

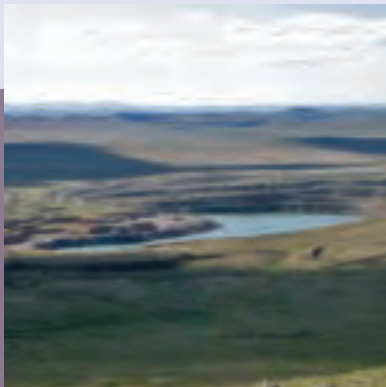


BUILDING TOWARDS PRODUCTION



“There is no sensible alternative to nuclear power if we are to sustain civilization”

Dr. James Lovelock, world leader in the development of environmental consciousness



“ We are committed to responsible management of our resources throughout the development and production stages.”

Table of Contents

- 1 Highlights of 2007**
Objectives for 2008
Financial Highlights
- 2 Letter to Shareholders from the President and CEO**
- 3 Letter to Shareholders from the Chairman**
- 4 Q and A with the CEO**
- 5 Dornod Uranium Project**
- 6 Pre-feasibility Study**
- 10 Building Towards Production**
- 11 Mineral Reserves and Resources**
- 12 Uranium’s Future**
- 14 Mining in Mongolia**
- 16 Corporate Information**

The new camp can
accommodate
80 employees.

Khan Resources Inc. Moving Forward

Highlights of 2007

- **Raised \$30 million**
- **Completed Pre-feasibility Study showing excellent results**
- **Completed definition drilling program**
- **Increased NI 43-101 Indicated Resource by 16 per cent to 64.3M lbs U₃O₈**
- **Hired Executive Director/Country Manager for Mongolia**
- **Completed Environmental Screening Study and Mongolian Environmental Impact Assessment**
- **Completed new camp**

Financial Highlights

- On March 1, 2007, the Company closed a prospectus financing of 8,150,000 common shares at a price of Cdn\$3.70 per share for aggregate gross proceeds of US\$25.7 million (Cdn\$30.2 million).
- At September 30, 2007, the Company had cash of US\$33.9 million compared with US\$8.8 million at September 30, 2006.
- During the year ended September 30, 2007, cash increased by US\$25.0 million compared with an increase of US\$3.4 million in the comparable period of 2006.
- Total assets of the Company at September 30, 2007 were US\$43.0 million compared with US\$23.8 million at September 30, 2006.
- During the year ended September 30, 2007, the Company incurred a loss of US\$13.5 million or \$0.28 per share compared with US\$2.9 million or \$0.08 per share in the comparable period in 2006.

Objectives for 2008

- Complete the Definitive Feasibility Study
- De-water the Dornod underground mine and commence rehabilitation work
- Negotiate an Investment Agreement with the Government of Mongolia
- Convert the Special Exploration Licence to a Mining Licence
- Expand the Company's horizons by exploring new opportunities through alliances with other companies

Letter to Shareholders from the President and CEO



This year was one of mixed fortunes for our Company. On the positive side, we completed a very successful Pre-feasibility Study with an accompanying large increase in the uranium Indicated Resource. However, we have witnessed continued

political instability in Mongolia and all new mining projects remain on hold.

Mongolian politics requires patience and perseverance. With the election of a new Prime Minister and the appointment of a new Cabinet, we look forward to a more positive approach by the Government of Mongolia toward foreign investment, and in particular, to the advancement of the Dornod Uranium Project.

We continue to be encouraged with a superb uranium resource at Dornod which increased this year, and now stands at 25.3 million tonnes at a grade of 0.116 per cent U_3O_8 for 64.3 million lbs U_3O_8 (of which 49 million lbs are in the Probable Reserve category). Our summer drilling program further confirmed the continuity, thickness, and limits of the main orebody, although it did not result in any additional increases in tonnage.

“We are committed to follow our industry’s best practices for sustainable development with respect to safety, health, social responsibility, and environmental stewardship.”

We are building and sustaining the trust of the government, both on a local and national level, by providing charitable assistance and employment opportunities to Mongolians throughout our development phase. In particular, we welcome two senior staff members, Enkhbayar “Eric” Ochirbal as Executive Director and Country Manager, and Galsan “Jam” Jamsandorf, Chief Geologist in Mongolia. They have already proven their outstanding capabilities and dedication to the Company this past year.

At Khan Resources, we recognize our responsibilities to the host country and the people of Mongolia. We have a world-class uranium deposit, and we are committed to follow our industry’s best practices for sustainable development with respect to safety, health, social responsibility, and environmental stewardship.

A handwritten signature in blue ink, reading "Martin Quick".

Martin Quick, ACSM, P.Eng.
President and CEO

December 18, 2007



Letter to Shareholders from the Chairman



I am pleased to report that Khan Resources greatly improved its balance sheet this year by raising \$30.2 million through the issue of 8.15 million shares at \$3.70 per share during the quarter ending March 31, 2007.

