Khan Resources Inc.

Management Discussion and Analysis

For the first quarter ended December 31, 2016

KHAN RESOURCES INC.

RESULTS FOR THE FIRST QUARTER ENDED DECEMBER 31, 2016

(In thousands of Canadian dollars unless otherwise indicated)

This Management Discussion and Analysis ("MD&A") has been approved in accordance with a resolution of the Board of Directors dated February 24, 2017. It should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company as at and for the first quarter ended December 31, 2016.

Significant Events and Current Status

Return of capital – On November 10, 2016, the shareholders approved a distribution of $0.85 per share by way of a return of capital that was paid on November 29, 2016 to shareholders of record at November 22, 2016.

Liquidation of the Company – In conjunction with the approval of the $0.85 per share return of capital, the shareholders also approved a special resolution for the voluntary liquidation and dissolution of Khan. Pursuant to the liquidation of the remaining assets of Khan and the winding up of its remaining subsidiary, and the satisfaction of all liabilities, including expenses of the winding up, on a distribution date to be determined in conformance to the plan of liquidation and dissolution, further distributions of cash will be made in one or more installments. Khan anticipates that any further distributions of cash as part of the winding up would aggregate between $0.01 and $0.08 per share

Notwithstanding shareholder approval of the special resolution, at any time until appointment of the liquidator, the board of directors will retain the discretion to discontinue the winding up if it determines that continuing with the winding up is no longer in the best interests of the Company or its shareholders.

Netherlands preliminary tax assessment – On Dec 22, 2016, the Company announced that its Dutch subsidiary, Khan Resources BV, had received a preliminary tax assessment from the Dutch tax authority amounting to €11.4 million based on an assessed taxable income of €45.8 million for the fiscal year ended July 31, 2016. On Feb 15, 2017, the Company announced that Khan Resources BV had now received an amended preliminary tax assessment from the Dutch tax authority based upon an assessed taxable income of €13.2 million and giving rise to a tax of €3.3 million.

The preliminary tax assessment and the reassessment were both issued before KRBV has filed its 2016 tax return and as such are based on incomplete information. Based on tax professionals advice, management is of the opinion that the reassessed amount payable of €3.3 million continues to be an over assessment. Management believes that this issue will be resolved when the Netherlands tax authority has the opportunity to review all the facts. As a result no provision has been made for this reassessment in the unaudited condensed interim consolidated financial statements.

(in thousands of Canadian dollars unless otherwise indicated)

Financial and Capital Management

The following table presents the net assets in liquidation of Khan as at December 31, 2016 and September 30, 2016.

	Dec. 31 2016 (Liquidation basis)	**Sep. 30 2016 (Liquidation basis)**
Cash and cash equivalents	8,483	84,814
Other current assets	128	156
Investment in Plateau Uranium	264	264
Current Income Tax Asset	500	570
Total assets	9,375	85,804
Liquidation provision	1,184	1,450
Accounts payable and accrued liabilities	115	142
Current income tax liability	1,025	1,125
Total liabilities	2,324	2,717
Net assets	7,051	83,087
Net assets per share (in Canadian cents)		
- basic	0.08	0.98
- diluted	0.08	0.97
Weighted average number of shares outstanding - Basic	89,429,525	84,938,440
Weighted average number of shares outstanding - Diluted	89,429,525	85,400,610

Khan has no operations other than managing its net assets in liquidation and related activities.

At February 24, 2017, all share options have been exercised and 90,166,482 common shares were outstanding.

Analysis of Net Assets in liquidation

Cash and cash equivalents

As at December 31, 2016, the Company had cash and cash equivalents of $8,483 (September 30, 2016 - $84,814). Cash equivalents of 5,000 (September 30, 2016 – $80,000) consisted of a guaranteed investment certificate (GIC) with a maturity date of less than three months.

The decrease in cash and cash equivalents of $76,331 resulted from $517 of cash used in operations and an initial distribution of $76,641 ($0.85 per share) by way of a return of capital that was paid on November 29, 2016 to shareholders of record at November 22, 2016. This decrease was offset by the interest on the bank deposit and GIC investment of $91 and proceeds from the exercise of stock options of $698.

