Khan Resources Inc.

Annual Information Form

For the year ended September 30, 2008
Dated as of December 12, 2008

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GLOSSARY OF TERMS

The following terms used but not otherwise defined in this Annual Information Form have the meanings set out below:

"**assay**" means an analysis to determine the presence, absence or concentration of one or more chemical components of interest contained in a sample.

"**°C**" means degrees Celsius.

"**concentrate**" means a processing product containing the valuable ore mineral from which most of the waste material has been eliminated.

"**cut-off grade**" means the minimum mineral grade at which material can be economically mined and processed (used in the calculation of reserves).

"**deposit**" means a mineralized body which has been physically delineated by sufficient drilling, trenching and/or underground work and found to contain a sufficient average grade of metal or metals to warrant further exploration and/or development expenditures; such a deposit does not qualify as a commercially mineable ore body or as containing Mineral Reserves until final legal, technical and economic factors have been resolved.

"**Feasibility Study**" means a comprehensive study of a deposit in which all geological, engineering, operating, economic and other relevant factors are considered in sufficient detail that it could reasonably serve as the basis for a final decision by a financial institution to finance the development of the deposit for mineral production.

"**grade**" means the amount of mineral in each tonne of ore.

"**Indicated Mineral Resources**" means that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics, can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and test information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

"**Inferred Mineral Resources**" means that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

"**leach pad**" means a site prepared with an impermeable base for the piling of ore that will be treated with solutions to extract valuable metals (usually gold and silver).

"**leaching**" means a method of extraction in which a solvent is passed through a mixture to remove some desired substance from it. Leaching is used to remove metals from their ores.

"**Measured Mineral Resource**" is that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

"**mineral**" means an inorganic substance occurring in nature, having a characteristic and homogeneous chemical composition, definite physical properties, and, usually, a definite crystalline form. A few of the minerals (e.g., carbon, arsenic, bismuth, antimony, gold, silver, copper, lead, mercury, platinum, and iron) are elements, but the vast majority are chemical compounds. Minerals combine with each other to make up rocks. Many minerals, especially the metals, are of great economic importance to a highly industrialized civilization, entering into the composition of many manufactured articles. Some minerals, which would otherwise be of no economic significance, are highly valued as gems.

"**Mineral Reserve**" means the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a pre-feasibility study. This study must include adequate information on mining, processing metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Mineral Reserve includes allowances for dilution and losses that may occur when the material is mined.

"**Mineral Resource**" means a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge.

"mineralization" means the concentration of minerals within a body of rock.

"**MW**" means megawatts.

"**NI 43-101**" means National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*.

"**NP 46-201**" means National Policy 46-201 – *Escrow for Initial Public Offerings.*

"**NI 52-110**" means National Instrument 52-110 – *Audit Committees.*

"**open pit mining**" means an excavation for removing minerals which is open to the surface.

"**ore**" means a metal or mineral, or a combination of these, of sufficient value as to quality and quantity to enable it to be mined and processed at a profit.

"**outcrop**" means an exposure of bedrock at the surface.

"**oz**" means ounces.

"**placer**" means a surfacial mineral deposit formed by the mechanical concentration of mineral particles from weathered debris.

"**pre-feasibility study**" means a comprehensive study of the viability of a mineral project that has advanced to a stage where the mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, has been established and an effective method of mineral processing has been determined, and includes a financial analysis based on reasonable assumptions of technical, engineering, legal, operating, economic, social, and environmental factors and the evaluation of other relevant factors which are sufficient for a Qualified Person, acting reasonably, to determine if all or part of the Mineral Resource may be classified as a Mineral Reserve.

"**Probable Mineral Reserve**" means the economically mineable part of an Indicated Mineral Resource, and in some circumstances a Measured Mineral Resource demonstrated by at least a pre-feasibility study. The pre-feasibility study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

"**Qualified Person**" means an individual who (a) is an engineer or geoscientist with at least five years of experience in mineral exploration, mine development or operation or mineral project assessment, or any

combination of these; (b) has experience relevant to the subject matter of the mineral project and the technical report related thereto; and (c) is a member in good standing of a professional association as defined by NI 43-101.

"**reclamation**" means the process by which lands disturbed as a result of mining activity are modified to support beneficial land use. Reclamation activity may include the removal of buildings, equipment, machinery and other physical remnants of mining, closure of tailings storage facilities, impoundments, leach pads and other mine features, and contouring, covering and re-vegetation of waste rock piles and other disturbed areas.

"**recovery**" is a term used in process metallurgy to indicate the proportion of valuable material physically recovered in the processing of an ore. It is generally stated as a percentage of valuable metal in the ore that is recovered compared to the total valuable metal originally present in the ore.

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval.

"**stripping ratio**" means the tonnage or volume of waste material which must be removed to allow the mining of one tonne of ore in an open pit.

"**Technical Report**" means a technical report completed in compliance with NI 43-101.

"**U**" means uranium.

