KHOT INFRASTRUCTURE HOLDINGS, LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED DECEMBER 31, 2015 AND 2014

Cautionary Statements

Forward-Looking Information

Except for statements of historical fact relating to Khot Infrastructure 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, Khot Infrastructure 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 infrastructure development, the timing of construction of the proposed infrastructure projects, the timing of cash flows, capital and operating expenditures, the timing of receipt of permits, employee relations, 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 Khot Infrastructure Holdings, Ltd.'s public filings, availability and final receipt of required approvals, licenses and permits, ability to acquire necessary road construction, sufficient working capital to complete road 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 Khot Infrastructure 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 Khot Infrastructure 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, Khot Infrastructure 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 Khot Infrastructure Holdings, Ltd. ("KHOT" or the "Company"), is prepared as of April 27, 2016, and should be read together with the consolidated financial statements for the year ended December 31, 2015 and related notes. 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

Khot Infrastructure Holdings, Ltd., (formerly Undur Tolgoi Minerals Inc.) ["Khot" or the "Company"] was incorporated on December 22, 2010 under the Business Corporations Act of British Columbia as a private company. KHOT is engaged in the construction and maintenance of roads and bridges in Mongolia.

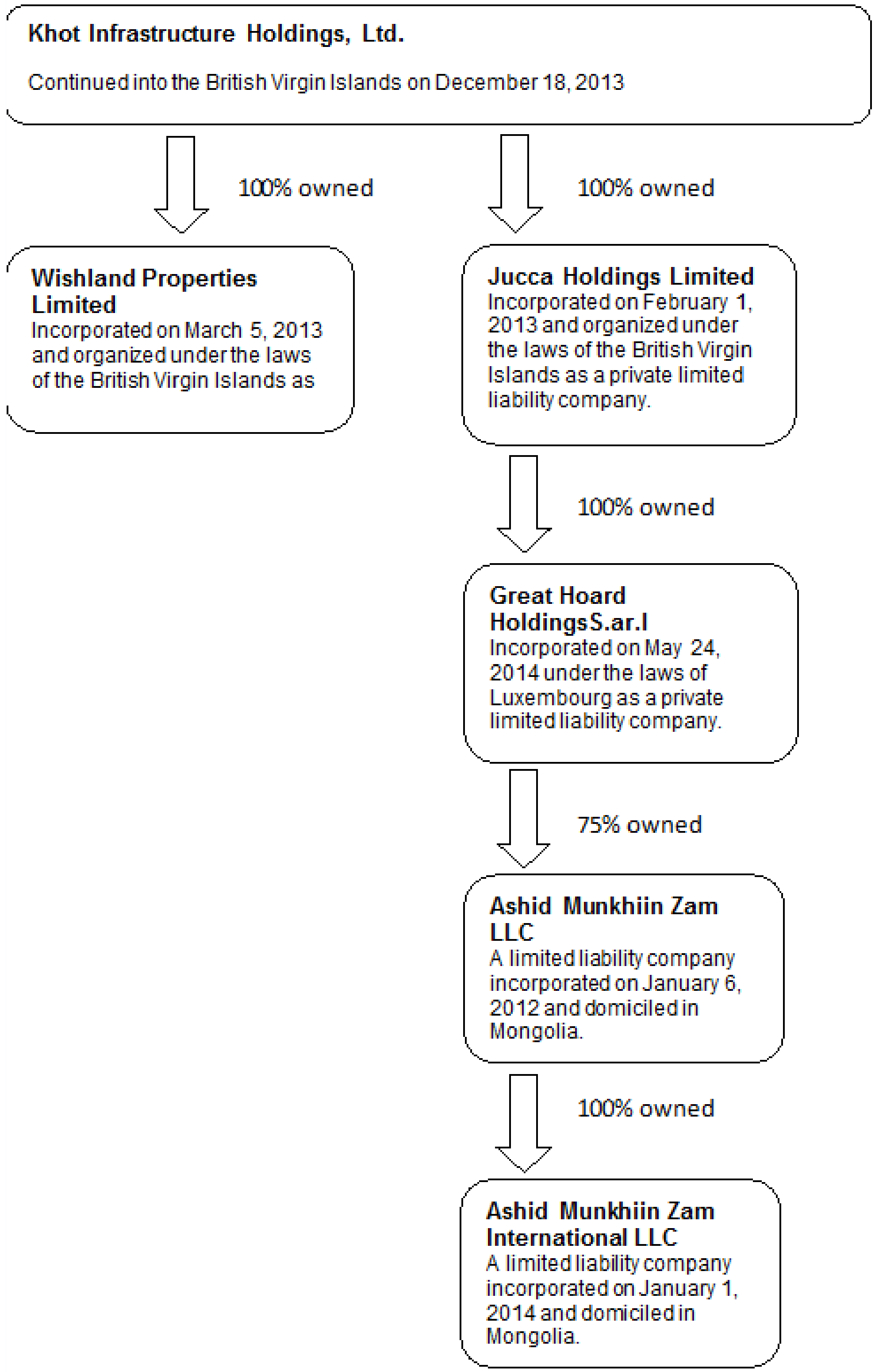
On December 18, 2013, Undur Tolgoi Minerals Inc. completed the continuance from the laws of the Province of British Columbia to the laws of the British Virgin Islands. Effective on January 7, 2014, the Company changed its name from Undur Tolgoi Minerals Inc. to Khot Infrastructure Holdings, Ltd. to have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

