Khan Resources Inc.
Management's Discussion & Analysis

This management's discussion and analysis ("MD&A") should be read in conjunction with the unaudited interim consolidated financial statements of Khan Resources Inc. (the "Company" or "Khan") for the three months ended December 31, 2006 and December 31, 2005 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 February 13, 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 three months ended December 31, 2006, 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 December 31, 2006 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.

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 and gold, 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; 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 and gold; 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, as well as other risks associated with resource exploration and mine development described under the heading "Risk Factors" in the Company's Revised Annual Information Form for the year ended September 30, 2006 filed on SEDAR on January 15,2007. 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 northeastern Mongolia, which contains a number of uranium deposits. Khan's primary asset is its interest in the "Dornod Uranium Property" which currently consists of a 58% interest in the Main Dornod Property and a 100% 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% 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. The Company also holds an interest in a gold property in Mongolia which it does not consider to be a core holding and which it intends to sell, joint venture or otherwise spin off. It also had a right to acquire a 60% interest in three gold mining licences at September 30, 2006 which right has not been pursued. In addition, the Company's 100% interest in Altangol Exploration Ltd. was transferred to Khos Khas Ltd. on November 30, 3006.

Overall Performance

Total assets of the Company at December 31, 2006 were $23,409,000 compared with $23,755,000 at September 30, 2006. The net decrease of $346,000 resulted from the decrease in current assets of $965,000 offset by the increase in capital assets of $63,000 and mineral interests of $556,000.

Current assets decreased primarily due to the decrease in cash of $906,000 during the period. The cash was used in operating and investing activities. The increase in capital assets was due to the purchase of vehicles and equipment in Mongolia. Mineral interests increased due to the costs of the drilling program conducted on Dornod Uranium Property and the initial costs of the prefeasibility study on the Dornod Uranium Property.

During the three months ended December 31, 2006, the Company incurred a loss of $1,593,000 or $0.04 per share compared with $932,000 or $0.03 per share in the comparable period of 2005. The increase of $661,000 was primarily due to the increase in general corporate expense of $384,000 and stock-based compensation expense of $390,000 offset by an increase in interest revenue of $83,000.

During the three months ended December 31, 2006, cash and cash equivalents decreased by $906,000 compared with a decrease of $474,000 in the comparable period of 2005. The cash used in operating activities was $627,000 in 2006 compared with $1,107,000 in 2005. The decrease of $480,000 was primarily due to the change in cash required for non-cash working capital of $736,000 and decrease in Mongolian operations expenses of $59,000 offset by the increase in general corporate expenses of $384,000. The cash used in investing activities was $634,000 for the three months ended December 31, 2006 and $533,000 for the comparable period in 2005. During both periods, drilling programs were conducted on the Dornod Uranium Property. The increase was due to the purchase of vehicles and equipment for the Dornod Uranium Property. The cash provided by financing activities was $355,000 in the first quarter of fiscal 2007 compared with $1,166,000 in the first quarter of fiscal 2006.

During November 2006, the Company conducted a drilling program resulting in verification of Russian data and consequent upgrading of the Mineral Resources contained in Dornod Deposit No. 2 and Dornod Deposit No. 7 from Inferred to Indicated Mineral Resources. The average grade of confirmation drill holes on Dornod Deposit No. 7 was 45% higher than the Russian data, (i.e., 0.416% vs. 0.287% U_3O_8). The average grade of confirmation drill holes on Dornod Deposit No. 2 was 35% lower than the Russian data (i.e., 0.073% vs. 0.112% U_3O_8).

Khan plans to complete a pre-feasibility study and commence the negotiation of, and enter into, an Investment Agreement with the Government of Mongolia by the earliest practicable dates. The successful negotiation of an Investment Agreement is considered by Khan to be a prerequisite to any major mine development work, including the preparation of a feasibility study. While Khan would like to enter into an investment agreement as soon as possible, there can be no certainty as to the timing to complete negotiations with the Government of Mongolia.

Subject to entering into an Investment Agreement with the Government of Mongolia and completion of positive pre-feasibility and feasibility studies, Khan intends to bring the Dornod Uranium Property into production and to construct on-site modern milling and processing facilities.

