Khan Resources Inc.

Management Discussion and Analysis

For the Third Quarter ended June 30, 2016

KHAN RESOURCES INC.

RESULTS FOR THE THIRD QUARTER ENDED JUNE 30, 2016

This Management Discussion and Analysis ("MD&A") has been approved in accordance with a resolution of the Board of Directors dated August 18, 2016. It should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company as at June 30, 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 filed in June 2015 in the US District Court in the District of Columbia, has now been dismissed.

Over the last few months, liabilities have been discharged and alternatives have been evaluated to distribute the net proceeds to shareholders in a timely and efficient manner. To this end, the Company's corporate structure has been simplified and fiscal year-ends for the Khan group of companies have been better aligned. In addition, on August 17, 2016, Khan Resources Bermuda Ltd. was sold to an independent third party. The sale included three other Khan subsidiaries, namely CAUC Holding Company Ltd. CAUC LLC and Khan Resources LLC.

Having consulted with its various professional advisors, the Company has concluded that the above reorganization and the sale of Khan Bermuda and its subsidiaries will accelerate and maximize shareholder distribution by simplifying the corporate structure and avoiding the need to wind-up and repatriate cash from these foreign subsidiaries in multiply jurisdictions and reducing or eliminating any risks to Khan associated with such subsidiaries.

Cash – The major cash inflow during the nine months ended June 30, 2016, was US$70,000,000 of the settlement proceeds from the Government of Mongolia; in addition, officers and employees of the Company exercised 3,680,000 stock options resulting in a cash inflow of $1,407,675. A portion of the proceeds are being used for general corporate matters and legal and tax consulting services to develop procedures to distribute the majority of the proceeds to shareholders. Cash and cash equivalents at June 30, 2016 stood at $87,164,000.

The following table summarizes financial results of the Company for the nine months ended June 30, 2016 and 2015.

In thousands of dollars

	2016	2015	**Change %**
Net income (loss) from continuing operations			
Three months ended June 30	**84,314**	(650)	13071.4%
Nine months ended June 30	**83,495**	(2,082)	4110.3%
Net income (loss) from discontinued operations			
Three months ended June 30	**-**	5	0.0%
Nine months ended June 30		(3)	100.0%
Basic loss per share ($)			
Three months ended June 30	**0.96**	(0.01)	9700.0%
Nine months ended June 30	**0.98**	(0.03)	3366.7%
Diluted earning (loss) per share ($)			
Three months ended June 30	**0.95**	(0.01)	9600.0%
Nine months ended June 30	**0.97**	(0.03)	3333.3%
Cash flow			
Nine months ended June 30	**85,593**	1,365	6170.5%
Cash and cash equivalents			
As at June 30	**87,164**	1,717	4976.5%
Working Capital			
As at June 30	**86,647**	1,742	4874.0%

Overall Performance

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. The award aggregated to approximately $106 million (US) as at March 31, 2016. In Canadian dollars at March 31, the value of the total award was approximately $137.9 million.

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 to discuss the outstanding obligations of the Government. The result of the discussion was the signing of a settlement agreement between Khan and the Government on March 6, 2016 whereby Mongolia would pay Khan US$70 million and all outstanding matters pursuant to the international arbitration award received by Khan would be resolved and terminated. On May 18, the US$70 million was received and was allocated to the bank accounts of the Company and its subsidiaries in Bermuda, British Virgin Islands ("BVI") and the Netherlands in proportion to the expenses incurred in conducting the international arbitration and the settlement thereof and the ownership of the mineral resources of Dornod property held by the Company's various subsidiaries.

Also 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 dismissed and all proceedings in the Paris courts, initiated by the Government of Mongolia, were terminated. With the receipt of the settlement proceeds, the company has continued to investigate and evaluate options to distribute the settlement funds to shareholders in an efficient and timely manner. To this end, the Company's corporate structure has been reorganized and simplified, resulting in a better alignment of fiscal year ends for the Khan group of companies.

In addition, on August 17, 2016, Khan's directly held subsidiary, Khan Resources Bermuda Ltd. ("**Khan Bermuda**") was sold to an independent third party. Khan Bermuda holds all of the issued and outstanding shares of Khan Resources LLC ("**Khan LLC**") and CAUC Holding Company Ltd. ("**CAUC Holding**"), which in turn holds a 58% interest of Central Asian Uranium Company, LLC ("**CAUC"**). As part of the distribution of the settlement funds, Khan Bermuda received US$4,965,067 and CAUC Holding received US$35,307,148. Under the terms of the Letter of Intent, Khan will sell all of the shares of Khan Bermuda (and accordingly, all of Khan's interest in CAUC Holding and CAUC and Khan LLC) for a cash purchase price of US$38,462,686.

