Khan Resources Inc.
Management's Discussion & Analysis

This management's discussion and analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements of Khan Resources Inc. (the "Company" or "Khan") for the years ended September 30, 2007 and September 30, 2006 and the related notes thereto. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Unless otherwise indicated, all amounts in this MD&A are expressed in United States dollars.

The date of this MD&A is December 18**,** 2007.

Disclosure Controls and Procedures

Management is responsible for the information disclosed in this MD&A and has in place the appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is, in all material respects, complete and reliable. As of the financial year ended September 30, 2007, an evaluation was carried out under the supervision of, and with the participation of, the Company's management, including the Chief Executive Officer and Chief Financial Officer, on the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as of September 30, 2007 to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries would be made known to them by others within those entities.

Management's Assessment of Internal Control over Financial Reporting

Management is also responsible for establishing and maintaining adequate internal control over the Company's financial reporting. The internal control system is designed to provide reasonable assurance to the Company's management regarding the preparation and presentation of the consolidated financial statements. Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. 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. The Chief Executive Officer and Chief Financial Officer have reviewed the internal control procedures in existence as of September 30, 2007, and concluded that the Company's internal controls over financial reporting have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles ("GAAP"). During the most recent interim period, there have been no changes in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Cautionary Note Regarding Forward Looking Information

This management's discussion and analysis contains "forward-looking information" which may include, but is not limited to, statements with respect to the future financial or operating performance of the Company, its subsidiaries and its projects, the future price of uranium , the estimation of mineral reserves and mineral resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital, operating and exploration expenditures, costs and timing of the development of new deposits, costs and timing of future exploration, requirements for additional capital, government regulation of mining operations, environmental risks, reclamation expenses, title disputes or claims, limitations of insurance coverage and the timing and possible outcome of pending litigation and regulatory matters. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others: general business, economic, competitive, political and social uncertainties; the actual results of current exploration activities; actual results of reclamation activities; conclusions of economic evaluations; the impact of Mongolian minerals laws on the Company's licences, operations and capital structure; the Company's ability to renew its existing licences; fluctuations in the value of United States and Canadian dollars relative to the Mongolian Togrog; changes in project parameters as plans continue to be refined; future prices of uranium ; possible variations of ore grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; political instability, insurrection or war and delays in obtaining governmental approvals or financing or in the completion of development or construction activities; changes in national and local government legislation, taxation, controls, regulations and political or economic developments in Canada, Bermuda, Mongolia, or the British Virgin Islands, as well as other risks associated with resource exploration and mine development described under the heading "Risk Factors" in the Company's Annual Information Form to be filed on SEDAR on or before December 31, 2007. Although the Company believes that the assumptions inherent in the forward-looking information are reasonable, undue reliance should not be placed on these statements. Forward-looking statements contained herein are made as of the date of this document and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Background

Khan is a Canadian-based mineral exploration and development company engaged in the acquisition, exploration and development of uranium in Mongolia. The Company is currently engaged in the exploration and development of certain uranium properties, one of which is a former-producer, and all of which are located in the Dornod district of north eastern Mongolia, which contains a number of uranium deposits. Khan's primary asset is its interest in the Dornod Uranium Project which currently consists of a 58 per cent interest in the Main Dornod Property and a 100 per cent interest in the Additional Dornod Property. The Main Dornod Property is comprised of an open pit mine ("Dornod Deposit No.2") from which 590,000 tonnes of material at an average grade of 0.118 per cent U_30_8 was extracted between 1988 and 1995. It also comprises an underground deposit ("Dornod Deposit No. 7"), which remains partially developed by two underground shafts and approximately 20,000 metres of drifts extending into the Additional Dornod Property. The Additional Dornod Property consists of an exploration licence contiguous to the Main Dornod Property and contains approximately one-third of Deposit No. 7 and part of another underground deposit. Khan also had the right to acquire a 60 per cent controlling interest in the "Ogmoor Gold Property" at September 30, 2006. This right was not pursued and the Company's 100 per cent interest in Altangol Exploration Ltd., holder of the right, was transferred to Khos Khas XXK, a Mongolian company, in November 2006. The Company disposed of its 100 per cent interest in the Big Bend Gold Property, which consisted of exploration licences in the Zaamar goldfield district of Mongolia, through the sale of its 100 per cent interest in Ikh Tokhoirol XXK, the holder of the gold exploration licences, in October 2007.

