Khan Resources Inc.

Management Discussion and Analysis

September 30, 2015

KHAN RESOURCES INC.

RESULTS FOR THE THREE MONTHS AND YEAR ENDED SEPTEMBER 30, 2015

This Management Discussion and Analysis ("MD&A") has been approved in accordance with a resolution of the Board of Directors dated December 10, 2015. It should be read in conjunction with the audited consolidated financial statements of the Company for the year ended September 30, 2015.

Significant Events and Current Status

International arbitration award – On March 2, 2015 the international arbitration tribunal rendered an award to Khan as compensation for the Government of Mongolia's illegal actions in relation to the cancellation of Khan's uranium licenses in 2009. As of the date of the approval of this MD&A, December 10, 2015, the award aggregates to approximately $105.6 million (US) with interest currently accruing at a rate of 2.78% or $7,256 per day (US). In Canadian dollars at December 10, the value of the total award was $144 million.

On June 12, 2015 the Company filed a petition for confirmation of its international arbitration award in the US District Court in the District of Columbia. Mongolia responded to the petition by filing on September 4, 2015 a motion to dismiss or stay the Company's petition. These were followed by memoranda by the Company and by Mongolia on September 29 and October 13 respectively in support of the corresponding arguments. In addition, Mongolia has requested a verbal hearing of the arguments. The Judge on the case has not yet made any rulings. When confirmed, the award will be executable in the US as a court judgement and the Company can begin a process of seizure of non-immune Mongolian sovereign assets in the US. In a case with a number of parallels to Khan's case, the US District Court granted on November 20, 2015 Gold Reserve Inc.'s petition to confirm their international arbitration award against Venezuela for the expropriation of Gold Reserve's gold concessions. Gold Reserve's petition was filed approximately six months prior to Khan's petition.

On July 9, 2015, the Government of Mongolia filed a notice in the French Court of Appeal in Paris for annulment of the international arbitration Award. The Government of Mongolia filed their arguments in support of the annulment on December 9, 2015. The Company's counsel is currently reviewing those arguments and has until April 9, 2016 to file the defense.

A meeting was held in early December with representatives of the Government of Mongolia to discuss the outstanding obligations of the Government of Mongolia.

Cash – A. non-brokered private placement was completed on June 2, 2015.The Company issued 5 million common shares at a price of $0.40 per share and received aggregate gross proceeds of $2 million. The proceeds of the private placement are being used to advance proceedings to enforce the collection of the arbitration award and to defend the annulment proceedings and for general corporate purposes.

During the year ended September 30, 2015 the Company received proceeds of $726,000 from the exercise of share options by its directors, officers and employees.

Cash balances are also being supplemented by the sale of investments.

Investments – The fair value of Plateau Uranium Inc. ("Plateau") shares held at September 30, 2015 was $316,587. During the year ended September 30, 2015 the Company sold 750,000 Plateau shares for proceeds of $208,500. The Company's remaining holdings represent 2.3% of the 40 million Plateau outstanding common shares. Plateau was previously called Macusani Yellowcake Inc. ("Macusani"). The name change along with an 8 for 1 share consolidation occurred on April 30, 2015.

The following table summarizes financial results of the Company for the fourth quarters and the years ended September 30, 2015 and 2014.

In thousands of dollars

	2015	2014	Change %
Net loss from continuing operations			
Three months ended September 30	**(942)**	(160)	-488.8%
Twelve months ended September 30	**(2,663)**	(2,400)	-11.0%
Net income (loss) from discontinued operations			
Three months ended September 30	**-**	(17)	100.0%
Twelve months ended September 30	**(3)**	(29)	89.7%
Basic and diluted earnings per share ($)			
Three months ended September 30	**(0.01)**	-	-100.0%
Twelve months ended September 30	**(0.03)**	(0.03)	0.0%
Cash flow			
Twelve months ended September 30	**(1,219)**	(1,879)	35.1%
Cash and cash equivalents			
As at September 30	**1,571**	352	346.3%
Working Capital			
As at September 30	**1,742**	1,242	40.3%

Overall Performance

International Arbitration

The international arbitration action, initiated in January 2011 against the Government of Mongolia and its state-owned uranium company, MonAtom LLC, was for the Government of Mongolia's illegal cancellation in 2009 of the Company's mining and exploration licenses for the Dornod uranium project in northeastern Mongolia.