"**U_3O_8**", "**uranium oxide**" or "**yellowcake**" means a concentrated uranium oxide obtained by milling a mixture of uranium oxide ore to produce "pulped" ore. This is then bathed in sulphuric acid to leach out the uranium. Yellowcake is what remains after drying and filtering and is usually represented by the formula U_3O_8. It is radioactive, forming a coarse powder which is insoluble in water and contains about 80% uranium oxide (U_3O_8), and melts at approximately 2,878°C. The yellowcake produced by most modern mills is actually brown or black, not yellow; the name comes from the colour and texture of the concentrates produced by early mining operations. This fine powder is packaged in drums and sent to a conversion plant that produces uranium hexaflouride (UF_6) as the next step in the manufacture of nuclear fuel.

EXPLANATORY NOTES

Unless otherwise indicated or the context otherwise indicates, in this document, "Khan" refers to Khan Resources Inc. and the "Corporation" refers to Khan and its direct and indirect subsidiaries on a consolidated basis.

Unless otherwise stated, all dollar amounts are expressed in United States dollars.

Forward-Looking Information

Certain information in this Annual Information Form, including any information as to Khan's future financial or operating performance, constitutes "forward-looking information" under applicable Canadian securities laws. All statements, other than statements of historical fact, contain forward-looking information. In this Annual Information Form, the words "believe", "plan", "expect", "budget", "schedule", "estimate", "forecast", "intend", "anticipate", "may", "could", "would", or "will" and similar expressions or variations (including negative variations) of such words and phrases, often, but not always, identify forward-looking information. Statements containing forward-looking information 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 achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Such factors include, but are not limited to: results of exploration activities; results of reclamation activities; conclusions of economic evaluations; the impact of Mongolian minerals laws on the Corporation's licenses, operations and capital structure; the Corporation's ability to renew its existing licenses; fluctuations in the value of the United States dollar and the Canadian dollar relative to the Mongolian Togrog (the "MNT"); fluctuations in the price of uranium; changes in project parameters as plans continue to be refined; future prices of uranium; 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, the Netherlands, 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 and 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 risk factors discussed in the section entitled "*Risk Factors*" in this Annual Information Form. Many of these uncertainties and contingencies can affect Khan's actual results and could cause actual actions, events or results to differ materially from those expressed or implied in any forward-looking information. All of the forward-looking information in this Annual Information Form is qualified by these cautionary statements. Forward-looking statements contained herein are made as of the date of this Annual Information Form and the Corporation disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements containing forward-looking information. Accordingly, readers should not place undue reliance on forward-looking information.

The Corporation may, from time to time, make oral forward-looking statements. The Corporation advises that the above paragraph and the risk factors described in this Annual Information Form and in the

Corporation's other documents filed with the Canadian securities commissions should be read for a description of certain factors that could cause the actual results of the Corporation to materially differ from those in the oral forward-looking statements. The Corporation disclaims any intention or obligation to update or revise any oral or written forward-looking statements whether as a result of new information, future events or otherwise, except as required by applicable law.

CORPORATE STRUCTURE

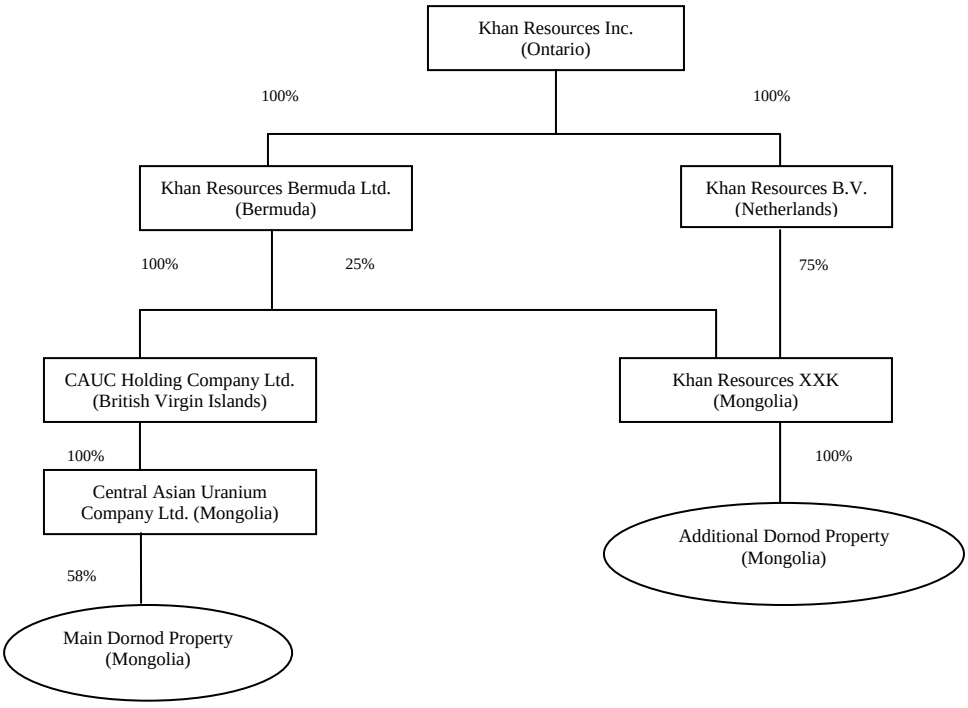
Name and Incorporation

Khan was incorporated under the name "2016594 Ontario Inc." pursuant to the *Business Corporations Act* (Ontario) (the "OBCA") on October 1, 2002. By a certificate and articles of amendment dated January 6, 2003, Khan amended its articles and changed its name to "Khan Resources Inc.". Khan's articles were further amended on May 31, 2004 by a certificate and articles of amendment removing restrictions in connection with the transferability of its shares.

