CYPHERPUNK HOLDINGS INC.

(formerly Khan Resources Inc.)

CSE FORM 2A

Updated
Listing Statement

January 31, 2019

FORM 2A
LISTING STATEMENT

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Forward-Looking Statements

Unless otherwise indicated, use of the term "**Issuer**" refers to Cypherpunk Holdings Inc. The information provided in this listing statement (the "**Listing Statement**"), including information incorporated by reference, contains "forward-looking statements" in respect of the Issuer.

Cautionary Statement Regarding Forward-Looking Information

Forward-looking statements are based on the beliefs of the Issuer's management, as well as on assumptions, which such management believes to be reasonable based on information currently available at the time such statements were made. However, by their nature, forward-looking statements are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements are subject to a variety of risks, uncertainties and other factors which could cause actual events or results to differ from those expressed or implied by the forward-looking statements, including, without limitation those risks outlined in 17 of this Listing Statement.

The list of risk factors set out in this Listing Statement is not exhaustive of the factors that may affect any forward-looking statements of the Issuer. Forward-looking statements are statements about the future and are inherently uncertain. Actual results could differ materially from those projected in the forward-looking statements as a result of the matters set out or incorporated by reference in this Listing Statement generally and certain economic and business factors, some of which may be beyond the control of the Issuer. In addition, events in the world economy and global financial and credit markets have resulted in high market and commodity volatility and a contraction in debt and equity markets, which could have a particularly significant, detrimental and unpredictable effect on forward-looking statements. The Issuer does not intend, and does not assume any obligation, to update any forward-looking statements, other than as required by applicable law. For all of these reasons, the Issuer's securityholders should not place undue reliance on forward-looking statements. The Issuer undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required under securities legislation (see Section 17 – *Risk Factors*).

2. CORPORATE STRUCTURE

2.1 – Corporate Name and Head and Registered Office

Cypherpunk Holdings Inc. (the "**Issuer**" or "**Cypherpunk**") was incorporated under the name "2016594 Ontario Inc." pursuant to the *Business Corporations Act* (Ontario) (the "**OBCA**") on October 1, 2002. By articles of amendment dated January 6, 2003, the Issuer changed its name to "Khan Resources Inc.". The Issuer's articles were further amended on May 31, 2004, removing restrictions on the transferability of its shares. Pursuant to articles of amendment certified on November 6, 2018, the Issuer's name was changed to its current name "Cypherpunk Holdings Inc.".

The Issuer's head and registered office is located at The Exchange Tower, 130 King Street West, Suite 1800, Toronto, Ontario M5X 1E3.

2.2 – Jurisdiction of Incorporation

The Issuer was incorporated under the *Business Corporations Act* (Ontario).

2.3 – Inter-corporate Relationships

The Issuer has no subsidiaries other than its wholly owned subsidiary Khan Resources B.V. ("**Khan BV**"). Khan BV is a corporation existing under the laws of the Netherlands and has no active business operations or material assets.

2.4 – Fundamental Change

Not applicable to the Issuer.

2.5 Non-Corporate Issuers and Issuers Incorporated Outside of Canada

Not applicable to the Issuer.

3. GENERAL DEVELOPMENT OF THE BUSINESS

3.1 – General Development of the Issuer's Business

The following is a description of the general development of the Issuer's business over its three most recently completed financial years and the subsequent period.

International Arbitration

The Issuer was formerly involved in acquiring, exploring and developing mineral properties in Mongolia. In particular, the Issuer had interests in certain uranium properties that are located in the Dornod district of north eastern Mongolia. In January, 2011, the Issuer initiated an international arbitration action (the "**International Arbitration**") against the Government of Mongolia (the "**GOM**") for causing substantial loss and damage to the Issuer through expropriatory, unlawful, unfair and discriminatory treatment in relation to the Issuer's licenses in Dornod, Mongolia.

After the Issuer commenced the International Arbitration and until May 2016, when the dispute was finally resolved, as described below, the Issuer's primary business objective was to pursue its claims against the GOM, and to collect the proceeds of the award made by the tribunal (the "**Tribunal**") constituted under the UNCITRAL Arbitration Rules for the International Arbitration against the GOM and in favour of the Issuer and its affiliates.

With no other active business, the Issuer's common shares (the "**Common Shares**") were delisted from the Toronto Stock Exchange, effective at the close of market on May 11, 2012. On May 14, 2012, the Common Shares commenced trading on the Canadian Securities Exchange (the "**CSE**") under the trading symbol "KRI".

On March 2, 2015, the Tribunal rendered an arbitral award of approximately US$100 million in favour of the Issuer against the GOM and MonAtom LLC. That award was comprised of a base amount of US$80 million plus interest at LIBOR plus 2.0% (compounded annually) from July 1, 2009 to the time of payment plus costs of US$9.1 million. As at September 30, 2015, the Issuer had a total of three employees.

On May 18, 2016, the Issuer announced that it had received an aggregate amount (the "**Settlement Amount**") of USD$70 million ($90,593,987 at September 30, 2016) from the GOM in settlement of all outstanding matters pursuant to the International Arbitration award received by the Issuer. The subsidiaries of the Issuer collectively received an award of USD$55,167,000 ($70,000,000 less costs of $14,833,000 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 former Mongolian subsidiaries. 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.

Wind Up of Subsidiaries and Repatriation of Settlement Amount

The Settlement Amount was received by the Issuer and its subsidiaries on May 18 and May 19, 2016. The Issuer received US$14.8 million directly and its subsidiaries received US$55.2 million, of which 64% was attributable to the diminution in value of the shares and indebtedness of Central Asian Uranium Company, LLC ("**CAUC**"), the owner of the main Dornod licenses, and the remaining 36% was attributable to the diminution in value of the shares of Khan Resources LLC ("**KRL**") caused by the GOM's actions. As such, US$35.3 million was paid to CAUC Holding Company Ltd. ("**CAUC Holding**"), which held a 58% interest in CAUC, US$5.0 was paid to Khan Resources Bermuda Ltd. ("**Khan Bermuda**"), which owned 25% of KRL, and US$14.9 million was paid to Khan BV, which owned 75% of KRL.

Subsequent to the receipt of the Settlement Amount, The Issuer investigated and evaluated various options to distribute the Settlement Amount to its shareholders in an efficient and timely manner. The Issuer discharged certain liabilities, including contingent payments due to legal counsel in connection with the International Arbitration. In addition, the Issuer's corporate structure was reorganized and simplified. As part of the reorganization, the 75% interest in KRL that was held by Khan BV was transferred to Khan Bermuda.

Following the reorganization of the Issuer's corporate structure, the Issuer entered into a share purchase agreement with Resource 8 Ltd. dated August 17, 2016, whereby the Issuer sold all of the shares of Khan Bermuda (and accordingly, all of Khan's interest in CAUC Holding and CAUC and KRL) for a cash purchase price of US$38.5 million.

Voluntary Liquidation

On November 10, 2016 the shareholders of the Issuer approved a special resolution to implement the voluntary liquidation and dissolution of the Issuer. Consequently, the consolidated financial statements at September 30, 2016 were prepared on the basis that the Issuer was no longer a going concern. The liquidation plan approved by the shareholders provided that the board of directors of the Issuer (the “**Board**”) was authorized to stop the liquidation of the Issuer if it determined in its discretion that doing so is no longer in the best interests of the Issuer or its shareholders.

On May 5, 2017 at the Issuer’s annual meeting, the shareholders of the Issuer elected a new board of directors. Subsequently, on May 8, 2017, the Issuer’s Board announced that it had determined that the Issuer would not proceed with the liquidation. The Board decided that it was in the best interest of the Issuer and its shareholders to consider other possible strategic alternatives for the Issuer with a view to maximizing its value for the benefits of its shareholders.

New Business Initiative in Blockchain and Cryptocurrency

Since March 2018, the Issuer has directed its efforts towards blockchain and cryptocurrency businesses. Specifically, the Issuer has begun to invest in businesses involved in blockchain technologies, privacy, and cryptocurrencies. The Issuer also intends to allocate a portion of its available capital to directly holding various cryptocurrencies that it believes may increase in value. This strategy represents a departure from the Issuer’s historic business in the mineral resource sector and pursuing litigation to recover its investments in that sector.

Strategic Investments

Hydro66 Holdings Corp. – In March 2018, the Issuer made a $2.5 million investment in convertible debentures of Artic Blockchain Ltd., which subsequently became Hydro66 Holdings Corp. (“**Hydro66**”) in June 2018 through a reverse takeover, resulting in a listing on the CSE under the trading symbol “SIX”. The convertible debentures were converted into 5 million shares and 5 million warrants of Hydro66. Hydro66 offers enterprise co-location services as well as mining cryptocurrency for its own account and its customers.

Chia Network Inc. - On July 9, 2018, the Issuer invested USD 300,000 into Chia Network Inc. (“**Chia**”), which is developing a new blockchain based on proofs of space and time. Chia has stated its intention to release a new cryptocurrency that can be mined with excess disk space, as opposed to electricity.

Director and Officer Appointments

On June 11, 2018, the Issuer announced that the Board had appointed Dominic Frisby as a director, replacing Kal Malhi who had resigned from the Board. The Issuer also then announced that Moe Adham had been appointed as Chief Investment Officer of the Issuer. Mr. Adham was subsequently elected to the Board of Directors at the Issuer’s annual and special meeting of its shareholders held on July 18, 2018. On August 27, 2018 Dennis Gibson was appointed Chief Financial Officer and Michael Sadhra resigned from this interim position while continuing to serve as a director of the Issuer.

Stock Options Issuance

On June 1, 2018, the Issuer issued a total of 5,000,000 options under its stock option plan to certain directors and officers to purchase Common Shares at an exercise price of $0.10 per share until June 1, 2023.

Name Change

At the Issuer's annual and special meeting of shareholders held on August 14, 2018, a special resolution to amend the articles of the Issuer to change its name to "Cypherpunk Holdings Inc." This name change reflects the Issuer's new business direction focused on making selected equity investments related to blockchain technology and the ownership of digital privacy coins (for example, Bitcoin and Dash).

3.2 – Significant Acquisitions and Dispositions

Not applicable to the Issuer.

3.3 – Trends, Commitments, Events or Uncertainties

Overview

Distributed blockchain technology is a decentralized and encrypted ledger that is designed to offer a secure, efficient, verifiable and permanent way of storing records and other information without the need for intermediaries. Cryptocurrencies, often referred to as electronic or cryptocurrencies, are decentralized cryptocurrencies that are issued by, and transmitted through online, peer-to-peer user networks that host the "blockchain" public transaction ledger. These cryptocurrencies are accessible and maintained by the community of their users and serve several purposes. They can serve as a medium of exchange, store of value or unit of account. Examples of cryptocurrencies include: Bitcoin, Litecoin, Monero, Zcash and Dash. Blockchain technologies are being assessed by governments, private sector businesses and individuals for use in many areas of information management, business and finance.

The value and price of a cryptocurrency is not set by anyone other than market participants, who engage in the process of buying and selling on various exchange platforms, similar to that of the traditional monetary fiat currency and the concept of foreign exchange rates.

Blockchain technology enables near instantaneous transfers of cryptocurrencies. Transactions occur via an open source, cryptographic protocol platform which uses peer-to-peer technology to operate with no central authority. The network is an online, peer-to-peer network that hosts the public transaction ledger, known as the blockchain, and each cryptocurrency is associated with a source code that comprises the basis for the cryptographic and algorithmic protocols governing the blockchain. In a cryptocurrency network, every peer has its own copy of the blockchain, which contains records of every historical transaction - effectively containing records of all account balances. Each account is identified solely by its unique public key (making it effectively anonymous) and is secured with its associated private key (kept secret, like a password). The combination of private and public cryptographic keys constitutes a secure digital identity in the form of a digital signature, providing strong control of ownership.

No single entity owns or operates the network. The infrastructure is collectively maintained by a decentralized user base. As the network is decentralized, it does not rely on either governmental authorities or financial institutions to create, transmit or determine the value of the currency units. Rather, the value is determined by market factors, supply of and demand for the units, the prices being set in transfers by mutual agreement or barter among transacting parties, as well as the number of merchants that may accept the cryptocurrency. Since transfers do not require involvement of intermediaries or third parties, there are currently little or no transaction costs in direct peer-to-peer transactions. Units of cryptocurrency can be converted to fiat currencies at rates determined on various specialized brokerages. The prices quoted for converting cryptocurrencies to Canadian dollars and other fiat currencies on these brokerages fluctuate with extreme volatility.

Accounting for cryptocurrencies

The Issuer does not currently own any cryptocurrencies. However, as discussed below, the Issuer may, from time to time, hold cryptocurrencies for its own account. Many aspects of cryptocurrencies are not specifically addressed by current International Financial Reporting Standards ("**IFRS**") guidance. The Issuer expects that any cryptocurrency assets held by it in the future will be accounted for and included in the financial statements of the Issuer as current assets. Cryptocurrencies will be recorded and carried at their fair market value determined by a spot rate of the most liquid cryptocurrency brokerage on which the specific cryptocurrency is traded. The Issuer's holdings of cryptocurrencies will be adjusted at each reporting date for revaluation gains and losses through the statement of profit and loss as well as when cryptocurrencies are exchanged or sold for traditional (fiat) currencies, such as the Canadian dollar. If and when applicable, the Issuer will disclose its presentation, recognition and derecognition, and measurement of cryptocurrencies, and the recognition of revenue as well as significant assumptions and judgements. If specific guidance is enacted by the International Accounting Standards Board in the future, the impact may result in changes to the Issuer's earnings and financial position as presented.

Security and custody of digital assets

The Issuer expects that any significant cryptocurrency holdings that it may in the future acquire will be held in though industry standard practices to minimize and risk of theft or loss. The Issuer will maintain written policies for digital asset holdings, including a threat model, process chart and continuity plan for each digital asset in its custody. These policies will be reviewed on a quarterly basis to ensure they remain up to date with industry standards and changes in regulatory requirements.

The issuer will hold any significant digital assets in what is commonly referred to as "cold storage", using as risk-based model to determine the appropriate approach based on the materiality of the digital assets being held, the cost of the storage solution, the state of the art of the underlying cryptocurrency being held, and other factors deemed relevant by management. The issuer intends to make use of the following technologies, when available: qualified external custodians, hardware security modules, and software security modules. Security modules, and their corresponding backup keys, are to be stored in bank vaults. Two-factor authentication is expected to be used by the Issuer in all cases before transferring cryptocurrency to brokerages or trading platforms.

The Issuer plans to ensure appropriate segregation of duties between the different individuals that hold have access to keystore information. When technology allows for it, no keystore information will be held and accessible by one person, in one place, at the same time.

Uncertainties and Risks

The Issuer's strategy is to pursue a diversified blockchain and cryptocurrency focused business through targeted investments in businesses and assets related to blockchain technology and cryptocurrencies, including owning cryptocurrencies.

The Issuer's decision to pursue blockchain and cryptocurrency businesses exposes the Issuer to risks associated with a new and untested strategic direction. Prices of cryptocurrencies have generally fluctuated significantly. The volatility of cryptocurrencies trading prices suggests that, at any time, high or low prices may have little or no virtue and may be influenced by many factors, including the legal and regulatory environment, changing investor sentiment, technology changes, promotion, misleading disclosure and fraud, and inaccurate or sensational media reporting, among other things.

On August 24, 2017, the Canadian Securities Administrators (CSA) published CSA Staff Notice 46-307 Cryptocurrency Offerings, which among other things, outlines how securities law requirements may apply to issuers, cryptocurrency investment funds and the cryptocurrency exchanges trading these products. The Staff Notice provides guidance on the applicability of Canadian securities laws to cryptocurrency offerings and cryptocurrency investment funds and comments on, among other things, the intersection of securities laws and investment funds, which provide investors with the opportunity to obtain exposure to cryptocurrencies, or baskets of cryptocurrencies, that they may not otherwise have.

As discussed below, the Issuer plans to continue to invest in blockchain businesses and intends to hold some of its assets in cryptocurrencies. In this manner, investors in Common Shares will have exposure to cryptocurrencies. However, unlike the investment funds described in the Staff Notice, the Issuer is not an investment company or manager of investment funds. Moreover, the Issuer does not believe that it is engaged in the primary business of investing, reinvesting, or trading in securities, and the Issuer does not hold itself out as being primarily engaged in those activities. In particular, the Issuer's intended investing activity will be limited to providing private capital and the acquisition and holding of cryptocurrency assets. The Issuer does not consider that these actions constitute trading in securities for a business purpose or any other activity that would give rise to any registration requirements under applicable Canadian securities laws.

Specifically, the issuer will take extra care to ensure it does not invest in any cryptocurrencies that are classified as securities through the framework outlined by the Canadian Securities Administrators (CSA) published CSA Staff Notice 46-308 "Securities Law Implications for Offerings of Tokens".

However, investors in Common Shares should be aware that the current regulation of cryptocurrencies and the interpretation of applicable laws are subject to change. The current trends relating to these matters could change at any time and negatively affect the Issuer's operations and business. See Section 17 - *Risk Factors for risk factors affecting the Issuer*.

4. NARRATIVE DESCRIPTION OF THE BUSINESS

4.1 – Narrative Description of the Issuer's Business

Business Objectives and Milestones

The primary business objective of the Issuer is to pursue a diversified blockchain, privacy and cryptocurrency focused strategy, initially through making targeted investments in, and acquisitions of, businesses and assets within the blockchain ecosystem. As at the date of this Listing Statement, the Issuer is in the process of transitioning its primary business in this strategic direction. The Issuer proposes to provide investors access to a basket of holdings within the blockchain and cryptocurrency space, as selected by a team that includes industry pioneers and early adopters of major cryptocurrencies. Currently, the Issuer has investments in Hydro66 and Chia (see above section 3.1 - *Strategic Investments*) and holds cash and cash equivalent assets.

The Issuer's short term business objectives are to maximize the value of its current cash on hand and other available capital. To this end, management has identified the blockchain, privacy and cryptocurrency business environment to be an area of particular interest in achieving this goal. The Issuer intends to create value for its investors by applying a disciplined investment process to deploy capital while managing risk within the highly volatile blockchain and cryptocurrency sectors. This model involves being a business builder that is committed to serving as a value-added partner with proven management teams. The Issuer plans to support its investments through active involvement with management and the provision of short term and long-term capital for growth-oriented businesses, as well as strategic, financial and governance oversight in varying degrees, as applicable. The Issuer is based in Toronto, Canada and is managed by an experienced team with experience in the management of and long term strategic investments in emerging companies.

Objectives

For the 2019 calendar year, the Issuer has established the following key objectives:

- Generate value from current portfolio companies;
- Evaluate potential investments in blockchain related businesses and cryptocurrencies;
- If deemed by the Issuer's Board to be in the best interests of the Issuer, make investments in blockchain related businesses and cryptocurrencies;
- Develop a secure infrastructure and process plan to hold cryptocurrency assets;
- Create an online system for transparent disclosure of the Issuer's investment portfolio and holdings in cryptocurrencies; and
- Secure new capital to develop scale and optimize strategy execution.

Private Capital

The main objective of the Issuer will be to increase shareholder value through the identification of and strategic investment in securities of both publicly-listed and privately-held entities offering capital appreciation potential. Investments will be acquired and held for both short-term gains and long-term capital appreciation, dependent upon the specific investment. The principal goal of the Issuer will be to generate returns from its holdings in blockchain related businesses and from cryptocurrency assets. The Issuer may hire professional portfolio managers to assist with meeting this objective.

Management of the Issuer expects its investment activities will be primarily focused on enterprises located in Canada, although investments may extend globally, including purchases of securities listed on foreign stock exchanges. In addition, cryptocurrencies may be acquired privately or through various Canadian and international cryptocurrency brokerages and trading facilities.

The nature and timing of the Issuer's investments will depend, in part, on available capital at any particular time and the investment opportunities identified and available to the Issuer. In addition, the rights and obligations of the Issuer will vary from transaction to transaction based on the particular facts of the transaction. However, the Issuer's investments are expected to be on terms that are typically associated with private equity investments. For example, management of the Issuer expects that it may become actively involved in the management of certain business in which it invests, including by having direct representation on the Board of these businesses. Transactions may also involve other commonly negotiated rights for the benefit of the investor, including veto rights relating to significant actions or important decisions regarding the investee businesses and pre-emptive or participation rights that, subject to varying limitations and conditions, would enable the Issuer to maintain its level of equity ownership by either participating in future offerings of securities by the investee companies or acquiring securities directly from these companies following the closing of such future offerings.

Cryptocurrencies

At this time, cryptocurrencies are a particular area of focus for the Issuer. The Issuer currently plans to hold a portion of its available capital in select cryptocurrencies, as management may from time to time determine. To the extent that the Issuer holds cryptocurrencies, its investment objective would be for the Common Shares to reflect the value of the cryptocurrencies held by the Issuer, determined by reference to the applicable published prices of such cryptocurrencies, less the Issuer's then current investments in blockchain and cryptocurrency businesses and its corporate overhead expenses and other liabilities. In this manner, the Issuer's management intends for the Common Shares to constitute a cost-effective and convenient means of gaining investment exposure to select cryptocurrencies.

A substantial direct investment in cryptocurrencies themselves may require expensive and sometimes complicated arrangements in connection with the acquisition, security and safekeeping of the cryptocurrencies and may involve the payment of substantial fees to acquire such cryptocurrencies from third-party facilitators through cash payments of Canadian dollars or other foreign currencies. Although the proportionate value of the Common Shares will not be the equivalent of a direct investment in the cryptocurrencies, the Common Shares would be expected provide investors with an alternative that constitutes a relatively cost-effective way to participate in cryptocurrency markets through the CSE. Because the value of the Common Shares is expected, in part, to be correlated with the value of the cryptocurrencies held by the Issuer, the Issuer intends to make regular disclosure on its website at www.cypherpunkholdings.com of the amounts of any cryptocurrencies being held by the Issuer. This **reporting** will be done on a voluntary basis, **and** should not be considered a replacement for the Issuers regular reporting obligations. When possible, market value of cryptocurrency holdings will be included, if the market for the specific cryptocurrency is mature enough **to** appropriately determine a value as per the Issuers accounting policies. It is important for investors to understand the investment attributes of, and the market for, cryptocurrencies.

Management of the Issuer believes that cryptocurrencies can offer many advantages over traditional, fiat currencies including:

- Acting as a fraud deterrent, as cryptocurrencies are digital and cannot be counterfeited or reversed arbitrarily by a sender;
- Immediate settlement;
- Elimination of counterparty risk;
- No trusted intermediary required;
- Lower fees;
- Identity theft prevention;
- Accessible by everyone;
- Transactions are verified and protected through a confirmation process, which prevents the problem of double spending;
- Decentralized – no central authority (government or financial institution); and
- Recognized universally and not bound by government imposed or market exchange rates.

However, many of these factors also present potential disadvantages and may introduce additional risks. Cryptocurrencies may not provide all of the benefits they purport to offer at all or at any time. While the valuations and share prices of blockchain related businesses and the conversion rates of major cryptocurrencies has in the past and may continue to fluctuate significantly, management of the Issuer is dedicated to generating value for its shareholders in this sector.

The Issuer may invest in blockchain related businesses operating in the same or in various different industries without regard to a specific policy on investment concentration or diversification. The actual composition of the Issuer's investment portfolio will vary over time depending on its assessment of a number of factors, including the performance of financial markets and the value of applicable cryptocurrencies. No investment restrictions have been set, no specific timetable to invest the Issuer's currently available cash has been set, and no specific additional acquisitions or investments have been identified or negotiated.

Use of Available Funds

Currently, the funds available to the Issuer are approximately $3.9 million.

The Issuer's plans use its available funds in a manner consistent with its business objectives described above and, during the 2019 calendar year and the twelve-month period following the date of this Listing Statement, are expected to be allocated as set out below.

Use of Funds	Cost
General and Administrative	$360,000
Investment in blockchain and cryptocurrencies(1)	$3000,000
Unallocated Funds	$540,000
Total	**$3,900,000**

Notes:

(1) See “*Description of the Business of the Issuer*

While it is expected that the Issuer will spend the funds available to it as stated above, there may be circumstances where, for sound business reasons, a reallocation and different use of funds may be necessary.

As at December 31, 2018, the month end prior to the filing of this Listing Statement, the Issuer had a working capital of $3.8 million.

5. SELECTED CONSOLIDATED FINANCIAL INFORMATION

5.1 – 5.2 Annual and Quarterly Information

Annual Information

The following is a summary of selected financial information for the Issuer for the periods indicated, which should be read in conjunction with the audited consolidated financial statements of the Issuer for the years ended September 30, 2018, 2017 and 2016. This summary of financial information should be read together with Section 6 - *Management’s Discussion and Analysis* and the relevant financial statements of the Issuer and notes thereto available on SEDAR.

Selected Statement of Financial Position Data

	September 30, 2018 (audited) ($)	**September 30, 2017 (audited) ($)**	**September 30, 2016 (audited) ($)**
Cash and cash equivalents	4,072,322	1,630,152	4,814,174
Short-term investments	Nil	5,010,389	80,000,110
Total assets	8,421,368	7,166,386	85,420,017
Total liabilities	126,939	56,181	1,266,968

Selected Statement of Operations Data

	September 30, 2018 (audited) ($)	**Fiscal Year Ended September 30, 2017 (audited) ($)**	**Fiscal Year Ended September 30, 2016 (audited) ($)**
Total income	1,391,612	129,398	90,668,478
Net income (loss)	792,463	(1,464,576)	80,688,585
Total comprehensive income (loss)	792,463	(1,099,333)	80,635,820
Net gain (loss) per share (basic and diluted)	0.01	(0.02)	0.95

Quarterly Information

The below selected quarterly information summarizes selected financial information for the most recently completed quarterly financial periods ending at the end of the eight most recently completed financial year. Since the Issuer now prepares its financial statements on a going concern basis, the previously reported financial information for the first fiscal quarter that ended December 31, 2016 (Q4 2016) through to the third fiscal quarter of that ended June 30, 2017 (Q3 2017) that was prepared on a liquidation basis, has been adjusted accordingly.

	Q4 Sep-18 $	Q3 Jun-18 $	Q2 Mar-18 $	Q1 Dec-17 $	Q4 Sep-17 $	Q3 Jun-17 $	Q2 Mar-17 $	Q1 Dec-16 $
Interest income	11,242	6,744	11,876	10,736	11,515	10,273	10,550	97,060
Gain on conversion of investment	1,883,932	-	-	-	-	-	-	-
Loss on FVTPL investments	(532,918)	-	-	-	-	-	-	-
Foreign exchange loss (gain)	25,346	(20,795)	(34,191)	(6,372)	49,652	28,943	(61,354)	37,660
Legal expenses	8,942	14,213	8,850	5,000	3,901	196,864	285,032	327
Restructuring costs	-	-	-	-	-	-	160,036	265,709
Stock-based compensation	-	391,761	-	-	-	-	-	-
Other General expenses	197,363	71,306	79,985	70,614	105,913	585,773	331,174	182,402
Income tax expense (recovery)	-	-	(212,873)	-	(813,203)	384,000	(148,855)	-
Net gain (loss)	1,130,605	(449,741)	170,105	(58,506)	665,252	(1,185,307)	(555,483)	(389,038)
Net gain (loss) per share (basic and diluted)	0.01	0.00	0.00	0.00	0.00	(0.01)	0.00	0.00
Other comprehensive income (loss)	(1,381,963)	1,381,963	-	-	-	365,243	-	-
Total comprehensive income (loss)	(251,358)	932,222	170,105	(58,506)	665,252	(820,064)	(555,483)	(389,038)
Total current assets	4,100,729	4,707,344	4,722,243	7,033,927	7,077,011	7,012,094	8,545,784	9,059,832
Total current liabilities	126,939	126,820	85,764	69,578	56,181	274,290	1,607,780	2,355,446
Total assets	8,421,368	8,883,685	7,307,568	7,121,277	7,166,386	7,103,493	8,598,035	9,375,905

5.3 – Dividends

It is not expected that the Issuer will declare or pay any cash dividends on any of its issued shares in the foreseeable future. It is expected that the directors of the Issuer will review its dividend policy from time to time in the context of the Issuer's earnings, financial condition, capital requirements and other relevant factors, however it is currently intended that the Issuer will retain all available funds and any future earnings to fund the development and growth of its business.

5.4 – Foreign GAAP

This section is not applicable to the Issuer.

6. MANAGEMENT'S DISCUSSION AND ANALYSIS

6.1 – Management's Discussion and Analysis

The full text of the Issuer's management discussion and analysis for the Issuer's fiscal years ended September 30, 2018, 2017 and 2016 are available on SEDAR.

7. MARKET FOR SECURITIES

7.1 – Listings

The Common Shares are currently listed for trading on the CSE under the symbol "KRI". The Issuer has changed its name from "Khan Resources Inc. to its current name "Cypherpunk Holdings Inc." and has reserved the symbol "HODL" with the CSE.

8. CONSOLIDATED CAPITALIZATION

8.1 – Consolidated Capitalization – Issuer

The following table sets forth the capitalization of the Issuer as of the date hereof.

Designation of Security	Amount Authorized or to be Authorized	Amount Outstanding as of the date of this Listing Statement(1)
Common Shares	Unlimited(2)	90,166,482
Options	Unlimited	5,000,000

Notes:

(1) *This figure represents the total issued and outstanding Common Shares as at the date of this Listing Statement on a non-diluted basis.*
(2) *The Issuer is authorized to issue unlimited common shares, without par value*.

9. OPTIONS TO PURCHASE SECURITIES

9.1 – Stock Option Plan – Issuer

The following table sets out the information on the outstanding options of the Issuer as of the date of this Listing Statement:

Holders	Number of the Issuer Options
Officers and Consultants	500,000
Directors and past directors	4,500,000
Employees	-
Consultants	-
Other persons	-
Total number of the Issuer options	5,000,000

10. DESCRIPTION OF THE SECURITIES

10.1 – Description of the Issuer's Securities

The Issuer's share capital consists of an unlimited number of Common Shares, of which there are 90,166,482 issued and outstanding as of the date hereof.

Holders of Common Shares are entitled to receive notice of any meetings of shareholders of the Issuer, and to attend and to cast one vote per Common Share at all such meetings. Holders of Common Shares do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the Common Shares entitled to vote in any election of directors may elect all directors standing for election. Holders of Common Shares are entitled to receive on a pro rata basis such dividends, if any, as and when declared by the Board at its discretion and to receive, on a pro rata basis, the net assets of the Issuer after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a pro rata basis with the holders of Common Shares with respect to dividends or liquidation. The Common Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions. For a full description of the characteristics of the Common Shares of the Issuer, reference should be made to the articles of amendment and by-laws of the Issuer and the relevant provisions of the OBCA.

The following table sets forth particulars of the fully-diluted share capitalization of the Issuer as of the date hereof:

Securities	Number of Common Shares
Issued and Outstanding Common Shares	90,166,482
Shares Issuable Upon Exercise of Stock Options	5,000,000
Total	**95,166,482**

10.2 – 10.7 – Miscellaneous Securities Provisions

None of the matters set out in Sections 10.2 to 10.6 of CSE - Form 2A are applicable to the Common Shares.