Investments

Investments consist of equity instruments in the form of 1,055,291 (September 30, 2016 – 1,055,291) common shares of Plateau Uranium Inc. with a fair value on December 31, 2016 of $264 (September 30, 2016 - $264).

During the first quarter, the Company did not purchase or sell any shares of Plateau. However, after the end of the first quarter, the Company sold 939 thousand common shares of Plateau Uranium Inc. for gross cash proceeds of $617.

Current tax asset

For details about the current tax asset of $500, see the discussion about the current tax liability below.

Liquidation provision

The provision for liquidation costs of $1,184 (September 30, 2016 – $1,450) includes restructuring costs that qualify as obligations. Only costs incremental to winding up the Company have been recognized. These estimated costs include legal expenses for liquidating the Company, tax consulting on final dissolution tax returns, transfer agent fees for the distribution of funds and deregistration of shareholders, employee severances, record retention costs and insurance.

The provision does not include costs related to ongoing operations during the liquidation period nor provision for possible contingent liabilities. These costs may be significant and include costs related to preparing financial statements and related audit services, tax services for preparing and filing tax returns before final dissolution, services of the transfer agent, employee wages, management contracts, corporate governance costs, insurance, shareholder reporting, events and meetings and the cost of office premises. These costs may be material and the amounts disclosed as net assets in liquidation will change. The actual amounts available for distribution to shareholders will change and such changes may be material.

Current income tax liability

The current tax asset of $500 (September 30, 2016 - $570) was reduced by $70 that was utilized to lower the current income tax liability to $1,055 (September 30, 2016 - $1,125). The $70 represents the income tax recovery on the expenditure of $266 from the liquidation provision during the first quarter.

As disclosed, no provision has been made for the preliminary or amended preliminary income tax assessment from the Dutch tax authorities. The Company had received tax opinions in July 2016 and November 2016 from KPMG and Price Waterhouse Coopers (PWC) respectively that the Dutch participation exemption applies to the funds received from Mongolia and that as a consequence; income tax is not assessable on these funds.

For additional information on Khan's income taxes, please refer to Note 13 to Khan's 2016 audited consolidated financial statements.

Cash Flows in Liquidation

As discussed above under cash and cash equivalents, the total decrease in cash and cash equivalents of $76,331 during the first quarter was due to an initial distribution of $ 76,641 ($0.85 per share) by way of a return of capital that was paid on November 29, 2016 to shareholders of record at November 22, 2016, and operational cash outflow of $517, offset by the interest on the bank deposit and GIC investment of $91 and proceeds from the exercise of stock options of $698.

(in thousands of Canadian dollars unless otherwise indicated)

Share Information

At December 31, 2016, the issued and outstanding common shares of Khan were as follows:

Common shares outstanding

	Number of shares
Outstanding, October 1, 2016	**88,666,482**
Shares issued for the private placement	**-**
Shares issued under share option plan	**1,500,000**
Outstanding, December 31, 2016	**90,166,482**

Share options outstanding

	Number of shares	Weighted average exercise price ($)
Outstanding, October 1, 2016	**1,500,000**	**0.47**
Granted	**-**	**-**
Exercised	**(1,500,000)**	**0.47**
Forfeited	**-**	**-**
Outstanding, December 31, 2016 (a)	**-**	**-**

(a) All outstanding options were exercised before December 31, 2016. No new options were granted.

Common shares outstanding - diluted

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

From October 1, 2016 to November 17, 2016, certain directors, officers and employees of the Company exercised all outstanding share options as at September 30, 2016 acquiring 1,500,000 shares for total proceeds of $698.

Upon liquidation, dissolution or winding up of Khan or other distribution of Khan's assets among its shareholders for the purpose of winding up its affairs, the holders of the common shares are entitled to receive the remaining property of Khan and are entitled to share equally, share for share, in all distributions of such assets.