As a result, your

Company is in a strong financial position with approximately \$34 million in cash at fiscal year end (September 30, 2007), which is sufficient to continue the development of the Dornod Uranium Project in north eastern Mongolia.

The results of the Pre-feasibility Study are most encouraging and your Board of Directors has approved the initiation of a full Definitive Feasibility Study. The Pre-feasibility Study completed in August indicates a high-quality deposit with the potential for an excellent economic return as the demand for uranium continues to exceed global supply. Khan Resources is ready to proceed as soon as we receive the requisite political approvals.

The uranium fundamentals over the past year have not changed, as there is simply insufficient supply to meet the growing worldwide demand. The uranium spot price continues to firm from its low point of \$75 per lb U₃O₈ earlier this summer and is currently at \$90 per lb U₃O₈. The Dornod Uranium Project rate of return of over 37 per cent over its 15-year life is based on an uranium price of \$55 per lb U₃O₈.

“The results of the Pre-feasibility Study are most encouraging and your Board of Directors has approved the initiation of a full Definitive Feasibility Study.”

During 2007, your Company strengthened its Board of Directors by adding two senior businessmen: Grant Edey, formerly CFO of an international gold producer, and who has substantial uranium industry experience; and the Honourable Robert Kaplan, former Solicitor General of Canada. We would also like to thank all shareholders for their participation as we move forward to production.

James B. C. Doak
Chairman of the Board

December 18, 2007



Q and A with the CEO

Q What is the status of Khan's licences in Mongolia?

A As one of the largest uranium deposits in Mongolia, the Dornod property has attracted political attention and it has been designated as a deposit of "strategic importance". Mongolia already owns a portion of the Main Dornod Property through its 21 per cent interest in the Central Asia Uranium Company (CAUC). It is not certain whether or on what terms Mongolia would seek to acquire additional equity in the property, or the amount of such additional equity. The Dornod Mining Licence was recently re-issued and remains in good standing. Khan also continues to take the necessary steps to convert the Dornod Exploration Licence into a Mining Licence in accordance with the 2006 Minerals Law.

Q How are Investment Agreements negotiated with the Government of Mongolia?

A Investment Agreements are required for each mining project and they are negotiated by a working group led by the Ministry of Finance which includes representatives from at least five other ministries. The Investment Agreements must be ratified by the Security Council, which consists of the President, Prime Minister and Speaker, and the Grand Khural, which is the Legislative Assembly with 76 members elected by the citizens of Mongolia.

Q When do you anticipate completing the construction of the Dornod mine?

A The Dornod Uranium Project implementation schedule is conservatively estimated to be approximately 45 months from the start of the Feasibility Study, which was commenced in December 2007, to the start of plant production. However, no major capital expenditures or mine development will take place

until we have successfully concluded an Investment Agreement with the Government of Mongolia, and we have an updated joint venture agreement in place with our CAUC partners. We anticipate that both of these agreements will be in place by the end of the third quarter of 2008.

Q Why did Khan sell its Big Bend Gold Property in Mongolia?

A Our Board of Directors determined that placer gold mining did not fit with the Company's primary goal of becoming an uranium producer, and the sale of the Big Bend Gold Property to Berleg Mining Co. Ltd. for cash proceeds of US\$2.5 million fits with our strategic objectives.

Q What are your projections for the price of uranium?

A We have seen wild swings in the price of uranium in the spot market in 2007, which started the year at \$71 per lb, rose to \$137 per lb by the summer, slipped back to \$75 in the fall, and then recovered again to \$90 by mid-December. However, only a small portion of uranium purchasing is conducted on the spot market, as the majority of sales are negotiated as proprietary long-term contracts. A large percentage of the swings in the spot market were not due to real demand as much as they were to the activities of hedge funds and hoarders. The true fundamentals have not changed as supply is simply not keeping up with demand. This situation is likely to continue until such time as large new producers, such as Cigar Lake in Canada and the expanded Olympic Dam in Australia, come on stream during the period 2012 to 2015. Therefore, spot and long-term prices will continue to firm during this period, and will likely be in the range of \$100 to \$180 per lb U₃O₈, as real demand continues to rise and supply continues to lag behind.



The Project is located
in north eastern Mongolia.

Dornod Uranium Project Introduction and Overview



The Project is located in the north eastern portion of Mongolia some 650 kilometres to the east of the capital city Ulaan Baatar. It is the site of a former open-pit uranium mine which was in operation between 1988 and 1995 by the Soviet Union state-owned company, Priargunsky.

The Project consists of two properties, the Main Property of which Khan has a 58 per cent interest, and an adjacent area known as the Additional Property of which Khan has a 100 per cent interest.