10.8 – Stock Exchange Price

The Issuer's Common Shares were listed and posted for trading on the Toronto Stock Exchange until May 11, 2012. On May 14, 2012, the Issuer's Common Shares commenced trading on the CSE under the trading symbol "KRI". The following table sets out the high and low share price trading range for Common Shares and volume of Common Shares traded on the CSE by month on a monthly basis for each month or, if applicable, part month, of the current quarter and the immediately preceding quarter and on a quarterly basis for the next preceding seven quarters:

Common Share Price per share Volumes Traded
(in Canadian dollars)

Period	High ($)	Low ($)	Volume (#)
January 1– 28 2019	0.07	0.05	4,200
December 2018	0.07	0.05	270,200
November 2018	0.07	0.05	377,800
October 2018	0.07	0.06	555,800
June - September 2018	0.09	0.07	1,143,600
April - June 2018	0.12	0.08	8,459,743
January – March 2018	0.18	0.1	9,163,195
October – December 2017	0.17	0.06	20,323,653
July – September 2017	0.07	0.05	24,234,181
April - June 2017	0.1	0.05	17,166,467
January – March 2017	0.06	0.03	24,762,358

11. ESCROWED SECURITIES AND SECURITIES SUBJECT TO RESALE RESTRICTIONS

11.1 – Escrowed Securities

There are no escrowed securities.

12. PRINCIPAL SHAREHOLDERS

12.1 and 12.2 – Principal Shareholders

Principal Securityholders

To the best of the knowledge of the directors and officers of the Issuer, other than as set out below, there are no persons or companies who will beneficially own, directly or indirectly, or exercise control or direction over, shares carrying more than 10% of the voting rights attached to the Common Shares.

Name of Shareholder	Number of Common Shares beneficially owned, controlled or directed, directly or indirectly	Percentage of Common Shares beneficially owned, controlled or directed, directly or indirectly
HFT Strategies Inc.	10,656,000(1)	10%

12.3 – Voting Trusts

To the knowledge of the Issuer, no voting trust exists such that more than 10% of any class of voting securities of the Issuer are held, or are to be held, subject to any voting trust or other similar agreement.

13. DIRECTORS AND OFFICERS

13.1 – 13.3, 13.5, 13.11 – Directors and Officers

The Issuer's Board is currently comprised of five directors, each of whom has been appointed to hold office until his successor is elected or appointed, or unless he first resigns.

The following table sets forth for each director and executive officer of the Issuer: place of residence; present principal occupation and principal occupations held in the last five years, if different; a brief description of the nominee's principal directorships, memberships and education; the number of Common Shares beneficially owned, directly or indirectly, or over which control or direction, directly or indirectly, is exercised; the date the individual became a director of the Issuer; current membership on committees of the Board; and whether or not the Board has determined each nominee to be independent. There are no contracts, arrangements or understandings between any director or executive officer or any other person pursuant to which any of the directors and officers were elected or appointed.

Name, province or state and country of residence	Position with the Issuer	Principal Occupation	Served as Director of the Issuer since (1)	Number of Common Shares beneficially owned, directly or indirectly, or controlled or directed at present (1)	Percentage of Voting Shares Owned or Controlled
Marc Henderson Toronto, Ontario, Canada Interim President and Chief Executive Officer	Interim President and Chief Executive Officer, Director	Interim President and Chief Executive Officer, Director	Director since June 21, 2010	4,000,000	4.44%
Michael Sadhra Richmond, British Columbia, Canada	Director	Partner at Sadhra & Chow LLP, an accounting firm.	Director since May 5, 2016	2,000,000	2.22%
Blaise Yerly Bulle, Switzerland	Director	Director	Director since May 5, 2017	2,600,000	2.88%
Dominic Frisby London, United Kingdom	Director	Director, Author, Journalist	Director since June 6, 2018	200,000	<1%
Mohammed Adham Ottawa, Ontario, Canada	Chief Investment Officer and Director	Chief Investment Officer, Chief Executive Officer of Bitaccess Inc.	Director since August 14, 2018	6,850	<1%

Dennis Gibson Oakville, Ontario, Canada	Chief Financial Officer	Chief Financial Officer	Not Applicable	Nil	Nil

Notes:

(1) Each of the named directors also holds options to purchase 900,000 Common Shares at a price of $0.10 per Common Share until June 1, 2023.

As at the date of this Listing Statement, the directors and executive officers of the Issuer as a group owned beneficially, directly or indirectly, or exercise control or direction over 8,800,000 Common Shares, or 9.76% of the outstanding Common Shares.

Management and Directors

Set forth below is a description of the background of the directors and officers of the Issuer.

Marc C. Henderson, Interim President and Chief Executive Officer, and Director, age 59 -, Mr. Henderson is the President and CEO and a director of Laramide Resources Ltd., a Toronto-based resource company specializing in the acquisition, discovery and development of uranium projects and one of the Issuer's significant shareholders. Mr. Henderson is also a director of Plateau Uranium Mr. Henderson has more than 20 years of experience running junior mining companies and has served as president of a number of public companies, including Aquiline Resources Inc. from 1998 until its sale to Pan American Silver in 2009.

Michael Sadhra, Director, age 50 - Mr. Sadhra is a Director and former Interim Chief Financial Officer of the Issuer. He also serves as the Chief Financial Officer of Micron Waste Technologies, Chief Financial Officer and Director of Breathtec Biomedical Inc., and as a Director of Cairo Resources Inc. In addition, Mr. Sadhra is currently a tax partner with Sadhra & Chow LLP, and has served in this role since April 2009. Mr. Sadhra has served as the Chief Financial Officer of several public companies including Cairo Resources Inc., Reservoir Capital Corp. and Lara Exploration Ltd. and was a former Senior Tax Manager at KPMG LLP where he specialized in Canadian and international taxation for mining companies. Mr. Sadhra holds a Bachelor of Commerce from the University of British Columbia and is a Chartered Professional Accountant.

Blaise Yerly, Director, age 53 - Mr. Yerly is a Director of the Issuer. He was Chairman and a director of Aquiline Resources Inc. from 1998 until it was sold to Pan American Silver Corp. in December 2009. Mr. Yerly was a director of Javelina Resources Ltd. until it was merged with Midpoint Holdings Ltd. in April 2013. Mr. Yerly has been the executive Chairman of Wacyba Ltd., a private investment company, since March 2008.

Mohammed (Moe) Adham, Chief Investment Officer (CIO) and Director, age 31 - Mr Adham is currently the CEO of Ottawa based Bitaccess (www.Bitaccess.ca) which developed the world's first Bitcoin Teller Machine (BTM) and whose software currently powers the one of world's largest network of such machines. Bitaccess was also recently selected by the Government of Canada to run one of their first pilot programs trialing a Blockchain application, in this case one intended to make government research grant and funding information more transparent to the public. This application runs on Bitaccess' Catena Blockchain Suite platform and the pilot program is being overseen by the National Research Council, Canada's leading industrial research organization. Mr. Adham has a Master's Degree in Nanotechnology from the Swiss Federal

Institute of Technology (EPFL) and a degree in Engineering / Economics from the University of Waterloo.

Dominic Frisby, Director, age 49 - Mr. Frisby, who resides in the UK, is an author and freelance journalist, market commentator and speaker. His books include "Bitcoin: The Future of Money?" and Life After the State (2013), both published by Unbound. Mr. Frisby has also written freelance columns for Moneyweek, The Guardian, The Independent, Aeon, CoinRivet and various other publications. He has been a speaker at conferences, on the after-dinner circuit and as pundit on BBC TV and radio, Sky, ITV and Channel 4, talking about gold, mining, commodities, crypto-currency and technical analysis. In addition, during the period from 2006 to 2017, Mr. Frisby hosted various regular podcasts, he has worked as a voiceover narrator since 1994 and has performed numerous shows at the Edinburgh Festival, usually related to finance. He has a Bachelor's of Arts degree from Manchester University.

Dennis Gibson, Chief Financial Officer - Mr. Gibson is the Chief Financial Officer of the Issuer and has served in this role since August 27, 2018. He also serves as Chief Financial Officer of Treasury Metals Inc. (since July 1, 2010) and Laramide Resources Ltd. (since 2006). Mr. Gibson was formerly Chief Financial Officer of Forrester Metals Inc., from September 2014 to June 2017, and prior thereto Vice-President, Chief Financial Officer and Corporate Secretary of Vector Intermediaries Inc.; and, former Chief Financial Officer of Aquiline Resources Inc. (2006-2009).

13.4 – Board Committees of the Issuer

The Board has established two (2) standing committees: (1) an Audit Committee (the "**Audit Committee**"); and (2) a Compensation Committee (the "**Compensation Committee**"). A brief description of each committee is set out below.

Audit Committee.

The Audit Committee assists the Board in fulfilling its responsibilities for oversight of financial and accounting matters. The Audit Committee recommends the auditors to be nominated and reviews the compensation of the auditors. The Audit Committee is directly responsible for overseeing the work of the auditors, must pre-approve non-audit services, be satisfied that adequate procedures are in place for the review of the Issuer's public disclosure of financial information extracted or derived from Khan's financial statements and must establish procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters. The current members of the Audit Committee are Marc C. Henderson, Dominic Frisby and Blaise Yerly.

Compensation Committee.

The Compensation Committee assists the Board in fulfilling its responsibilities for compensation philosophy and guidelines, and fixing compensation levels for Khan's executive officers. In addition, the Compensation Committee is charged with reviewing the Plan and proposing changes thereto, approving any awards of options under the Plan and recommending any other employee benefit plans, incentive awards and perquisites with respect to Khan's executive officers.

Each of the members of the Compensation Committee has direct experience that is relevant to their responsibilities regarding executive compensation of the Issuer. Accordingly, as a result of this collective experience, the Compensation Committee has knowledge of typical day-to-day responsibilities and challenges faced by the Issuer's management team, the role of a Board in reviewing the executive compensation of a reporting issuer, and first-hand knowledge regarding executive compensation policies and practices in the private sector, all of which are beneficial to the committee in the context of its review of the Issuer's compensation policies and practices.

The current members of the Compensation Committee are Marc C. Henderson, Dominic Frisby and Blaise Yerly.

13.6 – 13.9 Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Other than as set out below, none of the directors of the Issuer (or any of their personal holding companies) of the Issuer:

(a) is, or during the ten years preceding the date of this Listing Statement has been, a director, chief executive officer or chief financial officer of any company, including the Issuer, that:

   (i) was subject to an order that was issued while the director was acting in the capacity as director, chief executive officer or chief financial officer; or

   (ii) was subject to an order that was issued after the director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer;

(b) is, or during the ten years preceding the date of this Listing Statement has been, a director or executive officer of any company, including the Issuer, that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager, or trustee appointed to hold its assets; or

(c) has, within the ten years preceding the date of this Listing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

For the purposes of paragraphs (a)(i) and (a)(ii) above, an "order" means: (i) a cease trade order; (ii) an order similar to a cease trade order; or (iii) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days.

Dennis Gibson was a senior officer of Forrester Metals Inc. (formerly Vena Resources Inc.) when a cease trade order was made by the Ontario Securities Commission (the "**OSC**") on April 5, 2016 and by the British Columbia Securities Commission (the "**BCSC**") on April 8, 2016, as a result of that issuer's failure of to file its annual financial statements for the year ended December 31, 2015 when required. The management cease trade order was subsequently revoked by the OSC and the BCSC after that issuer filed the financial statements.

None of the directors (or any of their personal holding companies) has been subject to:

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body which would likely be considered important to a reasonable security holder of the Issuer in deciding whether to vote for a director.

13.10 – Conflicts of Interest

There are potential conflicts of interest to which the directors and officers of the Issuer may be subject in connection with the operations of the Issuer. Some of the directors and officers are engaged and will continue to be engaged, directly or indirectly, in other businesses and situations may arise where some of the directors and officers will be in direct competition with the Issuer. Except as otherwise disclosed in this Listing Statement, no conflicts of interest currently exist between the Issuer and a director or officer of the Issuer.

The directors and officers of the Issuer are required by law to act in the best interests of the Issuer. They have the same obligations to the other companies in respect of which they act as directors and officers. Any decision made by any of such officers or directors involving the Issuer will be made in accordance with their duties and obligations under the applicable laws.

14. CAPITALIZATION

14.1 – Issued Capital

As at the date of this Listing Statement, the Issuer has the following issued and outstanding securities according to the below table:

	Number of Securities (non-diluted)	**Number of Securities (fully-diluted)**	**% of Issued (non-diluted)**	**% of Issued (fully diluted)**
Public Float				
Total outstanding (A)	90,166,482	95,166,482	100%	100%
Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or	8,800,000	13,800,000	9.76%	14.50%

	Number of Securities (non-diluted)	Number of Securities (fully-diluted)	% of Issued (non-diluted)	% of Issued (fully diluted)
companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B)				
Total Public Float (A-B)	81,366,482	36,337,135	90.24%	85.50%
Freely-Tradable Float				
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	Nil	Nil	Nil	Nil
Total Tradable Float (A-C)	90,166,482	95,166,482	100%	100%

Public Securityholders (Registered)

Class of Security **Size of Holding**	**Number of holders**	**Total number of securities**
1 – 99 securities	0	0
100 – 499 securities	0	0
500 – 999 securities	0	0
1,000 – 1,999 securities	1	1,000
2,000 – 2,999 securities	0	0
3,000 – 3,999 securities	1	3,000
4,000 – 4,999 securities	0	
5,000 or more securities	3	90,162,482
	5	**90,166,482**

Public Securityholders (Beneficial)

Class of Security **Size of Holding**	**Number of holders**	**Total number of securities**
1 – 99 securities	16	401
100 – 499 securities	115	26,472
500 – 999 securities	106	64,529
1,000 – 1,999 securities	152	171,369
2,000 – 2,999 securities	91	189,196

3,000 – 3,999 securities	34	106,770
4,000 – 4,999 securities	20	82,300
5,000 or more securities	216	56,648,599
	750	**57,289,636**

Non-Public Securityholders (Registered)

Class of Security **Size of Holding**	**Number of holders**	**Total number of securities**
1 – 99 securities	Nil	Nil
100 – 499 securities	Nil	Nil
500 – 999 securities	Nil	Nil
1,000 – 1,999 securities	Nil	Nil
2,000 – 2,999 securities	Nil	Nil
3,000 – 3,999 securities	Nil	Nil
4,000 – 4,999 securities	Nil	Nil
5,000 or more securities	48	32,832,446
	48	**32,832,446**

14.2 – Convertible Securities

Description of Security (include conversion / exercise terms, including conversion / exercise price)	Number of convertible / exchangeable securities outstanding	Number of listed securities issuable upon conversion / exercise
Stock Options	5,000,000	5,000,000

14.3 – Other Securities reserved for Issuance

There are no other securities of the Issuer reserved for issuance.

15. EXECUTIVE COMPENSATION

This section of the Listing Statement explains how the Issuer's executive compensation program is designed and operated with respect to the President and Chief Executive Officer (referred to as the "**CEO**" in the narrative discussion in this section and under the section entitled "**Executive Compensation Tables**"), Chief Financial Officer ("**CFO**"), and the three other most highly compensated executive officers included in this reported financial year whose total compensation was, individually, more than $150,000 (together with the CEO and CFO collectively referred to as the "**Named Executive Officers**" or "**NEOs**", and each a "**Named Executive Officer**" or "**NEO**"). This section also identifies the objectives and material elements of compensation awarded to the NEOs and the reasons for the compensation. For a complete understanding of the executive compensation program, this Compensation Discussion and Analysis should be read in conjunction with the Summary Compensation Table and other executive compensation-related disclosure included in this Listing Statement.

Director and Named Executive Officer Compensation

Director and named executive officer compensation, excluding compensation securities

The following table sets forth a summary of the compensation paid to the NEO's and the Directors for the two most recently completed financial years:

During the most recently completed financial year ended September 30, 2018, the following individuals were NEOs of the Issuer:

(a) Marc Henderson, Interim Chairman, President and Chief Executive Officer of the Issuer from May 5, 2017;
(b) Dennis Gibson, Chief Financial Officer, from August 27, 2018; and
(c) Michael Sadhra, former Interim Chief Financial Officer from May 5, 2017 until August 27, 2018.

No material changes to the Issuer's compensation practices are currently expected.

Table of compensation excluding compensation securities							
Name and position	**Year**	**Salary, consulting fee, director fee, retainer or commission ($)**	**Bonus ($)**	**Committee or meeting fees ($)**	**Value of perquisites ($)**	**Value of all other compensation ($)**	**Total compensation ($)**
Marc Henderson(1) Interim Chief Executive Officer and Director	2018 2017	15,000 19,500	Nil Nil	Nil Nil	Nil Nil	Nil Nil	15,000 19,500
Dennis Gibson Chief Financial Officer	2018 2017	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil
Mohammed Adham Chief Investment Officer and Director	2018 2017	30,000 Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil	30,000 48,000
Michael Sadhra(2) Former Interim Chief Financial Officer and Director	2018 2017	15,000 6,250	Nil Nil	Nil Nil	Nil Nil	Nil Nil	15,000 6,250
Blaise Yerly(3) Director	2018 2017	15,000 6,250	Nil Nil	Nil Nil	Nil Nil	Nil Nil	15,000 6,250
Dominic Frisby(4) Director	2018 2017	30,000l Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil	30,000 Nil
Kulwant Sing Malhi(5) Former Director	2018 2017	10,467 6,250	Nil Nil	Nil Nil	Nil Nil	Nil Nil	10,467 6,250

Notes:

(1) Mr. Henderson was appointed as interim CEO of the Issuer on May 5, 2017.
(2) Mr. Sadhra was appointed as interim CEO and director of the Issuer on May 5, 2017.
(3) Mr. Yerly was appointed as a director of the Issuer on May 5, 2017.
(4) Mr. Malhi was a director of the Issuer from May 5, 2017 until June 6, 2018.
(5) Mr. Frisby was appointed as a director of the Issuer on June 6, 2018.
(6) Mr. Adham was appointed as Chief Investment Officer of the Issuer on June 6, 2018 and was elected as a director of the Issuer on August 14, 2018.
(7) Fees are all director fees other than Mr. Henderson, Mr. Gibson, Mr. Adham and Mr. Sadhra who were officers for the periods indicated above.

Outstanding Share-Based Awards and Option-Based Awards

The following table sets out for each NEO and Director of the Issuer all compensation securities granted or issued to such NEO and Director in the most recently completed financial year for services provided or to be provided, directly or indirectly, to the Issuer.

Compensation Securities							
Name and position	**Type of compensation security**	**Number of compensation securities, number of underlying securities, and percentage of class**	**Date of issue or grant**	**Issue, conversion or exercise price ($)**	**Closing price of security or underlying security on date of grant ($)**	**Closing price of security or underlying security at year end ($)**	**Expiry date**
Marc Henderson Interim Chief Executive Officer and Director	Stock Options	900,000	June 1, 2018	0.10	0.09	0.07	June 1, 2023
Dennis Gibson Chief Financial Officer	Stock Options	300,000	June 1, 2018	0.10	0.09	0.07	June 1, 2023
Mohammed Adham Chief Investment Officer and Director	Stock Options	900,000	June 1, 2018	0.10	0.09	0.07	June 1, 2023
Michael Sadhra Former Interim Chief Financial Officer and Director	Stock Options	900,000	June 1, 2018	0.10	0.09	0.07	June 1, 2023
Blaise Yerly Director	Stock Options	900,000	June 1, 2018	0.10	0.09	0.07	June 1, 2023
Dominic Frisby Director	Stock Options	900,000	June 1, 2018	0.10	0.09	0.07	June 1, 2023
Kulwant Sing Malhi Former Director	Stock Options	Nil	Nil	Nil	Nil	Nil	Nil

Compensation Discussion and Analysis

<u>Objectives of the Compensation Program</u>

The objectives of the Issuer's executive compensation program are:

(a) to reward individual contributions in light of overall business results;

(b) to be competitive with the companies with whom the Issuer competes for talent;

(c) to align the interests of the executives with the interests of the shareholders; and

(d) to attract and retain executives who can help the Issuer achieve its objectives.

Elements of Executive Compensation

Total direct compensation ("**Total Direct Compensation**") represents the combined value of fixed compensation and performance-based variable incentive compensation, comprising: base salary, short-term incentive compensation in the form of an annual cash bonus, and long-term incentive compensation in the form of stock options.

The allocation of Total Direct Compensation value to these different compensation elements is not based on a formula, but rather is intended to reflect the Compensation Committee's discretionary assessment of an executive officer's past contribution and ability to contribute to future short and long-term business results, all consistent with the circumstances of the Issuer.

Base Salary

The base salary of each NEO is reviewed annually and is the fixed portion of each NEO's Total Direct Compensation and is designed to provide income certainty consistent with the circumstances of the Issuer.

Short-term Incentives

The annual cash bonus is a short-term incentive that is intended to reward each executive officer for their yearly individual contribution in the context of overall annual corporate performance.

Long-term Incentives

Long-term incentive compensation is provided through the granting of stock options. This incentive arrangement is designed to motivate executives to achieve longer-term business results, align their interests with those of the shareholders and to attract and retain executives. Participants benefit only if the market value of the Issuer's Common Shares at the time of a stock option exercise is greater than the exercise price of the stock options at the time of the relevant grant. Stock options generally vest at the date of the grant, or as otherwise determined by the Board. Other than the Plan described below, the Issuer does not have a share-based awards plan or long-term incentive plan.

Determination of Compensation

Rather than strictly applying formulas and weightings to forward-looking performance objectives, which may lead to unintended consequences for compensation purposes, the Compensation Committee exercises its discretion and uses sound judgment in making compensation determinations. For this reason, the Compensation Committee does not measure performance using any pre-set formulas in determining compensation awards for NEOs.

The Board does not feel it is necessary to assess the effectiveness of individual board members. Each board member has considerable experience which is sufficient to meet the needs of the Issuer. On an annual basis, however, the Board assesses the contributions of each of the individual directors, and of the Board as a whole, in order to determine whether each is functioning effectively.

Stock Options

Stock Option Granting Process

Generally, stock option grants are determined annually. The CEO makes recommendations to the Compensation Committee and the Board regarding individual stock option awards for all recipients. The CEO does not engage in discussions with the Compensation Committee or the Board regarding his own stock option grants. The Compensation Committee and the Board deliberate and consider relevant market data and other information in order to determine the CEO's stock option grant.

The Compensation Committee and the Board review the appropriateness of the stock option grant recommendations from the CEO for all eligible employees and accepts or adjusts these recommendations. The Compensation Committee and the Board are responsible for approving all individual stock option grants, including grants that are awarded outside the annual compensation deliberation process for such things as promotions or new hires.

In the fiscal year ended September 30, 2018, an aggregate of 5,000,000 stock options were granted to employees directors and consultants of the Issuer.

Stock Option Plan

On May 21, 2004, the Issuer introduced the Plan, which was subsequently amended on January 9, 2009 and re-approved on January 13, 2012 by the Board and most recently obtained shareholder approval on February 16, 2012. Further housekeeping and clerical revisions to the Plan were approved by the Board on January 10, 2013 to reflect the Issuer's migration to the CSE. The CSE does not require annual approval by the shareholders of the Plan. The purpose of the Plan is to advance the interests of the Issuer and its subsidiaries by encouraging the directors, officers, employees and consultants (including the directors, officers and employees of such consultants) (each a "**Participant**") of the Issuer and its subsidiaries to acquire Common Shares, thereby (a) increasing the proprietary interests of such persons in the Issuer, (b) aligning the interests of such person with the interests of the Issuer's shareholders generally, (c) encouraging such persons to remain associated with the Issuer, and (d) furnishing such persons with an additional incentive in their efforts on behalf the Issuer.

According to the provisions of the Plan, the Board is authorized to provide for the granting, exercise and method of exercise of options, all on such terms as it shall determine including the delegation of the administration and operation of the Plan, in whole or in part, to a committee of the Board, subject to the terms of the Plan and applicable stock exchange rules. Under the Plan, the aggregate number of shares reserved for issuance may not exceed the greater of 5,000,000 Common Shares or 10% of the total number of issued and outstanding Common Shares at the time of any option grant, being 9,016,648 Common Shares as of the date of this Listing Statement. As of the date hereof, there were no options outstanding under the Plan. Accordingly, the Issuer may grant 9,016,648 options under the Plan (representing 10.00% of the issued and outstanding Common Shares), calculated based on 10% of the number of Common Shares issued and outstanding as of the date of this Listing Statement.

The number of Common Shares that may be acquired under an option granted to a Participant is determined by the Board, provided that the aggregate number of Common Shares reserved for issuance in any twelve (12) month period to any one Participant shall not exceed 5% of the Issuer's then issued and outstanding Common Shares unless the Issuer has obtained prior shareholder approval. In addition, no more than 2% of the Issuer's then issued and outstanding Common Shares may be granted to any one consultant or to any one employee in any twelve (12) month period.

Within any twelve (12) month period, the number of Common Shares issued to insiders of the Issuer under the Plan and any other security based compensation arrangement, may not exceed 10% of the Issuer's then issued and outstanding Common Shares and nor may the number of Common Shares reserved for issuance to insiders of the Issuer under the Plan at any time exceed 10% of the Issuer's then issued and outstanding Common Shares.

The exercise price of any options granted under the Plan will be fixed by the Board at the time of the grant, provided that the options shall not be less than the closing price of the Common Shares on the business day immediately prior to the date of the grant as quoted on the CSE.

The period during which an option may be exercised shall also be determined by the Board at the time the option is granted, provided that no option shall be exercisable for a period exceeding five (5) years from the date it was granted and subject to any vesting limitations imposed by the Board in its sole unfettered discretion at the time of the grant. Generally, options expire within ninety (90) days of a Participant ceasing to be a Participant, or if the Participant is engaged to provide investor relations activities to the Issuer, thirty (30) days after the optionee ceases to be employed to provide such investor relations activities or immediately if the Participant is terminated for cause. In the event of death or permanent disability of a Participant, any option previously granted to such Participant shall be exercisable until the end of the option period or until the date that is not later than one year after the date of death or permanent disability of such Participant, whichever is earlier unless otherwise determined by the Board. All options granted pursuant to the Plan are personal to the grantee and are not assignable or otherwise transferable except for a limited right of assignment to allow: (a) the exercise of options by a Participant's legal representative in the event of death or incapacity, or (b) the transfer of an option to a corporation wholly owned by the Participant or certain trusts, of which the Participant is the sole beneficiary.

The Plan or any option thereunder may be amended at any time, subject to the approval of the Board and the shareholders of the Issuer, as well as any requisite regulatory approvals, in order to: (i) increase the maximum number (or percentage) of Common Shares issuable under the Plan, (ii) increase the maximum number of Common Shares issuable under the Plan to insiders, (iii) make any amendment that would reduce the exercise price of any outstanding option (including a cancellation or reissue of an option constituting a reduction of the exercise price), (iv) extend the term of any option granted under the Plan beyond the original expiry date, (v) increase the maximum term of any option permitted under the Plan, (vi) expand the categories of individuals eligible to participate under the Plan, (vii) allow options to be transferred or assigned other than as provided under the Plan (and described above), or (viii) to amend the amendment provisions of the Plan.

Without limiting the scope of the foregoing, the Plan provides that, for greater certainty, the Board may at any time and for any reason, make the following amendments to the Plan or any option thereunder without shareholder approval (provided that a Participant's consent to such action is required unless the Board determines that the action would not materially and adversely affect the existing rights of such Participant): (i) amendments of a housekeeping or clerical nature, as well as any clarifying amendment to the provisions of the Plan, (ii) amendments to the eligibility criteria and limits for participation in the Plan, (iii) a change to the termination provisions of an option or of the Plan, provided that the change does not entail an extension beyond an option's original expiry date, (iv) additions and amendments to or deletions from the Plan in order to comply with legislation governing the Plan or the requirements of a regulatory body or stock exchange, and (v) amendments to the provisions relating to the administration of the Plan.

Other Compensation

Executive officers may receive other benefits that the Issuer believes are reasonable and consistent with its overall executive compensation program. Benefits may include traditional health programs, bonus payments and limited executive perquisites.

How the Issuer Determines Compensation

The Role of the Compensation Committee

The Compensation Committee approves, or recommends for approval, all compensation to be awarded to the NEOs. The Compensation Committee reviews various materials in its deliberations before considering or rendering decisions.

The Compensation Committee has full discretion to adopt or alter management recommendations or to consult its own external advisors.

The Compensation Committee believes it is important to follow appropriate governance practices in carrying out its responsibilities with respect to the development and administration of executive compensation and benefit programs. Governance practices followed by the Compensation Committee include holding in-camera sessions without management present and, when necessary, obtaining advice from external consultants.

The Role of Management

Management has direct involvement in and knowledge of the business goals, strategies, experiences and performance of the Issuer. As a result, management plays an important role in the compensation decision-making process. The Compensation Committee engages in active discussions with the CEO concerning the determination of performance objectives.

The CEO makes recommendations to the Compensation Committee regarding the amount and type of compensation awards for other members of executive management. The CEO does not engage in discussions with the Compensation Committee regarding his own Total Direct Compensation. The Compensation Committee is provided with relevant market data and other information as requested, in order to support the Compensation Committee's deliberations regarding the CEO's Total Direct Compensation and subsequent recommendation to the Board.

Performance Assessment

Rather than strictly applying formulas and weightings to forward-looking performance objectives, which may lead to unintended consequences for compensation purposes, the Compensation Committee exercises its discretion and uses sound judgment in making compensation determinations. For this reason, the Compensation Committee does not measure performance using any pre-set formulas in determining compensation awards for NEOs.

Corporate Performance

In recent years, the Issuer has had objectives primarily related to the collection of the international arbitration award, the distribution of any collected funds to its shareholders in a timely and tax efficient manner, and operating the Issuer in a cost effective manner. These objectives are utilized by the Compensation Committee as a reference when making compensation decisions.

Individual Performance

The Compensation Committee, in consultation with the CEO, reviews the achievements and overall contribution of each individual executive officer who reports to the CEO. The Compensation Committee has in-camera discussions to complete an independent assessment of the performance of the CEO.

Previously Awarded Compensation

The Compensation Committee approves or recommends compensation awards which are not contingent on the number, term or current value of other outstanding compensation previously awarded to the individual. The Compensation Committee believes that reducing or limiting current stock option grants or other forms of compensation because of prior gains realized by an executive officer would unfairly penalize the officer and reduce the motivation for continued high achievement. Similarly, the Compensation Committee does not purposely increase long-term incentive award values in a given year to offset less-than-expected returns from previous grants.

During the annual Total Direct Compensation deliberations, the Compensation Committee is provided with summaries of the history of each executive officer’s previously awarded Total Direct Compensation. These summaries help the Compensation Committee to track changes in an executive officer’s Total Direct Compensation from year to year and to remain aware of the historical compensation for each individual.

Decisions Related to Executive Compensation That Were Taken After Year End

There were no decisions related to executive compensation that were taken after the year ended September 30, 2018.

Pension Plan Benefits

The Corporation does not have any pension plans that provide for payments or benefits at, following, or in connection with retirement or provide for retirement or deferred compensation plans.

16. INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As at and during the twelve months immediately preceding the date of this Listing Statement, none of the directors or officers of the Issuer or any of affiliate or associate thereof is or has been indebted to the Issuer.

17. RISK FACTORS

17.1 – Description of Risk Factors

An investment in the Issuer's Common Shares involves a high degree of risk, and an investor should only purchase the Issuer's securities if he or she can afford to suffer the loss of his or her entire investment. In determining whether to purchase the Common Shares, an investor should carefully consider all of the material risks described below, together with the other information contained in this report and the Issuer's other public filings before making a decision to purchase the Issuer's securities. In addition to the risks discussed below, other risks not presently known to us or that the Issuer currently believe to be immaterial may also adversely affect the Issuer's business, financial condition and results of operations, perhaps materially. The risks discussed below also include forward-looking statements, and actual results and events may differ substantially from those discussed or highlighted in those forward-looking statements. See also "*Forward-Looking Statements*."