Overall Performance

Total assets of the Company at September 30, 2007 were $42,983,000 compared with $23,755,000 at September 30, 2006. The increase of $19,228,000 resulted from the increase in current assets of $28,428,000 and capital assets of $488,000 offset by the write-off in mineral interests of $7,667,000 net of associated future tax recoveries. Current assets increased primarily from the proceeds of the prospectus financing completed in March 2007 and the asset held for sale as of year-end. The increase in capital assets was due to the construction of a new camp and the purchase of equipment and vehicles for the Dornod Uranium Property. The net decrease in mineral interests was due to the write-off in acquisition and deferred development costs of the Big Bend Gold Property of $7,667,000 net of associated future tax recoveries, which was offset by $2,964,000 in deferred development costs incurred on the Dornod Uranium Project. In August 2007, the Company entered into an agreement for the sale of the issued and outstanding common shares of Ikh Tokhoirol XXK, which holds the mining licences for the Big Bend Gold Property, to Berleg Mining XXK, a Mongolian company, for $2,500,000 in cash. The sale closed on October 11, 2007.

During the year ended September 30, 2007, the Company incurred a loss of $13,504,000 or $0.28 per share compared with $2,890,000 or $0.08 per share in the comparable period of 2006. The increase of $10,614,000 was primarily due to the write-off of mineral interest of $7,667,000 net of associated future tax recoveries, the increases in general and corporate expense of $979,000, stock-based compensation expense of $3,272,000 and other expenses of $166,000 offset by the increases in interest income of $896,000 and foreign exchange gain of $1,071,000.

During the year ended September 30, 2007, cash and cash equivalents increased by $25,092,000 compared with an increase of $3,403,000 in the comparable period of 2006. The cash used in operating activities was $2,009,000 in 2007 compared with $2,589,000 in 2006. The net reduction of $580,000 was due to the increase in interest income of $896,000 and the decrease in cash required for changes in non-cash working capital balances related to operations of $788,000 offset by the increase in general corporate expenses and Mongolian operations expenses of $979,000 and $110,000, respectively. The increase in interest income was due to increased cash balances in 2007 compared with 2006. The cash used in investing activities was $3,595,000 compared with $1,772,000 in 2006. The increase was due to the increase in costs at the Dornod Uranium Property resulting from a higher level of activity in 2007 compared with 2006. In 2007, the Pre-feasibility Study and Environment Impact Assessment were completed and a new camp was constructed. The cash provided by financing activities was $29,652,000 in 2007 compared with $7,764,000 in 2006. The increase resulted from the public offering of common shares that closed on March 1, 2007 as well as the exercise of stock options, warrants, and agent options. The foreign exchange gain on cash in 2007 was $1,044,000 while in 2006, the foreign exchange gain on cash was negligible.

On December 15, 2006, Paul D. Caldwell was appointed Chief Financial Officer of the Company. Mr. Caldwell joined the Company as Controller in August 2006 and replaced David R. Lewis who had resigned as Chief Financial Officer as of December 15, 2006 in order to pursue other interests. Mr. Caldwell has more than 28 years of financial experience and has held senior positions with Canadian mining companies operating on an international basis.

In early January 2007, the Company awarded a contract to Aker Kvaerner E&C/Scott Wilson Roscoe Postle Associates Inc. of Toronto, Ontario to undertake a National Instrument 43-101 ("NI 43-101") compliant Pre-feasibility Study for the Dornod Uranium Property. The environmental component of the Study was subcontracted to Golder Associates of Toronto, Ontario and Ecotrade XXK of Ulaan Bataar, Mongolia.