DORNOD

“

Khan Resources is entering a robust global uranium market with production at the Dornod property”



Pre-feasibility Study Highlights

The Pre-feasibility Study for the Dornod Uranium Project indicates a high-quality deposit with the potential for an excellent economic return. The upgrading of a substantial portion of the deposit into the Probable Reserve category represents a significant milestone for Khan Resources.



1921

Mongolia achieves independence from Chinese rule with Russian assistance.



1924

The Mongolian People's Republic adopts a communist political system and aligns itself with the Soviet Union.



1977

The Dornod uranium ore deposit is discovered.



1981

An agreement between the Soviet Union and Mongolia allows Russian interests to develop the mine and build the supporting infrastructure.



1988

Priargunsky mines the No. 2 deposit as an open-pit operation. The No. 7 deposit is partially developed with three shafts. The ore is shipped by rail to Russia for processing.



1990

Perestroika leads to the dismantlement of the Soviet Union. USSR withdraws its technical and financial assistance plunging Mongolia into a deep recession.



Capital Cost Summary

Capital costs for mining and processing were determined by soliciting quotations for mining and processing equipment from both Chinese and North American suppliers. The cost estimates have a predicted accuracy level of +/- 20 per cent. All costs are expressed in US dollars.

Total Direct Costs	\$ 173,968,000
Total Indirect Costs	51,651,000
Contingency	41,215,000
Total Direct & Indirect Costs	266,834,000
Owner's Costs	16,150,000
Total Project Capital Cost	\$ 282,984,000

Operating Cost Summary

The average cost of production is \$49.21 per lb U₃O₈, based on estimated Life-of-Mine Operating Costs from 2008 to 2027. The current long-term price is \$95 per lb U₃O₈.

1992

A new Mongolian constitution is drafted, followed by its first multi-party elections.



1996

The low price of uranium prevents further exploration of the Dornod property by Priargunsky. The mine is shut down.

U₃O₈

1997

Parliament passes the first Minerals Law to attract foreign exploration companies. Stability agreements set tax rates for a defined period of time.

2002

Khan Resources is incorporated in October for the purpose of acquiring uranium and gold interests in Mongolia.

KHAN
RESOURCES INC.

2006

Parliament amends its Minerals Law, causing concern within the international mining community because it allows the government to invest in strategic deposits.



2007

Pre-feasibility Study indicates excellent economic return for the Dornod Uranium Project based on existing market conditions.



Community relations and the benefits of the Dornod Uranium Project for the local people were discussed during a meeting between President and CEO, Martin Quick and Governor Janalav in his office at the provincial or “Aimag” capital of Choibalsan.



Mining

The underground and open-pit operations are designed to produce 1,225,000 tonnes per year at a rate of 3,500 tonnes per day. A total of 18.3 Mt of ore grading at 0.122 per cent U_3O_8 will be mined over a period of more than 15 years.

Underground mining is proposed for the No. 7 deposit which was partially developed for definition drilling by Priargunsky. Currently the underground workings are flooded and the mine will be de-watered to fully evaluate its condition.

The No. 2 deposit was mined as an open-pit operation from 1988 to 1995. It is partially flooded and will serve as a reservoir for process water during the early years of operation. As production of the No. 7 deposit begins to drop, open-pit mining will commence which is expected to last just over seven years.

Manpower

An expatriate workforce is assumed for most staff and highly specialized hourly positions during pre-production development and the early years of operation. In 2013, trained local personnel will begin to reduce the expatriate workforce from 30 per cent to 6 per cent by 2017.