The Corporation's head office is located at Suite 1007, 141 Adelaide Street West, Toronto, Ontario M5H 3L5 and its registered office is located at 1 First Canadian Place, 44th Floor, Toronto, Ontario M5X 1B1. Khan's Mongolian headquarters is located at Room 13, Sky Plaza Centre, 14 Olympic Street, Ulaanbaatar 48, Mongolia. Khan's registered office in the Netherlands is located at Fred. Roeskestraat 123, 1076 EE Amsterdam, The Netherlands.

Intercorporate Relationships

Khan's corporate structure, its material subsidiaries, the percentage ownership in its material subsidiaries and the jurisdiction of incorporation of such corporations are set out in the following chart. The chart also indicates particulars of Khan's ownership of its uranium properties.



Notes:

[1] The remaining 42% of Central Asian Uranium Company, Ltd. is owned as to 21% by each of the State Property Committee of the Republic of Mongolia (the "SPC") and JSC Priargunsky Mining and Chemical Production Association, a subsidiary of Atomredmetzoloto JSC, a Russian state company ("Atomredmetzoloto"). Atomredmetzoloto was the operator of the Main Dornod Property from 1988 to 1995 when it was producing uranium ore for shipment to Russia.

GENERAL DEVELOPMENT OF THE BUSINESS

Overview

The Corporation is a Canadian-based mineral exploration and development company engaged in the acquisition, exploration and development of uranium in Mongolia. The Corporation's current uranium exploration and development projects, one of which was previously in production, are located in the Dornod district of northeastern Mongolia, a district that contains a number of known uranium deposits. The Corporation's assets consist of its interest in the "Dornod Uranium Property" which is held through a 58% interest in the Main Dornod Property (defined below) and a 100% interest in the Additional Dornod Property (defined below). The Main Dornod Property and the Additional Dornod Property are collectively referred to herein as the "Dornod Uranium Property".

At September 30, 2008, the Corporation had a total of 19 employees: 5 in Canada and 14 in Mongolia.

Initial Listing

Khan listed its common shares (the "Common Shares") as well as class E warrants (the "Class E Warrants") on the Toronto Stock Exchange (the "TSX") effective August 2, 2006 and became a reporting issuer in Ontario, British Columbia, Alberta, Saskatchewan and Manitoba. The Class E Warrants expired on August 2, 2008.

Acquisition of the Main Dornod Property

Khan was incorporated on October 1, 2002 for the purpose of acquiring uranium and gold interests in Mongolia.

Khan and its wholly-owned subsidiary, Khan Resources Bermuda Ltd. ("Khan Bermuda"), were formed to effect the indirect acquisition of a 58% interest in Central Asian Uranium Company Ltd. ("CAUC"), the owner of the Main Dornod Property and a 100% interest in the Big Bend Gold Property (defined below). The Big Bend Gold Property was sold on October 11, 2007, see "*General Development of the Business – Sale of the Big Bend Gold Property*".

The "Main Dornod Property" consists of an open pit mine ("Dornod Deposit No. 2") and approximately two-thirds of an underground deposit ("Dornod Deposit No. 7"). Dornod Deposit No. 2 is an open pit mine from which, between 1988 and 1995, Atomredmetzoloto, a Russian state company, extracted approximately 590,000 tonnes of ore at an average grade of 0.118% U_3O_8. At Dornod Deposit No. 7, two shafts have been built to depths of 510 and 500 metres and approximately 20,000 metres of development drifts, which extend into the adjoining Additional Dornod Property, have been constructed. The Corporation owns a 58% interest in CAUC which has a mining license in respect of the Main Dornod Property.

The acquisition of the Main Dornod Property was effected in two stages. In the first stage of the acquisition, by agreement dated July 30, 2003, Khan Bermuda acquired 100% of the issued shares of CAUC Holding Company Ltd. ("CAUC Holding") (then known as World Wide Mongolia Mining Inc.), a British Virgin Islands company, which in turn owns 58% of the issued shares of CAUC, the owner of the Main Dornod Property.

In the second stage of the acquisition, following the acquisition of CAUC Holding by Khan Bermuda, Khan acquired all of the issued and outstanding shares of Khan Bermuda pursuant to a share exchange agreement (the "Share Exchange Agreement") dated July 31, 2003 between Wallace Mays, as vendor, Khan, as purchaser, and Khan Bermuda pursuant to which Khan issued 5,500,000 Common Shares and 7,500,000 special warrants ("Special Warrants") as consideration. These transactions resulted in Wallace Mays, the previous owner of CAUC Holding and a former promoter and director of Khan, owning a 42.31% voting interest in Khan. See "*Legal Proceedings— Mays Action*".

