KHAN RESOURCES INC.

RESULTS FOR THE NINE MONTHS ENDED JUNE 30, 2012

This Management Discussion and Analysis ("MD&A") has been approved in accordance with a resolution of the Board of Directors dated August 9, 2012. It should be read in conjunction with the Interim Condensed Consolidated Financial Statements at and for the nine months ended June 30, 2012.

Highlights

- On July 26, 2012 the Tribunal hearing the Company's $200 million international arbitration action against the Government of Mongolia ruled entirely in Khan's favour on matters of jurisdiction and has dismissed all of Mongolia's objections to the continuance of the suit. The action will now progress to the phase in which the panel will rule as to the merits of the arbitral claims and the amount of damages suffered by Khan arising from the Mongolian Government's expropriatory and unlawful treatment of Khan in relation to the Dornod uranium deposit located in northeastern Mongolia.

- On June 30, 2012, the Company recognized non-cash impairment losses of $15.9 million that have reduced all of the Company's tangible assets to their estimated recoverable values as at June 30, 2012. The Company concluded that it is highly unlikely that the exploration and mining licenses for the Dornod deposit will be renewed and returned. In conjunction with this determination, the Company also decided to close the Dornod Project Camp.

- On Monday, May 14, 2012 the Company's common shares commenced trading through the facilities of the Canadian National Stock Exchange ("CNSX") under the symbol "KRI".

- Regarding the $300 million lawsuit against Atomredmetzoloto JSC ("ARMZ"), the Company announced on April 20, 2012 that it has filed an appeal with the Court of Appeal for Ontario in relation to the March12, 2012 decision of the Ontario Superior Court in favour of ARMZ. The appeal is scheduled to be heard on September 11, 2012.

- On April 19, 2012, the Company announced the closing of a non-brokered private placement financing resulting in the issuance of 13,600,000 common shares at a price of $0.17 per common share for gross proceeds of $2,312,000. The Company plans to use the proceeds of the offering to advance the international arbitration case against the Government of Mongolia, for the lawsuit against ARMZ and for general corporate purposes.

- The Company's interim financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS") and in Canadian dollars ("CAD"). Comparative statements, previously prepared in US dollars 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.

In thousands of dollars

	2012	**2011**	**Change %**
Net loss			
Three months ended June 30	**(16,888)**	(1,363)	-1139.0%
Nine months ended June 30	**(19,079)**	(2,885)	-561.3%
Basic and diluted earnings per share (CA cents)			
Three months ended June 30	**(0.26)**	(0.03)	-924.4%
Nine months ended June 30	**(0.33)**	(0.05)	-514.8%
Cash flow			
Nine months ended June 30	**(690)**	(4,591)	85.0%
Cash and cash equivalents			
As at June 30	**5,237**	6,269	-16.5%

Outlook

International Arbitration

The Company has initiated a $200 million international arbitration action against the Government of Mongolia and its state-owned uranium company, MonAtom LLC for the Government of Mongolia's failure to reissue the Company's mining and exploration licenses. A hearing took place in Paris in May 2012 to address jurisdictional matters governing the arbitration. On July 26, 2012 and two months prior than expected, the Tribunal hearing the action, consisting of three very senior and experienced international arbitrators, ruled entirely in Khan's favour on matters of jurisdiction. The Tribunal ruled that they had full jurisdiction over the action and dismissed all of Mongolia's objections to the continuance of the suit. The merits and damages phase of the action will now commence. 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 is 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 this action is proceeding 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.

The Notice of Arbitration is posted on the Company's website. The Company has asked the Government of Mongolia for permission to make public the July 26, 2012 Decision on Jurisdiction report.

ARMZ

The Company filed a statement of claim in 2010 against ARMZ and its affiliate Priargunsky, with the Ontario Superior Court of Justice. The claim is for damages in the amount of $300 million arising from, among other things, their breach of fiduciary duties as one of Khan's joint venture partners and a shareholder of Khan's Mongolian subsidiary, Central Asian Uranium Company LLC ("CAUC"). ARMZ refused service of the statement of claim;however the Superior Court of Justice validated service of the statement of claim on ARMZ in October 2011. ARMZ appealed the October 2011 order and on March 9, 2012, the Ontario Superior Court decided to allow the ARMZ appeal. On April 19, the Company filed an appeal of the March 9, 2012 order with the Court of Appeal of Ontario. In the appeal, Khan seeks to, among other things; restore the prior order of the Superior Court of Justice that validated service of the Statement of Claim on ARMZ. The appeal will be heard on September 11, 2012.

Khan also understands that major shareholders of the Company have 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 original Statement of Claim against ARMZ and the Notice of Appeal to the Appeal Court are posted on the Company's website.

