Khan Resources Inc.

Management Discussion and Analysis

December 31, 2015

KHAN RESOURCES INC.

RESULTS FOR THE THREE MONTHS ENDED DECEMBER 31, 2015

This Management Discussion and Analysis (“MD&A”) has been approved in accordance with a resolution of the Board of Directors dated February 11, 2016. It should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company as at December 31, 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, February 11, 2016, the award aggregates to approximately $106 million (US) with interest currently accruing at a rate of 2.78% or $7,256 per day (US). In Canadian dollars at February 10, the value of the total award was $148 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 a ruling on the motion to dismiss or the request for a verbal hearing. Dependant upon the judge’s initial ruling, the Company’s petition to certify will then be addressed. When certification is 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.

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 preparing arguments for the filing of the defense, due April 9, 2016 at the latest.

Meetings were held in December, 2015 and January, 2016 with representatives of the Government of Mongolia to discuss the outstanding obligations of the Government. Those discussions have now been suspended at the request of the Government and no further meetings have been scheduled.

Cash –The Company’s outflow of cash in the first quarter of 2016 was $289,000 greater than the first quarter of 2015 due to legal expenses associated with US confirmation of the international arbitration award, defense in the French Court of Appeal and other initiatives in respect of the collection of the arbitration award. Cash and cash equivalents stand at $1,114,000 as at December 31, 2015.

Investments – The Company did not dispose of any of its holdings in Plateau Uranium Inc. (“Plateau”) during the quarter. The fair value of the Company’s investment in Plateau increased by $37,000 to $353,523 at December 31, 2015.

The following table summarizes financial results of the Company for the first fiscal quarters ended December 31, 2015 and 2014.

In thousands of dollars

	2015	2014	Change %
Net loss from continuing operations			
Three months ended December 31	**(330)**	(219)	-50.7%
Net income (loss) from discontinued operations			
Three months ended December 31	**-**	(8)	100.0%
Basic and diluted earnings per share ($)			
Three months ended December 31	**(0.00)**	(0.00)	0.0%
Cash flow			
Three months ended December 31	**(457)**	(168)	-172.0%
Cash and cash equivalents			
As at December 31	**1,114**	184	505.4%
Working Capital			
As at December 31	**1,444**	806	79.2%

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 without compensation 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 December 31, the award aggregated to approximately $106 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 December 31, the value of the total award was $146 million ($1.74 per share – undiluted, $1.62 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 occurred in March and April, 2015 but were suspended by the Company because of lack of progress in reaching terms of a settlement. Negotiations were then re-initiated with meetings held in December, 2015 and January, 2016 but ended with a suspension of negotiations by the Government of Mongolia. No further meetings have been scheduled.

The Company is continuing with its initiatives to collect the award through enforcement activities. On June 12, 2015 the Company filed a petition for confirmation of the 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 filed arguments against the motion to dismiss on September 29 while the Government of Mongolia filed further arguments in support of the motion on October 13. Mongolia also requested a verbal hearing on the matter. The judge allocated to the case has yet to make any preliminary rulings. Dependent upon the judge's rulings, Khan's petition on certification of the award will then be addressed.

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 primary grounds for annulment filed by Mongolia were not unexpected and were as follows:

1. The arbitral tribunal wrongly upheld jurisdiction;

2. The arbitral tribunal ruled without complying with the mandate conferred upon it; and

3. There was a violation of due process.

Khan's counsel is currently preparing its arguments to refute these allegations and the Company has until April 9, 2016 to prepare and file its defence. 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.

The Company continues to investigate other jurisdictions in which to have the arbitration award recognized and intends to vigorously proceed in the collection of the award.

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 three months ended December 31, 2014 an additional $4,000 was charged against the provision for the cost associated with tax and legal advice. The remaining and unused restructuring provision of $5,000 was reversed at the end of fiscal 2015.

The results of Mongolian operations are reported as discontinued operations on the face of the Company's consolidated statement of loss for the three months ended December 31, 2015 with comparative results for the three months ended December 31, 2014.