Acquisition of the Additional Dornod Property

In March 2005, pursuant to an agreement dated January 27, 2005 (the "Western Prospector Agreement") with Western Prospector Group Ltd., a TSX Venture Exchange listed company, with uranium properties in Mongolia ("Western Prospector"), the Corporation acquired the "Additional Dornod Property" which consists of an exploration license in respect of approximately 243 hectares contiguous with the Main Dornod Property. In addition to the remainder of Dornod Deposit No. 7, the Additional Dornod Property contains part of another underground deposit ("Dornod Deposit No. 5"). In consideration of this purchase, Khan issued 400,000 Common Shares to Western Prospector and granted a 3% royalty on revenues generated from any mineral product extracted from the Additional Dornod Property.

The exploration license in respect of the Additional Dornod Property is registered in the name of Khan Resources XXK, a Mongolian corporation in which the Corporation holds a 100% interest through its Bermudian and Netherlands subsidiaries. The exploration license was renewed for an additional three-year period in February 2008 and the current term of the exploration licence will expire on February 11, 2011. Under the RMLM (defined below), the license may be renewed for one additional three-year period. The Corporation is currently taking all steps necessary to convert the exploration license for the Additional Dornod Property into a mining license in accordance with the RMLM. To this end, the Corporation has recently submitted the reserve calculation for the Additional Dornod Property, prepared in accordance with Mongolian standards and requirements, to the Mineral Resources and Petroleum Authority of Mongolia (“MRPAM”). This is a necessary precondition in the process of converting an exploration license to a mining license in accordance with the RMLM. See "*Narrative Description of the Business – Mongolia – Exploration Licenses*".

Re-Registration of Licenses

The Corporation's mining license in respect of the Main Dornod Property was submitted to the MRPAM Department of Geology and Mining Cadastre for re-registration and was re-registered on January 23, 2007 with a term of 30 years commencing September 30, 1997 in accordance with the RMLM. The mining license previously had a term of 15 years commencing September 30, 1997. All other terms and conditions of the mining license were unaltered.

The Corporation’s exploration license in respect of the Additional Dornod Property was submitted to MRPAM for re-registration in January 2008 and re-registered until February 2011. In September 2008, the application to convert the exploration license into a mining license was submitted to MRPAM and is pending subject to the approval of the reserve calculation for the Additional Dornod Property that was recently submitted to MRPAM.

Sale of the Big Bend Gold Property

The "Big Bend Gold Property" is a gold property located in the Zaamar goldfield district of Mongolia. Ikh Tokhoirol XXK ("Ikh Tokhoirol"), a former wholly-owned Mongolian subsidiary of Khan Bermuda,

acquired the Big Bend Gold Property and the corresponding licenses for $1,667,000 pursuant to an agreement dated July 30, 2003.

On October 11, 2007, Khan Bermuda sold all of the issued and outstanding shares of Ikh Tokhoirol to Berleg Mining LLC for $2.5 million. Khan no longer owns any interest in the Big Bend Gold Property.

Pre-Feasibility Study

On August 15, 2007, the Corporation announced that it had completed a pre-feasibility study (the "Pre-Feasibility Study") in respect of the Dornod Uranium Property. The study resulted in a greater than 16% increase in the NI 43-101 compliant Indicated Mineral Resource previously reported for the Dornod Uranium Property, for a total of 25.3 millions tonnes of ore grading 0.116% U_3O_8 representing 64.3 million pounds of U_3O_8. The Inferred Mineral Resource estimated in the Pre-Feasibility Study is 2.2 million tonnes of ore grading 0.050% U_3O_8 representing 2.4 million pounds of U_3O_8. Further, a significant portion of the Indicated Mineral Resource was upgraded to the Probable Mineral Reserve category. The new Probable Mineral Reserve for Dornod Deposit No. 2 and Dornod Deposit No. 7 is 18.2 million tonnes of ore grading 0.122% U_3O_8 representing 49.1 millions pounds of U_3O_8 out of the 64.3 million pounds of Indicated Mineral Resource. The Technical Report dated September 27, 2007 in respect of the Pre-Feasibility Study was filed on SEDAR at www.sedar.com on October 17, 2007. For additional information, see "*Narrative Description of the Business – Dornod Uranium Property – Technical Report of September 27, 2007*".

The Pre-Feasibility Study assumes a uranium price of $55 per pound U_3O_8, and a through-put of 3,500 tonnes per day over a 15.5 year mine life, which will give an average annual production rate of 2.9 million pounds of U_3O_8, at a cost of $19.99 per pound U_3O_8 or $49.21 per tonne of ore. This yields an Internal Rate of Return ("IRR") of 37.1%, and a Net Present Value ("NPV") of $288 million using a 10% discount rate. The capital cost of the project is projected to be approximately $283 million.

