Khan Resources Inc.
Management's Discussion and Analysis
For the three and six months ended
March 31, 2009

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This management's discussion and analysis ("MD&A") relates to the three and six months ended March 31, 2009 updated to May 7, 2009 and 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, 2009 and March 31, 2008 and the related notes thereto. The interim 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 7, 2009.

Auditor Involvement

The auditor of Khan has not performed a review of the unaudited interim consolidated financial statements for the three and six months ended March 31, 2009, however, its auditor has reviewed the unaudited interim consolidated financial statements for the three and six months ended March 31, 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 with SEDAR on December 16, 2008.

Cautionary Note Regarding Forward-Looking Information (continued)

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 consists of a mining license and 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 uranium oxide ("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 is taking all the necessary steps to convert this exploration license to a mining license.

Overall Performance

Financial

March 31, 2009

Total assets of the Company at March 31, 2009 were $31,790,000 compared with $36,184,000 at September 30, 2008. The decrease of $4,394,000 resulted from the decreases in current assets of $8,576,000 and advances to suppliers of $52,000 that were offset by the increases in capital assets of $1,659,000 and mineral interests of $2,575,000. The decrease in current assets was primarily due to the cash used in operating and investing activities and the foreign exchange loss on cash. The decrease in advances to suppliers was due to the completion of the Definitive Feasibility Study for the Dornod Uranium Project. Capital assets increased due to the construction of a power line and sedimentation pond at the Dornod Uranium Project. The increase in mineral interests was due to the cost of the Definitive Feasibility Study.

Three months ended March 31, 2009

During the three months ended March 31, 2009, the Company incurred a net loss of $1,431,000 or $0.03 per share compared with $1,481,000 or $0.03 per share in the comparable period of 2008. The decrease of $50,000 was primarily due to the decreases in stock-based compensation expense of $328,000, general corporate expense of $322,000 and Mongolian operations expense of $42,000 that were offset by the increase in foreign exchange loss of $451,000 and the decrease in interest income of $198,000.

During the three months ended March 31, 2009, the Company recorded a comprehensive loss of $28,000 resulting from the reclassification of realized gain on sale of available-for-sale investments to income. There was no comparable amount in 2008.

During the three months ended March 31, 2009, cash and cash equivalents decreased by $9,411,000 compared with $2,446,000 in the comparable period of 2008. The cash used in operating activities in 2009 was $672,000 compared with $1,177,000 in 2008. The net decrease of $505,000 was due to the decreases in general corporate expense of $322,000, Mongolian operations expense of $42,000 and cash required for changes in non-cash working capital balances related to operations of $434,000 that were offset by the increase in realized foreign exchange loss of $95,000 and the decrease in interest income of $198,000. The cash used in investing activities was $8,254,000 compared with $1,214,000 in 2008, an increase of $7,040,000. The proceeds from the sale of investments were $36,000 in 2009 and there was no comparable amount in 2008. The purchase of short-term investments used cash of $7,120,000 and there was no comparable amount in 2008. Restricted cash provided cash of $681,000 in 2009 compared to using cash of $725,000 in 2008. Advances to suppliers provided cash of $239,000 and there was no comparable amount in 2008. The purchase of capital assets in 2009 was $634,000 compared with $20,000 in 2008. The increase of $614,000 was due to the construction of a power line and sedimentation pond which commenced in September 2008. In 2009, cash used for mineral interests was $1,456,000 compared with $469,000 in 2008. The increase of $987,000 is due to the cost of the Definitive Feasibility Study. The cash provided by financing activities was $2,000 in 2009 compared $86,000 in 2008. In 2009, cash provided from the exercise of stock options was offset by the cash used to purchase Khan common shares under the normal course issuer bid; in 2008 cash was provided from the exercise of stock options. In 2009, there was a foreign exchange loss on cash of $487,000 compared with $141,000 in 2008. Cash comprises primarily Canadian and United States dollars. The foreign exchange loss on cash in 2009 was due to the decrease in value of the Canadian dollars in terms of the United States dollar during the year.

Six months ended March 31, 2009

During the six months ended March 31, 2009, the Company incurred a net loss of $4,491,000 or $0.08 per share compared with $3,200,000 or $0.06 per share in the comparable period of 2008. The increase of $1,291,000 was primarily due to the increase in foreign exchange loss of $2,870,000 and the decreases in interest income of $270,000 and future tax recovery of $822,000 that were offset by the decreases in general corporate expense of $1,207,000, stock-based compensation expense of $518,000, Mongolian operations expense of $125,000 and loss on sale of assets of $837,000.