In the middle of January 2007, the Company released the results of the drilling program at the Dornod Uranium Property that was completed in November 2006. The drilling program consisted of six diamond drill holes totalling 1,536 metres and was designed to investigate the extensions of mineralized areas that were not followed up by the previous operator, verify lower grade pods in outlying areas, and check the possible extension of known areas adjacent to the defined indicated resource. The first and second holes returned values and widths comparable to the surrounding mineral intercepts. The third and fourth holes confirmed uranium mineralization within a flat lying siltstone that was not included in the most recent resource calculations. The fifth and sixth holes both returned mineralization values and widths similar to the surrounding drill hole information. The results of the program extended the areas of known mineralization of the Dornod Uranium Property.

At the Company's Annual and Special Meeting of Shareholders held on February 15, 2007, Grant A. Edey and the Hon. Robert P. Kaplan were elected to the Board of Directors. Mr. Edey has over 31 years of financial experience primarily in the mining industry and the Hon. Mr. Kaplan has over 40 years of experience as a lawyer, businessman, and elected politician.

On March 1, 2007, the Company closed its public offering of common shares underwritten by Haywood Securities Inc. Khan issued 8,150,000 common shares at a price of Cdn$3.70 per share for gross proceeds of Cdn$30,155,000. The net proceeds of the offering will be principally used for further exploration and development of the Dornod Uranium Property and for general corporate purposes.

During April 2007, the Company announced that the assay result of the metallurgical test hole at the Dornod Uranium Property was 39.1 metres containing 0.507 per cent U_30_8. The ongoing metallurgical test program is a continuation of earlier work and will build on the acquisition of this metallurgical test material. During the drill program completed in November 2006, the Company completed a drill hole to provide metallurgical test material of Dornod Deposit No. 7. The core from this drill hole has confirmed previous assay results, the geological grade model and a comparison using cut and uncut values.

In May 2007, the Company commenced an exploration and definition drilling program at the Dornod Uranium Property. The program included a systematic gravity and ground magnetic survey and six diamond drill holes and was designed to identify local basin areas within the granitic basement favourable to uranium mineralization, identify possible structures which may host uranium mineralization, follow up targets that may be identified through the Pre-feasibility Study and prioritize the above targets, including possible infill drilling. The results from this program are being reviewed and will be released when the report on the program is completed. However, no further increases in resources are anticipated as a result of this drilling program.

On August 1, 2007, Enkhbayar "Eric" Ochirbal joined the Company as Country Manager and Executive Director of its wholly owned Mongolian subsidiary Khan Resources XXK. Mr. Ochirbal has had a successful business career in Mongolia and has been a key foreign policy advisor to the Office of the Prime Minister of Mongolia. His primary responsibilities are administration and government and community relations in Mongolia.

On August 15, 2007, the Company announced that the Pre-feasibility Study for the Dornod Uranium Property had been completed. The Study resulted in a greater than 16 per cent increase in the NI 43-101 compliant indicated resource that had been previously calculated, for a total of 64.3 million pounds of Uranium (U_30_8) and an inferred mineral resource of 2.4 million pounds of U_30_8. A significant portion of the indicated mineral resource was upgraded to the probable mineral reserve category. The probable mineral reserve for Dornod Deposits No.2 and No.7 is 18.2 million tonnes at an average grade of 0.122 per cent U_30_8 for 49.1 million pounds of U_30_8 out of the 64.3 million pounds of indicated resources. Khan has a 58 per cent interest in Dornod Deposit No. 2, 58 per cent of a two-thirds interest in Dornod Deposit No. 7 and a 100 per cent interest in the remaining third of Dornod Deposit No.7 which results in an overall interest of 69 per cent in Dornod Deposits No.2 and No.7. The Study assumes a uranium price of $55 per pound of U_30_8 and a through-put of 3,500 tonnes of ore per day over a 15.5 year mine life, which will give an annual average annual production of 2.9 million pounds of U_30_8 at a cost of $20 per pound or $49 per tonne of ore. This yields an internal rate of return (IRR) of 37.1 per cent and a net present value (NPV) of $288 million using a 10 per cent discount rate. The capital costs of the project are projected to be approximately $283 million.

