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 and six months ended March 31, 2007 and March 31, 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 May 1, 2007.

Auditor Involvement

The auditor of Khan Resources Inc. has not performed a review of the unaudited interim consolidated financial statements for the three and six months ended March 31, 2007, however, its auditors have reviewed the unaudited comparative statements for the six months ended March 31, 2006.

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 license 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

At the end of November 2006, Khan completed a Scoping Study for the Dornod Uranium Property. This study was prepared by the Company's engineering consultants, Aker Kvaerner E & C ("AK"), and was carried out in conjunction with the NI 43-101 report by the Company's resource consultants Scott Wilson Roscoe Postle Associates Inc. ("SWRPA"). The indicated resource used in the Scoping Study was 16.5 million tonnes at an average grade of 0.152% U_3O_8 for 55.4 million lbs U_3O_8 as per the SWRPA NI 43-101 report. Using an initial capital cost of US$150.3 million, a throughput of 900,000 tonnes per year, a mill recovery of 85.9 %, a uranium price of US43 per lb U_3O_8 and an operating cost per tonne of US$44.68 this yielded a 17.4 year mine life with an internal rate of return of 24.2%. A conventional acid leach plant was used in this study and the mining method was under-cut-and-fill.

In early January 2007, Khan awarded a contract to AK and SWRPA to undertake a NI 43-101 compliant Pre-Feasibility Study ("PFS") for the Dornod Uranium Property. The environmental component of the study has been subcontracted to Golder Associates of Toronto and Ecotrade XXK of Ulann Baatar, Mongolia. The PFS is expected to be completed by mid June 2007. It is anticipated that when the PFS has been finalized the uranium mineralization of the deposit will be upgraded from a resource to a reserve category.

In mid January 2007, Khan released the results of the first phase of an 18 month diamond drilling program on the Dornod Uranium Property. This phase, which was completed in November 2006, consisted of 6 diamond drill holes totaling 1,536 metres, which is part of the overall program designed to investigate the extensions on mineralized areas that were not previously followed up by the previous Russian operators, verify lower grade pods in outlying areas, and check the possible extension of known areas adjacent to the defined indicated resources. The winter drilling program results in three separate areas are detailed below:

1. DOR-06-027 and DOR-06-028 were drilled in the 2N area where C1 Russian resources (not NI 43-101 compliant, and has not yet been reviewed by a Qualified Person) have been reported as

85,000 tonnes grading 0.104% U. Both holes returned values and widths comparable to the surrounding mineral intercepts.

2. DOR-06-029 and DOR-06-030 are located within the 2F Zone. This zone is an extension of the No. 2 Deposit, (previously partially mined by open pit). The C1 Russian resource (not NI 43-101 compliant, and has not yet been reviewed by a Qualified Person) for the 2F area has been reported as 310,000 tonnes grading 0.142% U. Both drill holes confirmed uranium mineralization within a flat lying siltstone.

   The 2N and 2F areas have not been included in the most recent resource calculations. SWRPA will be updating the reserve/resource calculations taking into account these latest results as part of the Pre Feasibility Study.

3. Hole DOR-06-031 tested the extension of the No. 7 deposit to the east (Indicated Resource of 12.96 million tonnes grading 0.159% U_3O_8 using a cutoff grade of 0.047 % U_3O_8 (NI 43-101 compliant)). DOR-06-032 provided grade and width comparisons of the weaker mineralized zone with the earlier drilling (pre-1995).

   DOR-06-031 and DOR-06-032 both returned mineralization values and widths similar to the surrounding drill hole information. DOR-06-032 assayed 0.097% U_3O_8 over 30.0 metres, whereas the resource model indicates 0.091% U_3O_8 over 24.0 metres. This represents an overall increase of 34% in the contained pounds of Uranium in this area.

In March 2007, the Company closed its public offering of common shares underwritten by Haywood Securities Inc. and issued 8,150,000 common shares at a price of Cdn$3.70 for gross proceeds to the Company of $25,746,000 (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.

In April 2007, Khan released the result of a metallurgical test hole at the Dornod Uranium Property. The assay was 39.1 metres containing 0.507% U_3O_8. The ongoing metallurgical test program is a continuation of earlier work and will build on the recent acquisition of the metallurgical test material. Again, the results are very encouraging, improving on the recoveries obtained in earlier test work. The core used for metallurgical testing has confirmed previous assay results, the geological grade model and a comparison using cut and uncut values. The geological grade model predicted a result of 0.463 % U_3O_8 over 40 metres in the area of the metallurgical test hole (model uses cut assay values) and was located between previously drilled and assayed holes DOR-05-005 and DOR-05-006.

