credit verification procedures.

As at December 31, 2016	Neither past due nor impaired		Past due or individually impaired (\$)	Total \$
	High grade \$	Standard grade \$		
Cash and receivables:				
Cash and cash equivalents	12,780	–	–	12,780

As at December 31, 2015	Neither past due nor impaired		Past due or individually impaired (\$)	Total \$
	High grade \$	Standard grade \$		
Cash and receivables:				
Cash and cash equivalents	119,445	–	–	119,445
Trade receivables	262,682	–	–	262,682
Others receivables	21,549	–	152,500	21,549
Long-term receivables	43,464	–	–	43,464
	447,140	–	152,500	447,140

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

## **Khot Infrastructure Holdings, Ltd.**

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2016 and 2015  
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### **18. FINANCIAL RISK MANAGEMENT (Continued)**

#### **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 December 31, 2016, the Company had a working capital deficit of \$717,723 [December 31, 2015 - \$117,567]. All of the current accounts payable and accrued liabilities, loan and interest payable are due and payable within 90 days. 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 year the Company conducted operations in Mongolia where many of its transactions are denominated in the Mongolian Tugrik. 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 Mongolian Tugrik.

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.

The following is the list of financial assets and liabilities held in Canadian dollars (presented in USD):

	<b>December 31, 2016</b>	December 31, 2015
	\$	\$
Cash	<b>822</b>	57,589
Accounts receivable	-	7,343
Accounts payable and accrued liabilities	<b>(136,473)</b>	(92,954)
Warrants liability	-	(16,763)
	<b>(137,295)</b>	(44,785)

The following is the list of financial assets and liabilities held in Mongolian Tugrik (presented in USD):

	<b>December 31, 2016</b>	December 31, 2015
	\$	\$
Cash	<b>117</b>	11,471
Accounts receivable (including long term receivables)	-	320,353
Accounts payable and provisions	<b>(353,214)</b>	(378,843)
	<b>(353,097)</b>	(47,019)



## **Khot Infrastructure Holdings, Ltd.**

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### **18. FINANCIAL RISK MANAGEMENT (Continued)**

#### **Foreign exchange risk (continued)**

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rate, with all variables held constant, of the Company's loss before tax due to changes in the carrying value of monetary assets and liabilities.

	<b>December 31, 2016</b>	December 31, 2015
	<b>\$</b>	<b>\$</b>
	<b>Increase/ (Decrease)</b>	Increase/ (Decrease)
Increase/(decrease) in foreign currency exchange rate (USD)		
+5%	<b>11,400</b>	4,590
-5%	<b>(11,400)</b>	(4,590)

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### **19. EVENTS AFTER THE REPORTING PERIOD**

On January 22, 2017, 281,934 warrants with an exercise price of \$0.20 expired unexercised.

On February 28, 2017, Sabino Di Paola, resigned as CFO of the Company.

**KHOT INFRASTRUCTURE HOLDINGS, LTD.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEARS ENDED DECEMBER 31, 2016 and 2015**

***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 July 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**

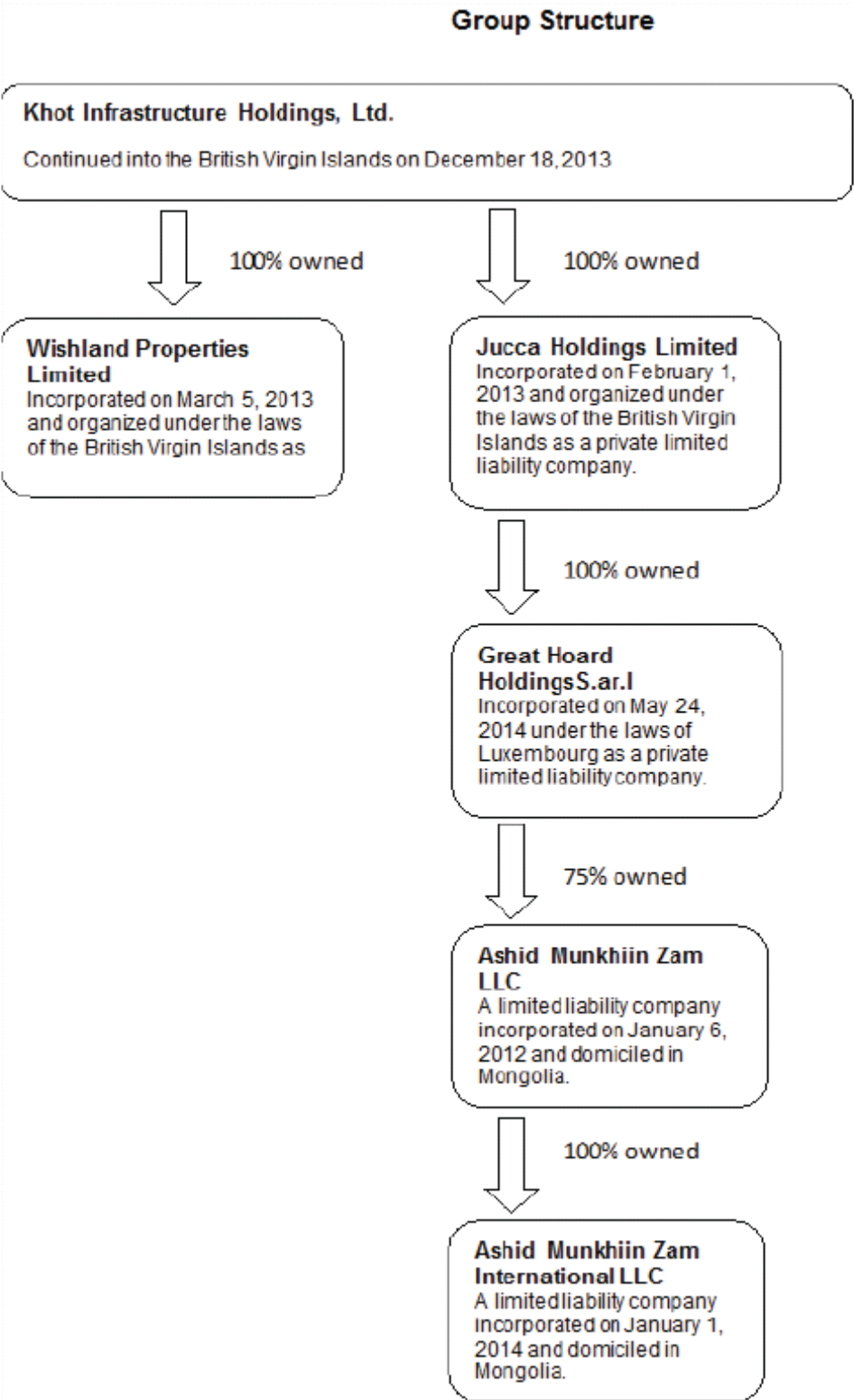
Khot Infrastructure Holdings, Ltd., (formerly Undur Tolgoi Minerals Inc.) ["Khot" or the "Company"] was incorporated on December 22, 2010 under the Business Corporations Act of British Columbia as a private company.

