

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.

	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.

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.

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 issuance costs	-	-	-	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.

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 cents)	(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.