General Risks

We have a history of operating losses, and the Issuer may not be able to achieve or sustain profitability; the Issuer have recently shifted to an entirely new business and may not be successful in this new business.

The Issuer is not profitable and have incurred losses since the Issuer's inception. The Issuer expects to continue to incur losses for the foreseeable future, and these losses could increase as the Issuer continue to work to develop the Issuer's business. The Issuer was previously engaged in the mineral resource business, which resulted in protracted litigation and the termination of its operations in that business. In March 2018, the Issuer determined to instead pursue a blockchain and cryptocurrency-related business, initially through investments in existing companies. The Issuer's initial efforts in this new business involved two private equity investments in early stage companies and are intended to include making additional investments and holding cryptocurrencies. The Issuer's current strategy is new and unproven, is in an industry that is itself new and evolving, and is subject to the risks discussed below. This strategy may not be successful, and the Issuer may never become profitable. Even if the Issuer achieves profitability in the future, the Issuer may not be able to sustain profitability in subsequent periods.

Investments

The Issuer holds interests in investments. As a result, investors in the Issuer are subject to the risks attributable to these investments.

The Issuer's ability to pay its expenses and any future dividends, to meet its obligations and to execute on current or desirable future opportunities or acquisitions generally depends upon receipt of dividends from Investments, sufficient proceeds from the divestment of Investments, and the Issuer's ability to raise additional capital. The likelihood that shareholders of the Issuer will receive returns will be dependent upon the operating performance, profitability, financial position and creditworthiness of the investments and on their ability to pay dividends to the Issuer or to be divested by the Issuer at a gain.

Private Companies and Illiquid Securities

The Issuer invests in securities of private companies. In some cases, the Issuer may be restricted by contract or by applicable securities laws from selling such securities for a period of time. Such securities may not have a ready market and the inability to sell such securities or to sell such securities on a timely basis or at acceptable prices may impair the Issuer’s ability to exit such investments when the Issuer considers it appropriate.

Lack of Control over Companies in which the Issuer Invests

In certain cases, the Issuer invests in securities of companies that the Issuer does not control. These investments will be subject to the risk that the Issuer in which the investment is made may make business, financial or management decisions with which the Issuer does not agree or that the majority stakeholders or management of the Issuer may take risks or otherwise act in a manner that does not serve the Issuer's interests. If any of the foregoing were to occur, the values of investments by the Issuer could decrease and the Issuer’s financial condition and cash flow could suffer as a result.

The Issuer may be unable to raise additional capital needed to grow its business.

The Issuer will likely continue to operate at a loss, at least until the Issuer’s business becomes established, and the Issuer expect to need to raise additional capital to expand the Issuer’s operations and pursue the Issuer’s growth strategies, including potential investments in and acquisitions of complementary businesses, and to respond to competitive pressures or unanticipated working capital requirements. The Issuer may not be able to obtain debt or equity financing on favorable terms, if at all, which could impair the Issuer’s growth and adversely affect the Issuer’s existing operations. If the Issuer raises additional equity financing, the Issuer’s shareholders may experience significant dilution of their ownership interests, and the value of the Issuer’s Common Shares could decline.

Unfavorable general economic conditions in Canada and globally can adversely affect the Issuer’s business and the Issuer’s ability to obtain future financing.

The Issuer’s business could be materially adversely affected by unfavorable general economic conditions, including effects of weak domestic and world economies. Future volatility and disruption in worldwide capital and credit markets and any declines in economic conditions in Canada or in other parts of the world could adversely impact the Issuer’s business and results of operations, particularly if the availability of financing for us is limited.

We have an evolving business model.

As cryptocurrency assets and blockchain technologies become more widely available, the Issuer expect the services and products associated with them to evolve. In order to stay current with the industry, the Issuer's business model may need to evolve as well. From time to time, the Issuer may modify aspects of the Issuer's business model. The Issuer cannot offer any assurance that these or any other modifications will be successful or will not result in harm to the Issuer's business. The Issuer may not be able to manage growth effectively, which could damage the Issuer's reputation, limit the Issuer's growth and negatively affect the Issuer's operating results. Such circumstances could have a material adverse effect on the Issuer's ability to continue as a going concern or to pursue the Issuer's new strategy at all, which could have a material adverse effect on the Issuer's business, prospects or operations.

We may acquire other businesses, form joint ventures or make investments in other companies or technologies that could negatively affect the Issuer's operating results, dilute the Issuer's shareholders' ownership, increase the Issuer's debt or cause the Issuer to incur significant expense; notwithstanding the foregoing, the Issuer's growth may depend on the Issuer's success in uncovering and completing such deals.

We commenced the implementation of the Issuer's new strategy with the Issuer's investments in Hydro66 and Chia. The Issuer may pursue, and the Issuer's growth may depend upon the Issuer's success in making, other investments in companies and acquisitions of businesses and assets and/or strategic alliances and joint ventures. The Issuer have limited experience in acquiring other companies and forming strategic partnerships. The Issuer may not be able to find suitable partners or acquisition candidates, and may not be able to complete such transactions on favorable terms, if at all. If the Issuer make any acquisitions, the Issuer may not be able to integrate these acquisitions successfully into the existing business, and could assume unknown or contingent liabilities.

Any future acquisitions also could result in the incurrence of debt, contingent liabilities or future write-offs of intangible assets or goodwill, any of which could have a negative impact on the Issuer's cash flows, financial condition and results of operations. Integration of an acquired company may also disrupt ongoing operations and require management resources that the Issuer would otherwise focus on developing the existing business. The Issuer may experience losses related to investments in other companies, which could harm the Issuer's financial condition and results of operations. Further, the Issuer may not realize the anticipated benefits of any acquisition, strategic alliance or joint venture.

To finance any acquisitions or joint ventures, the Issuer may choose to issue shares of Common Shares as consideration, which could dilute the ownership of the shareholders. Additional funds may not be available on terms that are favorable to us, or at all. If the price of the Issuer's Common Shares is low or volatile, the Issuer may not be able to acquire other companies or fund a joint venture project using stock as consideration.

The Issuer may not be able to compete with other companies, some of whom have greater resources and experience.

The Issuer may not be able to compete successfully against present or future competitors. The Issuer do not have the resources to compete with other blockchain and cryptocurrency related businesses. The cryptocurrency industry has attracted various high-profile and well- established operators, some of which have substantially greater liquidity and financial resources than the Issuer do. With the limited resources the Issuer has available, the Issuer may experience difficulties in developing the Issuer's planned business. Competition from existing and future competitors, particularly the many Canadian companies could result in the Issuer's inability to secure acquisitions and partnerships that the Issuer may need to achieve the Issuer's business objectives. This competition from other entities with greater resources, experience and reputations may result in the Issuer's failure to maintain or expand the Issuer's business, as the Issuer may never be able to successfully execute the Issuer's business plan.

The Issuer's management team is new; loss of key members of management, or the Issuer's inability to attract and retain qualified personnel could adversely affect the Issuer's business.

The Issuer's success and future growth will depend to a significant degree on the skills and services of the Issuer's senior management team. Key members of the Issuer's management team were recently hired in connection with the Issuer's transition to the Issuer's new business model and the Issuer may need to continue to grow the Issuer's management team. If the Issuer's management team, including any new hires that the Issuer may make, fails to work together effectively and to execute the Issuer's plans and strategies on a timely basis, the Issuer's business could be harmed. Furthermore, any future changes in the Issuer's senior management team may be disruptive to the Issuer's business.

The loss of key members of management could inhibit the Issuer's growth prospects. The Issuer's future success also depends in large part on the Issuer's ability to attract, retain and motivate key management and operating personnel. As the Issuer continue to develop and expand the Issuer's operations, the Issuer may require personnel with different skills and experiences, and with a sound understanding of the Issuer's business and the cryptocurrency industry. The market for highly qualified personnel in this industry is very competitive.

Cryptocurrency-Related Risks

The following summarizes the primary risk factors associated with cryptocurrencies:

General Cryptocurrency Risks

Development of Cryptocurrencies – New Industry

Cryptocurrency and blockchain technology is a young and rapidly growing business area. Although it is predicted that cryptocurrency will become an accepted means of digital payment, it cannot be assured that this will in fact occur. Currently, blockchain software is dependent on the widespread acceptance of cryptocurrency as a means of payment within the digital economy. For a number of reasons, including, for example, the lack of recognized security technologies, inefficient processing of payment transactions, problems in the handling of warranty claims, limited user-friendliness, inconsistent quality, lack of availability of cost-efficient high-speed services and lack of clear universally applicable regulation as well as uncertainties regarding proprietary rights and other legal issues, such cryptocurrency activities may prove in the long run to be an unprofitable means for businesses. In particular, the factors affecting the further development of the cryptocurrency industry include:

(a) Worldwide adoption and usage of cryptocurrencies;

(b) Regulations by governments and/or by organizations directing governmental regulations regarding the use and operation of and access to cryptocurrencies;

(c) Changes in consumer demographics and public behavior, tastes and preferences;

(d) Redirection and liberalization of using fiat currencies as well as the development of other forms of publicly acceptable means of buying and selling goods and services; and

(e) General economic conditions and the regulatory environment relating to cryptocurrencies.

Government Regulation

The activities of the Issuer will be subject to regulation by governmental authorities. If the Issuer is unable to comply with current or future government regulations of its business activities, the Issuer may be forced to discontinue future services. The Issuer is subject to federal, provincial, state, local, and foreign laws and regulations governing its activities. If it is unable to comply with these laws and regulations, the Issuer may be unable to carry on its planned business.

Cryptocurrencies are a controversial phenomenon that have risen from a technical experiment, with zero monetary value, to an industry with hundreds of cryptocurrencies with a combined market value of over one hundred billion dollars. There is intensifying scrutiny international regulators affecting many aspects of the cryptocurrency industry. It is still uncertain how regulators will react in Canada to the growing cryptocurrency sector. Existing platforms claiming to allow the exchange of cryptocurrency into fiat, their operational scalability and functionality may fall short of this claim, in part due to their foundation (one based on crypto processing channels, which are limited due to regulation) as well as lack of experience in an already complicated-fiat-only industry.

Securities Regulation

The United States Securities and Exchange Commission (SEC) and the Canadian Securities Administrators (CSA) have outlined concerns regarding the cryptocurrency and initial coin offering (ICO) markets, including that, as they are currently operating, there is substantially less investor protection than in traditional securities markets, with correspondingly greater opportunities for fraud and manipulation.

Investors should understand that to date no initial coin offerings have been registered with the SEC. The SEC also has not to date approved for listing and trading any exchange-traded products (such as ETFs) holding cryptocurrencies or other assets related to cryptocurrencies.

In addition, the SEC and the CSA have issued investor alerts, bulletins and statements on initial coin offerings and cryptocurrency-related investments, including with respect to the marketing of certain offerings and investments by celebrities and others.

While it has been asserted that cryptocurrencies are not securities and that the offer and sale of cryptocurrencies are beyond the jurisdiction of the SEC and the CSA, whether that assertion proves correct with respect to any digital asset that is labeled as a cryptocurrency will depend on the characteristics and use of that particular asset. As a result, risks can be amplified, including the risk that market regulators, such as the SEC and the CSA, may not be able to effectively pursue bad actors or recover funds.

On August 24, 2017, the Canadian Securities Administrators (CSA) published CSA Staff Notice 46-307 Cryptocurrency Offerings, which among other things, outlines how securities law requirements may apply to issuers, cryptocurrency investment funds and the cryptocurrency exchanges trading these products. The Staff Notice provides guidance on the applicability of Canadian securities laws to cryptocurrency offerings and cryptocurrency investment funds and comments on, among other things, the intersection of securities laws and investment funds, which provide investors with the opportunity to obtain exposure to cryptocurrencies, or baskets of cryptocurrencies, that they may not otherwise have.

As discussed herein, the Issuer plans to continue to invest in blockchain businesses and intends to hold some of its assets in cryptocurrencies. In this manner, investors in Common Shares will have exposure to cryptocurrencies. However, unlike the investment funds described in the Staff Notice, the Issuer is not an investment company or manager of investment funds. Moreover, the Issuer does not believe that it is engaged in the primary business of investing, reinvesting, or trading in securities, and the Issuer does not hold itself out as being primarily engaged in those activities. In particular, the Issuer's intended investing activity will be limited to providing private capital and the acquisition and holding of cryptocurrency assets. The Issuer does not consider that these actions constitute trading in securities for a business purpose or any other activity that would give rise to any registration requirements under applicable Canadian securities laws. There is a risk that regulators take a different view.

Investors in Common Shares should be aware that the current regulation of cryptocurrencies and the interpretation of applicable laws are subject to change. The current trends relating to these matters could change at any time and negatively affect the Issuer's operations and business.

Banking

A number of companies providing cryptocurrency-related services have had challenges finding banks willing to provide them with banking services and a number of cryptocurrency-based companies have had their existing bank accounts closed by their banks for various reasons. Banks may not provide banking services, or may cut off banking services, to businesses that provide cryptocurrency-related services or that accept cryptocurrencies as payment for a number of reasons, such as perceived compliance risks or costs. The inability to open bank accounts may make it difficult to operate the Issuer's business.

Audit Risks

Little guidance currently exists on how to account for cryptocurrencies. International Financial Reporting Standards (IFRS) and generally accepted accounting principles (GAAP) have not yet caught up to the cryptocurrency industry. The Accounting Standards Board (AcSB) have also not caught up to the technology and agreement on how to account for and audit cryptocurrencies under Generally Accepted Auditing Standards (GAAS) has not been reached.

Loss or destruction of the private key

Cryptocurrencies are stored in digital wallets and are controllable only by the possessor of both the public key and the private key relating to the digital wallet in which the cryptocurrencies are held, both of which are unique. If a private key is lost, destroyed or otherwise compromised, an investor may be unable to access the particular cryptocurrency held in the related digital wallet which will essentially be lost. If a private key is acquired by a third party then this third party may be able to gain access to the cryptocurrency.

Cyber risks such as malicious activity

Trading platforms and third-party service providers may be vulnerable to hacking or other malicious activities. If one or more malicious actors were to control sufficient consensus nodes on a given blockchain network, then the blockchain could be altered. Furthermore, advances in quantum computing or cryptographic primitives may lead to compromises in the underlying public/private cryptography which secure current day blockchain technology.

Incorrect or fraudulent coin transactions may be irreversible

Cryptocurrency transactions are irrevocable and stolen or incorrectly transferred coins may be irretrievable. As a result, any incorrectly executed or fraudulent coin transactions could adversely affect the Issuer’s investments in the future and are not reversible without the consent and active participation of the recipient of the transaction. A risk very specific to cryptocurrencies is loss of money due to an error in the address to which the money transfer is made. It is possible that, through computer or human error, or through theft or criminal action, coins could be transferred in incorrect amounts or to unauthorized third parties, or to uncontrolled accounts.

Risks associated with peer to peer transactions

Cryptocurrencies can be traded on numerous online platforms, through third party service providers and as peer-to-peer transactions between the parties. Many marketplaces simply bring together counterparts without providing any clearing or intermediary services and without being regulated. In such a case, all risks, such as double selling, remain between the parties directly involved in the transaction.

Cryptocurrency brokerages

Cryptocurrency businesses rely on cryptocurrency brokerages. If these brokerages are involved in fraud or experience security failures or other operational issues, this could impact, directly or indirectly, the prices set on brokerages. Furthermore, if any of these brokerages the Issuer uses are closed, shut down, or go bankrupt, it may significantly impact the Issuer's customers and operations.

Risks related to trading platforms

Cryptocurrency trading platforms are largely unregulated and provide only limited transparency with respect to their operations. As such, they have come under increasing scrutiny due to cases of fraud, business failure or breaches, where compensation for losses has not occurred. Although one does not need a trading platform or a brokerage to trade cryptocurrencies, such platforms are often used to convert fiat currency into cryptocurrency or to trade one cryptocurrency for another. This risk can be mitigated if day-to-day trading activities are managed with existing major cryptocurrency brokerages which are fully-licensed, regulated and operate in compliance with established AML and KYC policies.

Cryptocurrency price volatility risks

A significant portion of the Issuer's assets may in the future be held in cryptocurrency which is subject to price volatility risks. Cryptocurrency market prices are determined primarily using data from various brokerages, over-the-counter markets, and derivative platforms, and has resulted and may continue to result, in speculation regarding future appreciation (or depreciation) in the value of cryptocurrencies. This volatility could adversely affect the value of the Issuer's cryptocurrency holdings and thereby affect the Issuer's shareholders.

Loss of confidence in cryptocurrencies

Cryptocurrencies are part of a new and rapidly evolving digital asset industry, which in itself is subject to a high degree of uncertainty. For a relatively small use of cryptocurrencies in the retail and commercial marketplace, online platforms have generated a large trading activity by speculators seeking to profit from short and long term holding of cryptocurrencies. Most cryptocurrencies are not backed by a central bank, national or international organization, or assets, and their value is determined by the value that market participants place on them by way of their transactions. Therefore, any loss of confidence may bring about a collapse of trading activity and an abrupt drop in value.

Regulations restricting or preventing trading in cryptocurrencies

There are significant inconsistencies among various regulators with respect to the legal status of cryptocurrencies. Regulators are also concerned that cryptocurrencies may be used by criminals or terrorist organizations. In the future, certain countries may restrict the legal right to acquire, own, hold, sell or use cryptocurrencies.

Cryptocurrency prices may be subject to momentum pricing risk

Momentum pricing typically occurs when a price, as determined by the investing public, accounts for anticipated future appreciation in value – for example, a growth stock. Cryptocurrency market prices are determined primarily using data from various brokerages, over-the-counter markets, and derivative platforms. Momentum pricing may have resulted, and may continue to result, in speculation regarding future appreciation in the value of cryptocurrencies, inflating and making their market prices more volatile. As a result, cryptocurrency prices may be more likely to fluctuate in value due to changing investor confidence in future appreciation (or depreciation) in their market prices, which could adversely affect the value of the Issuer's cryptocurrency inventory and thereby affect the Issuer's shareholders.

Cryptocurrency prices may fluctuate

The price of cryptocurrency has fluctuated widely over the past three years. There is no assurance that cryptocurrency will maintain long-term value in terms of purchasing power in the future or that the acceptance of cryptocurrency payments by mainstream retail merchants and commercial businesses will continue to grow. In the event that the price of cryptocurrency declines, the value of an investment in the Issuer will likely decline. Further, the price of the Issuer's securities and the overall success of the Issuer is tied to the price of cryptocurrency, which is outside of the Issuer's control. Further, the collapse of any cryptocurrency exchange may limit the liquidity of cryptocurrency and result in volatile prices. The price of cryptocurrency on cryptocurrency brokerages may also be impacted by policies on or interruptions in the deposit or withdrawal of fiat currency into or out of cryptocurrency brokerages. An investment in the Issuer may be adversely affected by pricing on any cryptocurrency exchange.

The impact of geopolitical events on the supply and demand for cryptocurrencies is uncertain.

Crises may motivate large-scale purchases of bitcoin and other cryptocurrencies, which could increase the price of bitcoin and other cryptocurrencies rapidly. This may increase the likelihood of a subsequent price decrease as crisis-driven purchasing behavior wanes, adversely affecting the value of the Issuer's inventory. Such risks are similar to the risks of purchasing commodities in general uncertain times, such as the risk of purchasing, holding or selling gold.

As an alternative to gold currencies that are backed by central governments, cryptocurrencies, which are relatively new, are subject to supply and demand forces. How such supply and demand will be impacted by geopolitical events is largely uncertain but could be harmful to us and investors in the Issuer's securities. Political or economic crises may motivate large-scale acquisitions or sales of cryptocurrencies either globally or locally. Such events could have a material adverse effect on the Issuer's ability to continue as a going concern or to pursue the Issuer's new strategy at all, which could have a material adverse effect on the Issuer's business, prospects or operations and potentially the value of any bitcoin or any other cryptocurrencies the Issuer mine or otherwise acquire or hold for the Issuer's own account.

Development and acceptance of the cryptographic and algorithmic protocols that govern the issuance of and transactions in cryptocurrencies are subject to a variety of unpredictable factors

The use of cryptocurrencies in place of fiat currencies is part of a new and rapidly evolving industry that employs digital assets based on computer-generated mathematical and/or cryptographic protocol. This industry in general, and cryptocurrencies in particular, is subject to a high degree of uncertainty. If the development or acceptance of protocols slows, the Issuer's business may be adversely affected. The factors potentially affecting the industry's future development include, but are not limited to:

- Continued worldwide growth in the adoption and use of cryptocurrencies;

- Regulation of cryptocurrencies, or regulation of access to and operation of the network or similar cryptocurrency systems;
- Changes in consumer demographics and public tastes and preferences;
- Maintenance and development of the open-source software protocol of the network;
- The availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies;
- General economic conditions and the regulatory environment relating to digital assets; and
- Negative consumer sentiment and perception cryptocurrencies.

A decline in the popularity or acceptance of cryptocurrency would harm the business and affairs of the Issuer

Currency conversion risks

Policies or interruptions in the deposit or withdrawal of fiat currency into or out of the trading platforms may impact the ability of certain investors to convert. If for example, margin lending or withdrawals were curtailed and regulators implemented stricter anti-money laundering policies, this could trigger an immediate decrease in both pricing and trading volume.

Risks involved with cryptocurrencies

Cryptocurrencies typically take the form of bearer instruments and rely on public-key cryptography to prove ownership. There is a risk when owning cryptocurrencies that the private keys associated with the cryptocurrency ownership become lost of compromised by malicious attack which could result in total loss of funds associated with the lost or compromised private key wallet. Cryptocurrencies have proven to be a highly volatile asset class with large price swings relative to traditional assets and most have no predictable cash flows. For investors in cryptocurrencies, there is substantial uncertainty with respect to the tax treatment of an investment in cryptocurrencies. Cryptocurrencies may be considered assets in certain jurisdictions and currencies in others. Sales or value added taxes may be imposed on purchases or sales of cryptocurrencies.

Dilution due to competition or "fork" on a Blockchain

Cryptocurrencies are based upon protocols which govern the peer-to-peer interactions between various users. Dissent between users as to protocols to be used may result in a "fork" opening two separate networks. For example, Ethereum experienced a permanent fork in its blockchain that resulted in two versions of its cryptocurrency, Ethereum (ETH) and Ethereum Classic (ETC).

Acceptance and/or widespread use of cryptocurrency is uncertain.

Currently, there is a relatively limited use of any cryptocurrency in the retail and commercial marketplace, thus contributing to price volatility that could adversely affect an investment in the Issuer's securities. Banks and other established financial institutions may refuse to process funds for cryptocurrency transactions, process wire transfers to or from cryptocurrency brokerages, cryptocurrency-related companies or service providers, or maintain accounts for persons or entities transacting in cryptocurrency. Conversely, a significant portion of cryptocurrency demand is generated by investors seeking a long-term store of value or speculators seeking to profit from the short- or long-term holding of the asset. Price volatility undermines any cryptocurrencies role as a medium of brokerage, as retailers are much less likely to accept it as a form of payment. Market capitalization for a cryptocurrency as a medium of exchange and payment method may always be low.

The relative lack of acceptance of cryptocurrencies in the retail and commercial marketplace, or a reduction of such use, limits the ability of end users to use them to pay for goods and services. Such lack of acceptance or decline in acceptances could have a material adverse effect on the Issuer’s ability to pursue its new strategy regarding cryptocurrency holding and could have a material adverse effect on the Issuer’s business, prospects or operations. Further, this could also affect the value of any

It may be illegal now, or in the future, to acquire, own, hold, sell or use bitcoin, monero, or other cryptocurrencies, participate in blockchains or utilize similar digital assets in one or more countries, the ruling of which would adversely affect us.

Although currently cryptocurrencies generally are not regulated or are lightly regulated in most countries, one or more countries may take regulatory actions in the future that could severely restrict the right to acquire, own, hold, sell or use these digital assets or to exchange for fiat currency. Such restrictions may adversely affect us. Such circumstances could have a material adverse effect on the Issuer’s ability to continue as a going concern or to pursue the Issuer’s new strategy at all, which could have a material adverse effect on the Issuer’s business, prospects or operations and potentially the value of any bitcoin or other cryptocurrencies the Issuer mine or otherwise acquire or hold for the Issuer’s own account, and harm investors.

There is a lack of liquid markets, and possible manipulation of blockchain/cryptocurrency-based assets.

Digital assets that are represented and trade on a ledger-based platform may not necessarily benefit from viable trading markets. Stock exchanges have listing requirements, vet issuers, requiring them to be subjected to rigorous listing standards and rules, and monitor investors transacting on such platform for fraud and other improprieties. These conditions may not necessarily be replicated on a distributed ledger platform, depending on the platform’s controls and other policies. The more lax a distributed ledger platform is about vetting issuers of digital assets or users that transact on the platform, the higher the potential risk for fraud or the manipulation of digital assets. These factors may decrease liquidity or volume, or increase volatility of digital securities or other assets trading on a ledger-based system, which may adversely affect us. Such circumstances could have a material adverse effect on the Issuer’s ability to continue as a going concern or to pursue the Issuer’s new strategy, which could have a material adverse effect on the Issuer’s business, prospects or operations and potentially the value of any bitcoin or other cryptocurrencies the Issuer mine or otherwise acquire or hold for the Issuer’s own account, and harm investors.

The Issuer's operations, investment strategies and profitability may be adversely affected by competition from other methods of investing in cryptocurrencies.

The Issuer compete with other users and/or companies that are mining cryptocurrencies and other potential financial vehicles, including securities backed by or linked to cryptocurrencies through entities similar to us. Market and financial conditions, and other conditions beyond the Issuer's control, may make it more attractive to invest in other financial vehicles, or to invest in cryptocurrencies directly, which could limit the market for the Issuer's shares and reduce their liquidity. The emergence of other financial vehicles and exchange-traded funds have been scrutinized by regulators and such scrutiny and negative impressions or conclusions could be applicable to us and impact the Issuer's ability to successfully pursue the Issuer's new strategy. Such circumstances could have a material adverse effect on the Issuer's ability to continue as a going concern or to pursue the Issuer's new strategy, which could have a material adverse effect on the Issuer's business, prospects or operations and potentially the value of any bitcoin or other cryptocurrencies the Issuer mine or otherwise acquire or hold for the Issuer's own account, and harm investors.

The Issuer's operations, investment strategies and profitability may be adversely affected by competition from other methods of investing in blockchain businesses and cryptocurrencies.

The Issuer competes with other companies that own or seek to invest in blockchain and cryptocurrencies or hold or invest in cryptocurrencies, and other potential financial vehicles, possibly including securities backed by or linked to cryptocurrencies through entities similar to us and investment funds. Market and financial conditions, and other conditions beyond the Issuer's control, may make it more attractive to invest in other financial vehicles, or to invest in cryptocurrencies directly, which could limit the market for the Issuer's shares and reduce their liquidity.

The Issuer's cryptocurrencies may be subject to loss, theft or restriction on access.

There is a risk that some or all of the Issuer's cryptocurrencies could be lost or stolen. Access to the Issuer's coins could also be restricted by cybercrime (such as a denial of service attack) against a service at which the Issuer maintain a hosted hot wallet. A hot wallet refers to any cryptocurrency wallet that is connected to the Internet. Generally, hot wallets are easier to set up and access, but they are also more susceptible to hackers and other technical vulnerabilities. Cold storage refers to any cryptocurrency wallet that is not connected to the Internet. Cold storage is generally more secure, but is not ideal for quick or regular transactions. The Issuer expect hold the majority of any cryptocurrencies acquired by it in cold storage to reduce the risk of malfeasance, but this risk cannot be eliminated.

Hackers or malicious actors may launch attacks to steal, compromise or secure cryptocurrencies, such as by attacking the cryptocurrency network source code, exchange servers, third-party platforms, cold and hot storage locations or software, or by other means. The Issuer may be in control and possession of one of the more substantial holdings of cryptocurrency. As the Issuer increase in size, the Issuer may become a more appealing target of hackers, malware, cyber-attacks or other security threats. Any of these events may adversely affect the Issuer's operations and, consequently, the Issuer's investments and profitability. The loss or destruction of a private key required to access the Issuer's digital wallets may be irreversible and the Issuer may be denied access for all time to the Issuer's cryptocurrency holdings or the holdings of others. The Issuer's loss of access to the Issuer's private keys or the Issuer's experience of a data loss relating to the Issuer's digital wallets could adversely affect the Issuer's investments and assets.

Cryptocurrencies are controllable only by the possessor of both the unique public and private keys relating to the local or online digital wallet in which they are held, which wallet's public key or address is reflected in the network's public blockchain. the Issuer will publish the public key relating to digital wallets in use when the Issuer verify the receipt of transfers and disseminate such information into the network, but the Issuer will need to safeguard the private keys relating to such digital wallets. To the extent such private keys are lost, destroyed or otherwise compromised, the Issuer will be unable to access any cryptocurrency held by the Issuer and such private keys may not be capable of being restored by any network. Any loss of private keys relating to digital wallets used to store the Issuer's or the Issuer's client's cryptocurrencies could have a material adverse effect on the Issuer's ability to continue as a going concern or to pursue the Issuer's new strategy at all, which could have a material adverse effect on the Issuer's business, prospects or operations and potentially the value of any bitcoin or other cryptocurrencies the Issuer mine or otherwise acquire or hold for the Issuer's own account.

Incorrect or fraudulent transactions may be irreversible.

Cryptocurrency transactions are irrevocable and stolen or incorrectly transferred coins may be irretrievable. As a result, any incorrectly executed or fraudulent cryptocurrencies transactions could adversely affect the Issuer's investments and assets.

Cryptocurrency transactions are not, from an administrative perspective, reversible without the consent and active participation of the recipient of the transaction. In theory, cryptocurrency transactions may be reversible with the control or consent of a majority of processing power on the network. Once a transaction has been verified and recorded in a block that is added to a blockchain, an incorrect transfer or a theft of cryptocurrency generally will not be reversible and the Issuer may not be capable of seeking compensation for any such transfer or theft. It is possible that, through computer or human error, or through theft or criminal action, any cryptocurrency acquired by the Issuer could be transferred in incorrect amounts or to unauthorized third parties, or to uncontrolled accounts. Further, at this time, there is no Canadian or foreign governmental, regulatory, investigative or prosecutorial authority or mechanism through which to bring an action or complaint regarding missing or stolen cryptocurrency. To the extent that the Issuer is unable to seek redress for such action, error or theft, such events could have a material adverse effect on the Issuer's ability to continue as a going concern or to pursue the Issuer's new strategy at all.

Risks Related to Ownership of the Issuer's Common Shares

The trading price of the Common Shares may be, volatile; investors might not be able to sell the Issuer's shares at or above the price that you paid for them and the Issuer may not be able to stop the decline of the Issuer's share price.

The trading price of the Common Shares has been, and is likely to continue to be, volatile, and may be influenced by numerous factors, some of which are beyond the Issuer's control; investors might not be able to sell the Common Shares at or above the price that investors paid for them. In addition, the trading prices of the shares of blockchain businesses and cryptocurrencies have been highly unpredictable, and the trading prices of the Issuer's Common Shares may become directly correlated with these fluctuations Furthermore, if the market for bitcoin blockchain and cryptocurrency stocks or the stock market in general experiences a loss of investor confidence, the trading price of the Common Shares could decline for reasons unrelated to the Issuer's business, operating results or financial condition. In this regard, the Issuer's shares may become subject to arbitrary pricing factors that are not necessarily associated with traditional factors that influence share prices or the value of non-cryptocurrency assets such as revenue, cash flows, profitability, growth prospects or business activity levels since the value and price, as determined by the investing public, may be influenced by future anticipated adoption or appreciation in value of cryptocurrencies or blockchains generally, factors over which the Issuer have little or no influence or control. The trading price of the Common Shares also might decline in reaction to events that affect other companies in the Issuer's industry even if these events do not directly affect us.

