Khan Resources Inc.

Management's Discussion & Analysis

This management's discussion and analysis ("MD&A") relates to the nine months ended June 30, 2008 updated to August 8, 2008 and should be read in conjunction with the unaudited interim consolidated financial statements of Khan Resources Inc. (the "Company" or "Khan") for the nine months ended June 30, 2008 and June 30, 2007 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 August 8**,** 2008.

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 have been prepared for internal planning purposes and may not be appropriate for other purposes. 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, Mongolia, Bermuda, the British Virgin Islands or the Netherlands, 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 filed on SEDAR on December 20, 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 assets consist of its interest in the Dornod Uranium Project which is held through a 58 per cent interest in the "Main Dornod Property" (defined below) and a 100 per cent interest in the "Additional Dornod Property" (defined below). 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. 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 June 30, 2008 were $39,735,000 compared with $42,983,000 at September 30, 2007. The decrease of $3,248,000 resulted from the decreases in current assets of $7,595,000 and capital assets of $23,000 offset by deferred costs of $1,180,000, advances to suppliers of $212,000 and the increase in mineral interests of $2,978,000. The decrease in current assets was primarily due to the cash used in operating and investing activities during the nine months ended June 30, 2008 and the loss on the sale of the Big Bend Gold Property. The decrease in capital assets was due to amortization expense for the period being greater than the cost of new equipment that was purchased. The deferred costs were related to the Company's offer for all the outstanding common shares of Western Prospector Group Ltd. which was announced on May 11, 2008 and is open until August 8, 2008. The advances to suppliers were funds provided to certain suppliers prior to services being performed. The increase in mineral interests was due to 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, the Company received $2,500,000 in cash and recorded a loss on sale of asset of $822,000 and a related future tax recovery of $822,000.

Three months ended June 30, 2008 and June 30, 2007

During the three months ended June 30, 2008, the Company incurred a net loss of $1,413,000 or $0.03 per share compared with $744,000 or $0.01 per share in the comparable period of 2007. The increase of $669,000 was primarily due to the decrease in interest income of $207,000 and the increases in general corporate expense of $163,000, Mongolian operations expense of $154,000 and foreign exchange loss of $431,000 that were offset by the decrease in stock-based compensation expense of $269,000.

During the three months ended June 30 2008, cash and cash equivalents decreased by $3,298,000 compared with an increase of $384,000 in the comparable period of 2007. The cash used in operating activities was $645,000 in 2008 compared with $465,000 in 2007. The net increase of $180,000 was primarily due to the decrease in interest income of $207,000 and the increases in general corporate expense of $163,000 and Mongolian operations expense of $154,000 offset by a decrease in cash required for changes in non-cash working capital balances related to operations of $325,000. The cash used in investing activities was $2,530,000 compared with $1,214,000 in 2007. The increase of $1,316,000 resulted from advances to suppliers of $212,000, deferred costs of $500,000 and the increase of $868,000 in mineral interests offset by the decrease of $264,000 for the purchase of capital assets. The advances to suppliers were funds provided to certain suppliers prior to services being performed and the deferred costs resulted from the Company's offer for the outstanding common shares of Western Prospector Group Ltd. There were no comparable amounts for these items in 2007. The increase in mineral interests was primarily due to the costs incurred on the Definitive Feasibility Study that commenced in November 2007 and the decrease in the purchase of capital assets was due to the lower level of activity at the Dornod Uranium Property. The cash provided by financing activities was nil in 2008 compared with $1,731,000 in 2007. In 2007, cash was provided from the exercise of stock options, warrants and agents' options. In 2008, there was a foreign exchange loss on cash of $123,000 compared with a foreign exchange gain on cash of $332,000 in 2007. Cash comprises primarily Canadian and United States dollars. The foreign exchange loss on cash in 2008 was due to the decrease in value of the Canadian dollars in terms of the United States dollar during the quarter. The foreign exchange gain on cash in 2007 was due to the increase in value of the Canadian dollar in terms of the United States dollar during the quarter.

Nine months ended June 30, 2008 and June 30, 2007

During the nine months ended June 30, 2008, the Company incurred a net loss of $4,613,000 or $0.09 per share compared with $4,726,000 or $0.10 per share in the comparable period of 2007. The decrease of $113,000 was primarily due to the decrease in stock-based compensation expense of $2,358,000 and the increase in future tax recovery of $822,000 offset by the decrease in interest income of $85,000, increases in general corporate expense of $969,000, Mongolian operations expense of $456,000, amortization expense of $74,000, loss on sale of assets of $822,000 and foreign exchange loss of $704,000.