The Company continues to be a reporting issuer with Ontario Securities Commission and its shares trade on the Canadian Securities Exchange ("CSE") (formerly, Canadian National Stock Exchange) under the symbol "KHOT".

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

KHOT has a 100% interest in Jucca Holdings Limited ["Jucca"], Wishland Properties Limited ["Wishland"], Great Hoard Holdings S. à r. l. ["GHH"] and a 75% interest in Ashid Munkhiin Zam LLC ["AMZ"] & Ashid Munkhiin Zam International LLC ["AMZI"].

Group Structure



OVERALL OBJECTIVE

Khot specializes in road construction and related services to meet the urgent demands of the fast-growing Mongolian economy. Khot's in-country management and technical team is ideally qualified to meet this exciting challenge and the company anticipates rapid growth going forward. Khot is also reviewing other infrastructure opportunities in Mongolia.

Road construction is one of the fastest growing industries in Mongolia. The government intends to build over 10,000 kilometers of paved road in the next 10 years. As part of its goal, the government passed a law in 2012 mandating paved roads between Ulaanbaatar and each of the country's 21 provincial centers by 2016.

In 2012 Mongolia raised USD$1.8 billion in its first ever bond offering. Shortly afterward the government announced that most of the bond money would be spend on development of infrastructure and allocated USD$335 million to the road budget.

Mongolia's roads officially total 49,294 km, but only about 25% of the roads are currently paved. Most roads are little more than dirt tracks, which are usually dusty and occasionally muddy. By undertaking straightforward grading work, the roads would be quite similar to those servicing many of the mining and outback communities in Australia.

The Minister of Road, Transportation, Construction and Urban Development, granted AMZ a new special permit (B15/073) for constructing and maintaining auto car roads, affiliated under Sukhbaatar District of Ulaanbaatar city, with State Registration No. 9011325093 and registration number 5548349. The expanded permit includes the following from the initial permit: construct paved roads, construct roads paved with gravel, repair/maintain paved roads and roads paved with gravel, repair/maintain concrete, steel, and wooden bridges, and to build/maintain road related facilities, an expanded road building permit, with new authorizations to participate in bridge construction and regular road maintenance works, in addition to the previous construction and repair authorizations. The special expanded permit is valid until July 2018.

Consortium Agreement with Shandong Electric Power Construction Corporation III

On April 8, 2015, management reported that Khot has entered into a binding Memorandum of Understanding (MOU) with a Shandong Electric Power Construction Corporation III ("SEPCOIII") to form a special purpose consortium which provides for joint participation in the bidding for all tender calls.

Management has determined that timing is now optimum for the Company to rapidly expand its operational capacity to take advantage of the full range of infrastructure opportunities currently approved or with approval pending. This includes 5,400 kilometers of new paved road construction scheduled for completion by the end of 2016. Mongolian government plans include tenders for construction of both contract and concession roads.

The Company would benefit from a significant joint venture partner to bolster the financial credibility and major construction experience required to successfully win tenders in both the contract and concession categories.

This combination will enable the consortium to participate in the full range of construction opportunities for approximately 500 kilometers of concession road projects.

"We are excited to co-venture with a corporate partner of this stature and experience. The combined companies will create a formidable team with the resources necessary to successfully exploit this enormous opportunity", said James Passin, Chairman of Khot.

Management continues to work with SEPCOIII towards obtaining new concessions.

On November 18, 2015, the Company entered into a Consortium Agreement with Shandong Electric Power Construction Corporation III ("SEPCOIII"), a Chinese State-Owned Enterprise.

