Khan Resources Inc.

Management Discussion and Analysis

As at and for the six months ended March 31, 2017

KHAN RESOURCES INC.

RESULTS AS AT AND FOR THE SIX MONTHS ENDED MARCH 31, 2017

(In thousands of Canadian dollars unless otherwise indicated)

This Management Discussion and Analysis ("MD&A") has been approved in accordance with a resolution of the Board of Directors dated May 18, 2017. It should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company as at and for the six months ended March 31, 2017.

Significant Events and Current Status

Termination of the Liquidation Plan – On May 5, 2017 at the Company's annual meeting, the shareholders of the Company elected a new board of directors. On May 8, 2017 the board of directors announced that it had determined that it will not proceed with the liquidation plan that was approved by the Company's shareholders on November 10, 2016. The liquidation plan approved by the shareholders provided that the board of directors was authorized not to proceed with the liquidation of the Company if it determines in its discretion that doing so is no longer in the best interests of the Company or its shareholders. The Company's board of directors has determined that it is in the best interest of the Company and its shareholders to consider other possible strategic alternatives for the Company with a view to maximizing its value for the benefit of its shareholders.

Termination of the Arrangement Agreement with Arden Holdings Ltd. – On May 4, 2017 the Company announced that the arrangement agreement with Arden Holdings Ltd. and its wholly owned subsidiary to purchase the shares of Khan at $0.05 per share had been terminated. This arrangement agreement had been announced by the Company on March 22, 2017.

Return of capital – On November 10, 2016, the shareholders approved a 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.

Netherlands preliminary tax assessment – On February 15, 2017 the Company received an income tax reassessment from the Netherlands tax authority reassessing the Company's Dutch subsidiary Khan Resources BV (KRBV) for an amount payable of 3.3 million euros. This reassessment was pursuant to management challenging an earlier preliminary assessment for an amount payable by KRBV of 11.4 million euros. The preliminary tax assessment and the reassessment were both issued before KRBV had filed its 2016 tax return and as such are based on incomplete information. Based on tax professionals advice, management is of the opinion that the reassessed amount payable of 3.3 million euros continues to be an over assessment. The 2016 tax return has since been filed and management believes that this issue will be resolved when the Netherlands tax authority has the opportunity to review all the facts. As a result no provision has been made for this reassessment in the condensed consolidated interim financial statements as at March 31, 2017.

(in thousands of Canadian dollars unless otherwise indicated)

Financial and Capital Management

The following table presents the net assets in liquidation of Khan as at March 31, 2017 and September 30, 2016.

	Mar. 31 2017 (Liquidation basis)	Sep. 30 2016 (Liquidation basis)
Cash and cash equivalents	8,020	84,814
Other current assets	121	156
Investment in Plateau Uranium	-	264
Current Income Tax Asset	458	570
Total assets	8,599	85,804
Liquidation provision	1,024	1,450
Accounts payable and accrued liabilities	279	142
Current income tax liability	306	1,125
Total liabilities	1,609	2,717
Net assets	6,990	83,087
Net assets per share (in Canadian cents)		
- basic	0.08	0.98
- diluted	0.08	0.97
Weighted average number of shares outstanding - Basic	89,793,955	84,938,440
Weighted average number of shares outstanding - Diluted	89,793,955	85,400,610

Khan has no operations other than managing its net assets in liquidation and related activities.

At February 24, 2017, all share options have been exercised and 90,166,482 common shares were outstanding.

Analysis of Net Assets in liquidation

Cash and cash equivalents

As at March 31, 2017, the Company had cash of $8,020 (September 30, 2016 – $4,814) and cash equivalents of nil (September 30, 2016 – $80,000). Cash equivalents at September 30, 2016 consisted of a guaranteed investment certificate (GIC) with a maturity date of less than three months.

Net of certain offsetting operating and investment transactions, the net decrease in cash and cash equivalents of $76,795 resulted above all from a distribution to shareholders of $76,641 ($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.