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". Through Parliament Resolution 27 that was passed in February 2007, Parliament approved and the President did not exercise his right to veto a list of 15 mineral deposits that are defined as of “strategic importance” according to the Minerals Law Revised effective August 27, 2006, which includes the Dornod Uranium Property. 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%. The Constitutional Court of Mongolia has ruled that the Speaker of the Parliament illegally modified language of the Minerals Law. A Parliamentary working group is currently reviewing the Minerals Law. The Mongolian National Mining Association has filed a brief with the Supreme Court of Mongolia that requests the interpretation of key provisions of the Minerals Law with regards to strategic deposits and State investment.

Khan plans to 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.

Total assets of the Company at March 31, 2007 were $49,350,000 compared with $23,755,000 at September 30, 2006. The increase of $25,595,000 resulted from the increases in current assets of $24,617,000, capital assets of $58,000 and mineral interests of $920,000.

Current assets increased primarily due to the increase in cash of $24,649,000 during the period. The net cash increase was due to the cash received from the public offering of common shares that closed on March 1, 2007 and the exercise of stock options, warrants and agent options reduced by the cash that was used in operating and investing activities. The increase in capital assets was due to the purchase of equipment and vehicles in Mongolia. Mineral interests increased due to the costs of the drilling program conducted on Dornod Uranium Property and the initial costs of the Pre Feasibility Study on the Dornod Uranium Property.

Three months ended March 31, 2007 and March 31, 2006

During the three months ended March 31, 2007, the Company incurred a loss of $2,389,000 or $0.05 per share compared with $870,000 or $0.02 per share in the comparable period of 2006. The increase of $1,519,000 was primarily due to the increases in general corporate expense of $246,000, stock-based compensation expense of $1,564,000 and Mongolian operations expense of $100,000 offset by the increases in interest revenue of $144,000 and foreign exchange gain of $252,000.

During the three months ended March 31, 2007, cash increased by $25,555,000 compared with a decrease of $1,268,000 in the comparable period of 2006. The cash used in operating activities was $567,000 in 2007 compared with $538,000 in 2006. The increase of $29,000 was due to the increase in cash required for general corporate expense of $246,000, Mongolian operations expense of $100,000 and non-cash working capital of $78,000, offset by the increases in interest revenue of $144,000 and foreign exchange gain of $251,000. The cash used in investing activities was $136,000 for the three months ended March 31, 2007 and $522,000 for the comparable period in 2006. In 2006, drilling programs were conducted on the Dornod Uranium Property. In 2007, equipment was acquired for the Dornod Uranium Property and the initial costs of the pre-feasibility study were incurred. The decrease was due to no drilling activity at the Dornod Uranium Property in 2007 and accounts payable of $230,000 at March 31, 2007 for the pre - feasibility study at the Dornod Uranium Property. The cash provided by financing activities was $26,258,000 in the second quarter of 2007 compared with cash used by financing activities of $208,000 in the second quarter of fiscal 2006. The increase was due to the cash received from the public offering of common shares that closed on March 1, 2007 and the exercise of stock options, warrants and agent options reduced by equity financing costs.

Six months ended March 31, 2007 and March 31, 2006

During the six months ended March 31, 2007, the Company incurred a loss of $3,982,000 or $0.09 per share compared with $1,802,000 or $0.05 per share in the comparable period of 2006. The increase of $2,180,000 was primarily due to the increases in general corporate expense of $630,000 and stock-based compensation expense of $1,954,000 offset by the increases in interest revenue of $227,000 and foreign exchange gain of $238,000.

