Khan Resources Inc.

Management Discussion and Analysis

December 31, 2013

KHAN RESOURCES INC.

RESULTS FOR THE THREE MONTHS ENDED DECEMBER 31, 2013

This Management Discussion and Analysis ("MD&A") has been approved in accordance with a resolution of the Board of Directors dated February 20, 2014. It should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company as at December 31, 2013.

Highlights

- *International arbitration action against the Government of Mongolia* - the hearing by the International Arbitration Tribunal on merits and quantum was held and completed between November 11 and November 15, 2013. Arguments were heard by the Tribunal from Khan and from the Government of Mongolia on the merits of the case and the damages incurred by Khan due to the illegal expropriation in 2009 of the mining and exploration licenses for the Dornod uranium project in northeastern Mongolia. At the completion of the hearing, the Tribunal asked for the submission of two post-hearing briefs before rendering their decision. The first post-hearing brief was submitted on February 5, 2014 and the second will be submitted on April 11, 2014. After receipt of the final brief, it is expected that the Tribunal will then formulate and render their decision. The amount of damages sought by Khan currently exceeds $326 million.
- *Investments* - Khan holds 15.5 million common shares of Macusani Yellowcake Inc. ("Macusani") which represents 9.7% of the 159.5 million Macusani outstanding common shares. The value of the Company's investment in Macusani as at December 31, 2013 was $1,319,000, an increase of $155,000 from its value at September 30, 2013.
- *Corporate matters* – The Mongolian subsidiaries were closed on September 30, 2013 and all Mongolian tangible assets were retired. On October 17, 2013 and December 4, 2013, the Company sold the remaining assets at or associated with the Dornod site. These sales were completed for gross proceeds of $47,000. The windup of these entities is expected to be completed in the second quarter.
- The following table summarizes financial results of the Company for the three months ended December 31, 2013 and 2012.

In thousands of dollars

	2013	**2012**	**Change %**
Net loss from continuing operations			
Three months ended December 31	**(1,086)**	(1,161)	6.5%
Net income (loss) from discontinued operations			
Three months ended December 31	**30**	(42)	171.4%
Basic and diluted earnings per share ($)			
Three months ended December 31	**(0.01)**	(0.02)	15.4%
Cash flow			
Three months ended December 31	**(728)**	(659)	-10.5%
Cash and cash equivalents			
As at December 31	**1,503**	4,021	-62.6%

Overall Performance

International Arbitration

The international arbitration action, initiated in January 2011, against the Government of Mongolia, and its state-owned uranium company, MonAtom LLC, for the Government of Mongolia's failure to reissue the Company's mining and exploration licenses for the Dornod uranium project in northeastern Mongolia is nearing an award. The damages sought by Khan now exceed US$326 million. The merits and damages phase of the arbitration commenced in August 2012 following the ruling by the Tribunal hearing the action that they had jurisdiction over the action and had dismissed all of Mongolia's objections to the continuance of the suit.

Khan (the "Claimants" in this action) filed its initial submission on the merits and damages of the case in December, 2012. Included in the submission was documentation of an increase in Khan's claim for damages from US$200 million to US$326 million including interest to that point in time. The amount claimed now exceeds US$326 million as interest continues to accrue on any damages awarded. The Respondents filed their Statement of Defense and Counterclaim to the Company's submission in April, 2013. These Statements were followed by a Company rejoinder submitted on June 28, 2013, and a Respondent's rejoinder submitted on October 4, 2013. The formal hearing by the Tribunal on the merits and damages for the case was completed as scheduled from November 11 through November 15, 2013. At the completion of the hearing, the Tribunal asked for the submission of two post-hearing briefs before rendering their decision. The first post-hearing brief was submitted on February 5, 2014 and the second will be submitted on April 11, 2014. After receipt of the final brief, it is expected that the Tribunal will then formulate and render their decision.

The Company continues to believe it has a very strong case against the Government of Mongolia for their illegal expropriation of the Dornod asset without appropriate compensation.