CNSX Listing

In March 2012, the Company was notified by the Toronto Stock Exchange that the TSX had decided that Khan no longer met the listing requirements of that exchange. The Company made application to the Canadian National Stock Exchange (CNSX) for a listing which application was approved in a timely manner. The CNSX assisted Khan in making a smooth transition to their exchange with no disruption to trading activity. Initial trading commenced on May 14 under the KRI symbol. The Company will also benefit in future from lower listing fees on the CNSX compared to the TSX.

Mongolia

Parliamentary elections were held on June 28, 2012 in Mongolia. The distribution of the new members of Parliament by party is: Democratic Party (DP) – 31; Mongolian People's Party (MPP) – 27; Mongolian People's Revolutionary Party (MPRP) – 11; other – 5. A new coalition government consisting of the DP, the MPRP and certain independents has been formed and excludes former Prime Minister Batbold's MPP. Resource nationalism was a significant issue during the election with all parties campaigning for increased ownership of domestic resources. The impact of the new coalition government on the Company's international arbitration action and on western investment in general is unknown,

Dornod Project Camp

With recently strengthened laws in Mongolia restricting foreign investment and continuing Russian pressure for that country to develop the Dornod deposit, the Company has determined that it is unlikely that the mining and exploration licenses covering the Dornod uranium deposit will be returned to the Company. As a result, Khan has decided to write-down the value of the Dornod assets (see "Impairment losses" below).

In conjunction with this decision, the Company will close, decommission and vacate the Dornod campsite. Buildings and equipment at the camp will be sold and/or removed. Salvage values are expected to be negligible. It is expected that full closure will be completed by September 30, 2012.

The decision to close the camp does not affect the office in Ulaanbaatar. The office will remain open to support the international arbitration proceedings and to wait on future developments.

Results of Operations

Revenue

Other income consisting of rental income in the most recent quarter was $16 thousand more than in the same quarter last year and $27 thousand more, year-to-date as a result of subletting corporate office space beginning January 2011. There was no rental income recorded in the first three months of fiscal 2011.

Finance income declined by $2 thousand in the quarter and $24 thousand year-to-date as a result of lower cash balances on hand compared to the prior year.

General Corporate Expenses by Nature

In thousands of dollars

	Three months		Nine months	
	2012	2011	**2012**	2011
Accounting and audit	**25**	53	**115**	158
Investor relations	**2**	3	**39**	73
Insurance	**28**	35	**91**	106
Legal	**542**	171	**1,675**	427
Management remuneration	**140**	230	**464**	674
Office and travel	**101**	83	**275**	315
Total general corporate expenses	**838**	575	**2,659**	1,753

With the exception of legal expenses related to the international arbitration and ARMZ litigation proceedings, other expenses have been reduced through staff reductions and less activity.

Mongolian operations

Operating expenses in Mongolia during the quarter were $23 thousand less than the comparable quarter in the prior year and $189 thousand less year-to-date. As with the corporate office, expenses have been reduced through staff reductions and less activity.

Amortization

Amortization expense was reduced in both the quarter and year-to-date as certain assets became fully amortized. Few new assets are being added to plant and equipment at this time.

Share-based compensation

Fair value of options granted was lower in 2012 because of the lower exercise price of the options. On February 16, 2012, the exercise price of the options granted was $0.20, while on February 16, 2011 the exercise price of the options granted at that time was $0.55. This resulted in share-based compensation expense in the most recent quarter being $33 thousand less than comparable quarter in the prior year and also $124 thousand less year-to-date.

Impairment losses

The Company, in making its regular assessment of the Dornod Project for impairment, has concluded that it is highly unlikely that the exploration and mining licenses will be returned by the Mongolian government. For that reason, on June 30, 2012, the Company recognized non-cash impairment losses of $15,933,000 (2011 – nil) that have reduced all of the Company's tangible assets to their estimated recoverable values at June 30, 2012. All tangible assets including those at the corporate office in Toronto have been impacted because, for accounting purposes, the Company is comprised of a single cash-generating unit based on the Dornod Project in Mongolia. A $100,000 provision for site restoration has been made. Disturbances at the site by Khan have not been extensive.

Summary of Quarterly Results

In thousands of dollars

	Jun 30 2012	Mar 31 2012	Dec 31 2011	Sep 30 2011	Jun 30 2011	Mar 31 2011	Dec 31 2010	Sep 30 2010 [1]
Revenue	32	19	24	278	18	30	24	20
Expenses	(16,920)	(1,278)	(956)	(2,216)	(1,381)	(1,252)	(324)	(466)
Net loss	(16,888)	(1,259)	(932)	(1,938)	(1,363)	(1,222)	(300)	(446)
Basic and diluted earnings per share (CA cents)	(0.26)	(0.02)	(0.02)	(0.02)	(0.03)	(0.02)	(0.01)	(0.01)

[1] in US dollars under Canadian GAAP

Cash Flows

Net operating cash flow after interest and tax decreased by $853 thousand to an outflow of $2,954 thousand. This was primarily attributable to on-going legal costs associated with the international arbitration proceedings and the proceedings against ARMZ.

