



TSX:KRI

KHAN RESPONDS TO NEWS RELEASE ISSUED BY ATOMREDMETZOLOTO JSC

TORONTO, ONTARIO, December 22, 2009 – Khan Resources Inc. (TSX:KRI) ("Khan") announced today its response to the news release issued by Atomredmetzoloto JSC on December 18, 2009 (the "ARMZ Release"). The ARMZ Release was in response to Khan's Directors' Circular dated December 14, 2009 in which the Khan Board of Directors, on the unanimous recommendation of the Special Committee, unanimously recommends that shareholders REJECT and NOT TENDER their shares to ARMZ's unsolicited offer to acquire all of the outstanding common shares of Khan at \$0.65 in cash per share (the "Offer").

"We feel compelled to respond to the ARMZ Release", said Grant Edey, Chairman of the Special Committee. "It contains inaccurate or misleading information, and does not address the very real and substantial concerns identified by the Special Committee and the Board of Directors of Khan in coming to its unanimous determination that the Offer is not in the best interests of Khan or its shareholders. We continue to stand by our recommendation to Khan shareholders to reject the ARMZ Offer."

Khan believes that there are many inaccurate statements and misleading information contained in the ARMZ Release that shareholders should be aware of; however, Khan believes that the following issues in particular should be clarified:

- The ARMZ Release states that: "The Conditions contained in the Offer are standard for offers of this type and are meant to protect ARMZ in the event Khan undertakes any initiatives to diminish the value of the Khan Shares in the context of the Offer ... A large number of the conditions contained in the Offer are fully within the ability of Khan management to satisfy by not taking any actions to frustrate the Offer. At this time, ARMZ fully expects that all of the conditions of the Offer will be fully satisfied at the Expiry Time." This statement suggests rather clearly that ARMZ has waived or intends to waive all conditions that do not relate to initiatives undertaken by Khan to diminish the value of Khan's shares in the context of the Offer. ARMZ has, in Khan's view, indicated the manner in which it would have shareholders interpret the conditions of the Offer. Khan has today written to ARMZ (see attached letter) to confirm this interpretation and make certain that shareholders have not been misled.
- ARMZ's statement that the Offer compares favourably with the recent Western Prospector Group Ltd. acquisition is misleading. The implied value per pound of measured and indicated resource paid for Western Prospector was approximately US\$1.09/lb U₃O₈ versus ARMZ's current Offer for Khan at US\$0.65/lb (assuming 51% Mongolian government ownership). The statement also ignores the substantial differences between Khan's project and Western's Gurvanbulag project. Both Khan and Western had feasibility studies published in 2009 using a uranium price of US\$65 per pound. Khan's Dornod after tax NPV_{10%} was calculated to be **US\$276.0 million** (US\$108.4 attributable to Khan under 51% Mongolian government ownership). In contrast, Western's Gurvanbulag after tax NPV_{5%} was calculated to be **negative US\$51.3 million**, confirming that the pounds contained within Khan's Dornod project are substantially more valuable than those at Western's Gurvanbulag project.

Each of Khan's Special Committee and its Board of Directors stands by its unanimous recommendation to REJECT the ARMZ Offer and each and every one of the detailed "Reasons for Rejection" set out in the Directors' Circular and summarized in Khan's related press release dated December 15, 2009, copies of which are available on SEDAR at www.sedar.com.

RECOMMENDATION AND DIRECTORS' CIRCULAR

Khan's Board of Directors, on the unanimous recommendation of the Special Committee, continues to unanimously believe that the ARMZ Offer is inadequate, fails to recognize the full value of Khan, contains objectionable terms and conditions that are not in the best interests of Khan or its shareholders and is a prejudicial and opportunistic attempt by ARMZ to acquire Khan without offering fair value to shareholders. The Board of Directors unanimously recommends that shareholders REJECT the ARMZ Offer and NOT TENDER their common shares to the ARMZ Offer. The Directors' Circular has been mailed to shareholders of Khan. It is also available on SEDAR at www.sedar.com. Khan strongly urges shareholders to read the Directors' Circular in its entirety, including the inadequacy opinion of Haywood Securities Inc.