During the six months ended March 31, 2009, the Company did not record any comprehensive income or loss. There was no comparable amount in 2008.

During the six months ended March 31, 2009, cash and cash equivalents decreased by $14,960,000 compared with $1,754,000 in the comparable period of 2008. The cash used in operating activities during the six months ended March 31, 2009 was $1,418,000 compared with $2,454,000 in the comparable period in 2008. The net decrease of $1,036,000 was due to the decreases in general corporate expense of $1,207,000, Mongolian operations expense of $125,000, and cash required for changes in non-cash working capital balances related to operations of $126,000, that were offset by the increase in realized foreign exchange loss of $152,000 and decrease in interest income of $270,000. The cash used in investing activities was $10,694,000 compared with cash provided by investing activities of $653,000 in 2008, an increase of $11,347,000. In 2009, proceeds from the sale of investments were $36,000 and there was no comparable amount in 2008. In 2008, proceeds from the sale of mineral interests were $2,500,000 and there was no comparable amount in 2009. In 2009, the purchase of short-term investments used cash of $7,120,000 and there was no comparable amount in 2008. Restricted cash provided cash of $681,000 in 2009 compared to using cash of $725,000 in 2008. Advances to suppliers provided cash of $52,000 and there was no comparable amount in 2008. The purchase of capital assets in 2009 was $1,745,000 compared with $34,000 in 2008. The increase of $1,711,000 was due to the construction of a power line and sedimentation pond which commenced in September 2008. In 2009, the cash used for mineral interests was $2,577,000 compared with $1,088,000 in 2008. The increase of $1,489,000 is due to the cost of the Definitive Feasibility Study. Cash used by financing activities was $34,000 in 2009 compared with cash provided by financial activities of $154,000 in 2008. In 2009, cash provided from exercise of stock options was offset by the cash used to purchase Khan common shares under the normal course issuer bid; in 2008 cash was provided from the exercise of stock options. In 2009, there was a foreign exchange loss on cash of $2,814,000 compared with $107,000 in 2008. Cash comprises primarily Canadian and United States dollars. The foreign exchange loss on cash in 2009 was due to the decrease in value of the Canadian dollars in terms of the United States dollar during the year.

Operations

Power Line and Sedimentation Pond

In September 2008, Khan announced that it had entered into contracts for the construction of a power line and sedimentation pond for the Dornod Uranium Project. The electric power line will be constructed from the Xin Xin Mine to the Dornod Uranium Property, a distance of about 26 kilometres and an electrical substation will be constructed at the site. The Xin Xin Mine is connected to an electric power line from the Choilbalsan generating plant, approximately 120 kilometres to the south. In conjunction with the contract for the power line, an agreement for the supply of up to 15 MW of electricity has been entered into with the Choilbalsan generating plant. The availability of electrical power from this plant will eliminate the use of diesel powered generators at the site and provide sufficient electricity for the future dewatering and rehabilitation of the underground mine workings. The lined sedimentation pond will be constructed at the site of the Dornod Uranium Project. Water from the future dewatering of the underground mine workings will be pumped to the pond to allow for the settlement and retention of sediments and particulate matter before the water is released into the environment. Both of these contracts are expected to be completed in June 2009.

Mongolian Nuclear Energy Agency

In early October 2008, the Company learned that a special committee within the Mongolian Nuclear Energy Agency ("NEA") had been formed to draft a new nuclear policy including uranium mining and processing. Furthermore, according to the head of the NEA it is likely that the NEA will assume full responsibility for regulating uranium mining and processing. No formal announcements have been made by the Mongolian government about this proposed change although it is likely that the proposal will be presented to parliament in the near future. Khan intends to provide input and submissions on potential uranium policy and regulations and expects that other uranium exploration and development companies operating in Mongolia will do the same.