The current uranium spot price is $55 per pound and the current term price is $70 per pound. (Source: Ux Consulting)

Feasibility Study

In November 2007, a contract was awarded to Aker Kvaerner E&C of Toronto, Ontario to undertake a NI 43-101 compliant Definitive Feasibility Study ("DFS") for the Dornod Uranium Project. The mine design component of the Study was subcontracted to P&E Mining Consultants Inc. of Mississauga, Ontario. The resource consultants continued to be Scott Wilson Roscoe Postle Associates Inc. of Toronto, Ontario, who were also responsible for the resource component of the earlier scoping and pre-feasibility studies. The Environmental Impact Assessment associated with the DFS was awarded to Golder Associates. The 9 month DFS was commenced in January 2008 but was halted from June through September 2008 when the acquisition of Western Prospector by Khan was being sought. The original budget for the DFS was Cdn$2,920,000, but this was subsequently increased to Cdn$3,930,000, due to additional time, the need for additional process test work, and the subsequent change in the process design from conventional solvent extraction to resin-in-pulp. The DFS is expected to be completed by March 2009.

Activities at the Dornod Uranium Property

In mid September 2008, Khan announced that it had entered into contracts for the construction of a power line and sedimentation pond for the Dornod Uranium Project. The electric power line will be constructed from the Xin Xin mine to the Dornod Uranium Property, a distance of about 26 kilometres and an

electrical substation will be constructed at the site. The Xin Xin mine is connected to an electric power line from the Choilbalsan generating plant, approximately 120 kilometres to the south. The contractor for the power line and substation is Yuanda Group Ltd., a Mongolian Chinese joint venture company, which has completed many projects of this kind in Mongolia. In conjunction with the contract for the power line, an agreement for the supply of up to 15 MW of electricity has been entered into with the Choilbalsan generating plant. The availability of electrical power from this plant will eliminate the use of diesel powered generators at the site and provide sufficient electricity for the planned dewatering and rehabilitation of the underground mine workings in the spring of 2009. The lined sedimentation pond will be constructed at the site of the Dornod Uranium Project. Water from the underground mine workings will be pumped to the pond to allow for the settlement and retention of sediments and particulate matter before the water is released into the environment. The contractor is Prestige Group Co., Ltd., a Mongolian company, which has substantial experience in the construction of lined ponds for mining operations.

Financing Activities

Since incorporation up to December 12, 2008, Khan has raised an aggregate of $22.2 million through the private placement of Special Warrants and the issuance of Common Shares and common share purchase warrants. Khan has also raised $29.8 million through an initial public offering of units comprising one Common Share and one half Class E Warrant ("Units") and a secondary offering of Common Shares.

The estimated cost of funding the Dornod Uranium Property through to completion of the feasibility study stage and to the end of September 30, 2009, including head office costs, is approximately $9.7 million. The capital cost of the project through to the completion of the processing plant and re-activation and further development of the mine is estimated to be approximately $283 million based on the Pre-Feasibility Study. Funding arrangements for the Main Dornod Property remain to be negotiated among the CAUC shareholders. At the request of the Corporation, a meeting of CAUC shareholders was held on December 7, 2007 in Ulaanbataar to, among other things, provide the other CAUC partners, Atomredmetzoloto and the SPC, with an update on operations and developments undertaken by the Corporation at the Main Dornod Property as well as to begin a dialogue to establish the terms of an updated joint venture development agreement to govern future development of the Main Dornod Property as well as cooperation in respect of the Additional Dornod Property. No additional meetings have been held between the CAUC partners since such initial meeting, however, on May 26, 2008, the Prime Minister of Mongolia, S. Bayar, and the General Director of Atomredmetzoloto, S.V. Kiryenko, visited the Dornod Uranium Property and were provided with an update of the status of the exploration and development of the Dornod Uranium Property.

It is currently premature to identify the Corporation's exact source of financing for its 58% interest in the Main Dornod Property and in respect of the Dornod Uranium Property in general; however, Khan is considering financing its project obligations either by issuing additional equity, by assuming debt, by advance sale of product or by association with a joint venture partner such as a consumer of uranium or a major uranium producer, or a combination of two or more of these alternatives.

Offer for Western Prospector

On May 11, 2008, Khan announced an offer to acquire all of the outstanding common shares of Western Prospector, a company listed on the TSX Venture Exchange, in exchange for 0.685 of a Khan Common Share. Western Prospector owns 100% of the Gurvanbulag uranium deposit which is located approximately 40 kilometres from the Dornod Uranium Property. The purpose of the offer was to consolidate ownership of the uranium assets in the Saddle Hills district of Mongolia and to achieve

significant synergies from the joint development of the Corporation's and Western Prospector's uranium deposits in the Saddle Hills district.

Western Prospector recommended that shareholders of Western Prospector reject the Khan offer and sought to identify other strategic alternatives for Western Prospector shareholders, including another bidder for the company. On July 15, 2008, a competing superior all cash bid for Western Prospector was announced by Tinpo Holdings Industrial Company Limited ("Tinpo"). Following such bid, Khan extended its offer on several occasions to permit Western Prospector shareholders to evaluate the competing proposals and to allow the Corporation to monitor several legal issues in respect of the cash offer announced by Tinpo. On September 3, 2008, Khan permitted its offer to expire on the belief that the superior Tinpo offer would proceed and that it was not in the best interests of Khan shareholders for the Corporation to match the Tinpo offer.

On October 1, 2008, Western Prospector announced that Tinpo had withdrawn its bid. As of December 12, 2008, Western Prospector continues to operate as an independent company and there are no existing offers to acquire the outstanding shares of the company.

