Khan Resources Inc.
Management's Discussion and Analysis
December 31, 2011

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This Management's Discussion and Analysis ("MD&A") provides a discussion and analysis of the financial condition and results of operations of Khan Resources Inc. (the "Company" or "Khan") for the three months ended December 31, 2011 and 2010, and is intended to be read in conjunction with the unaudited interim consolidated financial statements of the Company for the three months ended December 31, 2011 and 2010 and the related notes thereto. References in this MD&A to "2011" mean the three month period ended December 31, 2011 whereas references in this MD&A to "2010" mean the three month period ended December 31, 2010, unless otherwise noted. The interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Unless otherwise indicated, all amounts in this MD&A are expressed in Canadian dollars.

The date of this MD&A is March 8, 2012.

Auditor Involvement

The auditor of Khan has not performed a review of the unaudited interim consolidated financial statements for the three months ended December 31, 2011 and 2010.

Highlights – First Quarter, 2012

- The Company's interim financial statements have been prepared for the first time in accordance with IFRS and in Canadian dollars. Comparative statements, previously prepared in US$ under Canadian Generally Accepted Accounting Principles ("GAAP"), have been adjusted for changes in the functional and reporting currencies of the Company and its subsidiaries and other IFRS adjustments.

- The net loss for the three month period ended December 31, 2011 was $932,000 or $0.02 per share compared to a net loss of $300,000 or $0.01 per share for the same period in 2010.

- Activities related to the International Arbitration action against the Government of Mongolia were lower for the three month period ending December 31, 2011 following the hearing held in September, 2011 on scheduling and procedural matters. Activities have now resumed to a high level in this current second quarter as submissions to the Arbitration Tribunal are required in advance of the jurisdictional hearing scheduled for May, 2012. An eight binder submission in support of the Company's position on jurisdictional matters was made to the Tribunal on February 3, 2012. The Company remains confident of a favourable outcome to the arbitration action. (See "International Arbitration" below).

- On October 31, 2011, the Company announced that it had obtained an order of the Ontario Superior Court of Justice validating service on Atomredmetzoloto JSC ("ARMZ") in respect of its $300 million lawsuit against that company. ARMZ appealed the decision and the appeal was heard on January 24, 2012. The parties are now awaiting the decision of the appeal court. (See "ARMZ" below).

- Khan holds 15.5 million common shares of Macusani Yellowcake Inc. ("Macusani") which represents 14.4% of the 107.8 million Macusani outstanding common shares. On February 3, 2012, Macusani announced that they had entered into a merger agreement with Southern Andes Energy Inc. ("Southern Andes") pursuant to which Macusani will acquire all of the outstanding common shares of Southern Andes. The proposed merger is subject to the approval of Macusani shareholders. The proposed merger will increase the number of Macusani common shares to 169.7 million reducing Khan's interest in Macusani to 9.2%. Khan intends to vote its shareholding in Macusani against the proposed merger due to substantial dilution of its interest without clear benefits. (See "Macusani Yellowcake Inc." below).

- In January, 2012, the Company announced that it had received an information request from the

Toronto Stock Exchange ("TSX") in respect of whether or not the Company continued to meet the listing requirements of that exchange. The Company has not received a formal response from the TSX as yet but anticipates that the exchange will make a narrow interpretation of its rules and guidelines. As such, the Company has initiated detailed discussions for listing on an alternate exchange to pursue an orderly transition.

Company Profile

Khan is a Canadian-based mineral exploration and development company engaged in the acquisition, exploration and development of uranium, primarily in Mongolia. The Company and its predecessors have held interests for the last 15 years in certain uranium properties that are located in the Dornod district of north eastern Mongolia. These uranium properties are known as the Dornod Uranium Project and currently consist of a 58% interest in the "Main Dornod Property" (defined below) and a 100% interest in the "Additional Dornod Property" (defined below). The Company has been affected by other developments in Mongolia that impact its properties and assets and its interests therein, including the refusal of the Mongolian Nuclear Energy Agency ("NEA") to reissue its mining and exploration licenses. See "Significant Developments" below for further details.

The Main Dornod Property consists of an open pit mine ("Dornod Deposit No. 2") and approximately two-thirds of an underground deposit ("Dornod Deposit No. 7"). From 1988 to 1995, JSC Priargunsky Industrial Mining and Chemical Union ("Priargunsky"), a Russian state owned company, extracted approximately 590,000 tonnes of ore at an average grade of 0.118 per cent uranium oxide ("U_3O_8") from Dornod Deposit No. 2. The mining license in respect of the Main Dornod Property is registered in the name of Central Asian Uranium Company LLC ("CAUC"), a Mongolian company, in which the Company currently holds a 58% interest through its subsidiary CAUC Holding Company Limited ("CAUC Holding"). The other shareholders of CAUC, who each currently hold a 21% interest are MonAtom LLC ("MonAtom"), a Mongolian state owned company and Priargunsky. Khan operates the Main Dornod Property through a joint venture with MonAtom and Priargunsky. In January 2010, CAUC received a formal notice from the State Property Committee of Mongolia ("SPC") requiring CAUC to propose to its shareholders a resolution to approve an increase of the Mongolian State ownership in CAUC to 51%, which resolution was subsequently authorized and approved by MonAtom and CAUC Holding, and submitted to the SPC (see "Significant Developments - Mineral Licenses - Nuclear Energy Law" below for further details).

The Additional Dornod Property is contiguous to the Main Dornod Property and consists of approximately one third of Deposit No. 7 and part of another underground deposit. The exploration license in respect of the Additional Dornod Property is registered in the name of Khan Resources LLC ("KRL"), a Mongolian company in which the Company currently holds a 100% interest through subsidiaries. Although no formal notice has been received, the Company expects that the Additional Dornod Property will be subject to Mongolian State ownership of 51% as a result of the passage of the Nuclear Energy Law in 2009.