Selected Quarterly Information

In thousands of dollars

	Dec. 31 2015	Dec. 31 2014	Dec. 31 2013
Revenue	2	1	4
Loss from operations	(330)	(227)	(1,056)
Net loss	(330)	(227)	(1,056)
Total assets	1,573	936	2,950
Total non-current liabilities	-	-	-
Basic and diluted earnings per share (in Canadian dollars)	(0.00)	(0.00)	(0.01)

Losses from operations in 2013 were impacted by significant legal costs associated with the international arbitration case. No such legal costs were incurred during the three months ended December 31, 2014. Legal costs have begun to rise again as a result of the effort to certify the award in the U.S. and responding to the annulment petition of the international arbitration judgment in Paris.

Total assets declined in 2014 as cash balances were drawn down and the some of the Company's holdings in Plateau were sold. The valuation of the Plateau investment further declined as a result of a drop in the share price.

In 2015 the Company replenished the treasury through a non-brokered private placement of 5 million common shares at a price of $0.40 per share for gross proceeds of $2 million In addition, the treasury benefitted from proceeds of $726,000 from the exercise of share options by directors, officers and employees of the Company.

Results of Operations

Revenue

In thousands of dollars

		Three months ended	
	Notes	**Dec. 31, 2015**	Dec. 31, 2014
Revenue			
Finance income from continued operations		**2**	1
Total revenue		**2**	1

Finance income increased by $1,000 in the quarter as a result of higher cash balances on hand compared to the prior year.

Legal Expenses

During the first quarter of 2016, legal expenses, associated primarily with the enforcement and collection of the international arbitration award, were $108,000. There were no legal expenses related to the international arbitration case during the first quarter of fiscal 2015; the only legal costs incurred by the Company were $9,000 for corporate secretarial services.

A contingent liability amounting to US$3,500,000 (December 31, 2014 - US$3,500,000) exists 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 the international arbitration award. 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.

For legal work subsequent to the award being rendered by the International Arbitration Tribunal, legal counsel has 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 at US$750,000 of which US$500,000 will be deferred until the last dollar is collected by Khan Resources from a payment of the award by Mongolia.

General Corporate Expenses

In thousands of dollars

	Three months ended	
	Dec. 31, 2015	Dec. 31, 2014
Accounting and audit	**17**	7
Investor relations	**1**	3
Insurance	**14**	13
Management remuneration	**128**	124
Office and travel	**74**	66
Total general corporate expenses	**234**	213

General corporate expenses were higher in 2015 due to higher travel expenses related to the collection of the international arbitration award. Also, audit fees for the three months ended December 31, 2014 benefited from the reversal of $10 in accrued fees for the year ended September 30, 2014. Fees in 2014 were accrued on the basis of history with the previous auditor. Audit fees are otherwise comparable between 2014 and 2015.

Amortization and impairment loss

There was no amortization expense and impairment loss for the first quarters of fiscal 2016 and 2015 because all the Company's tangible assets were fully amortized or impaired before October 1, 2014.

Share-based compensation

There was no share-based compensation for the first quarters of fiscal 2016 and 2015 because all options granted in prior periods were fully vested either before October 1, 2014 or on the days of the grants.

Discontinued operations

Discontinued operations comprise the Mongolian subsidiaries that were closed on September 30, 2013. The loss from discontinued operations was nil (2014 – $8,000). Expenses in the first quarter of 2014 include $5,000 loss from the deconsolidation of the Mongolian subsidiary and $3,000 of operating expenses. Future costs related to these discontinued operations are expected to be minimal if any.

Income Tax

During the three months ended December 31, 2015, the Company recognized an income tax recovery of $5,000 (2014 – nil) on the consolidated statement of loss. This income tax recovery is related to the income tax expense of $5,000 (2014 – nil) on the statement of other comprehensive loss. Taken together, these amounts net to zero which is the Company's true tax provision.

