Khan Resources Inc.

Consolidated Financial Statements

September 30, 2015

In thousands of Canadian dollars

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Khan Resources Inc.

We have audited the accompanying consolidated financial statements of Khan Resources Inc. and its subsidiaries, (collectively referred to as the "Company"), which comprise the consolidated statements of financial position as at September 30, 2015 and 2014 and the consolidated statements of loss, comprehensive loss, cash flow and changes in equity for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits In accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Khan Resources Inc. and its subsidiaries as at September 30, 2015 and 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
December 10, 2015
Toronto, Ontario

(In thousands of Canadian dollars unless otherwise stated)

Consolidated Statement of Financial Position

		Sep. 30 2015	Sep. 30 2014
ASSETS			
Current Assets			
Cash and cash equivalents	4	**1,571**	352
Accounts receivable		**14**	7
Prepaid expenses and other assets		**55**	56
Investments	5	**317**	939
Restricted cash	4	**52**	52
Total current assets		**2,009**	1,406
Non-current assets			
Equipment	6	**-**	-
Total non-current assets		**-**	-
Total assets		**2,009**	1,406
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**267**	155
Provisions	7	**-**	9
Total current liabilities		**267**	164
Total liabilities		**267**	164
Net assets		**1,742**	1,242
EQUITY			
Share capital		**80,662**	77,482
Contributed surplus		**12,909**	12,509
Accumulated other comprehensive income (loss)	8	**(3,487)**	62
Deficit		**(88,342)**	(88,811)
Total equity		**1,742**	1,242

The accompanying notes are an integral part of these consolidated financial statements.

The consolidated financial statements were approved by the Board of Directors on December 10, 2015 and signed on its behalf

Signed: "Raffi Babikian"
Director

Signed: "Grant A.Edey"
Director

(In thousands of Canadian dollars unless otherwise stated)

Consolidated Statement of Loss

For the year ended September 30

	Notes	2015	2014
Continuing operations			
Revenue			
Finance income		**4**	7
Total Revenue		**4**	7
Legal expenses		**(1,045)**	(997)
General corporate	9	**(839)**	(886)
Amortization and impairment loss, property, plant and equipment	6	**-**	(1)
Share-based compensation	10	**(865)**	(540)
Gain (loss) on sale of investments		**-**	32
Gain on disposal of equipment		**-**	8
Gain (loss) on available-for-sale investments recycled from OCI		**-**	17
Foreign exchange gain (loss)		**82**	(17)
Total Expenses		(2,667)	(2,384)
Loss before tax		(2,663)	(2,377)
Income tax	13	**-**	(23)
Net loss from continuing operations		**(2,663)**	(2,400)
Discontinued operations			
Income (loss) from discontinued operations, net of tax	14	**(3)**	(29)
Net loss		**(2,666)**	(2,429)
Loss per share			
Basic loss per share (in Canadian cents)		**(0.03)**	(0.03)
Diluted loss per share (in Canadian cents)		**(0.03)**	(0.03)
Weighted average number of shares outstanding - Basic		**79,550,770**	75,724,829
Weighted average number of shares outstanding - Diluted		**79,550,770**	75,724,829

The accompanying notes form part of these financial statements.

Consolidated Statement of Comprehensive Loss

For the year ended September 30

	Notes	2015	2014
Net loss		**(2,666)**	(2,429)
Other comprehensive income (loss), net of income tax			
Items that will not be reclassified subsequently to net earnings			
Fair value adjustment of equity instrument		**(414)**	(161)
Other comprehensive income (loss), net of income tax		**(414)**	(161)
Total comprehensive loss		**(3,080)**	(2,590)

The accompanying notes form part of these financial statements.

(In thousands of Canadian dollars unless otherwise stated)

Consolidated Cash Flow Statement
For the year ended September 30

	Notes	**2015**	2014
Operating Activities			
Loss before income tax including discontinued operations		**(2,666)**	(2,406)
Adjustments for:			
Amortization and impairment	6	**-**	1
Share-based compensation	10	**865**	540
Unrealized foreign exchange (gain) loss		**(78)**	5
Finance income		**(4)**	(7)
Gain on disposal of equipment		**-**	(55)
Gain on sale of investments		**-**	(32)
Gain on available-for-sale investments recycled from OCI			(17)
Gain on restructuring provision over-estimate	7	**(5)**	-
Decrease in cash due to deconsolidation of subsidiary	2	**5**	-
Changes in:			
Accounts receivable		**(7)**	6
Prepaid expenses and other assets		**1**	2
Accounts payable and accrued liabilities		**112**	(243)
Restructuring provision	7	**(4)**	(51)
Cash used in operations		**(1,781)**	(2,257)
Interest received		**1**	7
Income tax paid		**-**	(2)
Net operating cash flows		**(1,780)**	(2,252)
Investing activities			
Sale of equipment		**-**	55
Decrease in cash due to deconsolidation of subsidiary	2	**(5)**	
Proceeds from sale of investments	5	**209**	114
Purchase of equipment		**-**	(1)
Net investing cash flows		**204**	168
Financing activities			
Proceeds on issuance of shares		**2,715**	211
Net financing cash flows		**2,715**	211
Net increase (decrease) in cash and cash equivalents		**1,139**	(1,873)
Cash and cash equivalents at the beginning of the period		**352**	2,231
Effect of foreign currency exchange rate changes on cash and cash equivalents		**80**	(6)
Cash and cash equivalents at the end of the period	4	**1,571**	352

The accompanying notes are an integral part of these consolidated financial statements.

