

Condensed Consolidated Interim Financial Statements
[Expressed in United States dollars]

Khot Infrastructure Holdings, Ltd.

For the three months ended March 31, 2015

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Management's Responsibility for Financial Reporting

The condensed consolidated Interim financial statements of Khot Infrastructure Holdings, Ltd. have been prepared by and are the responsibility of the Company's management. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and, where appropriate, reflect management's best estimates and judgements based on currently available information.

Management has developed and is maintaining a system of internal controls to obtain reasonable assurance that the Company's assets are safeguarded, transactions are authorized and financial information is reliable.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfils its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to shareholders.

"Donald Padgett"
President and Chief Executive Officer

"Sabino Di Paola"
Chief Financial Officer

May 25, 2015

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Khot Infrastructure Holdings, Ltd.
Condensed Consolidated Interim Statements of Financial Position

(expressed in United States dollars)

	Notes	As at March 31, 2015	As at December 31, 2014
Assets			
Current assets:			
Cash and cash equivalents		\$ 926,902	\$ 1,069,037
Accounts receivable		430,064	384,927
Prepayment		22,439	17,683
Total current assets		1,379,405	1,471,647
Non-current assets			
Property, plant and equipment		17,506	18,744
Long term receivable	5	57,445	41,403
Investments	6	125,504	125,530
Total non-current assets		200,455	185,677
Total assets		\$ 1,579,860	\$ 1,657,324
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable and accrued liabilities		\$ 180,995	\$ 171,940
Loan and interest payable	7 & 11	462,266	455,515
Road repair provisions	8	40,739	42,821
Total current liabilities		684,000	670,276
Shareholders' equity			
Share capital	9	7,983,250	7,983,250
Other reserves		1,212,279	1,117,128
Deficit		(8,212,813)	(8,025,888)
		982,716	1,074,490
Non Controlling Interests		(86,856)	(87,442)
Total Equity		895,860	987,048
Total liabilities and shareholders' equity		\$ 1,579,860	\$ 1,657,324
Contingencies	12		
Events after the reporting date	16		

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

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on May 25, 2015, and are signed on its behalf by:

signed "James Passin"

 Director

signed "Don Padgett"

 Director

Khot Infrastructure Holdings, Ltd.
Condensed Consolidated Interim Statements of Comprehensive Loss

(expressed in United States dollars)

Notes	Three months ended March 31, 2015	Three months ended March 31, 2014
Other income		
Interest and other income	\$ 3,138	\$ 3,645
Expenses		
Management fees	25,785	36,880
Promotion & investor conference	-	19,284
Regulatory, exchange, AGM, press release and transfer agent fees	3,276	5,312
Professional fees	24,339	77,946
Finance costs	7,856	1,338
Depreciation	1,231	656
Stock bases compensation	-	300,977
Foreign exchange loss	13,657	117,702
Other expenses	67,231	80,799
	<u>143,375</u>	<u>640,894</u>
Loss before income tax	(140,237)	(637,249)
Income tax expense	-	-
Consolidated loss after income tax expense	\$ (140,237)	\$ (637,249)
Other comprehensive loss		
Exchange difference on translating foreign operations	(49,049)	(71,960)
Total comprehensive loss for the year	\$ (91,188)	\$ (565,289)
Net loss attributed to:		
Equity holders of the parent	\$ (128,561)	\$ (623,168)
Non-controlling interests	(11,676)	(14,081)
	<u>\$ (140,237)</u>	<u>\$ (637,249)</u>
Total comprehensive loss attributed to:		
Equity holders of the parent	\$ (91,774)	\$ (569,198)
Non-controlling interests	586	3,909
	<u>\$ (91,188)</u>	<u>\$ (565,289)</u>
Loss per common share:		
Basic and diluted	<u>\$ (0.00)</u>	<u>\$ (0.02)</u>
Weighted average number of common shares outstanding:		
Basic and diluted	<u>64,351,484</u>	<u>64,351,484</u>

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

Khot Infrastructure Holdings, Ltd.
Condensed Consolidated Interim Statements of Changes in Equity

(expressed in United States dollars)