During the nine months ended June 30, 2008, cash and cash equivalents decreased by $5,052,000 compared with an increase of $25,033,000 in the comparable period of 2007. The cash used in operating activities was $3,099,000 in 2008 compared with $1,947,000 in 2007. The net increase of $1,152,000 was due to the decrease in interest income of $85,000 and the increases in general corporate expense of $969,000 and Mongolian operations expense of $456,000 offset by decreases in realized foreign exchange gain of $140,000 and in cash required for changes in non-cash working capital balances related to operations of $218,000. The cash used in investing activities was $1,877,000 compared with $1,984,000 in 2007. In 2008, proceeds from the sale of assets were $2,500,000 and there was no comparable amount in 2007. The restricted cash of $725,000 was the cost of guaranteed investment certificates pledged as security for credit facilities, the advances to suppliers of $212,000 were funds provided to certain suppliers and the deferred costs of $500,000 were related to the Company's offer for all the outstanding common shares of Western Prospector Group Ltd. There were no comparable amounts for restricted cash, advances to suppliers and deferred costs in 2007. The purchase of capital assets in 2008 was $83,000 compared with $393,000 in 2007. The decrease of $310,000 was due to the lower level of activity on the Dornod Uranium Property. In 2008, cash used for mineral interests was $2,857,000 compared with $1,591,000 in 2007. The increase of $1,266,000 was primarily due to the costs incurred on the Definitive Feasibility Study that commenced in November 2007. The cash provided by financing activities was $154,000 in 2008 compared with $28,344,000 in 2007. In 2008, cash was provided from the exercise of stock options. In 2007, cash was provided from the public offering of shares, net of equity financing costs, that closed on March 1, 2007 and the exercise of stock options, warrants and agents' options. In 2008, there was a foreign exchange loss on cash of $230,000 compared with a foreign exchange gain on cash of $620,000 in 2007. Cash comprises primarily Canadian and United States dollars. The foreign exchange loss on cash in 2008 was due to the decrease in value of the Canadian dollars in terms of the United States dollar during the period. The foreign exchange gain on cash in 2007 was due to the increase in value of the Canadian dollar in terms of the United States dollar during the period.

During November 2007, a contract was awarded to Aker Kvaerner E&C of Toronto, Ontario to undertake a Definitive Feasibility Study for the Dornod Uranium Project. 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 eleven months to be completed.

In late November 2007, the Company learned that a Uranium Working Group ("UWG") had been constituted to assess the uranium industry in Mongolia, although no formal announcements have been made by the Mongolian government about the UWG. While it is reasonable to expect the government to propose and enact special legislation to regulate the uranium mining and processing industry in Mongolia, the mandate of the UWG has not been made public by Mongolian officials. Khan intends to provide input and submissions to the UWG on potential uranium policy and regulations and expects that other uranium exploration and development companies operating in Mongolia will do the same.

In early February, Khan announced that it had received a three year renewal for its 100% owned Exploration License No. 9282X (Additional Dornod Property) from the Mineral Resources and Petroleum Authority of Mongolia (MRPAM).

On February 12, 2008, the Company announced that it had reached a settlement of all outstanding litigation with Wallace M. Mays ("Mays"), WM Mining Company, LLC ("WM Mining") and Nueces Investments Ltd. (together, the "Mays Parties"). The Mays Parties' claim for damages was filed on September 18, 2006 against Khan and others in the Superior Court of Justice of Ontario. Khan and the other defendants will not make any payment of damages in connection with the resolution of the claim for damages brought by the Mays Parties. On November 13, 2006, Khan filed an action for damages against Mays and WM Mining in the Superior Court of Justice of Ontario. On December 10, 2007, Khan also brought a motion seeking a contempt order against Mays and WM Mining. The damages action and contempt proceedings have been settled and Khan has received payment in respect of certain of its costs incurred in connection with the litigation. In connection with the settlement, Mays and WM Mining have signed a letter addressed to the State Property Committee of Mongolia which retracts a previous claim to ownership of a 58% interest in Central Asian Uranium Company, Ltd. (the "Share Interest"), confirms that Mays and WM Mining are not asserting any ownership interest in, or claim to, the Share Interest and states that Mays and WM Mining: "undertake not to assert, directly or indirectly, in any communication with any representative of the Government of Mongolia, other governmental or regulatory authority or any other person that Khan does not lawfully own an indirect 58% interest in Central Asian Uranium Company, Ltd. or cause any such assertion to be made".