(In thousands of Canadian dollars unless otherwise stated)

Consolidated Statement of Changes in Equity
For the year ended September 30, 2015

	Notes	Share capital					
		Number of shares	Amount	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total equity
Balance as at October 1, 2014		**76,416,482**	**77,482**	**12,509**	**62**	**(88,811)**	**1,242**
IFRS 9 adjustment prior to October 1, 2014	3 l ii				**(3,135)**	**3,135**	**-**
Balance as at October 1, 2014 adjusted		**76,416,482**	**77,482**	**12,509**	**(3,073)**	**(85,676)**	**1,242**
Total comprehensive income (loss)		**-**	**-**	**-**	**(414)**	**(2,666)**	**(3,080)**
Transactions with owners:							
Employee share options:							
Value of services recognized	10			**865**			**865**
Options exercised	10	**2,720,000**	**1,191**	**(465)**			**726**
Proceeds on issuance		**5,000,000**	**2,000**				**2,000**
Cost of issue			**(11)**				**(11)**
Balance as at September 30, 2015		**84,136,482**	**80,662**	**12,909**	**(3,487)**	**(88,342)**	**1,742**
Balance as at October 1, 2013		75,363,148	77,143	12,097	202	(86,382)	3,060
Total comprehensive loss					(140)	(2,429)	(2,569)
Transactions with owners:							
Employee share options:							
Value of services recognized	10			540	-	-	540
Options exercised	10	1,053,334	339	(128)			211
Balance as at September 30, 2014		76,416,482	77,482	12,509	62	(88,811)	1,242

The accompanying notes are an integral part of these consolidated financial statements.

The Company is authorized to issue an unlimited number of common shares, with no par value.

(In thousands of Canadian dollars unless otherwise stated)

Notes to Consolidated Financial Statements

September 30, 2015

1 Corporate information

Khan Resources Inc., along with its subsidiary companies (collectively the "Company"), was involved in acquiring, exploring and developing mineral properties, primarily in Mongolia.

The Company is a publicly listed company incorporated in Canada under the legislation of the Province of Ontario. The Company's shares are listed on the Canadian Securities Exchange.

The registered office of the Company is located at The Exchange Tower, P.O. Box 427, 130 King Street West, Suite 1800, Toronto, Ontario, Canada, M5X 1E3.

The Company initiated an International Arbitration action in January 2011 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 for the Dornod project. On March 2, 2015 the International Arbitration Tribunal rendered an award to the Company as compensation for the Government of Mongolia's actions in relation to the cancellation of Khan's uranium licenses in 2009. See Note 18a, Contingencies.

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. 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.

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.

2 Basis of preparation

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB") and their interpretations issued by the IFRS Interpretations Committee. The Board of Directors authorized the consolidated financial statements for issue on December 10, 2015.

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities to fair value, including equity investments.

b. Subsidiaries

The principal subsidiaries of Khan Resources Inc., all of which have been included in these consolidated financial statements, are as follows:

Name	**Country of incorporation and principal place of business**	**Proportion of ownership interest at September 30**		**Non-controlling interests ownership/voting interest at September 30**	
		2015	**2014**	**2015**	**2014**
Khan Resources Bermuda Ltd.	Bermuda	100%	100%	_	_
Khan Resources B.V.	Netherlands	100%	100%	_	_
CAUC Holding Company Ltd.	British Virgin Islands	100%	100%	_	_

2 Basis of preparation (Continued)

In Mongolia the Company wholly owns Khan Resources LLC and holds a 58% ownership interest in Central Asian Uranium Company, LLC. The Company has no power to govern the financial and operating policies of these entities 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 over which the Company lost control are not significant to the Company's consolidated financial statements.

c. Basis of consolidation

The financial statements of the Company consolidate the accounts of Khan Resources Inc. and its subsidiaries. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Company.

d. Functional and presentation currency

The functional currency for each subsidiary of the Company is the currency of the primary economic environment in which the entity operates. The functional currency of the Canadian head office and all intermediate holding companies is the Canadian dollar (CAD). The consolidated financial statements are presented in Canadian dollars.
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in loss before tax.

e. Use of estimates and judgments

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of 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 on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The judgment that the Company is a going concern is a fundamental judgment in the preparation of financial statements. Under the going concern judgment, an entity is ordinarily viewed as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations. Accordingly, unless the going concern judgement is inappropriate in the circumstances, assets and liabilities are recorded on the basis that the Company will be able to realize its assets, discharge its liabilities, and obtain refinancing (if necessary) in the normal course of business. Management assesses the Company's ability to continue as a going concern at each reporting date.