SEPCOIII, a subsidiary of PowerChina, is a world leading Engineering, Procurement, and Construction ("EPC") company. James Passin, Chairman of Khot Infrastructure, signed on behalf of Khot Infrastructure; Mike Chen, President of SEPCOIII Investment, signed on behalf of SEPCOIII; and Ch. Orgilbold, CEO of Ashid Munkhiin Zam LLC ("AMZ"). Khot Infrastructure's Mongolian subsidiary, signed on behalf of AMZ.

The terms of the Consortium Agreement allow for a 75/25 percent cost sharing and revenue sharing model between SEPCOIII and Ashid Munkhiin Zam LLC ("AMZ") on road concession projects granted by the Mongolia government.

James Passin stated "We are excited to form a Consortium with SEPCOIII, an award winning, internationally recognized leading EPC. With the backing of SEPCOIII, we will move quickly to secure significant, profitable projects."

Coordinating efforts with China's larger New Silk Road Economic Belt project, Mongolia will participate in the international Economic Corridor linking resources and markets between Russia, China and Mongolia, as well as other Central Asian countries.

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, 2015. In the quarter ended December 31, 2015, the Company has not generated any revenue or incurred any loss from discontinued operations or extraordinary items.

Three Months Ended	Total Revenue for the period US$	Total Expenses for the period US$	Net Loss for the period US$	Loss per share basic and fully diluted US$	Total long-term financial liabilities US$	Cash dividends per common share US$
December 31, 2013	-	(308,125)	(311,039)	(0.01)	-	-
March 31, 2014	-	(497,214)	(539,310)	(0.01)	-	-
June 30, 2014	-	(211,625)	(221,052)	-	-	-
September 30, 2014	-	(168,156)	(260,226)	(0.01)	-	-
December 31, 2014	1,176,693	(347,448)	(209,513)	(0.01)	-	-
March 31, 2015	-	(143,375)	(140,237)	-	-	-
June 30, 2015	-	(253,192)	(250,817)	-	-	-
September 30, 2015	-	(163,227)	(481,439)	(0.01)	-	-
December 31, 2015	-	(296,109)	(296,576)	-	-	-

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, 2015

The comprehensive loss for the year ended December 31, 2015, was $1,179,534 compared to $1,278,275 in the prior year.

Significant variances for the year ended December 31, 2015

The Company incurred management fees of $101,518 in 2015 compared to $126,323 in 2014. The decrease in management fees of $24,805 is due to 1) in 2014 management fees were $15,000 great due to the fees paid to the COO compared to $Nil in 2015; 2) a decrease in the exchange rate between the Canadian and US dollar. The CFO invoices the Company in CND.

The Company incurred professional fees of $78,247 in 2015 compared to $116,784 in 2014. The professional fees in the current year were lower in the current year as the Company continued from Canada to the British Virgin Islands in 2014. There were no such transactions in 2015.

The Company incurred finance costs of $13,815 in 2015 compared to $4,220 in 2014. The increase was due to the loan from HBOil JSC in Q4 2014 to finance Khot's road repair contract in Mongolia. The balance of the loan remained outstanding for most of 2015.

The Company realized a bad debt expense of $Nil in 2015 compared to $152,200 in 2014. The bad debt expense in the prior year related to management assessment that the collectability of the recovery of administration expenses receivables from entities with common directors in respect of reimbursement of costs was unlikely and as such the Company recorded an allowance for doubtful accounts. The account had been fully impaired in 2014 and as such not further allowance was required in 2015.

The Company realized stock based compensation expense of $110,860 in 2015 compared to $300,977 in 2014. The decrease in stock based compensation of $190,117 is due to the following difference in the number of options granted and factors used to calculate the fair market value of the stock options:

	2014	2015
Average share price at date of grant CND	$0.14	$0.18
Expected dividend yield	0.00%	0.00%
Expected share price volatility	264%	252%
Risk free interest rate	1.10%	0.48%
Expected life of options	5 years	5 years
Average exercise price at date of grant CND	$0.25	$0.20
Black-Scholes Value USD	$300,977	$110,860

The Company incurred a loss on sale of investment of $114,092 in 2015 compared to $Nil in 2014. The loss in 2015 was due to the sale of the Anya-2 investment in 2015. There were no disposal of investments in 2014.

The Company incurred other administrative expense of $330,724 in 2015 compare to $393,070 in 2014. The decrease in other expenses of $62,346 is as follows:

	December 31, 2015 $	December 31, 2014 $	Change from 2015 to 2014 $
Phone, utilities, supplies and other	**3,085**	1,779	1,306
Website, internet and printing	**1,358**	2,388	(1,030)
Contractor fees, salary and source deductions	**171,383**	206,433	(35,050)
Travel	**73,120**	48,811	24,309
Other expenses	**66,342**	117,321	(85,099)
Insurance	**15,436**	16,338	(902)
	330,724	393,070	(62,346)

The decrease in contractor fees, salary and source deductions as well as other expenses is due to a decrease in activity in both the AMZ and Khot during the year as the Company had not received any additional construction contracts.