See also *Cash Flows In Liquidation* set out below.

Investments

At March 31, 2017 the Company held no investments. At September 30, 2016 the Company held equity instruments in the form of 1,055,291 common shares of Plateau with a fair value of $264. During the second quarter, the Company sold all these shares for cash proceeds of $685.

Current tax asset

The current tax asset of $458 (September 30, 2016 - $570) was reduced by $112 related to liquidation provision expenditures recognized over the first six months.

Liquidation provision

The provision for liquidation costs of $1,024 (September 30, 2016 – $1,450) includes restructuring costs that qualify as obligations. 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.

Current income tax liability

The current income tax liability of $306 (September 30, 2016 - $1,125) consists of an estimated liability related to Netherlands withholding tax on an expected dividend from Khan Resources BV of $418 less income taxes recoverable of $112.

As disclosed, no provision has been made for the preliminary or amended preliminary income tax assessment from the Dutch tax authorities. The Company had received tax opinions in July 2016 and November 2016 from KPMG and Price Waterhouse Coopers (PWC) respectively that the Dutch participation exemption applies to the funds received from Mongolia and that as a consequence; income tax is not assessable on these funds.

Cash Flows in Liquidation

As discussed above under cash and cash equivalents, the total decrease in cash and cash equivalents of $76,795 during the six months ended March 31, 2017 was due to an initial distribution of $ 76,641 ($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, operational cash outflow of $1,085, and $708 of income tax paid offset by the interest revenue of $143, proceeds from the exercise of stock options of $698, proceeds from the sale of Plateau shares of $685, and income tax refund of $90.

(in thousands of Canadian dollars unless otherwise indicated)

Share Information

At March 31, 2017, the issued and outstanding common shares of Khan were as follows:

Common shares outstanding

	Number of shares
Outstanding, October 1, 2016	**88,666,482**
Shares issued for the private placement	**-**
Shares issued under share option plan	**1,500,000**
Outstanding, March 31, 2017	**90,166,482**

Share options outstanding

	Number of shares	Weighted average exercise price ($)
Outstanding, October 1, 2016	**1,500,000**	**0.47**
Granted	**-**	**-**
Exercised	**(1,500,000)**	**0.47**
Forfeited	**-**	**-**
Outstanding, March 31, 2017 (a)	**-**	**-**

(a) All outstanding options w ere exercised before March 31, 2017. No new options w ere granted.

Common shares outstanding - diluted

	Number of shares
Outstanding, March 31, 2017	**90,166,482**

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 acquiring 1,500,000 shares for total proceeds of $698.

Upon liquidation, dissolution or winding up of Khan or other distribution of Khan's assets among its shareholders for the purpose of winding up its affairs, the holders of the common shares are entitled to receive the remaining property of Khan and are entitled to share equally, share for share, in all distributions of such assets.

Accounting Policies

This MD&A should be read in conjunction with Khan's unaudited condensed interim consolidated financial statements and notes as at and for the six months ended March 31, 2017.

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

For additional information on Khan's significant accounting policies and methods used in preparation of Khan's 2016 audited consolidated financial statements and notes, please refer to Note 2 to Khan's 2016 audited consolidated financial statements.

The preparation of Khan's financial statements in conformity with International Financial Reporting Standards (IFRS) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Khan evaluates these estimates and assumptions on a regular basis, based on historical experience and other relevant factors. Actual amounts could differ materially from those estimates and assumptions. Khan's critical accounting estimates are discussed later in this MD&A.