Information about other critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 2b – loss of control over a subsidiary.
- Note 3b – the Company's business model for managing financial assets and the election to measure an equity instrument at FVOCI.

Information about assumptions and estimation uncertainties are included in the following notes:

- Note 13 – utilization of tax losses; and,
- Note 18 – commitments and contingencies.

2 Basis of preparation (Continued)

f. Fair value measurement

Assets and liabilities included in the Company's financial statements may require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Company's financial and non-financial assets and liabilities utilizes market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique utilized are (the 'fair value hierarchy'):

Level 1: Quoted prices in active markets for identical items (unadjusted)

Level 2: Observable direct or indirect inputs other than Level 1 inputs

Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item.

Transfers of items between levels are recognized in the period they occur.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements unless otherwise indicated.

a. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with maturities on the date of acquisition of three months or less.

b. Financial instruments (Under IFRS 9, effective October 1, 2014)

Initial recognition and measurement (financial assets and financial liabilities)
The Company initially recognizes financial assets and financial liabilities when it becomes party to the contractual provisions of the financial instrument.

Initial measurement of the financial instrument is at fair value, plus for those financial assets and liabilities not classified at fair value through profit or loss (FVTPL), directly attributable transaction costs.

Financial assets – subsequent classification and measurement
Financial assets are classified in their entirety including any embedded derivatives. Two criteria are used to determine how financial assets should be classified and measured: (a) the Company's business model for managing the financial assets; and (b) the contractual cash flow characteristics of the financial asset.

Key management personnel have determined that the Company's financial assets are held within a business model whose objective is to hold financial assets in order to collect cash flows.
Where the contractual cash flow characteristics of financial assets, taken on an instrument-by-instrument basis, give rise, on specified dates, to cash flows that are solely payments of principal and interest then a financial asset is classified as subsequently measured at amortized cost using the effective interest method. This is called the SPPI criterion. A financial asset that does not meet the SPPI criterion is always measured at FVTPL.

In addition, at initial recognition, the Company may make an irrevocable election to present in other comprehensive income (OCI), subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination. Such an equity instrument is classified as subsequently measured at fair value through other comprehensive income (FVOCI). Gains and losses recognized in OCI are not subsequently transferred to profit or loss, although the Company may determine to transfer the cumulative gain or loss within equity. Dividends are still recognized in profit or loss unless they clearly represent a recovery of part of the cost of the investment. The Company has elected to classify investments in equity instruments as FVOCI.

3 Significant accounting policies (Continued)

Reclassification
Financial assets are only reclassified between measurement categories, when and only when, the Company's business model for managing them changes. This is a significant event and thus is expected to be uncommon.

Impairment of financial assets
All of the Company's financial assets are subject to an impairment test at each reporting date with the exception of equity instruments measured at FVOCI. This includes any lease receivables. It also includes any off balance sheet loan commitments and financial guarantees.

Financial liabilities – subsequent classification and measurement
Financial liabilities are subsequently measured at amortized cost using the effective interest method or bifurcated into a host instrument measured at amortized cost , and an embedded derivative, measured at FVTPL. The Company is unlikely to originate a liability derivative other than in a host liability contract such as a debt instrument. Financial liabilities include accounts payable and accrued liabilities.

Derecognition
The Company will derecognize a financial asset when the rights to the cash flows from the financial asset have expired or where the Company has transferred substantially all risks and rewards associated with the financial asset and has relinquished control of the financial asset.

The Company will derecognize a financial liability only when extinguished — i.e., when the obligation specified in the contract is discharged, cancelled or it expires.

Financial Instruments (Under IAS39, prior to October 1, 2014)

Financial assets

i. **Initial recognition and measurement**
Financial assets within the scope of IAS 39 are classified as fair value through profit and loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value. Transaction costs are charged to income before tax except for available for sale, loans and receivables and held-to-maturity financial assets where any directly attributable transaction costs are added to the initial fair value of the financial asset.

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

ii. **Subsequent measurement**
The subsequent measurement of financial assets depends on their classification as described below:

i. **Fair value through profit and loss**
A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. After initial measurement these financial assets are remeasured at fair value at each reporting period. Gains and losses arising from changes in fair value are included in income (loss) before tax in the period in which they arise.

3 Significant accounting policies (Continued)

The Company's fair value through profit and loss assets includes cash and restricted cash.

ii. **Loans and receivables**
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment, as appropriate. The effective interest rate amortization is included in finance income. Any losses arising from impairment are recognized as finance costs for loans and in other operating expenses for receivables.

iii. **Available-for-sale financial assets**
Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive loss.

