Khan Resources Inc.

Management Discussion and Analysis

March 31, 2016

KHAN RESOURCES INC.

RESULTS FOR THE SIX MONTHS ENDED MARCH 31, 2016

This Management Discussion and Analysis ("MD&A") has been approved in accordance with a resolution of the Board of Directors dated May 19, 2016. It should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company as at March 31, 2016.

Significant Events and Current Status

International Arbitration Settlement – 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.

On March 6, 2016, the Company signed a settlement agreement with the Government of Mongolia under which Mongolia would pay the Company US$70 million on or before May 16, 2016 and all outstanding matters pursuant to the international arbitration award would be resolved and terminated.

On May 18, 2016, the Company announced that Khan and the Government of Mongolia had signed all of the documentation required for the release of the US$70 million from an escrow account to Khan. The funds have now been received. In addition, Khan's petition for certification of the international arbitration award has now been dismissed.

The Company is currently in the process of investigating options to distribute the majority of the funds remaining, after discharge of liabilities and obligations, to shareholders in a tax-efficient and timely manner. The process may entail multiple tranches.

With the receipt of the US$70 million, the Company's primary objectives have now been met, and Martin Quick and Raffi Babikian announced their retirement from the Board. The Company wishes to thank Messrs. Quick and Babikian for their valued input and years of service through very trying times.

Cash – During the six months ended March 31, 2016, directors, officers and employees of the Company exercised 3,205,000 stock options resulting in a cash inflow of $1,195,675. The proceeds are being used for legal and tax consulting services to develop procedures of delivering and allocation of US$70 million settlement funds from Mongolia and for general corporate matters. Cash and cash equivalents stand at $1,852,000 as at March 31, 2016.

The following table summarizes financial results of the Company for the six months ended March 31, 2016 and 2015.

In thousands of dollars

	2015	2014	**Change %**
Net loss from continuing operations			
Three months ended March 31	**(489)**	(1,213)	59.7%
Six months ended March 31	**(819)**	(1,432)	42.8%
Net loss from discontinued operations			
Three months ended March 31	**-**	-	0.0%
Six months ended March 31	**-**	(8)	100.0%
Basic and diluted earnings per share ($)			
Three months ended March 31	**(0.01)**	(0.02)	50.0%
Six months ended March 31	**(0.01)**	(0.02)	50.0%
Cash flow			
Six months ended March 31	**281**	117	-140.2%
Cash and cash equivalents			
As at March 31	**1,852**	469	294.9%
Working Capital			
As at March 31	**2,128**	692	207.5%

Overall Performance

International Arbitration Award

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 US$80 million plus interest at LIBOR +2% (compounded annually) from July 1, 2009 to the time of payment. In addition, the tribunal awarded costs of US$9.1 million in favour of Khan.

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. Once confirmed, the award would be executable in the US as a court judgement and the Company could begin a process of seizure of non-immune Mongolian sovereign assets.

On July, the 9th, the Government of Mongolia filed a notice for annulment of the Award in the French Courts.

Consistent with the Company's preferred strategy of reaching an amicable settlement with the Government of Mongolia, meetings with representatives of the Government of Mongolia were held from March 2015 through March 2016.

A settlement agreement between the Company and the Government of Mongolia was reached on March 6, 2016. Under the settlement agreement, Mongolia would pay Khan US$70 million on or before May 16, 2016 and all outstanding matters pursuant to the international arbitration award received by the Company would be resolved and terminated.

On May 18, 2016, the Company announced that Khan and the Government of Mongolia signed all of the documentation required for the release of the US$70 million from an ecrow account to Khan. The funds have now been received.

As a result of the settlement agreement, the petition for confirmation of the Company's international arbitration award filed in June 2015 in the US District Court in the District of Columbia was stayed pending receipt of the US$70 million settlement amount. With the receipt of the US$70 million, this petition has been dismissed. In addition, again as a result of the settlement agreement, the Government of Mongolia has discontinued and terminated its proceedings in the Paris courts to annul the award. These proceedings cannot be reinitiated.