On September 21, 2007, the Company learned that Laramide Resources Inc., a uranium exploration and development company, had acquired 5,600,000 common shares of Khan from Wallace M. Mays. As a result of this and other acquisitions, Laramide owned 6,500,000 common shares of the Company representing approximately 12 per cent of the Company's issued and outstanding commons shares. Laramide is now Khan's largest shareholder.

In August 2007 Khan entered into an agreement for the sale of the issued and outstanding common shares of Ikh Tokhoirol XXK, which holds the mining licences for the Big Bend Gold Property, to Berleg Mining XXK, a Mongolian company, for $2.5 million. The sale closed on October 11, 2007. The Big Bend Gold Property was not considered to be a core asset of Khan as it did not fit into the Company's primary goal of becoming a uranium producer.

In November 2007, the Company awarded a contract to Aker Kvaerner E&C of Toronto, Ontario to undertake a NI 43-101 compliant Definitive Feasibility Study for the Dornod Uranium Property. The mine design component of the Study was subcontracted to P&E Mining Consultants Inc. of Mississauga, Ontario. The resource consultants will continue to be Scott Wilson Roscoe Postle Associates Inc. of Toronto, Ontario. The Study is expected to require ten months to be completed.

Khan plans to commence the negotiation of, and enter into, an Investment Agreement with the Government of Mongolia by the earliest practicable date. Khan has also commenced discussions with its joint venture partners in the Main Dornod Property to negotiate and enter into and updated joint venture development agreement. The successful negotiation of an updated joint venture development agreement and an Investment Agreement is considered by Khan to be a prerequisite to any major mine development work. While Khan would like to enter into an investment agreement and an updated joint venture development agreement as soon as possible, there can be no certainty as to the timing to complete negotiations with the Government of Mongolia and its joint venture partners.

Subject to entering into an updated Joint Venture Agreement and an Investment Agreement with the Government of Mongolia and completion of the Definitive Feasibility Study, Khan intends to bring the Dornod Uranium Property into production and to construct on-site modern milling and processing facilities.

Khan's share market value has been adversely affected due to the continued political instability in Mongolia and to proposed introduction of new government policies relating to the uranium industry, which have yet to be formulated. The proposed revocation of a number of exploration licenses including that of Khan, and subsequent reinstatement of these licenses in August 2007, also heightened adverse investor sentiment towards Mongolia.

The failure of the Great Hural (Mongolian parliament) to ratify the Investment Agreement ("IA") of Rio Tinto and Ivanhoe for their huge copper /gold Oyu Tolgoi project, which was approved by the National Council and Cabinet last July, has been a major disappointment, and has also contributed to the reduction in investment climate. It is still not known if and when this IA will be ratified.

The volatility in the spot uranium price in the second half of the year has also been a factor in the fall of Khan's share value as well as that of many other uranium exploration and mining companies. This is especially true in the case of the large decline in the price which occurred in August/September 2007, when the spot price dropped from its high of $135 per lb U_3O_8 to $75 per lb U_3O_8. However, the recovery of the spot price to $92 per lb U_3O_8 in December 2007 did not appear to have any positive effect on uranium share prices.

Selected Annual Information

The following table provides a brief summary of Khan's financial operations. For more detailed information, refer to Khan's consolidated financial statements.

