

**BLOCKCHAIN HOLDINGS, LTD  
(FORMERLY KHOT INFRASTRUCTURE HOLDINGS, LTD.)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEARS ENDED DECEMBER 31, 2018 and 2017**

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***Cautionary Statements***

Forward-Looking Information

Except for statements of historical fact relating to Blockchain Holdings Ltd., certain statements contained in this MD&A constitute forward-looking information, future oriented financial information or financial outlooks (collectively "forward looking information") within the meaning of Canadian securities laws. Forward-looking information may relate to this document and other matters identified in the Company's public filings, Blockchain Holdings, Ltd.'s future outlook and anticipated events or results and in some cases, can be identified by terminology such as "may", "will", "could", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "projects", "predict", "potential", "targeted", "possible", "continue", "objective" or other similar expressions concerning matters that are not historical facts and include, access to sufficient capital resources, the timing and amount of future cash flows, capital and operating expenditures, availability of financing and any and all other timing, development, operational, financial, economic, legal, regulatory and political factors that may influence future events or conditions. Such forward-looking statements are based on a number of material factors and assumptions, including, but not limited in any manner, those disclosed in any other of Blockchain Holdings, Ltd.'s public filings, availability and final receipt of required approvals, licenses and permits, ability to acquire sufficient working capital to complete development projects, access to adequate services and supplies, economic conditions, foreign currency exchange rates, interest rates, access to capital and debt markets and associated cost of funds, availability of a qualified work force, positive employee relations, lack of social opposition and legal challenges, and the ability to settle disputes. While Blockchain Holdings, Ltd. considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect. Actual results may vary from such forward-looking information for a variety of reasons, including but not limited to risks and uncertainties disclosed in other Blockchain Holdings, Ltd.'s filings. Forward-looking statements are based upon management's beliefs, estimate and opinions on the date the statements are made and other than as required by law, Blockchain Holdings, Ltd. does not intend and undertakes no obligation to update any forward-looking information to reflect, among other things, new information or future events.

The following management's discussion and analysis ("MD&A") of Blockchain Holdings, Ltd. ("BCX" or the "Company"), is prepared as of May 6, 2019, and should be read together with the consolidated financial statements for the year ended December 31, 2018. All financial amounts are stated in United States dollars unless otherwise indicated.

For the purpose of preparing this MD&A, Management in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (1) if such information results in or would reasonably be expected to result in a significant change in the market price or value of the Company's common shares; or (ii) there is substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) if it would significantly alter the total mix of information available to investors. Management in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Further information about the Company and its operations is available on SEDAR at [www.sedar.com](http://www.sedar.com).

All amounts in this MD&A are expressed in United States dollars ("US\$"), unless otherwise noted.

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MANAGEMENT DISCUSSION AND ANALYSIS  
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**DESCRIPTION OF BUSINESS**

Blockchain Holdings, Ltd., (formerly Undur Tolgoi Minerals Inc. and Khot Infrastructure Holdings, Ltd.) [“BCX” or the “Company”] was incorporated on December 22, 2010 under the Business Corporations Act of British Columbia as a private company.