Interest on available-for-sale investments, calculated using the effective interest method, is recognized as finance income. Dividends on available-for-sale equity instruments are recognized in income as part of other gains and losses when the company's right to receive payment is established. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive loss to income and are included in other gains and losses.

iii. **Impairment of financial assets**
A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Impairment losses on available-for-sale investment securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income, and presented in unrealized gains/losses on available-for-sale financial assets in equity, to profit or loss. The cumulative loss that is removed from other comprehensive loss and recognized in profit or loss is the difference between the acquisition costs, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in income before tax. Changes in impairment provisions attributable to time value are reflected as a component of finance income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in income before tax, then the impairment loss is reversed, with the amount of the reversal recognized in income before tax. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive loss.

Financial liabilities

iv. **Initial recognition and measurement**
Financial liabilities within the scope of IAS 39 are classified as at fair value through profit and loss, loans and borrowings at amortized cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

3 Significant accounting policies (Continued)

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Subsequent measurement

Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. The effective interest rate amortization, if any, is included in finance cost.

c. Equipment

Equipment is initially recorded at cost, including all directly attributable costs to bring the assets to the location and condition necessary for them to be capable of operating in the manner intended by management. Equipment is subsequently measured at cost less accumulated depreciation and applicable impairment losses. Depreciation is computed on a straight-line basis based on the nature and useful lives of the assets. The significant classes of equipment and their estimated useful lives are as follows:

Office furniture: 5 years
Computers and office equipment: 3 years

Subsequent costs that meet the asset recognition criteria are capitalized while costs incurred that do not extend the economic useful life of an asset are considered repairs and maintenance, which are accounted for as an expense recognized during the period.

An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognized in income.

d. Impairment of non-financial assets

Non-financial assets are reviewed and tested for impairment when indicators of impairment are considered to exist. 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. 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. Impairment losses are recognized in the period they are incurred.

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.

e. Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

f. Lease payments

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease and classifies leases as operating leases or finance leases. A specific asset is the subject of a lease if fulfillment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Company the right to control the use of the underlying asset.

Payments made under operating leases are recognized in net income on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

3 Significant accounting policies (Continued)

g. Share-based compensation

The Company awards share options to employees, officers, directors, and consultants. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option-pricing model. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

Upon the exercise of the share option, consideration received and the related amount transferred from contributed surplus are recorded as share capital.

h. Income tax

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax is not provided on temporary differences arising on investments in subsidiaries where the Company controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are presented as non-current.

i. Share capital and earnings per share

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity. The authorized share capital of the Company consists of an unlimited number of no par value common shares. All issued shares are fully paid. Basic earnings per share (EPS) is calculated by dividing the net income (loss) for the period attributable to equity owners of Khan Resources Inc. by the weighted average number of common shares outstanding during the period.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury method. Under this method, options whose exercise price is less than the average market price of our common shares, are assumed to be exercised and the proceeds are used to repurchase common shares at the average market price for the period. The incremental number of common shares issued under share options, and repurchased from proceeds, is included in the calculation of diluted earnings per share.

Any potential common shares whose effect is anti-dilutive have not been reflected in the calculation of Diluted EPS. The determination of the weighted average number of common shares outstanding for the calculation of Diluted EPS does not include the effect of outstanding share options since to do so would reduce the loss per share and would therefore be anti-dilutive.

(In thousands of Canadian dollars unless otherwise stated)

3 Significant accounting policies (Continued)

j. Discontinued operations

A discontinued operation is a component of the Company's business, the operations and cash flows of which can be clearly distinguished from the rest of the Company and which:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs on disposal by sale, closure or abandonment or when the operation meets the criteria to be held-for-sale, if earlier.

When an operation is classified as a discontinued operation the comparative statement of comprehensive loss is reclassified as if the operation had been discontinued from the start of the comparative year.

k. Segment reporting

The Company has only a single operating segment, and therefore one reportable segment.

l. Recently adopted accounting pronouncements

i. Annual Improvements to IFRSs 2010-2012 Cycle – IAS 24 Related Party Disclosures

The IASB issued a compilation of improvements to various standards that are effective for fiscal years beginning on or after July 1, 2014. One improvement to IAS 24 *Related Party Disclosures* has been adopted by the Company. The definition of a 'related party' is extended to include a management entity that provides key management personnel (KMP) services to the reporting entity, either directly or through a group entity.

For related party transactions that arise when KMP services are provided to the Company, the Company is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity. The Company will also need to disclose other transactions with the management entity under the existing disclosure requirements of IAS 24 – e.g. loans.

The Company has made these disclosures at Note 11, *Management compensation* and Note 12, *Related party transactions*.

ii. IFRS 9 (2014) - Financial instruments

The Company has early adopted IFRS 9 (2014) ("IFRS 9) with the date of initial application being October 1, 2014. This is prior to the effective date, January 1, 2018.

