

Blockchain Holdings Ltd.
(formerly Khot Infrastructure Holdings Ltd.)

Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2018
(Expressed in United States dollars)

Blockchain 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
Assets			
Current assets:			
Cash		\$ 135,023	\$ 223,086
Accounts receivable		8,050	-
Prepayment		456	3,350
Total current assets		143,529	226,436
Total assets		\$ 143,529	\$ 226,436
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable and accrued liabilities	4	\$ 159,435	\$ 262,508
Short term debt	5	487,900	429,394
Road repair provision	7	274,791	274,791
Total current liabilities		922,126	966,693
Noncurrent liabilities:			
Long term debt	6, 9	149,580	142,577
Total long term liabilities		149,580	142,577
Total liabilities		\$ 1,071,706	\$ 1,109,270
Shareholders' equity			
Share capital	8, 10	8,049,254	8,049,254
Obligation to issue shares	8	34,500	-
Other reserves	8	1,392,485	1,399,487
Deficit		(10,048,784)	(9,975,943)
		(572,545)	(527,202)
Non Controlling Interests		(355,632)	(355,632)
Total equity		(928,177)	(882,834)
Total liabilities and shareholders' equity		\$ 143,529	\$ 226,436
Subsequent events	8, 10		

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

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on July 10, 2018, and are signed on its behalf by:

"James Passin"

Director

"Don Padgett"

Director

Blockchain 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
Expenses			
Management fees	9	\$ 15,000	24,066
Regulatory and transfer agent fees		6,163	7,177
Professional fees		56,007	12,279
Finance costs		9,739	347
General and administrative expense		3,203	12,845
		<u>90,112</u>	<u>56,714</u>
Other income (expense)			
Foreign exchange loss (gain)		(7,390)	1,500
Accretion expense	5	30,267	-
Recovery of payables	9	(40,148)	-
Total comprehensive loss		<u>72,841</u>	<u>58,214</u>
Loss per common share:			
Basic and diluted		<u>\$ 0.01</u>	<u>\$ 0.01</u>
Weighted average number of common shares outstanding:			
Basic and diluted		<u>6,530,235</u>	<u>6,530,235</u>

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

Blockchain Holdings Ltd.
Condensed Consolidated Interim Statements of Cash Flows

(expressed in United States dollars)

	Three months ended March 31, 2018	Three months ended March 31, 2017
Cash flow from operating activities		
Loss for the period	\$ (72,841)	\$ (58,214)
Adjustments to reconcile loss to net cash used in operating activities:		
Accretion expense	30,267	-
Recovery of accounts payable	(40,148)	-
Interest expense	8,822	-
Loan for services provided	16,483	-
Change in non-cash working capital balances:		
Prepayments	2,894	1,512
Deposit receivable	(8,050)	-
Accounts payable and accrued liabilities	(50,717)	55,202
Total cash used in operating activities	<u>(113,290)</u>	<u>(1,500)</u>
Cash flows from financing activities		
Net proceeds from loan	8,619	-
Share subscriptions received in advance	34,500	-
Total cash provided from financing activities	<u>43,119</u>	<u>-</u>
Effect of foreign exchange on cash	(17,892)	(1,500)
Total decrease in cash during the period	(88,063)	(3,000)
Cash - Beginning of the period	223,086	12,780
Cash - End of the period	<u>\$ 135,023</u>	<u>\$ 9,780</u>

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

Blockchain Holdings Ltd.

Condensed Consolidated Interim Statements of Changes in Equity

(expressed in United States dollars)

	Number of common shares (#)	Share Capital	Reserves							Obligation to issue shares	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							
Balance at December 31, 2016	6,530,235	\$ 8,049,254	\$ (103,980)	\$ 650	\$ -	\$ -	\$ -	\$ 1,333,619	\$ -	\$ (9,630,283)	\$ (350,740)	\$ (355,632)	\$ (706,372)	
Comprehensive loss for the period	-	-	-	-	-	-	-	-	-	(58,214)	(58,214)	-	(58,214)	
Balance at March 31, 2017	6,530,235	\$ 8,049,254	\$ (103,980)	\$ 650	\$ -	\$ -	\$ -	\$ 1,333,619	\$ -	\$ (9,688,497)	\$ (408,954)	\$ (355,632)	\$ (764,586)	
Balance at December 31, 2017	6,530,235	\$ 8,049,254	\$ (28,762)	\$ 650	\$ 44,837	\$ 49,143	\$ -	\$ 1,333,619	\$ -	\$ (9,975,943)	\$ (527,202)	\$ (355,632)	\$ (882,834)	
Obligation to issue shares	-	-	-	-	-	-	-	-	34,500	-	34,500	-	34,500	
Amortization of imputed interest on related party loans	-	-	-	-	-	(7,003)	-	-	-	-	(7,003)	-	(7,003)	
Comprehensive loss for the period	-	-	-	-	-	-	-	-	-	(72,841)	(72,841)	-	(72,841)	
Balance at March 31, 2018	6,530,235	\$ 8,049,254	\$ (28,762)	\$ 650	\$ 44,837	\$ 42,140	\$ -	\$ 1,333,619	\$ 34,500	\$ (10,048,784)	\$ (572,545)	\$ (355,632)	\$ (928,177)	

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

Blockchain Holdings Ltd.

Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2018
(Expressed in United States dollars)

1. CORPORATE INFORMATION

Blockchain Holdings Ltd. (formerly Khot Infrastructure Holdings Ltd.) [the “Company”] is listed on the Canadian Securities Exchange (the “CSE”) under the symbol “KOT”. The Company is currently proposing a change of business to develop broad-based indexing products and blockchain tracking.