The increase in travel expenses is due to additional trips by the CFO and certain directors to Mongolia.

Significant variances for the three months ended December 31, 2015

The net loss for the three months ended December 31, 2015, was $296,109 compared to $209,513 for the same period in the prior year.

The Company realized a bad debt expense of $Nil in Q4 2015 compared to $152,200 in Q4 2014. The bad debt expense in the prior year related to management assessment that the collectability of the recovery of administration expenses receivables from entities with common directors in respect of reimbursement of costs was unlikely and as such the Company recorded an allowance for doubtful accounts. The account had been fully impaired in 2014 and as such not further allowance was required in 2015.

The Company incurred a loss on sale of investment of $114,092 in Q4 2015 compared to $Nil in Q4 2014. The loss in 2015 was due to the sale of the Anya-2 investment in 2015. There were no disposal of investments in 2014.

The Company incurred stock based compensation of $Nil in Q4 2014 compared to $110,860 in Q4 2015. In 2014 the stock options were issued earlier in the year, whereas in 2015 the options were issued in December.

There were no other significant variances in the statement of Comprehensive loss for the three months ended December 31, 2015 compared to the same period ended December 31, 2014.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2015, the Company had a working capital deficit of $117,567 [December 31, 2014 surplus - $801,371]. All of the current accounts payable and accrued liabilities, loan and interest payable 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, 2015	December 31, 2014
	$	$
Cash	**119,445**	1,069,037
Accounts receivable	**284,231**	384,927
Prepayments	**13,323**	17,683
Accounts payable and accrued liabilities	**(177,310)**	(171,940)
Loan and interest payable	**(19,861)**	(455,515)
Road repair provision	**(320,633)**	(42,821)
	(117,567)	801,371

The Company, which is involved in early stage infrastructure development, had revenues of $Nil in 2015, which were not significant to sustain operations in the current period. Until the Company is able to secure sufficient revenue from infrastructure development, the Company must utilize its current cash reserves, income from cash held in the bank, 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, 2015 the Company expended $541,315 ($1,166,829 – 2014) on operating activities, and expended cash of $863 ($62,295 – 2014) on investing activities and expended cash of $395,648 (received $455,515 – 2014) on financing activities.

The Company does not have any obligations on infrastructure development applications. Any infrastructure development projects undertaken by the Company are at the sole discretion of the Company.

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 consulting contracts with Mr. Vincent J. Marciano ("Marciano") and Mr. Scott Rose ("Rose") for the provision of investor relations and marketing services. The agreement between KHOT and Marciano provides for an initial term of one year, which may be terminated by either party with 30 days written notice after the expiration of the initial three month period. Marciano will receive a monthly fee of US$1,500 and will be granted 150,000 options. The agreement between KHOT 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.

The options are granted to each consultant at an exercise price of $0.10 per share until December 31, 2017 and shall vest in accordance with the agreement, Canadian Securities Exchange policies and the Company's stock option plan.

On September 30, 2015, the Company terminated the agreement with Marciano.

PROPOSED TRANSACTIONS

As is typical of the infrastructure development industry, 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.

<u>Memorandum of understanding</u>

On April 8, 2015, the Company entered into a memorandum of understanding with a major foreign state owned entity to form a special purpose consortium which provides for joint participation in the bidding for all upcoming Mongolian road construction and repair concessions.

Refer to the section titled Memorandum of understanding on page 4 for more information.

<u>Rail Bed construction permit</u>

The Company's subsidiary AMZ has been awarded a rail bed construction permit by the Ministry of Road and Transportation of Mongolia issued effective December 22, 2015 is for an initial period of three (3) years and enables AMZ to bid on a number of major rail projects planned by the Government of Mongolia as an integral component of its countrywide transportation infrastructure commitment, including the USD$1.3 billion, 547 kilometres in railway concessions already announced by the Mongolian Government in partnership with Northern Railway.

James Passin, Khot Chairman, emphasized the importance of this permit in terms of the expanded opportunities it provides the Company in the implementation of its overall road and rail concession strategy: “The combination of road and rail provides a natural synergy to AMZ operations. Our experienced in-country management team and potential strategic partners are unanimous in their enthusiasm for this long term railway construction program.”