During the six months ended March 31, 2007, cash increased by $24,649,000 compared with a decrease of $1,742,000 in the comparable period of 2006. The cash used in operating activities was $1,194,000 in 2007 compared with $1,645,000 in 2006. The decrease of $451,000 was due to the increases in interest revenue of $227,000 and foreign exchange gain of $237,000 and the decrease in cash required for non-cash working capital of $658,000 offset by the increases in general corporate expense of $630,000 and Mongolian operations expense of $41,000. The cash used in investing activities was $770,000 for the six months ended March 31, 2007 and $1,055,000 for the comparable period in 2006. During both periods, drilling programs were conducted on the Dornod Uranium Property. In 2007, equipment and vehicles were acquired for the Dornod Uranium Property and the initial costs of the pre-feasibility study were incurred. The decrease was due to a lower level of drilling activity at the Dornod Uranium Property in 2007 and accounts payable of $230,000 at March 31, 2007 for the pre -feasibility study at the Dornod Uranium Property. The cash provided by financing activities was $26,613,000 in the first half of fiscal 2007 compared with $958,000 in the first half of fiscal 2006. The increase was due to the cash received from the public offering of common shares that closed on March 1, 2007 and the exercise of stock options, warrants and agent options reduced by equity financing costs.

Results of Operations

As a development stage company, Khan has no operating history and has incurred losses in the three and six months ended March 31, 2007 and March 31, 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.

Three months ended March 31, 2007 and March 31, 2006

Revenue

Total revenue increased by $144,000 during the three months ended March 31, 2007 from the comparable period in 2006 as a result of the increase in interest income due to higher cash balances on hand during the second quarter of fiscal year 2007 compared with the second quarter of fiscal year 2006.

Expenses

Total expenses increased by $1,663,000 during the three months ended March 31, 2007 from the comparable period in 2006 due in large part to an increase of $246,000 in general corporate expense and an increase of $1,564,000 in stock-based compensation expense. The increase in stock-based compensation expense resulted from the increase in stock options granted, 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 second quarter of fiscal year 2007, 1,213,000 stock options were granted versus 500,000 in the second quarter of fiscal year 2006.

Expenses associated with Khan's Mongolian Operations increased by $100,000 in 2007 as compared with 2006 due to a higher level of activity at the Dornod Uranium Property. In 2006, certain Mongolian Operations expenses incurred in the first quarter of the 2006 fiscal year were transferred to mineral interests. Amortization expense increased by $5,000 over the same period as a result of the increase in capital assets.

General corporate expense increased by $246,000 in 2007 compared with 2006. The following table illustrates the major items included in general corporate expenses:

		Three months ended March 31, 2007		Three months Ended March 31, 2006
		000's		000's
General corporate				
Accounting and audit	$	32	$	(33)
Investor relations		124		17
Insurance		26		-
Legal		86		106
Management remuneration		213		173
Office and travel		98		70
	$	579	$	333

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

- Accounting and audit expense increased by $65,000 during the second quarter of fiscal year 2007. In the second quarter of fiscal year 2006, certain costs incurred in the first quarter of the 2006 fiscal year were transferred to equity financing costs.

- The expenses associated with investor relations increased by $107,000 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 $26,000 in the first quarter of fiscal 2007 was related to directors and officers insurance.

- Legal fees decreased by $20,000.

- Management remuneration increased by $40,000 due to the hiring of new staff for the corporate office and a staff bonus. At March 31, 2007 there were five staff positions compared with four at March 31, 2006.

- Office and travel expenses increased by $28,000 due to the opening of Khan's new corporate office in February 2006 and a higher staff level in the second quarter of fiscal year 2007 compared with the first quarter of fiscal year 2006.

Foreign exchange gain increased by $252,000. The foreign exchange gain primarily arose from holding Canadian dollars as the Canadian dollar strengthened against the United States dollar.

Mineral interests

During the three months ended March 31, 2007, the deferred development costs, which consisted of pre-feasibility study costs, incurred on the Company's mineral interests were $364,000. In 2006, the deferred development costs, which consisted of drilling costs, were $454,000.

The following table sets out the deferred development costs:

		As at December 31, 2006		Costs incurred during the three months ended March 31, 2007		As at March 31, 2007
		000's		000's		000's
Deferred development costs						
Big Bend gold property	$	1,055	$	-	$	1,055
Dornod uranium property		2,189		364		2,553
	$	3,244	$	364		3,608

Six months ended March 31, 2007 and March 31, 2006

Revenue

Total revenue increased by $227,000 during the six months March 31, 2007 from the comparable period in 2006 as a result of the increase in interest income due to higher cash balances on hand during the first half of fiscal year 2007 compared with the first half of fiscal year 2006.

Expenses

Total expenses increased by $2,407,000 during the six months ended March 31, 2007 from the comparable period in 2006 due in large part to the increases of $630,000 in general corporate expenses and $1,954,000 in stock-based compensation expense offset by the increase in foreign exchange gain. The increase in stock-based compensation expense resulted from the increase in stock options granted, 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 half of fiscal year 2007, 1,663,000 stock options were granted versus 1,100,000 in the first half of fiscal year 2006.