Currently, the Company is working with the legal and tax advisors to develop tax efficient and timely procedures to distribute the majority of the funds received to the Company's shareholders.

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 results of Mongolian operations are reported as discontinued operations on the face of the Company's consolidated statement of loss for the three and six months ended March 31, 2016 with comparative results for the three and six months ended March 31, 2015.

Selected Quarterly Information

In thousands of dollars

	Mar. 31 2016	Mar. 31 2015	Mar. 31 2014
Revenue	1	-	2
Loss from operations	(489)	(1,213)	(827)
Gain (loss) on sale of investments	-	-	32
Net loss	(489)	(1,213)	(795)
Total assets	2,285	1,024	2,950
Total non-current liabilities	-	-	-
Basic and diluted earnings per share (in Canadian dollars)	(0.01)	(0.02)	(0.01)

Legal costs were higher in 2015 as a result of the effort to certify the arbitration award in the U.S. and responding to the annulment petition of the international arbitration judgment in Paris. The higher net loss in the second quarter of 2015 was a result of the legal costs associated with this initiative and a higher fair value of stock options granted in the second quarter of 2015 than in 2014.

The enforcement and collection activities were reduced once the settlement with the Government of Mongolia had been reached; thus, legal expenses in the second quarter of 2016 were lower than in 2015. In addition, no stock options were granted in 2016. The reduction in enforcement and collection costs was partially offset by legal and tax consulting costs related to the settlement.

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.

In 2016, directors, officers and employees of the Company exercised 3,205,000 stock options resulting in cash proceeds of $1,195,675.

Results of Operations

Revenue

In thousands of dollars

		Three months		Six months	
	Notes	**2016**	2015	**2016**	2015
Revenue					
Finance income from continued operations		**1**	-	**3**	1
Total revenue		**1**	-	**3**	1

Finance income increase by $1,000 in the quarter and $2,000 year-to-date as a result of interest earned on higher cash balances on hand compared to the prior year.

Legal Expenses

During the second quarter of 2016, legal expenses, primarily related to the collection and enforcement of the international arbitration award, were $168,000 (2015-$286,000). In the second quarter of 2016, the settlement with the Government of Mongolia was reached and enforcement and collection activities were reduced.

Year-to-date, legal expenses were $267,000 in 2016 and $286,000 in 2015.

At March 31, 2016, a contingent liability amounting to US$3,500,000 (March 31, 2015 - 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 had 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 would be deferred until the last dollar is collected by Khan Resources from a payment of the award by Mongolia.

In conjunction with receiving the settlement from the Government of Mongolia, a reduction in legal counsel's contingent fee from US$500,000 to US$305,000 has been negotiated. The total contingent legal fee of US$3,804,000 is now due and payable. Normal billings from legal counsel resumed as of April 1, 2016.

General Corporate Expenses

In thousands of dollars

	Three months		Six months	
	2016	2015	**2016**	2015
Accounting and audit	**14**	2	**31**	9
Investor relations	**23**	17	**24**	20
Insurance	**14**	13	**28**	26
Salaries	**144**	134	**281**	267
Office and travel	**111**	61	**185**	127
Total general corporate expenses	**306**	227	**549**	449

General corporate expenses were higher in 2016 due to travel and consulting expenses related to the settlement and collection of the international arbitration award. Also, two new directors were appointed to the board resulting in higher directors' salaries. In addition, audit fees for the three and six months ended March 31, 2015 benefited from the reversal of $10,000 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 2015 and 2016. Accounting fees were higher in 2016 due to additional fees paid for matters associated with the Company's Dutch subsidiary.

Amortization and impairment loss

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

At the date of this MD&A and upon the realization of the Mongolian settlement the Company's remaining assets at its registered office will no longer be impaired.

