BLOCKCHAIN HOLDINGS LTD.

(formerly Khot Infrastructure Holdings Ltd.)

Consolidated Financial Statements

For the Years Ended December 31, 2018 and 2017

(Expressed in US Dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Blockchain Holdings Ltd. (formerly Khot Infrastructure Holdings Ltd.)

Opinion

We have audited the consolidated financial statements of Blockchain Holdings Ltd. (formerly Khot Infrastructure Holdings Ltd.) (the “Company”), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive loss, changes in shareholders’ equity (deficit) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as “the financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management’s Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is David Goertz.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC
May 6, 2019

BLOCKCHAIN HOLDINGS LTD.
(formerly Khot Infrastructure Holdings Ltd.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in US dollars)

	Notes		December 31, 2018		December 31, 2017
ASSETS					
Current assets					
Cash		$	508,195	$	223,086
Prepaid expenses			19,681		3,350
		$	**527,876**	**$**	**226,436**
LIABILITIES					
Current liabilities					
Trade payables and accrued liabilities	6,11	$	228,326	$	262,508
Loans payable	7		-		429,394
Road repair provision	9		-		274,791
Total current liabilities			228,326		966,693
Long term debt	8		-		142,577
Total liabilities			228,326		1,109,270
SHAREHOLDERS' EQUITY (DEFICIT)					
Share capital	10		10,222,879		8,049,254
Reserves	10		1,513,866		1,428,249
Accumulated other comprehensive loss			(28,762)		(28,762)
Deficit			(11,408,433)		(9,975,943)
			307,600		(527,202)
Non-controlling interest	4		-		(355,632)
			307,600		(882,834)
		$	**527,876**	**$**	**226,436**

Nature and Continuance of Operations	1
Subsequent Events	14

On behalf of the Board of Directors

" James Passin" *" Wayne Lloyd"*

The accompanying notes are an integral part of these consolidated financial statements

BLOCKCHAIN HOLDINGS LTD.
(formerly Khot Infrastructure Holdings Ltd.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in US dollars)

		Year Ended December 31,	
	Note	**2018**	**2017**
Operating expenses			
Bank charges		$ 1,432	$ -
Consulting fees		115,663	-
General and administrative	13	80,310	62,671
Management fees	11	179,971	69,066
Professional fees	11	321,297	177,577
Regulatory and transfer agent fees		42,208	27,814
Stock-based compensation	11	179,597	-
		(920,478)	(337,128)
Other Items			
Accretion		(79,665)	(14,315)
Finance charges		(9,199)	(12,006)
Foreign exchange		196,509	(938)
Impairment of investment		-	(11,322)
Loss on disposition of subsidiary	4	(172,451)	-
Loss on dissolution of subsidiary	5	(45,683)	-
Loss on settlement of debt	10	(493,473)	-
Settlement of accounts payable		-	30,049
Write-off of accounts receivable		8,050	-
		(512,012)	(8,532)
Net loss		**(1,432,490)**	**(345,660)**
Other comprehensive income		-	75,218
Comprehensive loss		**(1,432,490)**	**$ (270,442)**
Basic and diluted loss per share		**$ (0.16)**	**$ (0.05)**
Weighted average number of shares outstanding			
- Basic and diluted		8,964,440	6,530,235

The accompanying notes are an integral part of these consolidated financial statements

BLOCKCHAIN HOLDINGS LTD.
(formerly Khot Infrastructure Holdings Ltd.)
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
(*expressed in US dollars*)