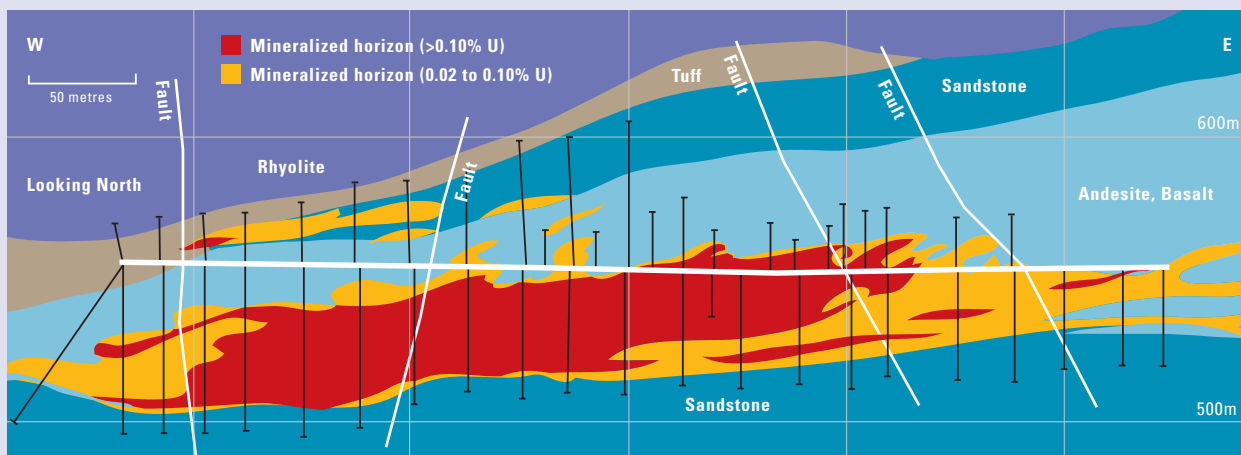
Total Mine Manpower - Average Year

	Hourly	Staff	Total
Mine	80	29.5	109.5
Mill	46	5	51
G&A	37	12	49
Total	163	46.5	209.5

Residue Disposal

The processing plant will produce about 1.291 Mt of residue each year. The residue will be deposited into a Residue Management Area facility which will be constructed on surface. A geomembrane liner will prevent possible contamination of the groundwater. After deposition ceases, the residue will be covered with waste rock to prevent the dispersion of the residue by the wind.

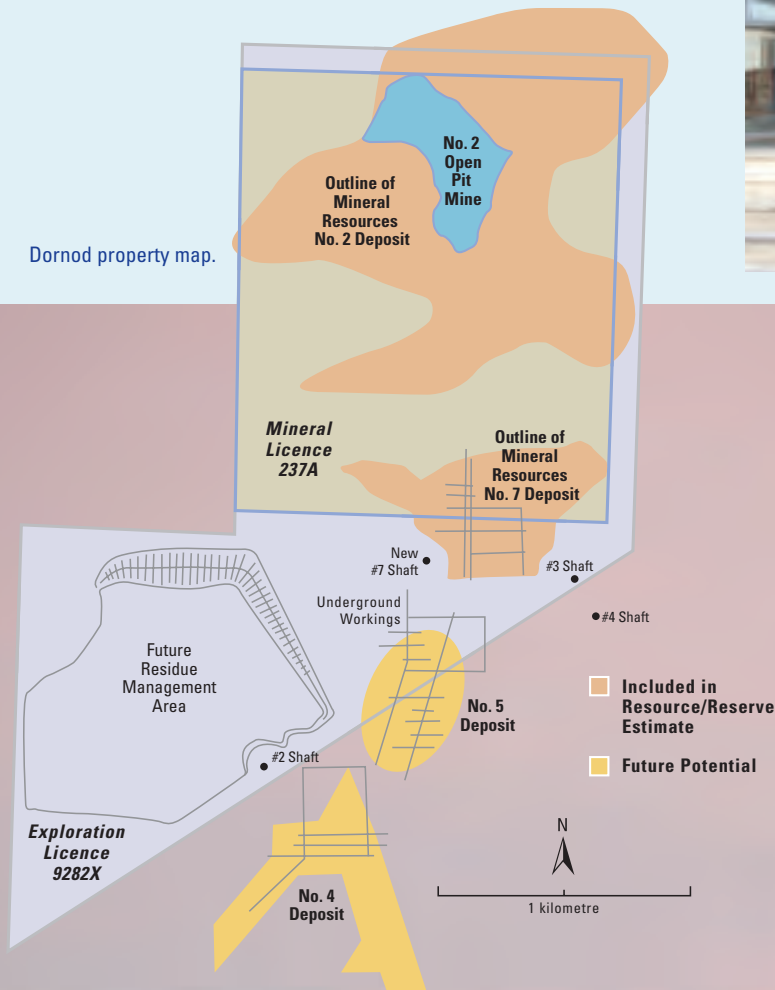
Cross Section, Deposit No. 7



Enkhbayar "Eric" Ochirbal, Executive Director (left) and Paul Caldwell, CFO in Ulaan Baatar.



Dornod property map.



“Khan Resources is currently advancing two of its primary deposits...”

Building Towards Production Highlights

Project Target Forecast

The overall duration of the implementation schedule for the Project is 45 months from the start of the Definitive Feasibility Study to the start of plant production. Project schedule milestones are listed below:

<div> 2008</div> <div>January Start of Definitive Feasibility Study Award mine de-watering contract</div> <div>August Award grinding mills purchase order</div> <div>October Start of front-end engineering design</div> <div>December Project financing in place</div>
<div> 2009</div> <div>January Start of pre-production development</div>
<div> 2010</div> <div>April Start of process plant construction</div> <div>December Permanent power available</div>
<div> 2011</div> <div>August Start of process plant commissioning</div> <div>September Start of production</div>

Critical Path Activities

The critical activities affecting the Project duration are those related to the purchase and installation of the grinding mills.