The Company also holds 15,523,330 common shares of Macusani Yellowcake Inc., a Canadian TSX Venture Exchange listed company which holds uranium properties in the Macusani Plateau district of Peru. The Company initially invested in Macusani on November 30, 2009 and has subsequently subscribed to two additional share offerings by that company. Khan's current shareholding represents approximately 14.4% of the outstanding common shares of Macusani. Khan also holds 4,031,665 Macusani share purchase warrants. Further details concerning Khan's investment in Macusani are set out below under the section entitled "Significant Developments – Macusani Yellowcake Inc.".

Significant Developments

Mineral Licenses

On July 16, 2009, the Mongolian Parliament passed a new Nuclear Energy Law that, amongst many other things, effectively required that the Mongolian state be provided 51% ownership of the Dornod Uranium Project free of charge. In addition, all existing exploration and mining licenses, including those held by CAUC and KRL were required to be renewed and re-registered. Khan submitted the applications for the renewal and re-registration of the mining license and exploration license for the Dornod Uranium Project on November 10, 2009. The applications were in compliance with the requirements of the new legislation, including the requirement to state that the license holder accepted the ability of the Mongolian State to take an ownership interest in the license-holder.

In April, 2010, the Company announced that it had received notices from the Nuclear Energy Agency ("NEA") stating that the mining license for the Main Dornod Property and the exploration license for the Additional Dornod Property had been invalidated. Shortly thereafter, CAUC and KRL filed separate formal claims in the Capital City Administrative Court (the "Court") in Mongolia challenging the legal basis for the notices received from the NEA purporting to invalidate CAUC's mining license and KRL's exploration license. In July 2010, the Court ruled in favour of CAUC and declared that the previous decision by the NEA to invalidate CAUC's mining license was itself illegal and invalid. This decision was subsequently appealed by the NEA but the appeal was unsuccessful. In August 2010, the Court also ruled in favour of KRL and declared that the previous purported decision by the NEA to invalidate KRL's exploration license was itself illegal and invalid.

On November 12, 2010, the NEA published what it called an official notification in certain Mongolian newspapers stating that it did not intend to reissue the CAUC and KRL licenses. The notices broadly accused KRL and CAUC, amongst other things, of disrespecting state laws and legislation and failing to fulfill conditions and requirements set out by law. The newspaper notice did not constitute an official decision which, under Mongolian law must include the legal reasons for making such a decision pursuant to Mongolian law. To date, the NEA has not reissued the licenses.

The Company continues to believe that there exists no legal basis for the NEA to refuse to reinstate and re-register its licenses and that it has always acted in conformance with Mongolian laws.

International Arbitration

Following the failure of the NEA to reissue the Dornod licenses to CAUC and KRL, the Company announced on January 10, 2011 that it had formally commenced an international arbitration action against the Government of Mongolia for its expropriatory and unlawful treatment of Khan in relation to the Dornod Uranium Project. The claim seeks over US$200 million in compensation for losses and damages.

The arbitration, which is brought by Khan and several of its subsidiaries, is governed by the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL), and asserts claims under the Energy Charter Treaty, the Foreign Investment Law of Mongolia, and the Founding Agreement between Khan and the Mongolian Government. The claim was served on various officials of the Government of Mongolia on January 10, 2011.

The Tribunal that presides over the International Arbitration action was constituted on May 9, 2011 and consists of three well-known and highly respected international arbitrators: Mr. Yves Fortier of Canada (appointed by Khan); Mr. Bernard Hanotiau of Belgium (appointed by Mongolia) and Mr. David A.R. Williams of New Zealand (appointed as the presiding arbitrator by Messrs. Fortier and Hanotiau and with the consent of the parties). The arbitration is being administered by the Permanent Court of Arbitration (PCA), and is seated in Paris, France.

The Tribunal has held two hearings to date, primarily on procedural and scheduling matters. The next hearing will be held May 14 to May 16, 2012 and will address jurisdictional matters governing the arbitration.

The Government of Mongolia filed documents stating its jurisdictional objections to the process on December 2, 2011. The Company filed a comprehensive, eight binder response to this document on February 3, 2012. The Government of Mongolia and Khan will now file responses to these prior submissions in March and April to be followed by the hearing in May. A decision by the Tribunal will be made on jurisdictional matters by September, 2012. On the assumption that the Government of Mongolia's jurisdictional objections are denied, the merits and damages phase of the action will commence in October, 2012. Submissions on the merits and damages of the case will be filed from December 2012 through September 2013 and a hearing on merits and damages has been scheduled for November 11 through November 16, 2013. Although investor-state arbitration cases brought under international investment treaties and laws typically require substantial periods of time to complete, Khan believes that the scheduling of this action has been made on a reasonably timely basis.

The Company continues to believe it has a very strong case against the Government of Mongolia and intends to continue to press its case vigorously.

ARMZ

On August 20, 2010, the Company announced that it and certain of its subsidiaries had filed a statement of claim against Atomredmetzoloto JSC ("ARMZ") and its affiliate Priargunsky, with the Ontario Superior Court of Justice. The claim has been brought by the Company and certain of its subsidiaries, and seeks damages from ARMZ and its affiliate in the total amount of CDN$300,000,000, including equitable compensation resulting from their breach of fiduciary duties as one of Khan's joint venture partners and a shareholder of CAUC, general damages resulting from their unlawful interference with the plaintiffs' economic relations, general damages resulting from their deliberately causing damage to Khan's and its subsidiaries' rights, business reputation and property and aggravated, exemplary and punitive damages.