Share-based compensation

There was no share options granted to directors, officers and employees during the six months ended March 31, 2016. All options granted in prior periods were fully vested either before October 1, 2014 or on the days of the grants. Consequently, no share-based compensation was recognized for the three and six months ended March 31, 2016. During the comparable periods of the prior year, the Company recognized a share-based compensation expense of $713,000 for the 1,775,000 options granted on March 19, 2015.

Discontinued operations

Discontinued operations comprise the Mongolian subsidiaries that were closed on September 30, 2013. The loss from discontinued operations was nil for the three months ended March 31, 2016 (2015 – nil) and nil year-to-date (2015-$8,000). Expenses in 2015 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

The Company recognized an income tax expense of $4,000 (2015 – income tax recovery of $11,000) for the three months and income tax recovery of $1,000 (2015 – $11,000) for the six months ended March 31, 2016 on the consolidated statement of loss for the purpose of offsetting the deferred tax recovery and expense in the same amount recognized in the statement of comprehensive loss. Taken together, these amounts net to zero which is the Company's true tax provision.

Other Comprehensive Income

Investments

The fair value of the investment in Plateau increased $9,000 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 $0.31 per share at March 31, 2016.

During the comparable period in fiscal 2015, the value of the Plateau investment decreased by $475,000 from the value at September 30, 2014. The decrease resulted from a decline in price of Plateau shares from $0.52 at September 30, 2014 to $0.44 at March 31, 2015 and from the sale of 750,000 shares during the second quarter for net proceeds of $208,500. In addition, a loss of $61,500 was realized on the sale of the 750,000 million shares. While there was a year-to-date decline in the price of Plateau shares, the $0.01 improvement during the second quarter resulted in a valuation gain of $85,000 before income tax that was recognized in other comprehensive income.

The Plateau holdings consist of 1,055,291 common shares (September 31, 2015 – 1,055,291 common shares) with a fair value on March 31, 2016 of $327,000 (September 30, 2015 - $317,000).

Summary of Quarterly Results

In thousands of dollars

	Mar. 31 2016	Dec 31 2015	Sep 30 2015	Jun 30 2015	Mar 31 2015	Dec 31 2014	Sep 30 2014	Jun 30 2014	Mar 31 2014
Revenue	1	2	2	1	-	1	-	1	2
Expenses	(490)	(332)	(514)	(643)	(1,213)	(228)	(177)	(417)	(797)
Net loss	(489)	(330)	(512)	(642)	(1,213)	(227)	(177)	(416)	(795)
Basic and diluted earnings per share ($)	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(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**
Shares issued for the private placement	**-**
Shares issued under share option plan	**3,205,000**
Outstanding, March 31, 2016	**87,341,482**

Share options outstanding

	Number of shares	Weighted average exercise price ($)
Outstanding, October 1, 2015	**6,380,000**	**0.42**
Granted	**-**	**-**
Exercised	**(3,205,000)**	**0.37**
Forfeited	**(350,000)**	**0.55**
Outstanding, March 31, 2016 (a)	**2,825,000**	**0.45**

(a) All options w ere vested and exercisable at March 31, 2016

Common shares outstanding - diluted

	Number of shares
Outstanding, March 31, 2016	**90,166,482**

At May 19, 2016, 87,341,482 common shares and 2,825,000 share options were outstanding. Diluted common shares outstanding were 90,166,482.

Cash Flows

For the six months ended March 31, 2016 operating cash outflow was $907,000, an increase of $361,000 from the prior year. This increased outflow can be attributed to $100,000 higher general corporate expenses offset by $19,000 lower legal expenses than during the same period of 2015. Also, during the six months ended March 31, 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 comparable period of 2015.

There was no investing cash flow during the six months ended March 31, 2016. During the six months ended March 31, 2015, the sale of Plateau common shares generated investment cash inflow of $209,000. In 2015, there was cash outflow of $5,000 due to the deconsolidation of a Mongolian subsidiary. During the six months ended March 31, 2015, the exercise of stock options provided cash of $455,000 (2014 - $91,000).

During the six months ended March 31, 2016, the exercise of stock options provided cash of $1,196,000 (2014 - $455,000).