- Place grinding mill purchase order: 3 months
- Manufacture grinding mills and delivery to site: 27 months
- Installation of grinding mills: 8 months
- Process plant commissioning: 2 months.

The purchase of refurbished mills is being investigated in order to reduce the time frame.



Mineral Reserves and Resources

(As at September 30, 2007)



Probable Mineral Reserve

Location	Category	Tonnes (million)	%U ₃ O ₈	lb U ₃ O ₈ (million)
No. 7 deposit	Probable	11.28	0.156	38.9
No. 2 deposit	Probable	6.94	0.067	10.2
Total	Probable	18.22	0.122	49.1

Notes:

1. CIM definitions were followed for mineral reserves.
2. Mineral reserves were estimated using a U₃O₈ price of US\$55/lb.
3. Mineral reserves were estimated using an underground cut-off grade of 0.04 per cent U₃O₈ for No. 7 deposit, and an open-pit cut-off grade of 0.025 per cent U₃O₈ for No. 2 deposit.
4. The numbers for tonnage, per cent U₃O₈ and contained lbs U₃O₈ are rounded figures.

Indicated Resource

Location	Category	Tonnes (million)	%U ₃ O ₈	lb U ₃ O ₈ (million)
No. 7 deposit	Indicated	14.36	0.154	48.6
No. 2 deposit	Indicated	10.95	0.065	15.7
Total	Indicated	25.31	0.116	64.3

Notes:

1. CIM definitions were followed for mineral resources.
2. Mineral resources were estimated using a U₃O₈ price of US\$55/lb.
3. Mineral resources were estimated using a cut-off grade of 0.04 per cent U₃O₈ for No. 7 deposit and 0.025 per cent U₃O₈ for No. 2 deposit.
4. No. 7 deposit was modeled at a minimum of 5-m vertical thickness, No. 2 deposit was modeled at a minimum of 2-m vertical thickness.
5. The numbers for tonnage, per cent U₃O₈ and contained lbs U₃O₈ are rounded figures.

Mineral reserves were estimated for this report assuming underground longhole open stoping methods with delayed backfill for No. 7 deposit with stope sizes and pillar layouts as described in a geotechnical study by Golder Associates Limited. Reserves for No. 2 deposit assume open-pit mining, and are based on a designed open pit derived from a Whittle pit optimizing program.

Gers are ideally suited to the country's extremes of climate and the nomadic lifestyle of the people of Mongolia. The ger consists of a collapsible circular wooden frame, covered by wool felt and a durable, waterproof white canvas. The round shape keeps it resilient to Mongolia's ferocious winds and the layers of felt are adjusted depending on the weather.



Courtesy of Marubeni Corporation

Uranium's Future Trends and Potential

Asia's Growing Demand for Uranium

The demand for uranium continues to drive exploration activities throughout the world. With an estimated three per cent of global reserves, Mongolia is no exception. Mongolia is also strategically positioned to meet Asia's rapidly expanding markets for uranium.

The first nuclear power plant in the world was built by the Russians and it went into operation in 1954. After the Chernobyl accident in the Ukraine in 1986, construction of new plants in the Soviet Union was put on hold for almost two decades. Today, there is a resurgence of interest in nuclear energy. Russia currently has 34 plants in operation. Four are under construction and there are plans to build another 26 by 2030. Russia continues to convert highly enriched uranium, previously required for its weapons program, into fuel for existing power plants. However, the supply will not be adequate to fuel the future growth of its nuclear reactors.

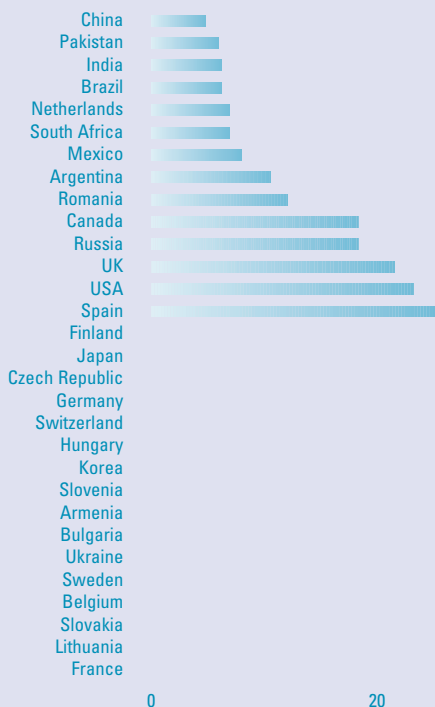
China is looking at a number of options to reduce its dependence on high-sulphur coal-fired plants to meet its insatiable demand for energy. As the world's largest coal consumer, China has been blamed for causing significant health problems not only for its own people but also those living in surrounding countries. China recognizes that nuclear energy is the most promising alternative since it is clean, cost-effective and environmentally safe. With 11 reactors in commercial operation, 4 under construction, and 27 on the drawing board, China will be relying heavily on imported uranium.