GOING CONCERN

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

The Company’s business of infrastructure development in Mongolia involves a high degree of risk and there can be no assurance that current construction permit applications will ultimately result in profitable infrastructure development 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. Changes in future conditions could require material write-downs to the carrying values of the Company’s assets, in particular its trade receivables. The Company’s assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

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 infrastructure development contracts in Mongolia, 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 $9,132,211 deficit as at December 31, 2015and has a working capital deficiency of $117,567 (December 2014 surplus of - $801,371), including $119,445 (December 2014 - $1,069,037) in cash and cash equivalents. The Company is actively seeking to obtain new development contracts from the Mongolian Government.

RELATED PARTY TRANSACTIONS

1) Management fees include $58,178 ($59,369 – 2014) paid to Don Padgett, the Company’s Chief Executive Officer. The Company has a consulting contract with Don Padgett whereby the company pays $4,000 a month for management fees as well as a salary of CND $1,000 a month for performing services as the CEO. On September 30, 2015, Mr. Padgett’s monthly salary was terminated and his consulting fees were increased to $5,000 per month. As at December 31, 2015, $Nil ($ Nil – 2014) payables were due to Don Padgett.

2) Management fees include $43,340 ($51,955 – 2014) paid to Sabino Di Paola, the Company’s current Chief Financial Officer and Corporate Secretary. The Company has a consulting contract with Sabino Di Paola whereby the company pays CND$110/hour for services rendered as well as CND $1,000 a month for performing services as the CFO. On September 30, 2015, Mr. Padgett’s monthly salary was terminated. As at December 31, 2015, accounts payable of $Nil ($Nil – 2014) were due to Sabino Di Paola.

3) Management fees include $Nil ($15,000 – 2014) paid to Erdembileg Jugdernamjil, the Company's former Chief Operating Officer. The Company had a consulting contract with Mr. Jugdernamjil whereby the company paid $2,500 a month for management fees. On July 1, 2014 the Contract was terminated with Mr. Jugdernamjil, who continued on as the Chief Operating Officer for Ashid Munkhiin Zam LLC. As at December 31, 2015, $NIL ($NIL – 2014) payable were due to Erdembileg Jugdernamjil.

4) Consulting and advisory fees include $23,969 ($Nil – 2014) paid to Erin Chutter, one of the directors of the Company. As at December 31, 2015, $Nil ($NIL – 2014) payable were due to Erin Chutter.

5) During the year ended December 31, 2015, consulting fees of $Nil ($3,500 – 2014) were paid to one of the non-executive directors for services in assistance with potential business opportunities.

Borrowings from HBOil JSC

	December 31, 2015	December 31, 2014
	$	$
Balance, beginning of the period	**455,515**	–
Additions	–	630,000
Repayment	**(448,175)**	(192,000)
Interest expense	**7,880**	7,000
Translation difference	**4,570**	10,515
Balance, end of the period	**19,861**	455,515

Borrowings from Herlen Onon Tuul LLC

	December 31, 2015	December 31, 2014
	$	$
Balance, beginning of the period	–	–
Additions	–	18,500
Repayment	–	(19,383)
Interest expense	–	840
Translation difference	–	43
Balance, end of the period	–	–

Both HBOIL JSC and Herlen Onon Tuul LLC have a significant shareholder in common with Khot Infrastructure Holdings Ltd.

Promotion fees include $Nil ($12,610 – 2014) paid to Anthony Milewski, the Company's non-executive Director. The Company has a consulting contract with Anthony Milewski whereby the company pays $35,000 for three months of promotion services to the Company. As at December 31, 2015, $Nil ($Nil – 2014) of prepaid expenditures were included from services owed by Anthony Milewski.

All related party transactions were within the normal course of operations and have been recorded at amounts agreed to by the transacting parties.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable, available for sale investments, accounts payable and accrued liabilities and due to related parties. Given their short-term nature, the fair value of these instruments approximates their carrying value. It is management's opinion that the Company is not exposed to significant credit risks arising from these financial instruments.

Risk management

The Company's activities expose it to a variety of risks including interest rate risk, credit risk, liquidity risk and commodity price risk. Reflecting the current stage of development of the Company's various projects, the Company's overall risk management program focuses on facilitating the Company's ability to continue as a going concern and seeks to minimize potential adverse effects on the Company's ability to execute its business plan. Risk management is the responsibility of the finance function. Material risks are identified and monitored and are discussed by senior management and with the Audit Committee and the Board of Directors.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's exposure to market risk for changes in interest rates relates primarily to the Company's fixed rate current accounts in the bank and borrowings. As of the reporting date, the Company has not adopted sensitivity analysis to measure interest rate risk due principally to the fact that the Company has no floating rate financial assets and liabilities.