Other factors that could cause volatility in the market price of the Issuer's Common Shares include, but are not limited to:

- actual or anticipated fluctuations in the Issuer's financial condition and operating results or those of companies perceived to be similar to us;
- actual or anticipated changes in the Issuer's growth rate relative to the Issuer's competitors;
- commercial success and market acceptance of blockchain and bitcoin and other cryptocurrencies;
- actions by the Issuer's competitors, such as new business initiatives, acquisitions and divestitures;
- strategic transactions undertaken by us;
- additions or departures of key personnel;
- prevailing economic conditions;
- sales of the Issuer's Common Shares by the Issuer's officers, directors or significant shareholders;
- future sales or issuances of equity or debt securities by us;
- legal proceedings involving the Issuer;
- changes in market valuations of companies similar to the Issuer;
- the prospects of the industry in which the Issuer operate; and
- speculation or reports by the press or investment community with respect to us or the Issuer's industry in general.

In addition, the stock markets in general have experienced extreme volatility that has often been unrelated to the operating performance of the issuer. These broad market fluctuations may negatively impact the price or liquidity of the Common Shares.

Because the Issuer does not intend to pay any cash dividends on the Common Shares, the Issuer's shareholders will not be able to receive a return on their Common Shares unless they sell them.

The Issuer intend to retain any future earnings to finance the development and expansion of the Issuer's business. The Issuer does not anticipate paying any cash dividends on the Common Shares in the foreseeable future. Unless the Issuer pay dividends, the Issuer's shareholders will not be able to receive a return on their Common Shares unless they sell them. There is no assurance that shareholders will be able to sell any Common Shares when desired.

<u>17.2 – Additional Securityholder Risk</u>

There is no risk that securityholders of the Issuer may become liable to make an additional contribution beyond the price of the security.

<u>17.3 – Other Risks</u>

The risk factors material to the Issuer that a reasonable investor would consider relevant to an investment in the Common Shares are described above and elsewhere in this Listing Statement.

18. PROMOTERS

The directors and officers of the Issuer, which were also directors and officers of Pine Point, took the initiative of founding and organizing the Issuer for the purpose of participating in the Arrangement, and, as such, may be considered to be promoters of the Issuer for the purposes of applicable securities legislation.

19. LEGAL PROCEEDINGS

<u>19.1-19.2 – Legal Proceedings and Regulatory Actions</u>

The Issuer is not nor was a party to any legal proceedings or regulatory actions, since the beginning of the most recently completed financial year, and is not aware of any such proceedings or actions known to be contemplated.

20. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than otherwise disclosed in this Listing Statement, no director or executive officer of the Issuer, or shareholder who is expected to beneficially own, or control or direct, directly or indirectly, more than 10% of the outstanding Common Shares, or any known associates or affiliates of such persons, has or has had any material interest, direct or indirect, in any transaction or in any proposed transaction that has materially affected or is reasonably expected to materially affect the Issuer.

21. AUDITORS, TRANSFER AGENTS AND REGISTRARS

<u>21.1 – Auditors</u>

The auditor of the Issuer is RSM Canada LLP, located at 11King St. W., Suite 700, Box 27, Toronto, ON M5H 4C7.

21.2 – Transfer Agent and Registrar

The transfer agent and registrar of the Issuer is the TSX Trust Company, located at 301-100 Adelaide Street West, Toronto ON M5H 4H1.

22. MATERIAL CONTRACTS

22.1 – Material Contracts of the Issuer

The Issuer has not entered into any other material contracts within the two years before the date of this Listing Statement, other than contracts entered into in the ordinary course of business and documents entered into in connection with the transactions described in Section 3.1 above.

The material contracts described above may be inspected without further charge at the offices of Irwin Lowy LLP, solicitors of the Issuer, located at Suite 400, 365 Bay Street, Toronto, ON during ordinary business hours until the date of the completion of the Listing and for a period of 30 days thereafter.

22.2 – Special Agreements

The Issuer is not a party to any co-tenancy, unitholders' or limited partnership agreement.

23. INTEREST OF EXPERTS

23.1 – Interest of Experts – Issuer and Drone

RSM Canada LLP have advised that they are independent with respect to the Issuer within the meaning of the Code of Ethics of Chartered Professional Accountants (Ontario).

None of the foregoing experts, nor any partner, employee or consultant of such an expert who participated in and who was in a position to directly influence the preparation of the applicable statement, report or valuation, has, has received or is expected to receive, registered or beneficial interests, direct or indirect, in Common Shares or other property of Issuer or any of its associates or affiliates, representing 1% or more of the outstanding Common Shares.

24. OTHER MATERIAL FACTS

There are no other material facts other than as disclosed herein that are necessary to be disclosed in order for this Listing Statement to contain full, true and plain disclosure of all material facts relating to the Common Shares.

25. FINANCIAL STATEMENTS

The financial statements of the Issuer for the fiscal year ended on September 30, 2018 are attached as Schedule "A" – *Financial Statements of the Issuer"* to this Listing Statement:

SCHEDULE "A"
FINANCIAL STATEMENTS OF THE ISSUER

CERTIFICATE OF CYPHERPUNK HOLDINGS INC.

Pursuant to a resolution duly passed by its Board of Directors, Cypherpunk Holdings Inc. hereby applies for the listing of the above-mentioned securities on CSE. The foregoing contains full, true and plain disclosure of all material information relating to Cypherpunk Holdings Inc. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Toronto, this 31st day of January, 2019.

Name: Marc Henderson
Title: Interim President and Chief Executive Officer

Name: Denis Gibson
Title: Chief Financial Officer

"Marc Henderson" (Signed)
Director

"Denis Gibson" (Signed)
Director

Khan Resources Inc.

Consolidated Financial Statements

For the years ending September 30, 2016 and September 30, 2015

In thousands of Canadian dollars

Collins Barrow Toronto LLP
Collins Barrow Place
11 King Street West
Suite 700, Box 27
Toronto, Ontario
M5H 4C7 Canada

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Khan Resources Inc.

We have audited the accompanying consolidated financial statements of Khan Resources Inc. and its subsidiaries, (collectively referred to as the "Company"), which comprise the

- consolidated statement of net assets in liquidation as at September 30, 2016;
- consolidated statement of changes in net assets in liquidation for the year ended September 30, 2016;
- consolidated statement of financial position as at September 30, 2015;
- consolidated statement of loss for the year ended September 30, 2015;
- consolidated statement of comprehensive loss for the year ended September 30, 2015;
- consolidated statement of changes in equity for the year ended September 30, 2015;
- consolidated cash flow statements for the year ended September 30, 2016 and 2015; and
- a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits. In accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the net assets in liquidation of Khan Resources Inc. and its subsidiaries as at September 30, 2016; financial position of Khan Resources Inc. and its subsidiaries as at September 30, 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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Emphasis of Matter

We draw attention to note 1 to the consolidated financial statements which describe the change to the liquidation basis of accounting for the year ended September 30, 2016 as a result of Khan Resources Inc.'s intent to liquidate the assets of the company and other notes to the consolidated financial statements that describe certain uncertainties and future changes that may result from the intention to liquidate the company. Our opinion is not qualified in respect to this matter.

Collins Barrow Toronto LLP

Chartered Professional Accountants
Licensed Public Accountants
December 23, 2016
Toronto, Ontario

(In thousands of Canadian dollars unless otherwise stated)

Consolidated Statement of Net Assets in Liquidation

	Notes	Sep. 30 2016
ASSETS		
Current Assets		
Cash	4	**4,814**
Cash equivalents	4	**80,000**
Accounts receivable	15	**85**
Prepaid expenses and other assets		**19**
Investments	5	**264**
Restricted cash	4	**52**
Current Income tax asset	13	**570**
Total current assets		**85,804**
Total assets		**85,804**
LIABILITIES		
Current liabilities		
Liquidation provision	7	**1,450**
Accounts payable and accrued liabilities	15	**142**
Current income tax liability	13	**1,125**
Total current liabilities		**2,717**
Total liabilities		**2,717**
Net assets in liquidation		**83,087**
Share capital		**83,636**
Contributed surplus		**11,710**
Accumulated other comprehensive income (loss)	8	**(3,540)**
Opening deficit		**(88,342)**
Net income (loss)		**79,623**
Net assets in liquidation		**83,087**

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

Equipment (note 6)
Commitments and contingencies (note 18)
Subsequent events (note 19)

Effective October 1, 2015, the Company changed the basis of presenting its consolidated financial statements from going concern to liquidation (Refer to note 1)

The consolidated financial statements w ere approved by the Board of Directors on December 19, 2016 and signed on its behalf by:

Signed: "Eric Shahinian"
Director

Signed: "Grant A.Edey"
Director

(In thousands of Canadian dollars unless otherwise stated)

Consolidated Statement of Changes in Net Assets in Liquidation
For the year ended September 30

	Notes	2016
Shareholders' equity at Sep. 30, 2015 on a going concern basis		**1,742**
Net effect of adopting a liquidation basis of presentation	1	**-**
Net assets in liquidation at October 1, 2015		**1,742**
Income		
Finance income		**75**
Compensation for impairment in value of investment in subsidiaries	1	**90,594**
Total Income		**90,669**
Legal expenses		**(5,715)**
General corporate	9	**(1,690)**
Impairment loss, equipment	6	**(3)**
Gain (loss) on sale of subsidiary	2	**(2,378)**
Liquidation provision	7	**(1,450)**
Foreign exchange gain (loss)		**745**
Total Expenses		**(10,491)**
Income (loss) before tax		**80,178**
Income tax	13	**(555)**
Net income (loss)		**79,623**
Loss per share		
Basic income (loss) per share (in Canadian cents)		**0.94**
Diluted income (loss) per share (in Canadian cents)		**0.93**
Weighted average number of shares outstanding - Basic		**84,938,440**
Weighted average number of shares outstanding - Diluted		**85,400,610**
Net income (loss)		**79,623**
Other comprehensive loss, net of income tax		
Items that will not be reclassified subsequently to net earnings		
Fair value adjustment of equity instrument		**(53)**
Other comprehensive loss, net of income tax		**(53)**
Total comprehensive income (loss)		**79,570**
Transactions with shareholders:		
Employee share options exercised	10	**1,775**
Net assets in liquidation at September 30, 2016		**83,087**

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

Effective October 1, 2015, the Company changed the basis of presenting its consolidated financial statements from going concern to liquidation and the Consolidated Statement of Changes in Net Assets in Liquidation includes the results of operations, comprehensive income (loss) and transactions with shareholders.

(In thousands of Canadian dollars unless otherwise stated)

Consolidated Statement of Financial Position as at September 30, 2015

	Notes	
ASSETS		
Current Assets		
Cash	4	1,571
Accounts receivable	15	14
Prepaid expenses and other assets		55
Investments	5	317
Restricted cash	4	52
Total current assets		2,009
Total assets		2,009
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	15	267
Total current liabilities		267
Total liabilities		267
Net assets		1,742
EQUITY		
Share capital		80,662
Contributed surplus		12,909
Accumulated other comprehensive income (loss)	8	(3,487)
Deficit		(88,342)
Total equity		1,742

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

(In thousands of Canadian dollars unless otherwise stated)

Consolidated Statement of Loss
For the year ended September 30

	Notes	Three months 2015	2015
Continuing operations			
Income			
Finance income		2	4
Total Income		2	4
Legal expenses		(284)	(1,009)
General corporate	9	(190)	(875)
Share-based compensation	10	(152)	(865)
Foreign exchange gain (loss)		48	82
Total Expenses		(578)	(2,667)
Income (loss) before tax		(576)	(2,663)
Income tax	13	(5)	-
Net income (loss) from continuing operations		(581)	(2,663)
Discontinued operations			
Loss from discontinued operations, net of tax	14	-	(3)
Net income (loss)		(581)	(2,666)
Loss per share			
Basic income (loss) per share (in Canadian cents)		(0.01)	(0.03)
Diluted income (loss) per share (in Canadian cents)		(0.01)	(0.03)
Weighted average number of shares outstanding - Basic		83,846,319	79,550,770
Weighted average number of shares outstanding - Diluted		83,846,319	79,550,770

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

Consolidated Statement of Comprehensive Loss
For the year ended September 30

	Notes	Three months **2015**	2015
Net income (loss)		(581)	(2,666)
Other comprehensive loss, net of income tax			
Items that will not be reclassified subsequently to net earnings			
Fair value adjustment of equity instrument	5	(101)	(414)
Income tax on other comprehensive income	13	5	-
Other comprehensive loss, net of income tax		(96)	(414)
Total comprehensive income (loss)		(677)	(3,080)

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

(In thousands of Canadian dollars unless otherwise stated)

Consolidated Cash Flow Statement
For the year ended September 30

	Notes	2016	2015
Operating Activities			
Income (loss) before income tax including discontinued operations		**80,178**	(2,666)
Adjustments for:			
Amortization and impairment loss, equipment	6	**3**	-
Share-based compensation	10	**-**	865
Unrealized foreign exchange (gain) loss		**(750)**	(78)
Finance income		**(75)**	(4)
Gain on restructuring provision over-estimate	7	**-**	(5)
Decrease in cash due to deconsolidation of subsidiary		**-**	5
Loss on sale of subsidiary	2	**2,378**	-
Changes in:			
Accounts receivable		**(35)**	(7)
Prepaid expenses and other assets		**37**	1
Accounts payable and accrued liabilities		**(125)**	112
Liquidation provision	7	**1,450**	(4)
Cash provided (used) in operations		**83,061**	(1,781)
Interest received		**38**	1
Net operating cash flows		**83,099**	(1,780)
Investing activities			
Purchase of equipment		**(3)**	-
Proceeds from sale of subsidiary	2	**49,559**	-
Cash outflow on sale of subsidiary	2	**(51,937)**	-
Proceeds from sale of investments	5	**-**	209
Decrease in cash due to deconsolidation of subsidiary		**-**	(5)
Net investing cash flows		**(2,381)**	204
Financing activities			
Proceeds on issuance of shares		**1,775**	2,715
Net financing cash flows		**1,775**	2,715
Net increase (decrease) in cash and cash equivalents		**82,493**	1,139
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		**750**	80
Cash and cash equivalents at the end of the period	4	**84,814**	1,571

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

(In thousands of Canadian dollars unless otherwise stated)

Consolidated Statement of Changes in Equity
For the year ended September 30, 2015

	Notes	Share capital: Number of shares	Share capital: Amount	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total equity
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					(414)	(2,666)	(3,080)
Transactions with owners:							
Employee share options:							
Value of services recognized	10			865			865
Options exercised	10	2,720,000	1,191	(465)			726
Proceeds from issuance of shares		5,000,000	2,000				2,000
Cost of issue			(11)				(11)
Balance as at September 30, 2015		84,136,482	80,662	12,909	(3,487)	(88,342)	1,742

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

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

Notes to Consolidated Financial Statements

For the year ended September 30, 2016

1 Corporate information

Khan Resources Inc., along with its subsidiary companies (collectively the “Company” or “Khan”), 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 (U.S.) $70 million ($90,594 Canadian at September 30, 2016) from the Government of Mongolia in settlement of all outstanding matters pursuant to the international arbitration award received by the Company. The subsidiaries of the Company collectively received an award of (U.S.) $55,167 ($70,000 less costs of $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). 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.

On November 10, 2016 the Company announced that the shareholders of the Company had approved a special resolution to implement the voluntary liquidation and dissolution of Khan. Consequently these consolidated financial statements have been prepared on the basis that the Company is no longer a going concern (see note 19 for further details).

2 Basis of preparation

a. Statement of compliance

The consolidated financial statements 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 the consolidated financial statements for issue on December 19, 2016.

b. Change in basis of presentation

The consolidated financial statements as at September 30, 2016 and for the year then ended have been prepared on a liquidation basis of accounting (see note 1). Under the liquidation basis of accounting, the Company measures its assets based on their net realizable value and its liabilities based on their settlement amounts. The September 30, 2016 consolidated financial statements have been prepared primarily using fair values which in this case, approximates the net realizable value of the assets and the settlement amounts of the liabilities. The consolidated financial statements as at September 30, 2015 have been prepared on a going concern basis. The going concern basis assumes continuity of operations, realization of assets and discharges of liabilities in the ordinary course of business and does not purport to show, reflect or provide for the consequences of the Company’s intention to liquidate.

The consolidated financial statements as at September 30, 2016 and for the year then ended include certain costs and fees to be incurred to liquidate the residual assets of the Company and for the specific wind-up activities of the Company. The consolidated financial statements do not include anticipated operating costs and overhead for the wind-up period nor provision for the settling of contingent liabilities. These costs may be material and the amounts disclosed as net assets in liquidation in total or on a per share basis will change. Consequently the actual amounts available for distribution to shareholders will change and such changes may be material.

(In thousands of Canadian dollars unless otherwise stated)

c. Subsidiaries

The principal subsidiaries of Khan Resources Inc., all of which have been included in these consolidated financial statements, are as follows:

Name	Country of incorporation and principal place of business	Proportion of ownership interest at September 30		Non-controlling interests ownership/voting interest at September 30	
		2016	2015	2016	2015
Khan Resources Bermuda Ltd.	Bermuda	_	100%	_	_
Khan Resources B.V.	Netherlands	100%	100%	_	_
CAUC Holding Company Ltd.	British Virgin Islands	_	100%	_	_

On August 17, 2016 an agreement was signed and closed with an independent third party for the sale of Khan's directly held subsidiary, Khan Resources Bermuda Ltd. ("KRBL").

Prior to the sale, the Company's corporate structure had been reorganized and simplified. Thus, at the time of its sale, KRBL held all of the issued and outstanding shares of Khan Resources LLC of Mongolia ("KRL") and CAUC Holding Company Ltd. ("CHCL"). CHCL in turn held a 58% interest in Central Asian Uranium Company, LLC of Mongolia ("CAUC").

The Company had derecognized the assets, liabilities and non-controlling interests of KRL and CAUC on December 31, 2014 pursuant to management's determination that the Company no longer had power to govern the financial and operating policies of these entities due to circumstances in Mongolia that were impeding the legal dissolution of these entities. The assets and liabilities over which the Company lost control were not significant to the Company's consolidated financial statements.

As part of the distribution of the settlement funds from the Government of Mongolia, KRBL received (U.S.) $4,965 and CHCL received (U.S.) $35,307. Under the terms of the sale agreement, Khan sold all of the shares of KRBL (and accordingly, all of Khan's interest in CHCL and CAUC and KRL) for a cash sale price of (U.S.) $38,463. This resulted in a loss of on the sale of the subsidiary of (U.S.) $1,809 or $2,378 in Canadian dollars.

d. Basis of consolidation

The financial statements of the Company consolidate the accounts of Khan Resources Inc. and its subsidiaries. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Company.

e. Functional and presentation currency

The functional currency for each subsidiary of the Company is the currency of the primary economic environment in which the entity operates. The functional currency of the Canadian head office and all intermediate holding companies is the Canadian dollar. The consolidated financial statements are presented in Canadian dollars.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in loss before tax.

f. Use of estimates and judgments

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an 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 is included in the following notes:

- 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 FVOCI.

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.

g. Fair value measurement

Assets and liabilities included in the Company's financial statements may require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Company's financial and non-financial assets and liabilities utilizes market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique utilized are (the 'fair value hierarchy'):

Level 1: Quoted prices in active markets for identical items (unadjusted)

Level 2: Observable direct or indirect inputs other than Level 1 inputs

Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item.

Transfers of items between levels are recognized in the period they occur.

3 Significant accounting policies

Effective October 1, 2015, The Company changed the basis of presenting its financial statements from going concern to liquidation (Refer to note 2 b.). The adoption of a liquidation basis of presentation did not result in a change to the Company's accounting policies that were applied on a going concern basis of presentation.

The significant accounting policies applied in the preparation of these consolidated financial statements are described below:

a. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with maturities on the date of acquisition of three months or less.

b. Financial instruments

Initial recognition and measurement (financial assets and financial liabilities)
The Company initially recognizes financial assets and financial liabilities when it becomes party to the contractual provisions of the financial instrument.

Initial measurement of the financial instrument is at fair value, plus for those financial assets and liabilities not classified at fair value through profit or loss (FVTPL), directly attributable transaction costs.

Financial assets – subsequent classification and measurement
Financial assets are classified in their entirety including any embedded derivatives. Two criteria are used to determine how

financial assets should be classified and measured: (a) the Company's business model for managing the financial assets; and (b) the contractual cash flow characteristics of the financial asset.

Key management personnel have determined that the Company's financial assets (excluding investments in equity investments) are held within a business model whose objective is to hold financial assets in order to collect cash flows.

Where the contractual cash flow characteristics of financial assets, taken on an instrument-by-instrument basis, give rise, on specified dates, to cash flows that are solely payments of principal and interest then a financial asset is classified as subsequently measured at amortized cost using the effective interest method. This is called the SPPI criterion. A financial asset that does not meet the SPPI criterion is always measured at FVTPL.

In addition, at initial recognition, the Company may make an irrevocable election to present in other comprehensive income (OCI), subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination. Such an equity instrument is classified as subsequently measured at fair value through other comprehensive income (FVOCI). Gains and losses recognized in OCI are not subsequently transferred to profit or loss, although the Company may determine to transfer the cumulative gain or loss within equity. Dividends are still recognized in profit or loss unless they clearly represent a recovery of part of the cost of the investment. The Company has elected to classify investments in equity instruments as FVOCI.

Reclassification
Financial assets are only reclassified between measurement categories, when and only when, the Company's business model for managing them changes. This is a significant event and thus is expected to be uncommon.

Impairment of financial assets
All of the Company's financial assets are subject to an impairment test at each reporting date with the exception of equity instruments measured at FVOCI. This includes any lease receivables. It also includes any off balance sheet loan commitments and financial guarantees.

Financial liabilities – subsequent classification and measurement
Financial liabilities are subsequently measured at amortized cost using the effective interest method or bifurcated into a host instrument measured at amortized cost , and an embedded derivative, measured at FVTPL. The Company is unlikely to originate a liability derivative other than in a host liability contract such as a debt instrument. Financial liabilities include accounts payable and accrued liabilities.

Derecognition
The Company will derecognize a financial asset when the rights to the cash flows from the financial asset have expired or where the Company has transferred substantially all risks and rewards associated with the financial asset and has relinquished control of the financial asset.

The Company will derecognize a financial liability only when extinguished — i.e., when the obligation specified in the contract is discharged, cancelled or it expires.

c. Equipment

Equipment is initially recorded at cost, including all directly attributable costs to bring the assets to the location and condition necessary for them to be capable of operating in the manner intended by management. Equipment is subsequently measured at cost less accumulated depreciation and applicable impairment losses. Depreciation is computed on a straight-line basis based on the nature and useful lives of the assets. The significant classes of equipment and their estimated useful lives are as follows:

Office furniture: 5 years
Computers and office equipment: 3 years

Subsequent costs that meet the asset recognition criteria are capitalized while costs incurred that do not extend the economic useful life of an asset are considered repairs and maintenance, which are accounted for as an expense recognized during the period.

An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognized in income.

d. Impairment of non-financial assets

Non-financial assets are reviewed and tested for impairment when indicators of impairment are considered to exist. Impairment assessments are conducted at the level of cash-generating units (CGU), which is the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets. An impairment loss is recognized for any excess of carrying amount of the CGU over its recoverable amount, which is the greater of its fair value less costs to sell and value in use. Impairment losses are recognized in the period they are incurred.

Impairment losses are reversed if the conditions that gave rise to the impairment are no longer present and it has been determined that the asset is no longer impaired as a result. This reversal is recognized in net income in the period the reversal occurs limited by the carrying value that would have been determined, net of any depreciation, had no impairment charge been recognized in prior years.

e. Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

f. Lease payments

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease and classifies leases as operating leases or finance leases. A specific asset is the subject of a lease if fulfillment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Company the right to control the use of the underlying asset.

Payments made under operating leases are recognized in net income on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

g. Share-based compensation

The Company awards share options to employees, officers, directors, and consultants. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option-pricing model. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

Upon the exercise of the share option, consideration received and the related amount transferred from contributed surplus are recorded as share capital.

h. Income tax

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax is not provided on temporary differences arising on investments in subsidiaries where the Company controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are presented as non-current.

i. Share capital and earnings per share

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity. The authorized share capital of the Company consists of an unlimited number of no par value common shares. All issued shares are fully paid. Basic earnings per share (EPS) is calculated by dividing the net income (loss) for the period attributable to equity owners of Khan Resources Inc. by the weighted average number of common shares outstanding during the period.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury method. Under this method, options whose exercise price is less than the average market price of our common shares, are assumed to be exercised and the proceeds are used to repurchase common shares at the average market price for the period. The incremental number of common shares issued under share options, and repurchased from proceeds, is included in the calculation of diluted earnings per share.

Any potential common shares whose effect is anti-dilutive have not been reflected in the calculation of Diluted EPS. The determination of the weighted average number of common shares outstanding for the calculation of Diluted EPS does not include the effect of outstanding share options since to do so would reduce the loss per share and would therefore be anti-dilutive.

j. Discontinued operations

A discontinued operation is a component of the Company's business, the operations and cash flows of which can be clearly distinguished from the rest of the Company and which:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs on disposal by sale, closure or abandonment or when the operation meets the criteria to be held-for-sale, if earlier.

When an operation is classified as a discontinued operation the comparative statement of comprehensive loss is reclassified as if the operation had been discontinued from the start of the comparative year.

k. Segment reporting

The Company has only a single operating segment, and therefore one reportable segment.

l. Recently adopted accounting pronouncements

Among the pronouncements issued by the IASB at the date of these consolidated financial statements, there are no changes to accounting standards that the Company has adopted in the year ended September 30, 2016.

m. Future accounting pronouncements

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

4 Cash, cash equivalents and restricted cash

As at September 30, 2016, the Company had cash of $4,814 (2015 - $1,571) and cash equivalents of $80,000 (2014 – nil) consisting of a guaranteed investment certificate with a maturity date of less than three months.

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.

(In thousands of Canadian dollars unless otherwise stated)

5 Investments

Investments consist of equity instruments in the form of 1,055,291 (2015 – 1,055,291) common shares of Plateau Uranium Inc. with a fair value on September 30, 2016 of $264 (2015 - $317).

In fiscal 2015, the Company sold 750,000 shares of Plateau for gross proceeds of $209. In fiscal 2016, no shares were sold.

See also Notes 3 l i and 8.

6 Equipment

The Company's tangible assets including those in Mongolia had been fully impaired in 2012 due to the failure of the Government of Mongolia to reissue the Company's mining and exploration licenses for the Dornod project as described in Note 1. The Mongolian subsidiaries were closed on September 30, 2013 and all Mongolian tangible assets were retired. On October 17, 2013 and December 4, 2013, the Company sold the remaining assets at or associated with the Dornod site that had been closed since June 2012. Finally the Mongolian tangible assets were derecognized at December 31, 2014, see Note 2 b.

Remaining tangible assets consisting of office furniture and equipment, computers and software located at the Company's registered office are set out in the following table:

Registered office equipment	**Sep. 30 2016**	**Sep. 30 2015**
Cost, opening balance	62	62
Additions	3	-
Disposals	-	-
Cost, closing balance	**65**	**62**
Depreciation, opening balance	(53)	(53)
Period depreciation expense	-	-
Depreciation resulted from impairment reversal	(9)	-
Disposals	-	-
Depreciation closing balance	(62)	(53)
Impairment, opening balance	(9)	(9)
Impairment reversal, due to settlement with Mongolia	9	-
Impairment due to liquidation	(3)	
Disposals	-	-
Impairment, closing balance	(3)	(9)
Net book value, closing balance	**-**	**-**

(In thousands of Canadian dollars unless otherwise stated)

7 Provisions

	Liquidation provision	Restructuring Provision	Total
Provision at October 1, 2014	-	9	9
Additions	-	-	-
Used (incurred and charged against the provision)	-	(4)	(4)
Reversed during period	-	(5)	(5)
Exchange differences	-	-	-
Provision at September 30, 2015	**-**	**-**	**-**
Additions	1,450	-	1,450
Used (incurred and charged against the provision)	-	-	-
Reversed during the period	-	-	-
Exchange differences	-	-	-
Provision at September 30, 2016	**1,450**	**-**	**1,450**

The provision for liquidation costs includes restructuring costs that qualify as obligations at September 30, 2016. 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.

An earlier provision for restructuring costs in 2015 relates to a plan to which the Company committed in 2013 to dispose of the Mongolian subsidiaries by closure (see note 14 for more details). Following the announcement of the plan, the Company recognized a provision of $38 in restructuring costs. The unused restructuring provision of $5 was reversed and was included in “discontinued operations” in 2015.

8 Accumulated other comprehensive income (loss)

	Notes	**Sep. 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		**(53)**	(414)
Accumulated other comprehensive income		**(3,540)**	(3,487)

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

9 General corporate expenses

	2016	2015
Accounting and audit	**88**	23
Investor relations	**32**	33
Insurance	**50**	53
Salaries and directors' fees	**787**	510
Consulting	**452**	48
Office and travel	**281**	208
	1,690	875

10 Share-based compensation

Awards were made to directors, officers, employees and service providers under a share option plan that was approved by the shareholders on February 11, 2009. Under the provisions of the plan, the Board of Directors of the Company is authorized to provide for the granting, exercise and method of exercise of options, subject to the terms of the plan and applicable stock exchange rules. Under the plan, the aggregate number of shares reserved for issuance may not exceed the greatest of 5,000,000 common shares or 10% of the total number of issued and outstanding common shares at the time of any option grant. The exercise price of any options granted under the plan will be fixed by the Board at the time of the grant but must not be less than the closing price of the common shares on the business day immediately prior to the date of the grant as quoted on the CSE. The Board also fixes the exercise period and vesting limitations of an option at the time of the grant but the exercise period may not exceed five years.

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

	Sep. 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	**(4,530,000)**	**0.39**	(2,720,000)	0.27
Outstanding, end of period	**1,500,000**	**$ 0.47**	6,380,000	$ 0.42
Exercisable, end of period	**1,500,000**	**$ 0.47**	6,380,000	$ 0.42

The following table summarizes information about share options outstanding at September 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	0.49	0.24	600,000	600,000	-
March 19, 2018	0.57	1.46	0.40	500,000	500,000	-
August 20, 2018	0.53	1.89	0.38	400,000	400,000	
				1,500,000	**1,500,000**	**-**

(In thousands of Canadian dollars unless otherwise stated)

There were no share options granted to directors, officers and employees during the year ended September 30, 2016. Consequently, no share-based compensation was recognized in this reporting period. During the year ended September 30, 2015, 2,175,000 options were granted and the Company recognized a share-based compensation expense of $865.

The fair value of options granted is determined using the Black-Scholes valuation model.

The following table summarizes information about inputs into the Black-Scholes model and weighted average value of options granted during the year ended September 30, 2015. As discussed above, there were no share options granted in fiscal 2016.