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 continues to be a reporting issuer with Ontario Securities Commission and its shares trade on the Canadian Securities Exchange ("CSE") under the symbol "KOT".

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"].



**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

**KHOT INFRASTRUCTURE HOLDINGS, LTD.  
MANAGEMENT DISCUSSION AND ANALYSIS  
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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 December 31, 2016. In the quarter ended December 31, 2016, the Company has not generated any revenue and incurred loss from discontinued operations and extraordinary items of \$320,343.

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\$
September 30, 2014	-	(168,156)	-	(260,226)	(0.01)	-
December 31, 2014	1,176,693	(347,448)	-	(209,513)	(0.01)	-
March 31, 2015	-	(143,375)	-	(140,237)	-	-
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)	-

**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 road construction 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 YEAR ENDED DECEMBER 31, 2016**

The comprehensive loss for the years ended December 31, 2016, were \$543,438 (2015 – \$1,179,534).

Significant variances for the three and twelve months ended December 31, 2016

There was no significant variance in the management fees for the 3 months ended December 31, 2016 compared to the same period in 2015. The management fees for the twelve months ended December 31, 2016 compared to the same period in 2015 were \$21,848 higher. The increase is due to a full year of COO fees compare to last year in which the COO only started in Q2 2015.

Promotion and investor conference fees decreased in Q4 2016 by \$30,033 compared to Q4 2015. The decrease is due to the only 1 investor relations consultant was used in Q3 and Q4 2016 compared to two being used in Q3 and Q4 2015. The variance in the Promotion and investor conference fees for the 12 months ended December 31, 2016 compared to the same period in 2015 was due to the decrease in IR activities.

**KHOT INFRASTRUCTURE HOLDINGS, LTD.  
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Professional fees decreased by \$21,737 in Q4 2016 compared to Q4 2015. The decrease is due to the inactivity of Khot and its subsidiaries in Q4 2016. There was a decrease of \$21,884 in the professional fees for the 12 months ended December 31, 2016 compared to the same period in 2015 due to a gradual decrease in company activities near the end of Q3 and all of Q4 2016.

There was no significant variance in the finance fees for the 3 months ended December 31, 2016 compared to the same period in 2015. Finance costs decreased by \$12,057 for the twelve months ended December 31, 2016 compared to the same period in 2015. The decrease was due to the loan from HBOil JSC in Q4 2014 which was repaid in 2015 and as such there was no large outstanding loan balance in 2016.

Other expense decreased by \$102,512 for the twelve months ended December 31, 2016 compared to the same periods ended December 31, 2015. The decrease is due to a reduction in contractor fees as well as other expenses is due to a decrease in activity in both the AMZ and Khot during the quarter as the Company had not received any additional construction contracts during that period.

The Company realized stock based compensation expense of \$110,860 in 2015 compared to \$Nil in 2016. The decrease in stock based compensation of \$110,860 is due to the no stock options were granted in 2016.

The Company incurred a loss on sale of investment of \$114,092 in 2015 compared to \$Nil in 2016. The loss in 2015 was due to the sale of the Anya-2 investment in 2015. There were no disposal of investments in 2016.

**LIQUIDITY AND CAPITAL RESOURCES**

At December 31, 2016, the Company had a working capital deficit of \$717,723 [December 31, 2015 - \$117,567]. All of the current accounts payable and accrued liabilities, loan and interest payable are due and payable within 90 days. 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>December 31, 2016</b>	December 31, 2015
	<b>\$</b>	<b>\$</b>
Cash	<b>12,780</b>	119,445
Accounts receivable	-	284,231
Prepayments	<b>7,784</b>	13,323
Accounts payable and accrued liabilities	<b>(428,416)</b>	(177,310)
Loan and interest payable	<b>(16,397)</b>	(19,861)
Road repair provision	<b>(293,474)</b>	(320,633)
	<b>(717,723)</b>	(117,567)

The Company, which is involved in early stage infrastructure development, had revenues of \$Nil in Q4 2016, which were not significant to sustain operations in the current period. Until the Company is able to secure sufficient revenue from infrastructure development, 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 year ended December 31, 2016 the Company expended \$249,132 (2015 - \$541,316) on operating activities.

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The Company does not have any obligations on infrastructure development applications. Any infrastructure development projects undertaken by the Company are at the sole discretion of the Company.

### **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.

### **INVESTOR RELATIONS ACTIVITY**

On April 14, 2015, the Company entered into a consulting contract with Mr. Scott Rose for the provision of investor relations and marketing services. The agreement between KHOT and Rose shall be on a month to month basis with a 30 day termination notice. Rose will receive a monthly fee of CDN\$2,500 and will be granted 150,000 options. During the year ended December 31, 2016, the Company paid/owes Mr. Rose US\$13,175 (CAD\$17,500).

The options granted to Mr. Rose were at an exercise price of \$0.10 per share until December 31, 2017 and shall vest in accordance with the agreement, Canadian Securities Exchange policies and the Company's stock option plan.

### **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



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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 \$9,630,283, deficit as at December 31, 2016 and has a working capital deficiency of \$717,723 (December 2015 - \$117,567), including \$12,780 (December 2015 - \$119,445) in cash and cash equivalents. As at December 31, 2016, the Company has abandoned its infrastructure activities in Mongolia and has begun to assess other business ventures.