			Reserves						
	Number of Shares	Amount	Share – based payments	Loans	Accumulated Other Comprehensive Income (Loss)	Deficit	Attributable to equity holders of the Parent company	Non-controlling interests	Total
Balance, December 31, 2016	**6,530,163**	**$ 8,049,254**	**$ 1,334,269**	**$ -**	**$ (103,980)**	**$ (9,630,283)**	**$ (350,740)**	**$ (355,632)**	**$ (706,372)**
Foreign currency translation adjustments	-	-	-	-	75,218	-	75,218	-	75,218
Issuance of convertible debt	-	-	-	44,837	-	-	44,837	-	44,837
Debt restructuring	-	-	-	49,143	-	-	49,143	-	49,143
Net loss	-	-	-	-	-	(345,660)	(345,660)	-	(345,660)
Balance, December 31, 2017	**6,530,163**	**8,049,254**	**1,334,269**	**93,980**	**(28,762)**	**(9,975,943)**	**(527,202)**	**(355,632)**	**(882,834)**
Shares issued in private placements	6.515,532	951,230	-	-	-	-	951,230	-	951,230
Share issue costs	-	(14,146)	-	-	-	-	(14,146)	-	(14,146)
Shares issued for the settlement of debts	6,739,180	1,236,541	-	(93,980)	-	-	1,142,561	-	1,142,561
Stock-based compensation	-	-	179,597	-	-	-	179,597	-	179,597
Net loss	-	-	-	-	-	(1,432,490)	(1,432,490)	355,632	(1,076,858)
Balance, December 31, 2018	**19,784,875**	$ **10,222,879**	$ **1,513,866**	**$ -**	$ **(28,762)**	$ **(11,408,433)**	**299,550**	**$ -**	**$ 299,550**

The accompanying notes are an integral part of these consolidated financial statements

BLOCKCHAIN HOLDINGS LTD.
(formerly Khot infrastructure Holdings Ltd.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in US dollars)

	Year Ended December 31, 2018	2017
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss for the year	$ (1,432,490)	$ (345,660)
Items not involving cash:		
Stock-based compensation	179,597	-
Loss on settlement of debts	393,473	-
Write-off of accounts receivable	8,050	-
Loss on disposition of subsidiary	172,451	-
Loss on dissolution of subsidiary	45,683	-
Accretion	79,665	14,315
Recovery of accounts payable	-	(30,049)
Accrued interest	7,694	11,550
Impairment of investments	-	11,332
Foreign exchange	(162,207)	(22,477)
Changes in non-cash working capital:		
Receivables	(8,050)	-
Prepaid expenses	(16,331)	4,434
Accounts payable and accrued liabilities	52,577	155,110
Net cash used in operating activities	**(679,708)**	**(201,455)**
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from borrowings	39,876	417,297
Proceeds from the issuance of common shares, net	937,084	-
Net cash provided by financing activities	**976,960**	**417,297**
Effect of foreign exchange on cash	(12,143)	(5,536)
Increase in cash	285,109	210,306
Cash, beginning of the year	223,086	12,780
Cash, end of the year	**$ 508,195**	**$ 223,086**

The accompanying notes are an integral part of these consolidated financial statements

1. NATURE AND CONTINUANCE OF OPERATIONS

Khot Infrastructure Holdings Ltd. changed its name to Blockchain Holdings Ltd. (the "Company" or "BCX") on October 12, 2018 and is listed on the Canadian Securities Exchange (the "CSE") under the symbol "BCX". The Company completed a change of business to develop broad-based indexing products. On May 11, 2018, the Company completed a 10 to 1 share consolidation. All share amounts have been retroactively restated to reflect the share consolidation.

Subsequent to December 31, 2018, the Company entered into a definitive agreement to invest in a wireless infrastructure assets (Note 14).

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

These consolidated financial statements have been prepared on the assumption that the Company and its subsidiaries will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. As at December 31, 2018, the Company is not able to finance day-to-day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its change of business and its ability to attain profitable operations and generate funds therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors and/or private placement of common shares. Should the Company be unable to continue as going concern, the net realizable value of its assets may be materially less than the amounts on its consolidated statement of financial position.

These consolidated financial statements were approved and authorized for issue by the Board of Directors on May 6, 2019.

2. BASIS OF PRESENTATION

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

2. BASIS OF PRESENTATION (Continued)

Basis of Measurement

The financial statements have been prepared on a historical cost basis. The financial statements are presented in US dollars; the Company's functional currency of the parent company is the Canadian dollar and the functional currency of each of the Company's subsidiaries is the US dollar. The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its controlled entities. Control exists when the Company has power over an investee, exposure or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Company's returns.