The change in accounting policy is made in accordance with IFRS 9 transitional provisions. IFRS 9 does not require the restatement of comparative period financial statements. The Company has quantified the necessary adjustments in order to determine the transition adjustment in the opening deficit and other components of equity.

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39") that relate to the classification and measurement of financial instruments. The change in classification is as follows:

Financial Instruments	IAS 39 Classification	IFRS 9 Classification
Cash	FVTPL	FVTPL
Accounts receivable	Loans and receivables	Amortized cost
Investments	Available-for-sale financial assets	FVOCI
Restricted cash	FVTPL	Amortized cost
Accounts payable and accrued liabilities	FVTPL	Amortized cost

3 Significant accounting policies (Continued)

A transition adjustment of $3,135 net of income tax reduced the opening deficit and increased the loss in accumulated other comprehensive income. Recognizing the current year's losses on the equity investment improves basic and diluted earnings per share by $0.01 and $0.01 respectively.

These transition adjustment pertain to the Company's equity investment in Plateau Uranium Inc. ("Plateau"). Plateau was previously known as Macusani Yellowcake Inc. Previously under IAS 39, this financial asset had been categorized as available-for-sale and was originally measured at fair value with subsequent gains or losses recognized in OCI. However the Plateau shares were deemed to be impaired under IAS 39 and an impairment loss was recognized in profit and loss of $1,953 at September 30, 2012 and $1,242 at September 30, 2013. The total impairment allowance at July 1, 2015 was therefore $3,195. Subsequent to the initial impairment, gains continued to be recognized in OCI but in accordance with IAS 39, losses were recognized in profit or loss after first reversing any gains in accumulated OCI.

Since October 1, 2014, under IFRS 9, the Company measures this financial asset at FVOCI at each reporting period using quoted market prices (Level 1). Equity instruments measured at FVOCI are not subject to impairment accounting. At transition there was no change in the carrying amount of this financial asset from its carrying amount measured in accordance with IAS 39 because both measurements are at fair value. The Plateau shares were designated as at FVOCI on transition to IFRS 9 as if they had been so designated at initial recognition. Key management personnel made this determination because the Plateau investment is not held for trading. Held for trading refers to debt and equity investments that are purchased with the intent of selling them within a short period of time (usually less than one year).

A transition adjustment related to these Plateau common shares of $3,135 net of income tax reduced the opening deficit and increased the loss in accumulated OCI.

m. Future accounting pronouncements

Among the pronouncements issued by the IASB at the date of these consolidated financial statements, there are no changes to accounting standards that will impact the Company's financial reporting.

4 Cash, cash equivalents and restricted cash

As at September 30, 2015 and 2014, the Company did not have any cash equivalents.

Restricted cash consists of a guaranteed investment certificate pledged as security for a corporate credit card facility. This guaranteed investment certificate has a maturity date of less than one year.

5 Investments

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

During the year, the Company sold 750,000 shares (2014 – 135,125) of Plateau for gross proceeds of $209 (2014 - $114).

See also Notes 3 l ii and 8.

6 Equipment

The Company's tangible assets including those in Mongolia had been fully impaired in 2012 due to the failure of the Government of Mongolia to reissue the Company's mining and exploration licenses for the Dornod project as described in Note 1. The Mongolian subsidiaries were closed on September 30, 2013 and all Mongolian tangible assets were retired. On October 17, 2013 and December 4, 2013, the Company sold the remaining assets at or associated with the Dornod site that had been closed since June 2012. Finally the Mongolian tangible assets were derecognized at December 31, 2014, see Note 2 b.

Remaining tangible assets consisting of office furniture and equipment, computers and software located at the Company's registered office are set out in the following table:

(In thousands of Canadian dollars unless otherwise stated)

6 Equipment (Continued)

Registered office equipment	Sep. 30 2015	Sep. 30 2014
Cost, opening balance	62	147
Additions	-	1
Disposals	-	(86)
Cost, closing balance	**62**	**62**
Depreciation and impairment opening balance	(62)	(147)
Depreciation and impairment	-	(1)
Disposals	-	86
Depreciation and impairment closing balance	**(62)**	**(62)**
Net book value, closing balance	**-**	**-**

7 Provisions

	Restoration provision	Restructuring Provision	Total
Provision at October 1, 2013	22	38	60
Additions	-	-	-
Used (incurred and charged against the provision)	-	(29)	(29)
Loss (gain) on restoration estimate	(22)	-	(22)
Exchange differences	-	-	-
Provision at September 30, 2014	**-**	**9**	**9**
Additions	-	-	-
Used (incurred and charged against the provision)	-	(4)	(4)
Reversed during the period	-	(5)	(5)
Exchange differences	-	-	-
Provision at September 30, 2015	**-**	**-**	**-**

Restoration

The provision at the balance sheet date represents management's best estimate of the removal of residual materials and remediation of disturbed areas on the closed Dornod property. All residual materials have been removed and thus no provision is recorded.

