Khan Resources Inc.

Consolidated Financial Statements

For the years ending September 30, 2016 and September 30, 2015

In thousands of Canadian dollars

Collins Barrow

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Khan Resources Inc.

We have audited the accompanying consolidated financial statements of Khan Resources Inc. and its subsidiaries, (collectively referred to as the "Company"), which comprise the

- consolidated statement of net assets in liquidation as at September 30, 2016;
- consolidated statement of changes in net assets in liquidation for the year ended September 30, 2016;
- consolidated statement of financial position as at September 30, 2015;
- consolidated statement of loss for the year ended September 30, 2015;
- consolidated statement of comprehensive loss for the year ended September 30, 2015;
- consolidated statement of changes in equity for the year ended September 30, 2015;
- consolidated cash flow statements for the year ended September 30, 2016 and 2015; and
- a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits. In accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the net assets in liquidation of Khan Resources Inc. and its subsidiaries as at September 30, 2016; financial position of Khan Resources Inc. and its subsidiaries as at September 30, 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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Emphasis of Matter

We draw attention to note 1 to the consolidated financial statements which describe the change to the liquidation basis of accounting for the year ended September 30, 2016 as a result of Khan Resources Inc.'s intent to liquidate the assets of the company and other notes to the consolidated financial statements that describe certain uncertainties and future changes that may result from the intention to liquidate the company. Our opinion is not qualified in respect to this matter.

Collins Barrow Toronto LLP

Chartered Professional Accountants
Licensed Public Accountants
December 23, 2016
Toronto, Ontario

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Consolidated Statement of Net Assets in Liquidation

	Notes	Sep. 30 2016
ASSETS		
Current Assets		
Cash	4	**4,814**
Cash equivalents	4	**80,000**
Accounts receivable	15	**85**
Prepaid expenses and other assets		**19**
Investments	5	**264**
Restricted cash	4	**52**
Current Income tax asset	13	**570**
Total current assets		**85,804**
Total assets		**85,804**
LIABILITIES		
Current liabilities		
Liquidation provision	7	**1,450**
Accounts payable and accrued liabilities	15	**142**
Current income tax liability	13	**1,125**
Total current liabilities		**2,717**
Total liabilities		**2,717**
Net assets in liquidation		**83,087**
Share capital		**83,636**
Contributed surplus		**11,710**
Accumulated other comprehensive income (loss)	8	**(3,540)**
Opening deficit		**(88,342)**
Net income (loss)		**79,623**
Net assets in liquidation		**83,087**

The accompanying notes are an integral part of these consolidated financial statements.

Equipment (note 6)
Commitments and contingencies (note 18)
Subsequent events (note 19)

Effective October 1, 2015, the Company changed the basis of presenting its consolidated financial statements from going concern to liquidation (Refer to note 1)

The consolidated financial statements w ere approved by the Board of Directors on December 19, 2016 and signed on its behalf by:

Signed: "Eric Shahinian"
Director

Signed: "Grant A.Edey"
Director

Consolidated Statement of Changes in Net Assets in Liquidation
For the year ended September 30

	Notes	2016
Shareholders' equity at Sep. 30, 2015 on a going concern basis		**1,742**
Net effect of adopting a liquidation basis of presentation	1	**-**
Net assets in liquidation at October 1, 2015		**1,742**
Income		
Finance income		**75**
Compensation for impairment in value of investment in subsidiaries	1	**90,594**
Total Income		**90,669**
Legal expenses		**(5,715)**
General corporate	9	**(1,690)**
Impairment loss, equipment	6	**(3)**
Gain (loss) on sale of subsidiary	2	**(2,378)**
Liquidation provision	7	**(1,450)**
Foreign exchange gain (loss)		**745**
Total Expenses		**(10,491)**
Income (loss) before tax		**80,178**
Income tax	13	**(555)**
Net income (loss)		**79,623**
Loss per share		
Basic income (loss) per share (in Canadian cents)		**0.94**
Diluted income (loss) per share (in Canadian cents)		**0.93**
Weighted average number of shares outstanding - Basic		**84,938,440**
Weighted average number of shares outstanding - Diluted		**85,400,610**
Net income (loss)		**79,623**
Other comprehensive loss, net of income tax		
Items that will not be reclassified subsequently to net earnings		
Fair value adjustment of equity instrument		**(53)**
Other comprehensive loss, net of income tax		**(53)**
Total comprehensive income (loss)		**79,570**
Transactions with shareholders:		
Employee share options exercised	10	**1,775**
Net assets in liquidation at September 30, 2016		**83,087**

The accompanying notes are an integral part of these consolidated financial statements.

Effective October 1, 2015, the Company changed the basis of presenting its consolidated financial statements from going concern to liquidation and the Consolidated Statement of Changes in Net Assets in Liquidation includes the results of operations, comprehensive income (loss) and transactions with shareholders.