On March 2, 2015 the international arbitration tribunal rendered an award to Khan as compensation for the Government of Mongolia's illegal actions. The award consisted of a base amount of $80 million (US) plus interest at LIBOR +2% (compounded annually) from July 1, 2009 to the time of payment. In addition, the tribunal awarded costs of $9.1 million (US) in favour of Khan.

At September 30, the award aggregated to approximately $105 million (US). Interest is currently accruing on the award at a rate of 2.78% or $7,256 per day (US). In Canadian dollars at the closing exchange rate on September 30, the value of the total award was $140 million ($1.67 per share – undiluted, $1.55 per share - diluted).

Consistent with the Company's preferred strategy of reaching an amicable payment arrangement with the Government of Mongolia, meetings with representatives of the Government of Mongolia took place in Paris on March 24 and 25, 2015 and in Ulaanbaatar on April 21 and 22, 2015. During these meetings, little progress was made on terms for an amicable payment arrangement and negotiations ended at the end of April.

As a result of the unsuccessful negotiations on June 12, 2015 the Company filed a petition for confirmation of its international arbitration award in the US District Court in the District of Columbia. The petition for confirmation of the award is brought under the United Nations Convention for the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention") and under the United States Federal Arbitration Act. Mongolia is a signatory to the New York Convention. When confirmed, the award will be executable in the US as a court judgement and the Company can begin a process of seizure of non-immune Mongolian sovereign assets in the US. The Company is also seeking reimbursement of its costs in this action.

Counsel for the Government of Mongolia filed with the court on September 4 a motion to dismiss or in the alternative to stay enforcement of Khan's petition to confirm. The Company and the Government of Mongolia then filed their arguments on the petition and the motion on September 29 and October 13 respectively. Mongolia also requested a verbal hearing on the matter. The judge allocated to the case has yet to make any preliminary rulings.

Recently in a similar situation (ie Gold Reserve Inc. vs Republic of Venezuela) a different judge in the US District Court in the District of Columbia granted Gold Reserve's petition to confirm its international arbitration award and denied Venezuela's motion to dismiss or stay enforcement. Gold Reserve had initiated its petition on November 26, 2014. The issues in Khan's case are similar but not identical to the issues in Gold Reserve's case and provides additional optimism that the Company's petition will also be granted.

On an opposite front, the Government of Mongolia filed on July 9, 2015 a notice seeking annulment of the Award in the French Courts. The Government of Mongolia filed on December 9, 2015 its basis for seeking annulment of the Award. The grounds for annulment in France are limited to the following five items:

1. Where the arbitral tribunal wrongly upheld or declined jurisdiction; or
2. Where the arbitral tribunal was not properly constituted; or
3. Where the arbitral tribunal ruled without complying with the mandate conferred upon it; or
4. Where there was a violation of due process; or
5. Where recognition and enforcement of the award is contrary to international public policy.

Khan's counsel is currently reviewing the grounds under which Mongolia is seeking annulment and the Company has until April 9, 2016 to prepare a response. Khan continues to be advised by top professional advisors in the areas of international arbitration and enforcement and believes that this legal challenge in the French court will not succeed and is merely an attempt to delay, for reasons of its domestic political agenda, the payment of the Award.

A meeting was held in early December with representatives of the Government of Mongolia to discuss the outstanding obligations of the Government of Mongolia.

The Company is currently investigating other jurisdictions in which to have the arbitration award recognized and will vigorously proceed in the collection of the award.

Equity Raise

On May 13, 2015, the Company announced that it intended to raise approximately $2,000,000 in a non-brokered private placement by issuing 5,000,000 common shares at a price of $0.40 per share. The private placement was completed on June 2, 2015. The proceeds of the private placement are being used to advance proceedings to enforce the collection of the arbitration award, for the defense of the annulment proceedings in France and for general corporate purposes.

Closure of Mongolian subsidiaries

The Mongolian subsidiaries were closed on September 30, 2013 and all Mongolian tangible assets were retired. The office in Ulaanbaatar was closed on June 30, 2014. The Company no longer has any employees in Mongolia.

The Company has determined that it does not have the power to govern the financial and operating policies of the Mongolian subsidiaries due to circumstances in Mongolia that are impeding the legal dissolution of these entities. Accordingly the Company derecognized related assets, liabilities and non-controlling interests at December 31, 2014. The Company did not receive any consideration in the deconsolidation of these two subsidiaries.

The assets and liabilities of the Mongolian subsidiaries are not significant to the Company's consolidated financial statements.