Acquisition of Common Shares of the Corporation by Laramide and Compass

In September 2007, the Corporation was informed that Laramide Resources Inc. ("Laramide"), a uranium exploration and development company, acquired 5,600,000 Common Shares of the Corporation from Wallace Mays, the previous owner of CAUC Holding and a former promoter and director of Khan. As a result of the acquisition, Laramide now owns 6,500,000 Common Shares of Khan representing approximately 12% of the Corporation's issued and outstanding Common Shares. Laramide is now Khan's single largest shareholder.

In June 2008, JSC Compass Asset Management ("Compass"), a Kazhakstan asset management company, announced that, through investment funds it manages, it had acquired control of an aggregate of 5,669,100 Common Shares of the Corporation representing approximately 10.5% of the Corporation's issued and outstanding Common Shares. Compass is currently Khan's second largest shareholder.

Issuer Bid

In October 2008, Khan announced that the TSX has accepted a notice filed by the Company of its intention to make a normal course issuer bid. The Company had 54,143,279 common shares outstanding at that time. The notice provides that under the normal course issuer bid, Khan may purchase up to 4,056,828 common shares, being 10% of the public float**.** In addition, the notice provided that the aggregate number of shares that Khan may purchase during any trading day will not exceed 22,978 shares, being 25% of the average daily trading volume of the shares based on their trading volume on the TSX for the most recently completed six calendar months preceding the date of the notice of intention, subject to the Company's ability to make "block" purchases through the facilities of the TSX in accordance with the TSX rules. Khan had not purchased any of its shares during the past 12 month period. The normal course issuer bid commenced on October 23, 2008 and will terminate on October 22, 2009, or on such earlier date as the Company may complete its purchases under the bid.

NARRATIVE DESCRIPTION OF THE BUSINESS

Business Objectives and Strategy

The Corporation's primary business objective is to expand and develop the Dornod Uranium Property and become a supplier of U_3O_8 to the nuclear power industry. The Corporation holds an exploration license in respect of the Additional Dornod Property and owns 58% of CAUC which has a mining license in respect of the Main Dornod Property. See "*Narrative Description of the Business – Mongolia – Mongolian Mining Legislation*".

The Corporation has completed a Pre-Feasibility Study in respect of the Dornod Uranium Property.

In November 2007, a contract was awarded to Aker Kvaerner E&C of Toronto, Ontario to undertake a NI 43-101 compliant DFS for the Dornod Uranium Project. The DFS is expected to be completed by March 2009.

Upon the successful negotiation of satisfactory updated joint venture development arrangements with its CAUC partners and an investment agreement with the Government of Mongolia and completion of a positive DFS, the Corporation intends to (i) bring Dornod Deposit No. 2 and Dornod Deposit No. 7, located on the Main Dornod Property, and Dornod Deposit No. 5 (and the remaining 1/3 of Dornod Deposit No. 7), located on the Additional Dornod Property, into production, and (ii) construct on-site modern milling and processing facilities on the Main Dornod Property. The Dornod project implementation schedule is conservatively estimated to be approximately 45 months from the start of mine dewatering and rehabilitation to the start of plant production based on the Pre-Feasibility Study. This timeline is predicated on the purchase of new equipment. The Corporation anticipates that it will be able to reduce this timeframe significantly by purchasing used equipment.

The successful negotiation of an updated joint venture development agreement with its CAUC partners and an investment agreement with the Government of Mongolia are considered by Khan to be prerequisites to any major mine development work. While Khan would like to enter into such agreements as soon as possible, there can be no certainty as to the timing to complete negotiations with its CAUC joint venture partners or the Government of Mongolia (see "*Risk Factors – Negotiation of Investment Agreement with the Government of Mongolia and Risk Factors – Negotiation of Updated Joint Venture Development Agreement with CAUC Participants*").

Overview of the Uranium Industry

Mining and Milling

Uranium ore is recovered by excavation or by in situ leaching techniques. Excavation may be open pit or underground mining. In general, open pit mining is used where deposits are close to the surface and underground mining is used for deep deposits, typically greater than 120 metres deep. Underground mines have relatively small surface disturbance and the quantity of material that must be removed to access the ore is considerably less than in the case of an open pit mine. In situ leaching involves pumping a liquid into the ground to dissolve the uranium and then pumping that liquid back to the surface. (Source: World Nuclear Association "WNA")

After the uranium ore has been mined it is milled. Milling, which is generally carried out close to a uranium mine, extracts the uranium from the ore. At the mill the ore is crushed and ground to a fine slurry. Sulfuric acid or a strong alkaline solution is used to dissolve the uranium to allow the separation of

uranium from the waste rock. It is then recovered from solution and precipitated as uranium oxide (U_3O_8) concentrate. This is sometimes referred to as "yellowcake" and generally contains more than 80% uranium. The original ore may contain as little as 0.1% uranium. After drying and usually heating, it is packed in 200-litre drums as a concentrate. The remainder of the ore, containing most of the radioactivity and nearly all the rock material, becomes tailings, which are placed in engineered facilities near the mine (often in mined out pits). (Source: WNA)

