

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

Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 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 September 30, 2018	As at December 31, 2017
Assets			
Current assets:			
Cash and cash equivalents		\$ 3,862	\$ 223,086
Accounts receivable		8,050	-
Prepayment		35,581	3,350
Total current assets		47,493	226,436
Total assets		\$ 47,493	\$ 226,436
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable and accrued liabilities	4 and 8	236,924	\$ 262,508
Short term debt	5(a)(b)	661,659	429,394
Road repair provision	6	-	274,791
Total current liabilities		898,583	966,693
Noncurrent liabilities:			
Long term debt	5(b)	-	142,577
Total long term liabilities		-	142,577
Total liabilities		\$ 898,583	\$ 1,109,270
Shareholders' equity			
Share capital	7, 8 and 9	8,441,934	8,049,254
Other reserves		1,385,481	1,399,487
Deficit		(10,678,505)	(9,975,943)
		(851,090)	(527,202)
Non Controlling Interests		-	(355,632)
Total equity		(851,090)	(882,834)
Total liabilities and shareholders' equity		\$ 47,493	\$ 226,436

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 September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Expenses					
Development costs		27,751	-	112,707	-
Management fees	8	54,570	15,000	125,669	54,066
Regulatory, exchange, AGM, press release and transfer agent fees		14,090	25,295	36,508	39,403
Professional fees	8	78,802	45,943	293,954	66,440
Finance costs		8,932	4,979	27,569	5,359
General and administrative expense		21,744	13,925	40,644	39,433
		<u>205,889</u>	<u>105,142</u>	<u>637,050</u>	<u>204,701</u>
Other expense (income)					
Foreign exchange loss (gain)		1,632	15,507	(5,448)	16,446
Accretion expense		-	-	30,267	-
Recovery of payables	8	-	-	(40,148)	-
Sale of subsidiary AMZ	6	-	-	80,841	-
Total comprehensive loss for the year		<u>\$ 207,521</u>	<u>\$ 120,649</u>	<u>\$ 702,562</u>	<u>\$ 221,147</u>
Loss per common share:					
Basic and diluted		<u>\$ 0.03</u>	<u>\$ 0.02</u>	<u>\$ 0.11</u>	<u>\$ 0.03</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						
Balance at December 31, 2016	65,302,351	\$ 8,049,254	\$ 103,980	\$ 650	\$ -	\$ -	\$ 1,333,619	\$ -	\$ (9,630,283)	\$ (350,740)	\$ (355,632)	\$ (706,372)	
Total comprehensive loss for the period	-	-	-	-	-	-	-	-	(221,147)	(221,147)	-	(221,147)	
Balance at September 30, 2017	65,302,351	\$ 8,049,254	\$ 103,980	\$ 650	\$ -	\$ -	\$ 1,333,619	\$ -	\$ (9,851,430)	\$ (571,887)	\$ (355,632)	\$ (927,519)	
Balance at December 31, 2017	65,302,351	\$ 8,049,254	\$ (28,762)	\$ 650	\$ 44,837	\$ 49,143	\$ 1,333,619	\$ -	\$ (9,975,943)	\$ (527,202)	\$ (355,632)	\$ (882,834)	
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	-	-	-	-	-	-	-	-	(702,562)	\$ (702,562)	-	(702,562)	
Balance at September 30, 2018	6,530,163	\$ 8,441,934	\$ (28,762)	\$ 650	\$ 44,837	\$ 35,137	\$ 1,333,619	\$ -	\$ (10,678,505)	\$ (1,243,770)	\$ -	\$ (851,090)	

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)

	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Cash flow from operating activities		
Loss for the period	\$ (702,562)	\$ (221,147)
Adjustments to reconcile loss to net cash used in operating activities:		
Accretion expense	30,267	-
Recovery of accounts payable	(40,148)	-
Interest expense and imputed interest	24,414	-
Unrealized foreign exchange	(5,448)	-
Loan for services provided	16,483	-
Sale of AMZ	80,841	-
Change in non-cash working capital balances:		
Deposit receivable	(8,050)	-
Prepayments	(32,231)	(4,535)
Accounts payable and accrued liabilities	3,528	87,619
Short term debt	21,002	4,769
Total cash used in operating activities	(611,904)	(133,294)
Cash flows from financing activities		
Proceeds from sale of subscription receipts	\$ 392,680	\$ -
Proceeds from loans	-	366,679
Total cash provided from financing activities	\$ 392,680	\$ 366,679
Effect of foreign exchange on cash	\$ -	\$ 4,301
Total decrease in cash during the period	\$ (219,224)	\$ 237,686
Cash and cash equivalents - Beginning of the period	223,086	12,780
Cash and cash equivalents - End of the period	\$ 3,862	\$ 250,466
Cash interest payments made during the period	\$ -	\$ -

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 nine months ended September 30, 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 “BCX”. The Company has completed a change of business to develop broad-based indexing products and blockchain tracking (see note 10).