Credit risk

Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations, as and when they fall due. It is inherent to the business as potential losses may arise due to the failure of its customers and counterparties to fulfill their obligations on maturity periods or due to adverse market conditions. The Company's financial assets exposed to credit risk are primarily composed of cash, and accounts receivable (trade and other). Maximum exposure is equal to the carrying values of these assets. The Company's cash is held at several large financial institutions.

The Company's trade receivables are only with the Mongolian government and are recognized, creditworthy third parties. It is the Company's policy that governments who wishes to trade on credit terms are subject to credit verification procedures.

As at December 31, 2015	**Neither past due nor impaired**		**Past due or**	
	High grade $	**Standard grade $**	**individually impaired ($)**	**Total $**
Cash and receivables:				
Cash and cash equivalents	119,445	–	–	119,445
Trade receivables	262,682	–	–	262,682
Others receivables	21,549	–	–	21,549
Long-term receivables	43,464	–	–	43,464
	447,140	–	–	447,140

As at December 31, 2014	**Neither past due nor impaired**		**Past due or**	
	High grade $	**Standard grade $**	**individually impaired ($)**	**Total**
Cash and receivables:				
Cash and cash equivalents	1,069,037	–	–	1,069,037
Trade receivables	378,621	–	152,200	530,821
Others receivables	6,306	–	–	6,306
Long-term receivables	41,403	–	–	41,403
	1,495,367	–	152,200	1,495,367

None of the Company's financial assets are secured by collateral or other credit enhancements.

Liquidity risk

Liquidity risk encompasses the risk that the Company cannot meet its financial obligations. The Company actively manages its operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall prudent liquidity management, the Company maintains sufficient levels of cash and cash equivalents to meet its working capital requirements. At December 31, 2015, the Company had a working capital deficit of $117,567 [December 31, 2014 surplus - $801,371]. All of the current accounts payable and accrued liabilities, loan and interest payable 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.

Foreign exchange risk

The Company conducts operations in Mongolia where many of its transactions are denominated in the Mongolian Tugrik. Accordingly the results of operations and financial position of the Company are subject to changes in the exchange rate between the US dollar ("USD") and the Mongolian Tugrik. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

The Company's policy is to manage its foreign financial assets and liabilities using the best available foreign currency exchange rates.

The following is the list of financial assets and liabilities held in Canadian dollars (presented in USD):

	December 31, 2015 **$**	December 31, 2014 $
Cash	**57,589**	161,269
Accounts receivable	**7,343**	-
Accounts payable and accrued liabilities	**(92,954)**	(66,989)
Warranty liability	**(16,763)**	-
	(44,785)	94,280

The following is the list of financial assets and liabilities held in Mongolian Tugrik (presented in USD):

	December 31, 2015 **$**	December 31, 2014 $
Cash	**11,471**	504,120
Accounts receivable (including long term receivables)	**320,353**	426,330
Accounts payable and provisions	**(378,843)**	(98,420)
	(47,019)	832,030

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rate, with all variables held constant, of the Company's loss before tax due to changes in the carrying value of monetary assets and liabilities.

	December 31, 2015 **$**	December 31, 2014 $
	Increase/ (Decrease)	Increase/ (Decrease)
Increase/(decrease) in foreign currency exchange rate (USD)		
+5%	**4,590**	46,315

-5%	**(4,590)**	(46,315)

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 KHOT'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 April 27, 2016, 2015, December 31, 2015, and December 31, 2014, is as follows:

	April 27, 2016	December 31, 2015	December 31, 2014
Common shares	**64,738,484**	64,738,484	64,351,484
Warrants	**202,300**	202,300	-
Stock options	**5,525,000**	6,270,000	5,975,000
	70,465,784	71,210,784	70,326,484

Common share issuances

On December 29, 2015, 387,000 units were issued at a price of CND $0.15 for proceeds to the Company of $41,959 (CND $58,050). Each unit includes one common share and one half warrant, each whole warrant entitles the holder to purchase one common share of the Company, for a period until the close of business on December 29, 2016 at CND$0.20. Share issue costs of $2,696 (CND $3,696) in cash and finders' warrants were incurred as part of the private placement.

As a part of the private placement, the Company also issued 8,800 broker warrants which allow the holder to acquire one additional Common Share of the Company at a price of CND$0.20 per share. These Warrants expire after on December 29, 2016.

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, 2015.