The statement of claim alleges, among other things, that the harmful conduct of ARMZ and it affiliates, namely in seeking to establish a joint venture with the Government of Mongolia over the Dornod uranium region without regard to Khan's rights and interests, impugning the legitimacy of Khan's interests in Mongolia, interfering with its economic relations with MonAtom (Khan's other joint venture partner in CAUC and the Mongolian state-owned entity with which Khan sought to pursue a strategic transaction), and interfering with the competing and superior take-over bid by CNNC, all with the goal of eliminating Khan's interests in Mongolia, has caused Khan, its subsidiaries and its shareholders substantial damage. Subsequent to filing the statement of claim against ARMZ, various reports have circulated concerning the advancement of a proposed Dornod uranium joint venture between the Russian and Mongolian Governments to develop the Dornod region to the exclusion of Khan and its subsidiaries. These reports culminated in an announcement on December 14, 2010 that Russia and Mongolia signed an agreement in principle for the creation of a joint venture to develop the Dornod resource. According to ARMZ's press release on their website, the agreement was signed on December 14, 2010 by Rosatom Corp. (Russia's nuclear power company), ARMZ, Mongolia's state owned MonAtom and the NEA and approves the terms and conditions of the Dornod Uranium Joint Venture. In June, 2011, Mongolian President Elbegdorj visited Moscow and reportedly signed a further agreement with Russia confirming each side's desire to consummate the Dornod Uranium Joint Venture.

The statement of claim against ARMZ and Priargunsky was filed with the Russian Department of Justice in October 2010 to be legally served in accordance with the applicable laws and protocols. The Russian Department of Justice informed the Company in February 2011 that it had refused to serve ARMZ and Priargunsky with the Company's statement of claim based on Article 13 of the Hague Convention. Article 13 states that service can be denied only if the State deems that compliance would infringe its sovereignty or security.

Following the refusal by the Russian Department of Justice to serve ARMZ and Priargunsky with the Company's statement of claim, the Company filed a motion with the Ontario Superior Court of Justice seeking an order dispensing with or substituting service of the statement of claim on ARMZ and Priargunsky. After a series of delay tactics by ARMZ, the motion was heard and on October 31, 2011, the Court released its decision on the matter and ruled in favour of Khan. ARMZ appealed the decision, the appeal was heard on January 24, 2012, and the parties are now awaiting the decision of the appeal court.

Khan understands that major shareholders of the Company have also initiated a suit in the Ontario Courts against ARMZ for inadequate disclosure of information during ARMZ's hostile take-over bid for Khan initiated in December, 2009. The suit by the major shareholders is following similar due process as was followed by Khan in its suit.

Macusani Yellowcake Inc.

From November, 2009, through March, 2011, the Company, through a combination of private placements and prospectus offerings, has purchased 15,523,330 common shares of Macusani Yellowcake Inc., 2,540,000 unlisted share purchase warrants with an exercise price of $0.35 per warrant and 1,494,665 listed share purchase warrants with an exercise price of $0.85 per warrant. The Company's holdings of common shares represent approximately 14.4% of the outstanding common shares of Macusani. The Company's cost basis for its purchases aggregates to $4.3 million.

On December 31, 2011, the closing share price for Macusani was $0.135 per share. The value for Macusani listed share purchase warrants with an exercise price of $0.85 is estimated to be $0.01 per warrant while the value for the unlisted share purchase warrants with an exercise price of $0.35 is estimated to be $0.016. As of December 31 2011, the estimated market value for the Company's Macusani holdings totalled $2.15 million ($2,096,000 for Macusani common shares and $56,000 for Macusani share purchase warrants). An unrealized loss on the investment in common shares of $78,000 was recorded in the statement of comprehensive loss for the three months ended December 31, 2011. An unrealized loss of $36,000 on share purchase warrants was recorded in the statement of operation and deficit for the three months ended December 31, 2011.

As of the date of this MD&A, the market value of the Company's investment in Macusani was estimated to be at $2.4 million.

On February 3, 2012, Macusani announced that their company had entered into a merger agreement with Southern Andes Energy Inc. pursuant to which Macusani will acquire all of the outstanding common shares of Southern Andes. The proposed merger is subject to the approval of Macusani shareholders. Khan intends to vote its shareholding in Macusani against the proposed merger. The proposed merger will increase the number of Macusani outstanding common shares from 107,775,714 to 169,750,151 reducing Khan's interest in Macusani from 14.4% to 9.2%. Khan intends to vote its shareholding in Macusani against the proposed merger due to the substantial dilution of its interest without clear benefits.

Uranium Prices

From mid-2010 to March 2011, the spot price for U_3O_8 appreciated dramatically from US$40 per lb. to almost US$75 per lb. However, the Tohoku earthquake and subsequent tsunami in Japan on March 11, 2011 caused extensive damage to the Fukushima Daiichi nuclear station and resulted in reassessments of nuclear programs in many parts of the world. Spot uranium prices fell subsequent to that event and now appear to have stabilized at a level just above US$50.00 per lb. The company expects the uranium price will recover over the medium term as a majority of countries recommit to and continue with their nuclear build programs.

Overall Performance

Financial

Total assets of the Company at December 31, 2011 were $22,428,000 compared with $24,996,000 at September 30, 2011. The net decrease of $2,568,000 resulted from the decreases in current assets of $949,000, investments of $112,000, capital assets of $346,000 and mineral rights and properties of $1,161,000. The decrease in current assets was due primarily to the cash used in operating and investing activities during the three months ended December 31, 2011. The decrease in investments was due to the decline in value of Macusani investment. The decrease in capital assets was due to amortization recorded during the quarter and a foreign currency translation adjustment due to the decline in value of the Mongolian Tugrik ("MNT"). The decrease in mineral interests was due to a foreign currency translation adjustment offset by the costs incurred on the Dornod Uranium Project.