In conjunction with the closure plan, the Company recognized in the September 30, 2013 financial statements a provision of $38,000 for restructuring costs consisting of employee termination benefits along with estimated accounting and legal costs for closure. During the year ended September 30, 2014, $29,000 was incurred and charged against the provision. During the year ended September 30, 2015 an additional $4,000 was charged against the provision for the cost associated with tax and legal advice. The remaining balance in the restructuring provision of $5,000 was reversed as it was determined that the provision would not be used due to the impediments to dissolution existing in Mongolia. The resulting gain from the provision over-estimate was included in the results of Mongolian operations which are reported as discontinued operations on the face of the Company's audited consolidated statement of loss for year ended September 30, 2015, with comparative results for the year ended September 30, 2014.

Selected Annual Information

In thousands of dollars

	Sep. 30 2015	Sep. 30 2014	Sep. 30 2013
Revenue	4	7	26
Net loss	(2,666)	(2,429)	(5,279)
Total assets	2,009	1,406	3,518
Total non-current liabilities	-	-	-
Basic and diluted earnings per share (in Canadian dollars)	(0.03)	(0.03)	(0.08)

During the year ended September 30, 2013, the Company recognized a non-cash impairment loss of $1.2 million on its Plateau investment. Also, the Company incurred significant legal expenses related to International Arbitration in 2013 and 2014. In 2015, the Company commenced initiatives for enforcement and collection of the international arbitration award. The higher net loss in 2015 was a result of the legal costs associated with these initiatives. The increase in total assets during the year ended September 30, 2015 is due to an increase in cash balances as a result of an equity private placement and share options exercises offset by a decrease in the fair value of the investment in Plateau.

Results of Operations

Revenue

In thousands of dollars

	Three months		Twelve months	
Notes	**2015**	2014	**2015**	2014
Revenue				
Finance income from continued operations	**2**	-	**4**	7
Finance income from discontinued operations	**-**	-	**-**	-
Total revenue	**2**	-	**4**	7

Finance income increase by $2,000 in the quarter due to higher cash balances on had following the private placement and options exercises in the third and fourth quarter of 2015. During the first six months of 2015, cash balances were lower than in 2014 causing lower finance income over twelve months of the current year.

Legal Expenses

The Company incurred significant legal costs associated with enforcement and collection of the international arbitration award in the second, third and fourth quarters of 2015. In 2014, the majority of expenses associated with international arbitration case were incurred during the first and second quarters of the year. During the third and fourth quarter of 2014 and the first quarter of 2015, legal costs were minimal.

At September 30, 2015, a contingent liability amounting to $4,328,531 (September 30, 2014 - $3,243,560) existed in respect of a completion fee arranged with legal counsel handling the international arbitration. The fee is based on the actual cost of the legal work completed and is conditional upon the recovery (in whole or significant part) by the Company of the award of the international arbitration case. The fee is measured in United States dollars but reported in Canadian dollars. Any current fluctuations in value are resulting from fluctuations of the value of the Canadian dollar against the United States dollar. As a present obligation does not exist due to the conditional nature of the fee, the amount is uncertain and cannot be measured reliably. Therefore management has not recognized a provision in the audited consolidated financial statements as at the date of their approval.

General Corporate Expenses

In thousands of dollars

	Three months		Twelve months	
	2015	2014	**2015**	2014
Accounting and audit	**6**	2	**23**	47
Investor relations	**5**	-	**33**	21
Insurance	**14**	12	**53**	60
Salaries	**110**	112	**474**	512
Office and travel	**46**	32	**256**	246
Total general corporate expenses	**181**	158	**839**	886

A majority of expenses have been reduced through reduced operating activity. During the year ended September 30, 2015, travel expenses were higher due to meetings with representatives of the Government of Mongolia in an attempt to reach an amicable settlement of the international arbitration award. Additional travel expenses have also been incurred for meetings with legal counsels and others on matters related to the enforcement and collection of the award.

Amortization

There was no amortization expense and impairment loss for the fourth quarters of 2015 and 2014. There was also no amortization expense year-to-date in 2015 (2014 –$1,000) because all the Company's tangible assets were fully amortized or impaired before October 1, 2014.

Share-based compensation

On March 19, 2014, the Company granted 1,775,000 options with an exercise price of $0.57 per share to then existing directors, officers and employees. On August 20, 2015 an additional 400,000 options with an exercise price of $0.53 per share were granted to new directors. The exercise prices were the closing prices for Khan common shares on the day before the grant. Compared to the prior year, the share-based compensation expense was higher by $325,000 due to higher fair value of options as measured by the Black-Scholes pricing model. All options granted during the year vested immediately.

