Khan Resources Inc.

Condensed Interim Consolidated Financial Statements

For the Third Quarter ended June 30, 2016

In thousands of Canadian dollars

(unaudited)

(In thousands of Canadian dollars unless otherwise stated) (unaudited)

Consolidated Statement of Financial Position as at
(Unaudited)

	Notes	**June 30 2016**	Sep. 30 2015
ASSETS			
Current Assets			
Cash	4	**87,164**	1,571
Accounts receivable	6	**32**	14
Prepaid expenses and other assets		**27**	55
Investments	5	**322**	317
Restricted cash	4	**52**	52
Total current assets		**87,597**	2,009
Non-current assets			
Equipment		**3**	-
Total non-current assets		**3**	-
Total assets		**87,600**	2,009
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	6	**513**	267
Current income tax liability	12	**437**	-
Total current liabilities		**950**	267
Total liabilities		**950**	267
Net assets		**86,650**	1,742
EQUITY			
Share capital		**83,009**	80,662
Contributed surplus		**11,970**	12,909
Accumulated other comprehensive income (loss)	8	**(3,482)**	(3,487)
Deficit		**(4,847)**	(88,342)
Total equity		**86,650**	1,742

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

Provisions (note 7)
Subsequent event (note 13)

The condensed interim consolidated financial statements were approved by the Board of Directors on August 18, 2016 and signed on its behalf by:

Signed: "Eric Shahinian"
Director

Signed: "Grant A.Edey"
Director

(In thousands of Canadian dollars unless otherwise stated) (unaudited)

Consolidated Statement of Income (Loss)
For the three and nine months ended June 30
(Unaudited)

	Notes	Three months		Nine months	
		2016	2015	**2016**	2015
Continuing operations					
Revenue					
Finance income		**6**	1	**9**	2
Total Revenue		**6**	1	**9**	2
Other income					
Compensation for impairment in value of investment in subsidiaries		**90,139**	-	**90,139**	-
Legal expenses		**(5,337)**	(439)	**(5,604)**	(725)
General corporate		**(412)**	(236)	**(961)**	(685)
Share-based compensation	9	**-**	-	**-**	(713)
Foreign exchange gain		**355**	30	**348**	34
Total Expenses		(5,394)	(645)	**(6,217)**	(2,089)
Income (loss) before tax		**84,751**	(644)	**83,931**	(2,087)
Income tax recovery (expense)	12	**(437)**	(6)	**(436)**	5
Net income (loss) from continuing operations		**84,314**	(650)	**83,495**	(2,082)
Discontinued operations					
Income (Loss) from discontinued operations, net of tax	11	**-**	5	**-**	(3)
Net income (loss)		**84,314**	(645)	**83,495**	(2,085)
Income (Loss) per share					
Basic income (loss) per share (in Canadian cents)		**0.96**	(0.01)	**0.98**	(0.03)
Diluted income (loss) per share (in Canadian cents)		**0.95**	(0.01)	**0.97**	(0.03)
Weighted average number of shares outstanding - Basic		**87,565,262**	80,014,229	**85,574,581**	78,103,185
Weighted average number of shares outstanding - Diluted		**88,612,053**	80,014,229	**86,196,751**	78,103,185

The accompanying notes form part of these condensed interim consolidated financial statements.

Consolidated Statement of Comprehensive Income (Loss)
For the three and nine months ended June 30

	Notes	Three months		Nine months	
		2016	**2015**	**2016**	2015
Net income (loss)		**84,314**	(645)	**83,495**	(2,085)
Other comprehensive income (loss), net of income tax					
Items that will be reclassified subsequently to net income (loss)					
Fair value adjustment of equity instrument	5	**(4)**	(46)	**6**	(313)
Income tax on other comprehensive income	12	**-**	6	**(1)**	(5)
Other comprehensive income (loss), net of income tax		**(4)**	(40)	**5**	(318)
Total comprehensive income (loss)		**84,310**	(685)	**83,500**	(2,403)

The accompanying notes form part of these condensed interim consolidated financial statements.

(In thousands of Canadian dollars unless otherwise stated) (unaudited)

Consolidated Cash Flow Statement
For the nine months ended June 30
(Unaudited)

	Notes	**2016**	2015
Operating Activities			
Income (loss) before income tax including discontinued operations		**83,931**	(2,090)
Adjustments for:			
Share-based compensation	9	**-**	713
Unrealized foreign exchange (gain) loss		**(347)**	(33)
Finance income		**(9)**	(2)
Gain on restructuring provision over-estimate	7	**-**	(5)
Decrease in cash due to deconsolidation of subsidiary		**-**	5
Changes in:			
Accounts receivable		**(18)**	(4)
Prepaid expenses and other assets		**28**	(21)
Accounts payable and accrued liabilities		**246**	96
Restructuring provision	7	**-**	(4)
Cash provided (used) in operations		**83,831**	(1,345)
Interest received		**9**	1
Net operating cash flows		**83,840**	(1,344)
Investing activities			
Purchase of equipment		**(3)**	-
Proceeds from sale of investments		**-**	209
Decrease in cash due to deconsolidation of subsidiary		**-**	(5)
Net investing cash flows		**(3)**	204
Financing activities			
Proceeds on issuance of shares		**1,408**	2,469
Net financing cash flows		**1,408**	2,469
Net increase (decrease) in cash and cash equivalents		**85,245**	1,329
Cash and cash equivalents at the beginning of the period		**1,571**	352
Effect of foreign currency exchange rate changes on cash and cash equivalents		**348**	36
Cash and cash equivalents at the end of the period	4	**87,164**	1,717