	September 30, 2007 000's	September 30, 2006 000's	September 30, 2005 000's
Year ended			
Revenue	$ 1,044	$ 148	$ 44
Expenses	$ 16,357	$ 3,801	$ 3,889
Loss before taxes	$ (15,313)	$ (3,653)	$ (3,845)
Future tax recovery	$ 1,809	$ 763	$ -
Net loss	$ (13,504)	$ (2,890)	$ (3,845)
Net loss per share – basic and diluted	$ (0.28)	$ (0.08)	$ (0.15)
As at			
Cash	$ 33,859	$ 8,767	$ 5,364
Working capital	$ 36,038	$ 8,463	$ 4,202
Total assets	$ 42,983	$ 23,755	$ 19,067

Results of Operations

As a development stage company, Khan has no operating history and has incurred losses in the years ended September 30, 2007 and September 30, 2006. The Company expects to incur losses for the foreseeable future and will require additional funds to finance exploration and development activities. The Company's objective is to become a uranium producer by developing the Dornod Uranium Property into commercial production.

Revenue

Total revenue increased by $896,000 during the year ended September 30, 2007 from the comparable period in 2006 as a result of the increase in interest income due to higher cash balances on hand. The Company maintains cash balances in Canadian and US dollars and Mongolian togrogs.

Expenses

Total expenses increased by $12,556,000 during the year ended September 30, 2007 from the comparable period in 2006 due in large part to the write-off of the acquisition and deferred development costs for the Big Bend Gold Property of $9,476,000, the increase in stock-based compensation expense by $3,272,000 from 2006 and the increase in general corporate expenses of $979,000. The stock-based compensation expense increased as a result of 3,394,000 stock options being granted in 2007 versus 1,500,000 being granted in 2006 due to additional options being available for grant, the election of new directors and the hiring of new employees. These increases were offset by an increase in foreign exchange gain due to the increase in value of the Canadian dollar in terms of the United States dollar during the year ended September 30, 2007 compared with the same period in 2006.

Expenses associated with Khan's Mongolian Operations increased by $110,000 in 2007 as compared with 2006 due to a higher level of activity at the Dornod Uranium Property, the opening of a new office in Ulaan Baatar, Mongolia and the hiring of additional staff. Amortization expense increased by $56,000 over the same period as capital assets with a cost of $559,000 were acquired during the year.

General corporate expense increased by $979,000 in 2007 compared with 2006. The following table illustrates the major items included in general corporate expenses:

	Year ended September 30, 2007 000's	Year ended September 30, 2006 000's
Accounting and audit	$ 208	$ 183
Investor relations	424	154
Insurance	83	49
Legal	464	484
Management remuneration	1,091	642
Office and travel	524	270
Recruitment	106	139
	$ 2,900	$ 1,921

The factors responsible for the year over year changes in general corporate expenses were as follows:

- Accounting and audit expense increased by $25,000 during the year due to the increase of audit fees.
- The expenses associated with investor relations increased by $270,000 as investor relations activity increased after the listing of the Company's common shares on the Toronto Stock Exchange in August 2006.
- The insurance expense increased by $34,000 as the directors and officers insurance coverage only commenced in the third quarter of 2006.
- Legal fees decreased by $20,000 due to the resolution of a legal matter in 2006.
- Management remuneration increased by $449,000 due to the hiring of new staff for the corporate office.
- Office and travel expenses increased by $254,000 due to the opening of Khan's new corporate office in February 2006 and a higher staff level in 2007 compared with 2006.
- Recruitment expense decreased by $33,000 as fewer new staff were hired in 2007 than in 2006.

Equity financing costs

Equity financing costs for the prospectus financing completed in March 2007 were $2,081,000 and for the initial public offering and private placement completed in August 2006 were $1,946,000.

Asset held for sale

In August 2007, the Company entered into agreement for the sale of its interest in the Big Bend Gold Property. The acquisition and deferred development costs of $12,652,000 for Big Bend Gold Property at September 30, 2006 and the development costs of $146,000 incurred during the year ended September 30, 2007 were then written off by $9,476,000 to a fair value of $3,322,000 and the fair value was classified as a current asset.