Restructuring

During 2013, the Company committed to a plan to dispose of the Mongolian subsidiaries by closure, see note 14. Following the announcement of the plan, the Company recognized a provision of $38 in restructuring costs. The unused restructuring provision of $5 was reversed and has been included in 'discontinued operations".

8 Accumulated other comprehensive income

	Notes	**Sep. 30 2015**	Sep. 30 2014
Financial assets account (a)			
Balance at the beginning of the financial year		**62**	202
IFRS 9 adjustment prior to October 1, 2014	3 I ii	**(3,135)**	
Fair value adjustment of equity instrument		**(414)**	(161)
Deferred tax relating to revaluations		**-**	21
Accumulated other comprehensive income		**(3,487)**	62

(a) The financial assets account represents the revaluation of the investment that is measured through other comprehensive income (
All changes, subsequent to initial recognition of the investment at fair value, are recognized on OCI.

9 General corporate expenses

	2015	2014
Accounting and audit	**23**	47
Investor relations	**33**	21
Insurance	**53**	60
Salaries and directors' fees	**474**	512
Office and travel	**256**	246
	839	886

10 Share-based compensation

Awards were made to directors, officers, employees and service providers under a share option plan that was approved by the shareholders on February 11, 2009. Under the provisions of the plan, the Board of Directors of the Company is authorized to provide for the granting, exercise and method of exercise of options, subject to the terms of the plan and applicable stock exchange rules. Under the plan, the aggregate number of shares reserved for issuance may not exceed the greatest of 5,000,000 common shares or 10% of the total number of issued and outstanding common shares at the time of any option grant. The exercise price of any options granted under the plan will be fixed by the Board at the time of the grant but must not be less than the closing price of the common shares on the business day immediately prior to the date of the grant as quoted on the CSE. The Board also fixes the exercise period and vesting limitations of an option at the time of the grant but the exercise period may not exceed five years.

The number and weighted average exercise prices of share options are as follows:

	Sep. 30, 2015		Sep. 30, 2014	
In thousands of options (a)	**Number of options**	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Outstanding at October 1	**6,925,000**	**$ 0.31**	6,128,000	$ 0.28
Expired during the period	**-**	**-**	(300,000)	0.20
Granted during the period	**2,175,000**	**0.56**	2,150,000	0.34
Exercised during the period	**(2,720,000)**	**0.27**	(1,053,000)	0.20
Outstanding, end of period	**6,380,000**	**$ 0.42**	6,925,000	$ 0.31
Exercisable, end of period	**6,380,000**	**$ 0.42**	6,925,000	$ 0.31

(In thousands of Canadian dollars unless otherwise stated)

10 Share-based compensation (Continued)

The following table summarizes information about share options outstanding at September 30, 2015:

Grants listed by expiry date	Exercise price ($)	Remaining life (years)	Fair value per option ($)	Number outstanding	Number vested	Number unvested
February 14, 2016	0.20	0.63	0.10	1,350,000	1,350,000	-
February 16, 2016	0.55	0.63	0.39	1,000,000	1,000,000	-
March 28, 2017	0.34	1.74	0.24	1,855,000	1,855,000	-
March 19, 2018	0.57	2.72	0.40	1,775,000	1,775,000	-
August 20, 2018	0.53	2.89	0.38	400,000	400,000	
				6,380,000	**6,380,000**	**-**

Options granted in current year have vested immediately.

The fair value of options granted is determined using the Black-Scholes valuation model.

The following table summarizes information about inputs into the Black-Scholes model and weighted average value of options granted during 2015 and 2014:

	Mar. 19 2015	**Aug. 20 2015**	Mar. 28 2014
Number of options granted	**1,775,000**	**400,000**	2,150,000
Exercise price ($)	**0.57**	**0.53**	0.335
Dividend yield (%)	**-**	**-**	-
Expected volatility (%) *	**120.33**	**125.07**	120.54
Risk free interest rate(%)	**0.46**	**0.37**	1.23
Forfeiture rate (%)	**-**	**-**	-
Expected life (years)	**3.00**	**3.00**	3.00
Weighted average share price ($)	**0.57**	**0.53**	0.335
Fair value	**0.40**	**0.38**	0.24

* Based on Historical Volatility

See the consolidated statement of comprehensive loss for the share-based compensation expense recognized during the period for share options granted to directors, officers and employees.

11 Management compensation

	2015	**2014**
Directors' fees	**92**	101
Salaries and short-term benefits	**199**	225
Share-based compensation	**815**	503
Total management compensation	**1,106**	829

Included in management compensation are costs incurred related to a management entity that provides key management personnel services to the Company. These costs include salary of $72 (2014 - $100) and share-based compensation of $40 (2014 - $24).