Details of controlled entities are as follows:

		Percentage Owned	
	Jurisdiction of Incorporation	December 31, 2018	December 31, 2017
Jucca Holdings Limited	British Virgin Islands	100%	100%
Wishland Properties Limited	British Virgin Islands	100%	100%
Great Hoard Holdings SARL	Luxembourg	-	100%

Inter-company balances and transactions are eliminated on consolidation. On April 24, 2018, the Company's wholly owned subsidiary, Great Hoard Holdings SARL, disposed of its shareholdings of Ashid Munkhiim Zam LLC ("AMZ") (Note 4). On November 12, 2018, the Company's wholly owned subsidiary, Jucca Holdings Limited, dissolved its shareholdings in Great Hoard Holdings S.a.r.l (Note 5).

Significant Accounting Judgments and Assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised in any future periods affected.

2. BASIS OF PRESENTATION (Continued)

Significant Accounting Judgments and Assumptions (Continued)

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments, and the recoverability and measurement of deferred tax assets.

Significant Judgments

The preparation of these financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's condensed consolidated interim financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- the classification of financial instruments; and
- the determination of the functional currency of the parent company and its subsidiaries.

3. SIGNIFICANT ACCOUNTING POLICIES

Foreign Currency Translation

The functional currency of the parent company is the Canadian dollar and the US dollar for each of its subsidiaries. The Company has adopted the US dollar as its reporting currency. Gains and losses resulting from translating the financial statements from Canadian dollars to US dollars are recorded in Other Comprehensive income (loss).

Transactions denominated in foreign currencies are translated into the respective functional currency as follows: monetary assets and liabilities are translated using the exchange rate in effect at the reporting date and expenses are translated using the average foreign exchange rate for the period. 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. All differences are taken to the consolidated statement of comprehensive loss in the period in which they arise.

Differences arising from the translation of foreign subsidiaries into the Company's reporting currency are recorded on Other Comprehensive Income (Loss). The translation difference derived from each subsidiary is transferred to the consolidated Statement of Loss when there is a loss of control of the respective subsidiary.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-Based Payments

The Company operates a stock option plan. Share-based payments to employees are measured at the fair value of the stock options granted and recognized over the vesting periods. Share-based payments to non-employees are measured at fair value of goods or services received or the fair value of the equity instruments issued, if it is determined using the Black-Scholes option pricing model, taking into account the terms and conditions upon which stock options are granted. At each reporting date, the amount recognized as expense is adjusted to reflect the actual number of stock options that are expected to vest.

Loss per Share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding during the reporting period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all options and warrants outstanding that may add to the total number of common shares. As at December 31, 2018, the Company's diluted loss per share was the same as the basic loss per share as the Company did not have any potentially dilutive instruments.

Financial Instruments

The Company adopted all of the requirements of IFRS 9 Financial Instruments ("IFRS 9") as of January 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model.

The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

<u>(i) Classification</u>

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (continued)

The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL. The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018.

The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	**Original classification IAS 39**	**New classification IFRS 9**
Cash	Held for trading	Amortized cost
Receivables	Loans and receivables	Amortized cost
Accounts payable	Other financial liabilities	Amortized cost
Loans payable	Amortized cost	Amortized cost
Long-term debt	Amortized cost	Amortized cost

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

(ii) Measurement

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition of financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. Gain and losses on derecognition are general recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from and paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income. Current income tax relating to items recognized directly in other comprehensive loss or equity is recognized in other comprehensive loss or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Tax

Deferred tax is recorded by providing for temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes related to the same taxable entity and the same taxation authority.

New Accounting Standards

IFRS 16 – Leases

IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all eases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 Leases. IFRS 16 is effective for years beginning after January 1, 2019. The Company does not anticipate the adoption of this standard to have a significant impact on the Company's consolidated financial statements.

(Expressed in US dollars)

4. DISPOSITION OF SUBSIDIARY

On April 28, 2018, the Company's wholly owned subsidiary, Great Hoard Holdings S.a.r.l, disposed of its shareholding in AMZ, a company organized under the laws of Mongolia, for consideration in the amount of $1.