Expenses associated with Khan's Mongolian Operations increased by $41,000 in 2007 as compared with 2006 due to a higher level of activity at the Dornod Uranium Property and amortization expense increased by $20,000 over the same period as a result of the increase in capital assets.

General corporate expense increased by $630,000 in 2007 compared with 2006. The following table illustrates the major items included in general corporate expenses:

		Six months ended March 31, 2007		Six months ended March 31, 2006
		000's		000's
General corporate				
Accounting and audit	$	79	$	82
Investor relations		244		44
Insurance		53		-
Legal		151		155
Management remuneration		637		326
Office and travel		202		129
	$	1,366	$	736

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

- Accounting and audit expense decreased by $3,000.
- The expenses associated with investor relations increased by $200,000 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 $53,000 in the first half of fiscal 2007 was related to directors and officers insurance.
- Legal fees decreased by $4,000.
- Management remuneration increased by $311,000 due to the hiring of new staff for the corporate office and a staff bonus. At March 31, 2007 there were five staff positions compared with four at March 31, 2006.
- Office and travel expenses increased by $73,000 due to the opening of Khan's new corporate office in February 2006 and a higher staff level in the first half of fiscal year 2007 compared with the first half of fiscal year 2006.

Foreign exchange gain increased by $238,000. The foreign exchange gain primarily arose from holding Canadian dollars as the Canadian dollar strengthened against the United States dollar.

<u>Mineral interests</u>

During the six months ended March 31, 2007, the deferred development costs, which consisted of drilling costs and pre-feasibility study costs, incurred on the Company's mineral interests were $920,000. In 2006, the deferred development costs, which consisted of drilling costs, were $986,000. 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:

	As at September 30, 2006 000's	Costs incurred during the six months ended March 31, 2007 000's	As at March 31, 2007 000's
Deferred development costs			
Big Bend gold property	$ 1,055	$ -	$ 1,055
Dornod uranium property	1,633	920	2,553
	$ 2,688	$ 920	3,608

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 March 31, 2007	Quarter ended December 31, 2006	Quarter ended September 30, 2006	Quarter ended June 30, 2006
Revenue	$ 174	$ 94	$ 71	$ 36
Expenses	$ 2,563	$ 1,687	$ 1,510	$ 448
Net loss	$ (2,389)	$ (1,593)	$ (676)	$ (412)
Net loss per share	$ (0.05)	$ (0.04)	$ (0.02)	$ (0.01)

	Quarter ended March 31, 2006	Quarter ended December 31, 2005	Quarter ended September 30, 2005	Quarter ended June 30, 2005
Revenue	$ 30	$ 11	$ 4	$ 40
Expenses	$ 900	$ 943	$ 1,020	$ 1,478
Net loss	$ (870)	$ (932)	$ (1,016)	$ (1,438)
Net loss per share	$ (0.02)	$ (0.03)	$ (0.03)	$ (0.06)

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 March 31, 2007, the Company had working capital of $32,858,000 (September 30, 2006 - $8,463,000) which comprised cash of $33,416,000 (September 30, 2006 - $8,767,000), accounts receivable in the amount of $88,000 (September 30, 2006 - $77,000), prepaid expenses in the amount of $46,000 (September 30, 2006 - $89,000) and current liabilities of $692,000 (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 six months ended March 31, 2007, the operating activities of Khan used cash of $1,194,000 (2006 - $1,645,000), the investing activities, which consisted of development costs incurred on mineral interests and the purchase of capital assets, used cash of $770,000 (2006 - $1,055,000) and financing activities provided cash of $26,613,000 (2006 - $958,000).

On March 1, 2007, the Company closed its public offering of common shares and issued 8,150,000 common shares at a price of Cdn$3.70 for gross proceeds to the Company of $25,746,000 (Cdn$30,155,000). 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 in the foreseeable future.

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 six months ended March 31, 2007, the Company incurred legal fees of $58,000 (2006 - $115,000) 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.

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.

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 six months ended March 31, 2007 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 May 1, 2007:

Securities	Number of Common Shares
Issued and outstanding common shares	52,556,816
Shares issuable upon exercise of stock options	2,633,675
Shares issuable upon exercise of warrants	2,444,168
Shares issuable upon exercise of agent options	346,165
Total	57,980,824