With the adoption of IFRS, the Company's Mongolian subsidiaries changed their functional currency from the USD to the MNT. Such change resulted in a foreign exchange difference between the two accounting standards on non-monetary assets and liabilities. These assets were previously translated from MNT to USD by using historical rates (temporal method). However under IFRS, they are translated from MNT to CAD by using period end rates (current method). Under Canadian GAAP, exchange differences were recognized in net income whereas under IFRS exchange differences are recognized in other comprehensive income. The change from the temporal to the current method might result in significant Currency Translation Adjustments ("CTA") variances from period to period in major assets of the Company such as Plant and Equipment and Mineral Properties recorded in the Mongolian subsidiaries.

The following table summarizes the components of net change to the Company's assets during the three months ended December 31, 2011:

	As at Sep. 30 2011	**Effect of for operation/ investment activities**	**Effect of Foreign Exchange change**	**As at Dec. 31 2011**
Cash and cash equivalents	$ 5,927	$ (937)	$ 15	5,005
Accounts receivable	28	11	-	39
Prepaid expenses and other assets	115	(38)	-	77
Restricted cash	52	-	-	52
	6,122	(964)	15	5,173
Investments	2,264	(112)	-	2,152
Capital assets, net	3,588	(23)	(323)	3,242
Mineral rights and properties	13,022	15	(1,176)	11,861
	$ 24,996	(1,084)	(1,484)	22,428

During the three months ended December 31, 2011, the Company recorded a net loss of $932,000 or $0.02 per share compared with a net loss of $300,000, or $0.01 per share in the comparable period of 2010. The net increase in the loss of $632,000 was due primarily to the non-recurrence of an income tax recovery of $503,000 related to the unrealized gain on the available-for-sale investments recorded in 2010. In the period ended December 31, 2011, the Company incurred a loss on available-for-sale investments; thus no income tax recovery has been recorded. Other factors which contributed to the net change are a decrease in interest income of $11,000 and increases in general corporate expense of $195,000, stock-based compensation expense of $24,000 and a loss on investments of $36,000 offset by an increase in rental income of $11,000 and the decreases in the Mongolian operation expense of $112,000, amortization expense of $12,000 and write-off of assets of $3,000.

During the three months ended December 31, 2011, the Company recorded a comprehensive loss of $2,513,000 compared to the income statement loss $932,000 for the same period. Elements of the comprehensive were an unrealized holding loss on available-for-sale securities of $78,000 and a CTA loss of $1,503,000. During the three months ended December 31, 2010, the Company recorded a comprehensive income of $3,614,000 compared to the income statement loss of $300,000 for the same period. Elements of the comprehensive loss were an unrealized holding gain on available-for-sale securities of $4,024,000 net of income tax expense of $503,000 and a CTA gain of $393,000.

The change in CTA from a gain of $393,000 in 2010 to a loss of $1,503,000 in 2011 is due to the fluctuation in the value of the MNT against the Canadian dollar. With the transition to IFRS, Mongolian assets and liabilities which are denominated in the functional currency of MNT are translated into Canadian dollars at the closing rate at the date of the balance sheet. In 2011 at the date of the balance sheet, a Canadian dollar was equivalent to 1,369 MNT compared with 1,256 in 2010, that is an 11% decrease in value of the MNT against the Canadian dollar.

During the three months ended December 31, 2011, cash decreased by $922,000 compared with $1,468,000 in the comparable period of 2010.

The cash used in operating activities for the three month period was $921,000 in 2011 compared with $777,000 in 2010. The increase of $144,000 was due to the decreases in interest income of $11,000, and cash required for non-cash working capital of $73,000, increases in general corporate expense of $195,000 and future tax provision of $1,000 offset by decreases in Mongolian operation expense of $112,000 and realized foreign exchange losses of $13,000 and an increase in rental revenue of $11,000.

The cash used in investing activities for the three month period was $16,000 in 2011 compared with $723,000 in 2010, a decrease of $707,000. In 2011, purchases of capital assets used cash of $1,000. There was no comparable amount in 2010. In 2010 purchases of investments used cash of $635,000 and there was no comparable amount in 2011. In 2011 mineral interests used cash of $15,000 compared with $88,000 in 2010. The decrease of $73,000 resulted from the lower level of activity at the Dornod Uranium Project in 2011.

In 2010, the cash provided by financing activities for the three month period was $19,000 and there was no comparable amount in 2011. In 2010, the exercise of stock options provided cash of $19,000.

The effect of foreign exchange rate changes on cash was $15,000 in 2011 compared with $13,000 in 2010. Though, primarily cash balances are held in Canadian dollars, the Company keeps some cash in US$. The increase in foreign exchange gain on cash was due to the increase in value of the Canadian dollar in terms of the United States dollar during the period.

Results of Operations

Khan is a development stage company and expects to incur losses for the foreseeable future and may require additional funds to finance its activities.

Revenue

Total revenue has not changed during the three months ended December 31, 2011 from the comparable period in 2010. A decrease in interest income of $11,000 in 2011 from the comparable period in 2010 was offset by increase in rental revenue. The decrease in interest income was due to lower cash balances on hand. Rent revenue resulted from a sublet of office space in 2011. There was no rental revenue in 2010.

