

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

Condensed Consolidated Interim Financial Statements  
For the three and six months ended June 30, 2018  
(Expressed in United States dollars)

## **Management's Responsibility for Financial Reporting**

The condensed consolidated Interim financial statements of Blockchain Holdings Ltd. (formerly 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.

**Blockchain Holdings Ltd. (formerly Khot Infrastructure Holdings, Ltd.)**  
**Condensed Consolidated Interim Statements of Financial Position**

(expressed in United States dollars)

	Notes	As at June 30, 2018	As at December 31, 2017
<b>Assets</b>			
Current assets:			
Cash and cash equivalents		\$ 195,949	\$ 223,086
Accounts receivable		8,050	-
Prepayment		48,356	3,350
<b>Total current assets</b>		<b>252,355</b>	<b>226,436</b>
<b>Total assets</b>		<b>\$ 252,355</b>	<b>\$ 226,436</b>
<b>Liabilities and shareholders' equity</b>			
Current liabilities:			
Accounts payable and accrued liabilities	4 and 9	242,853	\$ 262,508
Short term debt	5	496,488	429,394
Road repair provision	7	-	274,791
<b>Total current liabilities</b>		<b>739,341</b>	<b>966,693</b>
Noncurrent liabilities:			
Long term debt	6 and 9	156,583	142,577
<b>Total long term liabilities</b>		<b>156,583</b>	<b>142,577</b>
<b>Total liabilities</b>		<b>\$ 895,923.92</b>	<b>\$ 1,109,270</b>
<b>Shareholders' equity</b>			
Share capital	8 and 9	8,441,934	8,049,254
Other reserves		1,385,481	1,399,487
Deficit		(10,470,984)	(9,975,943)
		(643,569)	(527,202)
Non Controlling Interests		-	(355,632)
<b>Total equity</b>		<b>(643,569)</b>	<b>(882,834)</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 252,355</b>	<b>\$ 226,436</b>

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

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

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

**Blockchain Holdings Ltd. (formerly Khot Infrastructure Holdings, Ltd.)**  
**Consolidated Statements of Comprehensive Loss**

(expressed in United States dollars)

	Notes	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
<b>Expenses</b>					
Development costs		84,956	-	84,956	-
Management fees	9	56,099	15,000	71,099	39,066
Regulatory, exchange, AGM, press release and transfer agent fees		16,255	6,931	22,418	14,108
Professional fees	9	159,145	8,218	215,152	20,497
Finance costs		8,897	33	18,636	380
General and administrative expense		15,697	12,664	18,900	25,508
		<u>341,049</u>	<u>42,846</u>	<u>431,161</u>	<u>99,559</u>
<b>Other expense (income)</b>					
Foreign exchange loss (gain)		310	(561)	(7,080)	939
Accretion expense		-	-	30,267	-
Recovery of payables	9	-	-	(40,148)	-
Sale of subsidiary AMZ	7	80,841	-	80,841	-
<b>Total comprehensive loss for the year</b>		<u>\$ 422,200</u>	<u>\$ 42,285</u>	<u>\$ 495,041</u>	<u>\$ 100,498</u>
<b>Loss per common share:</b>					
Basic and diluted		<u>\$ 0.06</u>	<u>\$ 0.01</u>	<u>\$ 0.08</u>	<u>\$ 0.02</u>
Weighted average number of common shares outstanding:					
Basic and diluted		<u>6,530,235</u>	<u>6,530,235</u>	<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. (formerly Khot Infrastructure Holdings, Ltd.)**  
**Condensed Consolidated Interim Statements of Changes in Equity**

(expressed in United States dollars)

	Number of common shares (#)	Share Capital	Foreign currency translation reserve	Reserves					Obligation to issue shares	Deficit	Attributable to Equity Holders of the Parent	Non - Controlling Interest	Shareholders' equity
				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>\$ -</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>\$ -</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>\$ -</b>	<b>\$ (9,975,943)</b>	<b>\$ (527,202)</b>	<b>\$ (355,632)</b>	<b>\$ (882,834)</b>	
Amortization of imputed interest on related party loan						(14,006)				\$ (14,006)		(14,006)	
Share subscription receipts		\$ 392,680										392,680	
Share consolidation 10 to 1	(58,772,188)												
Sale of AMZ											\$ 355,632	355,632	
Total comprehensive loss for the period	-	-	-	-	-	-	-	-	(495,041)	\$ (495,041)	-	(495,041)	
<b>Balance at March 31, 2018</b>	<b>6,530,163</b>	<b>\$ 8,441,934</b>	<b>\$ (28,762)</b>	<b>\$ 650</b>	<b>\$ 44,837</b>	<b>\$ 35,137</b>	<b>\$ 1,333,619</b>	<b>\$ -</b>	<b>\$ (10,470,984)</b>	<b>\$ (1,036,249)</b>	<b>\$ -</b>	<b>\$ (643,569)</b>	

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

**Blockchain Holdings Ltd. (formerly Khot Infrastructure Holdings, Ltd.)**  
**Condensed Consolidated Interim Statements of Cash Flows**

(expressed in United States dollars)