Normal Course Issuer Bid

On October 21, 2008, Khan announced that the Toronto Stock Exchange ("TSX") has accepted a notice filed by the Company of its intention to make a normal course issuer bid. The Company had 54,143,279 common shares outstanding at that time. The notice provides that under the normal course issuer bid, Khan may purchase up to 4,056,828 common shares, being 10% of the public float**.** In addition, the notice provided that the aggregate number of shares that Khan may purchase during any trading day will not exceed 22,978 shares, being 25% of the average daily trading volume of the shares based on their trading volume on the TSX for the most recently completed six calendar months preceding the date of the notice of intention, subject to the Company's ability to make "block" purchases through the facilities of the TSX in accordance with the TSX rules. Khan Resources had not purchased any of its shares during the past 12 month period. The normal course issuer bid commenced on October 23, 2008 and will terminate on October 22, 2009, or on such earlier date as the Company may complete its purchases under the bid.

Marubeni Corporation

On December 4, 2008, Khan announced that it had signed a Letter of Intent with Marubeni Corporation of Japan relating to uranium exploration and mining in Mongolia. The Energy Division of Marubeni is a multi-national trading company that has been most successful in investing in the oil, gas and uranium sectors, and is interested in working with the Company on the Mongolian Dornod uranium project. Marubeni will work to improve the mining investment climate in Mongolia and Khan will provide Marubeni access to due diligence information on a confidential basis.

Definitive Feasibility Study

On March 11, 2009, Khan announced the results of its Definitive Feasibility Study ("DFS") for its Dornod Uranium Project in north eastern Mongolia. The study, jointly completed by engineering consultants, Aker Metals, a division of Aker Solutions, and resource consultants, Scott Wilson Roscoe Postle Associates Inc. ("Scott Wilson RPA"), has resulted in a study confirming the previous economic robustness of the Dornod Uranium Project.

The study was based on the National Instrument 43-101 ("NI 43-101") compliant indicated mineral resource previously reported for the project, prepared by Scott Wilson RPA, of 25.3 million tonnes at an average grade of 0.116% uranium oxide (U_3O_8) for 64.3 million lbs of U_3O_8 and an inferred mineral resource of 2.2 million tonnes at an average grade of 0.050% U_3O_8 for 2.4 million lbs of U_3O_8.

The 2008 probable mineral reserve, prepared by P&E Mining Consultants Inc., for the No. 2 open pit and No. 7 underground deposits is 18.0 million tonnes at an average grade of 0.133% U_3O_8 for 52.9 million lbs of U_3O_8 out of the 64.3 million lbs of indicated mineral resources. Khan has a 58% interest in the No. 2 deposit and two-thirds of the No. 7 deposit, plus a 100% interest in the remaining one-third of the No. 7 deposit. This ownership gives Khan an overall interest of 69% of the uranium contained in both deposits.

The study assumes a long-term uranium price of US$65 per lb U_3O_8, and a through-put of 3,500 tonnes per day over a 15 year mine life, which will generate an average annual production rate of 3.0 million lbs U_3O_8, at a cost of US$23.22 per lb U_3O_8 or US$58.26 per tonne of ore. The initial capital cost of the project is projected to be approximately US$333 million. The above parameters yield a project internal rate of return ("IRR") after tax of 29.1% and a net present value (NPV) at a 10% discount rate of US$276 million. The after tax NPV at 10% using a uranium price of US$70 per lb U_3O_8 is US$339 million and the IRR after tax increases to 32.5%.

The Dornod project implementation schedule is conservatively estimated to be approximately 36 months from the start of the Detail Engineering to the start of plant production. While this timeline is predicated on the purchase of new equipment, Khan expects to reduce the time-frame significantly by the purchase of used equipment. In addition, the results of the DFS will be further optimized with respect to cost and schedule during Detail Engineering. This step is expected to commence in the fourth quarter of 2009, assuming successful negotiations for an Investment Agreement with the Government of Mongolia.

On April 24, 2009, the complete technical report was posted on the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com.

Western Prospector Group Ltd.

On April 14, 2009, Western Prospector Group Ltd. ("Western") reported that it had received notice from the Mineral Resources Authority of Mongolia ("MRAM") stating that the primary licenses for Western's Gurvanbulag deposit had been suspended for three months, due to violations cited by inspectors from Mongolia's Atomic Energy Agency. The Gurvanbulag deposit is approximately 27 kilometres west of Khan's Dornod Uranium Project. Western has conducted underground exploration and development on its licenses and is therefore subject to additional regulations of the Atomic Energy Agency. Khan has only conducted surface exploration and is not subject to these additional regulations.