12 Related party transactions

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 for the year ended September 30, 2015 (2014 - $41). In 2015 these services included $11 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.

(In thousands of Canadian dollars unless otherwise stated)

12 Related party transactions (Continued)

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

13 Income tax

Income Tax Expense	**2015**	2014
Current tax	**-**	(2)
Deferred tax recovery (a)	**-**	(21)
Tax recovery (expense) from continuing operations	**-**	**(23)**
Deferred tax recognized I other comprehensive income	**-**	21
Total income tax expense	**-**	(2)

(a) Recognition of deferred tax asset originated in profit and loss.

Recognition of effective tax rate	**2015**	2014
Loss before tax from continuing operations	**(2,663)**	(2,400)
Loss before tax from discontinued operations	**(3)**	(29)
Total loss before tax	**(2,666)**	(2,429)
Company's domestic tax rate	**26.50%**	26.50%
Tax recovery before adjustments	**706**	644
Non-deductible expenses and other	**(415)**	(261)
Effect in tax rates in foreign jurisdictions	**5**	(13)
Adjustment to previous year's tax value of equity instruments	**27**	-
Adjustment to previous year's tax value of equipment	**-**	(31)
Adjustment to previous year's tax vaue of non-capital losses	**(142)**	(21)
Non-capital losses on Mongolian discontinued operations not recognized	**1**	(26)
Current year deferred tax not recognized	**(14)**	(292)
Deferred tax asset previously not recognized	**-**	(21)
Expiry of non-capital losses	**(168)**	-
Withholding tax expense (a)	**-**	(2)
Tax recovery expense (b)	**-**	(23)
Effective tax rate	**0.00%**	0.97%

(a) A previously controlled subsidiary was subject to income tax withholding by the Government of Mongolia on intercompany interest expense.

(b) Deferred tax expense of $21 was recognized in other comprehensive income in 2014.

Unrecognized deferred taxes	**2015**	2014
Deductible temporary differences	**271**	392
Tax losses	**7,945**	7,810
	8,216	8,202

(In thousands of Canadian dollars unless otherwise stated)

13 Income tax (Continued)

The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable income will be available against which the Company can utilize the related tax benefits.

At September 30, 2015, the Company had Canadian non-capital losses of approximately $28,890 (2014 - $28,686) available for deduction against future taxable income. If unutilized, non-capital losses will expire from 2016 to 2035 whereas capital losses can be carried forward indefinitely. Netherlands tax losses of approximately $391 (2014 - $351) 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 recognized.

Judgment is required in determining whether deferred tax assets are recognized on the consolidated statement of financial position. Deferred tax assets, including those arising from un-utilized tax losses require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws, in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the company operates could limit the ability of the company to obtain tax deductions in future periods.

14 Discontinued operations

On August 15, 2013 the Company resolved to dispose of the Mongolian subsidiaries. Management determined that, given the situation in Mongolia, disposal could only take place by closure. Consequently, the Mongolian subsidiaries were closed on September 30, 2013 and classified as discontinued operations. See note 1 for information about Mongolia's failure to reissue the Company's mining and exploration licenses for the Dornod project.

Results of Discontinued operations	Notes	**2015**	2014
Revenue		**-**	-
Expenses		**(8)**	(101)
Gain (loss) on restoration estimate	7	**-**	22
Gain (loss) on disposal of assets		**-**	47
Gain (loss) on restructuring expense	7	**5**	-
Foreign exchange gain (loss)		**-**	3
Net income (loss) from discontinued operations		**(3)**	(29)
Basic loss per share (in Canadian cents)		**(0.00)**	(0.00)
Diluted loss per share (in Canadian cents)		**(0.00)**	(0.00)

Cash flows provided by (used in) discontinued operations	Notes	**2015**	2014
Net operating cash flows		**(8)**	(141)
Net investing cash flows		(5)	47
Net cash flow for the year		**(13)**	(94)

(In thousands of Canadian dollars unless otherwise stated)

15 Classification and measurement of financial assets and liabilities

The carrying amount of each measurement category of financial instruments is as follows:

Measurement category	Line item on Consolidated Statement of Financial Position	Carrying amount
FVTPL	Cash	1,571
Amortized cost	Accounts receivable	14
	Restricted cash	52
	Accounts payable and accrued liabilities	267
FVOCI	Investments	317

Due to their short-term nature, the carrying amount of accounts receivable, restricted cash and accounts payable and accrued liabilities approximates their fair value.

16 Financial risk management objectives and policies

The Company manages its exposure to financial risks, including liquidity risk, foreign exchange rate risk, interest rate risk, credit risk and equity price risk in accordance with its risk management framework. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis.

a. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its short-term business requirements. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and the collection of its International Arbitration Award.

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments (see Note 18).

b. Foreign exchange risk

The Company maintains bank accounts denominated in Euros (EUR) and U.S. dollars (USD). The Company undertakes transactions denominated in these currencies and is exposed to foreign exchange risk arising from such transactions.