HOW TO WITHDRAW TENDERED SHARES AND OTHER INQUIRIES

To reject the ARMZ Offer, you should do nothing. The Offer is open for acceptance until February 1, 2010. Tendering your shares before the Special Committee and its advisors have had an opportunity to explore all available alternatives may preclude the possibility of a superior strategic transaction emerging.

Shareholders who have already tendered their shares to the ARMZ Offer can withdraw them at any time before they have been taken up and accepted for payment by ARMZ. Shareholders holding shares through a dealer, broker or other nominee should contact such dealer, broker or nominee to withdraw their common shares. Shareholders may also contact the information agent retained by Khan:

Georgeson

100 University Avenue
11th Floor, South Tower
Toronto, Ontario
M5J 2Y1

North American Toll-Free Number: 1-866-374-9877
Banks and Brokers and Collect Number: 1-212-806-6859
Email: gsproxygroup@gscorp.com

ABOUT KHAN RESOURCES INC.

Khan Resources Inc. (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.

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, regulatory, competitive and other risks and uncertainties, contingencies and other factors, including the impact of Mongolian and Canadian laws and regulatory requirements on ARMZ's Offer and Khan's business, properties, licenses, operations and capital structure, Khan's ability to re-register its existing licenses, regulatory uncertainty and obtaining governmental approvals, legislative, political, social, regulatory and economic developments or changes in jurisdictions in which Khan and ARMZ carry on business, the speculative nature of exploration and development, risks involved in the exploration, development and mining business, changes in market conditions, changes or disruptions in the securities markets and market fluctuations in prices for Khan securities, the lack of any alternative transactions or the terms and conditions of any alternative transactions not being acceptable, the method of funding and availability of potential alternative strategic transactions involving Khan, including those transactions that may produce superior strategic value to shareholders, and uncertainty in the estimation of mineral reserves and resources. In addition, a number of other 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.

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PRIVATE & CONFIDENTIAL

December 22, 2009

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Facsimile: +7-495-508-8810

Attention: Vadim Zhivov, Director General
Tigran G. Khachaturov, Acting General Director
Oleg Febyashin, Director, Corporate Development Department

Unsolicited Offer for Khan Resources Inc. ("Khan")

Dear Sirs:

We refer to the news release issued by Atomredmetzoloto JSC ("ARMZ") on December 18, 2009 in which ARMZ responded to our Directors' Circular (the "ARMZ Release"). We were surprised by the following statement in the ARMZ Release: "The Conditions contained in the Offer are standard for offers of this type and are meant to protect ARMZ in the event Khan undertakes any initiatives to diminish the value of the Khan Shares in the context of the Offer, including another non-core equity investment such as Macusani. A large number of the conditions contained in the Offer are fully within the ability of Khan management to satisfy by not taking any actions to frustrate the Offer. At this time, ARMZ fully expects that all of the conditions of the Offer will be fully satisfied at the Expiry Time."

Based on our reading of the ARMZ offer to purchase (the "Offer") and related take-over bid circular dated November 30, 2009, the lengthy list of highly discretionary conditions go far beyond what would be necessary to protect ARMZ from initiatives or actions taken by Khan that might diminish the value of the Khan shares or frustrate the Offer. In particular, on our interpretation of the conditions, there are many events and existing circumstances in Mongolia that would permit ARMZ to exercise its right not to proceed with the Offer in the absence of any action whatsoever by Khan. For example, the regulatory uncertainty surrounding the pending license re-registrations and the application of the Mongolian Nuclear Energy Law would, in and of themselves, constitute grounds for ARMZ to exercise its broad discretion not to complete the Offer, a decision ARMZ could make at any time prior to expiry of your Offer.

Your characterization of this point in the ARMZ Release appears to us to be a clear suggestion and encouragement to our shareholders as to the manner in which they should interpret the conditions. It can only be seen as a statement that ARMZ has waived or intends to waive all conditions of the Offer that do not relate to initiatives undertaken by Khan to diminish the value of Khan's shares in the context of the Offer. Should your statement be intended to be anything else, it is misleading to Khan shareholders and to the markets in general. Under the circumstances, ARMZ bears the responsibility for all consequences of this statement. Accordingly, and given our necessary focus on the best interests of Khan and its shareholders, we urge ARMZ to promptly and publicly provide a full clarification of its position on this matter.

Yours sincerely,

Grant A. Edey
Chairman, Special Committee of the Board of Directors
Khan Resources Inc.