During the year the Company's subsidiary AMZ began legal proceedings in the amount of 520,000,000,000 MNT (approximately US$320,000) against the Mongolian asphalt supplier due to poor quality asphalt provided in the construction of the Darkhan Road project. As a result of the poor quality of asphalt supplied the Mongolian Ministry of Road and Transportation requested that AMZ repave a section of the road. AMZ has obtained an analysis on samples of the asphalt and has submitted them to the court to show that it was not the same quality as specified by the asphalt supplier. The Company anticipates an initial ruling by the court by the summer of 2016. Management believes that it will be successful in court, however, no provisions have been recorded for the settlement as at the date of these financial statements.

BOARD PURPOSE AND FUNCTION

The directors and management of the parent company have extensive experience operating and taking projects through to various stages of exploration and 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 six members.

On May 12, 2015, the Company announced the appointment of Ms. Erin Chutter as an independent director. Erin Chutter serves as the President and CEO of Global Cobalt Corp, after founding the company in 2007. Erin has led a multinational and multidisciplinary financial and technical team to develop the Karakul Cobalt Mine Project in Altai, Russia as well as mining projects in Canada and the US. She carries particular expertise in complex international mining projects requiring creative financing solutions. Erin was also a founding Director of Niocorp. Erin is a Director of the MacDonald Laurier Institute, a world-renowned Ottawa-based think tank leading new research on social license and resource extraction, and is the Chair for the Canadian Eurasian Russia Business Association (Vancouver Chapter). In 2011, she was honoured as a "40 Under 40" by Business in Vancouver.

"We are delighted to have someone with Erin's experience in international and emerging markets agree to join our Board. This key addition to our entrepreneurial team adds significant value to our Company's compelling business strategy," said Don Padgett.

Concurrently with the appointment of Erin Chutter, Mr. Larry Van Hatten has tendered his resignation as a director of the Company, effective immediately. The board of directors and management would like to express their appreciation to Mr. Van Hatten for his contribution and wishes him the best in his future endeavours.

Don Padgett, Company's president and chief executive officer said, "The Company would like to thank Larry for his professional financial guidance, especially during the early exploration stage of KHOT."

On December 16, 2015, Mr. Anthony Milewski resigned as an independent director of the Company to focus on his other continuing commitments and increasing professional obligations.

Don Padgett, Company's president and chief executive officer, on behalf of the board of directors, would like to thank Mr. Milewski for his service and support; "We appreciate Anthony's contribution to the board, and have benefited from his knowledge and experience during his tenure with us. We wish Anthony continued success in his future endeavours."

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>Large project risk</u>
A substantial portion of Khot's revenue is derived from large government projects, some of which are conducted through joint ventures with non-related companies. These projects provide opportunities for significant revenue and profit contributions but, by their nature, carry significant risk and, as such, can and have occasionally resulted in significant losses. As a result of the existing infrastructure deficit throughout Mongolia a significant number of large projects are expected to be tendered over the next several years.

The risks associated with such large scale infrastructure and industrial projects are often proportionate to their size and complexity thereby placing a premium on risk assessment and project execution.

The contract price on large projects is based on cost estimates using a number of assumptions. Given the size of these projects, if these assumptions prove incorrect, whether due to faulty estimates, unanticipated circumstances, or a failure to properly assess risk, profit may be materially lower than anticipated or, in a worst case scenario, result in a significant loss.

The recording of the results of large project contracts can distort revenues and earnings on both a quarterly and an annual basis and can, in some cases, make it difficult to compare the financial results between reporting periods. For greater detail on the potential impact of contractual factors, including unpriced change orders, see "Contractual Factors" under "Risk Factors" herein.

The failure to replace the revenue generated from these large projects on a going forward basis could adversely affect Khot.

Contractual factors

Khot performs construction activities under a fixed price contracts, under which the Company is committed to provide services at a fixed price. Any increase in Khot's cost over the price bid, whether due to estimating error, inefficiency in project execution, inclement weather, inflation or other factors, will negatively affect Khot's profitability.

Highly Competitive Industry

Khot operates businesses in highly competitive service and geographic markets in Mongolia. Khot competes with other major contractors, as well as many mid-size and smaller companies, across a range of industry segments. New contract awards and contract margin are dependent on the level of competition and the general state of the markets in which the Company operates. Fluctuations in demand in the segments in which the Company operates may impact the degree of competition for work. Competitive position is based on a multitude of factors including pricing, ability to obtain adequate bonding, backlog, financial strength, appetite for risk, reputation for safety, quality, timeliness and experience. Khot has little control over and cannot otherwise affect these competitive factors. If the Company is unable to effectively respond to these competitive factors, results of operations and financial condition will be adversely impacted. In addition, a prolonged economic slump or slower than anticipated recovery may affect one or more of Khot's competitors or the markets in which it operates, resulting in increased competition in certain market segments, price or margin reductions or decreased demand for services, which may adversely affect results.