Investments

Investments consist of equity instruments in the form of 1,055,291 (2014 – 7,055,291) common shares of Plateau Uranium Inc. ("Plateau") with a fair value on September 30, 2015 of $317 (2014 - $939).

Plateau was previously Macusani Yellowcake Inc. ("Macusani"). On April 30, 2015 Macusani announced a name change to Plateau Uranium Inc. Macusani also announced that all outstanding common shares had been consolidated on the basis of one new post-consolidated share for every 8 pre-consolidated shares.

The decrease in value of the investment in Plateau of $622,000 from September 30, 2014 resulted from a decline in price of Plateau shares and from the sale of 750,000 shares (post-consolidation) for gross proceeds of $208,500. In addition, a loss of $61,500 was realized on the sale of the 750,000 shares.

During the comparable period of 2014, the value of the Macusani investment decreased by $225,000 from the value at September 30, 2013. The decrease was due to a decline in the price of Macusani common shares from $0.60 per share at September 30, 2013 to $0.52 per share at September 30, 2014 and by sale of 135,125 shares for gross proceeds of $114,000 (on a post-share consolidation share price basis).

At October 1, 2014 the Company adopted IFRS 9 – Financial Instruments. Please refer to Note 3 n ii of the audited consolidated financial statements for the detailed explanation of the effect of this adoption on the Company's investment in Plateau common shares.

Discontinued operations

Discontinued operations are comprised of the Mongolian subsidiaries that were closed on September 30, 2013. The loss from discontinued operations for the year ended September 30, 2015 was $3,000 (2014 – $29,000). During the year ended September 30, 2014, the Company sold the remaining Mongolian assets for a gain of $47,000 and reversed the over-estimated restoration provision for an additional gain of $22,000.

During the year-ended September 30, 2015, the unused restructuring provision that was initially established for legal costs associated with the legal dissolution of the Mongolian subsidiaries was reversed and a gain of $5,000 recognized.

During the three months ended September 30, 2015, other operating expenses were $17,000 less than the comparative period as salaried employees were terminated. Future costs related to these discontinued operations are expected to be minimal if any.

Income Tax

The current income tax provision is nil (2014 – nil) for the three months and nil (2014 - $2,000) for the year ended September 30, 2015. The 2014 provision consisted of the Government of Mongolia's withholding tax on intercompany interest expense. On December 31, 2013, the related intercompany loan was converted to equity as part of the wind up process. Accordingly, no interest expense or withholding tax was accrued or paid after December 31, 2013.

In the prior year the Company recognized equal and offsetting deferred tax amounts of $21,000 in profit or loss and in OCI related to the investment valuation gain at September 30, 2014. The deferred tax on the gain recognized in OCI was offset by a deferred tax asset that had to be recognized in profit or loss rather than OCI because the tax asset originated in profit or loss.

At September 30, 2015, the Company had Canadian non-capital losses of approximately $28,890,000 (2014 - $28,686,000) available for deduction against future taxable income. If unutilized, non-capital losses will expire from 2016 to 2035. Tax losses in the Netherlands of approximately $391,000 (2014 - $351,000) are available for deduction against future taxable income and these losses, if unutilized, will expire from 2019 to 2024. None of the tax losses have been tax-benefited.

At September 30, 2015, the Company had capital losses of $2,045,000 (2014 - $2,958,000) that can be carried forward indefinitely but can only be applied against capital gains. These capital losses have also not been tax benefited in the consolidated financial statements.

Summary of Quarterly Results

In thousands of dollars

	30-Sep 2015	30-Jun 2015	31-Mar 2015	Dec 31 2014	Sep 30 2014	Jun 30 2014	Mar 31 2014	Dec 31 2013	Sep. 30 2013
Revenue	2	1	-	1	-	1	2	4	3
Expenses	(514)	(643)	(1,275)	(455)	(177)	(417)	(797)	(1,060)	(1,968)
Net loss	(512)	(642)	(1,275)	(454)	(177)	(416)	(795)	(1,056)	(1,965)
Basic and diluted earnings per share ($)	(0.01)	(0.01)	(0.02)	(0.01)	0.00	(0.01)	(0.01)	(0.01)	(0.03)

Financial and Capital Management

Outstanding share data

Common shares outstanding

	Number of shares
Outstanding, October 1, 2014	**76,416,482**
Shares issued for the private placement	**5,000,000**
Shares issued under share option plan	**2,720,000**
Outstanding, September 30, 2015	**84,136,482**