**RELATED PARTY TRANSACTIONS**

1) Management fees include \$60,000 (\$58,178 – 2015) paid to Don Padgett, the Company's Chief Executive Officer. The Company has a consulting contract with Don Padgett whereby the company pays \$4,000 a month for management fees as well as a salary of CND \$1,000 a month for performing services as the CEO. On September 30, 2015, Mr. Padgett's monthly salary was terminated and his consulting fees were increased to \$5,000 per month. As at December 31, 2016, \$54,559 (\$ Nil – 2015) payables were due to Don Padgett.

2) Management fees include \$27,185 (\$43,340 – 2015) paid to Sabino Di Paola, the Company's current Chief Financial Officer and Corporate Secretary. The Company has a consulting contract with Sabino Di Paola whereby the company pays CND\$110/hour for services rendered as well as CND \$1,000 a month for performing services as the CFO. On September 30, 2015, Mr. Di Paola's monthly salary was terminated. As at December 31, 2016, accounts payable of \$12,788 (\$Nil – 2015) were due to Sabino Di Paola.

3) Consulting and advisory fees include \$36,181 (\$23,969 – 2015) paid to Erin Chutter, one of the directors of the Company. As at December 31, 2016, \$26,813 (\$Nil – 2015) payable were due to Erin Chutter.

4) As at December 31, 2016, \$28,675 (\$Nil – 2015) was owing to James Passin, one of the directors of the Company.

**Borrowings from HBOil JSC**

	<b>December 31, 2016</b>	December 31, 2015
	<b>\$</b>	\$
Balance, beginning of the period	<b>19,861</b>	455,515
Additions	–	–
Repayment	–	(448,175)
Interest expense	–	7,880
Translation difference	<b>(3,466)</b>	4,570
Balance, end of the period	<b>16,395</b>	19,861

During the year ended December 31, 2016, HBOIL JSC had a loan outstanding with AMZ LLC. HBOIL JSC has a significant shareholder in common with Khot Infrastructure Holdings Ltd.

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

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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 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.

The Company's trade receivables are only with the Mongolian government and are recognized, creditworthy third parties. It is the Company's policy that governments who wishes to trade on credit terms are subject to credit verification procedures.

<b>As at December 31, 2016</b>	<b>Neither past due nor impaired High grade \$</b>	<b>Standard grade \$</b>	<b>Past due or individually impaired (\$)</b>	<b>Total \$</b>
Cash and receivables:				
Cash and cash equivalents	12,780	–	–	12,780
<b>As at December 31, 2015</b>	<b>Neither past due nor impaired High grade \$</b>	<b>Standard grade \$</b>	<b>Past due or individually impaired (\$)</b>	<b>Total \$</b>
Cash and receivables:				
Cash and cash equivalents	119,445	–	–	119,445
Trade receivables	262,682	–	–	262,682
Others receivables	21,549	–	152,500	21,549
Long-term receivables	43,464	–	–	43,464
	447,140	–	152,500	447,140

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

**KHOT INFRASTRUCTURE HOLDINGS, LTD.  
MANAGEMENT DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2016 and 2015**

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*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 December 31, 2016, the Company had a working capital deficit of \$717,723 [December 31, 2015 - \$117,567]. All of the current accounts payable and accrued liabilities, loan and interest payable are due and payable within 90 days. 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 year the Company conducted operations in Mongolia where many of its transactions are denominated in the Mongolian Tugrik. 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 Mongolian Tugrik.

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.

The following is the list of financial assets and liabilities held in Canadian dollars (presented in USD):

	<b>December 31, 2016</b>	December 31, 2015
	\$	\$
Cash	<b>822</b>	57,589
Accounts receivable	-	7,343
Accounts payable and accrued liabilities	<b>(136,473)</b>	(92,954)
Warranty liability	-	(16,763)
	<b>(137,295)</b>	(44,785)

The following is the list of financial assets and liabilities held in Mongolian Tugrik (presented in USD):

	<b>December 31, 2016</b>	December 31, 2015
	\$	\$
Cash	<b>117</b>	11,471
Accounts receivable (including long term receivables)	-	320,353
Accounts payable and provisions	<b>(353,214)</b>	(378,843)
	<b>(353,097)</b>	(47,019)

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rate, with all variables held constant, of the Company's loss before tax due to changes in the carrying value of monetary assets and liabilities.

	<b>December 31, 2016</b>	December 31, 2015
	\$	\$
	<b>Increase/ (Decrease)</b>	Increase/ (Decrease)
Increase/(decrease) in foreign currency exchange rate (USD)		

**KHOT INFRASTRUCTURE HOLDINGS, LTD.  
MANAGEMENT DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2016 and 2015**

+5%	<b>11,400</b>	4,590
-5%	<b>(11,400)</b>	(4,590)

**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 December 31, 2016, and December 31, 2015, is as follows:

	December 31, 2016	December 31, 2015
Common shares	65,302,351	64,738,484
Warrants	281,934	202,300
Stock options	2,875,000	6,270,000
	<b>68,459,285</b>	<b>71,210,784</b>

Common share issuances

On January 22, 2016, the Company closed a financing consisted of 950,867 units (387,000 which were issued in December 2015) at a price of \$0.15 per unit for gross proceeds of \$142,630. As part of the units 475,433 non-transferable warrants (193,500 which were issued in December 2015) were issued with an exercise price of CAD\$0.20 for a period of 12 months following the date of issuance.

Share issue costs of \$2,696 (CND \$3,696) in cash and 8,800 finders' warrants were incurred as part of the private placement. The finders' warrants allow the holder to acquire one additional Common Share of the Company at a price of CND\$0.20 per share. These Warrants expire after on December 29, 2016.

**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 financial year under review the board consisted of six members.

## **UNCERTAINTIES AND 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

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

**KHOT INFRASTRUCTURE HOLDINGS, LTD.  
MANAGEMENT DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2016 and 2015**

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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.

**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/>

**Schedule B**

*See attached*

Condensed Consolidated Interim Financial Statements  
[Expressed in United States dollars]

**Khot Infrastructure Holdings, Ltd.**

For the three and nine months ended September 30, 2017



# **Khot Infrastructure Holdings, Ltd.**

Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2017

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## **Management's Responsibility for Financial Reporting**

The condensed consolidated Interim financial statements of Khot Infrastructure Holdings, Ltd. have been prepared by and are the responsibility of the Company's management. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and, where appropriate, reflect management's best estimates and judgements based on currently available information.

Management has developed and is maintaining a system of internal controls to obtain reasonable assurance that the Company's assets are safeguarded, transactions are authorized and financial information is reliable.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfils its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to shareholders.