Consolidated Statement of Financial Position as at September 30, 2015

	Notes	
ASSETS		
Current Assets		
Cash	4	1,571
Accounts receivable	15	14
Prepaid expenses and other assets		55
Investments	5	317
Restricted cash	4	52
Total current assets		2,009
Total assets		2,009
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	15	267
Total current liabilities		267
Total liabilities		267
Net assets		1,742
EQUITY		
Share capital		80,662
Contributed surplus		12,909
Accumulated other comprehensive income (loss)	8	(3,487)
Deficit		(88,342)
Total equity		1,742

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Loss
For the year ended September 30

	Notes	Three months 2015	2015
Continuing operations			
Income			
Finance income		2	4
Total Income		2	4
Legal expenses		(284)	(1,009)
General corporate	9	(190)	(875)
Share-based compensation	10	(152)	(865)
Foreign exchange gain (loss)		48	82
Total Expenses		(578)	(2,667)
Income (loss) before tax		(576)	(2,663)
Income tax	13	(5)	-
Net income (loss) from continuing operations		(581)	(2,663)
Discontinued operations			
Loss from discontinued operations, net of tax	14	-	(3)
Net income (loss)		(581)	(2,666)
Loss per share			
Basic income (loss) per share (in Canadian cents)		(0.01)	(0.03)
Diluted income (loss) per share (in Canadian cents)		(0.01)	(0.03)
Weighted average number of shares outstanding - Basic		83,846,319	79,550,770
Weighted average number of shares outstanding - Diluted		83,846,319	79,550,770

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Loss
For the year ended September 30

	Notes	Three months **2015**	2015
Net income (loss)		(581)	(2,666)
Other comprehensive loss, net of income tax			
Items that will not be reclassified subsequently to net earnings			
Fair value adjustment of equity instrument	5	(101)	(414)
Income tax on other comprehensive income	13	5	-
Other comprehensive loss, net of income tax		(96)	(414)
Total comprehensive income (loss)		(677)	(3,080)

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended September 30

	Notes	2016	2015
Operating Activities			
Income (loss) before income tax including discontinued operations		**80,178**	(2,666)
Adjustments for:			
Amortization and impairment loss, equipment	6	**3**	-
Share-based compensation	10	**-**	865
Unrealized foreign exchange (gain) loss		**(750)**	(78)
Finance income		**(75)**	(4)
Gain on restructuring provision over-estimate	7	**-**	(5)
Decrease in cash due to deconsolidation of subsidiary		**-**	5
Loss on sale of subsidiary	2	**2,378**	-
Changes in:			
Accounts receivable		**(35)**	(7)
Prepaid expenses and other assets		**37**	1
Accounts payable and accrued liabilities		**(125)**	112
Liquidation provision	7	**1,450**	(4)
Cash provided (used) in operations		**83,061**	(1,781)
Interest received		**38**	1
Net operating cash flows		**83,099**	(1,780)
Investing activities			
Purchase of equipment		**(3)**	-
Proceeds from sale of subsidiary	2	**49,559**	-
Cash outflow on sale of subsidiary	2	**(51,937)**	-
Proceeds from sale of investments	5	**-**	209
Decrease in cash due to deconsolidation of subsidiary		**-**	(5)
Net investing cash flows		**(2,381)**	204
Financing activities			
Proceeds on issuance of shares		**1,775**	2,715
Net financing cash flows		**1,775**	2,715
Net increase (decrease) in cash and cash equivalents		**82,493**	1,139
Cash and cash equivalents at the beginning of the period		**1,571**	352
Effect of foreign currency exchange rate changes on cash and cash equivalents		**750**	80
Cash and cash equivalents at the end of the period	4	**84,814**	1,571

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity
For the year ended September 30, 2015

	Share capital						
Notes	Number of shares	Amount	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total equity
Balance as at October 1, 2014		**76,416,482**	**77,482**	**12,509**	**62**	**(88,811)**	**1,242**
IFRS 9 adjustment prior to October 1, 2014					**(3,135)**	**3,135**	**-**
Balance as at October 1, 2014 adjusted		**76,416,482**	**77,482**	**12,509**	**(3,073)**	**(85,676)**	**1,242**
Total comprehensive loss					**(414)**	**(2,666)**	**(3,080)**
Transactions with owners:							
Employee share options:							
Value of services recognized	10			**865**			**865**
Options exercised	10	**2,720,000**	**1,191**	**(465)**			**726**
Proceeds from issuance of shares		**5,000,000**	**2,000**				**2,000**
Cost of issue			**(11)**				**(11)**
Balance as at September 30, 2015		**84,136,482**	**80,662**	**12,909**	**(3,487)**	**(88,342)**	**1,742**

The accompanying notes are an integral part of these consolidated financial statements.

The Company is authorized to issue an unlimited number of common shares, with no par value.

Notes to Consolidated Financial Statements

For the year ended September 30, 2016

1 Corporate information

Khan Resources Inc., along with its subsidiary companies (collectively the “Company” or “Khan”), was involved in acquiring, exploring and developing mineral properties, primarily in Mongolia.