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, 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 November 26, 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 nine months ended September 30, 2018
(Expressed in United States dollars)

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

	September 30, 2018	December 31, 2017
	\$	\$
Trade payables	101,787	188,328
Accrued liabilities	135,137	74,180
	<u>236,924</u>	<u>262,508</u>

Blockchain Holdings Ltd.

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

5. SHORT TERM DEBT

(a) Loan Agreements

	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, September 30, 2018	<u>496,488</u>

During the period ended September 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 September 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).

(b) Renegotiated Indebtedness Prior to 2017

	Current Long Term Debt \$
Balance, December 31, 2017	142,577
Interest	22,594
Balance, September 30, 2018	<u>165,171</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 September 30, 2018, the Company recognized imputed interest of \$14,006 (2017 - \$nil). As at July 1, 2018, the remaining term of the original long term debt is within 12 months and therefore now considered current short term debt. See note 8.

6. ROAD REPAIR PROVISION

	September 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
For the three and nine months ended September 30, 2018
(Expressed in United States dollars)

6. 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.

7. 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. See note 10.

Stock options

As at September 30, 2018, there were 82,500 options outstanding with a weighted average life and weighted average exercise price of 205 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 CAD\$0.10 per share. See note 10.

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:

Blockchain Holdings Ltd.

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

8. RELATED PARTY TRANSACTIONS (continued)

Transactions with key management personnel (continued)

	Three months ended		Nine months ended	
	September 30		September 30	
	2018	2017	2018	2017
	\$	\$	\$	\$
Key management compensation	64,534	26,225	181,147	65,291

Management fees include \$37,500 (2017 - \$45,000) 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 \$3,500 per month as a Director for the Company. As at September 30, 2018, \$106,812 (2017 - \$94,812) 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. See note 5(b).

Management fees include \$21,000 (2017 - \$Nil) paid or accrued to Mr. Jeremy Gardner, for duties as a Director. Mr. Gardner is compensated \$3,500 per month as a Director for the Company. As at September 30, 2018, \$7,000 (2017 - \$Nil) was due to Mr. Gardner.

Management fees include \$21,000 (2017 - \$Nil) paid or accrued to Mr. Gregory Kallinikos for duties as a Director. Mr. Kallinikos is compensated \$3,500 per month as a Director for the Company. As at September 30, 2018, \$7,000 (2017 - \$Nil) was due to Mr. Kallinikos.

Management fees include \$58,538 (2017 - \$Nil) paid or accrued to Mr. Wayne Lloyd, for duties as the Company's Chief Executive Officer from April to September 2018. Mr. Lloyd is compensated CAD\$10,000 per month as the Chief Executive Officer. As at September 30, 2018, \$15,338 (2017 - \$Nil) was due to Mr. Lloyd.

Professional fees include \$43,109 (2017 - \$Nil) paid to the Company's Chief Financial Officer. As at September 30, 2018, \$1,610 was due to Mr. Tam.

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

On August 14, 2018, the Company arranged a CAD\$500,000 revolving operating line of credit with Mr. James Passin, the Chairman of the Board of Directors, at a rate of 8%. As at September 30, 2018, the revolving operating line of credit with James Passin had not been utilized and the Company was indebted the December 31, 2017 total loan amount including accrued interest of \$135,267, which is included in short term debt. See note 9.

Blockchain Holdings Ltd.

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

9. SUBSEQUENT EVENTS

On October 12, 2018, the common shares of the Company resumed trading on the Canadian Securities Exchange.

On October 15, 2018, the Company issued 6,530,163 common shares at a price of CAD\$0.10 per common share as settlement of principal debt of CAD\$628,304.68 and accrued interest. Mr. James Passin, the Chairman of the Board of Directors was issued 1,719,597 common shares for settlement of his debt of CAD\$171,959 (USD\$135,267). See note 8.

On October 15 2018, the Company issued another 5,000,000 common shares at a price of CAD\$0.10 per common share for completion of the \$500,000 non-brokered private placement of subscription receipts as disclosed in the CSE Form 2A and news release both dated September 20, 2018.

On October 15, 2018, pursuant to the terms and conditions of its stock option plan, an aggregate of 1,500,000 stock options to purchase common shares of the Company have been granted to certain directors, officers and consultants of the Company. The options are exercisable for a period of five years at a price of \$0.20 per share.

On November 19, 2018, the Company announced a non-brokered private placement offering of up to 2,000,000 shares at a price of CAD\$0.50 per share for total proceeds of up to CAD\$1,000,000. As of November 26, 2018, the Company has received CAD\$460,525 (USD\$350,000) in subscription deposits.