"Donald Padgett"  
President and Chief Executive Officer

"Alan Tam"  
Chief Financial Officer

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM 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 consolidated interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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

**Khot Infrastructure Holdings, Ltd.**  
**Condensed Consolidated Interim Statements of Financial Position**

(expressed in United States dollars)

	Notes	As at September 30, 2017	As at December 31, 2016
<b>Assets</b>			
Current assets:			
Cash and cash equivalents		\$ 250,467	\$ 12,780
Prepayment		3,249	7,784
<b>Total current assets</b>		<b>253,716</b>	<b>20,564</b>
Non-current assets			
Investments	5	11,351	11,351
<b>Total non-current assets</b>		<b>11,351</b>	<b>11,351</b>
<b>Total assets</b>		<b>\$ 265,067</b>	<b>\$ 31,915</b>
<b>Liabilities and shareholders' equity</b>			
Current liabilities:			
Accounts payable and accrued liabilities	6 and 8	\$ 516,035	\$ 428,416
Loan and interest payable	8, 12 and 13	383,076	16,397
Road repair provision		293,474	293,474
<b>Total current liabilities</b>		<b>1,192,585</b>	<b>738,287</b>
<b>Total liabilities</b>		<b>\$ 1,192,585</b>	<b>\$ 738,287</b>
<b>Shareholders' equity</b>			
Share capital	7	8,049,254	8,049,254
Other reserves		1,230,289	1,230,289
Deficit		(9,851,430)	(9,630,283)
		(571,887)	(350,740)
Non Controlling Interests		(355,632)	(355,632)
<b>Total equity</b>		<b>(927,519)</b>	<b>(706,372)</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 265,067</b>	<b>\$ 31,915</b>

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

signed on its behalf by:

signed "James Passin"  
 \_\_\_\_\_  
 Director

signed "Don Padgett"  
 \_\_\_\_\_  
 Director

**Khot Infrastructure Holdings, Ltd.**  
**Consolidated Statements of Comprehensive Loss**

(expressed in United States dollars)

	Notes	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
<b>Other income</b>					
Interest and other income		\$ -	\$ 74	\$ -	\$ 32,806
		-	74	-	32,806
<b>Expenses</b>					
Management fees	8	15,000	21,494	54,066	65,650
Promotion & investor conference		-	3,797	-	29,755
Regulatory, exchange, AGM, press release and transfer agent fees		25,295	6,438	39,403	14,307
Professional fees	8	45,943	8,212	66,440	60,873
Finance costs	8 and 13	4,979	227	5,359	1,341
Depreciation		-	1,126	-	3,637
Foreign exchange loss		15,506	60,807	16,445	42,652
Other expenses		13,925	44,102	39,433	121,797
		120,649	146,203	221,147	340,012
Loss before income tax		(120,649)	(146,129)	(221,147)	(307,206)
Income tax expense		-	-	-	-
Loss after income tax expense		(1,179,483)	-	(1,179,483)	-
<b>Consolidated loss after income tax expense</b>		<b>\$ (120,649)</b>	<b>\$ (146,129)</b>	<b>\$ (221,147)</b>	<b>\$ (307,206)</b>
<b>Other comprehensive loss</b>					
Exchange difference on translating foreign operations		-	(69,219)	-	(54,060)
<b>Total comprehensive loss for the year</b>		<b>\$ (120,649)</b>	<b>\$ (76,910)</b>	<b>\$ (221,147)</b>	<b>\$ (253,146)</b>
Net loss attributed to:					
Equity holders of the parent		\$ (120,649)	\$ (126,656)	\$ (221,147)	\$ (276,307)
Non-controlling interests		-	(19,473)	-	(30,899)
		\$ (120,649)	\$ (146,129)	\$ (221,147)	\$ (307,206)
Total comprehensive loss attributed to:					
Equity holders of the parent		\$ (120,649)	\$ (75,742)	\$ (221,147)	\$ (235,762)
Non-controlling interests		-	(1,168)	-	(17,384)
		\$ (120,649)	\$ (76,910)	\$ (221,147)	\$ (253,146)
<b>Loss per common share:</b>					
Basic and diluted		\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding:					
Basic and diluted		65,302,351	65,302,351	65,302,351	65,234,191

The notes to the condensed consolidated interim financial statements are an integral part of these statements

**Khot Infrastructure Holdings, Ltd.**  
**Condensed Consolidated Interim Statements of Changes in Equity**

(expressed in United States dollars)

	Number of common shares (#)	Share Capital	Reserves			Deficit	Attributable to Equity Holders of the Parent	Non - Controlling Interest	Shareholders' equity
			Foreign currency translation reserve	Warrants	Share based payment reserve				
<b>Balance at December 31, 2015</b>	<b>64,738,484</b>	<b>\$ 8,005,895</b>	<b>\$ (44,816)</b>	<b>\$ 650</b>	<b>\$ 1,333,619</b>	<b>\$ (9,132,211)</b>	<b>\$ 163,137</b>	<b>\$ (211,658)</b>	<b>\$ (48,521)</b>
Units issued	563,867	\$ 39,284	-	-	-	-	39,284	-	39,284
Total comprehensive loss for the period	-	-	40,545	-	-	(276,307)	(235,762)	(17,384)	(253,146)
<b>Balance at September 30, 2016</b>	<b>65,302,351</b>	<b>\$ 8,045,179</b>	<b>\$ (4,271)</b>	<b>\$ 650</b>	<b>\$ 1,333,619</b>	<b>\$ (9,408,518)</b>	<b>\$ (33,341)</b>	<b>\$ (229,042)</b>	<b>\$ (262,383)</b>
<b>Balance at December 31, 2016</b>	<b>65,302,351</b>	<b>\$ 8,049,254</b>	<b>\$ (103,980)</b>	<b>\$ 650</b>	<b>\$ 1,333,619</b>	<b>\$ (9,630,283)</b>	<b>\$ (350,740)</b>	<b>\$ (355,632)</b>	<b>\$ (706,372)</b>
Total comprehensive loss for the period	-	-	-	-	-	(221,147)	(221,147)	-	(221,147)
<b>Balance at September 30, 2017</b>	<b>65,302,351</b>	<b>\$ 8,049,254</b>	<b>\$ (103,980)</b>	<b>\$ 650</b>	<b>\$ 1,333,619</b>	<b>\$ (9,851,430)</b>	<b>\$ (571,887)</b>	<b>\$ (355,632)</b>	<b>\$ (927,519)</b>