	Mar. 19 2015	Aug. 20 2015
Number of options granted	**1,775,000**	**400,000**
Exercise price ($)	**0.57**	**0.53**
Dividend yield (%)	**-**	**-**
Expected volatility (%) *	**120.33**	**125.07**
Risk free interest rate(%)	**0.46**	**0.37**
Forfeiture rate (%)	**-**	**-**
Expected life (years)	**3.00**	**3.00**
Weighted average share price ($)	**0.57**	**0.53**
Fair value	**0.40**	**0.38**

* Based on Historical Volatility

11 Management compensation

	2016	2015
Directors' fees	**319**	92
Salaries and short-term benefits	**268**	238
Share-based compensation (a)	**-**	815
Total management compensation	**587**	1,145

(a) Excludes value of options granted to employees who are not officers of the Company

Included in management compensation are costs incurred related to management entities that provides key management personnel services to the Company. These costs include salary of $139 (2015 - $108) and share-based compensation of nil (2015 - $80).

12 Related party transactions

During 2016, certain directors, officers and employees of the Company exercised stock options, acquiring 4,530,000 shares for total proceeds of $1,775. Included with these shares were 400,000 shares and proceeds of $148 related to a management entity that provides key management personnel services to the Company.

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(In thousands of Canadian dollars unless otherwise stated)

13 Income tax

Income tax expense	**2016**	2015
Current tax	**(1,125)**	-
Deferred tax recovery	**570**	-
Tax recovery (expense) from continuing operations	**(555)**	-
Deferred tax recognized in other comprehensive income	**-**	-
Total income tax expense	**(555)**	-

Reconciliation of effective tax rate	**2016**	2015
Income (loss) before tax from continuing operations	**80,178**	(2,663)
Loss before tax from discontinued operations	**-**	(3)
Total income (loss) before tax	**80,178**	(2,666)
Company's domestic tax rate	**26.50%**	26.50%
Tax recovery (expense) before adjustments	**(21,247)**	706
Non-deductible expenses and other	**(1,222)**	(415)
Non-taxable income	**14,978**	-
Utilization of tax attributes not previously tax benefited	**7,331**	-
Adjustment to previous year's tax value of non-capital losses	**-**	(142)
Expiry of non-capital losses	**-**	(168)
Other	**21**	19
Withholding tax expense (a)	**(416)**	-
Tax expense	**(555)**	-
Effective tax rate	**-0.69%**	0.00%

(a) Income tax withholding by the Government of The Netherlands on dividend distributions to the parent company.

Unrecognized deferred taxes	**2016**	2015
Deductible temporary differences	**489**	271
Tax losses	**194**	7,945
	683	8,216

(In thousands of Canadian dollars unless otherwise stated)

The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable income will be available against which the Company can utilize the related tax benefits.

At September 30, 2016, the Company had utilized all its Canadian non-capital losses and therefore has nil (2015 - $28,890) available for deduction against future taxable income. Netherlands tax losses of approximately $545 (2015 - $391) are available for deduction against future taxable income and these losses, if unutilized, will expire from 2019 to 2026. None of the tax losses have been tax-benefited.

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.

14 Discontinued operations

On August 15, 2013 the Company resolved to dispose of the Mongolian subsidiaries. Management determined that, given the situation in Mongolia, disposal could only take place by closure. Consequently, the Mongolian subsidiaries were closed on September 30, 2013 and classified as discontinued operations. See Note 1 for information about Mongolia's failure to reissue the Company's mining and exploration licenses for the Dornod project.

Results of Discontinued operations	Notes	**2016**	2015
Revenue		**-**	-
Expenses		**-**	(8)
Gain (loss) on restoration estimate		**-**	-
Gain (loss) on disposal of assets		**-**	-
Gain (loss) on restructuring expense	7	**-**	5
Foreign exchange gain (loss)		**-**	-
Net income (loss) from discontinued operations		**-**	(3)
Basic loss per share (in Canadian cents)		**-**	(0.00)
Diluted loss per share (in Canadian cents)		**-**	(0.00)

Cash flows provided by (used in) discontinued operations	Notes	**2016**	2015
Net operating cash flows		**-**	(8)
Net investing cash flows		-	(5)
Net cash flow for the year		**-**	(13)

(In thousands of Canadian dollars unless otherwise stated)

15 Classification and measurement of financial assets and liabilities

The carrying amount of each measurement category of financial instruments is as follows:

Measurement category	Line item on Consolidated Statement of Financial Position	Carrying amount
FVTPL	Cash	4,814
Amortized cost	Cash equivalent	80,000
	Accounts Receivable	85
	Restricted cash	52
	Accounts payable and accrued liabilities	142
FVOCI	Investments	264

Due to their short-term nature, the carrying amount of the cash equivalent, accounts receivable, restricted cash and accounts payable and accrued liabilities approximates their fair value.

16 Financial risk management objectives and policies

The Company manages its exposure to financial risks, including liquidity risk, foreign exchange rate risk, interest rate risk, credit risk and equity price risk in accordance with its risk management framework. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis.

a. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its short-term business requirements. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on a liquidation basis.

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments (see Note 18).

b. Foreign exchange risk

The Company maintains bank accounts denominated in Euros and U.S. dollars. 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 September 30, 2016, with other variables unchanged, a 5% strengthening (weakening) of the Euro and U.S. dollar against the Canadian dollar would have increased (decreased) net income by approximately $5.

c. Interest rate risk

Interest risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's cash equivalents and short-term investments primarily include highly liquid investments that earn interest at market rates that are fixed to maturity or at variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have significant impact on the fair values of the financial instruments as of September 30, 2016.

d. Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk primarily associated to accounts receivable and cash and cash equivalents. The carrying amount of assets included on the statement of net assets in liquidation represents the maximum credit exposure.

The Company's primary exposure to credit risk is on its bank accounts and guaranteed investment certificates. Bank accounts are held with major banks in Canada and the Netherlands. As a Canadian bank holds the majority of the Company's cash and the same Canadian bank also holds the guaranteed investment certificates, there is a concentration of credit risk with one bank in Canada. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. The Company's secondary exposure to credit risk is on its accounts receivable. This risk is minimal as accounts receivable consist primarily of refundable government sales taxes.

The Company has not recognized any expected credit losses at September 30, 2016. The guaranteed investment certificates are considered to have low risk and the Company has no history of losses on this type of financial instrument on which to base a calculation of expected credit losses. Expected lifetime credit losses for accounts receivable are measured on a collective basis. However because the duration of these receivables is short and the material component is with the Government of Canada for refundable sales taxes, expected lifetime credit losses would be insignificant. There are no financial assets with contractual payments more than 30 days past due. The credit risk of these financial instruments has not increased significantly since initial recognition.

e. Equity price risk

The Company holds certain equity securities that will fluctuate in value as a result of trading on Canadian financial markets. As the Company's equity securities holdings are in a mining company, the value will also fluctuate based on commodity prices. Based upon the Company's portfolio at September 30, 2016, a 10% increase (decrease) in the market price of the securities held, with other variables unchanged would have resulted in a (decrease) increase to OCI of approximately $26 before tax.

17 Capital management

The Company's objectives of capital management are intended to safeguard the entity's ability to successfully liquidate the Company. Khan has no operations other than managing its net assets in liquidation and related activities.

The capital of the Company consists of the items included in shareholders' equity. The Board of Directors monitors risk and capital management. The Company manages the capital structure and makes adjustments depending on economic conditions. Funds have been primarily secured through issuances of equity capital. The Company invests all capital that is surplus to its immediate needs in short-term, liquid and highly rated financial instruments, such as cash and other short-term deposits, all held with major financial institutions. Significant risks are monitored and actions are taken, when necessary, according to the Company's approved policies.

18 Commitments and contingencies

a. The Company as lessee entered into the operating lease of its registered office under a cancellable operating lease contract. The lease agreement is on a month-to-month basis and is cancellable on 60 days' notice. The lease agreement has no purchase option and no escalation clauses. The expected rent for fiscal 2017 is $41.

b. Contingent on shareholder approval and other arrangements, cash equivalents of $80,000 were held at September 30, 2016 for the purpose of funding a cash distribution to shareholders. See also note 19 a.

19 Subsequent events

a. On November 10, 2016 the Company announced that the shareholders of the Company approved a special resolution for the voluntary liquidation and dissolution of Khan. The shareholders also approved, pursuant to the winding up, an initial 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. Any further distribution of cash will be made in one or more instalments following receipt of funds 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 pursuant to the plan of liquidation and dissolution. 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.

Full details of the winding up and certain other matters are set out in the related management information circular.

b. 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 (see note 10 for more details), 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.

c. Subsequent to the year-end, the Netherlands tax authority assessed the Company's subsidiary Khan Resources B.V. (KRBV) for an amount payable of 11 million euros. This tax assessment was issued before KRBV has filed its 2016 tax return. Management is of the opinion that this is an over assessment based on tax professionals advice. The Company is in the process of challenging this assessment. As a result no provision has been made for this assessment in these consolidated financial statements.

Khan Resources Inc.

Management Discussion and Analysis

For the year ended September 30, 2016

KHAN RESOURCES INC.

RESULTS FOR THE YEAR ENDED SEPTEMBER 30, 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 December 19, 2016. It should be read in conjunction with the audited consolidated financial statements of the Company as at and for the year ended September 30, 2016.

Significant Events and Current Status

Liquidation of the Company – On November 10, 2016 the Company announced that the shareholders of the Company had approved a special resolution for the voluntary liquidation and dissolution of Khan.

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.

Return of Capital – The shareholders also approved, in conjunction with the winding up resolution, an initial 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. Any further distribution of cash will be made in one or more installments following receipt of funds 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. Khan anticipates that any further distributions of cash as part of the winding up would aggregate between $0.01 and $0.08 per share.

Sale of Subsidiaries – 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. Prior to the sale, the Company's corporate structure had been simplified and fiscal year-ends for the Khan group of companies had been better aligned.

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

International Arbitration Settlement – 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 on March 2, 2015.

Financial and Capital Management

The following table presents the net assets in liquidation of Khan as at September 30, 2016 and September 30, 2015.

(in thousands of Canadian dollars unless otherwise indicated)

	Sep. 30 2016 (Liquidation basis)	Sep. 30 2015
Cash and cash equivalents	84,814	1,571
Other current assets	156	121
Investment in Plateau Uranium	264	317
Current Income Tax Asset	570	-
Total assets	85,804	2,009
Liquidation provision	1,450	-
Accounts payable and accrued liabilities	142	267
Current income tax liability	1,125	-
Total liabilities	2,717	267
Net assets	83,087	1,742
Net assets per share (in Canadian cents)		
- basic	0.98	0.02
- diluted	0.97	0.02
Weighted average number of shares outstanding - Basic	84,938,440	79,550,770
Weighted average number of shares outstanding - Diluted	85,400,610	79,550,770

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

At January 3, 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 September 30, 2016, the Company had cash and cash equivalents of $84,814 (2015 - $1,571). Cash equivalents of $80,000 (2015 – nil) consisted of a guaranteed investment certificate (GIC) with a maturity date of less than three months.

The increase in cash and cash equivalents of $83,243 resulted from the receipt of (U.S.) $70,000 from Mongolia in Q2 (May 18, 2016). In Q4 (August 31, 2016) these U.S. dollars were converted into $90,594 and are recognized on the consolidated financial statements as compensation for the impairment in the value of the investment in subsidiaries. The $90,594 net of normal expenses for the year, accounts for the significant increase in cash and cash equivalents year-over-year.

Investments

Investments consist of equity instruments in the form of 1,055,291 (2015 – 1,055,291) common shares of Plateau Uranium Inc. with a fair value on September 30, 2016 of $264 (2015 - $317).

During the year, the Company did not purchase or sell any shares of Plateau.

Current tax asset

For details about the current tax asset of $570, see the discussion about the current tax liability below.

Provisions

The provision for liquidation costs of $1,450 (2015 – nil) includes restructuring costs that qualify as obligations at September 30, 2016. 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

A provision has been made for income tax expense of $555 (2015 - $267). The current provision consists of $1,125 (the current income tax liability) and a deferred tax recovery of $570 (the current tax asset).

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

Subsequent to the receipt of the funds, management repatriated the cash award received by its subsidiaries to Canada and expects to pay $416 in withholding taxes as a result of such repatriation. For additional information on Khan's income taxes, please refer to Note 13 to Khan's 2016 audited consolidated financial statements.

Contingencies

The $80,000 mentioned above under cash and cash equivalents, that were held in a guaranteed investment certificate at September 30, 2016, was being held for the purpose of funding a cash distribution to shareholders contingent on shareholder approval and other arrangements.

Cash Flows in Liquidation

As discussed above under cash and cash equivalents, cash proceeds from operations of $83,099 from October 1, 2015 to September 30, 2016 was primarily due to the receipt of (U.S.) $70,000 from Mongolia that was subsequently converted to $90,594 and offset by the payment of administrative and other expenses of approximately $7.5 million.

Cash lost from investing activities of $2,381 resulted from the sale of the Khan Resources Bermuda Limited subsidiary.

Financing proceeds of $1,775 on the issuance of shares was exclusively raised from directors and employees exercising their share options.

(in thousands of Canadian dollars unless otherwise indicated)

Share Information

At September 30, 2016, the issued and outstanding common shares of Khan, along with common shares potentially issuable, were as follows:

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	**4,530,000**
Outstanding, September 30, 2016	**88,666,482**

Share options outstanding

	Number of shares	Weighted average exercise price ($)
Outstanding, October 1, 2015	**6,380,000**	**0.42**
Granted	**-**	**-**
Exercised	**(4,530,000)**	**0.39**
Forfeited	**(350,000)**	**0.55**
Outstanding, September 30, 2016 (a)	**1,500,000**	**0.47**

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

Common shares outstanding - diluted

	Number of shares
Outstanding, September 30, 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 audited consolidated financial statements and notes for 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 September 30, 2016 (Liquidation basis)	**Year ended September 30, 2016 (Liquidation basis)**	Three months ended September 30, 2015	Year ended September 30, 2015
Net assets, beginning of period	**86,650**	**1,742**	**2,021**	**1,242**
Income				
Finance income	**66**	**75**	2	4
Compensation for impairment in value of investment in subsidiaries	**455**	**90,594**	**-**	**-**
Total Income	**521**	**90,669**	**2**	**4**
Legal expenses	**(111)**	**(5,715)**	(284)	(1,009)
General corporate	**(729)**	**(1,690)**	(190)	(875)
Impairment loss, equipment	**(3)**	**(3)**	-	-
Share-based compensation	**-**	**-**	(152)	(865)
Gain (loss) on sale of subsidiary	**(2,378)**	**(2,378)**	-	-
Liquidation provision	**(1,450)**	**(1,450)**	-	-
Discontinued operations	**-**	**-**	-	(3)
Foreign exchange gain (loss)	**396**	**745**	48	82
Total Expenses	**(4,275)**	**(10,491)**	(578)	(2,670)
Income (loss) before tax	**(3,754)**	**80,178**	(576)	(2,666)
Income tax	**(118)**	**(555)**	(5)	-
Net income (loss)	**(3,872)**	**79,623**	(581)	(2,666)
Loss per share				
Basic income (loss) per share (in Canadian cents)	**(0.04)**	**0.94**	(0.01)	(0.03)
Diluted income (loss) per share (in Canadian cents)	**(0.04)**	**0.93**	(0.01)	(0.03)
Net income (loss)	**(3,872)**	**79,623**	(581)	(2,666)
Fair value adjustment of equity instrument	**(58)**	**(53)**	(96)	(414)
Other comprehensive loss, net of income tax	**(58)**	**(53)**	(96)	(414)
Total comprehensive income (loss)	**(3,930)**	**79,570**	(677)	(3,080)
Issue of stock options	**-**	**-**	152	865
Issue of shares through private placement, net of issuanc	**-**	**-**	-	1,989
Issue of shares through stock options exercised	**367**	**1,775**	246	726
Net assets, end of period	**83,087**	**83,087**	1,742	1,742

In the year ended September 30, 2016, Khan recognized the compensation for impairment in the value of investments in subsidiaries of $90,594. This is the Mongolian settlement. It was first recognized in Q3. There was no such comparable amount in 2015.

In conjunction with receiving the Mongolian settlement, legal expenses of $ 4,991 that were contingent on the receipt of the settlement became due and were included in total legal expenses for the year of $5,715 (2015 - $1,009).

In the three months and the year ended September 30, 2016, the Company recognized a loss on the sale of the subsidiary, Khan Resources Bermuda Ltd. in the amount of $2,378 (2015 – nil).

Additionally, in the last quarter, the Company made a provision of $1,450 for liquidation costs (2015 – nil). 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.

A provision has been made for income tax expense of $555 (2015 - nil). The provision consists of current taxes of $1,125 and a deferred tax recovery of $570. The provision includes an estimated $416 for withholding taxes on dividend distributions to the parent Company. For additional information on Khan's income taxes, please refer to Note 13 to Khan's 2016 audited consolidated financial statements.

(in thousands of Canadian dollars unless otherwise indicated)

The estimated amount of this withholding tax is $416. For additional information on Khan's income taxes, please refer to Note 13 to Khan's 2016 audited consolidated financial statements.

Quarterly Financial Information

	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	Sep 30 2014
Revenue	66	6	1	2	2	1	-	1	-
Other income	455	90,139	-	-	-	-	-	-	-
Expenses	(4,393)	(5,831)	(490)	(332)	(514)	(646)	(1,213)	(228)	(177)
Net income (loss)	(3,872)	84,314	(489)	(330)	(512)	(645)	(1,213)	(227)	(177)
Basic earnings (loss) per share (Canadian cents	(0.04)	0.96	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)	-
Diluted earnings (loss) per share (Canadian cent	(0.04)	0.95	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)	-

Selected Annual Information

The following table provides selected annual information for Khan for the years 2016, 2015 and 2014.

	Sep. 30 2016 (Liquidation basis)	Sep. 30 2015	Sep. 30 2014
Revenue	90,669	4	7
Net income (loss)	79,623	(2,666)	(2,429)
Total assets	85,804	2,009	1,406
Total non-current liabilities	-	-	-
Earning (loss) per share			
- basic	0.94	(0.03)	(0.03)
- diluted	0.93	(0.03)	(0.03)

Financial Instruments and Risk Management

As at September 30, 2016, the Company's financial instruments include cash and cash equivalents in the amount of $85 million, investments in the amount of $0.3 million and total liabilities of $2.0 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 September 30, 2016, the Company had cash and cash equivalents of $85 million to cover total liabilities of $2.0 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 September 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 $ 0.50.
>
> *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 audited consolidated statements because management has judged that the probability that the indemnity will be utilized is remote.

Transactions with Related Parties

There were no transactions with related parties.

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 is included in the following financial statement notes:

- 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.

KHAN RESOURCES INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

SEPTEMBER 30, 2017 AND 2016

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Khan Resources Inc.

We have audited the accompanying consolidated financial statements of Khan Resources Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at September 30, 2017 and September 30, 2016 and the consolidated statements of income (loss), other comprehensive income (loss), changes in shareholders' equity and cash flow for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements .

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Khan Resources Inc. and its subsidiaries, as at September 30, 2017 and September 30, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates the existence of material uncertainties that casts significant doubt about the Company's ability to continue as a going concern.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
January 29, 2018
Toronto, Ontario

KHAN RESOURCES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)

	September 30, 2017	September 30, 2016
		(See Note 10)
Assets		
Current Assets		
Cash and cash equivalents (Note 4)	**$ 1,630,152**	$ 4,814,174
Short-term investments (Note 5)	**5,010,389**	80,000,110
Accounts receivable and prepaid expenses (Note 6)	**34,412**	103,910
Investments (Note 7)	**-**	263,823
Current income tax asset (Note 10) & (Note 15)	**402,058**	185,750
	7,077,011	85,367,767
Other assets (Note 8)	**89,375**	52,250
	$ 7,166,386	$ 85,420,017
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 9)	**$ 56,181**	$ 141,968
Current income tax liability (Note 15)	**-**	1,125,000
	56,181	1,266,968
Shareholders' Equity		
Capital stock (Note 11)	**8,187,214**	83,635,774
Contributed surplus (Note 12)	**11,216,357**	11,711,308
Deficit	**(12,293,366)**	(7,654,614)
Accumulated other comprehensive loss	**-**	(3,539,419)
	7,110,205	84,153,049
	$ 7,166,386	$ 85,420,017

Nature of Operations and Going Concern (Note 1)

SIGNED ON BEHALF OF THE BOARD

(Signed) *"Marc Henderson"*
Director

(Signed) *"Michael Sadhra"*
Director

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

KHAN RESOURCES INC.
CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(EXPRESSED IN CANADIAN DOLLARS)

Years ended September 30,		**2017**		2016
				(See Note 10)
Income				
Interest income	**$**	**129,398**	$	74,491
Compensation for impairment in value of investment in subsidiaries (Note 1)		**-**		90,593,987
		129,398		90,668,478
Expenses				
Legal expenses	**$**	**486,124**	$	5,715,102
General corporate expenses		**598,661**		905,920
Salaries and wages		**606,601**		787,489
Loss on sale of subsidiary (Note 2)		**-**		2,378,223
Restructuring costs (Note 10)		**425,745**		-
Foreign exchange loss (gain)		**54,901**		(746,091)
		2,172,032		9,040,643
Income (loss) before income taxes		**(2,042,634)**		81,627,835
Income tax recovery (expense) (Note 10) & (Note 15)		**578,058**		(939,250)
Net income (loss) for the year	**$**	**(1,464,576)**	$	80,688,585
Gain (loss) per share - basic & diluted	**$**	**(0.02)**	$	0.95
Weighted average number of shares outstanding		**89,918,130**		84,938,440

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

KHAN RESOURCES INC.
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME (LOSS)
(EXPRESSED IN CANADIAN DOLLARS)

Years ended September 30,	2017	2016
		(See Note 10)
Net income (loss) for the year	$ (1,464,576)	$ 80,688,585
Other comprehensive income (loss)		
Items that will not be reclassified subsequently to net income (loss)		
Fair value adjustment of equity instrument (Note 7)	421,029	(52,765)
Income tax on valuation of equity instrument (Note 7)	(55,786)	-
Other comprehensive income (loss) for the year	365,243	**(52,765)**
Total comprehensive income (loss) for the year	$ (1,099,333)	$ 80,635,820

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

KHAN RESOURCES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(EXPRESSED IN CANADIAN DOLLARS)

	Common Shares (See Note 10)	Capital Stock (See Note 10)	Contributed Surplus (See Note 10)	Deficit (See Note 10)	Accumulated Other Comprehensive Income (Loss) (See Note 10)	Total (See Note 10)
Balance, October 1, 2015	**84,136,482**	**$ 80,662,398**	**$ 12,910,008**	**$(88,343,199)**	**$ (3,486,654)**	**$ 1,742,553**
Stock options exercised	4,530,000	1,774,675	-	-	-	1,774,675
Fair value of options exercised	-	1,198,701	(1,198,701)	-	-	-
Net income for the year	-	-	-	80,688,585	-	80,688,585
Other comprehensive loss	-	-	-	-	(52,765)	(52,765)
Balance, September 30, 2016	**88,666,482**	**83,635,774**	**11,711,307**	**(7,654,614)**	**(3,539,419)**	**84,153,048**
Stock options exercised (Note 11)	1,500,000	698,000	-	-	-	698,000
Fair value of options exercised (Note 11)	-	494,950	(494,950)	-	-	-
Distribution to shareholders - return of capital (Note 12)	-	(76,641,510)	-	-	-	(76,641,510)
Net loss for the year	-	-	-	(1,464,576)	-	(1,464,576)
Other comprehensive income (Note 7)	-	-	-	-	365,243	365,243
Reclassification to deficit of cumulative loss of equity instrument at its disposal (Note 7)	-	-	-	(3,174,176)	3,174,176	-
Balance, September 30, 2017	**90,166,482**	**$ 8,187,214**	**$ 11,216,357**	**$(12,293,366)**	**$ -**	**$ 7,110,205**

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

KHAN RESOURCES INC.
CONSOLIDATED STATEMENTS OF CASH FLOW
(EXPRESSED IN CANADIAN DOLLARS)

Years ended September 30,	**2017**	2016
		(See Note 10)
Cash and cash equivalents (used in) provided by:		
Operating Activities		
Net income (loss) for the year	**$ (1,464,576)**	$ 80,688,585
Adjustments for:		
Income tax expense (recovery) (Note 15)	**(578,058)**	939,250
Non-cash financial expense (income), net	**(7,060)**	(36,027)
Loss on sale of subsidiary (Note 2)	**-**	2,378,223
Net change in non-cash working capital items:		
Accounts receivable and prepaid expenses	**69,498**	1,731
Accounts payable and accrued liabilities	**(85,787)**	(124,754)
Current income tax paid, net of recovery	**(822,255)**	-
	(2,888,238)	83,847,008
Financing Activities		
Distribution to shareholders - return of capital (Note 11)	**(76,641,510)**	-
Stock options exercised	**698,000**	1,774,675
	(75,943,510)	1,774,675
Investing Activities		
Increase of other assets	**(37,125)**	-
Purchase of short - term investments	**(5,000,000)**	(80,000,000)
Proceeds on sale of short - term investments	**80,000,000**	-
Proceeds on sale of investments	**684,851**	-
Proceeds from sale of subsidiary	**-**	49,559,091
Cash outflow on sale of subsidiary	**-**	(51,937,314)
	75,647,726	(82,378,223)
Change in cash and cash equivalents	**(3,184,022)**	3,243,460
Cash and cash equivalents, beginning of the year	**4,814,174**	1,570,714
Cash and cash equivalents, end of the year (Note 4)	**$ 1,630,152**	$ 4,814,174

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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, 130 King Street West, Suite 3680, Toronto, Ontario, Canada M5X 1B1.

The Company along with its subsidiary company (collectively the "Company" or "Khan"), was involved in acquiring, exploring and developing mineral properties in Mongolia.

On May 18, 2016, the Company announced that it had received USD$70 million ($90,593,987 Canadian at September 30, 2016) from the Government of Mongolia in settlement of all outstanding matters pursuant to the international arbitration award received by the Company. The subsidiaries of the Company collectively received an award of USD$55,167,000 ($70,000,000 less costs of $14,833,000 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 former Mongolian subsidiaries. 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.

On November 10, 2016 the shareholders of the Company approved a special resolution to implement the voluntary liquidation and dissolution of Khan. Consequently, the consolidated financial statements at September 30, 2016 were prepared on the basis that the Company was no longer a going concern. The liquidation plan approved by the shareholders provided that the board of directors was authorized to stop the liquidation of the Company if it determines in its discretion that doing so is no longer in the best interests of the Company or its shareholders. On May 5, 2017 at the Company's annual meeting, the shareholders of the Company elected a new board of directors. On May 8, 2017 the board of directors announced that it had determined that it would not proceed with the Company liquidation. The board of directors has determined that it is in the best interest of the Company and its shareholders to consider other possible strategic alternatives for the Company with a view to maximizing its value for the benefits of its shareholders (see Note 10). The Company will continue to assess new properties and seek to acquire them if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

At September 30, 2017, the Company had a working capital of $7,020,830, had cash outflow from operations of $2,888,238 (2016 inflow - $83,847,008) not yet achieved profitable operations, had accumulated losses of $12,293,366 (September 30, 2016 - $7,564,614) and expects to incur further losses in the determination of its future business alternatives, all of which creates material uncertainty and casts significant doubt upon the Company's ability to continue as a going concern.

On January 29, 2018, the Board of Directors approved the consolidated financial statements for the years ended September 30, 2017 and 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in Basis of Presentation

The consolidated financial statements as at September 30, 2017 and 2016 have been prepared and presented on a going concern basis. The going concern basis assumes continuity of operations, realization of assets and discharges of liabilities in the ordinary course of business and does not purport to show, reflect or provide for the consequences of the Company's intention to liquidate. The consolidated financial statements as at September 30, 2016 and for the year then ended were previously prepared and presented on a liquidation basis of accounting, the Company considers it is more useful, for comparative purposes, to present the comparative year on the current going concern basis.

Under the liquidation basis of accounting, the Company measured its assets based on their net realizable value and its liabilities based on their settlement amounts. The September 30, 2016 consolidated financial statements were previously prepared primarily using fair values which in this case, approximated the net realizable value of the assets and the settlement amounts of the liabilities. Details of the change of presentation and its effects in the previous year financial statement prepared on liquidation basis are disclosed in the Note 10.

Principles of Consolidation

The consolidated financial statements include all entities over which the Company has control. For accounting purposes, control is established by an investor when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are no longer consolidated on the date control ceases.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary located in Netherlands, Khan Resources B.V. ("KRBV"). In August of 2016, the Company sold all of the shares of its subsidiary Khan Resources Bermuda Ltd. for a cash sale price of $49,559,000 which resulted in a loss on the sale of the subsidiary of $2,378,223; such subsidiary was included in the consolidation up to the date of its sale.

Intercompany balances and any unrealized gains and losses or income and expenses arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

Basis of Preparation

These consolidated financial statements are presented in Canadian dollars which is also the functional currency of the parent Company Khan Resources Inc. The functional currency of the wholly owned subsidiary KRBV is the Euro.

The consolidated financial statements are prepared on the historical cost basis except for financial instruments which are measured at their fair value, as explained in the accounting policies set out in this note.

The accounting policies set out below have been applied consistently to the years presented in the consolidated financial statements.

Foreign Currency Translation

Foreign currency transactions are initially recorded into the functional currency at the transaction date exchange rate. At year end, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the balance sheet date's exchange rate and non-monetary assets and liabilities at the historical rate. These foreign currency adjustments are recognized in net loss of the consolidated statement of income (loss).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The "cash and cash equivalents" category consists of cash in banks, call deposits and other highly liquid investments with initial maturities of three months or less or which are cashable without penalty.

Financial Instruments

Initial recognition and measurement (financial assets and financial liabilities) - The Company initially recognizes financial assets and financial liabilities when it becomes party to the contractual provisions of the financial instrument. Initial measurement of the financial instrument is at fair value, plus for those financial assets and liabilities not classified at fair value through profit or loss ("FVTPL"), directly attributable transaction costs.

Financial assets – subsequent classification and measurement - Financial assets are classified in their entirety including any embedded derivatives. Two criteria are used to determine how financial assets should be classified and measured: (a) the Company's business model for managing the financial assets; and (b) the contractual cash flow characteristics of the financial asset. Key management personnel have determined that the Company's financial assets (excluding investments in equity investments) are held within a business model whose objective is to hold financial assets in order to collect cash flows.

Where the contractual cash flow characteristics of financial assets, taken on an instrument-by-instrument basis, give rise, on specified dates, to cash flows that are solely payments of principal and interest then a financial asset is classified as subsequently measured at amortized cost using the effective interest method. This is called the SPPI criterion. A financial asset that does not meet the SPPI criterion is always measured at FVTPL.

In addition, at initial recognition, the Company may make an irrevocable election to present in other comprehensive income ("OCI"), subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination. Such an equity instrument is classified as subsequently measured at fair value through other comprehensive income ("FVOCI"). Gains and losses recognized in OCI are not subsequently transferred to profit or loss, although the Company may determine to transfer the cumulative gain or loss within equity. Dividends are still recognized in profit or loss unless they clearly represent a recovery of part of the cost of the investment. The Company has elected to classify investments in equity instruments as FVOCI.

Reclassification - Financial assets are only reclassified between measurement categories, when and only when, the Company's business model for managing them changes. This is a significant event and thus is expected to be uncommon.

Impairment of financial assets - All of the Company's financial assets are subject to an impairment test at each reporting date with the exception of equity instruments measured at FVOCI. This includes any lease receivables. It also includes any off balance sheet loan commitments and financial guarantees.

Financial liabilities – subsequent classification and measurement - Financial liabilities are subsequently measured at amortized cost using the effective interest method or bifurcated into a host instrument measured at amortized cost , and an embedded derivative, measured at FVTPL. The Company is unlikely to originate a liability derivative other than in a host liability contract such as a debt instrument. Financial liabilities include accounts payable and accrued liabilities.

