Khan Resources Inc.

Management Discussion and Analysis

September 30, 2014

KHAN RESOURCES INC.

RESULTS FOR THE THREE MONTHS AND YEAR ENDED SEPTEMBER 30, 2014

This Management Discussion and Analysis (“MD&A”) has been approved in accordance with a resolution of the Board of Directors dated December 11, 2014. It should be read in conjunction with the audited consolidated financial statements of the Company for the year ended September 30, 2014.

Highlights

International arbitration action against the Government of Mongolia – All submissions and hearings have now been completed in respect of the international arbitration action against the Government of Mongolia for the illegal expropriation in 2009 of the Company’s mining and exploration licenses for the Dornod uranium project in northeastern Mongolia. The hearing on merits and quantum was completed between November 11 and November 15, 2013 and two post-hearing briefs were subsequently submitted; the first on February 5, 2014 followed by a final brief on April 11, 2014. The Tribunal is now in the process of formulating their decision that is expected in the next few months. The amount of damages sought by Khan currently exceeds $350 million.

Cash – Substantial cash outflows for legal expenses related to the international arbitration came to an end by March 31, 2014. Management is now conserving its cash resources pending the judgment of the Tribunal. The Company’s rate of cash expenditures has declined significantly since April 1, 2014.

Investments – At September 30, 2014, the Company held 14.4 million common shares of Macusani Yellowcake Inc. (“Macusani”) with a fair value of $939,000 (2013- $1,164,000). During the year, the Company sold 1,081,000 shares (2013 – nil) for gross proceeds of $114,000. The Company’s holdings represent 5.5% of the 259.7 million Macusani outstanding common shares.

Corporate matters – The Mongolian subsidiaries were closed on September 30, 2013 and all Mongolian tangible assets were retired. The office in Ulaanbaatar was closed on June 30, 2014.

The following table summarizes financial results of the Company for the fourth quarters and the years ended September 30, 2014 and 2013.

In thousands of dollars

	2014	2013	**Change %**
Net loss from continuing operations			
Three months ended September 30	**(160)**	(1,884)	91.5%
Twelve months ended September 30	**(2,400)**	(5,060)	52.6%
Net loss from discontinued operations			
Three months ended September 30	**(17)**	(121)	86.0%
Twelve months ended September 30	**(29)**	(219)	86.8%
Basic and diluted earnings per share ($)			
Three months ended September 30	**(0.00)**	(0.03)	92.2%
Twelve months ended September 30	**(0.03)**	(0.08)	59.9%
Cash flow			
Twelve months ended September 30	**(1,879)**	(2,449)	23.3%
Cash and cash equivalents			
As at September 30	**352**	2,231	-84.2%
Working Capital			
As at September 30	**1,242**	3,060	-59.4%

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$350 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$350 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 and final post-hearing brief was submitted on April 11. The Tribunal is now in the process of formulating their decision which is expected to be rendered in the next few months.

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 winding up the Company's 100% owned Mongolian subsidiary. The Company no longer has any employees in Mongolia. The office in Ulaanbaatar was closed on June 30, 2014.

In conjunction with the closure 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 year ended September 30, 2014, $29,000 was incurred and charged against the provision. The results of Mongolian operations are reported as discontinued operations on the face of the Company's audited consolidated statement of loss for the year ended September 30, 2014 with comparative results for the year ended September 30, 2013.

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 year ended September 30, 2014, 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 audited consolidated statement of loss for the year ended September 30, 2014.

As part of the corporate dissolution procedures in Mongolia, the Company is seeking the Mongolian equivalent of a final tax clearance certificate. The Government of Mongolia has informed the Company that it is considering a claim for Value Added Tax ("Mongolian VAT") that the Mongolian Government asserts should have been self-assessed on feasibility study work done and paid in Canada on behalf of the Mongolian subsidiary and on which the subsidiary recognized an inter-company liability. No cash was ever paid to the parent and the inter-company liability was subsequently converted to equity. The estimated Value Added Tax is approximately $300,000. Management believes the company is not liable for additional VAT. Management has therefore determined that it is only possible, but not probable, that this claim has merit. Accordingly, no provision for any liability has been made in the consolidated financial statements.

