



TSX:KRI

Khan Sets Out Development Plan for Dornod Uranium Project in Mongolia

TORONTO, ONTARIO, September 28, 2009 – Khan Resources Inc. (TSX:KRI) today announced its development plan for the Dornod Uranium Project (“Project”) in the Republic of Mongolia. Aker Solutions of Toronto completed a Definitive Feasibility Study (“DFS”) for Khan in March 2009, which demonstrates an internal rate of return after tax of 29.1% for the Project at a long-term uranium price of US\$65 per lb. of U₃O₈, and assumes a three year construction period after the awarding of engineering contracts. “The DFS confirms that Khan’s Dornod Uranium Project is one of the most economic of the next generation of uranium mines and is poised to come into production in short order during the period of expected higher uranium prices,” said Martin Quick, President and CEO of Khan.

Step One in the development plan is negotiating and obtaining an Investment Agreement from the Government of Mongolia. Mr. Quick added that “We are encouraged by the recent progress achieved by Ivanhoe and Rio Tinto on negotiating an Investment Agreement on their Oyu Tolgoi copper gold project and we are prepared to immediately commence negotiations with the Government of Mongolia. Recent discussions in Mongolia with our joint venture partners indicate a desire by all to advance the development of the deposit.” Khan holds a 58% joint venture interest in Central Asian Uranium Company, Limited (“CAUC”), which in turn holds a mining license on the Main Dornod Property. Other joint venture partners are the Russian state-owned company JSC Priargunsky, which holds a 21% interest in CAUC, and MonAtom, a Mongolian state-owned entity, which holds the remaining 21%. Khan also holds a 100% interest in an adjacent exploration license area, known as the Additional Dornod Property. CAUC and Khan are in the process of re-registering the mining and exploration licenses under Mongolia’s new Nuclear Energy Law.

As set out in and current as of the date of the DFS, the probable mineral reserve prepared by P&E Mining Consultants Inc. for the Deposit No. 2 open pit and the Deposit No. 7 underground orebody is 18.0 million tonnes at an average grade of 0.133% U₃O₈ for 52.9 million lbs of U₃O₈ out of the 64.3 million lbs U₃O₈ of indicated mineral resources. Khan has a 58% interest in Deposit No. 2 and two-thirds of Deposit No. 7, plus a 100% interest in the remaining one-third of Deposit No. 7. This ownership gives Khan an overall interest of 69% of the uranium contained in both deposits.

Khan’s Dornod Uranium Project is expected to generate substantial economic benefits to the Government and people of the Republic of Mongolia. At an expected mine life of 15 years and assuming a long-term uranium price of US\$65 per lb U₃O₈ with a through-put of 3,500 tonnes per day generating an average annual production rate of 3.0 million lbs U₃O₈ at a cost of US\$23.22 per lb U₃O₈ or US\$58.26 per tonne of ore, the DFS estimates total payments of approximately US\$464 million for royalties and corporate income taxes to the Republic of Mongolia. Mr. Quick

added: “The Project will operate in a high unemployment region of Mongolia, the Dornod Aimag, where we plan an employment level of approximately 933 persons during the peak employment year, with an average of 97.5% Mongolian nationals over the life of the project. Khan's plan is to build a mill and extract the maximum economic value for the Dornod project, and not to export unprocessed ore.”

Step Two is financing the Dornod Uranium Project. “We need clarification under the newly enacted Nuclear Energy Law as to Mongolia’s desired ownership level, and assurances that the Government of Mongolia and JSC Priargunsky of Russia will both fully fund their share in the Project before proceeding to seek project financing”, said Mr. Quick. “We believe the strong economics of the Project, with the expected high internal rate of return and a net present value of US\$276 million after tax, using a 10% discount rate, will allow a fairly high ratio of project debt.” Currently, the Government of Mongolia and JSC Priargunsky each hold 21% interests in Mining License 237A, which together approximate 31% of the total Dornod Uranium Project resource.

Step Three is the construction phase. Martin Quick said: “We are optimistic that we will be able to reduce the estimated US\$333 million in capital expenditures. In particular we will investigate the use of pre-owned mill equipment in order to reduce the cost of the mill which is currently estimated at US\$110 million.” The projected development combines the underground mining of Deposit No. 7 in years 1 to 15 with open-pit mining for Deposit No. 2 in years 8 to 15. Khan intends to use the resin-in-pulp method recommended by Aker Solutions. Mr. Quick added: “We believe the resin-in-pulp method is the best recovery technology for the project which will yield an average recovery rate of 88% for the combined No. 2 and No. 7 deposits.” Successfully implemented in East Africa and Russia, the resin-in-pulp method simplifies the conventional uranium processing circuit by eliminating the need for the more expensive and fire prone solvent extraction step.