Mineral interests

During the year ended September 30, 2007, the deferred development costs, consisting mainly of drilling costs, costs of the Pre-feasibility Study and Environmental Impact Assessment and annual mineral licence fees, incurred on the Company's mineral interests were $2,964,000. The following table sets out the change in deferred development costs:

	September 30, 2006 000's	Costs incurred in 2007 000's	September 30, 2007 000's
Deferred development costs			
Dornod Uranium Project	$ 1,633	$ 2,964	$ 4,597

Summary of Quarterly Results

The following table sets out the financial results for Khan's eight most recently completed quarters. Results are expressed in thousands of United States dollars.

Year ended September 30, 2007

	Quarter ended September 30, 2007	Quarter ended June 30, 2007	Quarter ended March 31, 2007	Quarter ended December 31, 2006
Revenue	$ 391	$ 385	$ 174	$ 94
Expenses	$ 10,978	$ 1,129	$ 2,563	$ 1,687
Net loss	$ (8,778)	$ (744)	$ (2,389)	$ (1,593)
Net loss per share	$ (0.18)	$ (0.01)	$ (0.05)	$ (0.04)

Year ended September 30, 2006

	Quarter ended September 30, 2006	Quarter ended June 30, 2006	Quarter ended March 31, 2006	Quarter ended December 31, 2005
Revenue	$ 71	$ 36	$ 30	$ 11
Expenses	$ 1,510	$ 448	$ 900	$ 943
Net loss	$ (676)	$ (412)	$ (870)	$ (932)
Net loss per share	$ (0.02)	$ (0.01)	$ (0.02)	$ (0.03)

Over the past eight quarters, variations in the quarterly loss are caused by fluctuations in general and corporate expense and stock-based compensation expense. General and corporate expense has increased as the Company has opened a new corporate office and hired additional staff. Stock-based compensation expense varies from quarter to quarter depending on the number of stock options granted in the quarter. In the quarter ended September 30, 2007, the Company has written off $7,667,000 of the acquisition and deferred development cost for Big Bend Gold Property net of associated future tax recoveries.

Liquidity and Capital Resources

As at September 30, 2007, the Company had working capital of $36,038,000 (2006 - $8,463,000) which comprised cash of $33,859,000 (2006 - $8,767,000), accounts receivable in the amount of $47,000 (2006 - $77,000), prepaid expenses and other assets in the amount of $133,000 (2006 - $89,000), asset held for sale of $3,322,000 and current liabilities of $1,323,000 (2006 - $470,000).

The Company earns no income from operations and any significant improvement in working capital results from the issuance of share capital. For the year ended September 30, 2007, the operating activities of Khan used cash of $2,009,000 (2006 - $2,589,000), the investing activities, which consisted of development costs incurred on mineral interests and the purchase of capital assets, used cash of $3,595,000 (2006 - $1,772,000) and financing activities provided cash of $29,652,000 (2006 - $7,764,000). The details of the Company's primary financing activities in the last two years are as follows:

Public Offering

On March 1, 2007, the Company completed a public offering of 8,150,000 Common Shares, which were issued pursuant to a prospectus dated February 21, 2007. The Common Shares were issued at a price of Cdn$3.70 each, for total proceeds of Cdn$30,155,000.

Initial Public Offering

On August 2, 2006, the Company completed an initial public offering of 3,067,000 units ("Units"), each Unit consisting of one common share and one-half of one share purchase warrant, which were issued pursuant to a prospectus dated July 14, 2006. The Units were issued at a price of Cdn$1.50 each, for total proceeds of Cdn$4,600,500. The Warrants are exercisable at a price of Cdn$1.90 per Unit at any time on or before August 2, 2008.