Investing cash flow was negligible. In the prior year the Company spent $2,425 adding to its investment in Macusani Yellowcake Inc.

Financing cash flow was $2,312 thousand. On April 19, 2012 the Company closed a private placement share issuance financing for proceeds of $2,312 thousand. In the prior year, $62 thousand was raised from share option plan participants.

Liquidity and Capital Resources

With cash of $5,237 thousand on hand as of June 30, 2012, the Company believes that it has sufficient liquidity to cover its obligations, including the cost of the international arbitration and other litigation over the next year.

The Company has positive working capital and 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 $18 thousand.

Additionally the Company holds an investment in Macusani Yellowcake Inc. with a fair market value of $2,188 thousand at June 30, 2012. This investment is available-for-sale but has been classified as a non-current asset on the balance sheet because the Company has no intention to sell within the next year.

Off-Balance Sheet Arrangements

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

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 $122 thousand for these legal services for the six months ended June 30, 2012 (March 31, 2011 - nil).

Proposed Transactions

The Company does not have any proposed asset or business acquisitions or dispositions that are awaiting the approval of the Board of Directors at the date of this MD&A.

Critical Accounting Estimates

There has been no change in the Company's critical accounting estimates from previous disclosures in the Annual MD&A or the Interim MD&A at December 31, 2011. In summary our critical estimates are:

- Mineral rights and properties (valuation)
- Restoration provision (identification, measurement and valuation)
- Share-based compensation expense (measurement)

Changes in Accounting Policies

There has been no change in the Company's accounting policies from previous disclosures in the Annual MD&A or the Interim MD&A at December 31, 2011. In our Interim MD&A at December 31, 2011, we provided details and an analysis of the impact of the Company's adoption of IFRS on October 1, 2011 with a transition date of October 1, 2010. The Company has provided IFRS accounting policies and prepared reconciliations between Canadian GAAP and IFRS in Note 2 and 12 of its June 30, 2012 Interim Condensed Financial Statements.

Financial Instruments and Financial Risks

The Company's primary financial instruments consist of cash and cash equivalents and its non-current financial assets, including its investments and intercompany receivables with its Mongolian subsidiaries.

Bank accounts are held with major banks in Canada and Mongolia. As a Canadian bank holds the majority of the Company's cash and the same Canadian bank also holds the guaranteed investment certificate, 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. Interest rate risk is minimal at this time.

The Company is exposed to equity price risk through its holdings of marketable equity securities that will fluctuate in value as a result of trading on Canadian financial markets. As the Company's investments are mainly in mining companies, the value will also fluctuate based on commodity prices.

The Company is also exposed to foreign exchange risk through its investment in its Mongolian subsidiaries and their on-going financing. The Company finances these subsidiaries through inter-company loans and receivables. All these transactions are denominated in the Mongolian tugrik ("MNT"). The recovery amount of these investments and financings will partially depend on the strengthening or weakening of the MNT against the Canadian dollar. This exposure is not hedged.

Outstanding Common Shares

The number of outstanding common shares as at the date of this MD&A is 68,125,445.

Additional Information

Additional information, including the Annual Information Form ("AIF") of the Company, is available by accessing SEDAR at www.sedar.com or the Company's website at www.khanresources.com.

Forward-Looking Statements

Certain statements included or incorporated by reference in this MD&A, including information as to the future financial or operating performance of the Company, its subsidiaries and its projects, constitute forward-looking statements. The words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intends", "continue", "budget", "estimate", "may", "schedule" and similar expressions identify forward-looking statements. Forward-looking statements include, among other things, statements regarding targets, estimates and assumptions in respect of commodity prices, operating costs, results and capital expenditures, mineral reserves and mineral resources and anticipated grades and recovery rates. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Company. Such factors include, among others, risks relating to additional funding requirements, political and foreign risk, uninsurable risks, competition, environmental regulation and liability, government regulation, currency fluctuations, recent losses and write-downs and dependence on key employees. See "Risk Factors" section of this MD&A. Due to risks and uncertainties, including the risks and uncertainties identified above, actual events may differ materially from current expectations. Investors are cautioned that forward-looking statements are not guarantees of future performance and, accordingly, investors are cautioned not to put undue reliance on forward-looking statements due to the inherent uncertainty therein. Forward-looking statements are made as of the date of this MD&A and the Company disclaims any intent or obligation to update publicly such forward-looking statements, whether as a result of new information, future events or results or otherwise.