At the Company's Annual Meeting of Shareholders held on February 14, 2008, Stephen W. Harapiak was elected to the Board of Directors. Mr. Harapiak holds a degree in mechanical engineering from the University of Manitoba and has over 48 years of experience in mining, project management and engineering.

On April 23, 2008, David L. McAusland was appointed to the Board of Directors. Mr McAusland is a graduate of the Faculty of Law of McGill University and was called to the Bar in Quebec in 1978. He has 30 years of experience in corporate management, international business and legal, financial and regulatory matters.

On May 12, 2008, Khan filed an offer (the "Offer"), with the securities regulatory authorities, to acquire all of the outstanding common shares of Western Prospector Group Ltd. ("Western") in order to consolidate its position in the Saddle Hills district of Mongolia and achieve significant synergies from the joint development of the Company's Dornod uranium deposit and Western's Gurvanbulag uranium deposit in that district. Pursuant to the Offer, Western shareholders will receive 0.685 of a Khan common share for each Western share. Based on the volume weighted average trading price of the Khan common shares on the Toronto Stock exchange (TSX) and the Western common shares on the TSX Venture Exchange (TSXV), in each case for the 20 trading days ending May 9, 2008, the all share Offer represents a 34% premium to Western shareholders. The Offer also represents a premium of 30% over the May 9, 2008 closing price of Western's common shares, based on a closing price of $0.95 per Khan common share on the TSX on that same date. The acquisition of Western is expected to result in combined capital cost savings in excess of US$100 million, resulting from the construction of one common mill (rather than two separate mills) and the sharing of infrastructure. Khan also anticipates significant operating cost savings from common ownership of the Dornod and Gurvanbulag deposits as a result of the consolidation of head offices and management and administrative teams. The Offer is subject to a number of conditions, including there having been validly deposited under the Offer and not withdrawn at the expiry time such number of common shares of Western that constitutes at least 50.1% of the common shares then outstanding (calculated on a fully diluted basis) and the provisions of Western's shareholder rights plan being waived, invalidated or cease traded. The Offer was open for acceptance until June 20, 2008 at 8:00 p.m. The Offer is also subject to the receipt of customary regulatory approvals including the approval of the Toronto Stock Exchange to the listing of the common shares of Khan to be issued in respect of common shares of Western deposited under the Offer.

On May 27, 2008, Western filed a Directors' Circular, with the securities regulatory authorities, which recommended rejection of the Company's Offer.

On May 28, 2008, Khan responded to the Directors' Circular issued by Western by reaffirming its Offer and providing comment and clarification on a couple of key points in the Directors' Circular.

On June 2, 2008, the Company announced that Mr. S. Bayer, Prime Minister of Mongolia, and Mr S.V. Kiryenko, General Director of the Russian state-owned corporation "Rossatom" visited Khan's Dornod Uranium Project on May 26, 2008. The Dornod Uranium Project consists of a 58 per cent interest in the "Main Dornod Property" and a 100 per cent interest in the "Additional Dornod Property". The Government of Mongolia and Priargunsky Production Mining-Chemical Association, which is owned by Rossatom, each have a 21% interest in the Main Dornod Property. During the one day visit, Khan provided a presentation on the status of the project, the results from the Pre-Feasibility Study and Environmental Impact Assessment, progress on the Definitive Feasibility Study and the Mongolian resource and reserve calculations.

On June 19, 2008, Khan announced the extension of its Offer until July 15, 2008 at 8:00 p.m.

On June 29, 2008, a general election was held in Mongolia. The Mongolian People's Revolutionary Party (MPRP) won the majority of seats in the Great Hural, which is the parliament of Mongolia.

On July 10, 2008, the Company announced that Western had irrevocably waived the application of its shareholder rights plan to Khan's Offer as it may be amended or varied, in order to allow Khan to take up shares of Western on or after July 25, 2008. In connection with the waiver, Khan agreed to the extension of its Offer until July 25, 2008 at 8:00 p.m.

On July 15, 2008, Western and Tinpo Holdings Industrial Company Limited ('Tinpo") announced the execution of a definitive agreement for Tinpo to acquire all the outstanding common shares of Western for Cdn$1.34 per share in cash. Formal documentation relating to the takeover bid was expected to be mailed by Tinpo on or before July 29, 2008. On July 30, 2008, Western announced that the formal documentation had been delayed due to technical matters and a further update would be provided at the appropriate time.