	Number of common shares (#)	Share Capital	Reserves			Deficit	Attributable to Equity Holders of the Parent	Non - Controlling Interest	Shareholders' equity
			Foreign currency translation reserve	Share based payment reserve					
Balance at December 31, 2013	64,351,484	\$ 7,983,250	\$ (59,180)	\$ 911,972	\$ (6,867,436)	\$ 1,968,606	\$ (4,260)	\$ 1,964,346	
Total comprehensive loss for the year	-	-	(36,641)	-	(1,158,452)	(1,195,093)	(83,182)	(1,278,275)	
Issuance of stock options	-	-	-	300,977	-	300,977	-	300,977	
Balance at December 31, 2014	64,351,484	\$ 7,983,250	\$ (95,821)	\$ 1,212,949	\$ (8,025,888)	\$ 1,074,490	\$ (87,442)	\$ 987,048	
Liquidation of Novametal Resources Inc.	-	-	58,364	-	(58,364)	-	-	-	
Total comprehensive loss for the period	-	-	36,787	-	(128,561)	(91,774)	586	(91,188)	
Balance at March 31, 2015	64,351,484	\$ 7,983,250	\$ (670)	\$ 1,212,949	\$ (8,212,813)	\$ 982,716	\$ (86,856)	\$ 895,860	

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

Khot Infrastructure Holdings, Ltd.
Condensed Consolidated Interim Statements of Cash Flows

(expressed in United States dollars)

Three months ended
March 31,
2015

Three months ended
March 31,
2014

Cash flow from operating activities

Loss for the period	\$	(140,237)	\$	(637,249)
Adjustments to reconcile loss to net cash used in operating activities:				
Stock option expense		-		300,977
Unrealized foreign exchange		4,702		86,963
Depreciation		1,231		656
Change in non-cash working capital balances:				
Accounts receivable		(45,137)		5,153
Accounts payable and accrued liabilities		9,055		(101,007)
Prepayments		(4,756)		25,551
Total cash used in operating activities		(175,142)		(318,956)
Cash flows from investing activities				
Changes in Long term receivable		(16,042)		-
Total cash used in investing activities		(16,042)		-
Effect of foreign exchange on cash	\$	49,049	\$	(53,970)
Total decrease in cash during the period	\$	(142,135)	\$	(372,926)
Cash and cash equivalents - Beginning of the period		1,069,037		1,870,806
Cash and cash equivalents - End of the period	\$	926,902	\$	1,497,880
Cash interest payments made during the period	\$	-	\$	-

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

KHOT INFRASTRUCTURE HOLDINGS, LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS

[Expressed in United States dollars]

1. CORPORATE INFORMATION

Khot Infrastructure Holdings, Ltd., [“KOT” or the “Company”] was incorporated on December 22, 2010 under the Business Corporations Act of British Columbia as a private company. KOT 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 “KOT”.

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

KOT has a 100% interest in Natalya-1 S. à r. l. [“Natalya-1”], 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”].

2. BASIS OF PREPARATION

(a) Statement of compliance

The Company is following the same accounting policies and methods of computation in these condensed consolidated interim financial statements as it did in the audited consolidated financial statements for the year ended December 31, 2014.

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2014, which have been prepared in accordance with IFRS as issued by the IASB.

These condensed interim financial statements were authorized for issue by the Board of Directors on May 25, 2015.

(b) Basis of measurement and functional currency

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for the available-for-sale financial instruments which are measured at fair value, and are expressed in United States dollars, which is the Company’s functional and presentation currency. The functional currency for each consolidated entity is determined by the currency of the primary economic environment in which it operates.

KHOT INFRASTRUCTURE HOLDINGS, LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
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[Expressed in United States dollars]

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The condensed consolidated interim financial statements comprise the financial statements of the Company and its subsidiaries as at March 31, 2015.