The Company currently does not engage in foreign currency hedging. As at September 30, 2015, with other variables unchanged, a 1% strengthening (weakening) of the EUR and USD against the CAD would have increased (decreased) the net loss by approximately $6.

c. Interest rate risk

Interest risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's cash equivalents and short-term investments primarily include highly liquid investments that earn interest at market rates that are fixed to maturity or at variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have significant impact on the fair values of the financial instruments as of September 30, 2015.

d. 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 is exposed to credit risk primarily associated to accounts receivable and cash and cash equivalents. The carrying amount of assets included on the balance sheet represents the maximum credit exposure.

16 Financial risk management objectives and policies (Continued)

The Company's primary exposure to credit risk is on its bank accounts and guaranteed investment certificate. Bank accounts are held with major banks in Canada, Bermuda and the Netherlands. 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. 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 sales taxes.

The Company has not recognized any expected credit losses at September 30, 2015. The guaranteed investment certificate is considered to have low risk and the Company has no history of losses on this type of financial instrument on which to base a calculation of expected credit losses. Expected lifetime credit losses for accounts receivable are measured on a collective basis. However because the duration of these receivables is short and the material component is with the Government of Canada for refundable sales taxes, expected lifetime credit losses would be insignificant. There are no financial assets with contractual payments more than 30 days past due. The credit risk of these financial instruments has not increased significantly since initial recognition.

e. Equity price risk

The Company holds certain equity securities that will fluctuate in value as a result of trading on Canadian financial markets. As the Company's equity securities holdings are in a mining company, the value will also fluctuate based on commodity prices. Based upon the Company's portfolio at September 30, 2015, a 10% increase (decrease) in the market price of the securities held, with other variables unchanged would have resulted in a (decrease) increase to OCI of approximately $32 before tax.

17 Capital management

The Company's objectives of capital management are intended to safeguard the entity's ability to continue as a going concern and to continue its collection of its International Arbitration Award from the Government of Mongolia.

The capital of the Company consists of the items included in shareholders' equity. The Board of Directors monitors risk and capital management. The Company manages the capital structure and makes adjustments depending on economic conditions. Funds have been primarily secured through issuances of equity capital. The Company invests all capital that is surplus to its immediate needs in short-term, liquid and highly rated financial instruments, such as cash and other short-term deposits, all held with major financial institutions. Significant risks are monitored and actions are taken, when necessary, according to the Company's approved policies.

18 Commitments and contingencies

Operating lease

The Company as lessee entered into the operating lease of its registered office under a cancellable operating lease contract. The lease agreement is on a month-to-month basis and is cancellable on 60 days' notice. The lease agreement has no purchase option and no escalation clauses. The expected rent for fiscal 2016 is $41.

Contingencies

(a) On March 2, 2015, a contingent asset existed related to an award rendered by the international arbitration tribunal to Khan as compensation for the Government of Mongolia's actions in relation to the cancellation of Khan's uranium licenses in 2009. 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 in favour of Khan. At September 30, the award aggregated to approximately $105 million. Interest was accruing at a rate of 2.78% per annum or $7.3 per day.

In Canadian dollars at the closing exchange rate on September 30, the value of the total award was $140 million.

18 Commitments and contingencies (Continued)

(b) At September 30, 2015, a contingent liability amounting to USD 3,500 (CAD 4,787) existed in respect of a completion fee arranged with legal counsel handling the International Arbitration. This 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 a settlement or award of the International Arbitration case. 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 recognized no provision in these consolidated financial statements as at the date of their approval.

(c) As part of the corporate dissolution procedures in Mongolia, the Company is seeking the Mongolian equivalent of a final tax clearance certificate. The Government of Mongolia has informed the Company that it is considering a claim for Value Added Tax that the Mongolian Government asserts should have been self-assessed on feasibility study work done and paid in Canada on behalf of the previously controlled Mongolian subsidiary and on which the previously controlled subsidiary recognized an inter-company liability. No cash was ever paid to the parent and the inter-company liability was subsequently converted to equity. The Company is seeking Mongolian tax advice. The estimated payout is $300 but currently it is not practical to state the amount or timing of the payment, if any. Management has therefore determined that it is only possible, but not probable, that this claim has merit. Accordingly, no provision for any liability has been made in these consolidated financial statements.

19 Subsequent event

On October 29, 2015 the Company agreed to modify the terms of the above contingent completion fee, whereby in instances where the Company receives one or more partial payments of the Award, the Company will pay to legal counsel 15% of each payment until the existing contingent completion fee is paid in full. The parties further agreed to cap the expense of the current phase of efforts to certify the Award in the US and to support the efforts of French counsel in the annulment proceedings in Paris (see Note 1) at USD750 of which USD 500 will be deferred until the last dollar is collected by Khan Resources from a settlement or payment of the Award by Mongolia.