

Condensed Consolidated Interim Financial Statements  
[Expressed in United States dollars]

**Khot Infrastructure Holdings, Ltd.**

For the three months ended March 31, 2018

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Condensed Consolidated Interim Financial Statements  
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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.

"Wayne Lloyd"  
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 March 31, 2018	As at December 31, 2017
<b>Assets</b>			
Current assets:			
Cash and cash equivalents		\$ 135,022	\$ 223,086
Prepayment		456	3,350
<b>Total current assets</b>		<b>135,478</b>	<b>226,436</b>
<b>Total assets</b>		<b>\$ 135,478</b>	<b>\$ 226,436</b>
<b>Liabilities and shareholders' equity</b>			
Current liabilities:			
Accounts payable and accrued liabilities	5 and 9	\$ 154,019	\$ 262,508
Short term debt	7, 9 and 10	472,136	429,394
Road repair provision		274,791	274,791
<b>Total current liabilities</b>		<b>900,946</b>	<b>966,693</b>
Noncurrent liabilities:			
Long term debt	7, 9 and 10	142,577	142,577
<b>Total long term liabilities</b>		<b>142,577</b>	<b>142,577</b>
<b>Total liabilities</b>		<b>\$ 1,043,523</b>	<b>\$ 1,109,270</b>
<b>Shareholders' equity</b>			
Share capital	6 and 10	8,049,254	8,049,254
Other reserves		1,399,487	1,399,487
Deficit		(10,001,154)	(9,975,943)
		(552,413)	(527,202)
Non Controlling Interests		(355,632)	(355,632)
<b>Total equity</b>		<b>(908,045)</b>	<b>(882,834)</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 135,478</b>	<b>\$ 226,436</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 March 31, 2018	Three months ended March 31, 2017
<b>Other income</b>			
Interest and other income		\$ -	\$ -
<b>Expenses</b>			
Management fees	7	15,000	24,066
Promotion & investor conference		-	-
Regulatory, exchange, AGM, press release and transfer agent fees		6,663	7,177
Professional fees	7	5,368	12,279
Finance costs		540	347
Foreign exchange loss		(5,563)	1,500
General and administrative expense		3,203	12,844
		<u>25,211</u>	<u>58,213</u>
Loss before income tax		(25,211)	(58,213)
Income tax expense		-	-
Loss after income tax expense		(25,211)	-
<b>Consolidated loss after income tax expense</b>		<b>\$ (25,211)</b>	<b>\$ (58,213)</b>
<b>Other comprehensive loss</b>			
Exchange difference on translating foreign operations		-	-
<b>Total comprehensive loss for the year</b>		<b>\$ (25,211)</b>	<b>\$ (58,213)</b>
Net loss attributed to:			
Equity holders of the parent		\$ (25,211)	\$ (58,213)
Non-controlling interests		-	-
		<u>\$ (25,211)</u>	<u>\$ (58,213)</u>
Total comprehensive loss attributed to:			
Equity holders of the parent		\$ (25,211)	\$ (58,213)
Non-controlling interests		-	-
		<u>\$ (25,211)</u>	<u>\$ (58,213)</u>
<b>Loss per common share:</b>			
Basic and diluted		<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Weighted average number of common shares outstanding:			
Basic and diluted		<u>65,302,351</u>	<u>65,302,351</u>