The 2006 Minerals Law provides the Mongolian government with certain rights to become an equity participant with any private legal entity in the exploitation of any mineral deposit that has been designated as of "strategic importance". On February 5, 2007, the economic standing committee of the Mongolian Parliament proposed a draft parliamentary resolution setting out a proposed list of 15 deposits that are considered to be of strategic importance to Mongolia, which list includes the Dornod Uranium Property. For the official designation of the Dornod Uranium Property to be of "strategic importance" under Mongolian law, the draft parliamentary resolution must be approved by the Mongolian Parliament. The deposits at the Dornod Uranium Property have been included on the list of properties published by the government of Mongolia that have been funded from the state budget and, accordingly, the equity participation that can be acquired by Mongolia may be up to 50%.

Results of Operations

As a development stage company, Khan has no operating history and has incurred losses in the three months ended December 31, 2006 and December 31, 2005. 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 $83,000 during the three months December 31, 2006 from the comparable period in 2005 as a result of the increase in interest income due to higher cash balances on hand during the first quarter of fiscal year 2007 compared with the first quarter of fiscal year 2006.

Expenses

Total expenses increased by $744,000 during the three months ended December 31, 2006 from the comparable period in 2005 due in large part to an increase of $384,000 in general corporate expenses and an increase of $390,000 in stock-based compensation expense. The increase in stock-based compensation expense resulted from higher fair values per stock option granted due to changes used in the assumptions in the Black-Scholes pricing model and the vesting of certain stock options granted during the year ended September 30, 2006. In the first quarter of fiscal year 2007, 450,000 stock options were granted versus 600,000 in the first quarter of fiscal year 2006.

Expenses associated with Khan's Mongolian Operations decreased by $59,000 in 2006 as compared with 2005 due to a lower level of activity at the Dornod Uranium Property and amortization expense increased by $15,000 over the same period as a result of the increase in capital assets.

General corporate expense increased by $384,000 in 2006 compared with 2005. The following table illustrates the major items included in general corporate expenses:

		Three months ended December 31, 2006		Three months ended December 31, 2005
		000's		000's
General corporate				
Accounting and audit	$	47	$	115
Investor relations		120		27
Insurance		27		-
Legal		65		49
Management remuneration		424		153
Office and travel		104		59
	$	787	$	403

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

- Accounting and audit expense decreased by $68,000 during the first quarter of fiscal year 2007. In the first quarter of fiscal year 2006, costs were incurred for the preparation of financial material for the prospectus financing that was completed in August 2006.

- The expenses associated with investor relations increased by $93,000 as investor relations activity increased as a result of the listing of the Company's common shares on the Toronto Stock Exchange in August 2006.

- The insurance expense of $27,000 in the first quarter of fiscal 2007 was related to directors and officers insurance.

- Legal fees increased by $16,000 due to increased business activities and the costs associated with litigation between the Company and Wallace Mays, a former director and officer of the Company.

- Management remuneration increased by $271,000 due to the hiring of four new staff for the corporate office and a staff bonus. At December 31, 2006 there were six staff positions compared with two at December 31, 2005.

- Office and travel expenses increased by $45,000 due to the opening of Khan's new corporate office and a higher staff level in the first quarter of fiscal year 2007 compared with the first quarter of fiscal year 2006.

Foreign exchange loss increased by $14,000. The foreign exchange gain arose from the strengthening of the United States dollar as the reporting currency vis-à-vis the majority of expenses being incurred in Canadian dollars and Mongolian Togrog during this development stage as well as the surplus cash on hand from the prospectus and private placement financings in August 2006.

Mineral interests

During the three months ended December 31, 2006, the deferred development costs consisting mainly of drilling costs incurred on the Company's mineral interests were $556,000 versus $532,000 in the comparable period of 2005. During the year ended September 30, 2006, the Company decided not to continue the earn-in on the Ogmoor gold property. Consequently, the deferred development costs of $266,000 incurred to September 30, 2006 were written off at September 30, 2006.