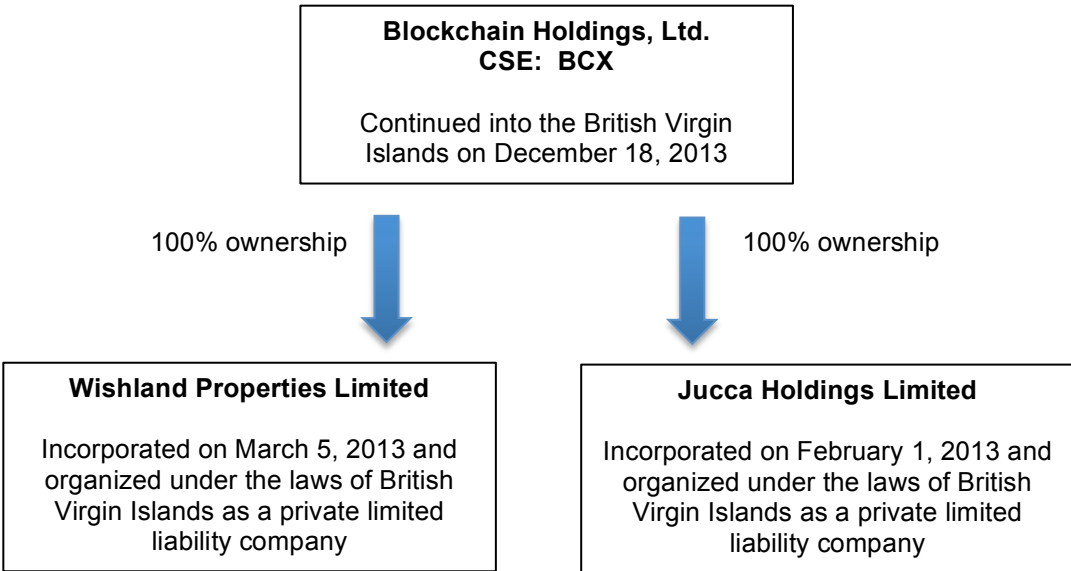
On December 18, 2013, Undur Tolgoi Minerals Inc. completed the continuance from the laws of the Province of British Columbia to the laws of the British Virgin Islands. Effective on January 7, 2014, the Company changed its name from Undur Tolgoi Minerals Inc. to Khot Infrastructure Holdings, Ltd. to have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

The Company’s common shares were 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 Company obtained an order from the Ontario Securities Commission revoking the cease trade order issued on May 5, 2017.

Pursuant to Canadian Securities Exchange Policy 8 *Fundamental Changes and Changes of Business*, the Company held an annual general and special meeting of shareholders to approve the change of business. On October 12, 2018, the change of business was approved and the common shares resumed trading on the CSE under the new symbol “BCX”

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

Blockchain has a 100% interest in Jucca Holdings Limited [“Jucca”] and Wishland Properties Limited [“Wishland”].



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**OVERALL OBJECTIVE**

The Company's strategic focus is to develop proprietary information indexes and ancillary data products for emerging blockchain and digital currency markets. In addition, the Company may develop indexes for third parties. Its focus will be collecting and aggregating the data from emerging blockchain software applications.

Emerging uses of the blockchain allow for new and sometimes disruptive financial market applications. However, due to the decentralized nature of the blockchain, the data created by a blockchain application is often spread out and dispersed in a large number of locations. This makes data aggregation and information processing more costly and time-consuming than the centralized applications they are replacing. The resulting increased cost and time required to process data presents the opportunity for the Company to provide to the marketplace a service (the collection and aggregation of data) and a product (datasets).

**SELECTED FINANCIAL INFORMATION**

The following tables provide selected annual and quarterly financial information in accordance with IFRS for the Company's quarter ended December 31, 2018. In the quarter ended December 31, 2018, the Company has not generated any revenue and incurred a loss of \$202,849.

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Three Months Ended	Total Revenue for the period US\$	Total Expenses for the period US\$	Net Loss for the period (including discontinued operations) US\$	Loss per share basic and fully diluted US\$	Total long- term financial liabilities US\$	Cash dividends per common share US\$
March 31, 2017	-	(58,214)	(58,214)	-	-	-
June 30, 2017	-	(42,285)	(42,285)	-	-	-
September 30, 2017	-	(120,649)	(120,649)	-	-	-
December 31, 2017	-	(124,512)	(124,512)	-	142,577	-
March 31, 2018	-	(72,841)	(72,841)	-	-	-
June 30, 2018	-	(422,200)	(422,200)	(0.06)	-	-
September 30, 2018	-	(207,521)	(207,521)	(0.03)	-	-
December 31, 2018	-	(217,916)	(721,878)	(0.04)	-	-

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**DIVIDEND PAYMENT**

Since its incorporation, the Company has not paid any cash dividends on its outstanding common shares. Any future dividend payment will depend on the Company's financial needs to fund its road construction programs, future growth, and any other factors the board may deem necessary to consider. It is highly unlikely that any dividends will be paid in the near future.

**RESULTS OF OPERATION FOR THE YEAR ENDED DECEMBER 31, 2018**

The comprehensive loss for the years ended December 31, 2018, were \$1,432,490 (2017 – \$270,442).