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	Equity Component of Convertible Debt	Contributed Surplus	Share based payment reserve				
<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>\$ -</b>	<b>\$ -</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	-	-	-	-	-	-	-	(58,214)	(58,214)	-	(58,214)
<b>Balance at March 31, 2017</b>	<b>65,302,351</b>	<b>\$ 8,049,254</b>	<b>\$ 103,980</b>	<b>\$ 650</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,333,619</b>	<b>\$ (9,688,497)</b>	<b>\$ (408,954)</b>	<b>\$ (355,632)</b>	<b>\$ (764,586)</b>
<b>Balance at December 31, 2017</b>	<b>65,302,351</b>	<b>\$ 8,049,254</b>	<b>\$ (28,762)</b>	<b>\$ 650</b>	<b>\$ 44,837</b>	<b>\$ 49,143</b>	<b>\$ 1,333,619</b>	<b>\$ (9,975,943)</b>	<b>\$ (527,202)</b>	<b>\$ (355,632)</b>	<b>\$ (882,834)</b>
Total comprehensive loss for the period	-	-	-	-	-	-	-	(25,211)	(25,211)	-	(25,211)
<b>Balance at March 31, 2018</b>	<b>65,302,351</b>	<b>\$ 8,049,254</b>	<b>\$ (28,762)</b>	<b>\$ 650</b>	<b>\$ 44,837</b>	<b>\$ 49,143</b>	<b>\$ 1,333,619</b>	<b>\$ (10,001,154)</b>	<b>\$ (552,413)</b>	<b>\$ (355,632)</b>	<b>\$ (908,045)</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>Three months ended March 31, 2018</b>	Three months ended March 31, 2017
<b>Cash flow from operating activities</b>		
Loss for the period	\$ (25,211)	\$ (58,214)
Adjustments to reconcile loss to net cash used in operating activities:		
Unrealized foreign exchange	-	1,500
Depreciation	-	-
Change in non-cash working capital balances:		
Prepayments	2,894	1,512
Accounts payable and accrued liabilities	(108,489)	55,202
Short term debt	42,742	-
<b>Total cash used in operating activities</b>	<b>(88,064)</b>	-
<b>Total decrease in cash during the period</b>	<b>\$ (88,064)</b>	<b>\$ -</b>
<b>Cash and cash equivalents - Beginning of the period</b>	<b>223,086</b>	<b>12,780</b>
<b>Cash and cash equivalents - End of the period</b>	<b>\$ 135,022</b>	<b>\$ 12,780</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 March 31, 2018  
(Expressed in United States dollars)

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### **1. CORPORATE INFORMATION**

Khot Infrastructure Holdings, Ltd., (now Blockchain Holdings Ltd.) 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.

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.

On February 2, 2018, the cease trade order was revoked. The Company has proposed a change of business to develop broad-based indexing products and blockchain tracking metrics and is currently proceeding with a re-listing application with the CSE.

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”] and 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 judgments in applying the Company’s accounting policies. The areas involving higher degrees of judgment 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 May 29, 2018.

#### **(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 March 31, 2018

(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 projects, 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 involves a high degree of risk and there can be no assurance that current development activity will ultimately result in profitable operations. The Company's continued existence is dependent upon its ability to secure future customers and the achievement of profitable operations, or the ability of the Company to raise additional financing.

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 the development of indexing products and blockchain tracking metrics, 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 \$10,001,154 deficit as at March 31, 2018 and has a working capital deficiency of \$765,468 (March 2017 - \$775,937), including \$135,022 (March 2017 - \$11,280) in cash and cash equivalents. As at March 31, 2018, the Company had abandoned its infrastructure activities in Mongolia and has proposed a change of business to develop broad-based indexing products and blockchain tracking metrics.

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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 March 31, 2018 and December 31, 2017.

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 March 31, 2018

(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 March 31, 2018

(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 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.

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 March 31, 2018

(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 March 31, 2018. 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, 2017.

#### **(e) Standards, amendments and interpretations**

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for annual periods beginning after January 1, 2018, or later periods.

The following new IFRSs will not have a material effect on the Company's future results and financial position.

- IFRS 2 *Share-based Payment (Amendments to IFRS 2);*
- IFRS 9 *Financial Instruments (New; to replace IAS 39, IFRIC 9 and earlier versions of IFRS 9*
- IFRS 15 *Revenue from Contracts with Customers (New; to replace IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31); and*
- IFRS 16 *Leases (New, to replace IAS 17, IFRIC 4, SIC 15 and SIC 27).*

Other accounting standards or amendments to existing accounting standards that have been issued but have future dates are either not applicable or are not expected to have a significant impact on the Company's 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. 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.

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 March 31, 2018

(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 March 31, 2018

(Expressed in United States dollars)

### 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2018	December 31, 2017
	\$	\$
Trade payables and other short term loans	145,930	188,328
Accrued liabilities	8,080	74,180
	<b>154,019</b>	<b>262,508</b>

### 6. 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 March 31, 2018, there was 65,302,351 (December 31, 2017 - 65,302,351) common shares outstanding.

#### 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 following table provides detailed information about stock options outstanding as at March 31, 2018.