Expenses

Total expenses increased by $128,000 during the three months ended December 31, 2011 from the comparable period in 2010 was due primarily to the increases in general corporate expense of $195,000, stock based compensation of $24,000 and losses on investments of $36,000 offset by a decreases in Mongolian operations expense of $112,000, amortization expense of $12,000 and write-off of assets of $3,000.

General corporate expense increased by $195,000 in 2011 compared with 2010. The following table illustrates the major items included in general corporate expense:

	Three months ended December 31, 2011 $000's	Three months ended December 31, 2010 $000's
Accounting and audit	29	46
Investor relations	7	-
Insurance	31	37
Legal	422	106
Management remuneration	181	241
Office and travel	83	128
	753	558

Major factors responsible for the changes in general corporate expense were as follows:

- Accounting and audit expense decreased due to lower audit fees;
- Investor relations expense increased due to additional activities required for the preparation of material for the Annual General Meeting of shareholders held in February;
- Insurance expense decreased due to lower premiums for directors and officers insurance;
- Legal expenses increased due to higher costs associated with International Arbitration;
- Management remuneration expense decreased due to a change from full-time to part-time basis for certain staff and a reduction of overall staff levels; and
- Office and travel costs decreased due to a lower level of activity and a focus on expense reduction.

Mongolian operations expense decreased by $112,000 in 2011 compared with 2010 due to fewer staff and a lower level of activity.

Amortization expense decreased by $12,000 in 2011 compared with 2010 as a number of assets became fully amortized in 2011.

Stock-based compensation expense increased by $24,000 in 2011 compared with 2010 due to the higher expense for vesting of outstanding options. 1,225,000 stock options were granted on February 16, 2011 and amortization expense for options is recorded for each period until these options fully vest on February 16, 2013. A significant portion of options granted in prior years became fully vested by September 30, 2010; thus a lower expense for the vesting of options was recorded during the three months ended December 31, 2010.

The loss on investments during the three months ended December 31, 2011 was due to a decline in value of the Macusani warrants. There was no comparable amount in 2010.

Mineral interests

During the three months ended December 31, 2011, the deferred development costs, consisting mainly of camp operations and site maintenance incurred for the Dornod Uranium Project, were $87,000. The following table sets out the change in deferred development costs:

		As at Sep. 30 2011	Cost incurred during the three months ended Dec. 31, 2011	Effect of Foreign Exchange change	As at Dec. 31 2011
Deferred Development Costs					
Dornod Uranium Project, Mongolia		12,330	15	(949)	11,396
	$	12,330	15	(949)	11,396

Summary of Quarterly Results

The following table sets out the financial results for Khan's five most recently completed quarters. The results are expressed in thousands of dollars except per share amounts.

	Quarter ended December 31, 2011 $000's	Quarter ended September 30, 2011 $000's	Quarter ended June 30, 2011 $000's	Quarter ended March 31, 2011 $000's
Revenue	24	278	18	30
Expenses	(956)	(2,216)	(1,381)	(1,252)
Net income (loss)	(932)	(1,938)	(1,363)	(1,222)
Net income (loss) per share - basic and diluted	$ (0.02)	$ (0.02)	$ (0.03)	$ (0.02)

	Quarter ended December 31, 2010 $000's
Revenue	24
Expenses	(324)
Net income (loss)	(300)
Net income (loss) per share - basic and diluted	$ (0.01) $

Over the past five quarters, variations in the quarterly loss have been caused by fluctuations in general corporate expense, stock-based compensation expense, foreign exchange gain or loss, other comprehensive income or loss and other expense items. General and corporate expense varies according to the level of activity in the head office. Stock-based compensation expense varies from quarter to quarter depending on the number of stock options granted and vested in the quarter. The foreign exchange gain or loss arises from the translation of amounts denominated in foreign currencies to Canadian dollars. Other comprehensive income or loss arises from the unrealized holding gains or losses on available-for-sale securities and from CTA on translation of Mongolian assets and liabilities from MNT to Canadian dollars at the balance sheet closing date.

Liquidity and Capital Resources

As at December 31, 2011, the Company had working capital of $4,717,000 (September 30, 2011 - $5,585,000) which was comprised of cash of $5,005,000 (September 30, 2011 - $5,927,000), accounts receivable in the amount of $39,000 (September 30, 2011 - $28,000), prepaid expenses and other assets in the amount of $77,000 (September 30, 2011 - $115,000), restricted cash in the amount of $52,000 (September 30, 2011 - $52,000), investment in Macusani purchase warrants of $56,000 (September 30, 2011 - $91,000) and current liabilities of $512,000 (September 30, 2011 - $628,000).

The Company earns no income from operations and any significant improvement in working capital results from the issuance of share capital. For the three months ended December 31, 2011, the operating activities of

Khan used cash of $921,000 (2010 - $777,000), the investing activities, which consisted of the purchase of investments, capital assets and mineral interests used cash of $16,000 (2010 - $723,000), the financing activities provided cash of nil (2009 – $19,000) and the foreign exchange gain on cash was $15,000 (2010 – $13,000). The Company's last primary financing activity was on March 1, 2007, when the Company completed a public offering of 8,150,000 Common Shares, which were issued pursuant to a prospectus dated February 21, 2007. The Common Shares were issued at a price of $3.70 each, for total proceeds of $30,155,000.

The Company believes that it has sufficient financial resources to pay its ongoing general corporate and Mongolian operations expenses and to meet its liabilities over the next year. This expectation is based on the forecast costs associated with maintaining the current operations. The Company considers the re-instatement, re-registration and maintenance of the mining and exploration licenses for the Dornod Uranium Project, an updated joint venture agreement in respect of the CAUC joint venture and the successful negotiation of an investment agreement with the Government of Mongolia to be major prerequisites to any major mine development work. If these are achieved, the subsequent development of the Dornod Uranium Project will depend on, among other things, the Company's ability to obtain additional financing, and political and regulatory developments or changes in Mongolia. The Company has issued common shares, warrants and agents' options from time to time to advance the Project to date through various stages of development. There can be no assurance that the Company will be successful in raising any required future financing.