Accounting Policies

This MD&A should be read in conjunction with Khan's unaudited condensed interim consolidated financial statements and notes for the first quarter ended December 31, 2016.

Effective October 1, 2015, the Company changed the basis of presenting its financial statements from going concern to liquidation. The adoption of a liquidation basis of presentation did not result in a change of to the Company's accounting policies that were previously applied on a going concern basis of presentation.

For additional information on Khan's significant accounting policies and methods used in preparation of Khan's 2016 audited consolidated financial statements and notes, please refer to Note 2 to Khan's 2016 audited consolidated financial statements.

The preparation of Khan's financial statements in conformity with International Financial Reporting Standards (IFRS) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Khan evaluates these estimates and assumptions on a regular basis, based on historical experience and other relevant factors. Actual amounts could differ materially from those estimates and assumptions. Khan's critical accounting estimates are discussed later in this MD&A.

(in thousands of Canadian dollars unless otherwise indicated)

Consolidated Statement of Changes in Net Assets in Liquidation

	Three months ended December 31, 2016 (Liquidation basis)	Three months ended 31-Dec-15 (Liquidation basis)
Net assets, beginning of period	**83,087**	**1,742**
Income		
Finance income	**97**	2
Total Income	**97**	**2**
Legal expenses	**-**	(99)
General corporate	**(258)**	(243)
Foreign exchange gain (loss)	**38**	5
Total Expenses	**(220)**	(337)
Income (loss) before tax	**(123)**	(335)
Income tax	**-**	5
Net income (loss)	**(123)**	(330)
Loss per share		
Basic income (loss) per share (in Canadian cents)	**0.00**	0.00
Diluted income (loss) per share (in Canadian cents)	**0.00**	0.00
Net income (loss)	**(123)**	(330)
Fair value adjustment of equity instrument	**-**	32
Other comprehensive loss, net of income tax	**-**	32
Total comprehensive income (loss)	**(123)**	(298)
Distribution to shareholders - return of capital	**(76,641)**	-
Issue of shares through stock options exercised	**698**	-
Net assets, end of period	**7,021**	1,444

Finance income increased by $95 in the quarter as a result of higher cash balances on hand compared to the prior year.

The legal expenses for winding up the Company were included in the liquidation provision of $1,450 recognized for the year ended September 30, 2016. During the first quarter of 2017, $266 were incurred and charged against the provision. The legal costs portion of this charge was $42. There were no legal costs related to ongoing operations of the Company during the first quarter of 2017. During the first quarter of 2016, legal expenses, associated primarily with the enforcement and collection of the international arbitration award, were $99.

(in thousands of Canadian dollars unless otherwise indicated)

General Corporate Expenses

	Three months ended	
	Dec. 31, 2016	Dec. 31, 2015
Accounting and audit	**7**	17
Investor relations	**23**	1
Insurance	**9**	14
Consulting	**12**	8
Management remuneration	**136**	137
Office and travel	**71**	66
Total general corporate expenses	**258**	243

Accounting and audit expenses in the first quarter of the prior year were higher due to $10 of additional accounting expenses in the Netherland's subsidiary.

Investor relations expenses during the first quarter of the current year are related primarily to the distribution to shareholders of $0.85 per share in way of a return of capital.

Insurance expenses were lower during the first quarter of the current year due to lower rates negotiated by the management for Directors' and Officers' (D&O) insurance.

The consulting expenses for winding up the Company were included in the liquidation provision of $1,450 recognized for the year ended September 30, 2016. During the first quarter of 2017, $266 were incurred and charged against the provision. The consulting costs portion of this charge was $49.

Income Tax

There was no income tax recognized for the three months ended December 31, 2016. During the three months ended December 31, 2015, the Company recognized an income tax recovery of $5 to offset an income tax expense of $5 related to the fair value adjustment of the investment in Plateau Uranium. Taken together, these amounts net to zero which was the Company's true tax provision last year.