Consideration	$	1
Less:		
Net investment		(1,250,916)
De-recognition of assets and liabilities		1,436,877
De-recognition of non-controlling interest		(355,632)
Legal expenses		(2,781)
Loss on disposition	**$**	**(172,451)**

5. DISSOLUTION OF SUBSIDIARY

On November 12, 2018, the Company's wholly owned subsidiary, Jucca Holdings Ltd., dissolved its shareholdings in its subsidiary, Great Hoard Holdings S.a.r.l, a company which had been incorporated in Luxembourg.

Write-down of investment	$	1,324,600
De-recognition of assets and liabilities		(1,278,917)
Loss on dissolution	**$**	**45,683**

(Expressed in US dollars)

6. TRADE PAYABLES AND ACCRUED LIABILITIES

	December 31, 2018	December 31, 2017
Accounts payable	$ 123,062	$ 188,328
Accrued liabilities	105,264	74,180
	$ 228,326	$ 262,508

7. LOANS PAYABLE

	December 31, 2018	December 31, 2017
Balance, beginning	$ 429,394	$ -
Debt issuance	39,876	448,366
Equity portion of debt issuance	-	(44,837)
Accretion	30,522	14,315
Interest accrued	7,694	11,550
Effect of foreign exchange	(23,943)	-
Settled with issuance of common shares	(483,543)	-
Balance, ending	$ -	$ 429,394

During the year ended December 31, 2018, the Company issued new loans payable in the amount of $39,876 (CDN $51,000). These loans were unsecured, included terms of interest at 8% per annum and were due to mature one year from their respective date of issuance. Subsequent to the issuance of these loans payable, all of the outstanding loans were settled with the issuance of common shares

8. LONG TERM DEBT

	December 31, 2018	December 31, 2017
Balance, beginning	$ 142,577	$ -
Debt issuance	-	191,720
Debt discount	-	(49,143)
Accretion	49,143	-
Settled with issuance of common shares	(191,720)	-
	$ -	$ 142,577

(Expressed in US dollars)

8. LONG TERM DEBT (continued)

During the year ended December 31, 2018, the Company settled the long term debt with the issuance of common shares to the respective lenders.

During the year ended 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. 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.

9. ROAD REPAIR PROVISION

		December 31, 2018		December 31, 2017
Balance, beginning	$	274,791	$	293,474
Effect of foreign exchange		-		(18,863)
Disposition of subsidiary (Note 4)		(274,791)		-
	$	-	$	274,791

10. SHARE CAPITAL

Authorized

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 the Company's shareholder meetings. All shares are ranked equally with regards to the Company's residual assets.

Issuances

On April 17, 2018, the Company completed a non-brokered private placement for gross proceeds of $392,681 at a price of $0.0785 per subscription receipt. The proceeds were held in escrow pending completion of the transactions approved at the Company's Annual General and Special Meeting. On October 15, 2018, the Company issued 5,000,000 common shares as settlement of the subscription receipts.

(Expressed in US dollars)

10. SHARE CAPITAL (continued)

On October 15, 2018, the Company issued 6,283,046 common shares in settlement of loans payable in the amount of $581,980 (CDN $755,818) including accrued interest thereon. The shares were recorded at their fair value of $991,264 based on their quoted market price. The Company recorded a loss on settlement of debt of $409,284 in connection with this share issuance.

On December 21, 2018, the Company completed a non-brokered private placement for gross proceeds of $558,549 at a price of $0.369 per common share for the total issuance of 1,515,532 common shares.

On December 21, 2018, concurrent with the non-brokered private placement, the company negotiated debt settlement with officers and consultants in the amount of $168,108 ($CDN 228,067) by issuing an aggregate of 456,134 common shares with a fair value of $151,297. The Company recorded a gain on settlement of debt of $16,811 in connection with this share issuance.