Mining and exploration licenses in Mongolia are subject to inspection on an ongoing basis. Khan maintains its mining and exploration licenses in compliance with Mongolian regulations. The last inspection of Khan's exploration and mining licenses was conducted from April 16 to 17, 2009 and Khan has not received the inspector's report.

Investment Agreement

The holder of a mining license that undertakes to invest more that certain threshold amounts over the first five years of a mining project may apply to the Government of Mongolia to enter into an investment agreement ("Investment Agreement") concerning the stability of tax rates, the right to sell products at international prices, a guarantee that the license holder may receive and dispose of income from such sales and provision with respect to the amount and term of the licenses holder's investment. Khan intends to commence negotiation of an Investment Agreement with the Government of Mongolia at the earliest practicable date. In conjunction with the Investment Agreement, Khan has commenced discussions with its joint venture partners in the Main Dornod Property regarding an updated joint venture development agreement. Khan's goal is to negotiate an updated joint venture development agreement after the completion of the Definitive Feasibility Study. 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 Khan's joint venture partners and Government of Mongolia. 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 construct on-site modern milling and processing facilities and bring the Dornod Uranium Project into production.

Market Capitalization

The decline in Khan's market capitalization has resulted from the collapse in world stock markets, the continued political instability in Mongolia, the proposed introduction of new government policies relating to the uranium industry, which have yet to be formulated, and the volatility in the uranium spot price. The failure of the Great Hural (Mongolian parliament) to ratify the Investment Agreement of Rio Tinto and Ivanhoe for their copper/gold Oyu Tolgoi project, which was approved by the National Council and Cabinet in July 2007, has been a major disappointment. It is still not known when this Investment Agreement will be ratified. The volatility in the uranium spot price in 2008 and 2009 has also been a factor in the fall of Khan's market capitalization as well as that of many other uranium exploration and mining companies. This is especially true in the case of the decline in the spot price which occurred throughout most of 2008 when it dropped from its high of $90 per lb U_3O_8 in early January 2008, to $44 per lb U_3O_8 in mid October 2008. However, the modest recovery of the spot price to $55 per lb U_3O_8 in November 2008 did not appear to have any significant positive effect on Khan's market capitalization or that of many other uranium exploration and mining companies. In April 2009, the spot price dropped to $40 per lb U_3O_8, the lowest price in the last three years. The spot price increased in May 2009 to $**46** per lb U_3O_8.

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, 2009 and March 31, 2008. 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 March 31, 2009

Revenue

Total revenue decreased by $198,000 during the three months ended March 31, 2009 from the comparable period in 2008 due to the decrease in interest income resulting from lower interest earning deposits and lower interest rates.

Expenses

Total expenses decreased by $248,000 during the three months ended March 31, 2009 from the comparable period in 2008 due to the decreases in stock-based compensation of $328,000, general corporate expenses of $322,000, Mongolian operations expenses of $42,000 and the gain on sales of assets of $15,000 that were offset by the increases in foreign exchange loss of $451,000 and amortization expense of $8,000.

General corporate expense decreased in 2009 compared with 2008. The following table illustrates the major items included in general corporate expense:

	Three months ended March 31, 2009 000's	Three months ended March 31, 2008 000's
Accounting and audit	$ 42	$ 20
Investor relations	85	126
Insurance	25	10
Legal	69	85
Management remuneration	169	381
Office and travel	166	256
	$ 556	$ 878

The major factor responsible for the overall decrease was the change in exchange rates between the Canadian dollar and the United States dollar as the majority of this expense is incurred in Canadian dollars. The Canadian dollar averaged $0.8030 in terms of the United States dollar during the three months ended March 31, 2009 and averaged $0.9959 in terms of the United States dollar during the three months ended March 31, 2008, a decrease of 19%.

The other factors responsible for the changes in general corporate expense were as follows:

- The investor relations expense decreased due to a lower level of activity.
- The insurance expense increased due to additional liability and property coverage.
- Legal fees decreased due to a decrease in corporate development and litigation activities.
- Management remuneration decreased due to fewer staff
- Office and travel expenses decreased due to decrease in the corporate development activity and fewer trips to Mongolia.

Mongolian operations expense decreased in 2009 compared with 2008. The major factor responsible for the decrease was the change in exchange rates between the Mongolian Togrog and the United States dollar as the majority of this expense is incurred in Mongolian Togrogs. The average exchange rate of the United States dollar to the Mongolian Togrog United States dollar during the three months ended March 31, 2009 was 1,444.68 and during the three months ended March 31, 2008 was 1,171.52, an increase of 23%.