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

**Khot Infrastructure Holdings, Ltd.**  
**Condensed Consolidated Interim Statements of Cash Flows**

(expressed in United States dollars)

	<b>Nine months ended September 30, 2017</b>	Nine months ended September 30, 2016
<b>Cash flow from operating activities</b>		
Loss for the period	\$ (221,147)	\$ (307,206)
Adjustments to reconcile loss to net cash used in operating activities:		
Change in provision	-	(38,363)
Other income	-	(32,685)
Revaluation of warrant liability	-	(37,909)
Unrealized foreign exchange	-	42,652
Depreciation	-	3,637
Change in non-cash working capital balances:		
Accounts receivable	-	46,244
Prepayments	(4,535)	8,478
Accounts payable and accrued liabilities	87,619	172,237
Interest accrued on loans	4,769	-
<b>Total cash used in operating activities</b>	<b>(133,293)</b>	<b>(142,915)</b>
<b>Cash flows from financing activities</b>		
Proceeds from sale of units	\$ -	\$ 60,447
Proceeds from loans	366,679	-
<b>Total cash provided from financing activities</b>	<b>\$ 366,679</b>	<b>\$ 60,447</b>
<b>Effect of foreign exchange on cash</b>	<b>\$ 4,301</b>	<b>\$ 250</b>
<b>Total decrease in cash during the period</b>	<b>\$ 237,687</b>	<b>\$ (82,218)</b>
<b>Cash and cash equivalents - Beginning of the period</b>	<b>12,780</b>	<b>119,445</b>
<b>Cash and cash equivalents - End of the period</b>	<b>\$ 250,467</b>	<b>\$ 37,227</b>
<b>Cash interest payments made during the period</b>	<b>\$ -</b>	<b>\$ -</b>

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

## **Khot Infrastructure Holdings, Ltd.**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2017

(Expressed in United States dollars)

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### **1. CORPORATE INFORMATION**

Khot Infrastructure Holdings, Ltd., (formerly Undur Tolgoi Minerals Inc.) [“KOT” 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 KOT is Sea Meadow House, Blackburne Highway, PO Box 116, Road Town, Tortola, British Virgin Islands.

KOT has a 100% interest in, Jucca Holdings Limited [“Jucca”], Wishland Properties Limited [“Wishland”], Great Hoard Holdings S. à r. l. [“GHH”].

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### **2. BASIS OF PREPARATION**

#### **(a) Statement of compliance**

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by International Accounting Standards Board (“IASB”). These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, “*Interim Financial Reporting*”.

The preparation of the consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgements in applying the Company’s accounting policies. The areas involving higher degrees of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

These consolidated financial statements were authorized for issue by the Board of Directors on November 28, 2017.

#### **(b) Basis of measurement, functional currency and going concern**

These consolidated financial statements have been prepared on a historical cost basis, except for the available-for-sale financial instruments which are measured at fair value, and are expressed in United States dollars, which is the Company’s functional and presentation currency. The functional currency for each consolidated entity is determined by the currency of the primary economic environment in which it operates.



## **Khot Infrastructure Holdings, Ltd.**

Notes to the Condensed Consolidated Interim Financial Statements  
For the three months ended September 30, 2017  
(Expressed in United States dollars)

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### **2. BASIS OF PREPARATION (continued)**

#### **(b) Basis of measurement, functional currency and going concern (continued)**

##### 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 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.

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### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at September 30, 2017 and December 31, 2016.

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company has all of the following:

## **Khot Infrastructure Holdings, Ltd.**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2017

(Expressed in United States dollars)

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### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **(a) Basis of consolidation (continued)**

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

When the Company has less than a majority of the voting, or similar, rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Company's voting rights and potential voting rights

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies. All intracompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

The subsidiaries of the Company at June 30, 2017 and their principal activities are described below:

<u>Name of subsidiary</u>	<u>Place of incorporation</u>	<u>Ownership interest</u>	<u>Principal activity</u>
Jucca Holdings Limited	British Virgin Islands	100%	Holding Company
Wishland Properties Limited	British Virgin Islands	100%	Holding Company
Great Hoard Holdings S.a.r.l	Luxembourg	100%	Holding Company
Ashid Munkhiin Zam International LLC	Mongolia	75%	Infrastructure development
Ashid Munkhiin Zam LLC	Mongolia	75%	Infrastructure development

On October 1, 2016, the Company abandoned its operations in Mongolia and has made its infrastructure development operations available for sale.

## **Khot Infrastructure Holdings, Ltd.**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2017

(Expressed in United States dollars)

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### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **(b) Business combinations**

Business combinations are accounted for using the acquisition method. For each business combination at the acquisition date, the Company recognizes at fair value all of the identifiable assets acquired, the liabilities assumed, the non-controlling interest in the acquiree and the aggregate of the consideration transferred, including any contingent consideration to be transferred. When the fair value of the consideration transferred and the amount recognized for non-controlling interest exceeds the net amount of the identifiable assets and the liabilities assumed measured at fair value (the “net identifiable assets”), the difference is treated as goodwill. After initial recognition, goodwill is measured at its initial cost from the acquisition date, less any accumulated impairment losses.

Goodwill is reviewed annually for impairment or when there is an indication of potential impairment. If the fair value of the Company’s share of the net identifiable assets exceeds the fair value of the consideration transferred and non-controlling interest at the acquisition date, the difference is immediately recognized in comprehensive income (loss). If the business combination is achieved in stages, the acquisition date fair value of the previously held interest in the acquiree is re-measured to fair value as at the acquisition date through net income (loss). The Company does not currently have goodwill.

Acquisition costs are expensed as incurred in comprehensive income (loss). Costs associated with the issuance of equity are charged to the relevant account within equity.

#### **(c) Foreign currency translation**

The consolidated financial statements are presented in United States dollars. The Company has foreign registered offices in Luxembourg and Mongolia.