Closure of Mongolian subsidiaries

The Mongolian subsidiaries were closed on September 30, 2013. The Company is currently in the process of closing its Ulan Bataar office and winding up the Company's 100% owned Mongolian subsidiary.

In conjunction with the plan, the Company recognized in the September 30, 2013, financial statements a provision of $38,000 for restructuring costs consisting of employee termination benefits along with estimated accounting and legal costs for closure. During the quarter ending December 31, 2013, $14,000 was incurred and charged against the provision. Results of Mongolian operations are reported as discontinued operations on the face of the Company's condensed consolidated statement of comprehensive loss for the three months ended December 31, 2013 with reclassified comparative results for the three months ended December 31, 2012.

The decision to close and decommission the Dornod camp was previously made in June, 2012. The camp has now been demolished and removed. The remaining estimated provision for site reclamation and restoration as at September 30, 2013 was $22,000 mainly for the items related to the transportation of the remaining assets from the Dornod site. During the three months ended December 31, 2013, the Company finalized sales and removal of remaining assets from the Dornod site. The Company believes that no additional restoration work is required at the Dornod site; as such, the Company revised its estimate of the provision to zero recognizing the change in estimate of $22,000 under discontinued operations on the face of the Company's consolidated statement of comprehensive loss for the three months ended December 31, 2013.

Selected Quarterly Information

In thousands of dollars

	Dec. 31 2013	Dec. 31 2012
Revenue	4	11
Net loss	(1,056)	(1,203)
Total assets	2,950	6,393
Total non-current liabilities	-	-
Basic and diluted earnings per share ($)	(0.01)	(0.02)

The reduction in total assets as at December 31, 2013 is due primarily to the reduction in cash balances, which were $2,518,000 lower than as at December 31, 2012.

Results of Operations

Revenue

In thousands of dollars

	Notes	Three months 2013	Three months 2012
Revenue			
Other income		**-**	-
Finance income		**4**	11
Total revenue		**4**	11

Finance income declined by $7,000 in the quarter ended December 31, 2013 compared to prior year as a result of lower cash balances on hand.

Legal Expenses

Legal expenses of $863,000 during the quarter were primarily related to the international arbitration (2012 - $880,000).

At December 31, 2013, a contingent liability amounting to $3,445 (September 30, 2013 - $3,337) existed in respect of a completion fee arranged with legal counsel handling the international arbitration. This fee is based on the actual cost of the legal work completed and is conditional upon the recovery (in whole or significant part) by the Company of a settlement or award of the international arbitration case. As a present obligation does not exist due to the conditional nature of the fee, the amount is uncertain and cannot be measured reliably. Therefore management has recognized no provision in the December 31, 2013 unaudited interim condensed consolidated financial statements as at the date of their approval.

General Corporate Expenses

In thousands of dollars

	Three months 2013	Three months 2012
Accounting and audit	**9**	17
Investor relations	**-**	-
Insurance	**16**	17
Management remuneration	**141**	147
Office and travel	**62**	75
Total general corporate expenses	**228**	256

Expenses have been reduced through reduced operating activity.

The Mongolian subsidiaries were not previously classified as discontinued operations. The comparative consolidated statement of comprehensive loss has been reclassified to show the discontinued operations separately from continuing operations.

Amortization

There was no amortization expense for the quarter ended December 31, 2013 (2012 - $14,000) because all the Company's remaining tangible assets were fully amortized or impaired.

Share-based compensation

The share-based compensation expense for the three months ended December 31, 2013 was $14,000 less than in the comparable period of 2012. This is due to the vesting of fewer options at a lower average value.

Discontinued operations

Operating expenses in Mongolia during the first quarter of 2014 were equal to the comparable quarter in the prior year.

During three months ended December 31, 2013, the Company sold the remaining assets at or associated with the Dornod site that had been closed since June 2012. These sales were completed for gross proceeds of $47,000 which resulted in an impairment reversal.