Private Placement

Contemporaneously with its initial public offering in August, 2006, Khan issued to Mega Uranium Ltd. a total of 1,667,000 Units for total proceeds to the Company of Cdn$2,500,500. Mega Uranium Ltd. is a company whose shares are listed on the TSX Venture Exchange.

The Company believes that it has sufficient financial resources to pay its ongoing general and corporate expenses and development costs and to meet its liabilities for the coming year. The subsequent development of the Company's properties beyond the year ended September 30, 2008 will depend on the Company's ability to obtain additional financing. There is no assurance that additional financing will be available to allow the Company to develop its properties. The Company is dependent on raising funds by the issuance of shares in order to undertake the development of its properties and meet general and corporate expenses in the immediate and long term. There can be no assurance that the Company will be successful in raising the required financing.

The Company's capital resources are also dependent on the existence of a profitable market for the sale of mineralized material which it may discover or acquire. There can be no assurance that the uranium price will sustain a level that will enable the Dornod Uranium Property to be mined at a profit.

As well, our operations are exposed to risks of changing political stability and government regulation in Mongolia. Any changes in regulations or shifts in political conditions are beyond the Company's control and may adversely affect Khan's business. The Company also considers the successful negotiation of an investment agreement with the Government of Mongolia and an updated joint venture agreement with its joint venture partners to be a prerequisite to any major mine development work.

In addition**,** the ultimate development of the Dornod Uranium Property is a large, complex undertaking that will require substantial engineering, construction and operating expertise and execution. Potential cost overruns and completion delays are significant risks in projects of this size, particularly in less developed countries.

The Company 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 other than a five-year lease for office space that commenced on March 1, 2006, with an annual cost of approximately $85,000 per year.

Transactions with Related Parties

During the year ended September 30, 2007, the Company incurred legal fees of $58,000 (2006 - $227,000) provided by Maurice M. Lynch, a director of the Company until February 15, 2007. This amount was expensed as legal expense incurred in the ordinary course of business and was measured at the exchange amount, which is the amount of consideration established and agreed to by the related party.

Fourth Quarter

For the three months ended September 30, 2007, the Company incurred a loss of $8,778,000 or $0.18 per share compared with $676,000 or $0.02 per share in the comparable period of 2006.

Total revenue increased by $320,000 during the quarter ended September 30, 2007 from the comparable period in 2006. Interest increased due to higher cash balances on hand in 2007 compared with 2006 and foreign exchange gain increased as the Canadian dollar strengthened against US dollar. The Company maintains cash balances in Canadian and US dollars and Mongolian togrogs.

Total expenses increased by $9,468,000 during the quarter ended September 30, 2007 from the comparable period in 2006 primarily due to a write-off of $9,476,000 of the mineral interests related to the Big Bend Gold Property.

During the quarter ended September 30, 2007, a future tax recovery of $1,809,000 was recorded which was related to the write-off of mineral interests for Big Bend Gold Property. In the comparable period of the previous year, a future tax recovery of $763,000 was recorded based on the reduction in the Mongolian corporate tax rate.

Critical Accounting Estimates

The Company's significant accounting policies are described in note 2 to the audited consolidated financial statements for the year ended September 30, 2007. Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Management uses its judgment and knowledge from past experience as a basis for estimates and other assumptions in connection with the preparation of the financial statements. Management's estimates and assumptions are evaluated and updated regularly. The actual results of the Company may materially differ if management were to use different estimates and assumptions. The following accounting estimates are what management considers to be the more critical in the preparation of the Company's financial statements.

Mineral interests

The carrying values for development and exploration properties are cost less any write down to recognize impairment. Management reviews properties when events or changes in circumstances suggest that the carrying value of certain long-lived assets may not be recoverable. An asset impairment charge will be required if the undiscounted cash flows do not exceed the carrying value of the asset tested. The charge to earnings will be the difference between the asset's fair value and the carrying value. Future cash flows are estimated by management based on estimated uranium and gold prices, operating costs, production volume, reclamation costs, capital expenditures and mineral reserves. Each of these variables is subject to uncertainty and risk.