The functional currencies of the Company and its subsidiaries are as follows:

<u>Company</u>	<u>Functional Currency</u>	
Khot Infrastructure Holding, Ltd.	United States Dollar	USD
Jucca Holdings Limited	United States Dollar	USD
Wishland Properties Limited	United States Dollar	USD
Great Hoard Holdings S.a.r.l	United States Dollar	USD
Ashid Munkhiin Zam International LLC	Mongolian Tugrik	MNT
Ashid Munkhiin Zam LLC	Mongolian Tugrik	MNT

Monetary assets and liabilities denominated in foreign currencies are translated to the spot rate of exchange at the reporting date. All differences are taken to the consolidated statement of comprehensive loss in the period in which they arise.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the date of the initial transaction. Non-monetary items measured at a revalued amount in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

## **Khot Infrastructure Holdings, Ltd.**

Notes to the Condensed Consolidated Interim Financial Statements  
For the three months ended September 30, 2017  
(Expressed in United States dollars)

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### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **(c) Foreign currency translation (continued)**

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Exchange differences resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognized in profit or loss.

Foreign currency translation reserve is used to record exchange differences arising from the translation of foreign subsidiaries.

#### **(d) Accounting policies**

The policies applied in these unaudited condensed consolidated interim financial statements are based on IFRSs issued and outstanding as of September 30, 2017. The same accounting policies and methods of computation are followed in these unaudited condensed consolidated interim financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended December 31, 2016. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2017 could result in restatement of these unaudited condensed consolidated interim financial statements.

#### **(e) Standards, amendments and interpretations**

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The Company has not yet assessed the impact of these new standards on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective. The following are effective for annual periods beginning on or after January 1, 2018.

- IFRS 9 (Final version)                      *Financial Instruments*
- IFRS 15    *Revenue from Contracts with Customers*

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### **4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of these consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities at the date of the consolidated financial statements. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In particular, the Company has identified the following areas where significant judgements, estimates and assumptions are required. Changes in these assumptions may materially affect the financial position or financial results reported in future periods. Further information on each of these areas and how they impact the various accounting policies are described below and also in the relevant notes to the consolidated financial statements.

## **Khot Infrastructure Holdings, Ltd.**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2017

(Expressed in United States dollars)

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### **4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

The following are significant management judgements in applying the accounting policies of the Company and have the most significant effect on the consolidated financial statements.

#### Contingencies

By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence and potential quantum of contingencies inherently involves the exercise of significant judgements and the use of estimates regarding the outcome of future events.

#### Functional currency

The functional currency for the parent entity, and each of its subsidiaries, is the currency of the primary economic environment in which the entity operates. The parent entity has determined the functional currency of the Company is the United States dollar. Determination of functional currency may involve certain judgements to determine the primary economic environment and the parent entity reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

#### Road repair provision

The Company provides for estimated repair obligations relate to the remaining costs to complete ongoing road constructions projects based on the estimated percentage completion of the project, inspection completed by Mongolian authority on the road construction project, as well as faults in the construction of the road noted by management due to poor weather, or defects in the materials used. Management continues to monitor the construction in process in determining the need for road repair provisions.

The Company's provision for road repair could materially change and may result in significant changes to road repair provision balances as management continues to monitor the completion of the construction projects.

#### Investments in private companies

The Company provides for changes in valuation in its investments that do not have quoted prices in active markets. Mogul Venture Corp is an investment in the common shares of a private company and as a result there was no quoted price in active markets. Management estimates the fair value of the investment based primarily on the changes in the value of underlying assets own by those companies at each reporting period. The investment in Mogul Ventures Corp was measured against the most recent external financing completed by the company, and subsequently adjusted for changes in coal prices.

#### Share-based payments

The estimation of share-based payment costs requires the selection of an appropriate valuation model and data and consideration as to the volatility of the Company's own share price, the expected forfeiture, the probable life of share options and warrants granted and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes valuation model.

## **Khot Infrastructure Holdings, Ltd.**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2017

(Expressed in United States dollars)

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### **5. INVESTMENTS**

On November 18, 2015, Khot has sold its 5.05% interest in Anya-2 to Mogul Ventures Corp. ("Mogul"), a Canadian private company. In exchange for the Company's interest in Anya-2, Khot has received a 5.05% of a 2.5% net smelter royalty for any production of metals from the Ochiryn Bulag project, as well as 80,800 common shares of Mogul. This consideration was valued at \$10,909 based on the last share price that Mogul shares were issued at, adjusted for subsequent market movements.

Investments:

	<b>September 30, 2017</b>	December 31, 2016
	\$	\$
Other investments	<b>442</b>	442
Investment in Mogul	<b>10,909</b>	10,909
	<b>11,351</b>	11,351

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### **6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>September 30, 2017</b>	December 31, 2016
	\$	\$
Trade payables	<b>242,189</b>	236,187
Accrued liabilities	<b>150,765</b>	69,394
Due to related parties	<b>123,081</b>	122,836
	<b>516,035</b>	428,416

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### **7. SHARE CAPITAL**

#### **Authorized share 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 (if any) which are declared from time to time, and are entitled to one vote per share at KOT's shareholder meetings. All shares are ranked equally with regards to the Company's residual assets.

#### **Issued share capital**

At September 30, 2017, there was 65,302,351 (December 31, 2016 - 65,302,351) common shares outstanding.

## **Khot Infrastructure Holdings, Ltd.**

Notes to the Condensed Consolidated Interim Financial Statements  
For the three months ended September 30, 2017  
(Expressed in United States dollars)

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### **7. SHARE CAPITAL (continued)**

#### **Warrants**

The following table reflects the continuity of warrants:

	Number of warrants	Weighted Average Exercise Price CND \$
Balance, beginning of the period	281,934	0.20
Expired during the period	(281,934)	0.20
Balance, end of the period	-	-

During the period, 281,934 warrants with an exercise price of \$0.20 expired unexercised.

#### **Warrant liability**

	Number of warrants	Value of warrants \$
Balance, beginning of the period	281,934	-
Expired warrants	(281,934)	-
Balance, end of the period	-	-

#### **Stock options**

Under the terms of the Company's stock option plan (the "Plan") all options are granted with an exercise price above the closing market price on the day immediately preceding the date of grant. The term of options is determined by the Board of Directors and is typically three or five years with a maximum term of 10 years. Options issued to consultants who perform investor relations activities will be subject to a vesting schedule whereby no more than 25% of the options granted may vest in any three month period. The maximum number of options authorized for issue shall be 10% of the outstanding shares in issue at the date of the option grant.