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. 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 continuity of the number of share purchase options outstanding is as follows:

	Number		**Weighted average exercise price**
Balance, December 31, 2016	287,500	$	2.40
Expired	(15,000)		1.00
Forfeited	(22,500)		2.40
Balance, December 31, 2017	250,000		2.40
Cancelled	(102,500)		2.40
Forfeited	(65,000)		2.40
Granted	1,500,000		0.15
Outstanding, December 31, 2018	1,582,500	**$**	0.27

(Expressed in US dollars)

10. SHARE CAPITAL (continued)

Stock options (continued)

As at December 31, 2018, the following options were outstanding:

Number of options		Expiry date		Exercise price	Weighted remaining contractual life (years)
Outstanding	*Exercisable*				
70,000	70,000	January 8, 2019	$	2.50	0.02
12,500	12,500	December 3, 2020	$	2.00	1.93
1,500,000	1,350,000	October 15, 2023	$	0.20	4.76
1,582,500	1,432,500				

Subsequent to December 31, 2018, the 70,000 options exercisable at $2.50 per share expired unexercised.

Stock based payments relating to options vested during the year ended December 31, 2018 using the Black-Scholes option pricing model was $1749,597 (2017 - $Nil), which was recorded as reserves on the statements of financial position and as stock based compensation expense on the statement of comprehensive loss. The associated stock based compensation expense for the options granted during the year was calculated based on the following weighted average assumptions: Risk free-interest rate – 2.30%; Dividend yield – 0.00%; Expected volatility – 110.98%; Expected life – 5.00 years.

Share-based payments Reserves

The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. The warrant reserve records the fair value of warrants issued until such time that they are exercised, at which time the corresponding amount will be transferred to share capital.

Loan Reserve

The loan reserve records the balance of debt discounts attributable to fair value of the conversion feature embedded in a convertible debt instrument and the debt discounts on loans bearing interest at below market rates of interest.

(Expressed in US dollars)

11. 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:

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

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.

12. FINANCIAL RISK AND CAPITAL MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits and controlling and reporting structures.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is its cash held in bank accounts. Cash is deposited in bank accounts held with a major bank in Canada. As most of the Company's cash is held by one bank, there is a concentration of credit risk. However, this risk is managed by using a bank that has a high credit quality as determined by rating agencies.

12. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient holdings of cash and cash equivalents to meet its short-term exploration and evaluation requirements and anticipated operating cash flows. Historically the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Foreign Exchange Risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's subsidiaries are exposed to currency risk as they incur expenditures that are denominated in US dollars. The Company does not hedge its exposure to fluctuations in foreign exchange rates. A 10% fluctuation in the US dollar would not have a material impact on the results of the Company.

Interest Rate Risk

Interest rate risk refers to the risk that fair values of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company does not have material financial assets or liabilities that are exposed to fluctuation of interest rate. As a result, the exposure to interest rate risk is not significant.

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of exploration and evaluation assets. In the management of capital, the Company includes components of shareholders' equity. 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. The business operated by the Company currently is in the development stage; as such, the Company is dependent on external financing to fund activities. To carry out planned operations and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company is not subject to externally imposed capital requirements. There were no changes to the Company's approach to capital management during the year.

(Expressed in US dollars)

12. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

Financial instruments

The fair value of the Company's assets and liabilities approximate the carrying amount.

The Company's financial instruments consist of cash, amounts receivable, and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values, unless otherwise noted. No transfers occurred between the levels during the year. The Company's financial instruments are exposed to credit risk, liquidity risk, and market risks, which include currency risk and interest rate risk.

13. GENERAL AND ADMINISTRATIVE EXPENSES

		December 31, 2018		December 31, 2017
Insurance	$	29,731	$	7,881
Meals and entertainment		470		-
Office supplies		493		52,801
Travel		44,429		1,298
Other expenses		5,187		691
	$	80,310	$	62,671

14. SUBSEQUENT EVENTS

On February 19, 2019, the Company completed a private placement of 445,570 common shares at a price of CDN $ 0.50 per share for total proceeds of $ CDN 222,786.

On February 22, 2019, the Company settled debts of $15,834 and $108,812 through cash payments of $11,083 and $76,169 respectively pursuant to debt settlement agreements.

On February 27, 2019, the Company entered into a share purchase to purchase 21,000,000 shares of Airbeam 60 GHz Holdings Ltd. ("Airbeam") including its 60-gigahertz portfolio of gigabit-class wireless infrastructure assets for a total purchase price of $2,580,000. As at the date of these financial statements, the Company has paid $389,000 towards the purchase price.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED DECEMBER 31, 2018 and 2017

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.