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 through the Company's subsidiaries, the Netherlands, the British Virgin Islands and Bermuda. The financial risk is managed by using major banks that are of high credit quality as determined by rating agencies. Interest rate risk is minimal at this time.

During the repatriation of the cash from the Mongolian settlement, the banks in the British Virgin Islands and Bermuda may hold a majority of the Company's cash for a short period of 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 $1,852,000 and an equity investment in Plateau with a fair market value of $327,000 as at March 31, 2016, the Company believes that it has sufficient liquidity to cover its obligations. Additionally, subsequent to the reporting date, the Company has received US$70 million from the Government of Mongolia.

During the six months ended March 31, 2016, directors, officers and employees of the Company exercised 3,205,000 stock options resulting in a cash inflow of $1,195,675. The proceeds are being used for legal and tax consulting services to develop procedures for distributing the majority of the US$70 million settlement funds from Mongolia to shareholders in a tax efficient and timely manner and for general corporate matters. Cash and cash equivalents stand at $1,852,000 as at March 31, 2016.

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 were 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

There were no transactions with related parties.

Proposed Transactions

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

Critical Accounting Estimates

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

In particular, information about significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements is described below.

Estimates

i. Impairment of assets

At each reporting date, the Company assesses whether there is objective evidence that an asset is impaired. Where an indicator of impairment exists, an estimate of the recoverable amount is made in accordance with IFRS standards. IFRS standards require a reversal of an impairment loss where there has been a change in estimates used to determine the recoverable amount. These assessments require the use of estimates and assumptions to project the future cash inflows related to an individual asset or a Cash Generating Unit.

At the date of this MD&A and upon the realization of the Mongolian settlement, Company assets are no longer impaired.

ii. Restoration provision

The provision at the balance sheet date represents management's best estimate of the cost of removal of residual materials and remediation of disturbed areas. The cost estimates are updated at regular intervals to reflect known developments. Reclamation and closure costs are estimated based on the Company's interpretation of current regulatory requirements and constructive obligations and are measured at fair value. At March 31, 2015, management believes that all obligations to remove residual materials and remediate disturbed areas at the Dornod property have been fulfilled.

iii. Restructuring provision

The provision at the balance sheet date represents management's best estimate of the cost of winding up the Mongolian operation. The provision mainly comprises an estimate for costs for the ultimate wind-up of a Mongolian subsidiary and is measured at fair value.

At the date of this MD&A and upon the realization of the Mongolian settlement, it is expected that the Mongolian subsidiaries will be liquidated. Additional restructuring costs with respect to the repatriation of cash related to the Mongolian settlement, if any, has yet to be determined by management.

iv. Recovery of deferred tax assets

Judgment is required in determining whether deferred tax assets are recognized on the balance sheet. 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 forecast 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.

v. Fair value of financial assets and liabilities

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, their fair value is determined using valuation techniques including discounted cash flow models. The Company's current financial assets and financial liabilities are derived from active markets so there is no need to use valuation techniques.

Judgments

i. ***Going concern assumption***

The going concern assumption is a fundamental principle in the preparation of financial statements. Under the going concern assumption, 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 assumption is inappropriate in the circumstances of the entity, assets and liabilities are recorded on the basis that the entity will be able to realize its assets, discharge its liabilities, and obtain refinancing (if necessary) in the normal course of business. The assessment of an entity's ability to continue as a going concern is the responsibility of the entity's management.

The consolidated financial statements have been prepared on a going concern basis however, the Company has disclosed in the consolidated financial statements, the existence of a material uncertainty with respect to the going concern assumption. While management of the Company believes it will collect its international arbitration award from the Government of Mongolia, in the event that the award is not collected, this material uncertainty may cast significant doubt as to the Company's ability to continue as a going concern given its financial position as at March 31, 2016.

At the date of this MD&A and upon the realization of the Mongolian settlement, the material uncertainty with respect to not collecting the award is removed.

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.

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 March 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 Unsertainties" 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.