Having consulted with its various professional advisors, the Company has concluded that the above reorganization and the sale of Khan Bermuda and its subsidiaries will accelerate and maximize shareholder distribution by simplifying the corporate structure and avoiding the need to wind-up and repatriate cash from these foreign subsidiaries in multiply jurisdictions and reducing or eliminating any risks to Khan associated with such subsidiaries. While the proceeds of the proposed sale are less than the consolidated assets of Khan Bermuda, the discount is offset by the present-value benefits that Khan's shareholders will receive due to a more expeditious distribution of cash.

Selected Quarterly Information

In thousands of dollars

	June 30 2016	June 30 2015	June 30 2014
Revenue	6	1	1
Compensation for impairment in value of investments in subsidiray	90,139	-	-
Net income (loss)	84,314	(650)	(416)
Total assets	87,600	2,274	1,373
Total non-current liabilities	-	-	-
Basic earnings (loss) per share (in Canadian dollars)	0.96	(0.01)	(0.01)
Diluted earnings (loss) per share (in Canadian dollars)	0.95	(0.01)	(0.01)

The income in the third quarter of 2016 resulted from the US$70 million (C$ 90,139,000) settlement payment from the Government of Mongolia.

Legal costs were higher in 2016 due to a US$3,805,000 (C$ 4,992,000) completion fee paid to the legal counsel handling the international arbitration. The fee was based on the actual cost of the legal work completed. The Company also incurred legal and tax consulting costs related to the negotiating and structuring of the settlement amount.

In 2015, the Company commenced an initiative for enforcement and collection of the international arbitration award that resulted in the higher net loss in the third quarter of 2015 than in the third quarter of 2014. In 2014, legal costs related to international arbitration were minimal.

Total assets benefited from the receipt of the US$70 million (C$ 90,139,000) settlement payment from the Government of Mongolia in 2016 and were further supplemented by $1,407,675 in proceeds from the exercise of 3,680,000 share options by directors, officers and employees of the Company.

Total assets also increased in 2015 when 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 and from exercise of 1,875,000 share options for $480,000.

Results of Operations

Revenue

In thousands of dollars

		Three months		Nine months	
	Notes	**2016**	2015	**2016**	2015
Revenue					
Finance income from continued operations		**6**	1	**9**	2
Total revenue		**6**	1	**9**	2

Finance income increase by $5,000 in the quarter and $7,000 year-to-date as a result of interest earned on higher cash balances on hand compared to the prior year.

Compensation for impairment in the value of investments in subsidiaries

In May 2016, the Company received US$70 million as settlement by the Government of Mongolia of the award rendered by the international arbitration tribunal for the Government of Mongolia's illegal actions in relation to the cancellation of Khan's uranium licenses in 2009.

Legal Expenses

The payment of a completion fee of US$3,500,000 (C$ 4,591,000) to legal counsel who conducted the international arbitration resulted in significantly higher legal expenses for the three and nine months of 2016 than in comparable periods of 2015. This fee was based on the actual cost of the legal work completed. Also paid during the quarter was a separate contingent fee capped at US$305,000 (C$ 401,000) for the work on certification of the award in the US and to support the efforts of French counsel defending against the annulment proceedings in Paris. Normal billings from legal counsel resumed as of April 1, 2016.

In 2015 legal expenses were $439,000 in the third quarter and $725,000 year-to-date and were related to the collection and enforcement of the international arbitration award.

General Corporate Expenses

In thousands of dollars

	Three months		Nine months	
	2016	2015	**2016**	**2015**
Accounting and audit	**22**	8	**53**	17
Investor relations	**3**	8	**27**	28
Insurance	**12**	13	**40**	39
Salaries	**146**	125	**427**	392
Office and travel	**229**	83	**414**	210
Total general corporate expenses	**412**	237	**961**	686

General corporate expenses were higher in 2016 due to accounting, travel and consulting expenses related to the settlement and collection of the international arbitration award. Salaries were higher in the third quarter of 2016 than in 2015 due to an increase in the rates of the management entities that provide key management personnel services. Also, two new directors were appointed to the board in August, 2015, resulting in higher directors' fees year-to-date.

Audit fees for the three and nine months ended June 30, 2015 benefited from the reversal of $10,000 in accrued fees for the year ended September 30, 2014. Audit fees are otherwise comparable between 2015 and 2016.

Additional accounting fees were also paid in 2016 for matters associated with the Company's Dutch subsidiary.

Amortization and impairment loss

Upon receipt of the Mongolian settlement, impairment of $9,000 was reversed related to tangible assets consisting of office furniture, computers and software located at the Company's registered office and depreciation of $9,000 for these assets was recognized to bring the assets to a current carrying value as if no impairment loss had been recognized for these assets in prior years.

All other assets including the Company's intangible assets in Mongolia were impaired in 2012 due to the failure of the Government of Mongolia to reissue the Company's mining and exploration licenses.

Tangible assets, including additions of the current period, have a net carrying value of $3,000.