The Company does not have any contractual obligations, including those in the nature of long-term debt, capital lease obligations, operating leases, purchase obligations or other long-term obligations other than a five-year lease for office space that commenced on March 1, 2006. The lease has been extended to August, 2012. The expected rent for the remaining period is $75,000.

Outstanding Share Data

The following table sets forth particulars of the fully-diluted share capitalization of Khan as at as of the date of this MD&A:

Securities	Number of Common Shares
Issued and outstanding common shares	54,525,445
Shares issuable upon exercise of stock options	3,478,334
Total	58,003,779

Transactions with Related Parties

An officer of the Company is a partner in a firm that provides legal services to the company. The company paid an aggregate of $7,000 for these legal services for the three months ended December 31, 2011 (December 31, 2010 - nil).

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Critical Accounting Estimates

The Company's significant accounting policies are described in note 2 to the audited consolidated financial statements for the three months ended December 31, 2011. IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Management uses its judgment and knowledge from past experience as a basis for estimates and other assumptions in connection with the preparation of the financial statements. Management's estimates and assumptions are evaluated and updated regularly. The actual results of the Company may materially differ if management were to use different estimates and assumptions. The following accounting estimates are what management currently considers being the most critical in the preparation of the Company's financial statements.

Mineral interests

The carrying values for development and exploration properties are the cost less any write down to recognize impairment. Management reviews properties when events or changes in circumstances suggest that the carrying value of certain long-lived assets may not be recoverable. Impairment assessments are conducted at the level of cash-generating units (CGU), which is the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets. Management has assessed its CGUs as being an individual mine site (the Dornod properties in Mongolia). An impairment loss is recognized for any excess of carrying amount of the CGU over its recoverable amount, which is the greater of its fair value less costs to sell and value in use. For mineral rights and properties and processing facilities, the recoverable amount is estimated as the discounted future net cash flows expected to be derived from expected future production, metal prices, and net proceeds from the disposition of assets on retirement, less operating and capital costs. Impairment losses are recognized in the period they are incurred. Future cash flows are estimated by management based on estimated uranium prices, operating costs, production volume, reclamation costs, capital expenditures and mineral reserves. Each of these variables is subject to uncertainty and risk.

Impairment losses are reversed if the conditions that gave rise to the impairment are no longer present and it has been determined that the asset is no longer impaired as a result. This reversal is recognized in net income in the period the reversal occurs limited by the carrying value that would have been determined, net of any depreciation, had no impairment charge been recognized in prior years.

Assets held for sale are separately presented in the consolidated balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are not depreciated while they are classified as held for sale.

Rehabilitation Provision

The Company is subject to environmental protection laws governing reclamation of its development and exploration properties. These laws are continually changing and these changes may affect the procedures and costs required to complete reclamation obligations. The Company will recognize a rehabilitation provision for statutory, contractual, constructive or other legal obligations relating to site reclamation and restoration costs that will incur on the retirement of assets and abandonment of mine and exploration sites. Provisions for the cost of the mine site's rehabilitation program are normally recognized at the time that an environmental disturbance occurs or a constructive obligation is determined. No amount has been recorded in these consolidated financial statements for rehabilitation obligations as no such obligations were incurred as at the date of these financial statements.

Contingencies

An estimated contingent loss is recorded when it is determined from available information that a loss is probable and that the amount can be reasonably estimated. Contingent liabilities involve the exercise of judgment and an estimate of future outcomes.

Stock-based compensation expense

The Company has a stock-based compensation plan. The Company accounts for stock options using the fair value method. The determination of the fair value of stock options issued requires management to estimate future stock volatility and a risk-free rate of return. Management uses the Black-Scholes option pricing model to estimate the fair value of Khan's stock options. The assumptions made may change from time to time.

Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, restricted cash, investments and accounts payable and accrued liabilities.

Fair Value

Cash and restricted cash are designated as a financial asset at fair value through profit or loss with the unrealized gains or losses recorded in the consolidated statements of income. Accounts receivable are designated as loans and receivables and, therefore, carried at amortized cost with the gains and losses recognized in the consolidated statement of income in the period that the asset is derecognized or impaired. Investments in non-hedge derivatives are designated as financial assets at fair value through profit or loss and recorded at fair value using quoted prices in an active market if such prices are available; otherwise, such instruments are measured at fair value using measurement techniques based on the market price of underlying equity instrument traded in the active market. Gains or losses on non-hedge derivatives, are recorded in the consolidated statement of income. Investments in equity instruments are designated as available-for-sale and recorded at fair value with unrealized gains and losses recognized in the statement of comprehensive loss and realized gains and losses recognized in the consolidated statement of operations and deficit. Accounts payable and accrued liabilities are designated as other financial liabilities and therefore carried at amortized cost with the gains or losses recognized in the consolidated statements of operation and deficit when the financial liability is derecognized or impaired. The estimated fair values of accounts receivable and accounts payable and accrued liabilities approximate their respective carrying values.

Financial Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its bank accounts and guaranteed investment certificates. Bank accounts are held with major banks in Canada and Mongolia. As the majority of the Company's cash is held by a Canadian bank and the guaranteed investment certificate is also held by the same Canadian bank, there is a concentration of credit risk with one bank in Canada. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. The Company's secondary exposure to credit risk is on its accounts receivable. This risk is minimal as accounts receivable consist primarily of refundable government taxes.