The Company is a publicly listed company incorporated in Canada under the legislation of the Province of Ontario. The Company’s shares are listed on the Canadian Securities Exchange.

The registered office of the Company is located at The Exchange Tower, P.O. Box 427 130 King Street West, Suite 1800, Toronto, Ontario, Canada M5X 1E3.

The Company initiated an International Arbitration action 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 project. On March 2, 2015 the International Arbitration Tribunal rendered an award to the Company as compensation for the Government of Mongolia’s actions in relation to the cancellation of Khan’s uranium licenses in 2009.

On May 18, 2016, the Company announced that it had received (U.S.) $70 million ($90,594 Canadian at September 30, 2016) from the Government of Mongolia in settlement of all outstanding matters pursuant to the international arbitration award received by the Company. The subsidiaries of the Company collectively received an award of (U.S.) $55,167 ($70,000 less costs of $14,833 awarded to the parent company). The allocation of the award is attributable to each entity's interest in the underlying historic assets of the two Mongolian subsidiaries (now discontinued). The arbitration award received by the subsidiaries is considered to be proceeds in respect of the impairment in value of the receivables from and shares of the Mongolian subsidiaries, as applicable.

On November 10, 2016 the Company announced that the shareholders of the Company had approved a special resolution to implement the voluntary liquidation and dissolution of Khan. Consequently these consolidated financial statements have been prepared on the basis that the Company is no longer a going concern (see note 19 for further details).

2 Basis of preparation

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and their interpretations issued by the IFRS Interpretations Committee. The Board of Directors authorized the consolidated financial statements for issue on December 19, 2016.

b. Change in basis of presentation

The consolidated financial statements as at September 30, 2016 and for the year then ended have been prepared on a liquidation basis of accounting (see note 1). Under the liquidation basis of accounting, the Company measures its assets based on their net realizable value and its liabilities based on their settlement amounts. The September 30, 2016 consolidated financial statements have been prepared primarily using fair values which in this case, approximates the net realizable value of the assets and the settlement amounts of the liabilities. The consolidated financial statements as at September 30, 2015 have been prepared on a going concern basis. The going concern basis assumes continuity of operations, realization of assets and discharges of liabilities in the ordinary course of business and does not purport to show, reflect or provide for the consequences of the Company’s intention to liquidate.

The consolidated financial statements as at September 30, 2016 and for the year then ended include certain costs and fees to be incurred to liquidate the residual assets of the Company and for the specific wind-up activities of the Company. The consolidated financial statements do not include anticipated operating costs and overhead for the wind-up period nor provision for the settling of contingent liabilities. These costs may be material and the amounts disclosed as net assets in liquidation in total or on a per share basis will change. Consequently the actual amounts available for distribution to shareholders will change and such changes may be material.

c. Subsidiaries

The principal subsidiaries of Khan Resources Inc., all of which have been included in these consolidated financial statements, are as follows:

Name	Country of incorporation and principal place of business	Proportion of ownership interest at September 30		Non-controlling interests ownership/voting interest at September 30	
		2016	2015	2016	2015
Khan Resources Bermuda Ltd.	Bermuda	_	100%	_	_
Khan Resources B.V.	Netherlands	100%	100%	_	_
CAUC Holding Company Ltd.	British Virgin Islands	_	100%	_	_

On August 17, 2016 an agreement was signed and closed with an independent third party for the sale of Khan's directly held subsidiary, Khan Resources Bermuda Ltd. ("KRBL").

Prior to the sale, the Company's corporate structure had been reorganized and simplified. Thus, at the time of its sale, KRBL held all of the issued and outstanding shares of Khan Resources LLC of Mongolia ("KRL") and CAUC Holding Company Ltd. ("CHCL"). CHCL in turn held a 58% interest in Central Asian Uranium Company, LLC of Mongolia ("CAUC").

The Company had derecognized the assets, liabilities and non-controlling interests of KRL and CAUC on December 31, 2014 pursuant to management's determination that the Company no longer had power to govern the financial and operating policies of these entities due to circumstances in Mongolia that were impeding the legal dissolution of these entities. The assets and liabilities over which the Company lost control were not significant to the Company's consolidated financial statements.

As part of the distribution of the settlement funds from the Government of Mongolia, KRBL received (U.S.) $4,965 and CHCL received (U.S.) $35,307. Under the terms of the sale agreement, Khan sold all of the shares of KRBL (and accordingly, all of Khan's interest in CHCL and CAUC and KRL) for a cash sale price of (U.S.) $38,463. This resulted in a loss of on the sale of the subsidiary of (U.S.) $1,809 or $2,378 in Canadian dollars.

d. Basis of consolidation

The financial statements of the Company consolidate the accounts of Khan Resources Inc. and its subsidiaries. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Company.

e. Functional and presentation currency

The functional currency for each subsidiary of the Company is the currency of the primary economic environment in which the entity operates. The functional currency of the Canadian head office and all intermediate holding companies is the Canadian dollar. The consolidated financial statements are presented in Canadian dollars.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in loss before tax.

f. Use of estimates and judgments

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 2b – loss of control over a subsidiary.
- Note 3b – the Company's business model for managing financial assets and the election to measure an equity instrument at FVOCI.