Selected Annual Information

In thousands of dollars

	Sep. 30 2014	Sep. 30 2013	Sep. 30 2012
Revenue	7	26	97
Net loss	(2,429)	(5,279)	(21,623)
Total assets	1,406	3,518	7,001
Total non-current liabilities	-	-	-
Basic and diluted earnings per share (in Canadian dollars)	(0.03)	(0.08)	(0.36)

During the year ended September 30, 2012, the Company recognized non-cash impairment losses of $16.1 million related to the Dornod Project and $1.9 million on its investment in shares of Macusani. In 2013, the Company recorded an additional impairment loss of $1.2 million on its Macusani investment. Also, the Company incurred significant legal expenses related to International Arbitration in 2013 and 2014. These events resulted in an increase in net loss and a reduction in total assets over the last three years.

Results of Operations

Revenue

In thousands of dollars

	Three months		Twelve months	
Notes	**2014**	2013	**2014**	2013
Revenue				
Finance income from continued operations	**-**	3	**7**	25
Finance income from discontinued operations	**-**	-	**-**	1
Total revenue	**-**	3	**7**	26

Finance income declined by $3,000 in the quarter and $19,000 year-to-date as a result of lower cash balances on hand compared to the prior year.

Legal Expenses

During the fourth quarter of 2014, the legal costs incurred by the Company were $9,000 for corporate secretarial services. During the fourth quarter of 2013, legal expenses, primarily related to the international arbitration proceedings were $426,000. Annually, legal expenses, primarily related to the international arbitration were $997,000 (2013 - $2,739,000). The quarterly and year-to-date expenses in 2013 were higher than the current year due to greater arbitration activity.

At September 30, 2014, a contingent liability amounting to $3,628,000 existed in respect of a completion fee arranged with legal counsel handling the international arbitration. The 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 not recognized a provision in the consolidated financial statements as at the date of their approval.

General Corporate Expenses

September 2014
In thousands of dollars

	Three months		Twelve months	
	2014	2013	**2014**	2013
Accounting and audit	**2**	1	**47**	53
Investor relations	**-**	-	**21**	34
Insurance	**12**	19	**60**	70
Salaries	**112**	116	**512**	495
Office and travel	**32**	54	**246**	258
Total general corporate expenses	**158**	190	**886**	910

Expenses have been reduced through staff reductions and reduced operating activity.

Amortization

There was no amortization expense for the fourth quarter (2013 –nil) and the year ended September 30, 2014 (2013 - $5,000) because all the Company's remaining tangible assets were fully amortized or impaired.

Share-based compensation

On March 28, 2014, the Company granted 2,150,000 options to its directors and employees with an exercise price of $0.335 which was the price for Khan common shares on that day. Compared to the prior year, the share-based compensation expense was higher by $345,000. Options granted on March 28, 2014 vested immediately, resulting in a one-time expense.

Available-for-sale investments (Macusani)

During 2014, no impairment loss was recognized on the consolidated statement of loss (2013 - $1,242,000). 1,081,000 shares were sold during the year for gross proceeds of $114,000. This resulted in a gain on sale of $32,000 (2013 – nil) and a recycled gain from accumulated comprehensive income of $17,000 (2013 – nil), being recognized on the consolidated statement of loss.

On the consolidated statement of comprehensive loss, a net decrease for the year in the fair value of the Macusani shares before income tax was recognized in the amount of $161,000 (2013 – increase of $233,000).

Discontinued operations

Discontinued operations comprise the Mongolian subsidiaries that were closed on September 30, 2013. The loss from discontinued operations was $29,000 (2013 - $219,000). Certain expenses incurred in 2013 did not repeat in 2014. These were the provision for restructuring costs of $38,000 and the realized foreign exchange losses of $44,000 arising from the closure. During 2014, the Company sold the remaining Mongolian assets for a gain of $47,000 and reversed the over estimated restoration provision for an additional gain of $22,000. Other operating expenses were $39,000 less than the prior year as salaried employees left the business. Future losses from these discontinued operations until such time as the Mongolian subsidiaries are fully wound up are expected to be minimal.

Income Tax

The current income tax provision is nil (2013 – $1,000) for the three months and $2,000 (2013 - $8,000) for the year ended September 30, 2014. The provision consists of the Government of Mongolia's withholding tax on intercompany interest expense. On December 31, 2013, the related intercompany loan was converted to equity as part of the wind up process. Accordingly, no interest expense or withholding tax was accrued or paid after December 31, 2013.

The Company also recognized a reversal of deferred income tax expense of $10,000 (2013 - $41,000) for the three months and reversal of deferred tax benefit of $21,000 (2013 – reversal of deferred income tax expense of $31,000) for the year ended September 30, 2013 on the consolidated statement of loss for the purpose of offsetting the reversal of deferred taxes in the same amount recognized in the consolidated statement of comprehensive loss. The reversal of deferred taxes is recognized on the consolidated statement of loss because it originated in operations. The net result of these two amounts is zero.