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

(In thousands of Canadian dollars unless otherwise stated) (unaudited)

Consolidated Statement of Changes in Equity
For the nine months ended June 30, 2016
(Unaudited)

	Notes	Share capital					
		Number of shares	**Amount**	**Contributed surplus**	**Accumulated other comprehensive income (loss)**	**Deficit**	**Total equity**
Balance as at October 1, 2015		**84,136,482**	**80,662**	**12,909**	**(3,487)**	**(88,342)**	**1,742**
Total comprehensive income (loss)		**-**	**-**	**-**	**5**	**83,495**	**83,500**
Transactions with owners:							
Employee share options:							
Options exercised	9	**3,680,000**	**2,347**	**(939)**			**1,408**
Balance as at June 30, 2016		**87,816,482**	**83,009**	**11,970**	**(3,482)**	**(4,847)**	**86,650**
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					(3,135)	3,135	-
Balance as at October 1, 2014 adjusted		76,416,482	77,482	12,509	(3,073)	(85,676)	1,242
Total comprehensive loss					(318)	(2,085)	(2,403)
Transactions with owners:							
Employee share options:							
Value of services recognized	9			713			713
Options exercised	9	1,875,000	774	(294)			480
Proceeds from issuance		5,000,000	2,000				2,000
Cost of issue			(11)				(11)
Balance as at June 30, 2015		83,291,482	80,245	12,928	(3,391)	(87,761)	2,021

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

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

Notes to Financial Statements

For the Third Quarter ended June 30, 2016

(Unaudited)

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.

On May 18, 2016, the Company announced that it had received $70 million (U.S.) from the Government of Mongolia in settlement of all outstanding matters pursuant to the international arbitration award received by the Company.

2 Basis of preparation

a. **Statement of compliance**

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting.* The condensed interim consolidated financial statements do not include all disclosures normally provided in annual consolidated financial statements and should be read in conjunction with the Company's 2015 annual consolidated financial statements which 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 these interim condensed consolidated financial statements for issue on August 18, 2016.

b. Use of estimates and judgments

The preparation of condensed interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim consolidated financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Company's 2015 annual consolidated financial statements.

3 Significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year. There are no new IFRS standards, amendments and interpretations that are effective for the first time for this interim period that would be expected to have a material impact on the Company.

Future accounting pronouncements

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

(In thousands of Canadian dollars unless otherwise stated) (unaudited)

4 Cash, cash equivalents and restricted cash

As at June 30, 2016 and 2015, 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 common shares of Plateau Uranium Inc. (September 30, 2015 – 1,055,291) with a fair value on June 30, 2016 of $322 (September 30, 2015 - $317).

See also Notes 6 and 8.

6 Financial assets and liabilities

Fair value

The fair value of the Company's financial assets and liabilities as at June 30, 2016 can be compared on the consolidated statement of financial position to their respective fair values as at September 30, 2015. The following list provides the details of the financial instruments measured by each fair value methodology:

Fair Value Through Profit and Loss – Cash

Amortized Cost - Accounts receivable, restricted cash and accounts payable and accrued liabilities. Due to their short-term nature, their carrying amounts approximate their fair value.

Fair Value Through Other Comprehensive Income – Investments (in marketable securities). The Company uses quoted prices in active markets (Level 1) to measure the fair value of investments. See also Note 5.

Currency exposures

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 June 30, 2016, with other variables unchanged, a 1% strengthening (weakening) of the EUR and USD against the CAD would have increased (decreased) net income by approximately $ 24.

7 Provision

During 2013, the Company had recognized a Restructuring Provision. The Company had committed to a plan to dispose of the Mongolian subsidiaries by closure, see Note 11. Following the announcement of the plan, the Company recognized a provision of $38 in restructuring costs. The unused restructuring provision of $5 was reversed in 2015 and included in 'discontinued operations'.

8 Accumulated other comprehensive income

Notes	**June 30 2016**	Sep. 30 2015
Financial assets account (a)		
Balance at the beginning of the financial period	**(3,487)**	62
IFRS 9 adjustment prior to October 1, 2014	**-**	(3,135)
Net fair value adjustment of equity instrument	**5**	(414)
Accumulated other comprehensive income	**(3,482)**	(3,487)

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

9 Share-based compensation

There was no share options granted to directors, officers and employees during the nine months ended June 30, 2016. Consequently, no share-based compensation was recognized in this reporting period. During the comparable period of the prior year, the Company recognized a share-based compensation expense of $713 for the 1,775,000 options granted on March 19, 2015.