Information about assumptions and estimation uncertainties are included in the following notes:

- Note 7 – provisions for liabilities of uncertain timing or amount including a provision for liquidation costs.
- Note 13 – utilization of tax losses.

g. Fair value measurement

Assets and liabilities included in the Company's financial statements may require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Company's financial and non-financial assets and liabilities utilizes market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique utilized are (the 'fair value hierarchy'):

Level 1: Quoted prices in active markets for identical items (unadjusted)

Level 2: Observable direct or indirect inputs other than Level 1 inputs

Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item.

Transfers of items between levels are recognized in the period they occur.

3 Significant accounting policies

Effective October 1, 2015, The Company changed the basis of presenting its financial statements from going concern to liquidation (Refer to note 2 b.). The adoption of a liquidation basis of presentation did not result in a change to the Company's accounting policies that were applied on a going concern basis of presentation.

The significant accounting policies applied in the preparation of these consolidated financial statements are described below:

a. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with maturities on the date of acquisition of three months or less.

b. Financial instruments

Initial recognition and measurement (financial assets and financial liabilities)
The Company initially recognizes financial assets and financial liabilities when it becomes party to the contractual provisions of the financial instrument.

Initial measurement of the financial instrument is at fair value, plus for those financial assets and liabilities not classified at fair value through profit or loss (FVTPL), directly attributable transaction costs.

Financial assets – subsequent classification and measurement
Financial assets are classified in their entirety including any embedded derivatives. Two criteria are used to determine how

financial assets should be classified and measured: (a) the Company's business model for managing the financial assets; and (b) the contractual cash flow characteristics of the financial asset.

Key management personnel have determined that the Company's financial assets (excluding investments in equity investments) are held within a business model whose objective is to hold financial assets in order to collect cash flows.

Where the contractual cash flow characteristics of financial assets, taken on an instrument-by-instrument basis, give rise, on specified dates, to cash flows that are solely payments of principal and interest then a financial asset is classified as subsequently measured at amortized cost using the effective interest method. This is called the SPPI criterion. A financial asset that does not meet the SPPI criterion is always measured at FVTPL.

In addition, at initial recognition, the Company may make an irrevocable election to present in other comprehensive income (OCI), subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination. Such an equity instrument is classified as subsequently measured at fair value through other comprehensive income (FVOCI). Gains and losses recognized in OCI are not subsequently transferred to profit or loss, although the Company may determine to transfer the cumulative gain or loss within equity. Dividends are still recognized in profit or loss unless they clearly represent a recovery of part of the cost of the investment. The Company has elected to classify investments in equity instruments as FVOCI.

Reclassification
Financial assets are only reclassified between measurement categories, when and only when, the Company's business model for managing them changes. This is a significant event and thus is expected to be uncommon.

Impairment of financial assets
All of the Company's financial assets are subject to an impairment test at each reporting date with the exception of equity instruments measured at FVOCI. This includes any lease receivables. It also includes any off balance sheet loan commitments and financial guarantees.

Financial liabilities – subsequent classification and measurement
Financial liabilities are subsequently measured at amortized cost using the effective interest method or bifurcated into a host instrument measured at amortized cost , and an embedded derivative, measured at FVTPL. The Company is unlikely to originate a liability derivative other than in a host liability contract such as a debt instrument. Financial liabilities include accounts payable and accrued liabilities.

Derecognition
The Company will derecognize a financial asset when the rights to the cash flows from the financial asset have expired or where the Company has transferred substantially all risks and rewards associated with the financial asset and has relinquished control of the financial asset.

The Company will derecognize a financial liability only when extinguished — i.e., when the obligation specified in the contract is discharged, cancelled or it expires.

c. Equipment

Equipment is initially recorded at cost, including all directly attributable costs to bring the assets to the location and condition necessary for them to be capable of operating in the manner intended by management. Equipment is subsequently measured at cost less accumulated depreciation and applicable impairment losses. Depreciation is computed on a straight-line basis based on the nature and useful lives of the assets. The significant classes of equipment and their estimated useful lives are as follows:

Office furniture: 5 years
Computers and office equipment: 3 years

Subsequent costs that meet the asset recognition criteria are capitalized while costs incurred that do not extend the economic useful life of an asset are considered repairs and maintenance, which are accounted for as an expense recognized during the period.