On July 23, 2008, Khan announced the extension of its Offer until August 8, 2008 at 8:00 p.m. and provided comments on the Tinpo offer.

On August 5, 2008, Western announced that the formal documentation relating to the Tinpo offer had been mailed to the shareholders of Western. The Tinpo offer to acquire all the outstanding common shares of Western for Cdn$1.34 per share in cash would be open for acceptance until 5:00 p.m. on September 11, 2008.

On August 8, 2008, Khan announced the extension of its Offer until August 19, 2008 at 8:00 p.m.

Khan plans to commence the negotiation of, and enter into, an Investment Agreement with the Government of Mongolia by the earliest practicable date. Khan commenced discussions with its joint venture partners in the Main Dornod Property late in 2007. Khan's goal is to negotiate an updated joint venture development agreement as soon as practicable. 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. There can be no certainty as to the timing to complete negotiations with the Government of Mongolia and Khan's joint venture partners.

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

Results of Operations

As a development stage company, Khan has no operating history and has incurred losses in the nine months ended June 30, 2008 and June 30, 2007. Based on the current exploration and development plans for the Dornod Uranium Project, 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 bringing the Dornod Uranium Project into commercial production.

Three months ended June 30, 2008 and June 30, 2007

Revenue

Total revenue decreased by $207,000 during the three months ended June 30, 2008 from the comparable period in 2007 as a result of the decrease in interest income due to lower cash balances on hand and lower interest rates. The Company maintains cash balances principally in Canadian and US dollars.

Expenses

Total expenses increased by $462,000 during the three months ended June 30, 2008 from the comparable period in 2007 primarily due to increases in general corporate expense of $163,000 and Mongolian operations expense of $154,000 and the change in foreign exchange of $431,000, from a gain of $287,000 in 2007 to a loss of $144,000 in 2008, that were offset by the decrease in stock-based compensation of $269,000.

General corporate expense increased in 2008 compared with 2007. The following table illustrates the major items included in general corporate expenses:

	Three months ended June 30, 2008 000's	Three months ended June 30, 2007 000's
Accounting and audit	$ 28	$ 29
Investor relations	89	86
Insurance	25	18
Legal	127	80
Management remuneration	285	208
Office and travel	221	191
	$ 775	$ 612

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

- Legal fees increased by $47,000 due to increased corporate activities.
- Management remuneration increased by $77,000 due to additional staff and salary increases.
- Office and travel expenses increased by $30,000 due to corporate development activity and additional trips to Mongolia.

Mongolian operations expense increased in the third quarter of fiscal 2008 compared with the same period in fiscal 2007 due to a higher level of activity related to the Dornod Uranium Project, opening of a new office in Ulaan Baatar, Mongolia and hiring of additional staff.

Stock-based compensation expense decreased as the majority of options granted in prior years were fully vested by the third quarter of 2008; thus a lower expense for the vesting of options was recorded in the third quarter of 2008 compared with the third quarter of 2007.

The change in foreign exchange of $431,000 from a gain of $287,000 in 2007 to a loss of $144,000 in 2008 was primarily due to the fluctuation in value of the Canadian dollar in terms of the United States dollar and the amount of Canadian cash on hand. At the beginning of the third quarter of 2008, the Canadian dollar was $0.97 in terms of the United States dollar compared with $0.98 at the end of the quarter. During the third quarter of 2008, $20.0 million was converted to Cdn$20.2 million. As the exchange rate on this conversion was higher than the exchange rate at the end of the quarter, a foreign exchange loss was recorded for the quarter. At the beginning of the third quarter of 2007, the Canadian dollar was $0.87 in terms of the United States dollar compared with $0.94 at the end of the quarter. The average Canadian cash on hand was 74% of total cash in 2008 compared with 13% of total cash in 2007.

Mineral interests

During the three months ended June 30, 2008, the deferred development costs, consisting mainly of the Definitive Feasibility Study and Environmental Impact Assessment, incurred on the Dornod Uranium Project, were $1,202,000. The following table sets out the change in deferred development costs:

		As at March 31, 2008 000's		Costs incurred during the three months ended June 30, 2008 000's		As at June 30, 2008 000's
Deferred development costs						
Dornod Uranium Project, Mongolia	$	6,373	$	1,202	$	7,575

Nine months ended June 30, 2008 and June 30, 2007

Revenue

Total revenue decreased by $85,000 during the nine months ended June 30, 2008 from the comparable period in 2007 as a result of the decrease in interest income due to lower cash balances on hand and lower interest rates. The Company maintains cash balances principally in Canadian and US dollars.