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

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.

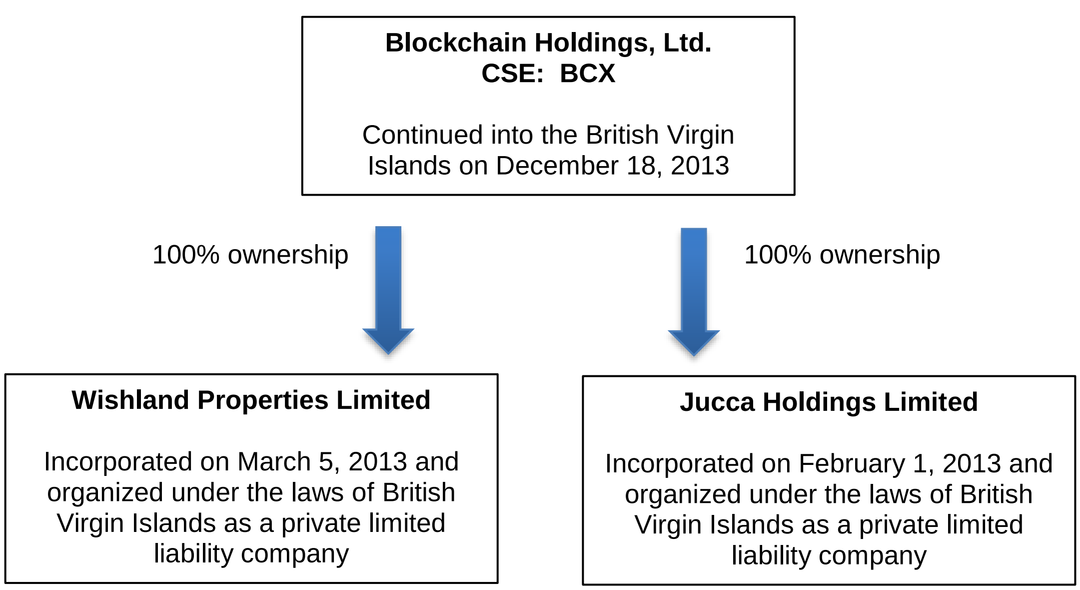
On December 18, 2013, Undur Tolgoi Minerals Inc. completed the continuance from the laws of the Province of British Columbia to the laws of the British Virgin Islands. Effective on January 7, 2014, the Company changed its name from Undur Tolgoi Minerals Inc. to Khot Infrastructure Holdings, Ltd. to have 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"].



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.

Three Months Ended	Total Revenue for the period	Total Expenses for the period	Net Loss for the period (including discontinued operations)	Loss per share basic and fully diluted	Total long- term financial liabilities	Cash dividends per common share
	US$	US$	US$	US$	US$	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)	-	-

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 $1,424,440 (2017 – $270,442).

<u>Significant variances for the three and twelve months ended December 31, 2018</u>

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.

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 $307,600 [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:

	December 31, 2017	December 31, 2017
	$	$
Cash	**508,195**	223,086
Receivables	**8,050**	-
Prepayments	**19,681**	3,350
Accounts payable and accrued liabilities	**(228,326)**	(262,508)
Loan and interest payable	**-**	(429,394)
Road repair provision	**-**	(274,791)
	307,600	(740,257)

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

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 6,283,047 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 6,530,163 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). 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.

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 $11,400,383 deficit as at December 31, 2018 and has a working capital *surplus* of $307,600 (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:

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

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

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
	21,367,375	6,780,163

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.

<u>Dependence on Key Personnel, Contractors and Service Providers</u>
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.

<u>Value of Our Common Shares</u>
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.

<u>Additional Funding and Financing Risk</u>
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.

<u>Conflicts of Interest</u>
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.

<u>Regulatory Matters</u>
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.

<u>Litigation risk</u>
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.

<u>Insufficient revenues</u>
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.

<u>New business venture</u>
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.

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.

Corporate Office's

Head Office
Sea Meadow House, Blackburne Highway, PO Box 116,
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Website
https://www.blockchainholdingsltd.com