An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognized in income.

d. Impairment of non-financial assets

Non-financial assets are reviewed and tested for impairment when indicators of impairment are considered to exist. Impairment assessments are conducted at the level of cash-generating units (CGU), which is the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets. An impairment loss is recognized for any excess of carrying amount of the CGU over its recoverable amount, which is the greater of its fair value less costs to sell and value in use. Impairment losses are recognized in the period they are incurred.

Impairment losses are reversed if the conditions that gave rise to the impairment are no longer present and it has been determined that the asset is no longer impaired as a result. This reversal is recognized in net income in the period the reversal occurs limited by the carrying value that would have been determined, net of any depreciation, had no impairment charge been recognized in prior years.

e. Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

f. Lease payments

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease and classifies leases as operating leases or finance leases. A specific asset is the subject of a lease if fulfillment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Company the right to control the use of the underlying asset.

Payments made under operating leases are recognized in net income on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

g. Share-based compensation

The Company awards share options to employees, officers, directors, and consultants. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option-pricing model. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

Upon the exercise of the share option, consideration received and the related amount transferred from contributed surplus are recorded as share capital.

h. Income tax

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax is not provided on temporary differences arising on investments in subsidiaries where the Company controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are presented as non-current.

i. Share capital and earnings per share

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity. The authorized share capital of the Company consists of an unlimited number of no par value common shares. All issued shares are fully paid. Basic earnings per share (EPS) is calculated by dividing the net income (loss) for the period attributable to equity owners of Khan Resources Inc. by the weighted average number of common shares outstanding during the period.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury method. Under this method, options whose exercise price is less than the average market price of our common shares, are assumed to be exercised and the proceeds are used to repurchase common shares at the average market price for the period. The incremental number of common shares issued under share options, and repurchased from proceeds, is included in the calculation of diluted earnings per share.

Any potential common shares whose effect is anti-dilutive have not been reflected in the calculation of Diluted EPS. The determination of the weighted average number of common shares outstanding for the calculation of Diluted EPS does not include the effect of outstanding share options since to do so would reduce the loss per share and would therefore be anti-dilutive.

j. Discontinued operations

A discontinued operation is a component of the Company's business, the operations and cash flows of which can be clearly distinguished from the rest of the Company and which:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs on disposal by sale, closure or abandonment or when the operation meets the criteria to be held-for-sale, if earlier.

When an operation is classified as a discontinued operation the comparative statement of comprehensive loss is reclassified as if the operation had been discontinued from the start of the comparative year.

k. Segment reporting

The Company has only a single operating segment, and therefore one reportable segment.

l. Recently adopted accounting pronouncements

Among the pronouncements issued by the IASB at the date of these consolidated financial statements, there are no changes to accounting standards that the Company has adopted in the year ended September 30, 2016.

m. Future accounting pronouncements

Among the pronouncements issued by the IASB at the date of these consolidated financial statements, there are no changes to accounting standards that will have a significant impact the Company's future financial reporting.

4 Cash, cash equivalents and restricted cash

As at September 30, 2016, the Company had cash of $4,814 (2015 - $1,571) and cash equivalents of $80,000 (2014 – nil) consisting of a guaranteed investment certificate with a maturity date of less than three months.

Restricted cash consists of a guaranteed investment certificate pledged as security for a corporate credit card facility. This guaranteed investment certificate has a maturity date of less than one year.

5 Investments

Investments consist of equity instruments in the form of 1,055,291 (2015 – 1,055,291) common shares of Plateau Uranium Inc. with a fair value on September 30, 2016 of $264 (2015 - $317).

In fiscal 2015, the Company sold 750,000 shares of Plateau for gross proceeds of $209. In fiscal 2016, no shares were sold.

See also Notes 3 l i and 8.

6 Equipment

The Company's tangible assets including those in Mongolia had been fully impaired in 2012 due to the failure of the Government of Mongolia to reissue the Company's mining and exploration licenses for the Dornod project as described in Note 1. 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 that had been closed since June 2012. Finally the Mongolian tangible assets were derecognized at December 31, 2014, see Note 2 b.

Remaining tangible assets consisting of office furniture and equipment, computers and software located at the Company's registered office are set out in the following table:

Registered office equipment	Sep. 30 2016	Sep. 30 2015
Cost, opening balance	62	62
Additions	3	-
Disposals	-	-
Cost, closing balance	**65**	**62**
Depreciation, opening balance	(53)	(53)
Period depreciation expense	-	-
Depreciation resulted from impairment reversal	(9)	-
Disposals	-	-
Depreciation closing balance	(62)	(53)
Impairment, opening balance	(9)	(9)
Impairment reversal, due to settlement w ith Mongolia	9	-
Impairment due to liquidation	(3)	
Disposals	-	-
Impairment, closing balance	(3)	(9)
Net book value, closing balance	**-**	**-**

7 Provisions

	Liquidation provision	Restructuring Provision	Total
Provision at October 1, 2014	-	9	9
Additions	-	-	-
Used (incurred and charged against the provision)	-	(4)	(4)
Reversed during period	-	(5)	(5)
Exchange differences	-	-	-
Provision at September 30, 2015	**-**	**-**	**-**
Additions	1,450	-	1,450
Used (incurred and charged against the provision)	-	-	-
Reversed during the period	-	-	-
Exchange differences	-	-	-
Provision at September 30, 2016	**1,450**	**-**	**1,450**

The provision for liquidation costs includes restructuring costs that qualify as obligations at September 30, 2016. Only costs incremental to winding up the Company have been recognized. These estimated costs include legal expenses for liquidating the Company, tax consulting on final dissolution tax returns, transfer agent fees for the distribution of funds and deregistration of shareholders, employee severances, record retention costs and insurance.