In addition, due to the sale and removal of remaining assets from the Dornod site, the Company revised its estimate for the restoration of the Dornod site to zero recognizing the change in estimate of $22,000.

The impairment reversal of $47,000 and the change in estimate of the restoration provision of $22,000 resulted in net income from discontinued operations of $30,000 for the quarter ended December 31, 2013 (2012 – net loss $42,000).

Income Tax

For the three months ending December 31, 2013, the Company recognized a current tax provision of $2,000 (2012 - $3,000) that relates to the Government of Mongolia's withholding tax on intercompany interest expense.

The Company also recognized a deferred tax benefit of $21,000 (2012 - $10,000) on the income statement for the purpose of offsetting the deferred tax expense in the same amount recognized in other comprehensive income (OCI). The deferred tax benefit is recognized on the income statement rather than in OCI because it originated in operations. The net result of these two amounts is zero leaving only the current tax provision of $2,000 (2012 - $3,000).

Summary of Quarterly Results

In thousands of dollars

	Dec. 31 2013	Sep. 30 2013	Jun 30 2013	Mar 31 2013	Dec 31 2012	Sep 30 2012	Jun 30 2012	Mar 31 2012	Dec 31 2011
Revenue	4	3	4	7	11	19	32	19	24
Expenses	(1,060)	(1,968)	(1,151)	(971)	(1,214)	(2,563)	(16,920)	(1,278)	(956)
Net loss	(1,056)	(1,965)	(1,147)	(964)	(1,203)	(2,544)	(16,888)	(1,259)	(932)
Basic and diluted earnings per share ($)	(0.01)	(0.03)	(0.02)	(0.01)	(0.02)	(0.04)	(0.26)	(0.02)	(0.02)

Cash Flows

Operating cash flow for the first quarter of fiscal 2014 was negative at $776,000, an increase of $125,000 from the comparable period last year. This was primarily attributable to reduction in non-cash working capital from $521,000 as at December 31, 2012 to $353,000 as at December 31, 2013 offset by decreases in legal and general corporate expense.

Investing cash flow in the first quarter of fiscal 2014was a positive $46,000 and is primarilyrelated to the sale of assets at the Dornod site. In the first quarter of fiscal 2013, the Company spent $11,000 on the restoration of the Dornod site.

During the three months ended December 31, 2013, the exercise of stock options provided cash of $4,000. There were no financial cash flows during the three months ended December 31, 2012.

Liquidity and Capital Resources

With cash of $1,503,000 on hand as of December 31, 2013, the Company believes that it has sufficient liquidity to cover its obligations, including the cost of the International arbitration over the next year.

The Company has positive working capital and 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.

Additionally the Company holds an investment in Macusani with a fair market value of $1,319,000 as at December 31, 2013. This investment has been classified as available-for-sale.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Transactions with Related Parties

An officer of the Company is a partner in a firm that provides legal services to the Company. The Company paid an aggregate of $7,000 for the three months ended December 31, 2013 (2012 - $20,000). At December 31, 2013, the balance outstanding was nil (2012 - $17,000) and was included in accounts payable and accrued liabilities.

Financial Instruments and Financial Risks

The Company's primary financial instruments consist of cash and cash equivalents and its current and non-current financial assets, including its investment in Macusani Yellowcake Inc. The Company no longer has any financial risk associated with its Mongolian subsidiaries due to their closure on September 30, 2013.

Bank accounts are held with major banks in Canada and the Netherlands through one of the Company's subsidiary holding companies. As a Canadian bank holds the majority of the Company's cash and the same Canadian bank also holds the guaranteed investment certificate, there is a concentration of credit risk with one bank in Canada. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. Interest rate risk is minimal at this time.

The Company is exposed to equity price risk through its holdings of marketable equity securities that will fluctuate in value as a result of trading on Canadian financial markets. As the Company's investments are mainly in mining companies, the value will also fluctuate based on commodity prices.