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company has all of the following:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

When the Company has less than a majority of the voting, or similar, rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Company's voting rights and potential voting rights

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies. All intracompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

The subsidiaries of the Company at March 31, 2015 and their principal activities are described below:

Name of subsidiary	Place of incorporation	Ownership interest	Principal activity
Natalya-I S. à r. l.	Luxembourg	100%	Holding Company
Jucca Holdings Limited	British Virgin Islands	100%	Holding Company
Wishland Properties Limited	British Virgin Islands	100%	Holding Company
Great Hoard Holdings S.a.r.l	Luxembourg	100%	Holding Company
Ashid Munkhiin Zam International LLC	Mongolia	75%	Infrastructure development
Ashid Munkhiin Zam LLC	Mongolia	75%	Infrastructure development

On January 30, 2015, the Company dissolved its wholly owned subsidiary Novametal Resources LLC.

KHOT INFRASTRUCTURE HOLDINGS, LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
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[Expressed in United States dollars]

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Standards, amendments and interpretations

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The Company has not yet assessed the impact of these new standards on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

- IFRS 9 (Final version) *Financial Instruments*²
- Amendments to IFRS 10 *Consolidated Financial Statements - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*¹
- Amendments to IFRS 11 *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*¹
- IFRS 14 *Regulatory Deferral Accounts*¹
- IFRS 15 *Revenue from Contracts with Customers*²
- Amendments to IAS 16 *Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation and Amortization*¹
- Amendments to IAS 16 *Property, Plant and Equipment - Bearer Plants*¹
- Amendments to IAS 27 *Separate Financial Statements - Equity Method in Separate Financial Statements*¹
- Amendments to IAS 28 *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*¹
- Amendments to IAS 38 *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization*¹

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2018

4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities at the date of the consolidated financial statements. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In particular, the Company has identified the following areas where significant judgements, estimates and assumptions are required. Changes in these assumptions may materially affect the financial position or financial results reported in future periods. Further information on each of these areas and how they impact the various accounting policies are described below and also in the relevant notes to the consolidated financial statements.

Significant management judgements

The following are significant management judgements in applying the accounting policies of the Company and have the most significant effect on the consolidated financial statements.

KHOT INFRASTRUCTURE HOLDINGS, LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
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[Expressed in United States dollars]

4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS
(Continued)

Contract revenue

The Company uses the percentage-of-completion method to determine the appropriate amount of contract revenue to recognize in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the period in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are disclosed as inventories, prepaid expenses or other assets, depending on their nature.

This method requires management to make estimates with regard to the work completed, and the costs to complete the remainder of the work in order to determine the amount of revenues and profits to be recognized at the end of every reporting period. Under this method, the profits recognized are dependent on a variety of estimates, including the progress of the engineering work, quantities of material, achievement of certain contractual milestones, costs to complete, changes made by the professionals hired by the project's owner, site conditions and other situations having an impact on costs. These estimates depend on management's judgment with respect to these factors at a specific date, and certain estimates are difficult to determine before the project is sufficiently advanced.

Given the complexity of the estimation process, even when applying appropriate business practices, the projected costs can vary from the estimates.

The revision of such estimates could reduce or increase the profit on a contract and also, under certain circumstances, result in the immediate recognition of estimated losses. Furthermore, in the normal course of business, changes to contracts often occur while they are in progress. Generally, the revenues relating to those contract changes are included in the total estimated revenues up to the anticipated costs when there is a verbal agreement with the client. Consequently, the profits related to these changes are generally recognized upon their written approval. In certain cases, however, the costs are incurred and recognized before a settlement is finalized.

This situation often leads to the recognition of losses before an agreement is reached with the client, since profits are recognized when the negotiated agreement is signed.

The mechanisms related to the percentage-of-completion method can cause fluctuations in the recognition of revenues and costs from one period to another with regard to the contracts underway. Consequently, while the Company tends to realize its profitability objective on its overall order backlog and the full project execution term, gross margin can vary from period to period based on specific mix of revenues and costs recorded on all projects for every given period.

Impairment of assets

The Company assesses each cash generating unit annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties.

KHOT INFRASTRUCTURE HOLDINGS, LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
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[Expressed in United States dollars]

4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS
(Continued)

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.

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.

As at March 31, 2015, the Company had a working capital surplus of \$695,405 (December 2014 - \$801,371), including \$926,902 (December 2014 - \$1,069,037) in cash and cash equivalents. The Company is actively seeking to obtain new development contracts from the Mongolian Government.