Significant variances for the three and twelve months ended December 31, 2018

The significant increase in development costs for the three and twelve months ended December 31, 2018 compared to the same period in 2017 was due to BCX's limited activity related to revocation of the cease trade order issued against the Company by the Ontario Securities Commission in the prior year. Consequently, development activity commenced in fiscal year 2018.

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MANAGEMENT DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2018 and 2017**

---

Consulting fees increased to \$115,663 in 2018 compared to \$Nil in 2017. The increase is due to activity related to development of blockchain index products.

Management fees increased to \$179,971 in 2018 compared to \$69,066 in 2017. The increase is primarily due to increased compensation to directors and officer which include the additional of a new CEO to lead the Company in the change of business to develop blockchain index products, which resulted in a higher CEO management fees in 2018. In addition, a compensation plan for directors was initiated which resulted in a new monthly management fee to certain directors.

Regulatory, exchange, AGM, press release and transfer agent fees increased to \$42,208 compared to 2017. The increase is due to BCX's activity related to revocation of the cease trade order issued against the Company by the Ontario Securities Commission. There were additional Ontario Securities Commission review costs, transfer agent and other regulatory re-instatement fees.

Professional fees increased to \$321,297 for 2018 compared to \$177,577 in 2017. The increase is due to increased legal fees for the activity of revocation of the cease trade order issued against the Company by the Ontario Securities Commission, the activity of relisting the Company on the CSE and sale or dissolution of the subsidiaries in Luxembourg and Mongolia, compared to the limited activity of BCX and its subsidiaries in 2017. The CFO's consulting fees are also included in professional fees.

Stock-based compensation was \$179,597 for 2018 compares to \$Nil in 2017. The reason for the increase is due to the new issuance of stock options to certain directors, officers and consultants of the Company.

**LIQUIDITY AND CAPITAL RESOURCES**

At December 31, 2018, the Company had a working capital *surplus* of \$299,550 [December 31, 2017 – *deficit* \$740,257]. All of the current accounts payable and accrued liabilities are due and payable within 90 days. The Company will need to raise additional funding in the next 12 months to be able to meet its current obligations.

The Company's working capital amounts are as follows:

	<b>December 31, 2017</b>	December 31, 2017
	<b>\$</b>	<b>\$</b>
Cash	<b>508,195</b>	223,086
Receivables	-	-
Prepayments	<b>19,681</b>	3,350
Accounts payable and accrued liabilities	<b>(228,326)</b>	(262,508)
Loan and interest payable	-	(429,394)
Road repair provision	-	(274,791)
	<b>299,550</b>	<b>(740,257)</b>

The Company, which is now involved with blockchain index development, had revenues of \$Nil in 2018, which were not significant to sustain operations in the current period. Until the Company is able to secure sufficient revenue from operations, the Company must utilize its current cash reserves, funds obtained from the exercise of stock options and other financing transactions to maintain its capacity to meet working capital requirements. The Company anticipates going to the market to raise capital when the opportunity arises.

During the year ended December 31, 2018 the Company expended \$679,708 (2017 - \$201,455) on operating activities.

**NAME CHANGE, SHARE CONSOLIDATION AND DEBT SETTLEMENT**

**BLOCKCHAIN HOLDINGS, LTD  
(FORMERLY KHOT INFRASTRUCTURE HOLDINGS, LTD.)  
MANAGEMENT DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2018 and 2017**

---

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 the Company's name to Blockchain Holdings Ltd., change from the business of transportation infrastructure development to developing proprietary indexes and ancillary data products for emerging blockchain and digital currency markets and conduct a share consolidation on the basis of one (1) post-Consolidated common shares for every ten (10) pre-Consolidated common share.

On April 17, 2018, the Company completed its non-brokered private placement of subscription receipts for gross proceeds of CAD\$500,000 at a price of CAD\$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.

In addition, the Company reached agreement with its lenders to repay CAD\$628,305 in debt by the issuance of 6,283,046 common shares at a price of \$0.10 per share (after the completion of a 10:1 share consolidation).

The name change was completed on April 25, 2018 and the 10:1 share consolidation was completed on May 11, 2018.