Proposed Transactions

The Company does not have any proposed asset or business acquisitions or dispositions that are awaiting the approval of the Board of Directors at the date of this MD&A.

Critical Accounting Estimates

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

In particular, information about significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements is described below.

Estimates

i. Impairment of assets

At each reporting date, the Company assesses whether there is objective evidence that an asset is impaired. Where an indicator of impairment exists, an estimate of the recoverable amount is made in accordance with IFRS standards. ~~.~~ IFRS standards require a reversal of an impairment loss where there has been a change in estimates used to determine the recoverable amount. These assessments require the use of estimates and assumptions to project the future cash inflows related to an individual asset or a Cash Generating Unit.

ii. Restoration provision

The provision at the balance sheet date represents management's best estimate of the cost of removal of residual materials and remediation of disturbed areas. The cost estimates are updated at regular intervals to reflect known developments. Reclamation and closure costs are estimated based on the Company's interpretation of current regulatory requirements and constructive obligations and are measured at fair value.

iii. Restructuring provision

The provision at the balance sheet date represents management's best estimate of the cost of winding up the Mongolian operation. The provision mainly comprises employee termination benefits that are based on a plan agreed between management and the employees involved and are measured at fair value.

iv. Recovery of deferred tax assets

Judgment is required in determining whether deferred tax assets are recognized on the balance sheet. Deferred tax assets, including those arising from un-utilized tax losses require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

v. Fair value of financial assets and liabilities

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, their fair value is determined using valuation techniques including discounted cash flow models. The Company's current financial assets and financial liabilities are derived from active markets so there is no need to use valuation techniques.

Judgments

i. ***Going concern assumption***

The going concern assumption is a fundamental principle in the preparation of financial statements. Under the going concern assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations. Accordingly, unless the going concern assumption is inappropriate in the circumstances of the entity, assets and liabilities are recorded on the basis that the entity will be able to realize its assets, discharge its liabilities, and obtain refinancing (if necessary) in the normal course of business. The assessment of an entity's ability to continue as a going concern is the responsibility of the entity's management.

The consolidated financial statements have been prepared on a going concern basis however, the Company has disclosed in the consolidated financial statements, the existence of a material uncertainty with respect to the going concern assumption. While management of the Company believes in the merits of its case and expects a significant award will be rendered to the Company, in the event that no international arbitration award is rendered to the Company and costs are awarded to the counterparty, this material uncertainty may cast significant doubt as to the Company's ability to continue as a going concern given its financial position as at December 31, 2013.

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.

Outstanding Common Shares

The number of outstanding common shares as at the date of this MD&A is 75,816,482.

Additional Information

Additional information is available by accessing SEDAR at www.sedar.com or the Company's website at www.khanresources.com.

Forward-Looking Statements

Certain statements included or incorporated by reference in this MD&A, including information as to the future financial or operating performance of the Company, its subsidiaries and its projects, constitute forward-looking statements. The words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intends", "continue", "budget", "estimate", "may", "schedule" and similar expressions identify forward-looking statements. Forward-looking statements include, among other things, statements regarding targets, estimates and assumptions in respect of commodity prices, operating costs, results and capital expenditures, mineral reserves and mineral resources and anticipated grades and recovery rates. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Company. Such factors include, among others, risks relating to additional funding requirements, political and foreign risk, uninsurable risks, competition, environmental regulation and liability, government regulation, currency fluctuations, recent losses and write-downs and dependence on key employees. See "Risk Factors" section of this MD&A. Due to risks and uncertainties, including the risks and uncertainties identified above, actual events may differ materially from current expectations. Investors are cautioned that forward-looking statements are not guarantees of future performance and, accordingly, investors are cautioned not to put undue reliance on forward-looking statements due to the inherent uncertainty therein. Forward-looking statements are made as of the date of this MD&A and the Company disclaims any intent or obligation to update publicly such forward-looking statements, whether as a result of new information, future events or results or otherwise.