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

2. BASIS OF PREPARATION

(a) Statement of compliance

These Financial Statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting. The Financial Statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these Financial Statements have been prepared using the accrual basis of accounting except for cash flow information.

Certain comparative figures have been reclassified to conform to the restated financial statement presentation for the current period. Since the unaudited Financial Statements do not include all disclosures required by IFRS for annual consolidated financial statements, they should be read in conjunction with the Company’s audited annual consolidated financial statements for the year ended December 31, 2017.

The policies set out were consistently applied to all the periods presented unless otherwise noted below. The preparation of condensed interim consolidated financial statements in accordance with IAS 1 requires the use of certain critical accounting estimates, judgements, and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These Financial Statements were authorized for issue by the Board of Directors on July 10, 2018 and have been prepared under the historical cost convention, except for certain financial instruments. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Certain comparative figures have been reflected to conform to the restated financial statement presentation for the current period.

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2. BASIS OF PREPARATION (continued)

(b) 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.

3. 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 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.

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2018	December 31, 2017
	\$	\$
Trade payables	102,444	188,328
Accrued liabilities	56,991	74,180
	<u>159,435</u>	<u>262,508</u>

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5. SHORT TERM DEBT

	Short Term Debt \$
Balance, December 31, 2017	429,394
Issued	40,474
Equity portion accreted back to the loan balance	30,267
Repayments	(7,747)
Accrued interest	9,252
Foreign exchange	(13,740)
Balance, March 31, 2018	<u>487,900</u>

During the period ended March 31, 2018, the Company received short-term advances of \$16,054 (2017 - \$417,297), recorded a short-term loan of \$7,997 for funds not yet received. The Company also recorded loans of \$16,483 for consulting services provided. During the period ended March 31, 2018, the Company accrued interest of \$9,252 (2017 - \$11,550). The notes bear interest of 8% per annum, which is calculated and payable semiannually. The term of the loans is one year. During the period, the convertible portion of all previous loans outstanding was extinguished and therefore the equity portion of the loans of \$30,267 (2017 - \$44,837) recognized in the prior year was accreted back to the loan balance. The Company therefore recognized accretion expense of \$30,267 (2017 - \$14,315).

6. LONG TERM DEBT

	Long Term Debt \$
Balance, December 31, 2017	142,577
Interest	7,003
Balance, March 31, 2018	<u>149,580</u>

On December 31, 2017, the Company renegotiated the terms of indebtedness in the amount of \$191,720 with three shareholders such that the first repayment date is after June 30, 2019. The loan does not accrue interest. In the period ended December 31, 2017, the Company recorded \$49,143 as a credit to contributed surplus reflecting the discount compared to a similar loan that pays interest at market rates. A discount rate of 20% was used. During the period ended March 31, 2018, the Company recognized imputed interest of \$7,003 (2017 - \$nil).

7. ROAD REPAIR PROVISION

	March 31, 2018 \$	December 31, 2017 \$
Balance, beginning of period	274,791	293,474
Effect of changes in foreign exchange rates	-	(18,683)
Balance, end of period	<u>274,791</u>	<u>274,791</u>

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7. ROAD REPAIR PROVISION (continued)

Road repair obligations were recognized in a previous year from when the Company was engaged in the construction and maintenance of roads and bridges in Mongolia.

The Company has not received any correspondence from the Mongolian government regarding repairs to be made to the road. On April 24, 2018, the Company sold its share of the Mongolian subsidiary Ashid Munkhiin Zam LLC for \$1. The investment in the subsidiary was previously written down to \$nil.

8. SHARE CAPITAL

Authorized share capital

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

Issued share capital

On May 11, 2018, the Company completed a 10:1 share consolidation of its issued and outstanding common shares. The effects of the share consolidation have been applied on a retroactive basis.

On March 29, 2018, the Company received share subscription proceeds prior to the issuance of shares in the amount of \$34,500.

Stock options

As at December 31, 2017 and March 31, 2018, there were 2,500,000 options outstanding with a weighted average life and weighted average exercise price of 1.37 years and \$2.40, respectively.

9. 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
	\$	\$
Key management compensation	31,346	24,066

Blockchain Holdings Ltd.

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9. RELATED PARTY TRANSACTIONS (continued)

Management fees include \$15,000 (2017 - \$15,000) paid or accrued to the Company's Chief Executive Officer. As at March 31, 2018, \$74,298 (2017 - \$64,812) was due to the Chief Executive Officer. 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 is unsecured and non-interest bearing.

Professional fees include \$16,346 (2017 - \$nil) paid to the Company's Chief Financial Officer.

Consulting and advisory fees include \$nil (2017 - \$9,066). As at March 31, 2018, an amount of \$35,072 was payable (2017 - \$75,220) to a former director of the Company for consulting fees. During the period ended March 31, 2018, the Company recognized an expense recovery relating to a portion of the payable amount for \$40,148, which was forgiven by the former director.

On October 1, 2017, one of the directors signed a loan agreement with the Company to convert some existing related party loan balances to short term loans which totaled \$29,728 and also provide \$105,539 in new loan proceeds. The term of the loan is for one year, due on June 30, 2018 and accrues interest at 8%.

10. SUBSEQUENT EVENTS

On April 9, 2018, 1,025,000 options expired or were cancelled.

On April 17, 2018, the Company completed a private placement of 5,000,000 shares for proceeds of \$500,000 at a price of \$0.10 per share.

In addition, the Company reached an agreement with its lenders to repay CAD\$628,305 of short-term loans and accrued interest by the issuance of 6,283,047 common shares at a price of \$0.10 per share.

On April 24, 2018, the Company sold its share of the Mongolian subsidiary Ashid Munkhiin Zam LLC for \$1. The investment in the subsidiary was previously written down to \$nil.