Expiry Date	Exercise Price CND	Options Outstanding	Weighted Average Remaining contractual Life (years)	Options Vested	Options unvested
January 8, 2019	\$ 0.25	1,750,000	0.77	1,750,000	-
December 3, 2020	\$ 0.20	750,000	2.68	750,000	-
<b>Total</b>		<b>2,500,000</b>	<b>1.37</b>	<b>2,500,000</b>	<b>-</b>

## Khot Infrastructure Holdings, Ltd.

Notes to the Condensed Consolidated Interim Financial Statements  
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(Expressed in United States dollars)

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### 6. SHARE CAPITAL (continued)

#### Stock options (continued)

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>	<b>0.24</b>
Expired	(150,000)	0.10
Forfeited	(225,000)	0.24
<b>Outstanding, December 31, 2017 and March 31, 2018</b>	<b>2,500,000</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.

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### 7. 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:

	Three months ended March 31	
	2018	2017
<i>Short-term key management benefits</i>	\$	\$
Compensation including salary	31,346	24,066

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1) Management fees include \$15,000 (\$15,000 – 2017) paid or accrued to Don Padgett, the Company's Chief Executive Officer. As at March 31, 2018, \$99,817 (\$64,812 – 2017) in payables, accruals or loans were due to Don Padgett. On December 31, 2017, the Company renegotiated the terms of the indebtedness such that the first repayment date is after June 30, 2019. The loan does not accrue interest.



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

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2018

(Expressed in United States dollars)

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### **7. RELATED PARTY TRANSACTIONS (continued)**

2) Professional fees include \$16,346 (\$nil – 2017) paid to Alan Tam, the Company's current Chief Financial Officer. As at March 31, 2018, \$nil (\$nil – 2017) 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 \$nil (\$9,066 – 2017) paid or accrued to Erin Chutter, one of the directors of the Company. As at March 31, 2018, \$35,072 (\$75,220 – 2017) were payable or accrued to Erin Chutter. There was a one time expense recovery related to a \$40,148 amount that was invoiced by Erin Chutter (former director) to the Company, which was subsequently forgiven in this quarter.

On June 30, 2017, James Passin, one of the directors, signed a loan agreement with the Company to convert some existing related party loan balances to short term loan debt and also provide additional new loan proceeds. On October 1 2017, the loan agreement was renegotiated to include all remaining related party loan balances, which totaled \$29,728 and also provide \$105,539 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.

### **8. 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. The Company's objectives when managing its capital structure are to preserve the Company's access to capital markets, to finance its future plans to develop broad-based indexing products plus blockchain tracking and for general corporate costs.

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 three months ended March 31, 2018 and year ended December 31, 2017. The Company is not subject to externally imposed capital requirements or covenants.

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

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2018

(Expressed in United States dollars)

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### **9. 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.

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
	\$	\$
Accounts payable	<b>(154,019)</b>	(262,508)
Short term debt	<b>(472,136)</b>	(429,394)
Long term debt	<b>(142,577)</b>	(142,577)

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 March 31, 2018 and December 31, 2017, 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.

#### **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.

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.

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

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2018

(Expressed in United States dollars)

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### **9. FINANCIAL RISK MANAGEMENT (continued)**

#### **Risks arising from financial instruments and risk management (continued)**

##### **Credit risk (continued)**

<b>As at March 31, 2018</b>	<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	135,022	–	–	135,022
	<u>135,022</u>	<u>–</u>	<u>–</u>	<u>135,022</u>

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 March 31, 2018, the Company had a working capital deficit of \$805,616. 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 jurisdictions 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 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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## **Khot Infrastructure Holdings, Ltd.**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2018

(Expressed in United States dollars)

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### **10. SUBSEQUENT EVENTS**

#### **Name change, share consolidation and debt settlement**

On April 9, 2018, the Company's management and directors were provided with approval by the shareholders at the annual general and special meeting of shareholders to change its name to Blockchain Holdings Ltd. and change from the business of transportation infrastructure development to developing proprietary indexes and ancillary data products for emerging blockchain and digital currency markets. The name change was completed on April 25, 2018.

On April 9, 2018, there were 1,025,000 options that were expired or cancelled to previous consultants to the Company.

On April 17, 2018, the Company completed its non-brokered private placement of subscription receipts for gross proceeds of \$500,000 at a price of \$0.10 per Receipt (after the completion of a 10:1 share consolidation). The proceeds of the Private Placement will be held in escrow pending completion of the share consolidation transaction and each Receipt will automatically convert into common shares. The 10:1 share consolidation was completed on May 11, 2018.

In addition, the Company reached agreement with its lenders to repay CAD\$628,304.68 in debt by the issuance of 6,283,047 common shares at a price of \$0.10 per share (after the completion of a 10:1 share consolidation).