Khan has completed a substantial amount of work at the Dornod site to date to ready the Project for the construction phase. From definition drilling to prove-up the uranium resource and detailed metallurgical test work, through to a comprehensive Environmental Impact Assessment and the recently completed DFS, Khan and its subsidiaries have invested over US\$20 million to lay the ground-work for this next phase. On-site, a 70 person self-contained camp has been built, lined settling ponds have been constructed in preparation for mine de-watering, and work is being completed on a 27 km power line bringing main-line power into the project from the Choibalsan generating station.

James Doak, Chairman of Khan said: “Khan intends to develop the Dornod Uranium Project in such a way as to maximize the value to our shareholders by avoiding unnecessary dilution in the project financing. We would like to produce uranium into the anticipated strengthening phase of the uranium cycle starting in 2013. Our shares are trading at close to their per share cash value and we are looking forward to demonstrating the Dornod economics to the marketplace.” Added Martin Quick: “We acknowledge the legitimate interest of the Government of Mongolia in ensuring that its people benefit from the uranium and other natural resources in Mongolia. We remain committed to working constructively with the Government to demonstrate that this can be achieved while still respecting our legal rights. We encourage the Republic of Mongolia to expedite the Investment Agreement necessary for Khan to proceed with this Project, which is expected to bring significant economic and social benefits to the Republic of Mongolia in general and the northeast Dornod region in particular.”

Khan's ability to negotiate and obtain an Investment Agreement from the Mongolian Government and to bring the Dornod Uranium Project into production in accordance with its current development plan will depend on, among other things, Khan successfully re-registering the Dornod mining and exploration licenses under the new Nuclear Energy Law, and Khan and its joint venture partners successfully negotiating and entering into an updated joint venture development agreement. Khan is currently in the process of re-registering the licenses and taking other steps as part of its long-term and continuing objective of bringing the Dornod Uranium Project into production while at the same time enhancing shareholder value. There can be no assurance as to the timing or ultimate success of achieving a satisfactory Investment Agreement or these other steps. Reference is made to Khan's September 11, 2009 news release providing an update on the new Nuclear Energy Law and other developments. Khan will continue to provide further updates concerning this and other developments in Mongolia as information becomes available.

NI 43-101 and Qualified Persons

As previously disclosed by Khan, Hrayr Agnerian, P.Geo., Associate Consulting Geologist at Scott Wilson Roscoe Postle Associates Inc., E.J. (Gene) Puritch, P.Eng. and Malcolm Buck, P.Eng., P&E Mining Consultants Inc., and Les Heymann, P.Eng., Senior Process Consultant, Aker Solutions, are the qualified persons (as defined under National Instrument 43-101) on the Project and supervised the preparation of the technical information contained in the prior news release issued by Khan on March 11, 2009 in respect of the results of the DFS, which formed the basis for the technical information reproduced in this news release.

Reference is made above to Khan's March 11, 2009 news release with regard to the results of the DFS. Reference is also made to the DFS, a copy of which has been filed on SEDAR. Both documents are available on SEDAR at www.sedar.com. Pursuant to National Instrument 43-101, Khan cautions investors not to assume that any part or all of Khan's mineral resources constitute or will be converted into reserves and that mineral resources that are not mineral reserves do not have demonstrated economic viability.

Forward-Looking Statements and Information

This press release may contain forward-looking statements and forward-looking information, which are subject to certain risks, uncertainties and assumptions. Forward-looking statements and information are characterized by words such as "will", "plan", "expect", "project", "intend", "believe", "anticipate", "forecast", "schedule", "estimate" and similar expressions, or statements that certain events or conditions "may" or "will" occur. Forward-looking statements and information are not historical facts and are based upon a number of estimates and assumptions and are inherently subject to significant business, social, economic, political, competitive and other risks and uncertainties, contingencies and other factors. A number of factors could cause actual results to differ materially from the results discussed in such statements and information, and there is no assurance that actual results will be consistent with them. For further details, reference is made to the risk factors discussed or referred to in Khan's annual and interim management's discussion and analyses and Annual Information Form on file with the Canadian securities regulatory authorities and available on SEDAR at www.sedar.com. Such forward-looking statements and information are made or given as at the date of this news release, and Khan assumes no obligation to update or revise them, either publicly or otherwise, to reflect new events, information or circumstances, except as may be required under applicable securities law.

***Khan Resources (TSX:KRI)** is a Canadian company engaged in the acquisition, exploration and development of uranium properties. Its current activities are focused on the Dornod area in northeastern Mongolia, the site of a former Russian open-pit uranium mine. Khan holds interests in the Main Dornod Property, licensed for mining, and in the Additional Dornod Property, licensed for exploration. The Company's website is www.khanresources.com.*

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