Derecognition - The Company will derecognize a financial asset when the rights to the cash flows from the financial asset have expired or where the Company has transferred substantially all risks and rewards associated with the financial asset and has relinquished control of the financial asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company will derecognize a financial liability only when extinguished — i.e., when the obligation specified in the contract is discharged, cancelled or it expires.

Impairment

The Company continually reviews and evaluates the events or changes in the economic environment that indicates a risk of impairment of assets to determine whether the carrying amount of the asset or group of assets under consideration exceeds its or their recoverable amount. Impairment of the assets is evaluated at the cash generating unit ("CGU") level which is the smallest identifiable group of asset that generates cash inflows, independent of the cash inflows from other assets, as defined by IAS 36 "Impairment of assets". Recoverable amount is defined as the higher of an asset's fair value (less costs to sell) and its value in use. The active market or a binding sale agreement provides the best evidence for the determination of the fair value, but where neither exists, fair value is based on the best information available to reflect the amount the Company could receive for the CGU in an arm's length transaction. Value in use is equal to the present value of future cash flows expected to be derived from the use and sale of the asset.

Provisions

A provision is recognized on the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Income Tax

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Pursuant to the liability method, deferred taxes are recorded for temporary differences existing at closing date between the tax base value of assets and liabilities and their carrying amount on the balance sheet.

Deferred tax assets and liabilities are measured at the expected tax rates for the year during which the asset will be realized or the liability settled, based on tax rates (and tax regulations) enacted or substantially enacted at year-end. They are reviewed at the end of each year, in line with any changes in applicable tax rates.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of tax losses and unused tax credits, insofar as it is probable that a taxable profit will be available, or when a current tax liability exists, to make use of those deductible temporary differences, tax loss carry forwards and unused tax credits, except where the deferred tax asset associated with the deductible temporary difference is generated by initial recognition of an asset or liability in a transaction which is not a business combination, and which, at the transaction date, does not impact earnings, tax income or loss.

Income

Other income is recognized at the time persuasive evidence of an agreement exists, amount is fixed and determinable, and collectability is reasonably assured.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stock-based Compensation

The Company offers a share option plan. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured using the Black-Scholes option pricing model. Compensation expense is recognized as a charge to net loss or mineral property and related deferred costs over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. Any consideration paid on exercise of share options is credited to capital stock. The contributed surplus resulting from stock-based payment is transferred to capital stock when the options are exercised.

For equity settled transactions with non-employees, the Company measures goods or services received at their fair value, unless that fair value cannot be estimated reliably, in which case, the Company measures their value by reference to the fair value of the equity instruments granted.

Earnings (Loss) per Share

Basic earnings (loss) per share amounts are calculated by dividing net profit (loss) for the period attributable to common shareholders by the basic weighted average number of common shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit (loss) attributable to common shareholders of the Company by the weighted average number of shares outstanding during the period plus the weighted average number of diluted shares that would be issued on the conversion of all the dilutive potential ordinary shares into common shares. The options and warrants of the Company are anti-dilutive as of September 30, 2017.

Segmental Reporting

The Company has only a single operating segment, and therefore one reportable segment.

Accounting Standards Issued but not yet Effective

At the date of authorization of these financial statements, the IASB has issued the following standard which is not yet effective for the relevant reporting period.

IFRS 15 Revenue from Contracts with Customers was issued in May 2014, *and replaces IAS 18 Revenue, IAS 11 Construction Contracts* and related interpretations. The standard provides clarification for recognizing revenue from contracts with customers and establishes a single revenue recognition and measurement framework that applies to contracts with customers. The standard is required to be adopted either retrospectively or using a modified transaction approach for fiscal years beginning on or after January 1, 2018 with earlier adoption permitted. The Company is currently evaluating the impact of the standard on the Company's financial statements.

IFRS 16 Leases was issued in January 2016 and replaces *IAS 17 Leases*. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. If the lease was classified as a finance lease, a lease liability was included on the statement of financial position. IFRS 16 now requires lessees to recognize a right of use asset and lease liability reflecting future lease payments for virtually all lease contracts. The right of use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability accrues interest. The IASB has included an optional exemption for certain short term leases and leases of low value assets; however, this exemption can only be applied by lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

right to direct the identified asset's use and obtain substantially all the economic benefits from that use. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if *IFRS 15, Revenue from Contracts with Customers*, is also applied. The Company is currently evaluating the impact of the standard on the Company's financial statements.

IFRIC 23 *Uncertainty over income tax treatments* was issued by the IASB in June 2017, provides guidance as to when it is appropriate to recognize a current tax asset when the taxation authority requires an entity to make an immediate payment related to an amount in dispute. This interpretation applies for annual reporting periods beginning on or after January 1, 2019. The Company is currently analyzing the potential effects of adopting this standard on its financial statements.

3. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in compliance with IFRS requires the Company's management to make certain estimates and assumptions that they consider reasonable and realistic. Despite regular reviews of these estimates and assumptions, based in particular on past achievements or anticipations, facts and circumstances may lead to changes in these estimates and assumptions which could impact the reported amount of the Company's assets, liabilities, equity or earnings. These estimates and assumptions notably relate to the following items:

Deferred income taxes - In assessing the probability of realizing deferred income taxes, the Company makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, the Company gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers relevant tax planning opportunities that are within the Company's control, are feasible and within management's ability to implement. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred taxes. The Company reassesses unrecognized income tax at each reporting period.

Going Concern - The Company applies judgment in assessing whether material uncertainties exist that would cause doubt as to whether the Company could continue as a going concern.

4. CASH AND CASH EQUIVALENTS

The balance consists of cash in banks immediately available for its use in the Company's operations.

5. SHORT-TERM INVESTMENTS

The short-term investments consist of a guaranteed investment certificate ("GIC") with a maturity date of less than three months and held for investment. Any GIC pledged as security is presented as restricted cash in the other assets account.

(EXPRESSED IN CANADIAN DOLLARS)

6. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

The balances are comprised as follows:

	September 30, 2017	September 30, 2016
Prepaid expenses and advances	$ **24,983**	$ 18,920
Harmonized sales tax	**7,424**	48,962
Interest receivable - GIC	**2,005**	36,028
	$ **34,412**	$ 103,910

7. INVESTMENTS

The Company's investments in shares are classified as fair value through other comprehensive income and are carried at fair value. The balance is comprised of the following:

	Number of Shares	**September 30, 2017**	Number of Shares	September 30, 2016
Plateau Uranium Inc. (i)	-	$ -	1,055,291	$ 263,823
Total investments		-		263,823

(i) In the current year, the Company sold its portfolio of investments in Plateau Uranium Inc. the $421,029 gain in the valuation of the investments, net of $55,786 of income tax, was recorded in other comprehensive income. Subsequently, the $3,174,176 cumulative balance of other comprehensive income (loss) was reclassified to the deficit account.

8. OTHER ASSETS

The balances are comprised as follows:

	September 30, 2017	September 30, 2016
Restricted cash (a)	$ 52,250	$ 52,250
Non-current prepaid insurance	37,125	-
	$ 89,375	**$ 52,250**

(a) Restricted cash consists of a guaranteed investment certificate pledged as security for a corporate credit card facility.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The balances are comprised as follows:

	September 30, 2017	September 30, 2016
Trade accounts payable	$ **28,305**	$ 17,705
Accrued liabilities	**27,876**	124,263
	$ **56,181**	$ 141,968

(EXPRESSED IN CANADIAN DOLLARS)

10. COMPARATIVE FINANCIAL STATEMENTS AND RESTRUCTURING COSTS

As described in the Note 2, the consolidated financial statements as at September 30, 2017 and 2016 are presented on a going concern basis. The consolidated financial statements as at September 30, 2016 and for the year then ended were previously prepared and presented on a liquidation basis of accounting.

The previously reported consolidated financial statements as at September 30, 2016 and for the year then ended included a $1,450,000 provision for liquidation and restructuring costs. These estimated costs included 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, certain costs and fees to be incurred to liquidate the residual assets and for the specific wind-up activities of the Company. The consolidated financial statements of that year did not include anticipated operating costs and overhead for the wind-up period nor provision for the settling of contingent liabilities. The $1,450,000 provision, net of its $384,250 income tax effect represent the $1,065,750 variance in the net results of the year 2016 between the financial statements prepared on a liquidation and a going concern basis.

A description of the accounts that present differences in the 2016 consolidated statements of financial position and Income (loss) prepared on liquidation and going concern basis is shown as follows:

Consolidated statement of financial position at September 30, 2016, prepared on	(Previously Presented) Liquidation Basis	Variance	**Going Concern Basis**
Current income tax asset	$ 570,000	$ (384,250)	**$ 185,750**
Other assets	85,234,267	-	**85,234,267**
Total assets	85,804,267	(384,250)	**85,420,017**
Liquidation provision	(1,450,000)	1,450,000	**-**
Other liabilities	(1,266,968)	-	**(1,266,968)**
Net assets at September 30, 2016	$ 83,087,299	$ 1,065,750	**$ 84,153,049**
Deficit	(8,720,364)	1,065,750	**(7,654,614)**
Other Shareholders' Equity accounts	91,807,663	-	**91,807,663**
Shareholders' Equity at September 30, 2016	83,087,299	$ 1,065,750	**$ 84,153,049**

Consolidated statement of income (loss) for the year ended September 30, 2016, prepared on	(Previously Presented) Liquidation Basis	Variance	**Going Concern Basis**
Liquidation provision	$ (1,450,000)	$ 1,450,000	**$ -**
Other income (expenses), net	81,627,835	-	**81,627,835**
Net income before income tax	80,177,835	1,450,000	**81,627,835**
Deferred income tax	(555,000)	(384,250)	**(939,250)**
Net income for the year ended September 30, 2016	$ 79,622,835	$ 1,065,750	**$ 80,688,585**
Gain (loss) per share - basic & diluted	$ 0.94	$ 0.01	**$ 0.95**

(EXPRESSED IN CANADIAN DOLLARS)

10. COMPARATIVE FINANCIAL STATEMENTS AND RESTRUCTURING COSTS (Continued)

As described in Note 1, on May 8, 2017 the board of directors announced that it would not proceed with the Company liquidation. At the date of the announcement, $425,745 of the previously recorded provision for liquidation were actually expended, such amount is presented as current year restructuring costs in the consolidated statement of income (loss). The detail of the restructuring costs for the year ended September 30, 2017, is as follows:

Description of the restructuring costs	
Severance and other employee expenses	**163,500**
Consultants and audit expenses	**214,896**
Legal expenses	**47,349**
Total restructuring costs for the year ended September 30, 2017	**425,745**

In addition to the above noted changes, some of the figures of the comparative financial statements have been reclassified from the statements previously presented to conform to the presentation of these September 30, 2017 consolidated financial statements.

11. CAPITAL STOCK

a) AUTHORIZED

Unlimited common shares

b) ISSUED

COMMON SHARES	Number of Shares	Stated Value
Balance,October 1, 2015	84,136,482	$ 80,662,398
Stock options exercised	4,530,000	1,774,675
Fair value of options exercised	-	1,198,701
Balance, September 30, 2016	88,666,482	$ 83,635,774
Stock options exercised	1,500,000	698,000
Fair value of options exercised	-	494,950
Distribution to shareholders - return of capital	-	(76,641,510)
Balance, September 30, 2017	90,166,482	$ 8,187,214

Return of Capital

On November 10, 2016, the shareholders approved a distribution of $76,641,510, which represents $0.85 per share, by way of a return of capital that was paid on November 29, 2016 to the shareholders of record at November 22, 2016.

(EXPRESSED IN CANADIAN DOLLARS)

12. STOCK-BASED COMPENSATION

Continuity of the options to purchase common shares is as follows:

	Number of Stock Options 2017	Number of Stock Options 2016	**Weighted Average Exercise Price 2017**	Weighted Average Exercise Price 2016
Balance, at beginning of year	**1,500,000**	6,380,000	**$ 0.47**	$ 0.42
Exercised	**(600,000)**	(4,530,000)	**0.34**	0.39
Exercised	**(500,000)**	-	**0.57**	-
Exercised	**(400,000)**	-	**0.53**	-
Expired	-	(350,000)	-	0.55
Balance, September 30, 2017 and 2016	-	1,500,000	**$ -**	$ 0.47

The weighted average life of the outstanding options at September 30, 2016 was 1.2 years.

The detail of outstanding options at September 30, 2016 is as follows:

Expiry Date	Number of Stock Options	Exercise Price
March 28, 2017	600,000	0.34
March 19, 2018	500,000	0.57
August 20, 2018	400,000	0.53
Balance at September 30, 2016	1,500,000	

13. RELATED PARTY DISCLOSURES

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

In the year ended September 30, 2016, directors, officers and employees exercised 4,530,000 share options acquiring 4,530,000 shares for total proceeds of $1,774,675. Included with these shares were 400,000 shares and proceeds of $148,000 related to management entities that provided key management personnel services to the Company.

Transactions with related parties were conducted in the normal course of operations.

(EXPRESSED IN CANADIAN DOLLARS)

14. KEY MANAGEMENT COMPENSATION

Key management includes the Chief Executive Officer, Chief Financial Officer and directors of the Company.

The compensation payable to key management is shown below:

Years ended September 30	**2017**	2016
Salaries	**$ 157,012**	$ 268,000
Director fees	**107,500**	319,000
	$ 264,512	$ 587,000

15. INCOME TAXES

The Company's income tax provision differs from the amount resulting from the application of the Canadian statutory income tax rate of 26.5%. A reconciliation of the combined Canadian federal and provincial income tax rates with the Company's effective tax rate is as follows:

	2017	2016
Net income (loss) before income taxes	**$ (2,042,634)**	$ 81,627,835
Expected income tax recovery (expense) before adjustments	**541,298**	(21,631,250)
Non-deductible expenses and other	**(16,255)**	(1,222,000)
Derecognition of temporary difference on liquidation provision	**(384,250)**	-
Recoverable tax loss carry back	**402,058**	-
Changes in estimates related to the prior year	**93,069**	-
Non-taxable income	**-**	14,978,000
Utilization of tax attributes not previously tax benefited	**-**	7,331,000
Recognition of deferred tax expense on sale of investments	**(55,786)**	-
Other	**(2,076)**	21,000
Withholding tax expense	**-**	(416,000)
Income tax recovery (expense)	**$ 578,058**	$ (939,250)

The Company's deferred and current tax activity for the years ended September 30, 2017 and 2016 is as follows:

Income tax recovery (expense)	**2017**	2016
Current tax recovery	**$ 495,127**	$ (1,125,000)
Deferred tax recovery (expense)	**138,717**	185,750
Income tax recovery (expense)	**633,844**	(939,250)
Deferred tax recognized in other comprehensive income (Note 7)	**(55,786)**	-
	$ 578,058	$ (939,250)

At September 30, 2017 and 2016 there is $Nil of Canadian non-capital tax loss and $588,065 (2016 - $545,000) of Netherlands tax losses which expires from 2019 to 2027. The deductible temporary differences do not expire under current tax legislation. There is also $4,181,095 of Canadian net capital loss that may be carried forward indefinitely, but can only be used to reduce capital gains.

16. CONTINGENT LIABILITIES AND COMMITMENTS

a) Netherlands Preliminary Tax Assessment - On February 15, 2017 the Company received an income tax reassessment from the Netherlands tax authority reassessing the Company's subsidiary KRBV for an amount payable of 3.3 million euros (CAD$4.9 million). This reassessment was pursuant to management challenging an earlier preliminary assessment for an amount payable by KRBV of 11.4 million euros. The preliminary tax assessment and the reassessment were both issued before KRBV had 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 euros (CAD$4.9 million) continues to be an over assessment. The 2016 tax return has since been filed and 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 these consolidated financial statements.

b) Former Officer Claim - In October 2017, the former Chief Executive Officer has filed a $675,000 claim for severance and damages against the Company and the Company has counter-sued as it believes severance is not appropriate. No provision has been made for the claim in these consolidated financial statements.

17. FINANCIAL RISK FACTORS

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company considers capital from two perspectives: its working capital position and its capital stock, warrant, and stock option components of its shareholders' equity.

At September 30, 2017, the Company has a working capital of $7,020,830 (September 30, 2016 - $84,100,799); Capital stock and contributed surplus total $19,403,571 (September 30, 2016 - $95,347,082).

To effectively manage the Company's capital requirements, the management has in place a rigorous planning, budgeting and forecasting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company ensures that there are sufficient working capital and planned future capital raises to meet its short-term business requirements, taking into account its anticipated cash flow from operations and its holding of cash and cash equivalents and short-term investments.

At September 30, 2017, the Company expects its capital resources and projected future cash flows from financing to support its normal operating requirements on an ongoing basis and other expansionary plans.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended September 30, 2017.

Risk Disclosures

Exposure to credit, interest rate and currency risks arises in the normal course of the Company's business.

17. FINANCIAL RISK FACTORS (Continued)

Credit Risk

The Company has cash and cash equivalents balance of $6,640,541 (September 30, 2016 - $84,814,284). The Company's current policy is to invest excess cash in investment grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. There is no significant credit risk with respect of receivables.

Interest Rate Risk

The Company has no exposure to interest rate risk since there are no outstanding debts or other payables subject to interest charges at the end of the years 2016 and 2017.

Foreign Currency Risk

The Company is exposed to foreign currency risk on financial assets and liabilities that are denominated in a currency other than the Canadian dollar. The currency giving rise to this risk is primarily the U.S. dollar, the balance of net monetary assets in such currency as of September 30, 2017 is $1,214,545 (September 30, 2016 - $1,607,768).

Liquidity Risk

The Company is exposed to liquidity risk primarily as a result of its trade accounts payable. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2017, the Company had a cash and cash equivalents balance of $6,640,541 (September 30, 2016 - $84,814,284) to settle current liabilities of $56,181 (September 30, 2016 - $1,266,968). All of the Company's trade accounts payable have contractual maturities of less than 30 days and are subject to normal trade terms.

Sensitivity Analysis

As at September 30, 2017 and 2016, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

Based on management's knowledge and experience of the financial markets, the Company believes the following movement is "reasonably possible" over a twelve-month period.

i) The Company is exposed to foreign currency risk on fluctuations of balances that are denominated in US currency related to cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities. Sensitivity to a plus or minus 10% change in the foreign exchange rate would affect the net comprehensive loss by $121,455.

ii) The Company is exposed to market risk as it relates to its investments held in marketable securities. If market prices had varied by 10% from their September 30, 2016 fair market value positions, the comprehensive loss would have varied by $26,382.

Fair Value Hierarchy

Accounts payable and accrued liabilities are considered as other financial liabilities, which are measured at amortized cost which also approximates fair value.

(EXPRESSED IN CANADIAN DOLLARS)

17. FINANCIAL RISK FACTORS (Continued)

The following summarizes the methods and assumptions used in estimating the fair value of the Company's financial instruments where fair value measurement is required. Fair value amounts represent point in time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment. The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the balance sheet, have been prioritized into three levels as per the fair value hierarchy.

Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities. Level two includes inputs that are observable other than quoted prices included in level one. Level three includes inputs that are not based on observable market data. The carrying value of cash and cash equivalents and investments approximate their fair value.

September 30, 2017:	Level One	Level Two	Level Three
Cash and cash equivalents	$ 1,630,152	$ -	$ -
Short-term investments	5,010,389	-	-
Restricted cash	-	52,250	-
	$ 6,640,541	**$ 52,250**	**$ -**

September 30, 2016:	Level One	Level Two	Level Three
Cash and cash equivalents	$ 4,814,174	$ -	$ -
Short-term investments	80,000,110	-	-
Investments	-	263,823	-
Restricted cash	-	52,250	-
	$ 84,814,284	**$ 316,073**	**$ -**

There have been no transfers between levels 1, 2 or 3 during the periods.

KHAN RESOURCES INC.

Management Discussion and Analysis

For the years ended September 30, 2017 and 2016
As at January 29, 2018

This Management Discussion and Analysis ("MD&A") has been approved in accordance with a resolution of the board of directors dated January 29, 2018. It should be read in conjunction with the consolidated financial statements of the Company as at and for the years ended September 30, 2017 and 2016.

Significant Events and Current Status

Termination of the Liquidation Plan – On May 5, 2017 at the Company's annual meeting, the shareholders of the Company elected a new board of directors ("board"). On May 8, 2017 the board announced that it had determined that it will not proceed with the liquidation plan that was approved by the Company's shareholders on November 10, 2016. The liquidation plan approved by the shareholders provided that the board was authorized to stop the liquidation of the Company if it determines in its discretion that doing so is no longer in the best interests of the Company or its shareholders. Management is considering strategic alternatives for the Company with a view to maximizing its value for the benefit of the shareholders.

Change in basis of presentation – Due to the termination of the liquidation plan, the consolidated financial statements as at September 30, 2017 and for the year then ended as well as the comparative consolidated financial statements of the year ended September 30, 2016, have been prepared on the going concern basis of accounting.

Termination of the Arrangement Agreement with Arden Holdings Ltd. – On May 4, 2017 the Company announced that the arrangement agreement with Arden Holdings Ltd. and its wholly owned subsidiary to purchase the shares of Khan at $0.05 per share had been terminated. This arrangement agreement had been announced by the Company on March 22, 2017.

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 the shareholders of record at November 22, 2016.

Overall Performance

International Arbitration Award and the Liquidation Plan

In May, 2016, the Company announced the receipt of US$70 million (CAD$90,593,987) from the Government of Mongolia in settlement of an international arbitration award rendered in favour of Khan in March, 2015.

The subsidiaries of the Company collectively received an award of USD$55,167,000 (CAD$71,397,121) based on each entity's interest in the underlying historic assets of the two former Mongolian subsidiaries and the parent company received USD$14,833,000 (CAD$19,196,866) as a reimbursement of the expenses incurred to obtain the award and collect the settlement.

On November 10, 2016 the Company announced that the shareholders of the Company had approved a special resolution for the voluntary liquidation and dissolution of Khan. The shareholders also approved, pursuant to the winding up, an initial 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.

Arrangement Agreement with Arden Holding

On March 22, 2017, the Company announced that it had entered into an agreement with Arden Holdings Ltd., ("Arden") a private Turks and Caicos company and Arden's wholly-owned subsidiary ("Arden BidCo") whereby Arden BidCo had agreed to acquire all of Khan's outstanding shares by way of a plan of arrangement (the "Arrangement"). Under the Arrangement, Khan's shareholders would have received cash of CAD$0.05 per share.

Termination of the Arrangement and the Liquidation

On May 4, 2017 the Arrangement with Arden was terminated based on received proxies that indicated that there would be less than the required two-third majority of votes in favour of the transaction.

On May 5, 2017 at the Company's Annual and Special Meeting of Shareholders ("AGM"), the shareholders of the Company elected a new board.

On May 8, 2017 the board announced that it had determined that it would not proceed with the liquidation plan that was approved by the Company's shareholders on November 10, 2016. The liquidation plan approved by the shareholders provided that the board was authorized to stop the liquidation of the Company if it determines in its discretion that doing so is no longer in the best interests of the Company or its shareholders. Management is considering strategic alternatives for the Company with a view to maximizing its value for the benefit of the shareholders. Management also made certain administration changes to align the business with the new board.

Netherlands preliminary tax assessment

On February 15, 2017, the Company received an income tax reassessment from the Netherlands tax authority reassessing the Company's Dutch subsidiary Khan Resources BV (KRBV) for an amount payable of 3.3 million euros (CAD$4.9 million). This reassessment was pursuant to management challenging an earlier preliminary assessment for an amount payable by KRBV of 11.4 million euros. The preliminary tax assessment and the reassessment were both issued before KRBV had 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 euros continues to be an over assessment. The 2016 tax return has since been filed and 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 consolidated financial statements as at September 30, 2017.

Former Chief Executive Officer Claim

In October 2017, Mr. Grant Edey, the former Chief Executive Officer has filed a $675,000 claim for severance and damages against the Company and the Company has counter-sued as it believes severance is not appropriate. No provision has been made for the claim in the consolidated financial statements.

KRBV dividend and Netherlands withholding tax

On May 2, 2017, the board of directors of KRBV approved a dividend in the amount of US$3 million to the Company who is the sole shareholder of KRBV. The withholding tax on this transaction of US$150,000 (CAD$204,000) was remitted to the Netherlands tax authorities during the third quarter of 2017.

Selected Quarterly Information

The below selected quarterly information summarizes the financial information for the last eight quarters. The information has been prepared on a going concern basis; therefore, the previously reported information on liquidation basis of Q4 2016 through Q2 2017 has been adjusted accordingly.

	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	Sep-17	Jun-17	Mar-17	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15
	$	$	$	$	$	$	$	$
Interest income	11,515	10,273	10,550	97,060	65,775	5,276	1,702	1,738
Other income	-	-	-	-	454,939	90,139,048	-	-
Legal expenses	3,901	196,684	285,032	327	111,616	5,336,665	159,348	107,473
Restructuring costs	-	-	160,036	265,709	-	-	-	-
Loss on sale of subsidiary	-	-	-	-	2,378,223	-	-	-
Foreign exchange loss (gain)	49,652	28,943	(61,354)	37,660	(398,340)	(355,550)	12,671	(4,872)
Other General expenses	105,913	585,773	331,174	182,402	733,043	411,033	315,403	233,930
Income tax expense (recovery)	(813,203)	384,000	(148,855)	-	502,917	437,731	3,496	(4,894)
Net gain (loss)	665,252	(1,185,307)	(555,483)	(389,038)	(2,806,745)	84,314,445	(489,216)	(329,899)
Net gain (loss) per share (basic and diluted)	-	(0.01)	(0.01)	-	(0.02)	0.96	-	-
Other comprehensive income (loss)	-	365,243	-	-	(57,342)	(4,578)	(22,886)	32,041
Total comprehensive income (loss)	665,252	(1,245,809)	(395,447)	(123,329)	(2,864,087)	84,309,867	(512,102)	(297,858)
Total current assets	7,077,011	7,012,094	8,545,784	9,059,832	85,367,767	87,222,763	1,905,661	1,220,081
Total current liabilities	56,181	274,290	1,607,780	2,355,446	1,266,968	949,748	156,784	128,911
Total assets	7,166,386	7,103,493	8,598,035	9,375,905	85,420,017	87,599,882	2,285,052	1,573,605

The income results from the interest earned on the bank accounts and the guaranteed investment certificates (GIC). It fluctuates over the quarters due to changes in the cash balances.

The other income in the third and fourth quarters of 2016 reflects the US$70 million settlement payment from the Government of Mongolia.

Legal costs variances quarter to quarter in the year 2016 are mainly related to the international arbitration and settlement with the Government of Mongolia; in the year 2017 the legal costs are mainly related to the subsequent termination of the arrangement with Arden.

Restructuring costs in Q1 and Q2 of 2017 of $425,745 are mainly composed of $214,896 of consultants and audit expenses, $163,500 of severance and other employee expenses in addition to $47,349 of legal expenses; all of these expenses are related to the voluntary liquidation and dissolution decision of November 2016 which was subsequently reversed in May 8, 2017.

In Q4 2016 there is a $2,378,223 loss on the sale of the Khan Bermuda subsidiary.

The foreign exchange results fluctuate over the quarters mainly due to the variances in the foreign exchange rates mainly of the USD and for the variance of the cash balances denominated in such currency.

Other general expenses variances are mainly composed of salaries and wages and corporate and administrative expenses. During the current year there is a continuous reduction of these expenses which is also their trend in the forecasted short-term as a result of the lower activities and the actions taken to reduce them at a minimum level.

The main component of total assets of the Company is cash and the short-term investments. Total assets decreased significantly in 2017 in comparison to 2016 due to a distribution to shareholders 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. This decrease of $78,655,689 was partially offset by proceeds of $698,000 from the exercise of 1,500,000 share options by directors, officers and employees of the Company and $684,851 proceeds from the sale of the investment in Plateau Uranium Inc.

In 2016, total assets benefited from the receipt of the US$70 million ($90,139,000) settlement payment from the Government of Mongolia and were further supplemented by $1,774,675 in proceeds from the exercise of 4,530,000 share options by directors, officers and employees of the Company.

Results of Operations

Comparison of the three months ended September 30, 2017 and 2016

The net gain for the fourth quarter of 2017 was $665,252 compared to a net loss of $2,806,745 for the same period of 2016. The variances are summarized as follows:

- In Q4 2017 the legal expenses of $3,901 are $107,715 lower than Q4 2016 due to the end of the international arbitration and settlement with the Government of Mongolia in the previous year.

- The $58,671 of general corporate expenses and $47,242 salaries and wages in Q4 2017 are $314,342 and $312,788 lower, respectively, than the Q4 2016 expenses due to the restructuring and decrease of activities of the Company.
- In Q4 2016 there is a $2,378,223 loss on the sale of the Khan Bermuda subsidiary. There was no such expense in Q4 2017.
- In Q4 2017 there is a $813,203 net income tax recovery versus $502,917 net income tax loss in Q4 2016 due to the $402,058 recoverable tax loss carry back and the derecognition of the other deferred tax assets and liabilities in Q4 2017.

The above indicated lower expenses were partially offset by the following items:

- In Q4 2017 there is a $49,652 foreign exchange loss against a $398,340 foreign exchange gain as 2016 included the large USD cash balance received on settlement from the Government of Mongolia.
- In Q4 2016 there was a $454,939 adjustment for the settlement received from the Government of Mongolia.
- In Q4 2017 there is $11,515 of interest income against $65,775 in Q4 2016 due to the higher cash and short-term investments balances in Q4 2016.

Comparison of the years ended September 30, 2017 and 2016

The net loss for the year ended September 30, 2017 was $1,464,576 compared to a net gain of $80,668,585 for the year 2016. The variances are summarized as follows:

- In the year 2016 there is $90,593,987 income from compensation for impairment in the value of investments in subsidiaries as a result of the US$70 million received as settlement 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.
- In the year 2017 there is $54,901 of foreign exchange loss against $746,091 foreign exchange gain in 2016 as 2016 included the large USD cash balance received on settlement from the Government of Mongolia.
- In the year 2017 there is $425,745 of restructuring costs against Nil in the year 2016.

The above indicated lower income and higher expenses were partially offset by the following items:

- In the year 2017 the legal expenses are $486,124 against $5,715,102 in 2016 due to the end of the international arbitration and settlement with the Government of Mongolia in 2016.
- The $598,661 of general corporate expenses and $606,601 of salaries and wages in 2017 are $307,259 and $180,888 lower, respectively, than 2016 expenses due to the restructuring and decrease of activities of the Company. In 2017 the general corporate expenses include $175,000 of breakage fee paid to Arden due to the termination of the Arrangement Agreement with that company as it is described in the page 2 of this MD&A.
- In 2016 there is a $2,378,223 loss on the sale of the Khan Bermuda subsidiary. There was no such expense in 2017.

- In 2017 there is $129,398 of interest income against $74,491 in 2016 due to the higher balance of cash and GCI during the current year.
- In the year 2017 there is $578,058 net income tax recovery against $939,250 net income tax loss in 2016 due to the $402,058 recoverable tax loss carry back of the year 2017 and the adjustment for the derecognition of the other deferred tax assets and liabilities in 2017.

Other Comprehensive Income ("OCI")

Investments

At September 30, 2017 the Company holds no investments. At September 30, 2016 the Company held equity instruments in the form of 1,055,291 common shares of Plateau with a fair value of $263,823. During the current year and before the full sale of the Plateau investment, its value was adjusted to its fair market value resulting in a valuation gain of $421,029 before income tax of $55,786 that was recognized in OCI. During the year, the Company sold all Plateau shares for cash proceeds of $684,851 and transferred the cumulative loss on this investment of $3,174,176 from accumulated OCI to the deficit.