The Company anticipates having sufficient funds to discharge its current liabilities and meet its corporate administrative expenses for at least twelve months. However, the Company will require additional financing, through various means including but not limited to equity financing, to continue seeking infrastructure development contracts. There is no assurance that the Company will be successful in raising the additional required funds or be awarded any development contracts.

Contingencies

By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence and potential quantum of contingencies inherently involves the exercise of significant judgements and the use of estimates regarding the outcome of future events.

Functional currency

The functional currency for the parent entity, and each of its subsidiaries, is the currency of the primary economic environment in which the entity operates. The parent entity has determined the functional currency of the Company is the United States dollar. Determination of functional currency may involve certain judgements to determine the primary economic environment and the parent entity reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

Allowance for doubtful accounts

The Company provides for doubtful accounts based principally on historical collection rates and management's expectation of success rates for collection of overdue accounts as well as management's expectation of success rates for collection through legal proceedings. Management continuously monitors the collection of overdue accounts including the allowance for doubtful accounts. In determining the allowance for doubtful accounts, the Company considers a number of factors affecting the likelihood of collection.

KHOT INFRASTRUCTURE HOLDINGS, LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
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[Expressed in United States dollars]

4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS
(Continued)

The Company's provision for overdue accounts could materially change and may result in significant changes to accounts receivable balances as management continues to monitor the collection of outstanding accounts.

During the three months ended March 31, 2015, the Company recorded an allowance for doubtful accounts of \$Nil (2014 - \$Nil). There were no recoveries of doubtful accounts during the three months ended March 31, 2015 and 2014.

Share-based payments

The estimation of share-based payment costs requires the selection of an appropriate valuation model and data and consideration as to the volatility of the Company's own share price, the probable life of share options and warrants granted and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes valuation model (Note 9).

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described above. Balances subject to estimation uncertainty are presented on the face of the statements. Refer to notes 15 for carrying values of significant assets, liabilities and equity items that are subject to estimation uncertainty. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market change or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

5. LONG TERM RECEIVABLE

	March 31, 2015	December 31, 2014
	\$	\$
Long term receivable	57,445	41,403

The long term receivable represents 5% of the total road construction contract, withheld since the beginning of contract by the Mongolian Government. Payment is anticipated to be received in 2018, upon expiration of the construction warranty, which is three years after the completion of the road construction contract. The long term receivable has been recorded using an effective interest rate method with a discount rate of 10.9% based on Mongolia government bond.

KHOT INFRASTRUCTURE HOLDINGS, LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
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[Expressed in United States dollars]

6. INVESTMENTS

On May 31, 2013, the Company announced that it had reached a definitive agreement and subscribed for 75,950 common shares, which represents 5.05% interest in Anya-2 Sarl ("Anya"), for a total consideration of \$125,000. Anya, a private Luxembourg company, is a wholly owned subsidiary of Hulaan Coal Corporation ("Hulaan"), a private Canadian company. Anya in turn, owns 66% of Western Minex LLC ("WM"), a private Mongolian company, which owns the Ochiriin Bulag Gold Prospect (the "Project" or "OB").

Under this agreement, KOT shall be entitled to subscribe for additional shares of Anya, up to an aggregate shareholding in Anya of 30.25% interest. As of December 31, 2014, the Company has not made any further acquisitions in Anya-2. The investment is classified as available – for – sale financial asset and was measured at fair value.

Investments:

	March 31, 2015	December 31, 2014
	\$	\$
Investment in Anya-2 Sarl	125,000	125,000
Other investments	504	530
	125,504	125,530

7. LOAN AND INTEREST PAYABLE

	March 31, 2015	December 31, 2014
	\$	\$
Unsecured loan from HBOil JSC	462,266	455,515

During the year the Company obtained unsecured loans facilities totaling \$450,000 from HBOil JSC (note 11) to fund its road construction work. The loans bear interest at 6% per annum and is payable together with the loan principal on 28 February 2015. The loan was subsequently extended to May 28, 2015.