The Company records a charge to the statement of comprehensive loss using the Black-Scholes fair valuation option pricing model. The valuation is dependent on a number of estimates, including the risk free interest rate, the level of stock volatility, together with an estimate of the level of forfeiture. The level of stock volatility is calculated with reference to historic traded daily closing share prices at the date of issuance.

Option pricing models require the inputs of highly subjective assumptions including the expected price volatility. Changes to the subjective input assumptions can materially affect the fair value estimate and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's share options.

## Khot Infrastructure Holdings, Ltd.

Notes to the Condensed Consolidated Interim Financial Statements  
For the three months ended September 30, 2017  
(Expressed in United States dollars)

### 7. SHARE CAPITAL (continued)

#### Stock options (continued)

The following table provides detailed information about stock options outstanding as at September 30, 2017

Expiry Date	Exercise Price CND	Options Outstanding	Weighted Average Remaining contractual Life (years)	Options Vested	Options unvested
December 31, 2017	\$ 0.10	150,000	0.97	150,000	-
January 8, 2019	\$ 0.25	1,750,000	2.02	1,950,000	-
December 3, 2020	\$ 0.20	750,000	3.93	775,000	-
<b>Total</b>		<b>2,650,000</b>	<b>2.48</b>	<b>2,815,000</b>	<b>-</b>

Stock option activity is as follows:

	Number	Weighted- Average exercise price CND \$
<b>Outstanding, December 31, 2015</b>	<b>6,270,000</b>	<b>0.24</b>
Expired	(3,095,000)	0.25
Forfeited	(300,000)	0.24
<b>Outstanding, December 31, 2016</b>	<b>2,875,000</b>	
Forfeited	(225,000)	<b>0.24</b>
<b>Outstanding, September 30, 2017</b>	<b>2,650,000</b>	<b>0.24</b>

#### Share based payment reserve

Amounts recorded in share based payment reserve in shareholders' equity relate to the fair value of stock options.

Activity with respect to the share based payment reserve is summarized as follows:

	September 30, 2017 \$	December 31, 2016 \$
Balance, beginning of the period	<b>1,333,619</b>	1,333,619
Stock-based compensation	-	-
<b>Balance, end of the period</b>	<b>1,333,619</b>	1,333,619



## **Khot Infrastructure Holdings, Ltd.**

Notes to the Condensed Consolidated Interim Financial Statements  
For the three months ended September 30, 2017  
(Expressed in United States dollars)

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### **8. RELATED PARTY TRANSACTIONS**

Related parties include the Board of Directors, close family members, key management personnel, significant shareholders and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

#### Transactions with Key management personnel

Key management of the Company are members of the Board of Directors, the Chief Executive Officer, and Chief Financial Officer. Key management remuneration includes the following:

	<b>Three months ended September 30</b>		<b>Nine months ended September 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<i>Short-term key management benefits</i>	\$	\$	\$	\$
Compensation including salary	<b>26,225</b>	30,501	<b>65,291</b>	92,776

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.

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## **Khot Infrastructure Holdings, Ltd.**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2017

(Expressed in United States dollars)

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### **9. SEGMENT REPORTING**

As at September 30, 2017, the Company had one reportable operating segment of general and administrative expenditures. All of the Company's non-current assets are located in Canada.

The Company has the following noncurrent assets located in Mongolia:

	<b>September 30, 2017</b>		December 31, 2016
Investments	\$ 442	\$	442

The Company has the following noncurrent assets located in Canada:

	<b>September 30, 2017</b>		December 31, 2016
Investment in Mogul Venture	\$ 10,909	\$	10,909

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### **10. CAPITAL MANAGEMENT**

The Company's capital structure has been defined by Management as being comprised of shareholders' equity, which comprises share capital and other components of equity and accumulated deficit, which at September 30, 2017, totals (\$571,887) (December 2016 – \$350,740). The Company's objectives when managing its capital structure are to preserve the Company's access to capital markets and its ability to meet its financial obligations and to finance its future infrastructure activities and general corporate costs. This is achieved by the Board of Directors' review and acceptance of infrastructure budgets that are achievable within existing resources and the timely matching and release of the next stage of expenditures with the resources made available from private placements or other funding.

The Company monitors its capital structure using annual forecasted cash flows, infrastructure budgets and targets for the year.

The Company is dependent upon external financing to fund its activities. In order to pay for administrative costs, the Company will spend its existing working capital and raise additional funds 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.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company to maintain flexibility while achieving the objectives stated above as well as supporting future business opportunities. To manage the capital structure the Company may adjust its operating expenditure plans, or issue new common shares.

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.

There were no changes in the Company's approach to capital management for the nine months ended September 30, 2017 and December 31, 2016. The Company is not subject to externally imposed capital requirements or covenants.

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## **Khot Infrastructure Holdings, Ltd.**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2017

(Expressed in United States dollars)

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### **12. FINANCIAL RISK MANAGEMENT**

The carrying values of the Company's financial instruments are classified into the categories below. Fair values are determined either directly by reference to published price quotations in an active market, or from valuation techniques using observable inputs.

	<b>September 30, 2017</b>	December 31, 2016
	\$	\$
Available for sale investments	<b>11,351</b>	11,351
Current loans and receivables <sup>2</sup>	<b>35,229</b>	12,780
Current loans and interest payable	<b>(16,397)</b>	(16,397)
Long term loans and interest payable	<b>(81,785)</b>	-
Other financial liabilities <sup>1</sup>	<b>(473,990)</b>	(428,416)

<sup>1</sup> accounts payable and accrued liabilities

<sup>2</sup> cash and current accounts receivable

The three levels of the fair value hierarchy are:

- [i] Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities
- [ii] Level 2 – Inputs other than quoted prices that are observable for the asset or liability directly or indirectly
- [iii] Level 3 – Inputs that are not based on observable market data

As at September 30, 2017 and December 31, 2016, the Company's financial instruments which are measured at fair value on a recurring basis were cash and investments. Cash was classified as Level 1 financial instrument.

The investment in Mogul Venture Corp is an investment in the common shares of a private company and as a result there was no quoted price in active markets. The investment was measured against the most recent external financing completed by the company, and subsequently adjusted for changes in coal prices and as a result has been classified as a level 3.

