

**FORM 51-102F3
NATIONAL INSTRUMENT 51-102
MATERIAL CHANGE REPORT UNDER SECTION 7.1 OF NI 51-102**

FILED VIA SEDAR

ITEM 1: NAME AND ADDRESS OF COMPANY

Khan Resources Inc. (the "**Corporation**")
130 King Street West, Suite 1800
Toronto, ON M5X 1E3

ITEM 2: DATE OF MATERIAL CHANGE

March 22, 2017

ITEM 3: NEWS RELEASE

A copy of the press release was disseminated through CNW Group on March 22, 2017 and subsequently filed on SEDAR. The press release is attached as Schedule A to this report.

ITEM 4: SUMMARY OF MATERIAL CHANGE

On March 22, 2017, the Corporation announced that it entered into a binding arrangement agreement dated March 22, 2017 (the "**Arrangement Agreement**") with Arden Holdings Ltd. ("**Arden**") and Arden's wholly owned subsidiary, 2567850 Ontario Inc. ("**Arden BidCo**") pursuant to which Arden BidCo has agreed to acquire, by way of statutory plan of arrangement (the "**Arrangement**") under the *Business Corporations Act* (Ontario), 100% of the issued and outstanding common shares of the Corporation (the "**Shares**") for \$0.05 per Share in cash.

ITEM 5: FULL DESCRIPTION OF MATERIAL CHANGE

On March 22, 2017, the Corporation announced that it entered into the Arrangement Agreement pursuant to which Arden BidCo will acquire, through the Arrangement, 100% of the issued and outstanding Shares for \$0.05 per Share in cash.

Directors, officers and major shareholders holding approximately 38.9% of the 90,166,482 issued and outstanding Shares, have indicated their support of the Arrangement and their intention to vote in favour of the Arrangement.

The implementation of the Arrangement is subject to a number of closing conditions, including court approval and the approval of 66^{2/3}% of shareholders of the Corporation present, by person or by proxy, at a meeting to be held on May 5, 2017 (the "**Special Meeting**").

The Arrangement Agreement provides for, among other things, a non-solicitation covenant on the part of the Corporation and its officers, directors, employees, representatives and agents, which is subject to customary "fiduciary out" provisions and a right in favour of Arden and Arden BidCo to match any superior proposal. The Arrangement Agreement also provides for a termination fee of \$175,000 payable by the parties in certain specified circumstances and an expense reimbursement payment of \$125,000 in favour of Arden in certain specified circumstances.

The Arrangement Agreement was approved by the Corporation's board of directors (the "**Board**") upon the unanimous recommendation of the Corporation's special committee (the "**Special Committee**"). The Special Committee was formed in March 2017 for the purpose of considering

the proposed Arrangement. Blair Franklin Capital Partners Inc., the Corporation's financial advisor, provided the Special Committee and the Board with an opinion that, as of the date the Arrangement Agreement was entered into, the consideration payable in connection with the Plan of Arrangement was fair, from a financial point of view, to the Corporation's shareholders. The Special Committee and the Board approved the Arrangement Agreement after careful consideration and advice from their legal and financial advisors.

Further information regarding the Arrangement and the Arrangement Agreement will be contained in a management information circular expected to be mailed to the Corporation's shareholders in April 2017 in connection with the Special Meeting. Copies of the Arrangement Agreement and the management information circular will also be available under the Corporation's SEDAR profile at www.sedar.com. In addition, free copies of the Arrangement Agreement and the management information circular may be obtained from the Corporation's website at <http://www.khanresources.com>. All of the Corporation's shareholders are urged to read the management information circular as it will contain additional important information concerning the Arrangement.

ITEM 6: RELIANCE ON SUBSECTION 7.1(2) OF NATIONAL INSTRUMENT 51-102

Not applicable.

ITEM 7: OMITTED INFORMATION

Not applicable.

ITEM 8: EXECUTIVE OFFICER

For further information, please contact:

Grant A. Edey
President and CEO
(416) 360-3405

ITEM 9: DATE OF REPORT

March 28, 2017

KHAN RESOURCES INC.

By: (signed) Grant A. Edey

Name: Grant A. Edey

Title: President and CEO

SCHEDULE A



CSE: KRI

Khan Announces Offer to Buy Company at \$0.05 per share in cash

TORONTO, ONTARIO, Canada, March 22, 2017 – Khan Resources Inc. ("**Khan**" or the "**Company**") (CSE: KRI) announces that it has entered into a definitive agreement (the "**Arrangement Agreement**") with Arden Holdings Ltd., ("**Arden**") a private Turks and Caicos company and Arden's wholly-owned subsidiary ("**Arden BidCo**") whereby Arden BidCo has agreed to acquire all of Khan's outstanding shares by way of plan of arrangement (the "**Arrangement**"). Under the Arrangement, Khan's shareholders will receive cash of C\$0.05 per share. The transaction is subject to Khan shareholder approval, court approval and other customary closing conditions.

The annual and special meeting of shareholders (the "**Meeting**") to vote on the Arrangement and other matters will be held on May 5, 2017. The record date for determining shareholders entitled to receive notice of and vote at the Meeting has been set as April 5, 2017. Based on the recommendation of a special committee formed for the purpose of considering the proposed Arrangement, and advice from its advisors, Khan's Board of Directors recommends that shareholders vote in favour of the Arrangement at the Meeting. Blair Franklin Capital Partners Inc., the financial advisor to the Company has provided an oral opinion that the consideration to be offered under the Arrangement is fair, from a financial point of view, to Khan's shareholders.