Other Comprehensive Income

Investments

The fair value adjustment of an equity instrument refers the increase in the fair value of the investment in Plateau of $37,000 from September 30, 2015. This resulted from an increase in the price of Plateau shares from $0.30 per share at September 30, 2015 to $0.335 per share at December 31, 2015.

During the comparable period in fiscal 2014, the value of the Plateau investment decreased by $289,000 from the value at September 30, 2014. The decrease was due to a decline in the price of Plateau common shares from $0.52 per share at September 30, 2014 to $0.36 per share at December 31, 2014.

The Plateau holdings consist of 1,055,291 common shares (September 31, 2015 – 1,055,291 common shares) with a fair value on December 31, 2015 of $354,000 (September 30, 2015 - $317,000).

Summary of Quarterly Results

In thousands of dollars

	Dec 31 2015	Sep 30 2015	Jun 30 2015	Mar 31 2015	Dec 31 2014	Sep 30 2014	Jun 30 2014	Mar 31 2014	Dec 31 2013
Revenue	2	2	1	-	1	-	1	2	4
Expenses	(332)	(514)	(643)	(1,275)	(455)	(177)	(417)	(797)	(1,060)
Net loss	(330)	(512)	(642)	(1,275)	(454)	(177)	(416)	(795)	(1,056)
Basic and diluted earnings per share ($)	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)	-	(0.01)	(0.01)	(0.01)

Financial and Capital Management

Outstanding share data

Common shares outstanding

	Number of shares
Outstanding, October 1, 2015	**84,136,482**
Outstanding, December 31, 2015	**84,136,482**

Share options outstanding

	Number of shares	Weighted average exercise price ($)
Outstanding, October 1, 2015	**6,380,000**	**0.42**
Outstanding, December 31 2015 (a)	**6,380,000**	**0.42**

(a) All options were vested and exercisable at December 31, 2015

Common shares outstanding - diluted

	Number of shares
Outstanding, December 31, 2015	**90,516,482**

At February 11, 2016 84,386,482 common shares and 6,130,000 share options were outstanding. Diluted common shares outstanding were 90,516,482.

Cash Flows

For the first quarter of fiscal 2016 operating cash outflow was $462,000, an increase of $216,000 from the prior year. This can be attributed to $98,000 higher legal expenses and $21,000 higher general operating expenses than in the first quarter of 2015. Also, in the first quarter of 2016 more cash was used to reduce accounts payable and accrued liabilities balances that existed at the beginning of the fiscal year than in the first quarter of 2015.

During the first quarter of fiscal 2016, investment cash outflow was nil. Investing cash outflow in the prior year of $5,000 resulted from the deconsolidation of a Mongolian subsidiary.

There was no cash inflow from financial activities in the first quarter of 2016. During the first quarter of fiscal 2015, the exercise of stock options provided cash of $80,000.

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. 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 in the Netherlands through one of the Company's subsidiary 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 a Canadian stock market. As the Company's investments are in an uranium exploration company, the value will also fluctuate based on commodity prices and exploration success.

Liquidity

With cash on hand of $1,114,000 and an equity investment in Plateau with a fair market value of $354,000 as at December 31, 2015, the Company believes that it has sufficient liquidity to cover its obligations.

During the year ended September 30, 2015, 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. In 2015, cash balances were also 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 $9,000 for the three months ended December 31, 2015 (December 31, 2014 - $9,000). At December 31, 2015, the balance outstanding was nil (December 31, 2014 – nil).

Proposed Transactions

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

Critical Accounting Estimates

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 2e of the Company's audited consolidated financial statements for the year ended September 30, 2015.

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, title risks, exploration and development risks, joint venture risks, commodity price, and currency exchange rate risks, operating and environmental hazards encountered in the mining business and changing laws and public policies.

Outstanding Common Shares

The number of outstanding common shares as at the date of this MD&A is 84,386,482

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 December 31, 2016 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 and Uncertainties" 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.