India also plans to add to its current nuclear generating capacity to meet its increasing electricity needs to fuel its economic growth. India's first reactor went into operation in 1969. Today, there are 17 operating reactors and 5 under construction. India's uranium reserves account for less than one per cent of the global supply and the country will need to rely on imported uranium as its nuclear energy program expands.

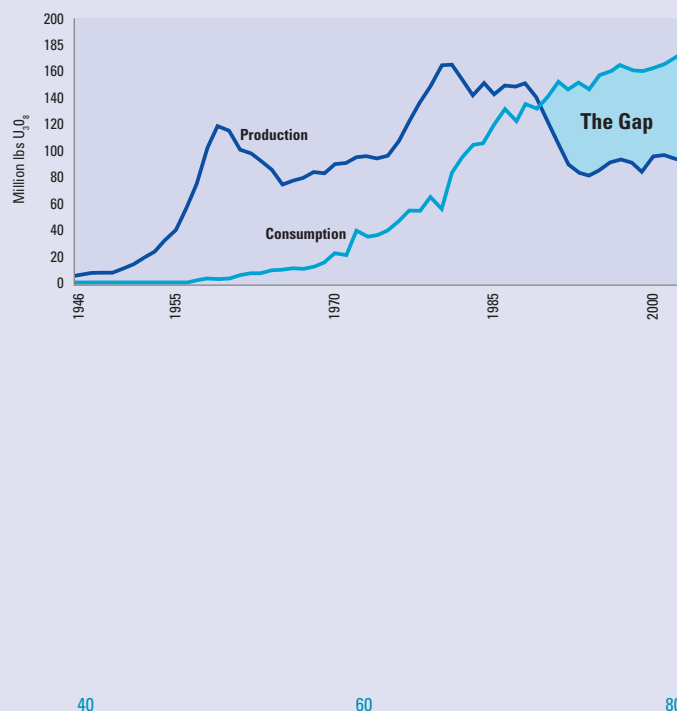
(right)
Darlington Nuclear
Generating Station,
Ontario, Canada



Nuclear Power as a Percentage of Total Electricity Generation (2006)