Amortization expense increased in 2009 compared with 2008 due to the increase in capital assets.

Stock-based compensation expense decreased as the significant portion of options granted in prior years were fully vested by September 30, 2008; thus a lower expense for the vesting of options was recorded in the three months ended March 31, 2009 than in the comparable period in 2008.

The change in foreign exchange 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 2009, at the beginning of the fiscal period, the Canadian dollar was $0.8210 in terms of the United States dollar compared with $0.7928 at the end of the fiscal period. In 2008, at the beginning of the fiscal period, the Canadian dollar was $1.0088 in terms of the United States dollar compared with $0.9742 at the end of the fiscal period. The average Canadian cash, cash equivalents and short-term deposits on hand was 84% of total cash, cash equivalents and short-term deposits during 2009 compared with 11% during 2008.

Mineral interests

During the three months ended March 31, 2009, the costs of the Definitive Feasibility Study and the Environmental Impact Assessment for the Dornod Uranium Project were deferred. The following table sets out the change in deferred development costs:

	As at December 31, 2008 000's	Costs incurred during the three months ended March 31, 2009 000's	As at March 31, 2009 000's
Deferred development costs			
Dornod Uranium Project, Mongolia	$ 9,369	$ 1,366	$ 10,735

Six months ended March 31, 2009

Revenue

Total revenue decreased by $270,000 during the six months ended March 31, 2009 from the comparable period in 2008 due to the decrease in interest income resulting from lower interest earning deposits and lower interest rates.

Expenses

Total expenses increased by $199,000 during the six months ended March 31, 2009 from the comparable period in 2008 due to the increases in foreign exchange loss of $2,870,000 and amortization expense of $16,000 that were offset by the decreases in general corporate expenses of $1,207,000, stock-based compensation of $518,000, Mongolian operations expenses of $125,000 and the loss on sale of assets of $837,000.

General corporate expense decreased in 2009 compared with 2008. The following table illustrates the major items included in general corporate expense:

	Six months ended March 31, 2009 000's	Six months ended March 31, 2008 000's
Accounting and audit	$ 60	$ 41
Investor relations	125	250
Insurance	52	21
Legal	110	568
Management remuneration	313	721
Office and travel	305	571
	$ 965	$ 2,172

The major factor responsible for the overall decrease was the change in exchange rates between the Canadian dollar and the United States dollar as the majority of this expense is incurred in Canadian dollars. The Canadian dollar averaged $0.8137 in terms of the United States dollar during the six months ended March 31, 2009 and averaged $1.0069 in terms of the United States dollar during the six months ended March 31, 2008, a decrease of 19%.

The other factors responsible for the changes in general corporate expense were as follows:

- The investor relations expense decreased due to a lower level of activity.

- The insurance expense increased due to additional liability and property coverage.

- Legal fees decreased due to a decrease in corporate development and litigation activities.

- Management remuneration decreased due to fewer staff and elimination of bonuses

- Office and travel expenses decreased due to decrease in the corporate development activity and fewer trips to Mongolia.

Mongolian operations expense decreased in 2009 compared with 2008. The major factor responsible for the decrease was the change in exchange rates between the Mongolian Togrog and the United States dollar as the majority of this expense is incurred in Mongolian Togrogs. The average exchange rate of the United States dollar to the Mongolian Togrog United States dollar during the six months ended March 31, 2009 was 1,310.46 and during the six months ended March 31, 2008 was 1,173.09, an increase of 12%.

Amortization expense increased in 2009 compared with 2008 due to the increase in capital assets.

Stock-based compensation expense decreased as the significant portion of options granted in prior years were fully vested by September 30, 2008; thus a lower expense for the vesting of options was recorded in the six months ended March 31, 2009 than the comparable period in 2008. The decrease due to the lower vesting expenses was offset by the 1,435,000 options granted in the six months ended March 31, 2009.

The change in foreign exchange 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 2009, at the beginning of the fiscal period, the Canadian dollar was $0.9397 in terms of the United States dollar compared with $0.7928 at the end of the fiscal period. In 2008, at the beginning of the fiscal period, the Canadian dollar was $1.0052 in terms of the United States dollar compared with $0.9742 at the end of the fiscal period. The average Canadian cash, cash equivalents and short-term deposits on hand was 81% of total cash, cash equivalents and short-term deposits during 2009 compared with 13% during 2008.