On October 15, 2018, the Company issued 6,283,046 common shares at a price of CAD\$0.10 per common share as settlement of principal debt of CAD\$628,305 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). In addition, 5,000,000 shares were issued pursuant to the April 17, 2018 subscription receipt private placement.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has not engaged in any off-balance sheet arrangements such as: obligations under guarantee contracts, a retained or contingent interest in assets transferred to an unconsolidated entity, any obligation under derivative instruments or any obligation under a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the Company or that engages in leasing, hedging or research and development services with the Company.

## **INVESTOR RELATIONS ACTIVITY**

On April 14, 2015, the Company entered into a consulting contract with Mr. Scott Rose and Hyde Park Capital Inc. for the provision of investor relations and marketing services. The agreement between BCX and Rose shall be on a month to month basis with a 30 day termination notice. Rose will receive a monthly fee of CDN\$2,500 and will be granted 150,000 options. During the year ended December 31, 2018, the Company owed Mr. Rose CDN\$7,500.

The options that were granted to Mr. Rose expired unexercised in a prior year.

## **PROPOSED TRANSACTIONS AND CHANGE OF BUSINESS**

As is typical with a change of business, the Company is continually reviewing potential merger, acquisition, investment and joint venture transactions and opportunities that could enhance shareholder value. Currently, there are no material transactions being pursued or negotiated by the Group that is not otherwise disclosed herein.

## **GOING CONCERN**

The assessment of the Company's ability to continue as a going concern and ability to fund potential operations, involves significant judgements based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

**BLOCKCHAIN HOLDINGS, LTD  
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YEAR ENDED DECEMBER 31, 2018 and 2017**

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The Company's abandoned business of infrastructure development in Mongolia and change of business to the development of broad-based indexing products and blockchain tracking metrics involves a high degree of risk and there can be no assurance that current or planned activity will ultimately result in profitable operations. The Company's continued existence is dependent upon its ability to secure development contracts and the achievement of profitable operations, or the ability of the Company to raise additional financing.

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 relisting on the CSE, development of broad-based 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 \$11,408,433 deficit as at December 31, 2018 and has a working capital *surplus* of \$299,550 (December 2015 – *deficit* \$740,257), including \$508,195 (December 2017 - \$223,086) in cash and cash equivalents.

## **RELATED PARTY TRANSACTIONS**

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers. The Company incurred the following transactions with directors and key management personnel during the years ended December 31, 2018 and 2017 was as follows:

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	<b>December 31, 2018</b>		<b>December 31, 2017</b>	
Management fees	\$	179,971	\$	91,819
Professional fees		56,033		
Consulting fee		12,369		-
Share-based compensation		100,659		-
	\$	349,032	\$	91,819

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As at December 31, 2018, there is a balance of \$2,797 (December 31, 2017: \$22,753) accrued as payable to the Company's Chief Financial Officer ("CFO") and \$11,605 (December 31, 2017: \$Nil) accrued as payable to the Company's former CFO.

As at December 31, 2018, there is a balance of \$88,297 (December 31, 2017: \$99,812) accrued as payable to the Company's former Chief Executive Officer.

## **FINANCIAL INSTRUMENTS**

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(FORMERLY KHOT INFRASTRUCTURE HOLDINGS, LTD.)  
MANAGEMENT DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2018 and 2017**

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Please refer Note 3 of the consolidated financial statements for the year ended December 31, 2018.

## **SHARE CAPITAL AND OUTSTANDING SHARE INFORMATION**

### Authorized capital

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

The holders of common shares are entitled to receive dividends which may be declared from time to time, and are entitled to one vote per share at BCX's meetings. All shares are ranked equally with regards to the Company's residual assets.

The equity structure of the group represents the equity structure of the legal parent.

### Issued share capital

Information with respect to outstanding common shares, warrants, and stock options as at December 31, 2018, and December 31, 2017, is as follows:

	December 31, 2018	December 31, 2017
Common shares	19,784,875	6,530,163
Warrants	-	-
Stock options	1,582,500	250,000
	<u>21,367,375</u>	<u>6,780,163</u>

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The preparation of the Consolidated Financial Statements requires management to make estimates and assumptions about the future that affect the amounts recorded in the Consolidated Financial Statements and accompanying notes. These estimates and assumptions are based on the Company's experience and Management's expectations about future events that are believed to be reasonable under the circumstances, and they are continually being evaluated based on the new facts and experience. Actual results may differ from these estimates and assumptions. The effect of a change in accounting estimate is recognized prospectively in the period of change and future periods if the change impacts both periods.