(in thousands of Canadian dollars unless otherwise indicated)

Consolidated Statement of Changes in Net Assets in Liquidation

Consolidated Statement of Changes in Net Assets in Liquidation
For the three and six months ended March 31

	Three months		Six months	
	2017	2016	**2017**	2016
Net assets in liquidation, beginning of period	**7,020**	1,444	**83,086**	1,742
Net effect of adopting a liquidation basis of presentation	**-**		**-**	-
Net assets in liquidation, beginning of period	**7,020**	1,444	**83,086**	1,742
Income				
Finance income	**10**	1	**107**	3
Total Income	**10**	1	**107**	3
Legal expenses	**(285)**	(168)	**(285)**	(267)
General corporate	**(252)**	(306)	**(510)**	(549)
Interest expense	**(3)**	-	**(3)**	-
Foreign exchange gain (loss)	**(15)**	(12)	**23**	(7)
Total Expenses	**(555)**	(486)	**(775)**	(823)
Loss before tax	**(545)**	(485)	**(668)**	(820)
Income tax recoverable (expense)	**149**	(4)	**149**	1
Net loss	**(396)**	(489)	**(519)**	(819)
Loss per share				
Basic income (loss) per share (in Canadian cents)	**(0.00)**	(0.01)	**(0.01)**	(0.01)
Diluted income (loss) per share (in Canadian cents)	**(0.00)**	(0.01)	**(0.01)**	(0.01)
Net loss	**(396)**	(489)	**(519)**	(819)
Fair value adjustment of equity instrument	**366**	(23)	**366**	9
Other comprehensive loss, net of income tax	**366**	(23)	**366**	9
Total comprehensive loss	**(30)**	(512)	**(153)**	(810)
Transactions with shareholders:				
Distribution to shareholders - return of capital	**-**	-	**(76,641)**	-
Employee share options exercised	**-**	1,196	**698**	1,196
Net assets in liquidation, end of period	**6,990**	2,128	**6,990**	2,128

Finance income increased by $104 during the six months and by $9 during the three months ended March 31, 2017 as a result of higher cash balances on hand compared to the prior year.

The legal expenses for winding up the Company were included in the liquidation provision of $1,450 recognized for the year ended September 30, 2016. During the first two quarters of 2017, $426 were incurred and charged against the provision. The legal costs portion of this charge was $48. Legal costs related to ongoing operations of the Company during the three and the six months ended March 31, 2017 were $285 and were associated primarily with the offer from Arden Holding Ltd. to buy the Company at $0.05 per share in cash. In 2016, legal expenses, incurred for the enforcement and collection of the international arbitration award, were $168 for the three and $267 for the six months ended March 31, 2016.

(in thousands of Canadian dollars unless otherwise indicated)

General Corporate Expenses

	Three months		Six months	
	2017	2016	**2017**	2016
Accounting and audit	**9**	14	**16**	31
Investor relations	**10**	23	**33**	24
Insurance	**5**	14	**14**	28
Consulting	**6**	65	**18**	73
Salaries	**194**	144	**330**	281
Office and travel	**28**	46	**99**	112
Total general corporate expenses	**252**	306	**510**	549

Audit fees are comparable between 2016 and 2017 and are accrued on the basis of historical cost of audit fees for the prior years. Accounting fees were higher in 2016 due to additional fees paid for the matters associated with the Company's Dutch subsidiary.

Investor relations expenses were higher during the six months ended March 31, 2017 due to additional fees for preparation and mailing of the Management Information Circular ("MIC") for distribution to shareholders of $0.85 per share in way of a return of capital. Investor relation expenses for the second quarter were higher in 2016 due to the preparation and mailing of a MIC for the Annual General Meeting ("AGM"). The AGM was postponed till the third quarter in 2017.

Insurance expenses were lower during the second quarter and year-to-date in the current year due to lower rates negotiated by the management for Directors' and Officers' (D&O) insurance.

The consulting expenses for winding up the Company were included in the liquidation provision of $1,450 recognized for the year ended September 30, 2016. During the six months ended March 31, 2017, $426 were incurred and charged against the provision. The consulting costs portion of this charge was $165.

Office, travel, and consulting costs related to ongoing operations of the Company were higher in 2016 due to the higher costs associated with the enforcement and collection of the international arbitration award.