The provision does not include costs related to ongoing operations during the liquidation period nor provision for possible contingent liabilities. These costs may be significant and include costs related to preparing financial statements and related audit services, tax services for preparing and filing tax returns before final dissolution, services of the transfer agent, employee wages, management contracts, corporate governance costs, insurance, shareholder reporting, events and meetings and the cost of office premises. These costs may be material and the amounts disclosed as net assets in liquidation will change. The actual amounts available for distribution to shareholders will change and such changes may be material.

An earlier provision for restructuring costs in 2015 relates to a plan to which the Company committed in 2013 to dispose of the Mongolian subsidiaries by closure (see note 14 for more details). Following the announcement of the plan, the Company recognized a provision of $38 in restructuring costs. The unused restructuring provision of $5 was reversed and was included in “discontinued operations” in 2015.

8 Accumulated other comprehensive income (loss)

	Notes	**Sep. 30 2016**	Sep. 30 2015
Financial assets account (a)			
Balance at the beginning of the financial period		**(3,487)**	62
IFRS 9 adjustment prior to October 1, 2014		**-**	(3,135)
Net fair value adjustment of equity instrument		**(53)**	(414)
Accumulated other comprehensive income		**(3,540)**	(3,487)

(a) The financial assets account represents the revaluation of the investment that is measured through other comprehensive income (FVOCI). All changes, subsequent to initial recognition of the investment at fair value, are recognized in OCI.

9 General corporate expenses

	2016	2015
Accounting and audit	**88**	23
Investor relations	**32**	33
Insurance	**50**	53
Salaries and directors' fees	**787**	510
Consulting	**452**	48
Office and travel	**281**	208
	1,690	875

10 Share-based compensation

Awards were made to directors, officers, employees and service providers under a share option plan that was approved by the shareholders on February 11, 2009. Under the provisions of the plan, the Board of Directors of the Company is authorized to provide for the granting, exercise and method of exercise of options, subject to the terms of the plan and applicable stock exchange rules. Under the plan, the aggregate number of shares reserved for issuance may not exceed the greatest of 5,000,000 common shares or 10% of the total number of issued and outstanding common shares at the time of any option grant. The exercise price of any options granted under the plan will be fixed by the Board at the time of the grant but must not be less than the closing price of the common shares on the business day immediately prior to the date of the grant as quoted on the CSE. The Board also fixes the exercise period and vesting limitations of an option at the time of the grant but the exercise period may not exceed five years.

The number and weighted average exercise prices of share options are as follows:

	Sep. 30, 2016		Sep. 30, 2015	
In thousands of options (a)	**Number of options**	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Outstanding at October 1	**6,380,000**	**$ 0.42**	6,925,000	$ 0.31
Expired during the period	**(350,000)**	**0.55**	-	-
Granted during the period	**-**	**-**	2,175,000	0.56
Exercised during the period	**(4,530,000)**	**0.39**	(2,720,000)	0.27
Outstanding, end of period	**1,500,000**	**$ 0.47**	6,380,000	$ 0.42
Exercisable, end of period	**1,500,000**	**$ 0.47**	6,380,000	$ 0.42

The following table summarizes information about share options outstanding at September 30, 2016:

Grants listed by expiry date	**Exercise price ($)**	**Remaining life (years)**	**Fair value per option ($)**	**Number outstanding**	**Number vested**	**Number unvested**
March 28, 2017	0.34	0.49	0.24	600,000	600,000	-
March 19, 2018	0.57	1.46	0.40	500,000	500,000	-
August 20, 2018	0.53	1.89	0.38	400,000	400,000	
				1,500,000	**1,500,000**	**-**

There were no share options granted to directors, officers and employees during the year ended September 30, 2016. Consequently, no share-based compensation was recognized in this reporting period. During the year ended September 30, 2015, 2,175,000 options were granted and the Company recognized a share-based compensation expense of $865.

The fair value of options granted is determined using the Black-Scholes valuation model.

The following table summarizes information about inputs into the Black-Scholes model and weighted average value of options granted during the year ended September 30, 2015. As discussed above, there were no share options granted in fiscal 2016.