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

	June 30, 2016			Sep. 30, 2015		
In thousands of options (a)	**Number of options**		**Weighted average exercise price**	**Number of options**		**Weighted average exercise price**
Outstanding at October 1	**6,380,000**	**$**	**0.42**	6,925,000	$	0.31
Expired during the period	**(350,000)**		**0.55**	-		-
Granted during the period	**-**		**-**	2,175,000		0.56
Exercised during the period	**(3,680,000)**		**0.38**	(2,720,000)		0.27
Outstanding, end of period	**2,350,000**	**$**	**0.45**	6,380,000	$	0.42
Exercisable, end of period	**2,350,000**	**$**	**0.45**	6,380,000	$	0.42

The market prices of exercised options for the nine months ended June 30, 2016 ranged from $0.41 to $0.86 (2015 – from $0.37 to $0.62).

The following table summarizes information about share options outstanding at June 30, 2016:

Grants listed by expiry date	**Exercise price ($)**	**Remaining life (years)**	**Fair value per option ($)**	**Number outstanding**	**Number vested**	**Number unvested**
March 28, 2017	0.34	0.74	0.24	1,100,000	1,100,000	-
March 19, 2018	0.57	1.72	0.40	850,000	850,000	-
August 20, 2018	0.53	2.38	0.38	400,000	400,000	
				2,350,000	**2,350,000**	**-**

10 Management compensation

	Three months		**Nine months**	
	2016	**2015**	**2016**	**2015**
Directors' fees	**28**	19	**93**	69
Salaries and short-term benefits	**73**	60	**202**	186
Share-based compensation	**-**	-	**-**	713
Total management compensation	**101**	79	**295**	968

Included in management compensation are costs incurred related to management entities that provide key management personnel services to the Company. The salary included in these costs is $40 for the three months ended June 30, 2016 (2015 - $26) and $104 for the nine months ended June 30, 2016 (2015 – $84). The share based compensation was nil for the three months ended June 30, 2016 (2015 - nil) and nil for the nine months ended June 30, 2016 (2015 - $80).

11 Discontinued operations

The Mongolian subsidiaries were closed on September 30, 2013 as a result of the circumstances described in Note 1.

The results of these discontinued operations were nil for the three months ended June 30, 2016 (2015 – nil). For the nine months ended June 30, 2016, results were also nil (2015 – a net loss of $8 from expenses incurred). The basic and diluted loss per share from discontinued operations was nil for both the three months and six months ended June 30, 2016 as well as for the comparable periods in the prior year.

(In thousands of Canadian dollars unless otherwise stated) (unaudited)

Cash flows from (used in) discontinued operations	Notes	**2016**	2015
Net operating cash flows		**-**	(8)
Net investing cash flows		**-**	(5)
Net cash flow for the nine months ended June 30		**-**	(13)

12 Income tax

The Company calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the interim condensed statements of income and other comprehensive income are:

	Three months		**Nine months**	
	2016	2015	**2016**	2015
Current income tax expense	**(437)**	-	**(437)**	-
Deferred income tax expense (benefit) (a)	**-**	(6)	**1**	5
Income tax expense	**(437)**	(6)	**(436)**	**5**
Income tax recognized in other comprehensive income	**-**	6	**(1)**	(5)
Total income tax expense	**(437)**	-	**(437)**	-

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

1. On May 18, 2016, the subsidiaries of the Company collectively received an award of USD 55,167 (USD 70,000 less costs of USD 14,833 awarded to the parent company). The allocation of the award is attributable to each entity's interest in the underlying historic assets of the two Mongolian subsidiaries (now discontinued). For Canadian tax purposes, the arbitration award received by the subsidiaries is considered to be proceeds in respect of the impairment in value of the receivables from and shares of the Mongolian subsidiaries, as applicable.

2. Management intends to repatriate the cash award received by its subsidiaries to Canada in a tax efficient manner whereby the total award will be sheltered from tax with the exception of withholding taxes on dividend distributions to the parent company.

13 Subsequent event

On August 17, 2016 the Company sold 100% of the shares of Khan Resources Bermuda Ltd. ("KRBL") for proceeds of USD 38,463 ($49,683 at the June 30, 2016 exchange rate of $1.2917). Prior to this transaction, the Company's corporate structure had been reorganized. On August 17, 2016 KRBL held all of the issued and outstanding shares of Khan Resources LLC and CAUC Holding Company Ltd., which in turn held a 58% interest in Central Asian Uranium Company, LLC. With the completion of the sale of KRBL, the Company has only one remaining subsidiary, Khan Resources BV located in the Netherlands.

The financial effects of this transaction have not been recognized at June 30, 2016. These assets only met the criteria of held for sale after the end of the reporting period. The financial statements of these subsidiaries will be excluded from the consolidated financial statements from August 17, 2016 the date that control ceased.

At the time the financial statements were authorized for issue, the Company had not yet completed the accounting for the sale of KRBL.