8. ROAD REPAIR PROVISION

	March 31, 2015	December 31, 2014
	\$	\$
Balance, beginning of the period	42,821	-
Additions made to the provision	-	42,821
Effect of changes in foreign exchange rates	(2,082)	-
Balance, end of the period	40,739	42,821

Road repair obligations relate to the remaining costs to complete the road constructions contract recognized in the current year, as a result of current years' recognition of the expected loss resulting from the overall contract.

During the period the management estimated that potential road repair costs under the completed Darkhan road construction contract was \$40,739 as at March 31, 2015 (December 31, 2014 - \$\$42,821).

KHOT INFRASTRUCTURE HOLDINGS, LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
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9. SHARE CAPITAL

Authorized share 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 (if any) which are declared from time to time, and are entitled to one vote per share at KOT's shareholder meetings. All shares are ranked equally with regards to the Company's residual assets.

Issued share capital

At March 31, 2015, and December 31, 2014, there were 64,351,484 common shares outstanding.

Common share issuances

There were no common shares issued during the three months ended March 31, 2015, and the year ended December 31, 2014.

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. Options issued to consultants who perform investor relations activities will be subject to a vesting schedule whereby no more than 25% of the options granted may vest in any three month period. 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 following table provides detailed information about stock options outstanding as at March 31, 2015.

Expiry Date	Exercise Price	Options Outstanding	Weighted Average Remaining contractual Life (years)	Options Vested	Options unvested
December 6, 2016	\$ 0.25	3,675,000	1.69	3,675,000	-
January 8, 2019	\$ 0.25	2,300,000	3.78	2,300,000	-
Total		5,975,000	2.49	5,975,000	

KHOT INFRASTRUCTURE HOLDINGS, LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS

[Expressed in United States dollars]

9. SHARE CAPITAL (Continued)

The following table provides detailed information about stock options outstanding as at December 31, 2014.

Expiry Date	Exercise Price	Options Outstanding	Weighted Average Remaining contractual Life (years)	Options Vested	Options unvested
December 6, 2016	\$ 0.25	3,675,000	1.93	3,675,000	-
January 8, 2019	\$ 0.25	2,300,000	4.02	2,300,000	-
Total		5,975,000	2.74	5,975,000	

The Company records a charge to the statement of comprehensive loss using the Black-Scholes fair valuation option pricing model. The valuation is dependent on a number of estimates, including the risk free interest rate, the level of stock volatility, together with an estimate of the level of forfeiture. The level of stock volatility is calculated with reference to historic traded daily closing share prices at the date of issuance.

Option pricing models require the inputs of highly subjective assumptions including the expected price volatility. Changes to the subjective input assumptions can materially affect the fair value estimate and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's share options.

Stock option activity is as follows:

	Number	Weighted- Average exercise price	Expiry
Outstanding, December 31, 2013	4,525,000	0.25	December 6, 2016
Granted	2,300,000	0.25	January 8, 2019
Forfeited	(850,000)	0.25	December 6, 2016
Outstanding, March 31, 2015 and December 31, 2014	5,975,000	0.25	December 6, 2016

On January 8, 2014, the Company granted, under its Stock Option Plan, fully vested incentive stock options to certain directors, senior officers, and consultants to purchase up to an aggregate of 2,300,000 common shares in the capital of the Company exercisable for a period of five years ending on January 8, 2019, at an exercise price of \$0.25 per share.

During the year ended December 31, 2014, 850,000 stock options were canceled. The options had an exercise price of \$0.25 and were set to expire on December 6, 2016.

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9. SHARE CAPITAL (Continued)

The weighted average fair value of each option granted during the year ended December 31, 2014, was estimated at \$0.13 using the Black Scholes option pricing model with the following weighted average assumptions:

Average share price at date of grant	\$ 0.14
Expected dividend yield	0.00%
Expected share price volatility	264%
Risk free interest rate	1.10%
Expected life of options	5 years
Average exercise price at date of grant	\$ 0.25

The underlying expected volatility was determined by reference to historical data of KOT's shares listed on the CSE based on annual price volatility since the change in business to infrastructure development, as well as the historical volatility of comparative companies in the road construction industry for the expected term of the options. No special features inherent to the options granted were incorporated into measurement of fair value.