Conversion and Enrichment

Uranium found in nature consists largely of two isotopes, U-235 and U-238. The production of energy in the form of heat in nuclear reactors is from the 'fission' or splitting of the U-235 atoms. Natural uranium contains 0.7% of the U-235 isotope. The remaining 99.3% is mostly the U-238 isotope which does not contribute directly to the fission process. Most nuclear reactors require uranium enriched to 3 to 5 percent U-235 as their fuel. The Canadian-designed Candu and the British Magnox reactors use natural uranium as their fuel. (Source: WNA)

Uranium enrichment requires the material to be in gaseous form. The product of a uranium mine is not directly usable and the uranium oxide must be converted into uranium hexafluoride (UF6) which is a gas at relatively low temperature. There are conversion plants in Europe, Russia and North America. At a conversion facility, the U_3O_8 is first refined to uranium dioxide, which can be used as the fuel for those types of reactors that do not require enriched uranium. Most is then converted into uranium hexafluoride, ready for the enrichment plant. (Source: WNA)

Uranium is enriched into U-235 by gaseous diffusion or centrifuge technology. Both of these processes work on the principle of separating the lighter U-235 from the heavier U-238, when in the form of uranium hexafluoride gas. At present the gaseous diffusion process accounts for about 40% of world enrichment capacity. However, because they are old and energy-inefficient, most gaseous diffusion plants are being phased out over the next five years and the focus is on energy-efficient centrifuge enrichment technology which will replace them. (Source: WNA)

Price

There is no formal exchange for uranium as there is for other commodities such as gold or oil. Uranium price indicators are developed by a small number of private business organizations that independently monitor uranium market activities, including offers, bids, and transactions. Such price indicators are owned by and proprietary to the business that has developed them.

The uranium spot price (US$/pound U_3O_8) steadily increased from US$7 per pound in December 2000 to a peak of US$135 per pound in June 2007. Since that time, the uranium spot price has ranged from $45 to $123 and was US$54 at December 4, 2008. (Source: Trade Tech – www.uranium.info)

Demand

About 435 reactors with combined capacity of some 370 gigawatt net require 78,500 tonnes of uranium oxide concentrate containing 66,500 tonnes of uranium from mines (or the equivalent from stockpiles or secondary sources) each year. Capacity is growing slowly, and at the same time the reactors are being run more productively, with higher capacity factors, and reactor power levels. However, these factors increasing fuel demand are offset by a trend for increased efficiencies, so demand is dampened - over the 20 years from 1970 there was a 25% reduction in uranium demand per kilowatt-hour output in Europe due to such improvements, which continue. Each gigawatt net of increased capacity will require about 195 tonnes U per year of extra mine production routinely, and three times this for the first fuel load. Fuel

burnup is measured in megawatt days per tonne U, and many utilities are increasing the initial enrichment of their fuel (e.g. from 3.3% to more than 4.0% U-235) and then burning it longer or harder to leave only 0.5% U-235 in it. (Source: WNA)

Because of the cost structure of nuclear power generation, with high capital and low fuel costs, the demand for uranium fuel is much more predictable than with most if not all other mineral commodities. Once reactors are built, it is very cost-effective to keep them running at high capacity and for utilities to make any adjustments to load trends by cutting back on fossil fuel use. Demand forecasts for uranium thus depend largely on installed and operable capacity, regardless of economic fluctuations. For instance, when South Korea's overall energy use decreased in 1997, nuclear energy output actually rose, to replace imported fossil fuels. (Source: WNA)

Looking ten years ahead, the market is expected to grow slightly. Demand thereafter will depend on new plants being built and the rate at which older plants are retired. Licensing of plant lifetime extensions and the economic attractiveness of continued operation of older reactors are critical factors in the medium-term uranium market. However, with electricity demand by 2030 expected (by the OECD's International Energy Agency) to double from the demand in 2004, there is plenty of scope for growth in nuclear capacity in a greenhouse-conscious world. (Source: WNA)

Supply

Mines in 2005 supplied some 49,000 tonnes of U_3O_8 containing 41,600 tonnes of U, about 64% of existing utilities' annual requirements. The balance was supplied from secondary sources or stockpiled uranium held by utilities, which stockpiles are now largely depleted. As well as existing and new mines, nuclear fuel supply may be from secondary sources, including recycled uranium and plutonium from spent fuel, as mixed oxide fuel, re-enriched depleted uranium tails, ex military weapons-grade uranium, civil stockpiles, and ex military weapons-grade plutonium. (Source: WNA)

Uranium Producers

The uranium industry is concentrated with a small number of companies controlling a majority of the production. In 2007, seven companies marketed 85% of the world's uranium mine production (see Figure 1). Also, in 2007, the top seven uranium producing countries accounted for 89% of the world’s total production, led by Canada at 23% (see Figure 2).