Salaries are higher in 2017 due to more frequent directors' meetings in the second quarter related to the proposed sale of the Company.

Income Tax

For the six months ended March 31, 2017 the Company recognized a current income tax recovery of $93 that is related to changes in estimates in the prior year. Another current income tax recovery of a deferred tax asset of $56 was also recognized to offset an equal $56 in current income tax recognized in other comprehensive income related to the fair value adjustment of the investment in Plateau.

Quarterly Financial Information

	Mar. 31 2017 Liquidation basis	Dec. 31 2016 Liquidation basis	Sep 30 2016 Liquidation basis	June 30 2016 Liquidation basis	Mar. 31 2016 Liquidation basis	Dec 31 2015 Liquidation basis	Sep 30 2015	Jun 30 2015	Mar 31 2015
Revenue	10	97	66	6	1	2	2	1	-
Other income	-	-	455	90,139	-	-	-	-	-
Expenses	(406)	(220)	(4,393)	(5,831)	(490)	(332)	(514)	(646)	(1,213)
Net income (loss)	(396)	(123)	(3,872)	84,314	(489)	(330)	(512)	(645)	(1,213)
Basic earnings (loss) per share (Canadian cents)	0.00	0.00	(0.04)	0.96	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)
Diluted earnings (loss) per share (Canadian cents)	0.00	0.00	(0.04)	0.95	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)

Financial Instruments and Risk Management

As at March 31, 2017, the Company's financial instruments include cash and cash equivalents in the amount of $8.0 million and total liabilities of $1.6 million. The risk exposure related to these holdings is described below.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. This risk is mitigated by the fact that as at March 31, 2017, the Company had cash and cash equivalents of $8.0 million to cover total liabilities of $1.6 million.

Credit risk

Credit risk is the risk of loss due to the counterparty's inability to meet its obligations. The Company is exposed to credit risk from its cash and cash equivalents, the maximum exposure of which is represented by the carrying amounts reported on the consolidated statement of net assets in liquidation. This risk is mitigated by the fact that a major Canadian bank holds the Company's cash and cash equivalents.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors. Market factors include three types of risks: currency risk, interest rate risk and price risk. The Company is exposed to currency risk only at March 31, 2017. Interest rate risk is minimal at this time.

> Currency risk – Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market currency rates.
>
> The Company is exposed to currency risk because it maintains bank accounts denominated in Euros (EUR) and U.S. dollars (USD). 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 March 31, 2017, with other variables unchanged, a 1% strengthening (weakening) of the EUR and USD against the CAD would have increased (decreased) net income by approximately $500 thousand.

Off-Balance Sheet Arrangements

The Company's balance sheet is the consolidated statement of net assets in liquidation. The Company does not have any off-balance sheet arrangements with the exception of an indemnification agreement with the independent third party that purchased the Company's subsidiary, Khan Resources Bermuda Ltd. on August 17, 2016. The Company has indemnified the purchaser against certain contingencies. The indemnity is capped at $2 million and will expire on August 16, 2017. Khan has not recognized this indemnity in its consolidated financial statements because management has judged that the probability that the indemnity will be utilized is remote.

Transactions with Related Parties

During the quarter, certain directors, officers and employees of the Company exercised all outstanding share options as at September 30, 2016 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.

Proposed Transactions

There are no significant transactions 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 amounts reported in the consolidated financial statements and notes. Actual results could differ from those 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 was included in the following notes to the audited consolidated financial statement at September 30, 2016 and have not changed:

- 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 Fair Value through Other Comprehensive Income.

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.

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

Risks Factors

The Company has previously described certain risks associated with the liquidation plan but with that plan now terminated, those risks no longer exist. Other risks which the Company is not aware of or which the Company currently deems to be immaterial may surface and have a material adverse impact on the Company's business income and financial condition.

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, 2017 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 and Uncertainties" 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.