Financial and Capital Management

Outstanding share data at September 30, 2017

Common shares outstanding:	90,166,482
Options to purchase common shares:	Nil

Cash Flows

For the year ended September 30, 2017 operating cash outflow was $2,888,238. This mainly includes cash used in operations of $2,045,810 and $822,255 of income tax paid offset by the interest revenue of $129,398 and income tax refund of $93,069.

During the year 2017, the investing cash inflow was $647,726 consisting of cash proceeds of $684,851 from the sale of the Plateau shares and cash outflow of $37,125 for the pre-payment of the long-term portion of the insurance.

Financing cash outflow in 2017 of $75,943,510 is attributed to the distribution of $76,641,510 ($0.85 per share) by way of a return of capital that was paid on November 29, 2016 to the shareholders of record at November 22, 2016 offset by proceeds from the exercise of stock options of $698,000.

For the year ended September 30, 2016 operating cash inflow was $83,970,031. This is mainly attributed to the receipt of US$70 million of the settlement proceeds from the Government of Mongolia. The exercise of stock options provided cash of $1,774,675 in that year.

Financial Instruments and Financial Risks

As at September 30, 2017, the Company's financial instruments consist of cash and cash equivalents, short-term investments and current and non-current financial assets. 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 September 30, 2017, the Company had cash and cash equivalents and short-term investments of $6,640,541 to cover total liabilities of $56,181. 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.

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 and short-term investments, the maximum exposure of which is represented by the carrying amounts reported on the consolidated statement of financial position. This risk is mitigated by using major banks in Canada and the Netherlands that are of high credit quality as determined by rating agencies.

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 only at September 30, 2017. 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 September 30, 2017, with other variables unchanged, a 1% variance of the EUR and USD exchange rates against the CAD would have a net effect in net income by approximately $12,200.

Equity risk

The Company no longer has a significant equity price risk. The Company's holdings of marketable equity securities in the form of shares of Plateau were sold during the current year.

Accounting Policies

This MD&A should be read in conjunction with Khan's consolidated financial statements and notes as at and for the year ended September 30, 2017. 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 consolidated financial statements as at September 30, 2017 and 2016 are presented on a going concern basis, the consolidated financial statements as at September 30, 2016 and for the year then ended were previously prepared and presented on a liquidation basis of accounting. Please refer to Note 10 of the audited consolidated financial statements for additional information of this change.

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.

Off-Balance Sheet Arrangements

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 expired on August 16, 2017. Khan has not recognized this indemnity in its consolidated financial statements because management judged that the probability that the indemnity would be utilized was remote and this judgement proved to be correct.

Transactions with Related Parties

During the year ended September 30, 2017, 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 $698,000. Included with these shares were 200,000 shares and proceeds of $91,000 from Carandian Corporation an entity that provided the CFO services to the Company.

In the year ended September 30, 2016, directors, officers and employees exercised 4,530,000 share options acquiring 4,530,000 shares for total proceeds of $1,774,675. Included with these shares were 400,000 shares and proceeds of $148,000 from Carandian Corporation and Jeremy Budd who provided CFO and secretarial services, respectively, to the Company.

Proposed Transactions

There are no significant transactions 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 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.

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

Estimates

i. 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 forecasted 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.

ii. *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

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 as at September 30, 2017 and 2016 and for the years then ended have been prepared on a going concern basis of accounting due to the termination of the liquidation plan (see note 1, 2 and 10 to consolidated financial statements as at September 30, 2017).

Risks Factors

The Company has previously described certain risks associated with the liquidation plan but with that plan now terminated, those risks no longer exist. 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.

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 year ending September 30, 2018 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.

KHAN RESOURCES INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

SEPTEMBER 30, 2018 AND 2017

(Expressed in Canadian Dollars)

RSM

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Khan Resources Inc.

We have audited the accompanying consolidated financial statements of Khan Resources Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at September 30, 2018 and September 30, 2017 and the consolidated statements of comprehensive income (loss), changes in shareholders' equity and cash flow for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Khan Resources Inc. and its subsidiaries, as at September 30, 2018 and September 30, 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates the existence of material uncertainties that casts significant doubt about the Company's ability to continue as a going concern.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
January 24, 2019
Toronto, Ontario

KHAN RESOURCES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)

	September 30, 2018	September 30, 2017
		(See Note 17)
Assets		
Cash (Note 4)	**$ 4,072,322**	$ 1,630,152
Short-term investments (Note 5)	**-**	5,010,389
Sales tax and other receivables and prepaid expenses (Note 6)	**28,407**	34,412
Current income tax asset	**-**	402,058
Investments (Note 7)	**4,239,364**	-
Other assets (Note 8)	**81,275**	89,375
	$ 8,421,368	$ 7,166,386
Liabilities		
Accounts payable and accrued liabilities (Note 9)	**$ 126,939**	$ 56,181
Shareholders' Equity		
Capital stock (Note 10)	**8,187,214**	8,187,214
Contributed surplus	**11,608,118**	11,216,357
Deficit	**(11,500,903)**	(12,293,366)
	8,294,429	7,110,205
	$ 8,421,368	$ 7,166,386

Nature of Operations and Going Concern (Note 1)
Contingent liabilities and commitments (Note 15)

SIGNED ON BEHALF OF THE BOARD

(Signed) *"Marc Henderson"*
Director

(Signed) *"Michael Sadhra"*
Director

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

KHAN RESOURCES INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(EXPRESSED IN CANADIAN DOLLARS)

Years ended September 30,	2018	2017
Income		
Interest income	$ 40,598	$ 129,398
Gain on conversion of investment (Note 7)	1,883,932	-
Unrealized loss on FVTPL investments (Note 7)	(532,918)	-
	1,391,612	129,398
Expenses		
General corporate expenses	$ 361,841	$ 598,661
Salaries, wages and director fees	57,427	606,601
Legal expenses	37,005	486,124
Stock-based compensation (Note 11)	391,761	-
Restructuring costs	-	425,745
Foreign exchange loss (gain)	(36,012)	54,901
	812,022	2,172,032
Income (loss) before income taxes	579,590	(2,042,634)
Current income tax recovery (Note 14)	212,873	495,127
Deferred income tax recovery (Note 14)	-	82,931
Net income (loss) for the year	$ 792,463	$ (1,464,576)
Other comprehensive income (loss)		
Items that will not be reclassified to net income (loss)		
Movement in fair value of equity instrument (Note 7)	-	421,029
Income tax on revaluation of equity instrument	-	(55,786)
Other comprehensive income (loss)	$ -	$ 365,243
Total comprehensive income (loss)	$ 792,463	$ (1,099,333)
Net loss per share - basic & diluted	$ 0.01	$ (0.02)
Weighted average number of shares outstanding	90,166,482	89,918,130

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

KHAN RESOURCES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(EXPRESSED IN CANADIAN DOLLARS)

	Common Shares	Capital Stock	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance, October 1, 2016	**88,666,482**	**$ 83,635,774**	**$ 11,711,307**	**$ (7,654,614)**	**$ (3,539,419)**	**$ 84,153,048**
Stock options exercised	1,500,000	698,000	-	-	-	698,000
Fair value of options exercised	-	494,950	(494,950)	-	-	-
Distribution to shareholders - return of capital (Note 1)	-	(76,641,510)	-	-	-	(76,641,510)
Net loss for the year	-	-	-	(1,464,576)	-	(1,464,576)
Other comprehensive income	-	-	-	-	365,243	365,243
Reclassification to deficit of cumulative loss of equity instrument at its disposal	-	-	-	(3,174,176)	3,174,176	-
Balance, September 30, 2017	**90,166,482**	**8,187,214**	**11,216,357**	**(12,293,366)**	**-**	**7,110,205**
Stock-based compensation (Note 11)	-	-	391,761	-	-	391,761
Net income for the year	-	-	-	792,463	-	792,463
Balance, September 30, 2018	**90,166,482**	**$ 8,187,214**	**$ 11,608,118**	**$ (11,500,903)**	**$ -**	**$ 8,294,429**

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

KHAN RESOURCES INC.
CONSOLIDATED STATEMENTS OF CASH FLOW
(EXPRESSED IN CANADIAN DOLLARS)

Years ended September 30,	**2018**	2017
		(See Note 17)
Cash and cash equivalents (used in) provided by:		
Operating activities		
Net income (loss) for the year	**$ 792,463**	$ (1,464,576)
Adjustments for:		
Gain on conversion of investment (Note 7)	**(1,883,932)**	-
Loss on FVTPL investments (Note 7)	**532,918**	-
Income tax recovery (Note 14)	**(212,873)**	(578,058)
Reallocation of financial income, net	**-**	(7,060)
Stock-based compensation (Note 11)	**391,761**	-
Foreign exchange gain	**(36,012)**	-
Investments addition(Note 7)	**(2,888,350)**	-
Increase of short-term investments (Note 7)	**-**	(5,000,000)
Proceeds on sale of short - term investments	**5,044,804**	80,000,000
Proceeds on sale of investments	**-**	684,851
Increase of other assets	**-**	(37,125)
Net change in non-cash working capital items:		
Accounts receivable and prepaid expenses	**(28,410)**	69,498
Reallocation of prepaid insurance	**8,100**	-
Accounts payable and accrued liabilities	**70,758**	(85,787)
Current income tax refund (paid)	**614,931**	(822,255)
	2,406,158	72,759,488
Financing Activities		
Distribution to shareholders - return of capital (Note 10)	**-**	(76,641,510)
Stock options exercised	**-**	698,000
	-	(75,943,510)
Change in cash and cash equivalents	**2,406,158**	(3,184,022)
Foreign exchange differences	**36,012**	-
Cash and cash equivalents, beginning of the year	**1,630,152**	4,814,174
Cash and cash equivalents, end of the year	**$ 4,072,322**	$ 1,630,152

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Khan Resources Inc. (the "Company" or "Khan") 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 under the trading symbol "KRI".

The registered office of the Company is located at The Exchange Tower, 130 King Street West, Suite 3680, Toronto, Ontario, Canada M5X 1B1.

The Company along with its subsidiary company was formerly involved in acquiring, exploring and developing mineral properties in Mongolia.

On May 18, 2016, the Company announced that it had received USD$70 million ($90,593,987 Canadian at September 30, 2016) from the Government of Mongolia in settlement of all outstanding matters pursuant to the international arbitration award received by the Company. The subsidiaries of the Company collectively received an award of USD$55,167,000 ($70,000,000 less costs of $14,833,000 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 former Mongolian subsidiaries. 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.

On November 10, 2016 the shareholders of the Company approved a special resolution to implement the voluntary liquidation and dissolution of Khan. Consequently, the consolidated financial statements at September 30, 2016 were prepared on the basis that the Company was no longer a going concern. The liquidation plan approved by the shareholders provided that the board of directors was authorized to stop the liquidation of the Company if it determines in its discretion that doing so is no longer in the best interests of the Company or its shareholders. On May 5, 2017 at the Company's annual meeting, the shareholders of the Company elected a new board of directors. On May 8, 2017 the board of directors announced that it had determined that it would not proceed with the Company liquidation. The board of directors determined that it is in the best interest of the Company and its shareholders to consider other possible strategic alternatives for the Company with a view to maximizing its value for the benefits of its shareholders.

In the year ended September 30, 2018, as a first step of its new business plan whereby it will invest in crypto currencies and blockchain companies, the Company made a strategic investment of $2,500,000 in Hydro66 Holdings Corp. (formerly Arctic Blockchain Ltd.) a British Columbia corporation that operates a data centre business offering enterprise co-location services. In addition, in the year ended September 30, 2018, the Company invested USD$300,000 (CAD$388,350) into a Simple Agreement for Future Equity with Chia Network Inc. entitling the Company to participate at a discount in any future equity financing of that private company. Additional details are described in Note 7.

At September 30, 2018, the Company has a working capital of $3,973,790 (2017 - $7,020,830), has cash net inflow from operations of $2,406,158 (2017 - net outflow of $72,759,488), not yet achieved profitable operations, has accumulated losses of $11,500,903 (2017 - $12,293,366), and is embarking on a new business model, making investments in cryptocurrencies and block chain technology with uncertain results. In addition, investments in cryptocurrencies and block chain technology are exposed to risk and uncertainty as they are part of an emerging industry, all of which creates material uncertainty and casts significant doubt upon the Company's ability to continue as a going concern.

On January 24, 2019, the Board of Directors approved the consolidated financial statements for the years ended September 30, 2018 and 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB") and their interpretations issued by the IFRS Interpretations Committee.

Basis of Presentation

The consolidated financial statements as at September 30, 2018 and 2017 have been prepared and presented on a going concern basis.

Principles of Consolidation

The consolidated financial statements include all entities over which the Company has control. For accounting purposes, control is established by an investor when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are no longer consolidated on the date control ceases.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary located in Netherlands, Khan Resources B.V. ("KRBV").

Intercompany balances and any unrealized gains and losses or income and expenses arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

Basis of Preparation

These consolidated financial statements are presented in Canadian dollars which is also the functional currency of the parent Company Khan Resources Inc. The functional currency of the wholly owned subsidiary KRBV is the Euro.

The consolidated financial statements are prepared on the historical cost basis except for certain financial instruments which are measured at their fair value, as explained in the accounting policies set out in this note.

The accounting policies set out below have been applied consistently to the years presented in the consolidated financial statements.

Foreign Currency Translation

Foreign currency transactions are initially recorded into the functional currency at the transaction date exchange rate. At year end, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the balance sheet date's exchange rate and non-monetary assets and liabilities at the historical rate. These foreign currency adjustments are recognized in net loss of the consolidated statement of income (loss).

Cash

This category consists of funds in cash and banks.

Short-term investments

Short-term Investments comprise short term money market instruments with an original maturity of one year or less, which are readily convertible into a known amount of cash.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments

Initial recognition and measurement (financial assets and financial liabilities) - The Company initially recognizes financial assets and financial liabilities when it becomes party to the contractual provisions of the financial instrument. Initial measurement of the financial instrument is at fair value, plus for those financial assets and liabilities not classified at fair value through profit or loss ("FVTPL"), directly attributable transaction costs.

Financial assets – subsequent classification and measurement - Financial assets are classified in their entirety including any embedded derivatives. Two criteria are used to determine how financial assets should be classified and measured: (a) the Company's business model for managing the financial assets; and (b) the contractual cash flow characteristics of the financial asset. Key management personnel have determined that the Company's financial assets (excluding investments in equity investments) are held within a business model whose objective is to hold financial assets in order to collect cash flows.

Where the contractual cash flow characteristics of financial assets, taken on an instrument-by-instrument basis, give rise, on specified dates, to cash flows that are solely payments of principal and interest then a financial asset is classified as subsequently measured at amortized cost using the effective interest method. This is called the SPPI criterion. A financial asset that does not meet the SPPI criterion is always measured at FVTPL.

In addition, at initial recognition, the Company may make an irrevocable election to present in other comprehensive income ("OCI"), subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination. Such an equity instrument is classified as subsequently measured at fair value through other comprehensive income ("FVOCI"). Gains and losses recognized in OCI are not subsequently transferred to profit or loss, although the Company may determine to transfer the cumulative gain or loss within equity. Dividends are still recognized in profit or loss unless they clearly represent a recovery of part of the cost of the investment. In 2018, the Company classified all investments in equity instruments as FVTPL (2016 elected to classify as FVOCI).

Reclassification - Financial assets are only reclassified between measurement categories, when and only when, the Company's business model for managing them changes. This is a significant event and thus is expected to be uncommon.

Impairment of financial assets - All of the Company's financial assets are subject to an impairment test at each reporting date. It also includes any off balance sheet loan commitments and financial guarantees.

Financial liabilities – subsequent classification and measurement - Financial liabilities are subsequently measured at amortized cost using the effective interest method or bifurcated into a host instrument measured at amortized cost, and an embedded derivative, measured at FVTPL. Financial liabilities include accounts payable and accrued liabilities.

Derecognition - The Company will derecognize a financial asset when the rights to the cash flows from the financial asset have expired or where the Company has transferred substantially all risks and rewards associated with the financial asset and has relinquished control of the financial asset.

The Company will derecognize a financial liability only when extinguished — i.e., when the obligation specified in the contract is discharged, cancelled or it expires.

Provisions

A provision is recognized on the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Pursuant to the liability method, deferred taxes are recorded for temporary differences existing at closing date between the tax base value of assets and liabilities and their carrying amount on the balance sheet.

Deferred tax assets and liabilities are measured at the expected tax rates for the year during which the asset will be realized or the liability settled, based on tax rates (and tax regulations) enacted or substantially enacted at year-end. They are reviewed at the end of each year, in line with any changes in applicable tax rates.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of tax losses and unused tax credits, insofar as it is probable that a taxable profit will be available, or when a current tax liability exists, to make use of those deductible temporary differences, tax loss carry forwards and unused tax credits, except where the deferred tax asset associated with the deductible temporary difference is generated by initial recognition of an asset or liability in a transaction which is not a business combination, and which, at the transaction date, does not impact earnings, tax income or loss.

Income

Interest income is recognized at the time persuasive evidence of an agreement exists, amount is fixed and determinable, and its collection is reasonably assured.

Stock-based Compensation

The Company offers a share option plan. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured using the Black-Scholes option pricing model. Compensation expense is recognized as a charge to net loss over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. Any consideration paid on exercise of share options is credited to capital stock. The contributed surplus resulting from stock-based payment is transferred to capital stock when the options are exercised.

For equity settled transactions with non-employees, the Company measures goods or services received at their fair value, unless that fair value cannot be estimated reliably, in which case, the Company measures their value by reference to the fair value of the equity instruments granted.

Earnings (Loss) per Share

Basic earnings (loss) per share amounts are calculated by dividing net profit (loss) for the period attributable to common shareholders by the basic weighted average number of common shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit (loss) attributable to common shareholders of the Company by the weighted average number of shares outstanding during the period plus the weighted average number of diluted shares that would be issued on the conversion of all the dilutive potential ordinary shares into common shares. The options and warrants of the Company are anti-dilutive as of September 30, 2018.

Segmental Reporting

The Company has only a single operating segment, and therefore one reportable segment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Standards Issued but not yet Effective

At the date of authorization of these financial statements, the IASB has issued the following standard which is not yet effective for the relevant reporting period.

IFRS 15 Revenue from Contracts with Customers was issued in May 2014, *and replaces IAS 18 Revenue, IAS 11 Construction Contracts* and related interpretations. The standard provides clarification for recognizing revenue from contracts with customers and establishes a single revenue recognition and measurement framework that applies to contracts with customers. The standard is required to be adopted either retrospectively or using a modified transaction approach for fiscal years beginning on or after January 1, 2018 with earlier adoption permitted. The management evaluated that there is no impact of the standard on the Company's financial statements since there are not yet recurring revenues.

IFRS 16 Leases was issued in January 2016 and replaces *IAS 17 Leases*. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. If the lease was classified as a finance lease, a lease liability was included on the statement of financial position. IFRS 16 now requires lessees to recognize a right of use asset and lease liability reflecting future lease payments for virtually all lease contracts. The right of use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability accrues interest. The IASB has included an optional exemption for certain short term leases and leases of low value assets; however, this exemption can only be applied by lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the identified asset's use and obtain substantially all the economic benefits from that use. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if *IFRS 15, Revenue from Contracts with Customers*, is also applied. The Company is currently evaluating the impact of the standard on the Company's financial statements.

IFRIC 23 *Uncertainty over income tax treatments* was issued by the IASB in June 2017, provides guidance as to when it is appropriate to recognize a current tax asset when the taxation authority requires an entity to make an immediate payment related to an amount in dispute. This interpretation applies for annual reporting periods beginning on or after January 1, 2019. The Company is currently analyzing the potential effects of adopting this standard on its financial statements.

3. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in compliance with IFRS requires the Company's management to make certain estimates and assumptions that they consider reasonable and realistic. Despite regular reviews of these estimates and assumptions, based in particular on past achievements or anticipations, facts and circumstances may lead to changes in these estimates and assumptions which could impact the reported amount of the Company's assets, liabilities, equity or earnings. These estimates and assumptions notably relate to the following items:

Measurement of investments in FVTPL financial assets - The unrealized gain / loss is the difference between the original cost of the asset and its fair value at the measurement date. Estimates and judgments are used to determine the fair value of level two and level three investments.

(EXPRESSED IN CANADIAN DOLLARS)

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Stock-based compensation and warrants - The Company generally utilizes the Black-Scholes option pricing model to determine the fair values of the stock-based payments and warrants. The Company uses significant judgement in the evaluation of the input variables in the Black-Scholes calculation which includes: risk free interest rate, expected stock price volatility, expected life, expected dividend yield.

Deferred income taxes - In assessing the probability of realizing deferred income taxes, the Company makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, the Company gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers relevant tax planning opportunities that are within the Company's control, are feasible and within management's ability to implement. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred taxes. The Company reassesses unrecognized income tax at each reporting period.

Going Concern - The Company applies judgment in assessing whether material uncertainties exist that would cause doubt as to whether the Company could continue as a going concern.

4. CASH

The balance consists of funds in cash and banks immediately available for their use in the Company's operations.

5. SHORT-TERM INVESTMENTS

The short-term investments consist of a guaranteed investment certificate ("GIC") with a maturity date of less than three months and held for investment. Any GIC pledged as security is presented as restricted cash in the other assets account. At the end of the fiscal year 2018 all the GIC's and the interest earned were converted to cash.

6. SALES TAX AND OTHER RECEIVABLES AND PREPAID EXPENSES

The balances are comprised as follows:

	September 30, 2018	September 30, 2017
Interest receivable - GIC	-	2,005
Prepaid expenses and advances	**11,737**	24,983
Harmonized sales tax	**16,670**	7,424
	$ 28,407	$ 34,412

(EXPRESSED IN CANADIAN DOLLARS)

7. INVESTMENTS

The Company's investments in equity instruments are classified as FVTPL and are carried at fair value. The detail is as follows:

	Quantity	September 30, 2018
Hydro66 Holdings Corp. - Shares (a)	5,000,000	$ **3,450,000**
Hydro66 Holdings Corp. - Warrants (a)	5,000,000	**401,014**
Chia Network Inc. - SAFE (b)	-	**388,350**
		$ **4,239,364**

(a) In February 2018, the Company made an investment in Arctic Blockchain Ltd. ("Arctic"), a privately held British Columbia corporation that operates a data centre business in Northern Sweden, offering enterprise collocation services as well as mining cryptocurrency for its own account and its customers. Under the terms of the investment, the Company purchased C$2.5 million of convertible non-interest bearing debentures (the "Debentures") of Arctic. The principal amount of the Debentures could be converted into units of Arctic at the conversion price of $0.50 per unit; each unit was comprised of one common share of Arctic and one share purchase warrant, with each warrant entitling the holder thereof to acquire one common share of Arctic at a price of $0.75 per share for a period of two years.

Effective June 13, 2018, upon the completion of a takeover transaction of Arctic by Hydro66 and after becoming a listed technology issuer on the Canadian Securities Exchange as Hydro66 Holdings Corp., the Debentures owned by Khan were converted into 5 million shares valued at $3,750,000 and 5 million warrants valued at $633,932 of Hydro66 Holdings Corp. which is listed under the trading symbol "SIX". The Company recognized a gain on conversion of $1,883,932.

The fair value of the warrants is determined using the Black-Scholes option pricing model and is updated at the end of each period. On June 13, 2018, the date of issuance, the warrants were assigned a fair value of $633,932 using the following assumptions: share price $0.75, dividend yield 0%, expected volatility based on average volatility of entities with similar activities 26.1%, a risk free interest rate of 1.77% and an expected life of 2 years. At September 30, 2018, the warrants were assigned a fair value of $401,014, using the following assumptions: volatility of 27.42%, a risk free interest rate of 1.01% and a share price of $0.69.

The $532,918 fair value variance of the investments from the conversion date to September 30, 2018, was charged to the loss on FVTPL investments account in the consolidated statement of comprehensive income (loss).

(b) On July 9, 2018, the Company invested USD$300,000 (CAD$388,350) into a Simple Agreement for Future Equity ("SAFE") with Chia Network Inc. ("Chia"). The investment was valued at cost which approximates its fair value as at September 30, 2018. The Company is entitled to participate, at a discount rate of 90%, in any future equity financing of Chia, subject to certain events.

In the event that Chia had an equity financing the Company will automatically be awarded shares of preferred stock equal to the invested amount divided by the discounted price. In the event that Chia has a liquidity event, the Company will be paid out at least the value of its investment or receive a number of shares of common stock equal to the invested amount divided by the liquidity price. Thereafter, this instrument expire and terminate.

Subsequent to year end, the market value of Hydro66 investments has experienced a decline in value by approximately $2.3 million to $1.5 million. $1.9 million of this decline relates to the value of the shares in Hydro66 and $0.4 million of this decline relates to the value of the Hydro66 warrants held. As disclosed in the significant estimates (see note 3) and market price risk (see note 16) the valuation of investments is subject to fluctuations in value. The Company will continue to review the status of this investment and consider further valuation adjustments in the next reporting period.

(EXPRESSED IN CANADIAN DOLLARS)

7. INVESTMENTS (Continued)

In the year 2017 the Company sold its portfolio of investments in Plateau Uranium Inc. the $421,029 gain in the valuation of the investments, net of $55,786 of income tax, was recorded in other comprehensive income. Subsequently, the $3,174,176 cumulative balance of other comprehensive income (loss) was reclassified to the deficit account.

8. OTHER ASSETS

The balances are comprised as follows:

	September 30, 2018	September 30, 2017
Restricted cash (a)	**$ 52,250**	$ 52,250
Non-current prepaid insurance	**29,025**	37,125
	$ 81,275	$ 89,375

(a) Restricted cash consists of a guaranteed investment certificate pledged as security for a corporate credit card facility.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The balances are comprised as follows:

	September 30, 2018	September 30, 2017
Trade accounts payable	**$ 57,932**	$ 28,305
Accrued liabilities	**63,527**	27,876
Due to Laramide Resources Ltd. (Note 12)	**5,480**	-
	$ 126,939	$ 56,181

10. CAPITAL STOCK

a) AUTHORIZED

Unlimited common shares

b) ISSUED

COMMON SHARES	Number of Shares	Stated Value
Balance,October 1, 2016	88,666,482	$ 83,635,774
Stock options exercised	1,500,000	698,000
Fair value of options exercised	-	494,950
Distribution to shareholders - return of capital	-	(76,641,510)
Balance, September 30, 2017 and 2018	90,166,482	$ 8,187,214

(EXPRESSED IN CANADIAN DOLLARS)

10. CAPITAL STOCK (Continued)

Return of Capital

On November 10, 2016, the shareholders approved a distribution of $76,641,510, which represents $0.85 per share, by way of a return of capital that was paid on November 29, 2016 to the shareholders of record at November 22, 2016.

11. STOCK-BASED COMPENSATION

On June 1, 2018, the Company granted a total of 5,000,000 options to certain directors and officers to buy common shares at an exercise price of $0.10 each and expire on June 1, 2023. The stock options vest at issue date. The fair value assigned was estimated using the Black-Scholes option pricing model with the following assumptions: share price $0.085, dividend yield 0%, expected volatility based on average volatility of entities with similar activities 159.1%, a risk free interest rate of 1.6%, and an expected life of 5 years. As a result, the fair value of the options was estimated at $391,671 and is recognized in the current statement of comprehensive income (loss).

At September 30, 2018 the outstanding balance of stock options is as follows:

	2018	2017	Exercise price
Beginning Balance	-	1,500,000	$0.47
Issued	**5,000,000**	-	$0.10
Exercised (Note 12)	-	(600,000)	$0.34
Exercised (Note 12)	-	(500,000)	$0.57
Exercised (Note 12)	-	(400,000)	$0.53
Balance at September 30, 2018 and 2017	**5,000,000**	-	

12. RELATED PARTY DISCLOSURES

During the year, Laramide Resources Ltd., a Company having a director and officer in common with Khan Resources Inc., charged $90,000 (2017- $Nil) for financial and administrative services including office space rent and other shared expenditures. In addition, Laramide Resources Ltd. paid $41,845 of certain expenses on behalf of the Company which were subsequently reimbursed to Laramide Resources Ltd. At September 30, 2018, there is $5,480 of net accounts payable to Laramide Resources Ltd.

During the year there is a $6,250 charge for consulting services provided by a firm of which a director and former interim officer of the Company is a tax partner (2017 - $Nil). At September 30, 2018 and 2017 there is $Nil of accounts payable to this related party.

During the year there is a $30,000 charge for consulting services provided by an officer and director of the Company. At September 30, 2018 there is $13,560 (2017 - $Nil) of accounts payable to this related party.

During the year there is a $30,000 charge for consulting services provided by a director of the Company. At September 30, 2018 there is $6,000 (2017 - $Nil) of accounts payable to this related party.

During the year there is a $17,230 charge for legal services by a firm of which an officer of the Company is a partner (2017 - $Nil). At September 30, 2018 there is $13,311 of accounts payable to this related party (2017 - $Nil).

(EXPRESSED IN CANADIAN DOLLARS)

12. RELATED PARTY DISCLOSURES (Continued)

During the year ended September 30, 2017, certain directors, officers and employees of the Company exercised the outstanding share options acquiring 1,500,000 shares for total proceeds of $698,000. Included with these shares were 200,000 shares and proceeds of $91,000 related to a management entity that provided key management personnel services to the Company.

Transactions with related parties were conducted in the normal course of operations.

13. KEY MANAGEMENT COMPENSATION

Key management includes the Chief Executive Officer, Chief Financial Officer, Chief Investment Officer and directors of the Company.

The compensation payable to key management is shown below:

Years ended September 30		**2018**		2017
Salaries / Consulting fees	**$**	**60,000**	$	211,000
Director fees		**48,750**		122,000
Stock-based compensation, at fair value		**376,004**		-
	$	**484,754**	$	333,000

Included in stock-based compensation are 4,800,000 options which vested immediately.

14. INCOME TAXES

The Company's income tax provision differs from the amount resulting from the application of the Canadian statutory income tax rate of 26.5%. A reconciliation of the combined Canadian federal and provincial income tax rates with the Company's effective tax rate is as follows:

		2018		2017
Net income (loss) before income taxes	**$**	**579,590**	$	(2,042,634)
Expected income tax recovery (expense) before adjustments		**(153,591)**		541,298
Non-taxable income and other, net		**286,513**		(16,255)
Derecognition of temporary difference on liquidation provision		**-**		(384,250)
Recoverable tax loss carry back		**212,873**		402,058
Changes in estimates related to the prior year		**-**		93,069
Unrealized gains (losses) on investments, net		**(179,009)**		-
Recognition of deferred tax expense on sale of investments		**-**		(55,786)
Change in deferred taxes not recognized		**46,087**		-
Other		**-**		(2,076)
Income tax recovery	**$**	**212,873**	$	578,058

(EXPRESSED IN CANADIAN DOLLARS)

14. INCOME TAX (Continued)

The Company's deferred and current tax activity for the years ended September 30, 2018 and 2017 is as follows:

Income tax recovery (expense)		**2018**		2017
Current tax recovery	**$**	**212,873**	$	495,127
Deferred tax recovery (expense)		**-**		138,717
Income tax recovery (expense)		**212,873**		633,844
Deferred tax recognized in other comprehensive income		**-**		(55,786)
	$	**212,873**	$	578,058

The tax effects of temporary difference that give rise to future income tax assets and liabilities are as follows:

		2018		2017
Non-capital loss carry forwards	**$**	**249,457**	$	40
Net capital loss carry forwards		**338,072**		459,418
Investments		**(179,009)**		-
	$	**408,520**	$	459,458
Less: Deferred taxes not recognized		**(408,520)**		(459,458)
	$	**-**	$	-

At September 30, 2018 there is $884,878 (2017 - $Nil) of Canadian non-capital tax loss and $74,882 (2017 - $588,065) of Netherlands tax losses which expires from 2020 to 2028. The deductible temporary differences do not expire under current tax legislation. There is also $2,551,484 of Canadian net capital loss that may be carried forward indefinitely, but can only be used to reduce capital gains.