Foreign exchange risk

The Company undertakes transactions denominated in foreign currencies and it exposed to foreign exchange risk arising from such transactions. The Company conducts its operations in Mongolia and thereby the majority of the

Company's assets, liabilities and expenses are denominated in MNT. The reporting results of operation and assets and liabilities would, therefore, partially depend on strengthening or weakening of the MNT against the Canadian dollar.

Interest Rate Risk

The Company is exposed to interest rate risk as bank accounts earn interest income at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. The income earned on these bank accounts is subject to the movements in interest rates.

The Company also records transaction costs related to the acquisition or issue of held for trading financial instruments to the consolidated statements of operations and deficit as incurred. Transaction costs related to financial instruments not designated as held for trading are included in the financial instrument's initial recognition amount.

Liquidity Risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash balances.

Equity price risk

The Company holds certain marketable securities that will fluctuate in value as a result of trading on Canadian financial markets. As the Company's marketable securities holding are mainly in mining companies, the value will also fluctuate based on commodity prices.

International Financial Reporting Standards

The Accounting Standards Board (AcSB) adopted IFRS as Canadian GAAP for publicly accountable enterprises for fiscal years beginning on or after January 1, 2011. As such, the Company is reporting its first interim consolidated financial statements in accordance with IAS 34 Interim Financial Reporting for the three months ended December 31, 2011, with comparative figures for the corresponding period for 2010.

IFRS Transition Plan

The Company had established a comprehensive IFRS transition plan and engaged third-party advisers to assist with the planning and implementation of its transition to IFRS. The following summarizes the critical transition components identified by the Company. All of these have been completed by the date of this report:

- Initial scoping and analysis of key areas for which accounting policies may be impacted by the transition to IFRS.
- Detailed evaluation of potential changes required to accounting policies, information systems and business processes, including the application of IFRS 1 First-time Adoption of International Financial Reporting Standards.
- Determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives.
- Resolution of the accounting policy change implications on information technology, business processes and contractual arrangements.

- Design and implement new processes to maintain effective Disclosure Control & Procedures ((DC&P) and internal control over financial reporting throughout the IFRS transition plan.
- Management and employee education and training.

Impact of Adopting IFRS on Company's Business

As part of its analysis of potential changes to significant accounting policies, the Company assessed what changes would be required to its accounting systems and business processes. The Company determined that most changes identified, with the exception of the change in functional currencies, were minimal and the systems and processes can accommodate the necessary changes.

The change in functional currencies under IFRS had considerable impact on the accounting systems and procedures during the transition period. The Company was required to recreate the 2011 ledgers of the head-office and the holding companies in CAD, transaction by transaction. Consequently the consolidation for each reporting period in fiscal 2011 had to be re-compiled including the foreign currency translation of the Mongolian subsidiaries. In the case of the Mongolian subsidiaries, the translation method applied changed from the temporal method to the current method.

The Company has not identified any contractual arrangements that may be affected by potential changes to significant accounting policies.

The Company's staff involved in the preparation of the financial statements have been trained on the relevant aspects of IFRS and the changes to accounting policies

The Board of Directors and Audit Committee were regularly updated on the progress of the IFRS conversion plan, and made aware of the evaluation of the key aspects of IFRS affecting the Company.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of Company's opening IFRS statement of financial position as at the Transition Date will be consistent with those made under Canadian GAAP. If necessary, estimates will be adjusted to reflect any difference in accounting policy.

Impact of Adopting IFRS on the Company's Financial Statements

The adoption of IFRS resulted in some changes to the Company's accounting policies that are applied in the recognition, measurement and disclosure of balances and transactions in its financial statements.
The following provides a summary of the Company's evaluation of changes to accounting policies in key areas based on the current standards and guidance within IFRS. This is not intended to be a complete list of areas where the adoption of IFRS will require a change in accounting policies, but to highlight the areas the Company identified as having the most significant change.

Foreign Currency

IFRS requires that the functional currency of the Company and its subsidiaries be determined separately; the factors considered to determine functional currency are somewhat different than Canadian GAAP. The Company has determined the functional currency for its Mongolian subsidiaries to be Mongolian tugrik and the functional currency of the Canadian head office and all intermediate holding companies is the Canadian dollar (CAD). The Company has determined the resulting impact of each functional currency on the October 1, 2010 opening balance sheet.

Share-based Payments

In certain circumstances, IFRS requires a different measurement of stock-based compensation related to stock options than Canadian GAAP. The Company has implemented the changes to its accounting policies relating to share-based payments and recorded resulting adjustment to its opening balance sheet as at October 1, 2010 and for the three months ended December 31, 2010.

Asset Retirement Obligations (Rehabilitation Provision)

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while Canadian GAAP only required the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions.
The Company's accounting policies related to the rehabilitation provision have been changed to reflect these differences, and it has been determined that this change does not have an immediate impact to the carrying value of its assets.

Property Plant and Equipment

IFRS contains different guidance related to recognition and measurement of property and equipment than current Canadian GAAP. Under IFRS the Company has the option to value its property and equipment based on either a cost or a revaluation model. The Company will continue to value its Property and Equipment at cost.

Income Taxes

In certain circumstances, IFRS contains different requirements related to recognition and measurement of future (deferred) income taxes based on a "probable" versus a "more likely than not" criteria. The Company has determined that these will not result in any significant changes to its accounting policies related to income taxes and does result in a significant change to line items within its financial statements.