Expenses

Total expenses increased by $624,000 during the nine months ended June 30, 2008 from the comparable period in 2007 primarily due to increases in general corporate expense of $969,000 and Mongolian operations expense of $456,000, the change in foreign exchange of $704,000, from a gain of $524,000 in 2007 to a loss of $180,000 in 2008, and loss on the sale of asset of $822,000 that were offset by the decrease in stock-based compensation of $2,358,000.

General corporate expense increased in 2008 compared with 2007. The following table illustrates the major items included in general corporate expenses:

		Nine months ended June 30, 2008 000's		Nine months ended June 30, 2007 000's
Accounting and audit	$	69	$	108
Investor relations		339		330
Insurance		46		71
Legal		695		231
Management remuneration		1,006		845
Office and travel		792		393
	$	2,947	$	1,978

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

- Accounting and audit expense decreased by $39,000 as accounting consultants were replaced by full time staff.

- The insurance expense decreased by $25,000 due to a reduction in insurance policy premiums.

- Legal fees increased by $464,000 due to increased corporate activities and the proceedings involving Wallace Mays, a former promoter and director of Khan.

- Management remuneration increased by $161,000 due to additional staff and salary increases.

- Office and travel expenses increased by $399,000 due to corporate development activity and additional trips to Mongolia.

Mongolian operations expense increased in the first nine months of fiscal 2008 compared with the same period in fiscal 2007 due to a higher level of activity related to the Dornod Uranium Project, opening of a new office in Ulaan Baatar, Mongolia and hiring of additional staff.

Stock-based compensation expense decreased as 528,000 stock options were granted in the first nine months of fiscal year 2008 versus 1,718,000 stock options granted in the first nine months of fiscal year 2007.

The change in foreign exchange of $704,000 from a gain of $524,000 in 2007 to a loss of $180,000 in 2008 was primarily due to the fluctuation in value of the Canadian dollar in terms of the United States dollar and the amount of Canadian cash on hand. In 2008, at the beginning of the period, the Canadian dollar was $1.01 in terms of the United States dollar compared with $0.98 at the end of the period. In 2007, at the beginning of the period, the Canadian dollar was $0.87 in terms of the United States dollar compared with $0.94 at the end of the period. The average Canadian cash on hand was 31% of total cash in 2008 compared with 13% of total cash in 2007.

Sale of Asset

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 licenses for the Big Bend Gold Property, to Berleg Mining XXK, a Mongolian company, for $2,500,000 in cash. The acquisition and deferred development costs that were in excess of the sale price were written off at September 30, 2007. The sale closed on October 11, 2007 and the Company received $2,500,000 in cash, recorded a loss on sale of asset of $822,000 and a related future tax recovery of $822,000.

Mineral interests

During the nine months ended June 30, 2008, the deferred development costs, consisting mainly of the Definitive Feasibility Study and Environmental Impact Assessment, incurred on the Dornod Uranium Project, were $2,978,000. The following table sets out the change in deferred development costs:

	As at September 30, 2007 000's	Costs incurred during the nine months ended June 30, 2008 000's	As at June 30, 2008 000's
Deferred development costs			
Dornod Uranium Project, Mongolia	$ 4,597	$ 2,978	$ 7,575

Summary of Quarterly Results

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

	Quarter ended June 30, 2008	Quarter ended March 31, 2008	Quarter ended December 31, 2007	Quarter ended September 30, 2007
Revenue	$ 178	$ 236	$ 154	$ 391
Expenses	$ 1,591	$ 1,717	$ 2,695	$ 10,978
Net loss	$ (1,413)	$ (1,481)	$ (1,719)	$ (8,778)
Net loss per share	$ (0.03)	$ (0.03)	$ (0.03)	$ (0.18)

	Quarter ended June 30, 2007	Quarter ended March 31, 2007	Quarter ended December 31, 2006	Quarter ended September 30, 2006
Revenue	$ 385	$ 174	94	71
Expenses	$ 1,129	$ 2,563	$ 1,687	$ 1,510
Net loss	$ (744)	$ (2,389)	$ (1,593)	$ (676)
Net loss per share	$ (0.01)	$ (0.05)	$ (0.04)	$ (0.02)

Over the past eight quarters, variations in the quarterly loss are usually caused by fluctuations in general corporate expense and stock-based compensation expense. General and corporate expense has increased primarily due to increases in legal fees, management remuneration and office and travel expenses. Stock-based compensation expense varies from quarter to quarter depending on the number of stock options granted in the quarter. During the three months ended September 30, 2007, the company recorded a write-off of $9,476,000 for the Big Bend Gold Property. During the three months ended December 31, 2007, the Company received $2,500,000 in cash from the sale of the Big Bend Gold Property and recorded a loss on sale of $822,000 and a related future tax recovery of $822,000.