Quarterly Financial Information

	Dec. 31 2016 Liquidation basis	Sep 30 2016 Liquidation basis	June 30 2016 Liquidation basis	Mar. 31 2016 Liquidation basis	Dec 31 2015 Liquidation basis	Sep 30 2015	Jun 30 2015	Mar 31 2015	Dec 31 2014
Revenue	97	66	6	1	2	2	1	-	1
Other income	-	455	90,139	-	-	-	-	-	-
Expenses	(220)	(4,393)	(5,831)	(490)	(332)	(514)	(646)	(1,213)	(228)
Net income (loss)	(123)	(3,872)	84,314	(489)	(330)	(512)	(645)	(1,213)	(227)
Basic earnings (loss) per share (Canadian cents)	0.00	(0.04)	0.96	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)
Diluted earnings (loss) per share (Canadian cents)	0.00	(0.04)	0.95	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)

Financial Instruments and Risk Management

As at December 31, 2016, the Company's financial instruments include cash and cash equivalents in the amount of $8.4 million, investments in the amount of $0.3 million and total liabilities of $2.4 million. The risk exposure related to these holdings is described below.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. This risk is mitigated by the fact that as at December 31, 2016, the Company had cash and cash equivalents of $8.4 million to cover total liabilities of $2.4 million.

Credit risk

Credit risk is the risk of loss due to the counterparty's inability to meet its obligations. The Company is exposed to credit risk from its cash and cash equivalents, the maximum exposure of which is represented by the carrying amounts reported on the consolidated statement of net assets in liquidation. This risk is mitigated by the fact that a major Canadian bank holds the Company's cash and cash equivalents.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors. Market factors include three types of risks: currency risk, interest rate risk and price risk. The Company is exposed to currency risk and price risk. Interest rate risk is minimal at this time.

> *Currency risk* – Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market currency rates.
>
> The Company is exposed to currency risk because it 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 December 31, 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 $500 thousand.
>
> *Price risk* – Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.
>
> The Company is exposed to 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 a uranium exploration company, the value will also fluctuate based on commodity prices and exploration success. A 10% strengthening (weakening) of the share price would have increased (decreased) net income by approximately $26.

Off-Balance Sheet Arrangements

The Company's balance sheet is the consolidated statement of net assets in liquidation. The Company does not have any off-balance sheet arrangements with the exception of an indemnification agreement with the independent third party that purchased the Company's subsidiary, Khan Resources Bermuda Ltd. on August 17, 2016. The Company has indemnified the purchaser against certain contingencies. The indemnity is capped at $2 million and will expire on August 16, 2017. Khan has not recognized this indemnity in its consolidated financial statements because management has judged that the probability that the indemnity will be utilized is remote.

Transactions with Related Parties

During the quarter, certain directors, officers and employees of the Company exercised all outstanding share options as at September 30, 2016 acquiring 1,500,000 shares for total proceeds of $698. Included with these shares were 200,000 shares and proceeds of $91 related to a management entity that provides key management personnel services to the Company.

Proposed Transactions

The engagement of a Liquidator in conformance with the approved liquidation plan is the only significant transaction that is 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 amounts reported in the consolidated financial statements and notes. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements was included in the following notes to the audited consolidated financial statement at September 30, 2016 and have not changed:

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

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

- Note 7 – provisions for liabilities of uncertain timing or amount including a provision for liquidation costs.
- Note 13 – utilization of tax losses.

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

Risks Factors

The risks described herein may not be the only risks faced by the Company. Other risks which the Company is not aware of or which the Company currently deems to be immaterial may surface and have a material adverse impact on the Company's business income and financial condition.

Contingent liabilities

As part of the winding-up process, a claims process will be initiated pursuant to which any claims against the Company will be identified and resolved. It is possible that through this process additional liabilities will be identified and accrued or that claims will be filed that may result in costs to Khan. In addition, the indemnification described above under off-balance sheet arrangements, may impact the amount and timing of distributions to shareholders.

Timeline of distributions

The timing and amounts of distributions under the liquidation plan will be at the discretion of the Liquidator. Distributions may be delayed as a result of matters or events outside the control of the Liquidator. No assurances can be given as to the timing and amount of any distribution, under the liquidation plan.

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 September 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 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.