Uranium Market Trend



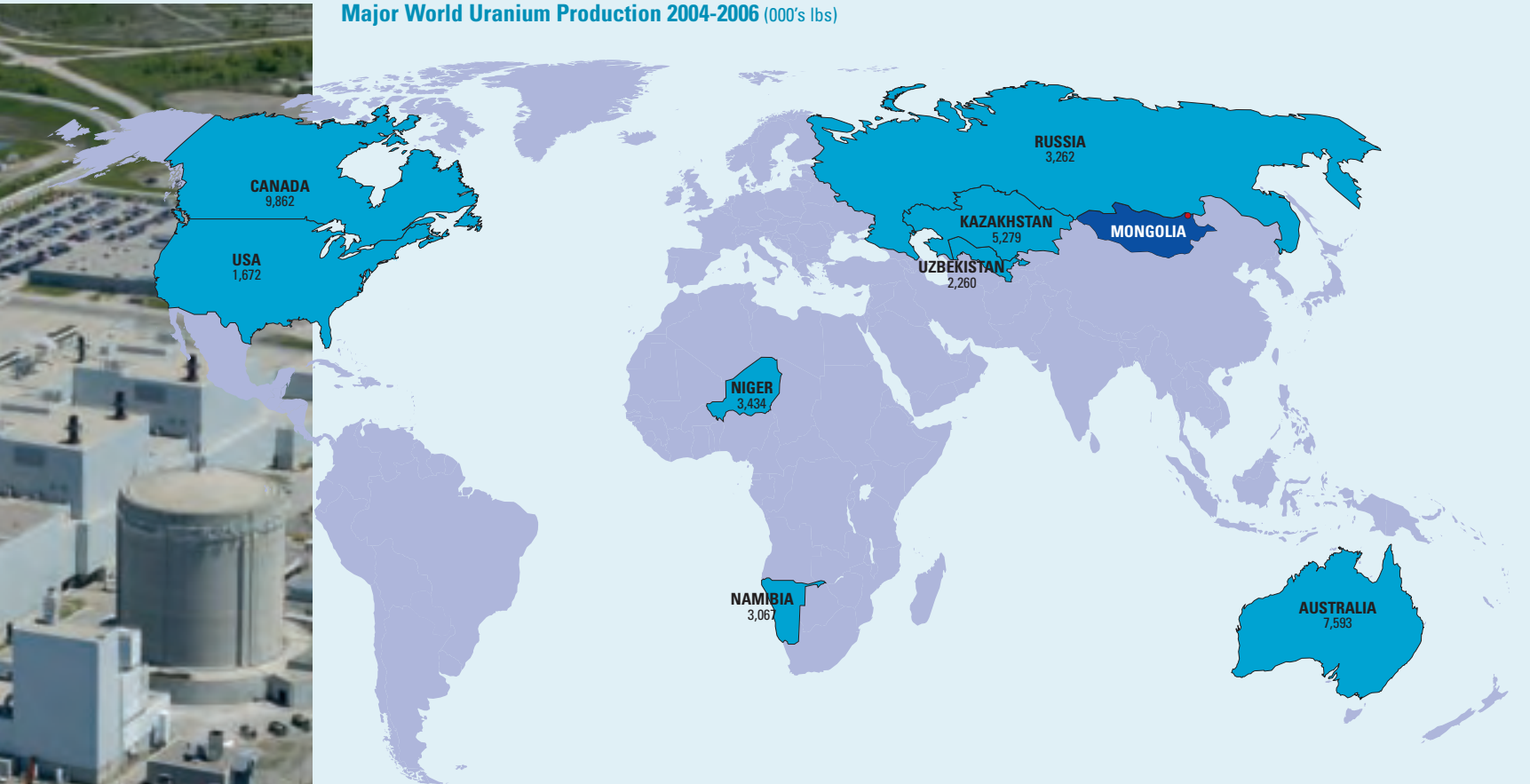


Courtesy of Ontario Power Generation

Uranium

The Value in U₃O₈

Major World Uranium Production 2004-2006 (000's lbs)



World Uranium Production

2004-2006, tU (*WNA estimate)

	2004	2005	2006	% change 2004-06
Australia	8,982	9,516	7,593	-20
Brazil	300	110	190	73
Canada	11,597	11,628	9,862	-15
China*	750	750	750	0
Czech Republic	412	408	359	-12
France	7	7	5	-29
Germany	150	77	50	-35
India*	230	230	177	-23
Kazakhstan	3,719	4,357	5,279	21
Namibia	3,719	4,357	5,279	21
Niger	3,282	3,093	3,434	11
Pakistan*	45	45	45	0
Romania*	90	90	90	0
Russia	3,200	3,431	3,262	-5
South Africa	755	674	534	-21
Ukraine*	800	800	800	0
United States	878	1,039	1,672	61
Uzbekistan	2,016	2,300	2,260	-2
Total	40,251	41,702	39,429	-5

Nuclear Reactors and Generating Capacity

(MWe net), in operation and under construction as of end July 2007

	Operating		Under Construction	
	Number	Capacity	Number	Capacity
United States	104	99,409	0	0
France	59	63,473	1	1,600
Japan	55	47,577	2	2,285
Russia	34	23,254	4	3,800
Germany	17	20,303	0	0
India	17	17,324	5	2,660
South Korea	20	17,533	1	950
Ukraine	15	13,168	0	0
Canada	18	12,595	2	1,540
United Kingdom	19	10,982	0	0
Sweden	10	9,076	0	0
China	11	8,587	4	3,170
Spain	8	7,442	0	0
Belgium	7	5,728	0	0
Others	74	33,219	15	11,028
World Total	438	370,898	34	27,033

Courtesy of Ontario Power Generation



Mining in Mongolia

“Mongolia also has some of Asia’s richest deposits of minerals and the Chinese demand for minerals fuels the current mining boom.”

Economic activity in Mongolia has traditionally been based on herding and agriculture. Mongolia also has some of Asia’s richest deposits of minerals and the Chinese demand for minerals fuels the current mining boom.

Prior to 1991, Mongolia had been dependent on the Russian government for financial and technical assistance to develop its resources. However, foreign aid was cut off almost over-night with the collapse of the Soviet Union. The people began to demand democratic reforms and the following year, the government drafted a new constitution allowing for multi-party elections.

Mongolia’s new parliamentary system of government consists of a president elected by the people and a prime minister, nominated by the president and approved by the State Great Khural, the country’s main legislative body and highest authority.

Although, there was widespread opposition to extensive privatization of the formerly state-run economy, the government passed a number of economic reforms that encouraged foreign investment, especially in the mining sector. The investment climate improved dramatically with the passage of the Minerals Law in 1997.

Amendments to the Minerals Law in 2006, however, have created concern among the international mining community because it allows the government to invest in strategic properties discovered by the private sector.

Khan Resources continues to take all steps necessary to convert its special Exploration Licence 9282X into a Mining Licence in accordance with the Mongolian Minerals Law. The Pre-feasibility Study for both the No. 2 and the No. 7 properties indicates excellent economic return based on existing market conditions.