Share-based compensation

There were no share options granted to directors, officers and employees during the nine months ended June 30, 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 nine months ended June 30, 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 June 30, 2016 (2015 – $5,000) and nil year-to-date (2015-$3,000). Expenses in 2015 include $8,000 of operating expenses offset by $5,000 gain due to the reversal of the unused portion of the $38,000 restructuring provision originally established in 2013 for costs associated with the dissolution of the Mongolian subsidiaries. Future costs related to these discontinued operations are expected to be minimal if any.

Income Tax

The Company calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings.

On May 18, 2016, the subsidiaries of the Company collectively received an award of US$55,167 (US$ 70,000 less costs of US$ 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.

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. The estimated amount of this withholding tax of $437,032 (2015-nil) was recognized as a current income tax expense in the interim condensed statement of income (loss) and comprehensive income (loss) for the three and nine months ended June 30, 2016.

The Company also recognized a deferred tax expense of $nil (2015 – tax recovery of $6,000) for the three months and of $1,000 (2015 - $5,000) for the nine months ended June 30, 2016 on the statement of income (loss) for the purpose of offsetting the deferred tax benefit (expense) in the same amount recognized in the statement of comprehensive loss. The deferred tax expense is recognized in the statement of income/loss because it originated in operations. The net result of these two amounts is zero.

Other Comprehensive Income

Investments

The fair value of the investment in Plateau was increased by $5,000 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 $0.305 per share at June 30, 2016.

During the comparable period in fiscal 2015, the value of the Plateau investment decreased by $522,000 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 $0.395 at June 30, 2015 and from the sale of 750,000 shares during the second quarter of 2015 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 improvement in the price of Plateau shares in 2016, the $0.005 decline during the third quarter resulted in a valuation loss of $4,000 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 June 30, 2016 of $322,000 (September 30, 2015 - $317,000).

Summary of Quarterly Results

In thousands of dollars

	June 30 2016	Mar. 31 2016	Dec 31 2015	Sep 30 2015	Jun 30 2015	Mar 31 2015	Dec 31 2014	Sep 30 2014	Jun 30 2014
Revenue	6	1	2	2	1	-	1	-	1
Other income	90,139	-	-	-	-	-	-	-	-
Expenses	(5,831)	(490)	(332)	(514)	(646)	(1,213)	(228)	(177)	(417)
Net income (loss)	84,314	(489)	(330)	(512)	(645)	(1,213)	(227)	(177)	(416)
Basic earnings (loss) per share ($)	0.96	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)	-	(0.01)
Diluted earnings (loss) per share ($)	0.95	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(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	**3,680,000**
Outstanding, June 30, 2016	**87,816,482**

Share options outstanding

	Number of shares	Weighted average exercise price ($)
Outstanding, October 1, 2015	**6,380,000**	**0.42**
Granted	**-**	**-**
Exercised	**(3,680,000)**	**0.38**
Forfeited	**(350,000)**	**0.55**
Outstanding, June 30, 2016 (a)	**2,350,000**	**0.45**

(a) All options were vested and exercisable at June 30, 2016

Common shares outstanding - diluted

	Number of shares
Outstanding, June 30, 2016	**90,166,482**

At August 18, 2016, 87,341,482 common shares and 2,350,000 share options were outstanding. Diluted common shares outstanding were 90,166,482.

Cash Flows

For the nine months ended June 30, 2016 operating cash inflow was $83,840,000, an increase of $85,184,000 from the prior year. This increased inflow can be attributed to the receipt of US$70 million of the settlement proceeds from the Government of Mongolia offset by an increase in legal costs due to US$ 3,805,000 of completion fee paid to the legal counsel handling the international arbitration.

During the nine months ended June 30, 2016, the investing cash outflow was $3,000 for an upgrade of the computers at the registered office. During the nine months ended June 30, 2015, the sale of Plateau common shares generated investment cash inflow of $209,000 and deconsolidation of the Mongolian subsidiary resulted in the cash outflow of $5,000.

During the nine months ended June 30, 2016, the exercise of stock options provided cash of $1,408,000.

During the nine months ended June 30, 2015, the Company closed a private placement of 5 million common shares for net proceeds of $1,989,000. In addition, the exercise of stock options provided cash of $480,000

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 the uranium exploration company, the value will also fluctuate based on commodity prices and exploration success.

Liquidity

With cash on hand of $87,164,000 and an equity investment in Plateau with a fair market value of $322,000 as at June 30, 2016, the Company has sufficient liquidity to cover its obligations.

During the nine months ended June 30, 2016, directors, officers and employees of the Company exercised 3,680,000 stock options resulting in a cash inflow of $1,408,000. 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 $87,164,000 as at June 30, 2016.

During the nine months ended June 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.

Currency

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 $ 24,000.

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. 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.

iii. 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.

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 June 30, 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.