Share based payment reserve

Amounts recorded in share based payment reserve in shareholders' equity relate to the fair value of stock options.

Activity with respect to the share based payment reserve is summarized as follows:

	As at March 31, 2015 \$	As at December 31, 2014 \$
Balance, beginning of period	1,212,949	911,972
Stock-based compensation	-	300,977
Balance, end of the period	1,212,949	1,212,949

10. CONSTRUCTION REVENUE

The Company's activities are predominantly in one industry segment, namely road construction service, and its properties are all situated in Mongolia. Revenue is mainly generated from customers under the control of the Mongolian government and domiciled in Mongolia.

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11. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, close family members, key management personnel, significant shareholders and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

Transactions with Key management personnel

Key management of the Company are members of the Board of Directors, the Chief Executive Officer, and Chief Financial Officer. Key management remuneration includes the following:

	Three months ended	
	March 31,	
	2015	2014
<hr/>		
<i>Short-term Key management benefits</i>	\$	\$
Compensation including salary	25,785	34,411
<i>Long-term Key management benefits</i>		
Share based payments	-	209,375
<hr/>		
Total remuneration	25,785	243,786
<hr/>		

1) Management fees include \$14,484 (\$15,000 – 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 CAD \$1,000 a month for performing services as the CEO. As at March 31, 2015, \$Nil (\$ Nil – 2014) payables were due to Don Padgett.

2) Professional fees include \$11,301 (\$11,911 – 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 CAD\$110/hour for services rendered as well as CAD \$1,000 a month for performing services as the CFO. As at March 31, 2015, accounts payable of \$Nil (\$Nil – 2014) were due to Sabino Di Paola.

3) Management fees include \$Nil (\$7,500 – 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 March 31, 2015, \$NIL (\$NIL – 2013) payable were due to Erdembileg Jugdernamjil.

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11. RELATED PARTY TRANSACTIONS (Continued)

Borrowings from HBOil JSC

	March 31, 2015	December 31, 2014
	\$	\$
Balance, beginning of the period	455,515	–
Additions	-	630,000
Repayment	-	(192,000)
Interest expense	6,395	7,000
Translation difference	356	10,515
Balance, end of the period	462,266	455,515

HBOIL JSC has a significant shareholder in common with Khot Infrastructure Holdings Ltd.

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

12. CONTINGENCIES

Great Hoard Holdings S.A.R.L. has a shareholder agreement with the minority interest of Ashid Munkiin Zam LLC in which Great Hoard Holdings S.A.R.L. shall transfer 3,693,675 shares, representing 5% of the outstanding shares of AMZ should AMZ be awarded a 30,000,000,000 MNT contract for construction of roads in Mongolia, there is no material disagreement between the parties, and the management agreement remains in force and has not been terminated. An additional transfer of 3,693,675 shares, representing 5% of the outstanding shares of AMZ would be transferred to the minority interest should the management agreement remain active after three years.

13. SEGMENT REPORTING

As at March 31, 2015, the Company had one reportable operating segment of infrastructure development. All of the Company's non-current assets are located in Mongolia and Luxembourg.

The Company has the following non-current assets located in Mongolia for its infrastructure development activities:

	March 31, 2015	December 31, 2014
Property, plant and equipment	\$ 17,506	\$ 18,744
Investments	504	530
Long term receivable	57,445	41,403
	75,455	60,677

The Company has the following noncurrent assets located in Luxembourg:

	March 31, 2015	December 31, 2014
Investment in Anya-2	\$ 125,000	\$ 125,000

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14. CAPITAL MANAGEMENT

The Company's capital structure has been defined by Management as being comprised of shareholders' equity, which comprises share capital and other components of equity and accumulated deficit, which at March 31, 2015, totals \$982,716 (December 2014 - \$1,074,490). The Company's objectives when managing its capital structure are to preserve the Company's access to capital markets and its ability to meet its financial obligations and to finance its future infrastructure activities and general corporate costs. This is achieved by the Board of Directors' review and acceptance of infrastructure budgets that are achievable within existing resources and the timely matching and release of the next stage of expenditures with the resources made available from private placements or other funding.