Buddhist monks at a ceremony
at the Dornod minesite.



(bottom right)
Enkhbayar "Eric" Ochirbal,
Executive Director.



Mongolia Facts

GDP: \$6.23 billion

GDP growth: 8.4%

Per capita GDP: \$2,402

Population: 2.9 million

Median age: 24.6 years

Life expectancy: 67 years

Literacy rate: 97%

Inflation rate: 9.5%

Mining: 30% GDP

Agriculture: 18.8% GDP

Government: Mixed parliamentary
and presidential

Major trading partners: Russia, China,
Japan, South Korea and Canada



Corporate Information

Directors

James B. C. Doak
Chairman

Jean-Pierre Chauvin
Director

Grant A. Edey
Director

Peter J. Hooper
Director

Robert P. Kaplan
Director

Kenneth G. Murton
Director

Martin Quick
Director

Officers and Senior Management

Martin Quick, ACSM, P.Eng.
President and Chief Executive Officer

Paul D. Caldwell, B.A.
Chief Financial Officer and
Corporate Secretary

Donald A. Arsenault, P.Eng., M.B.A.
Chief Operations Officer

Enkhbayar Ochirbal, B.A., M.B.A.
Executive Director and
Country Manager

Toronto Office

141 Adelaide Street West
Suite 1007
Toronto, Ontario
Canada M5H 3L5
Tel: 416 360 3405
Fax: 416 360 3417

Mongolia Office

Ochir House Building
Ambassador Office Room 403
Peace Avenue 15A/5
Ulaan Baatar 21
Mongolia
Tel: 976 11 311731
Fax: 976 11 318661

Canadian Counsel

Davies Ward Phillips & Vineberg LLP
First Canadian Place
44th Floor
Toronto, Ontario
Canada M5X 1B1

Mongolian Counsel

Lehman, Lee & Xu Mongolia
Building 5/3, Suite 3-1
Sukhbaatar District
Jamiyan Gunii Street
Ulaan Baatar 51
Mongolia

Auditors

Ernst & Young LLP
222 Bay Street
31st Floor
Toronto, Ontario
Canada M5K 1J7

Transfer Agent

Equity Transfer and Trust Company
200 University Avenue
Suite 400
Toronto, Ontario
Canada M5H 4H1

Listing

Toronto Stock Exchange
Symbol "KRI"

Issued and Outstanding Shares

54 million
(December 18, 2007)

Market Capitalization

Cdn\$71 million
(December 18, 2007)

Investor Relations

Jon Ruby
The Buick Group
Tel: 416 915 0915, Ext. 301
1 877 748 0914
Fax: 416 915 0916
E-mail: jruby@buickgroup.com

E-mail

info@khanresources.com

Web Site

www.khanresources.com

Cautionary Statement Regarding Forward-Looking Information

Certain information in this Annual Report constitutes "forward-looking information". All statements, other than statements of historical fact, are forward-looking statements. In this Annual Report, the words "believe", "plan", "expect", "contemplate", "scheduled", "estimate", "intend", "anticipates", "may", "might" or "will" and similar expressions or variations of such words and phrases, often, but not always, identify forward looking information. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by Khan, are inherently subject to significant business, economic, political, social and competitive uncertainties and contingencies and involve known and unknown risks and other factors which may cause the actual results, performance or forecasts of the Corporation to be materially different from any future results, performance or forecasts expressed or implied by the forward-looking statements. Such factors include, but are not limited to: the actual results of current exploration activities; actual results of reclamation activities; conclusions of economic evaluations; fluctuations in the value of United States and Canadian dollars relative to the Mongolian Tugrog (the "MNT"); fluctuations in the price of uranium; changes in project parameters as plans continue to be refined; future prices of uranium; possible variations of ore grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; changes in national and local government legislation, taxation, controls, regulations and political or economic developments in Canada, Bermuda, Mongolia or the British Virgin Islands; political instability, insurrection or war; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, the timing and amount of estimated future production, costs of production, capital, operating and exploration expenditures, costs and timing of the development of new deposits, costs and timing of future exploration, requirements for additional capital, environmental risks, reclamation expenses, contests over title to properties, limitations of insurance coverage and the timing and possible outcome of pending litigation and regulatory matters as well as those factors discussed in the section entitled "Risk Factors" in Khan's Annual Information Form dated December 18, 2007. All of the forward-looking statements in this Annual Report are qualified by these cautionary statements. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Also, see "Cautionary Note Regarding Forward-Looking Information" in the Management's Discussion and Analysis (MD&A) section of the Financial Supplement to the 2007 Annual Report.

Printed in Canada on recycled paper.
Production: Walter J. Mishko & Co. Inc.
Design: Goodhood Inc.
Editorial Services: Lembi Buchanan



www.khanresources.com