The Company's significant accounting policies and estimates are fully described in Note 3 to the consolidated financial statements for the year ended December 31, 2018.

## **BOARD PURPOSE AND FUNCTION**

The directors and management of the parent company have extensive experience operating and taking projects through to various stages of development. There is a balanced representation of directors with operational, corporate and financial backgrounds.

The board's purpose is to ensure corporate governance, risk, strategy and shareholder interests are priorities at all times. At the end of the financial year under review the board consisted of five members.

## **UNCERTAINTIES AND RISK FACTORS**

The following risk factors, and the information incorporated by reference herein, should be considered carefully. These risk factors could materially and adversely affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.



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YEAR ENDED DECEMBER 31, 2018 and 2017**

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Dependence on Key Personnel, Contractors and Service Providers

Shareholders of our Company rely on the good faith, experience and judgment of the Company's management, contractors and service providers in supervising and providing for the effective management of the business and the operations of the Company and in selecting and developing new investment and expansion opportunities. The Company may need to recruit additional qualified contractors and service providers to supplement existing management. The Company will be dependent on a relatively small number of key persons, the loss of any one of whom could have an adverse effect on the Company.

Value of Our Common Shares

The value of the Company's common shares could be subject to significant fluctuations in response to variations in quarterly and annual operating results, the success of the Company's business strategy, competition or other applicable regulations which may affect the business of the Company and other factors.

Additional Funding and Financing Risk

Additional funds will be required for future exploration and development. There is no assurance that sufficient equity financing will be available at reasonable terms to the Company. In addition, any future equity financings by the Company may result in substantial dilution for existing shareholders.

Conflicts of Interest

Certain Directors of the Company also serve as Directors of other companies. Consequently, there exists the possibility that such Directors will be in a position of conflict of interest. Any decision made by such Directors involving the Company are made in accordance with their duties and obligations to deal fairly and in good faith with the Company and such other companies. In addition, such Directors will declare, and refrain from voting on, any matter in which such Directors may have a material conflict of interest.

Regulatory Matters

The Company's business is subject to various federal, provincial and local laws governing intellectual property and development, taxes, labor standards and occupational health and other matters. Technology development is also subject to various federal, provincial and local laws and regulations relating to the protection of intellectual property. A violation of these laws may result in the imposition of substantial fines and other penalties.

Litigation risk

Disputes are common in the information service and technology industry and as such, in the normal course of business, the Company may be involved in various legal actions and proceedings which arise from time to time, some of which may be substantial. However, there is no assurance that the Company's insurance arrangements will be sufficient to cover claims that may arise in the future. Furthermore, the Company may be subject to the risk of claims and legal actions for various contractual matters, primarily arising from service and technology infringement disputes, in respect of which insurance is not available.

Insufficient revenues

As of the date of this MD&A, the Company did not have sufficient revenues to cover its operating costs. All of the Company's short to medium-term operating and project expenses must be derived from its existing cash position or from external financing.

New business venture

As of the date of this MD&A, the Company has abandoned its infrastructure activities in Mongolia and has begun to change its business to the development of broad-based indexing products and blockchain tracking metrics. There is no assurance that the Company will be successful in transitioning to the new business venture and eventually become profitable.

Potentially dilutive loans from related parties

The Company has a history of signed loan agreements and debt settlement agreements with individual investors and related parties to raise cash to continue to fund operations.

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MANAGEMENT DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2018 and 2017**

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**STRATEGY AND OUTLOOK**

The Company's remains committed to the creation of shareholder value. The directors and management have a wide entrepreneurial network which can provide a range of future opportunities. The focus will be on projects that attract investor interest and offer significant growth potential.

**OTHER INFORMATION**

Other information and additional disclosure of the Company's technical reports, material change reports, new releases, and other information may be found on the SEDAR website at [www.SEDAR.com](http://www.SEDAR.com).

***Corporate Office's***

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**Website**

<https://www.blockchainholdingsltd.com>