The Company monitors its capital structure using annual forecasted cash flows, infrastructure budgets and targets for the year.

The Company is dependent upon external financing to fund its activities. In order to pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company to maintain flexibility while achieving the objectives stated above as well as supporting future business opportunities. To manage the capital structure the Company may adjust its operating expenditure plans, or issue new common shares.

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.

There were no changes in the Company's approach to capital management for the period ended March 31, 2015 or the year ended December 31, 2014. The Company is not subject to externally imposed capital requirements or covenants.

15. FINANCIAL RISK MANAGEMENT

The carrying values of the Company's financial instruments are classified into the categories below. Fair values are determined either directly by reference to published price quotations in an active market, or from valuation techniques using observable inputs.

	March 31, 2015	December 31, 2014
	\$	\$
Available for sale investments	125,504	125,530
Current loans and receivables ²	1,356,966	1,453,964
Long term loans and receivables	57,445	41,403
Loans Payable	(462,266)	(455,515)
Other financial liabilities ¹	(221,734)	(214,761)

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15. FINANCIAL RISK MANAGEMENT (Continued)

¹ accounts payable and accrued liabilities and road repair provisions

² cash current and long term accounts receivable, excluding sales tax receivable

The three levels of the fair value hierarchy are:

[i] Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities

[ii] Level 2 – Inputs other than quoted prices that are observable for the asset or liability directly or indirectly

[iii] Level 3 – Inputs that are not based on observable market data

As at March 31, 2015 and December 31, 2014, the Company's financial instruments which are measured at fair value on a recurring basis was cash. This financial instrument was classified as Level 1 financial instrument.

The investment in Anya-2 is an investment in the common shares of a private company and as a result there was no quoted price in active markets. The investment was measured against the deferred exploration assets of the operating company, considering the most recent exploration results, and geological assessments as at March 31, 2015, and as a result has been classified as a level 3.

Risks arising from financial instruments and 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.

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15. FINANCIAL RISK MANAGEMENT (Continued)

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 subject to credit verification procedures.

As at March 31, 2015	Neither past due nor impaired High grade	Standard grade	Past due or individually impaired	Total
Cash and receivables:				
Cash and cash equivalents	926,902	–	–	926,902
Trade receivables	243,948	–	–	243,948
Others receivables	186,116	–	–	186,116
	1,356,966	–	–	1,356,966

As at December 31, 2014	Neither past due nor impaired High grade	Standard grade	Past due or individually impaired	Total
Cash and receivables:				
Cash and cash equivalents	1,069,037	–	–	1,069,037
Trade receivables	378,621	–	–	378,621
Others receivables	6,306	–	–	6,306
	1,453,964	–	–	1,453,964

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 March 31, 2015, the Company had a working capital of \$695,405 [December 31, 2014 - 801,371]. All of the current accounts payable and accrued liabilities, loan and interest payable are due and payable within 90 days. Accordingly, the Company is 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.

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15. FINANCIAL RISK MANAGEMENT (Continued)

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

	March 31, 2015	December 31, 2014
	\$	\$
Cash	<u>250,573</u>	161,269
Accounts payable	<u>(75,942)</u>	(66,989)
	<u>174,631</u>	<u>94,280</u>

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

	March 31, 2015	December 31, 2014
	\$	\$
Cash	<u>452,068</u>	504,120
Accounts receivable (including long term receivables)	<u>487,509</u>	426,330
Accounts payable and provisions	<u>(96,944)</u>	(98,420)
	<u>842,633</u>	<u>832,030</u>

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.

	March 31, 2015	December 31, 2014
	\$	\$
	Increase/ (Decrease)	Increase/ (Decrease)
Increase/(decrease) in foreign currency exchange rate (USD)		
+5%	<u>50,863</u>	46,315
-5%	<u>(50,863)</u>	(46,315)

16. EVENTS AFTER THE REPORTING DATE

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.

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.

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16. EVENTS AFTER THE REPORTING DATE (Continued)

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.