	Mar. 19 2015	Aug. 20 2015
Number of options granted	**1,775,000**	**400,000**
Exercise price ($)	**0.57**	**0.53**
Dividend yield (%)	**-**	**-**
Expected volatility (%) *	**120.33**	**125.07**
Risk free interest rate(%)	**0.46**	**0.37**
Forfeiture rate (%)	**-**	**-**
Expected life (years)	**3.00**	**3.00**
Weighted average share price ($)	**0.57**	**0.53**
Fair value	**0.40**	**0.38**

* Based on Historical Volatility

11 Management compensation

	2016	2015
Directors' fees	**319**	92
Salaries and short-term benefits	**268**	238
Share-based compensation (a)	**-**	815
Total management compensation	**587**	1,145

(a) Excludes value of options granted to employees who are not officers of the Company

Included in management compensation are costs incurred related to management entities that provides key management personnel services to the Company. These costs include salary of $139 (2015 - $108) and share-based compensation of nil (2015 - $80).

12 Related party transactions

During 2016, certain directors, officers and employees of the Company exercised stock options, acquiring 4,530,000 shares for total proceeds of $1,775. Included with these shares were 400,000 shares and proceeds of $148 related to a management entity that provides key management personnel services to the Company.

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13 Income tax

Income tax expense	**2016**	2015
Current tax	**(1,125)**	-
Deferred tax recovery	**570**	-
Tax recovery (expense) from continuing operations	**(555)**	-
Deferred tax recognized in other comprehensive income	**-**	-
Total income tax expense	**(555)**	-

Reconciliation of effective tax rate	**2016**	2015
Income (loss) before tax from continuing operations	**80,178**	(2,663)
Loss before tax from discontinued operations	**-**	(3)
Total income (loss) before tax	**80,178**	(2,666)
Company's domestic tax rate	**26.50%**	26.50%
Tax recovery (expense) before adjustments	**(21,247)**	706
Non-deductible expenses and other	**(1,222)**	(415)
Non-taxable income	**14,978**	-
Utilization of tax attributes not previously tax benefited	**7,331**	-
Adjustment to previous year's tax value of non-capital losses	**-**	(142)
Expiry of non-capital losses	**-**	(168)
Other	**21**	19
Withholding tax expense (a)	**(416)**	-
Tax expense	**(555)**	-
Effective tax rate	**-0.69%**	0.00%

(a) Income tax withholding by the Government of The Netherlands on dividend distributions to the parent company.

Unrecognized deferred taxes	**2016**	2015
Deductible temporary differences	**489**	271
Tax losses	**194**	7,945
	683	8,216

The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable income will be available against which the Company can utilize the related tax benefits.

At September 30, 2016, the Company had utilized all its Canadian non-capital losses and therefore has nil (2015 - $28,890) available for deduction against future taxable income. Netherlands tax losses of approximately $545 (2015 - $391) are available for deduction against future taxable income and these losses, if unutilized, will expire from 2019 to 2026. None of the tax losses have been tax-benefited.

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.

14 Discontinued operations

On August 15, 2013 the Company resolved to dispose of the Mongolian subsidiaries. Management determined that, given the situation in Mongolia, disposal could only take place by closure. Consequently, the Mongolian subsidiaries were closed on September 30, 2013 and classified as discontinued operations. See Note 1 for information about Mongolia's failure to reissue the Company's mining and exploration licenses for the Dornod project.

Results of Discontinued operations	Notes	**2016**	2015
Revenue		**-**	-
Expenses		**-**	(8)
Gain (loss) on restoration estimate		**-**	-
Gain (loss) on disposal of assets		**-**	-
Gain (loss) on restructuring expense	7	**-**	5
Foreign exchange gain (loss)		**-**	-
Net income (loss) from discontinued operations		**-**	(3)
Basic loss per share (in Canadian cents)		**-**	(0.00)
Diluted loss per share (in Canadian cents)		**-**	(0.00)

Cash flows provided by (used in) discontinued operations	Notes	**2016**	2015
Net operating cash flows		**-**	(8)
Net investing cash flows		-	(5)
Net cash flow for the year		**-**	(13)

15 Classification and measurement of financial assets and liabilities

The carrying amount of each measurement category of financial instruments is as follows:

Measurement category	Line item on Consolidated Statement of Financial Position	Carrying amount
FVTPL	Cash	4,814
Amortized cost	Cash equivalent	80,000
	Accounts Receivable	85
	Restricted cash	52
	Accounts payable and accrued liabilities	142
FVOCI	Investments	264

Due to their short-term nature, the carrying amount of the cash equivalent, accounts receivable, restricted cash and accounts payable and accrued liabilities approximates their fair value.

16 Financial risk management objectives and policies

The Company manages its exposure to financial risks, including liquidity risk, foreign exchange rate risk, interest rate risk, credit risk and equity price risk in accordance with its risk management framework. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis.

a. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its short-term business requirements. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on a liquidation basis.

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments (see Note 18).

b. Foreign exchange risk

The Company maintains bank accounts denominated in Euros and U.S. dollars. The Company undertakes transactions denominated in these currencies and is exposed to foreign exchange risk arising from such transactions.