Exploration and Evaluation Expenditures

IFRS currently allows an entity to elect to retain its existing accounting policies related to the exploration for and evaluation of mineral properties, subject to some restrictions. The Company retained its current policy of deferring exploration and evaluation expenditures until such time as the properties are either put into commercial production, sold, determined not to be economically viable, or abandoned. Adoption of IFRS did not result in any significant change to the related line items within its financial statements.

Impairment of (Non-financial) Assets

IFRS, like Canadian GAAP, requires an assessment at each reporting date as to whether there are indicators of impairment of deferred exploration and evaluation costs. The factors considered under IFRS are quite similar to Canadian GAAP, but there are some differences. IFRS requires a write down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Canadian GAAP required a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value. The Company's accounting policies related to impairment of deferred exploration costs has been changed to reflect these differences, however the Company does not expect this change will have an immediate impact to the carrying value of its assets. The Company has performed impairment assessments as at the Transition Date in accordance with IFRS.

IFRS and Internal Control over Financial Reporting and Disclosure Controls and Procedures

The Company applied the existing control framework to the IFRS changeover process. The Company has made changes necessary to maintain the integrity of internal control over financial reporting and disclosure controls and procedures. The changes to internal control over financial reporting have been set out below.

Risks and Uncertainties

Khan's success depends upon a number of factors, many of which are beyond its control. Typical risk factors include, among others, political risk, financing risk, title risks, exploration and development risks, joint venture risks, commodity price, and currency exchange rate risks, operating and environmental hazards encountered in the mining business and changing laws and public policies. Risk factors are more fully described in the Company's Annual Information Form (the "AIF") filed on SEDAR on December 17, 2011.

Changes in Internal Control over Financial Reporting

During the first quarter of fiscal 2012, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting, except as noted below.

In connection with the Company's conversion to IFRS, certain controls around the restatement of the 2011 ledgers of the head-office and the holding companies and the process by which financial statements are consolidated, were changed. It is not expected that these changes will impact the effectiveness of the Company's internal controls over financial reporting and disclosure in the current year.

Management will continue to monitor the effectiveness of it's internal control over financial reporting and may make modifications from time to time as considered necessary or desirable.

Additional Information

Additional information, including the AIF of the Company, is available by accessing SEDAR.

Cautionary Note Regarding Forward-Looking Information

This management's discussion and analysis contains "forward-looking statements" and "forward-looking information" that are not historical facts and which include, but are not limited to, statements with respect to the future financial or operating performance of the Company, its subsidiaries and its projects, the future price of uranium, the estimation of mineral reserves and mineral resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital, operating and exploration expenditures, costs and timing of the development of new deposits, costs and timing of future exploration, requirements for additional capital, government regulation of mining operations, environmental risks, reclamation expenses, title disputes or claims, limitations of insurance coverage, and the timing and possible outcome of pending and potential litigation and regulatory matters. Often, but not always, forward-looking statements and information can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or state that certain actions, events, performance or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements and information have been prepared for internal planning purposes and may not be appropriate for other purposes. Forward-looking statements and information involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, events or achievements of the Company and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements and information. Such risks, uncertainties and factors include, among others: significant business, economic, competitive, political, regulatory and social uncertainties and contingencies; the impact of International, Mongolian and Canadian laws, trade agreements, treaties and regulatory requirements on Khan's business, licenses, operations and capital structure; Khan's ability to re-instate, re-register and maintain its licenses; regulatory uncertainty and obtaining governmental and regulatory approvals; legislative, political, social, regulatory and economic developments or changes in jurisdictions in which Khan and Macusani carry on business; the nature and outcome of pending and future litigation, arbitration and other legal or regulatory proceedings; the speculative nature of mineral exploration and development; changes in project parameters as plans continue to be refined; the actual results of exploration or reclamation activities; possible variations in ore grades or recovery rates; changes in market conditions; changes or disruptions in the securities markets and market fluctuations in prices for Khan's securities; the lack of any strategic or alternative transactions or the terms and conditions of any such transactions not being acceptable; the existence of third parties interested in purchasing some or all of the common shares or Khan's assets; the method of funding and availability of potential strategic transactions involving Khan, including those transactions that may produce strategic value to shareholders; changes in the worldwide price of certain commodities such as uranium, coal, fuel, electricity and fluctuations in resource prices; fluctuations in currency exchange rates and interest rates, including fluctuations in the value of United States and Canadian dollars relative to the Mongolian Togrog; inflationary pressures; the occurrence of natural disasters, hostilities, acts of war or terrorism; the need to obtain and maintain licenses and permits and comply with national and international laws, regulations, treaties or other similar requirements; risks involved in the exploration, development and mining business; operating or technical difficulties in connection with mining or development activities, including conducting such activities in remote locations with limited infrastructure; employee relations and shortages of skilled personnel and contractors; and uncertainty in the estimation of mineral reserves and resources that will be encountered if any property is developed; failure of plant, equipment or processes to operate as anticipated; changes in national and local government legislation, taxation, controls, regulations and political or economic developments in Canada, Mongolia, Bermuda, the British Virgin Islands or the Netherlands, as well as other risks associated with resource exploration and mine development described under the heading "Risk Factors" in the AIF. Although the Company believes that the assumptions inherent in the forward-looking statements and information are reasonable, undue reliance should not be placed on these statements and information. Forward-looking statements and information contained herein are made as of the date of this document and the Company disclaims any obligation to update any forward-looking statements or information, whether as a result of new information, future events or results or otherwise, except as required under applicable laws. There can be no assurance that forward-looking statements or information will prove to be accurate, as actual results, performance, achievements and events could differ materially from those anticipated in such statements and information. Accordingly, readers should not place undue reliance on forward-looking statements or information.