Assets held for sale are separately presented in the consolidated balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are not depreciated while they are classified as held for sale.

Asset retirement obligations

The Company is subject to environmental protection laws governing reclamation of its development and exploration properties. These laws are continually changing and these changes may affect the procedures and costs required to complete reclamation obligations. Estimates of the fair value of the liabilities for asset retirement obligations are recognized in the period they are incurred. Actual future reclamation costs may be materially different from the costs estimated by the Company.

Contingencies

An estimated contingent loss is recorded when it is determined from available information that a loss is probable and that the amount can be reasonably estimated. Contingent liabilities involve the exercise of judgment and an estimate of future outcomes. Contingencies are described in note 12 to the consolidated financial statements.

Stock-based compensation expense

The Company has a stock-based compensation plan. The Company accounts for stock options using the fair value method. The determination of the fair value of stock options issued requires management to estimate future stock volatility and a risk-free rate of return. Management uses the Black-Scholes option pricing model to calculate the fair value of Khan's stock options. The assumptions made may change from time to time.

Changes in Accounting Policies Including Initial Adoption

Effective October 1, 2006, the Company adopted the new CICA accounting sections: 3855 (Financial Instruments - Recognition and Measurement), 3861 (Financial Instruments – Disclosure and Presentation), 3865 (Hedges) and 1530 (Comprehensive Income). These accounting policy changes have been adopted prospectively with no restatement of comparative consolidated financial statements.

Recent Accounting Pronouncements

The following accounting pronouncements are applicable to annual and interim periods beginning on or after October 1, 2007:

CICA 1535 – Capital Disclosures

CICA 1535 requires that a company disclose information that enables users of its financial statements to evaluate its objectives, policies and procedures for managing capital including disclosures of any externally imposed capital requirements and the consequences for non-compliance. The Company is currently evaluating the effect of adopting this standard.

CICA 3862- Financial Instruments – Disclosure

CICA 3862 requires disclosure of information related to the significance of financial instruments to a company's financial position and performance. A company is also required to disclose information related to the risks of its use of financial instruments and how those risks are managed. The Company is currently evaluating the effect of adopting this standard.

CICA 3863 Financial Instruments – Presentation

CICA 3863 establishes standards for presentation of financial instruments. It deals with the presentation of financial instruments and the circumstances in which financial assets and financial liabilities are offset. The Company is currently evaluating the effect of adopting this standard.

Financial Instruments and Other Instruments

The carrying amounts of cash, accounts receivable, accounts payable and accrued liabilities are reviewed by management on a monthly basis for risk exposures. Likewise, since certain of the Company's monetary assets and liabilities are denominated in Canadian, United States and Mongolian currency, and are therefore subject to gains or losses due to fluctuations in those currencies, the trends of exchange rates are regularly monitored.

The Company only invests cash in bank term deposits and/or instruments that are deemed to be very low risk and does not believe that there is any significant price, credit, or liquidity risk nor is there a risk to Khan's financial position, results, and cash flows.

Risks and Uncertainties

Khan's success depends upon a number of factors, many of which are beyond its control. Typical risk factors include, among others, political risk, financing risk, title risks, exploration and development risks, joint venture risks, commodity price, and currency exchange rate risks, operating and environmental hazards encountered in the mining business and changing laws and public policies. Risk factors are more fully described in Khan's Annual Information Form ("AIF") which is available by accessing the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com.

Additional Information

Additional information, including the AIF of the Company, is available by accessing SEDAR.

Outstanding Share Data

The following table sets forth particulars of the fully-diluted share capitalization of Khan as at December 18, 2007:

Securities	Number of Common Shares
Issued and outstanding common shares	54,058,529
Shares issuable upon exercise of Stock Options	4,065,550
Shares issuable upon exercise of Warrants	1,506,668
Shares issuable upon exercise of Agents' Options	327,827
Total	59,958,574