The Company currently does not engage in foreign currency hedging. As at September 30, 2016, with other variables unchanged, a 5% strengthening (weakening) of the Euro and U.S. dollar against the Canadian dollar would have increased (decreased) net income by approximately $5.

c. Interest rate risk

Interest risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's cash equivalents and short-term investments primarily include highly liquid investments that earn interest at market rates that are fixed to maturity or at variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have significant impact on the fair values of the financial instruments as of September 30, 2016.

d. Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk primarily associated to accounts receivable and cash and cash equivalents. The carrying amount of assets included on the statement of net assets in liquidation represents the maximum credit exposure.

The Company's primary exposure to credit risk is on its bank accounts and guaranteed investment certificates. Bank accounts are held with major banks in Canada and the Netherlands. As a Canadian bank holds the majority of the Company's cash and the same Canadian bank also holds the guaranteed investment certificates, 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. The Company's secondary exposure to credit risk is on its accounts receivable. This risk is minimal as accounts receivable consist primarily of refundable government sales taxes.

The Company has not recognized any expected credit losses at September 30, 2016. The guaranteed investment certificates are considered to have low risk and the Company has no history of losses on this type of financial instrument on which to base a calculation of expected credit losses. Expected lifetime credit losses for accounts receivable are measured on a collective basis. However because the duration of these receivables is short and the material component is with the Government of Canada for refundable sales taxes, expected lifetime credit losses would be insignificant. There are no financial assets with contractual payments more than 30 days past due. The credit risk of these financial instruments has not increased significantly since initial recognition.

e. Equity price risk

The Company holds certain equity securities that will fluctuate in value as a result of trading on Canadian financial markets. As the Company's equity securities holdings are in a mining company, the value will also fluctuate based on commodity prices. Based upon the Company's portfolio at September 30, 2016, a 10% increase (decrease) in the market price of the securities held, with other variables unchanged would have resulted in a (decrease) increase to OCI of approximately $26 before tax.

17 Capital management

The Company's objectives of capital management are intended to safeguard the entity's ability to successfully liquidate the Company. Khan has no operations other than managing its net assets in liquidation and related activities.

The capital of the Company consists of the items included in shareholders' equity. The Board of Directors monitors risk and capital management. The Company manages the capital structure and makes adjustments depending on economic conditions. Funds have been primarily secured through issuances of equity capital. The Company invests all capital that is surplus to its immediate needs in short-term, liquid and highly rated financial instruments, such as cash and other short-term deposits, all held with major financial institutions. Significant risks are monitored and actions are taken, when necessary, according to the Company's approved policies.

18 Commitments and contingencies

a. The Company as lessee entered into the operating lease of its registered office under a cancellable operating lease contract. The lease agreement is on a month-to-month basis and is cancellable on 60 days' notice. The lease agreement has no purchase option and no escalation clauses. The expected rent for fiscal 2017 is $41.

b. Contingent on shareholder approval and other arrangements, cash equivalents of $80,000 were held at September 30, 2016 for the purpose of funding a cash distribution to shareholders. See also note 19 a.

19 Subsequent events

a. On November 10, 2016 the Company announced that the shareholders of the Company approved a special resolution for the voluntary liquidation and dissolution of Khan. The shareholders also approved, pursuant to the winding up, an initial distribution of $0.85 per share by way of a return of capital that was paid on November 29, 2016 to shareholders of record at November 22, 2016. Any further distribution of cash will be made in one or more instalments following receipt of funds pursuant to the liquidation of the remaining assets of Khan and the winding up of its remaining subsidiary, and the satisfaction of all liabilities, including expenses of the winding up, on a distribution date to be determined pursuant to the plan of liquidation and dissolution. Khan anticipates that any further distributions of cash as part of the winding up would aggregate between $0.01 and $0.08 per share.

Notwithstanding shareholder approval of the special resolution, at any time until appointment of the liquidator, the board of directors will retain the discretion to discontinue the winding up if it determines that continuing with the winding up is no longer in the best interests of the Company or its shareholders.

Full details of the winding up and certain other matters are set out in the related management information circular.

b. From October 1, 2016 to November 17, 2016, certain directors, officers and employees of the Company exercised all outstanding share options as at September 30, 2016 (see note 10 for more details), acquiring 1,500,000 shares for total proceeds of $698. Included with these shares were 200,000 shares and proceeds of $91 related to a management entity that provides key management personnel services to the Company.

c. Subsequent to the year-end, the Netherlands tax authority assessed the Company's subsidiary Khan Resources B.V. (KRBV) for an amount payable of 11 million euros. This tax assessment was issued before KRBV has filed its 2016 tax return. Management is of the opinion that this is an over assessment based on tax professionals advice. The Company is in the process of challenging this assessment. As a result no provision has been made for this assessment in these consolidated financial statements.