15. CONTINGENT LIABILITIES AND COMMITMENTS

a) Netherlands Preliminary Tax Assessment - On February 15, 2017 the Company received an income tax reassessment from the Netherlands tax authority reassessing the Company's subsidiary KRBV for an amount payable of 3.3 million euros (CAD$5 million). This reassessment was pursuant to management challenging an earlier preliminary assessment for an amount payable by KRBV of 11.4 million euros. The preliminary tax assessment and the reassessment were both issued before KRBV had 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 euros (CAD$5 million) continues to be an over assessment. The 2016 tax return has since been filed and 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 these consolidated financial statements.

b) Former Officer Claim - In October 2017, the former Chief Executive officer filed a $775,000 claim for severance and damages against the Company. The Company believes the severance is not appropriate and the amount claimed is not probable to be paid. No provision has been made for the claim in these consolidated financial statements.

16. FINANCIAL RISK FACTORS

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the investment in crypto currency and blockchain companies. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company considers capital from two perspectives: its working capital position and its capital stock, warrant, and stock option components of its shareholders' equity.

At September 30, 2018, the Company has a working capital of $3,973,790 (2017 - $7,020,830), and a total of Capital stock and contributed surplus of $19,795,332 (2017 - $19,403,571).

To effectively manage the Company's capital requirements, the management has in place a planning, budgeting and forecasting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company ensures that there are sufficient working capital and planned future capital raises to meet its short-term business requirements, taking into account its anticipated cash flow from operations and its holding of cash and cash equivalents and short-term investments.

At September 30, 2018, the Company expects its capital resources and projected future cash flows from financing to support its normal operating requirements on an ongoing basis and other expansionary plans.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended September 30, 2018.

Risk Disclosures

Exposure to credit, interest rate and currency risks arises in the normal course of the Company's business.

16. FINANCIAL RISK FACTORS (Continued)

Credit Risk

The Company has cash and short-term investments balance of $4,072,322 (September 30, 2017 - $6,640,541). The Company's current policy is to invest excess cash in investment grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. There is no significant credit risk with respect of receivables.

Interest Rate Risk

The Company has no exposure to interest rate risk since there are no outstanding debts or other payables subject to interest charges at the end of the reported periods.

Foreign Currency Risk

The Company is exposed to foreign currency risk on financial assets and liabilities that are denominated in a currency other than the Canadian dollar. The currencies giving rise to this risk are primarily the U.S. dollar and the Euro, the balance of net monetary assets in such currencies as of September 30, 2018 is $1,205,362 (2017 - $1,214,545).

Liquidity Risk

The Company is exposed to liquidity risk primarily as a result of its trade accounts payable. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2018, the Company had a cash and short-term investments balance of $4,072,322 (2017 - $6,640,541) to settle current liabilities of $126,939 (2017 - $56,181). All of the Company's trade accounts payable have contractual maturities of less than 30 days and are subject to normal trade terms.

Sensitivity Analysis

As at September 30, 2018 and September 30, 2017, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

Based on management's knowledge and experience of the financial markets, the Company believes the following movement is "reasonably possible" over a twelve-month period.

i) The Company is exposed to foreign currency risk on fluctuations of balances that are denominated in US currency related to cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities. Sensitivity to a plus or minus 10% change in the foreign exchange rate would affect the net comprehensive loss by $120,536.

Fair Value Hierarchy

The Company classifies its fair value measurements with a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in IFRS 13 – Financial Instruments; Fair Value Measurement ("IFRS 13").

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Investments classified as Level Two are comprised of the 5,000,000 Shares and the 5,000,000 Warrants of Hydro66 Holdings Corp.

(EXPRESSED IN CANADIAN DOLLARS)

16. FINANCIAL RISK FACTORS (Continued)

The shares have a fair value of $3,450,000 at September 30, 2018. The fair value of the shares is determined using the stock price of Hydro66 Holdings Corp. which is listed under the trading symbol "SIX". On September 30, 2018, the share price was $0.69. The company performed a sensitivity analysis on the fair value of the shares and noted that a 20% decrease in share price would result in a $690,000 decrease in the fair value of the shares.

The Warrants have a fair value of $401,014 at September 30, 2018. The fair value of the warrants is determined using the Black-Scholes option pricing model and is updated at the end of each period. At September 30, 2018 the following assumptions were used to assign the fair value: volatility of 27%, a risk free interest rate of 1.01% and a share price of $0.69. The company performed a sensitivity analysis on the fair value of the warrants and noted that (i) a change of 20% to the volatility would result in a $99,081 decrease in the fair value of the warrants (ii) a change of 20% to the risk share price would result in a $264,669 decrease in the fair value of the warrants. Changes in other inputs will not result in a significantly higher or lower fair value measurement.

Level 3 – Unobservable inputs which are supported by little or no market activity. Investments classified as Level Three consist of the USD$300,000 (CAD$388,350) invested for a Simple Agreement for Future Equity ("SAFE") with Chia Network. The fair value of the SAFE at September 30, 2018 was determined using the consideration paid for the SAFE on July 9, 2018. The company performed a sensitivity analysis on the consideration paid and noted that a 20% decrease would result in a $73,917 decrease in the fair value of the SAFE.

Accounts payable and accrued liabilities are considered as other financial liabilities, which are measured at amortized cost which also approximates fair value.

September 30, 2018:	Level One	Level Two	Level Three
Cash and cash equivalents	$ 4,072,322	$ -	$ -
Restricted cash	-	52,250	-
Investments	-	3,851,014	388,350
	$ 4,072,322	$ 3,903,264	$ 388,350

September 30, 2017:	Level One	Level Two	Level Three
Cash and cash equivalents	$ 1,630,152	$ -	$ -
Short-term investments	5,010,389	-	-
Restricted cash	-	52,250	-
	$ 6,640,541	$ 52,250	$ -

There have been no transfers between levels 1, 2 or 3 during the reported years.

17. CHANGE IN FINANCIAL STATEMENTS PRESENTATION

The Company has retrospectively changed the basis of presentation in the balance sheet, to be non-classified, and in the cash flow statement, to present cash flows arising from investments in operating activities, due to their new business model of investing in cryptocurrencies and block chain companies. The Company is not required to disclose a third balance sheet as this change is only a change in presentation.

KHAN RESOURCES INC.

Management Discussion and Analysis

For the years ended September 30, 2018 and 2017
As at January 24, 2019

This Management Discussion and Analysis ("MD&A") has been approved in accordance with a resolution of the board of directors dated January 24, 2019. It should be read in conjunction with the condensed consolidated financial statements of the Company as at and for the years ended September 30, 2018 and 2017.

Significant Events

Name change and new strategic direction

At the annual Shareholders Meeting on August 14, 2018, the shareholders passed a special resolution to the articles of the Company to change the name of the Company to **"Cypherpunk Holdings Inc."**. These changes are expected to come into effect in early February 2019.

This name change reflects the Company's new business direction which is to be a merchant bank focused on ownership of digital privacy coins (Bitcoin, Dash, etc.) as well as selected equity investments related to blockchain technology.

Strategic Investments

Hydro66 Holdings Corp – In March 2018, the Company made a $2.5 million investment in convertible debentures of Arctic Blockchain Ltd., which subsequently became Hydro66 Holdings Corp. in June 2018 through a reverse takeover resulting in a listing on the CSE under the trading symbol "SIX". The convertible debentures were converted into 5 million shares and 5 million warrants of Hydro66. Hydro66 offers enterprise co-location services as well as mining cryptocurrency for its own account and its customers.

Chia Network Inc. - On July 9, 2018, the Company invested US$300,000 (C$388,350) into Chia Network Inc. ("Chia") which is building a blockchain-based on proofs of space and time to make a cryptocurrency that is less wasteful, more decentralized.

Change of Director and appointment of Officers and Directors

On June 11, 2018, the Company announced it has appointed Moe Adham as Chief Investment Officer (CIO) and, at the last Annual Shareholders Meeting, also elected Mr. Adham to the Board of Directors. Mr. Adham is currently the CEO of Ottawa-based Bitaccess (www.Bitaccess.ca) which developed the world's first Bitcoin Teller Machine (BTM) and whose software currently powers one of the world's largest networks of such machines. Bitaccess was also recently selected by the Government of Canada to run one of their first pilot programs trialing a Blockchain application, in this case one intended to make government research grant and funding information more transparent to the public. This application runs on Bitaccess's Catena Blockchain Suite platform and the pilot program is being overseen by the National Research Council, Canada's leading industrial research organization. Mr. Adham has a Masters Degree in Nanotechnology from the Swiss Federal Institute of Technology (EPFL) and a degree in Engineering / Economics from the University of Waterloo.

The Company has added Dominic Frisby to the board of directors. Mr. Frisby, who resides in the UK, is a well-known author, journalist, market commentator and speaker, whose diverse accomplishments include being the author of "Bitcoin: The Future of Money?" the first known book published on Bitcoin by a recognized publisher. Mr. Frisby contributes regularly to Moneyweek and the Guardian and is considered by the British media an authoritative figure on the world of cryptocurrencies.

On August 27, 2018, Dennis Gibson was appointed Chief Financial Officer and Michael Sadhra resigned as Interim Chief Financial Officer.

Granting of stock options

On June 1, 2018, the Company granted a total of 5,000,000 options to certain directors, officers, and consultants to buy common shares at an exercise price of $0.10 each and expire on June 1, 2023.

Overall Performance

Investment details

Hydro66 Holdings Corp

In March 2018, the Company made an investment in Arctic Blockchain Ltd. ("Arctic"), a privately held British Columbia corporation that operates a data centre business in northern Sweden, offering enterprise co-location services as well as mining cryptocurrency for its own account and its customers.

Under the terms of the investment, the Company purchased C$2.5 million of convertible non-interest bearing debentures (the "Debentures") of Arctic as the lead investor in Arctic's recently completed private placement offering of Debentures in the aggregate principal amount of C$10 million. In addition, the Company and Arctic entered into an agreement pursuant to which the Company has the right to participate in equity financings of Arctic in order to maintain its pro rata ownership at the time of any such financing. Such agreement will terminate on the earliest of the second anniversary of the agreement, the date that the Company holds in the aggregate less than 3% of the issued common shares of Arctic, or a "Liquidity Event" (as defined in the agreement and includes the listing of Arctic's shares on a recognized stock exchange).

The terms of the Debentures are a maturity of February 27, 2023 (the "Maturity Date"), unless prepaid or converted earlier in accordance with the provisions thereof. Prior to the Maturity Date, the principal amount of the Debentures can be converted into units (the "Units") of Arctic, at the option of the holder, at the conversion price of C$0.50 per Unit, and will be automatically converted into Units at such conversion price prior to a Liquidity Event. Each Unit will be comprised of one common share of Arctic and one share purchase warrant, with each warrant entitling the holder thereof to acquire one common share of Arctic Blockchain at a price of $0.75 per share for a period of two years from the Liquidity Event.

On March 12, 2018, the Liquidity Event occurred as Arctic announced a reverse takeover transaction ("RTO") with a Canadian Securities Exchange listed shell company called Caza Gold Corp. pursuant to which Arctic would become a listed technology issuer on the CSE at the conclusion of the RTO.

Effective June 13, 2018, upon the completion of the Arctic takeover transaction and after becoming a listed technology issuer on the Canadian Securities Exchange as Hydro66 Holdings Corp., the Debentures owned by Khan have been converted into 5 million shares and 5 million warrants of Hydro66 Holdings Corp. which is listed under the trading symbol "SIX". As at September 30, 2018 the Hydro66 shares had a market value of $3.5 million.

Subsequent to year end, the market value of Hydro66 investments has experienced a decline in value by approximately $2.3 million to $1.5 million. $1.9 million of this decline relates to the value of the shares in Hydro66 and $0.4 million of this decline relates to the value of the Hydro66 warrants held. The valuation of investments is subject to fluctuations in value and the Company will continue to review the status of this investment.

Chia Network Inc.

On July 9, 2018, the Company invested US$300,000 (C$388,350) into Chia Network Inc. ("Chia"), a private company based in San Francisco, by way of a Simple Agreement for Future Equity ("SAFE") entitling the Company to participate at a discount in any future equity financing of Chia. Chia is building a blockchain based on proofs of space and time to make a cryptocurrency that is less wasteful, more decentralized, and more secure. Chia is headed up by Bram Cohen, who is famous for creating the file-sharing network Bit Torrent.

In its innovative technology model, Chia ditches proof of work and makes use of free storage that a user's computer possesses. Adding to this is the company's proof-of-time layer that efficiently minimizes a coordinated attack against its proof-of-space system. To prevent the formation of mining pools, which can result in abuse of the network, Chia is introducing a "non-outsource ability." Simply put, Chia enables any mining participant to leave the system without a trace and with the rewards. Due to these features, Cohen believes that his company capitalizes on Bitcoin's issues and solves both the electricity waste and centralization.

The SAFE agreement provides that Khan can, throughout the term of this agreement, participate up to US$300,000 at a 90% discount in any future Equity Financings and Registered offerings of Chia. Equity Financings are in Preferred Stocks and Registered Offerings are in non-voting common shares. In the event that Chia has a liquidity event, the Company will be paid out at least the value of its investment or receive a number of shares of common stock equal to the invested amount divided by the liquidity price. Thereafter, this instrument expires and terminates.

International Arbitration Award and the Liquidation Plan

In May 2016, the Company announced the receipt of US$70 million (C$90,593,987) from the Government of Mongolia in settlement of an international arbitration award rendered in favour of Khan in March 2015.

The subsidiaries of the Company collectively received an award of US$55,167,000 (C$71,397,121) based on each entity's interest in the underlying historic assets of the two former Mongolian subsidiaries and the parent company received US$14,833,000 (C$19,196,866) as a reimbursement of the expenses incurred to obtain the award and collect the settlement.

On November 10, 2016, the Company announced that the shareholders of the Company had approved a special resolution for the voluntary liquidation and dissolution of Khan. The shareholders also approved, pursuant to the winding up, an initial 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.

Arrangement Agreement with Arden Holding

On March 22, 2017, the Company announced that it had entered into an agreement with Arden Holdings Ltd., ("Arden") a private Turks and Caicos company and Arden's wholly owned subsidiary ("Arden BidCo") whereby Arden BidCo had agreed to acquire all of Khan's outstanding shares by way of a plan of arrangement (the "Arrangement"). Under the Arrangement, Khan's shareholders would have received cash of C$0.05 per share.

Termination of the Arrangement and the Liquidation

On May 4, 2017, the Arrangement with Arden was terminated based on received proxies that indicated that there would be less than the required two-thirds majority of votes in favour of the transaction.

On May 5, 2017, at the Company's Annual and Special Meeting of Shareholders ("AGM"), the shareholders of the Company elected a new board.

On May 8, 2017 the board announced that it had determined that it would not proceed with the liquidation plan that was approved by the Company's shareholders on November 10, 2016. The liquidation plan approved by the shareholders provided that the board was authorized to stop the liquidation of the Company if it determines in its discretion that doing so is no longer in the best interests of the Company or its shareholders. Management decided to pursue strategic alternatives for the Company with a view to maximizing its value for the benefit of the shareholders. Management also made certain administration changes to align the business with the new board.

Netherlands preliminary tax assessment

On February 15, 2017, the Company received an income tax reassessment from the Netherlands tax authority reassessing the Company's Dutch subsidiary Khan Resources BV ("KRBV") for an amount payable of €3.3 million Euros (C$5 million). This reassessment was pursuant to management challenging an earlier preliminary assessment for an amount payable by KRBV of €11.4 million Euros. The preliminary tax assessment and the reassessment were both issued before KRBV had 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 euros continues to be an over assessment. The 2016 tax return has since been filed and 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 consolidated financial statements as at September 30, 2018.

KRBV dividend and Netherlands withholding tax

On May 2, 2017, the board of directors of KRBV approved a dividend in the amount of US$3 million to the Company which is the sole shareholder of KRBV. The withholding tax on this transaction of US$150,000 (CAD$204,000) was remitted to the Netherlands tax authorities during the third quarter of 2017.

Former Chief Executive Officer Claim

In October 2017, Mr. Grant Edey, the former Chief Executive Officer, filed a $775,000 claim for severance and damages against the Company. The Company believes the severance is not appropriate and the amount claimed is not probable to be paid. No provision has been made for the claim in the consolidated financial statements.

Selected Quarterly Information

The below selected quarterly information summarizes the financial information for the last eight quarters. The information has been prepared on a going concern basis; therefore, the previously reported information on liquidation basis of Q1 2017 through Q4 2018 has been adjusted accordingly.

[Chart follows on next page]

	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	Sep-18	Jun-18	Mar-18	Dec-17	Sep-17	Jun-17	Mar-17	Dec-16
	$	$	$	$	$	$	$	$
Interest income	11,242	6,744	11,876	10,736	11,515	10,273	10,550	97,060
Gain on conversion of investment	1,883,932	-	-	-	-	-	-	-
Loss on FVTPL investments	(532,918)	-	-	-	-	-	-	-
Foreign exchange loss (gain)	25,346	(20,795)	(34,191)	(6,372)	49,652	28,943	(61,354)	37,660
Legal expenses	8,942	14,213	8,850	5,000	3,901	196,864	285,032	327
Restructuring costs	-	-	-	-	-	-	160,036	265,709
Stock-based compensation	-	391,761	-	-	-	-	-	-
Other General expenses	197,363	71,306	79,985	70,614	105,913	585,773	331,174	182,402
Income tax expense (recovery)	-	-	(212,873)	-	(813,203)	384,000	(148,855)	-
Net gain (loss)	1,130,605	(449,741)	170,105	(58,506)	665,252	(1,185,307)	(555,483)	(389,038)
Net gain (loss) per share (basic and diluted)	0.01	0.00	0.00	0.00	0.00	(0.01)	0.00	0.00
Other comprehensive income (loss)	(1,381,963)	1,381,963	-	-	-	365,243	-	-
Total comprehensive income (loss)	(251,358)	932,222	170,105	(58,506)	665,252	(820,064)	(555,483)	(389,038)
Total current assets	4,100,729	4,707,344	4,722,243	7,033,927	7,077,011	7,012,094	8,545,784	9,059,832
Total current liabilities	126,939	126,820	85,764	69,578	56,181	274,290	1,607,780	2,355,446
Total assets	8,421,368	8,883,685	7,307,568	7,121,277	7,166,386	7,103,493	8,598,035	9,375,905

The income results from the interest earned on the bank accounts and the guaranteed investment certificates (GIC). It fluctuates over the quarters due to changes in the cash balances. Other income in Q4 2018 reflects the $1,883,932 gain on conversion of Arctic Blockchain Ltd. debentures to shares and warrants of Hydro66; subsequently, there was a $532,918 loss for the fair value adjustment of such investments which are classified as FVTPL.

Legal costs in 2016 are mainly related to the international arbitration and settlement with the Government of Mongolia; in the year 2017 the legal costs are mainly related to the subsequent termination of the arrangement with Arden. In the fiscal year 2018 the legal costs are related to the claim of Mr. Grant Edey, the former CEO of the Company.

Restructuring costs in the year 2017 of $425,745 are mainly composed of $214,896 of consultants and audit expenses, $163,500 of severance and other employee expenses in addition to $47,349 of legal expenses; all of these expenses are related to the voluntary liquidation and dissolution decision of November 2016, which was subsequently reversed in May 8, 2017.

The foreign exchange results fluctuate over the quarters mainly due to the variances in the foreign exchange rates mainly of the US dollar and for the variance of the cash balances denominated in such currency.

Other general expenses variances are mainly composed of salaries and wages and corporate and administrative expenses. During the current year there is a continuous reduction of these expenses which is also the trend for the forecasted short-term as a result of the actions taken to reduce them to a minimum level.

The main component of total assets of the Company is cash and the long-term investments. Total assets variances in Q3 and Q4 2018 are mainly due to the fair value adjustments of the Hydro66 Holdings Corp. shares and warrants received on conversion of the Arctic Blockchain Ltd. debentures.

Results of Operations

Comparison of the three months ended September 30, 2018 and 2017

The net income for the fourth quarter of 2018 was $1,130,605 compared to a net gain of $281,001 for the same period of 2017. The variances are summarized as follows:

- In Q4 2018 there is $1,883,982 gain on conversion of the investment in Hydro66 and $532,918 loss on the fair value variance of such investments. The variance is recorded in the operations due to the classification of the investments as FVTPL.
- In Q4 2018 legal expenses of $8,942 are $190,830 higher than the $181,888 credit in Q4 2017. A reversal of over accrued fees regarding the termination of the arrangement with Arden was included in Q4 2017.
- In Q4 2018, the $190,398 general corporate expenses are $54,063 lower than the $244,461 of the same period of the year 2017 due to the planned decrease of all the general and administrative expenses with respect to the expenses incurred in the previous year partially offset by $67,198 retroactive payment of EHT regarding the year 2017.
- In Q4 2018, salaries and wages including director fees are $6,965 versus $47,242 in the same period of the year 2017 mainly due to the termination of the Company employees at the beginning of the current fiscal year.
- In Q4 2018 there is a $25,346 foreign exchange loss versus $49,652 loss in Q4 2017 due to the effect of the variance of the US dollar on the net monetary assets balance in foreign currency.

Comparison of the years ended September 30, 2018 and 2017

The net income for the year ended September 30, 2018 is $792,463 compared to a net loss of $1,464,576 for the year 2017. The variances are summarized as follows:

- In 2018, there is $1,883,982 gain on conversion of the investment in Hydro66 and $532,918 loss on the fair value variance of such investments. The variance is recorded in the operations due to the classification of the investments as FVTPL.
- In 2018, there is $40,598 of interest income against $129,398 in 2017, due to the lower short-term investment balances in the current year.
- In 2018, the legal expenses of $37,005 are $449,119 lower than 2017 mainly due to legal fees regarding the offer from Arden Holding Ltd. to buy the Company and legal expenses regarding the liquidation process of the Company both incurred in 2017.
- In 2018, the general corporate expenses are $236,820 lower than the same period of the year 2017 mainly due to the planned decrease of all the general and administrative expenses until a new business direction is implemented. This

decrease was partially offset by $67,198 of retroactive EHT regarding 2017 recorded in the current year.

- In 2018, the salaries and wages, which include the director fees, are $57,427 versus $606,601 in the year 2017 mainly due to the termination of the Company employees at the beginning of the current fiscal year.
- In 2018, the stock-based compensation is $391,761 due to the granting of 5 million options in June 2018. There was no stock options issuance in the year 2017.
- In 2017, there are $425,745 of restructuring costs which are not applicable in the current year.
- In 2018, there is $36,012 of foreign exchange gain versus $54,901 loss in 2017 due to the effect of the variance of the US dollar on the net monetary assets balance in foreign currency.
- In the current year, there is a $212,873 recovery of current income tax based on an under provision for tax recovery recorded in 2017; in the previous year the recorded claim was $402,058 in addition to a deferred income tax recovery of $176,000.

Financial and Capital Management

Outstanding share data at September 30, 2018

Common shares outstanding:	90,166,482
Options to purchase common shares:	5,000,000

Cash Flow

For the year ended September 30, 2018, the net operating cash inflow was $2,406,158 mainly due to the $5 million proceeds on sale of the GICs and the $614,931 of tax refund collected from CRA, partially offset by the $2.9 million used in the investment additions and $0.3 million of operative expenses, compared to the $72,759,488 net operating cash inflow of the year 2017.

Financial Instruments and Financial Risks

As at September 30, 2018, the Company's financial instruments consist of cash and cash equivalents, and current and non-current financial assets. 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 September 30, 2018, the Company had cash and cash equivalents and short-term investments of $4,072,322 to cover liabilities of $126,939, excluding the deferred tax liability. The Company has positive working capital and besides the investment agreement described in the Note 7 of the financial statement 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.

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 and short and long-term investments, the maximum exposure of which is represented by the carrying amounts reported on the consolidated statement of financial position. This risk is mitigated by using major banks in Canada and the Netherlands that are of high credit quality as determined by rating agencies.

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 and price risks at September 30, 2018. 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 cash and 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 September 30, 2018, with other variables unchanged, a 10% variance of the EUR and USD exchange rates against the CAD would have a net effect in net income by approximately $120,536.

Equity risk

The investments classified as level two are comprised of the 5,000,000 Shares and the 5,000,000 Warrants of Hydro66 Holdings Corp.

The shares have a fair value of $3,450,000 at September 30, 2018. The fair value of the shares is determined using the stock price of Hydro66 Holdings Corp. which is listed under the trading symbol "SIX". On September 30, 2018, the share price was $0.69. The Company performed a sensitivity analysis on the fair value of the shares and noted that a 20% decrease in share price would result in a $690,000 decrease in the fair value of the shares.

The warrants have a fair value of $401,014 at September 30, 2018. The fair value of the warrants is determined using the Black-Scholes option pricing model and is updated at the end of each period. At September 30, 2018 the following assumptions were used to assign the fair value: volatility of 27%, a risk-free interest rate of 1.01% and a share price of $0.69. The Company performed a sensitivity analysis on the fair value of the warrants and noted that (i) a change of 20% to the volatility would result in a $99,081 decrease in the fair value of the warrants (ii) a change of 20% to the risk share price would result in a $264,669 decrease in the fair value of the warrants. Changes in other inputs will not result in a significantly higher or lower fair value measurement.

Investments classified as Level Three consist of the US$300,000 (CAD$388,350) invested for a Simple Agreement for Future Equity ("SAFE") with Chia Network. The fair value of the SAFE at September 30, 2018 was determined using the consideration paid for the SAFE on July 9, 2018. The Company performed a sensitivity analysis on the consideration paid and noted that a 20% decrease would result in a $73,917 decrease in the fair value of the SAFE.

Subsequent to year end, the market value of Hydro66 investments has experienced a significant decline in value by approximately $2.3 million to $1.5 million. $1.9 million of this decline relates to the value of the shares in Hydro66 and $0.4 million of this decline relates to the value of the Hydro66 warrants held. As disclosed in the significant estimates (see Note 7 of the financial statements) and market price risk (see Note 16 of the financial statements) the valuation of investments is subject to fluctuations in value. The Company will continue to review the status of this investment and consider further valuation adjustments in the next reporting period.

Accounting Policies

This MD&A should be read in conjunction with Khan's consolidated financial statements and notes as at and for the period ended September 30, 2018 and 2017. For additional information on Khan's significant accounting policies and methods used in preparation of Khan's 2018 consolidated financial statements and notes, please refer to Note 2 to consolidated financial statements.

The consolidated financial statements as at September 30, 2018 and 2017 are presented on a going concern basis.

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.

Off-Balance Sheet Arrangements

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 expired on August 16, 2017. Khan has not recognized this indemnity in its consolidated financial statements because management judged that the probability that the indemnity would be utilized was remote and this judgement proved to be correct.

Transactions with Related Parties

During the year, there is a charge of $90,000 (2017- $Nil) from Laramide Resources Ltd., a Company having a director Mr. Marc Henderson and officer Dennis Gibson, in common with Khan Resources Inc. for office space rent and other shared expenditures paid on behalf of the Company. In addition, Laramide Resources Ltd. paid $41,845 of certain expenses on behalf of the Company which were subsequently reimbursed to Laramide Resources Ltd. At September 30, 2018, there is $5,480 of net accounts payable to Laramide Resources Ltd. (September 30, 2017 - $Nil).

During the year, there is a $6,250 charge for tax services provided by Sadhra & Chow LLP, in which Mr. Michael Sadhra, a director of the Company, is a tax partner (2017 - $Nil). There is no outstanding balance of payable to Sadhra & Chow LLP at September 30, 2018 and 2017.

During the year there is a $30,000 charge for consulting services provided by Mohammed Adham, a director and Chief Investment Officer of the Company. At September 30, 2018 there is $13,560 (2017 - $Nil) of accounts payable to this related party.

During the year there is a $30,000 charge for consulting services provided by Dominic Frisby, a director of the Company. At September 30, 2018 there is $6,000 (2017 - $Nil) of accounts payable to this related party.

During the year there is a $17,230 charge for legal services by a firm of which Eric Lowy, the corporate secretary of the Company, is a partner (2017 - $Nil). At September 30, 2018 there is $13,311 of accounts payable to this related party (2017 - $Nil).

During the fiscal year ended September 30, 2017, certain directors, officers and employees of the Company exercised all outstanding share options as at December 31, 2016 acquiring 1,500,000 shares for total proceeds of $698,000. Included with these shares were 200,000 shares and proceeds of $91,000 from Carandian Corporation, an entity that provided the CFO services to the Company.

Proposed Transactions

There are no significant transactions 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 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.

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

Estimates

i. 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 forecasted 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.

ii. 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

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 as at September 30, 2018 and 2017 and for the periods then ended have been prepared on a going concern basis of accounting due to the termination of the liquidation plan (see Notes 1 and 2 to the consolidated financial statements as at September 30, 2018).

Risks Factors

The Company has previously described certain risks associated with the liquidation plan but with that plan now terminated, those risks no longer exist. 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.

Other Information

This discussion and analysis of the financial position and results of operation as at September 30, 2018 should be read in conjunction with the consolidated financial statements for the periods ended September 30, 2018 and 2017. Additional information can be accessed through the Company's public filings at www.sedar.com.

Management's Responsibility For Financial Information

The Company's financial statements are the responsibility of the Company's management, and have been approved by the Board of Directors. The financial statements were prepared by the Company's management in accordance with IFRS. The financial statements include certain amounts based on the use of estimates and assumptions. Management has established these amounts in a reasonable manner, in order to ensure that the financial statements are presented fairly in all material respects.

Disclosure controls and procedures

Management has designed and evaluated the effectiveness of our disclosure controls and procedures and the internal controls on financial reporting and have concluded that, based on our evaluation, they are sufficiently effective as of September 30, 2018 to provide reasonable assurance that material information relating to the Company is made known to management and disclosed in accordance with applicable securities regulations.

Management's Report on Internal Control over Financial Reporting

Management is responsible for certifying the design of the Company's internal control over financial reporting ("ICFR") as required by Multilateral Instrument 52-109 – "Certification of Disclosure in Issuers' Annual and Interim Filings" and CSA staff notice 52-316 – "Certification of Design of Internal Control over Financial Reporting".

Our Internal Control over Financial Reporting is intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable IFRS. Internal Control over Financial Reporting should include those policies and procedures that establish the following:

- maintenance of records in reasonable detail, that accurately and fairly reflect the transactions and dispositions of our assets;
- reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with applicable IFRS;
- receipts and expenditures are only being made in accordance with authorizations of management and the Board of Directors;
- reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, including the Chief Financial Officer, has evaluated the design of the Company's internal controls over financial reporting as of September 30, 2018 pursuant to the requirements of Multilateral Instrument 52-109. The Company has designed appropriate internal controls over financial reporting for the nature and size of the Company's business, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS except as noted herein. There have been no changes in internal control over financial reporting during the period ended September 30, 2018 that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

Marc Henderson
Interim Chief Executive Officer
January 24, 2019

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 year ending September 30, 2019 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.