The following table sets out the deferred development costs:

	September 30, 2006 000's	Costs incurred during the three months ended December 31, 2006 000's	December 31, 2006 000's
Deferred development costs			
Big Bend gold property	$ 1,055	$ -	$ 1,055
Dornod uranium property	1,633	556	2,189
	$ 2,688	$ 556	3,244

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 except per share amounts.

	Quarter ended December 31, 2006	Quarter ended September 30, 2006	Quarter ended June 30, 2006	Quarter ended March 31, 2006
Revenue	$ 94	$ 71	$ 36	$ 30
Expenses	$ 1,687	$ 1,510	$ 448	$ 900
Net loss	$ (1,593)	$ (676)	$ (412)	$ (870)
Net loss per share	$ (0.04)	$ (0.02)	$ (0.01)	$ (0.02)

	Quarter ended December 31, 2005	Quarter ended September 30, 2005	Quarter ended June 30, 2005	Quarter ended March 31, 2005
Revenue	$ 11	$ 4	$ 40	$ -
Expenses	$ 943	$ 1,020	$ 1,478	$ 129
Net loss	$ (932)	$ (1,016)	$ (1,438)	$ (129)
Net loss per share	$ (0.03)	$ (0.03)	$ (0.06)	$ (0.01)

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 and the vesting of stock options granted in prior periods.

Liquidity and Capital Resources

As at December 31, 2006, the Company had working capital of $7,425,000 (September 30, 2006 - $8,463,000) which comprised cash of $7,861,000 (September 30, 2006 - $8,767,000), accounts receivable in the amount of $37,000 (September 30, 2006 - $77,000), prepaid expenses in the amount of $70,000 (September 30, 2006 - $89,000) and current liabilities of $543,000 (September 30, 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 three months ended December 31, 2006, the operating activities of Khan used cash of $627,000 (2005 - $1,107,000), the investing activities, which consisted of development costs incurred on mineral interests and the purchase of capital assets, used cash of $634,000 (2005 - $533,000) and financing activities provided cash of $355,000 (2005 - $1,166,000).

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 balance of the fiscal year. The subsequent development of the Company's properties beyond September 30, 2007 will depend on the Company's ability to obtain additional financing. On February 8, 2007, the Company entered into an agreement with Haywood Securities Inc. ("Haywood") pursuant to which Haywood has agreed to purchase from the Company and sell to the public 8,150,000 common shares of the Company. The purchase price of Cdn$3.70 per common share will result in gross proceeds of Cdn $30,155,000. The net proceeds of this offering will be principally used for further exploration and development of the Company's' Dornod Uranium Project and for general corporate purposes. The offering is subject to the receipt of all necessary regulatory and stock exchange approvals. Closing is expected to occur on or about March 1, 2007. On February 13, 2007, the Company filed a preliminary prospectus with respect to this offering.

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 the uranium or gold prices will sustain a level that will enable our properties 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.

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 three months ended December 31, 2006, the Company incurred legal fees of $40,000 (2005 - $73,000) provided by Maurice M. Lynch, a director of the Company. 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. The Company relies on Mr. Lynch to provide legal services with respect to its business dealings in Mongolia given his significant expertise in Mongolian law. The Company expects to continue to use Mr. Lynch's services as needed in the future.

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, 2006. 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.

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 10 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

The Company has not made any changes to its accounting policies or adopted any new accounting standards during the three months ended December 31, 2006 and does not anticipate any changes or initial adoption for the balance of the fiscal year. In January 2005, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook 1530 ("Comprehensive Income"), Sections 3855 ("Financial Instruments - Recognition and Measurement") and 3865 ("Hedges"). The new standards apply to fiscal years commencing on or after October 1, 2006. The Company has reviewed these standards and determined that there will be no impact on the Company's financial reporting..

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 Canadian 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. The financial investments are held in Toronto, Canada.

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, 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 Revised Annual Information Form **for the year ended September 30, 2006** ("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 February 13, 2007:

Securities	Number of Common Shares
Issued and outstanding common shares	41,835,316
Shares issuable upon exercise of Class E Warrants	2,422,168
Shares issuable upon exercise of Agents' Options	176,665
Shares issuable upon exercise of Stock Options	4,286,925
Total	48,721,074