Liquidity and Capital Resources

As at June 30, 2008, the Company had working capital of $28,548,000 (September 30, 2007 - $36,038,000) which comprised cash of $28,807,000 (September 30, 2007 - $33,859,000), accounts receivable in the amount of $62,000 (September 30, 2007 - $47,000), prepaid expenses and other assets in the amount of $167,000 (September 30, 2007 - $133,000), restricted cash in the amount of $730,000 (September 30, 2007 – nil) and current liabilities of $1,218,000 (September 30, 2007 - $1,323,000). The amount related to the Big Bend Gold Property held for sale of $3,322,000 was part of the working capital as at September 30, 2007. There is no comparable amount as at June 30, 2008 as the asset was sold during the first quarter of the fiscal year.

The Company earns no income from operations and any significant improvement in working capital results from the issuance of share capital. For the nine months ended June 30, 2008, the operating activities of Khan used cash of $3,099,000 (2007 - $1,947,000), the investing activities, which consisted of restricted cash, deferred costs, advances to suppliers, purchase of capital assets and mineral interests assets, less the proceeds from sale assets used cash of $1,877,000 (2007 – $1,984,000), the financing activities provided cash of $154,000 (2007 - $28,344,000) and the foreign exchange loss on cash was $230,000 (2007 – foreign exchange gain on cash - $620,000). 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 corporate and Mongolian operations expenses and development costs and to meet its liabilities for the next year. This expectation is based on the forecasted costs associated with the current exploration and development plans for the Dornod Uranium Project. The subsequent development of the Dornod Uranium Project beyond June 30, 2009 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 the Dornod Uranium Project. The Company is dependent on raising funds by the issuance of shares in order to undertake the development of the Dornod Uranium Project and meet general corporate and Mongolian operations 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 Project to be mined at a profit.

As well, Khan's 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 Project 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.

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

There were no transactions with related parties during the three and nine months ended June 30, 2008. During the three and nine months ended June 30, 2007, the Company incurred legal fees of $nil and $58,000, respectively, provided by a director of the Company. The amount was expensed as legal expense incurred in the ordinary course of business and was measured at the exchange amount, which was the amount of the consideration established and agreed to by the related party. The director did not stand for election at the Annual and Special Meeting of Shareholders held on February 15, 2007.

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 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.

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

Capital assets

Effective April 1, 2008, the Company determined that the estimated useful life of buildings should be reduced from 10 years to 5 years. Buildings are recorded at cost and amortized over their estimated useful lives using the straight-line method. This change in accounting estimate has been applied prospectively to the financial statements and has resulted in an increase in amortization expense of approximately $7 for the three and nine months ended June 30, 2008. The estimated annual impact of this change in accounting estimate is an increase in amortization expense of approximately $28 per year in future periods.

Initial Adoption

Effective October 1, 2007, the Company adopted the new CICA accounting sections: 1535 (Capital Disclosures), 3862 (Financial Instruments – Disclosure), 3863 (Financial Instruments - Presentation). The only impact of adopting these sections are the additional disclosures required in the Company's consolidated financial statements.

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 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 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.

International Financial Reporting Standards

On February 13, 2008, the Canadian Accounting Standards Board confirmed 2011 as the official changeover date for publicly listed Canadian companies to start using International Financial Reporting Standards ("IFRS"). The transition will affect interim and annual financial statements relating to years beginning on or after January 1, 2011. For the Company, the first annual IFRS financial statements would be prepared for the year ended September 30, 2012 and the first interim financial statements under IFRS would be for the three months ended December 31, 2011. These financial statements would also include comparative amounts for the 2011 fiscal year prepared on an IFRS basis. The Company is currently assessing the potential impacts of IFRS and the conversion process that will be required.

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 August 8, 2008:

Securities	Number of Common Shares
Issued and outstanding common shares	54,143,279
Shares issuable upon exercise of Stock Options	4,234,800
Total	58,378,079