	<b>Six months ended June 30, 2018</b>	<b>Six months ended June 30, 2017</b>
<b>Cash flow from operating activities</b>		
Loss for the period	\$ (495,041)	\$ (100,498)
Adjustments to reconcile loss to net cash used in operating activities:		
Accretion expense	30,267	-
Recovery of accounts payable	(40,148)	-
Interest expense	15,825	-
Unrealized foreign exchange	-	939
Loan for services provided	16,483	-
Sale of AMZ	80,841	-
Change in non-cash working capital balances:		
Deposit receivable	(8,050)	-
Prepayments	(45,006)	(4,412)
Accounts payable and accrued liabilities	4,010	45,574
Short term debt	21,002	-
<b>Total cash used in operating activities</b>	<b>(419,817)</b>	<b>(58,397)</b>
<b>Cash flows from financing activities</b>		
Proceeds from sale of subscription receipts	\$ 392,680	\$ -
Proceeds from loans	-	81,785
<b>Total cash provided from financing activities</b>	<b>\$ 392,680</b>	<b>\$ 81,785</b>
<b>Effect of foreign exchange on cash</b>	<b>\$ -</b>	<b>\$ (939)</b>
<b>Total decrease in cash during the period</b>	<b>\$ (27,137)</b>	<b>\$ 22,449</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>\$ 195,949</b>	<b>\$ 35,229</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.

## **Blockchain Holdings Ltd.**

Notes to the Condensed Consolidated Interim Financial Statements  
For the three and six months ended June 30, 2018  
(Expressed in United States dollars)

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### **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.

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### **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, judgments, 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 August 29, 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.

## Blockchain Holdings Ltd.

Notes to the Condensed Consolidated Interim Financial Statements  
For the three and six months ended June 30, 2018  
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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.

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### 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.

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### 4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2018	December 31, 2017
	\$	\$
Trade payables	96,455	188,328
Accrued liabilities	146,398	74,180
	<u>242,853</u>	<u>262,508</u>



## Blockchain Holdings Ltd.

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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	17,840
Foreign exchange	(13,740)
Balance, June 30, 2018	<u>496,488</u>

During the period ended June 30, 2018, the Company received short-term advances of \$16,054 (2017 - \$417,297). The Company also recorded loans of \$16,483 for consulting services provided. During the period ended June 30, 2018, the Company accrued interest of \$17,840 (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).

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### 6. LONG TERM DEBT

	Long Term Debt
	\$
Balance, December 31, 2017	142,577
Interest	14,006
Balance, June 30, 2018	<u>156,583</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 June 30, 2018, the Company recognized imputed interest of \$14,006 (2017 - \$nil).

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### 7. ROAD REPAIR PROVISION

	June 30, 2018	December 31, 2017
	\$	\$
Balance, beginning of period	274,791	293,474
Sale of AMZ	(274,791)	-
Effect of changes in foreign exchange rates	-	(18,683)
Balance, end of period	<u>-</u>	<u>274,791</u>

## **Blockchain Holdings Ltd.**

Notes to the Condensed Consolidated Interim Financial Statements  
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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.

Consequently, the Company removed the non-controlling interest from the Statements of Financial Position and the road repair provision from the Statement of Financial Position.

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### **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 April 17, 2018, the Company completed a private placement of 5,000,000 shares for proceeds of \$392,680 at a price of \$0.078 per share.

#### **Stock options**

As at June 30, 2018, there were 82,500 options outstanding with a weighted average life and weighted average exercise price of 297 days and \$2.42, respectively.

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.

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### **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:

## Blockchain Holdings Ltd.

Notes to the Condensed Consolidated Interim Financial Statements  
For the three and six months ended June 30, 2018  
(Expressed in United States dollars)

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### 9. RELATED PARTY TRANSACTIONS (continued)

Transactions with key management personnel (continued)

	Three months ended		Six months ended	
	June 30		June 30	
	2018	2017	2018	2017
	\$	\$	\$	\$
Key management compensation	56,099	15,000	71,099	39,066

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Management fees include \$27,000 (2017 - \$30,000) paid or accrued to Mr. Donald Padgett, for duties as the Company's Chief Executive Officer and as a Director. Mr. Padgett was compensated \$5,000 per month from January to April as the Chief Executive Officer and is compensated \$3,5000 per month as a Director for the Company. As at June 30, 2018, \$77,798 (2017 - \$79,812) was due to Mr. Padgett. On December 31, 2017, the Company renegotiated the terms of an original amount of \$74,298 of indebtedness such that the first repayment date is after June 30, 2019. The loan is unsecured and non-interest bearing. The remaining \$3,500 of indebtedness represent accrued Director fees for June.

Management fees include \$10,500 (2017 - \$Nil) paid or accrued to Mr. Jeremy Gardner, for duties as a Director. Mr. Gardner is compensated \$3,5000 per month as a Director for the Company. As at June 30, 2018, \$3,500 (2017 - \$Nil) was due to Mr. Gardner.

Management fees include \$10,500 (2017 - \$Nil) paid or accrued to Mr. Gregory Kallinikos for duties as a Director. Mr. Kallinikos is compensated \$3,5000 per month as a Director for the Company. As at June 30, 2018, \$3,500 (2017 - \$Nil) was due to Mr. Kallinikos.

Management fees include \$23,099 (2017 - \$Nil) paid or accrued to Mr. Wayne Lloyd, for duties as the Company's Chief Executive Officer from April to June 2018. Mr. Lloyd is compensated \$5,000 per month as the Chief Executive Officer. As at June 30, 2018, \$7,617 (2017 - \$Nil) was due to Mr. Lloyd.

Professional fees include \$32,655 (2017 - \$Nil) paid to the Company's Chief Financial Officer.

Consulting and advisory fees include \$Nil (2017 - \$9,066). As at June 30, 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 June 30, 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.

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