Share options outstanding

	Number of shares	Weighted average exercise price ($)
Outstanding, October 1, 2014	**6,925,000**	**0.31**
Granted	**2,175,000**	**0.56**
Exercised	**(2,720,000)**	**0.27**
Forfeited	**-**	**-**
Outstanding, September 30, 2015 (a)	**6,380,000**	**0.42**

(a) All options were vested and exercisable at September 30, 2015

Common shares outstanding - diluted

	Number of shares
Outstanding, September 30, 2015	**90,516,482**

Cash Flows

For the year ended September 30, 2015 operating cash outflow was $1,780,000, an improvement of $472,000 from the prior year. This can be attributed primarily to the $388,000 increase in the non-cash working capital balances, $47,000 less general corporate expenses and $26,000 lower loss from discontinued operations than in the prior year.

During the year ended September 30, 2015, the sale of Plateau common shares generated investment cash inflow of $209,000 (2014 - $114,000). In 2015, there was a cash outflow of $5,000 due to the deconsolidation of a Mongolian subsidiary. Additional investing cash inflow in the prior year of $54,000 has resulted from the sale of assets at the Dornod site and at the corporate office.

During the year ended September 30, 2015, the Company closed a private placement of 5 million common shares for net proceeds of $1,989,000. There was not a comparable amount for the year ended September 30, 2014. In addition, the exercise of stock options provided cash of $726,000 (2014 - $211,000).

Financial Instruments and Financial Risks

The Company's primary financial instruments consist of cash and its current and non-current financial assets, including its investment in Plateau Uranium Inc. The Company no longer has a significant financial risk associated with its Mongolian subsidiaries due to their closure on September 30, 2013.

Bank accounts are held with major banks in Canada and the Netherlands through one of the Company's subsidiary holding companies. 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 in uranium exploration companies, the value will also fluctuate based on commodity prices and exploration success.

Liquidity and Capital Resources

With cash on hand of $1,571,000 and an equity investment in Plateau Uranium with a fair market value of $317,000 as at September 30, 2015, the Company believes that it has sufficient liquidity to cover its obligations.

During the year, the Company raised approximately $2 million in a non-brokered private placement by issuing 5 million common shares of the Company at a price of $0.40 per common share. The proceeds of the offering are being used to advance proceedings to enforce the collection of the arbitration award, for the defense of the annulment proceedings and for general corporate purposes. Cash balances are also being supplemented by the exercise of outstanding options and by the sale of investments.

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.

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 $47,000 for the year ended September 30, 2015 (2014 - $41,000). In 2015 these services included $11,000 related to share issuance costs. At September 30, 2015, the balance outstanding was nil (2014 - nil) and was included in accounts payable and accrued liabilities.

During 2015, certain directors, officers and employees of the Company exercised stock options, acquiring 2,720,000 shares for total proceeds of $726,000. Included with these shares were 50,000 shares and proceeds of $10,000 related to an entity that provides key management personnel to the Company.

During 2015, certain insiders of the Company participated in the private placement equity issue, including directors and/or officers of the Company and certain shareholders that each beneficially own or control more than 10% of the Company's shares. In aggregate, the insiders purchased 2,650,000 shares for a purchase price of $1,060,000.

Organizational Changes

On August 20, 2015, two additional directors were appointed to the Board - Mr. Loudon Owen and Mr. Eric Shahinian. Both appointments add significant experience and depth to the Company and supplement its efforts to collect the international arbitration award.

On December 10, 2015, Grant Edey was appointed Chairman of the Board of Directors in addition to his other offices

Changes in accounting policies and disclosure

The Company has adopted several new and amended IFRS standards. These new and amended standards include IFRS 9 Financial Instruments and IAS 24 Related Party Disclosure. Refer to Note 3 l to the Company's audited consolidated financial statements for the year ended September 30, 2015 for details of these changes.

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

In preparing the consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Information about judgments, assumptions and estimation uncertainties can be found in Note 2 f of the consolidated financial statements.

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, litigation risk, political risk, financing risk, currency exchange rate risk operating and environmental risk and changing laws and public policies.

Outstanding Common Shares

The number of outstanding common shares as at the date of this MD&A is 84,136,482.

Additional Information

Additional information 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. This MD&A includes, but is not limited to, forward-looking statements regarding: the Company's ability to meet its working capital needs for the twelve-month period ending September 30, 2014 and statements regarding the Company's critical accounting estimates. 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.