The Company is currently in the process of liquidation, as approved by 99.9% of the common shares voted at a meeting of shareholders held November 10, 2016 (the "**Liquidation Approval**"). On November 29, 2016, the Company made an interim distribution to shareholders of \$0.85 per share, by way of a return of capital. Following the interim distribution, the Company has been pursuing the liquidation, including the orderly winding up of its one remaining subsidiary, Khan Netherlands BV ("**Khan Netherlands**"). As previously announced, Khan Netherlands received a preliminary tax assessment from the Dutch tax authority in the amount of €11.4 million (later amended to €3.3 million). Khan Netherlands has formally disputed the assessment, and proposes to file a tax return on the basis of no taxes being payable. If the Dutch tax authority continues to assert that Dutch tax is payable by Khan Netherlands in connection with its share of the settlement proceeds received from the Government of Mongolia, the matter could take a significant amount of time and resources to resolve. This would further delay the completion of the liquidation of the Company and impact the amount and timing of the final distribution of the Company's remaining cash to the shareholders.

The Management Information Circular for the November 10, 2016 shareholders meeting disclosed that the amount of funds available for distribution to shareholders would depend upon a number of factors and

would be in the range of \$0.01 to \$0.08 per share with distribution occurring after receipt of tax clearances estimated to be obtained in 2018. Under the Liquidation Approval, the Board of Directors of Khan was authorized not to proceed with the liquidation of the Company in its current form if it determines in its discretion that doing so is no longer in the best interests of the Company or its shareholders. The Board has considered the alternatives available to the Company and has determined that in light of the Netherlands tax dispute and the fact that the Arrangement provides an opportunity for shareholders to receive a certain amount of cash now for their shares, the Arrangement is in the best interest of the Company and its shareholders. If the required shareholder approval is not obtained at the meeting, the Board will continue to proceed with the liquidation of the Company currently underway.

The Arrangement Agreement is subject to certain customary conditions, including court approval and the approval of not less than two-thirds of the votes cast at a meeting of shareholders to consider the Arrangement, and the satisfaction of certain other customary conditions. The Arrangement Agreement provides for, among other things, customary Board support and non-solicitation covenants subject to customary "fiduciary out" provisions and a right in favour of Arden to match any superior proposal. The Arrangement Agreement also provides for a termination fee of \$175,000 payable by Khan to Arden if the Arrangement is not completed in certain circumstances. An equally valued reverse-termination fee is payable by Arden to Khan if the transaction is not completed in certain circumstances.

Directors, officers and major shareholders holding approximately 38.9% of the 90,166,482 issued and outstanding Khan common shares, have indicated their support of the Arrangement and their intention to vote in favour of the Arrangement.

Mr. Grant Edey, Chairman and CEO of Khan, commented "We believe that this offer gives the opportunity to all shareholders to sell their Khan shares at a fair price in the near term rather than holding the shares for a distribution of the remaining funds after the completion of an uncertain liquidation process in terms of time and cost."

The terms and conditions of the Arrangement Agreement will be summarized in the Company's management information circular which will be filed with the Canadian securities regulators and will be available under Khan's profile on SEDAR at www.sedar.com and on Khan's website at www.khanresources.com.

Forward-Looking Statements and Information

This press release may contain forward-looking statements and forward-looking information. Forward-looking statements and information are characterized by words such as "will", "plan", "expect", "project", "intend", "believe", "anticipate", "forecast", "schedule", "estimate" and similar expressions, or statements that certain events or conditions "may" or "will" occur, including statements and information related to the Arrangement and the completion thereof. Forward-looking statements and information are not historical facts and are based upon a number of estimates and assumptions and are inherently subject to significant business, social, economic, political, regulatory, competitive and other risks and uncertainties, contingencies and other factors, including satisfaction of certain conditions precedent to the Arrangement, that the Arrangement will be completed on the terms set out in the Arrangement Agreement, the impact of international, Netherlands, and Canadian laws, trade agreements, treaties and regulatory requirements on Khan's business, operations and capital structure, regulatory uncertainty and obtaining governmental and

regulatory approvals, legislative, political, social, regulatory and economic developments or changes in jurisdictions in which Khan carries on business, changes in market conditions, changes or disruptions in the securities markets and market fluctuations in prices for Khan securities, the existence of third parties interested in purchasing some or all of the common shares or Khan's assets, the method of funding and availability of any potential alternative strategic transactions involving Khan or its assets, including those transactions that may produce strategic value to shareholders, fluctuations in currency exchange rates and interest rates, including fluctuations in the value of the United States dollar and the Canadian dollar, changes in national and local government legislation, taxation, controls, regulations and political or economic developments in Canada and the Netherlands and any other jurisdiction in which the Company may carry on business, political instability, insurrection, war or terrorism, hostilities and the occurrence of natural disasters; requirements for additional capital; environmental risks, the need to comply with national and international laws, regulations, treaties or other similar requirements. In addition, a number of other factors could cause actual results to differ materially from the results discussed in such statements and information, and there is no assurance that actual results will be consistent with them. Many of these risks, uncertainties and contingencies can affect the Company's actual results, performance, events or achievements and could cause actual performance, actions, events or results to differ materially from those expressed or implied in any forward-looking information. All of the forward-looking information in this press release is qualified by these cautionary statements. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements containing forward-looking information. Accordingly, readers should not place undue reliance on forward-looking information. For further details, reference is made to the risk factors discussed or referred to in Khan's annual and interim management's discussion and analyses and Annual Information Form on file with the Canadian securities regulatory authorities and available on SEDAR at www.sedar.com. Such forward-looking statements and information are made or given as at the date of this news release, and Khan assumes no obligation to update or revise them, either publicly or otherwise, to reflect new events, information or circumstances, except as may be required under applicable securities law.

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