The warrants liability is the provision for the Company's warrants denominated in a currency other than the Company's functional currency, and as a result the ultimate settlement on exercising of the warrants varies as the exchange rate between the Company's functional currency and the currency in which the warrants are denominated varies. As a result the warrants are valued based on the Black-Scholes valuation model and have been classified as a level 2.

#### **Risks arising from financial instruments and 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.

## **Khot Infrastructure Holdings, Ltd.**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2017

(Expressed in United States dollars)

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### **12. FINANCIAL RISK MANAGEMENT (continued)**

#### **Risks arising from financial instruments and risk management (continued)**

##### **Interest rate risk (continued)**

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 asset exposed to credit risk is cash.

Maximum exposure is equal to the carrying values of this asset. The Company's cash is held at a large financial institution.

##### **As at September 30, 2017**

	<b>Neither past due nor impaired</b>		<b>Past due or</b>	<b>Total</b>
	<b>High grade</b>	<b>Standard grade</b>	<b>individually</b>	
	<b>\$</b>	<b>\$</b>	<b>impaired (\$)</b>	<b>\$</b>
Cash and receivables:				
Cash and cash equivalents	250,467	–	–	250,467
	250,467	–	–	250,467

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 [December 31, 2016 - \$717,723]. 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 year the Company has subsidiaries in various jurisdiction where many of its transactions are denominated in the foreign currency. 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 foreign currency.

On October 1, 2016, the Company abandoned its 75% ownership of AMZ and no longer has any operations in Mongolia and no longer engages in transactions denominated in Mongolian Tugrik. The Company is currently looking to sell its interest in AMZ for consideration of \$1.

**Khot Infrastructure Holdings, Ltd.**

Notes to the Condensed Consolidated Interim Financial Statements  
For the three months ended September 30, 2017  
(Expressed in United States dollars)

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**12. FINANCIAL RISK MANAGEMENT (continued)****Risks arising from financial instruments and risk management (continued)****Foreign exchange risk (continued)**

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.

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**13. COMMITMENTS****Loan agreements**

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%.

**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.

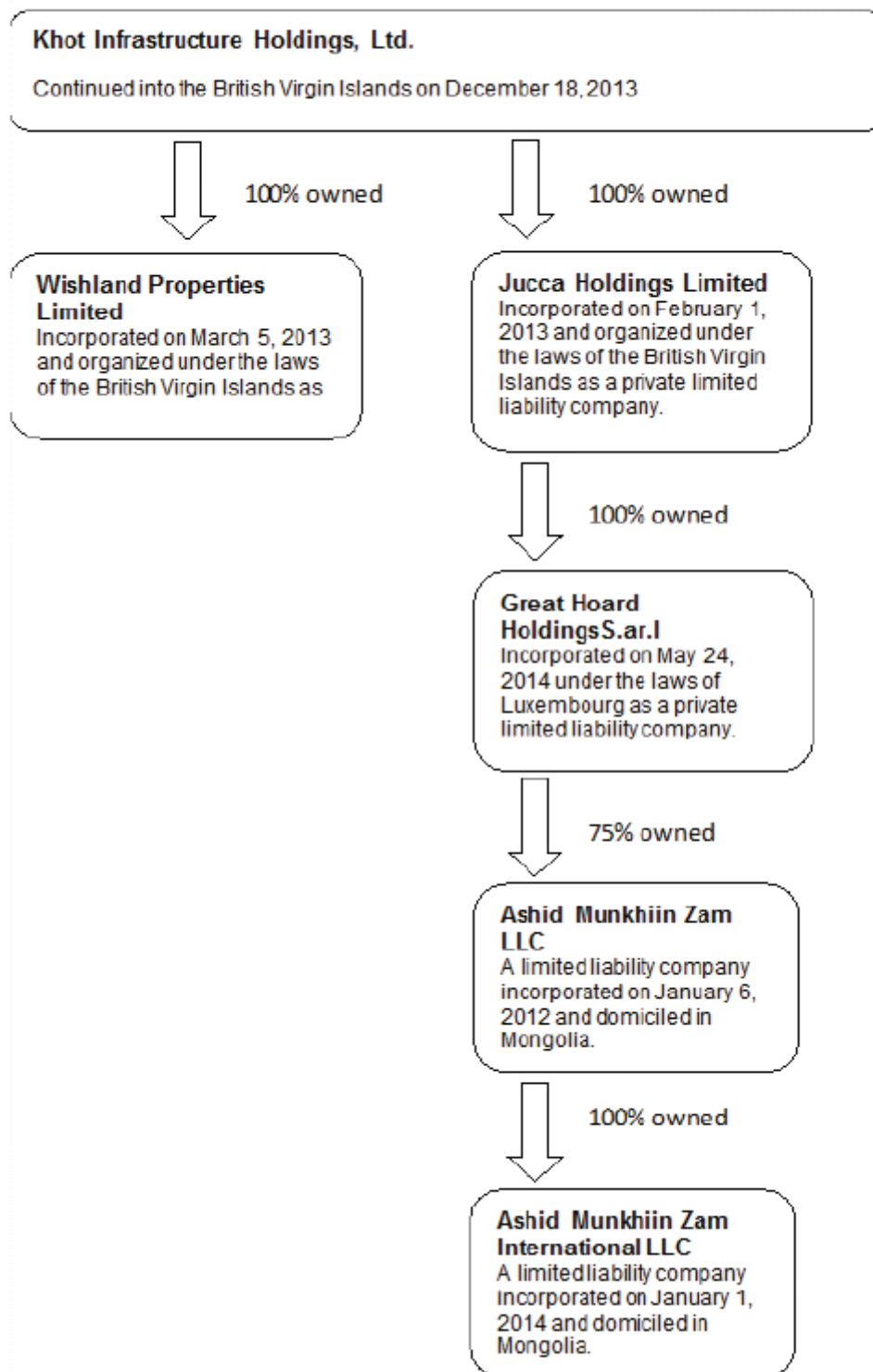
The Company’s common shares are listed and posted for trading on the Canadian Securities Exchange (the “CSE”) under the symbol “KOT”; however, on May 5, 2017, the Company’s common shares were suspended from trading by the CSE and a cease trade order was issued against the Company by the Ontario Securities 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



**KHOT INFRASTRUCTURE HOLDINGS, LTD.  
MANAGEMENT DISCUSSION AND ANALYSIS  
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017**

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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.

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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)	-	-

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**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
	\$	\$
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.