At September 30, 2014, the Company had Canadian non-capital losses of approximately $29,155,000 (2013 - $27,826,000) available for deduction against future taxable income. If unutilized, non-capital losses will expire from 2015 to 2034 whereas capital losses can be carried forward indefinitely. Tax losses in the Netherlands of approximately $420,000 (2013 - $347,000) are available for deduction against future taxable income and these losses, if unutilized, will expire from 2018 to 2023. None of the tax losses have been tax-benefited.

Due to the closure of the two Mongolian subsidiaries on September 30, 2013, tax losses of $190,000 reported in the prior year, will not be utilized for deduction against future taxable income and will expire in 2015.

Summary of Quarterly Results

In thousands of dollars

	Sep 30 2014	Jun 30 2014	Mar. 31 2014	Dec. 31 2013	Sep. 30 2013	Jun 30 2013	Mar 31 2013	Dec 31 2012	Sep 30 2012
Revenue	-	1	2	4	3	4	7	11	19
Expenses	(177)	(417)	(797)	(1,060)	(1,968)	(1,151)	(971)	(1,214)	(2,563)
Net loss	(177)	(416)	(795)	(1,056)	(1,965)	(1,147)	(964)	(1,203)	(2,544)
Basic and diluted earnings per share ($)	(0.00)	(0.01)	(0.01)	(0.01)	(0.03)	(0.02)	(0.01)	(0.02)	(0.04)

Cash Flows

Operating cash outflow for the year ended September 30, 2014 was $2,252,000, an improvement of $1,365,000 from the comparable period last year. This can be attributed to $1,742,000 less legal expenses than the prior year offset by cash used to reduce accounts payable and accrued liabilities balances at the beginning of the year. Most of these unpaid balances at October 1, 2013 were also connected with the international arbitration case.

Investing cash inflow in the year ended September 30, 2014 of $168,000 was generated from the sale of assets at the Dornod site for $47,000, the sale of registered office assets for $7,000 and the sale of 1,081,000 Macusani shares for gross proceeds of $114,000. During the year ended September 30, 2013, the Company spent $26,000 on the restoration of the Dornod site.

During the year ended September 30, 2014, the exercise of stock options provided cash of $211,000. In 2013, financial cash flow was $1,209,000. On September 30, 2013, the Company closed a private placement share issuance financing for proceeds of $1,209,000.

Liquidity and Capital Resources

With cash on hand of $352,000 and an available-for-sale investment in Macusani with a fair market value of $939,000 as at September 30, 2014, the Company believes that it has sufficient liquidity to cover its obligations. During the period, the Company paid all remaining legal and court costs related to the formal hearing by the Tribunal on the merits and damages for the case that was completed in November 2013. The Company does not expect any further consequential legal expenses related to the merits and damages phase of the international arbitration case. Management is now conserving its cash resources pending the judgment of the Tribunal.

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.

In respect of the Company's International Arbitration action, management believes in the merits of its case and expects a significant award to be rendered to the Company. In the event that no international arbitration award is rendered to the Company, 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 September 30, 2014. See also Critical Accounting Estimates set out below.

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 $41, 000 for the year ended September 30, 2014 (2013 - $67,000). In 2013 these services included $21,000 related to share issuance costs. At September 30, 2014, the balance outstanding was nil (2013 - $21,000) and was included in accounts payable and accrued liabilities.

During 2014, certain directors, officers and employees of the Company exercised stock options, acquiring 1,053,334 shares for total proceeds of $211,000.

During 2013, certain insiders of the Company participated in the private placement equity issue, including directors and/or officers of the Company and certain shareholders that each beneficially own or control more than 10% of the Company's shares. In aggregate, the insiders purchased 3,892,999 shares for a purchase price of $662,000.

Financial Instruments and Financial Risks

The Company's primary financial instruments consist of cash 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 in uranium exploration companies, the value will also fluctuate based on commodity prices and exploration success.

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. At September 30, 2014, management believes that all obligations to remove residual materials and remediate disturbed areas at the Dornod property have been fulfilled.

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, 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 September 30, 2014.

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, litigation risk, 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 76,816,482.

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. This MD&A includes, but is not limited to, forward-looking statements regarding: the Company's ability to meet its working capital needs for the twelve-month period ending September 30, 2014 and statements regarding the Company's critical accounting estimates. 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.