Subcontractors performance

The profitable completion of some contracts depends to a large degree on the satisfactory performance of the subcontractors as well as design and engineering consultants who complete different elements of the work. If these subcontractors do not perform to accepted standards, Khot may be required to hire different subcontractors to complete the tasks, which may impact schedule, add costs to a contract, impact profitability on a specific job and, in certain circumstances, lead to significant losses. A major subcontractor default or failure to properly manage subcontractor performance could materially impact results.

Dependence on Public Sector

Khot's revenue is derived from contracts with the Mongolian government or their agencies. Consequently, any reduction in demand for Khot's services by the public sector whether from traditional funding constraints, the long-term impact of the recent economic crisis (including future budgetary constraints, concerns regarding deficits or an eroding tax base), changing political priorities, change in government or delays in projects caused by the election process would likely have an adverse effect on the Company if that business could not be replaced from within the private sector.

Large government sponsored projects typically have long and often unpredictable lead times associated with the government review and political assessment process. The time delays and pursuit costs incurred as a result of this lengthy process, as well as the often unknown political considerations that can be part of any final decision, constitute a significant risk to those pursuing such projects.

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.

Competition

There is aggressive competition within the infrastructure industry in tendering for construction contracts in Mongolia. Khot competes with many other companies, which may have greater financial resources, for the opportunity to participate in projects.

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.

Environmental Risk

Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There can be no assurance that future changes to environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties in which the Company holds interests that have been caused by previous or existing owners or operators.

Uninsured Hazards

The Company currently carries minimal insurance coverage. The nature of the risks the Company faces in the conduct of its operations are such that liabilities could exceed policy limits in any insurance policy or could be excluded from coverage under an insurance policy. The potential costs that could be associated with any liabilities not covered by insurance or in excess of insurance coverage or compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting the Company's financial position.

Conflicts of Interest

Certain Directors of the Company also serve as Directors of other companies involved in mineral resource exploration, development and production. 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.

Permits, Licenses and Approvals

The operations of the Company may require licenses and permits from various governmental authorities. The Company believes it holds or is in the process of obtaining all necessary licenses and permits to carry on the activities which it is currently conducting under applicable laws and regulations. Such licenses and permits are subject to changes in regulations and in various operating circumstances.

In October 2015, AMZ, applied for and has been granted by the Mongolian Government an expanded road building permit, valid until July 2018, with new authorizations to participate in bridge construction and regular road maintenance works, in addition to the previous construction and repair authorizations.

Regulatory Matters
The Company's business is subject to various federal, provincial and local laws governing prospecting and development, taxes, labor standards and occupational health, mine safety, toxic substances, environmental protection and other matters. Construction and infrastructure development are also subject to various federal, provincial and local laws and regulations relating to the protection of the environment. A violation of these laws may result in the imposition of substantial fines and other penalties.

Litigation risk
Disputes are common in the construction 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 construction disputes, in respect of which insurance is not available.

Cyclical Nature of the Construction Industry
Fluctuating demand cycles are common in the construction industry and can have a significant impact on the degree of competition for available projects. As such, fluctuations in the demand for construction services or the ability of the private and/or public sector to fund projects in the current economic climate could adversely affect Khot's results.

Given the cyclical nature of the construction industry, the financial results of Khot, similar to others in the industry, may be impacted in any given period by a wide variety of factors beyond its control (as outlined herein) and, as a result, there may be from time to time, significant and unpredictable variations in Khot's quarterly and annual financial results.

Increases in the Cost of Raw Materials
The cost of raw materials represents a significant component of Khot's operating expenses. As contractors are not always able to pass such risks on to their customers, unexpected increases in the cost of raw materials may negatively impact the Company's results. At times during the last several years, the global availability of basic construction materials such as cement and asphalt has been impacted by the massive requirements of the Asian market which has resulted in price fluctuations, price escalation and periodic supply shortages. Periods of high demand or the failure to anticipate or mitigate demand fluctuations may add a significant risk to many vendors and subcontractors, some of whom have responded by no longer guaranteeing price or availability on long-term contracts which has in turn increased the risk for contractors who are not always able to pass this risk on to their customers.

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.

STRATEGY AND OUTLOOK

Our objective is to maximize the value of the Company for our shareholders and as part of this strategy the Company is currently looking to leverage its unique 100% owned permits and local Mongolian infrastructure to create KHOT as a significant publicly traded Mongolian investment vehicle. The Company is always looking at exploring opportunities with potential strategic partners as these opportunities present themselves.

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.

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Bank of Nova Scotia
AFEX
ING

Transfer Agent
Computershare