The sale of assets for the six months ended March 31, 2008 resulted from 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 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. There was no comparable transaction in 2009.

Mineral interests

During the six months ended March 31, 2009, the costs of the Definitive Feasibility Study and the Environmental Impact Assessment for the Dornod Uranium Project were deferred. The following table sets out the change in deferred development costs:

	As at September 30, 2008 000's	Costs incurred during the six months ended March 31, 2009 000's	As at March 31, 2009 000's
Deferred development costs			
Dornod Uranium Project, Mongolia	$ 8,160	$ 2,575	$ 10,735

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 March 31, 2009	Quarter ended December 31, 2008	Quarter ended September 30, 2008	Quarter ended June 30, 2008
Revenue	$ 38	$ 82	$ 154	$ 178
Expenses	$ 1,469	$ 3,142	$ 3,464	$ 1,591
Net loss	$ (1,431)	$ (3,060)	$ (3,310)	$ (1,413)
Net loss per share	$ (0.03)	$ (0.06)	$ (0.06)	$ (0.03)

	Quarter ended March 31, 2008	Quarter ended December 31, 2007	Quarter ended September 30, 2007	Quarter ended June 30, 2007
Revenue	$ 236	$ 154	$ 391	$ 385
Expenses	$ 1,717	$ 2,695	$ 10,978	$ 1,129
Net loss	$ (1,481)	$ (1,719)	$ (8,778)	$ (744)
Net loss per share	$ (0.03)	$ (0.03)	$ (0.18)	$ (0.01)

Over the past eight quarters, variations in the quarterly loss are usually caused by fluctuations in general corporate expense, stock-based compensation expense, foreign exchange gain or loss and other expense items. General corporate expense changes depending on the level of corporate, investor relations and legal activities. Stock-based compensation expense varies from quarter to quarter depending on the number of stock options granted and or vested in the quarter. Foreign exchange changes 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. During the quarter ended September 30, 2007, the Company recorded a write-off of $9,476,000 for the Big Bend Gold Property. During the quarter 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. In the quarter ended September 30, 2008, the Company incurred expenses of $1,593,000 related to the offer of purchase for all the issued and outstanding common shares of Western Prospector.

Liquidity and Capital Resources

As at March 31, 2009, the Company had working capital of $16,592,000 (September 30, 2008 - $24,922,000) which comprised cash of $9,640,000 (September 30, 2008 - $24,600,000), short-term investments of $7,120,000 (September 30, 2008 - nil), accounts receivable of $78,000 (September 30, 2008 - $79,000), prepaid expenses and other assets of $82,000 (September 30, 2008 - $126,000), restricted cash of $41,000 (September 30, 2008 – $732,000) and current liabilities of $369,000 (September 30, 2008 - $615,000).

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, 2009, the operating activities of Khan used cash of $1,418,000 (2008 - $2,454,000), the investing activities, which consisted of proceeds from sale of assets, purchase of short-term investments, purchase of investments, restricted cash, advances to suppliers, purchase of capital assets and mineral interests, used cash of $10,694,000 (2008 – provided cash of $653,000), the financing activities used cash of $34,000 (2008 – provided cash of $154,000) and the foreign exchange loss on cash was $2,814,000 (2008 – $107,000). The Company's primary financing activity in the last two years was on March 1, 2007, when 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.

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 at least 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 "Project"). The subsequent development of the Project beyond March 31, 2010 will depend on the Company's ability to obtain additional financing. The Company has issued common shares, warrants and agents' options from time to time to advance the Project through various stages of development; however, debt may be required to bring the Project into production. 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.

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, 2008. 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

Initial Adoption

Effective October 1, 2008, the Company adopted the new CICA accounting section: 3064 (Goodwill and Intangible Assets). Section 3064 provides guidance on the recognition of intangible assets in accordance with the definition of an asset and the criteria for asset recognition, clarifying the application of the concept of matching revenues and expenses, whether these assets are separately acquired or are developed internally. The adoption of this section did not have any impact on the Company's interim consolidated financial statements.

Financial Instruments and Other Instruments

The carrying amounts of cash, short-term investments, accounts receivable, restricted cash, 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 May 7, 2009:

Securities	Number of Common Shares
Issued and outstanding common shares	53,964,000
Shares issuable upon exercise of stock options	5,125,000
Total	59,089,000