Figure 1: Major Uranium Producers — Companies

Company	Production (tonnes U)	World Share (%)
Cameco	7,770	19
Rio Tinto	7,172	17
Areva	6,046	15
KazAtomProm	4,795	12
ARMZ	3,413	8
BHP Billiton	3,388	8
Navoi	2,320	6
Uranium One	784	2
GA/Heathgate	673	2
Others	4,918	11
Total	41,279	100

(Source: WNA)

Figure 2: Major Uranium Producers — Countries

Country	Production (tonnes U)	World Share (%)
Canada	9,476	23
Australia	8,611	21
Kazakhstan	6,637	16
Russia (est.)	3,413	8
Niger	3,153	8
Namibia	2,879	7
Uzbekistan	2,320	6
USA	1,654	4
Ukraine (est.)	846	2
Others	2,290	5
Total	41,279	100

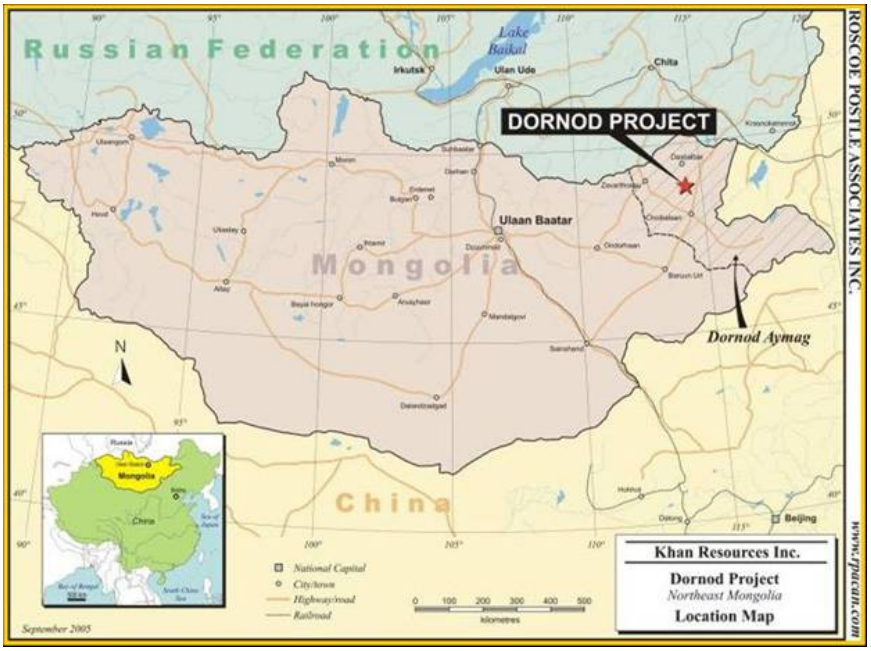
(Source: WNA)

Mongolia

Introduction

Mongolia is a landlocked country, located in northeast Asia between Russia and China. The country has a total area of 1,565,600 km^2 and shares a 4,673 km long border with China on its eastern, western and southern sides and a 3,485 km long border with Russia to the north. The population of Mongolia is estimated at 2.7 million people with approximately 1 million people living in Ulaanbaatar, the capital and largest city. Some 40% of the population lives in the countryside, primarily subsisting as nomadic

livestock herders, while the rest live in cities or small settlements spread throughout the country. The official national language is "Khalkha Mongol" and the primary religion is Buddhism.



The latitude of Mongolia, between 42° and 52° north, is approximately the same as that of Central Europe; however, because the country is far from the ocean and has a relatively high median altitude of 1,580 m above sea level, the climate is characterized by an extreme continental climate with large temperature fluctuations and low total rainfall, averaging 200-220 mm per year. Most precipitation falls during the short summer, while winter is generally dry and extremely cold. Temperatures in summer average approximately 25°C, while winter temperatures average -21°C.

The Corporation's Dornod Uranium Property is located in the northeastern portion of Mongolia some 650 km to the east of the capital city of Ulaanbaatar.

Infrastructure

Mongolia, being a land-locked country with a small rural population, has limited transportation infrastructure. Although there are some second-class roads, travel to remote areas is difficult and requires the use of off-road vehicles or camel/horse trains. There are railway links with Russia and China, and excellent air links with Moscow, Beijing, Seoul, Western Europe and other East Asian countries.

The infrastructure in Mongolia is improving annually due to an increase in tourism, and the resulting need to provide western style accommodations and services.

Mongolian Mining Industry

The mining sector is Mongolia's single largest industry. Prior to 1970, Mongolia was not able to develop its vast mineral resources due to a lack of infrastructure and lack of financing for mineral resource development. However, beginning in 1970, various deposits of copper, gold, fluorspar, uranium, and coal were developed by joint ventures formed in partnership with the former Soviet Union and its allies. The most notable of these ventures is the Erdenet copper mine, a joint venture between Mongolia (51%) and Russia (49%).

In the mid-1990s, some major western companies, such as BHP Billiton plc and Rio Tinto plc, as well as a number of junior companies, began exploring for minerals in Mongolia, principally copper and gold. Following the enactment of a new minerals law in 1997 (which was replaced in 2006 as described below), and the general rise in prices of commodities in subsequent years, many other companies have initiated exploration programs in Mongolia.

Gold mining is second in importance to copper in mineral production from Mongolia with the largest proportion of that gold production being derived from alluvial gold deposits in the Zaamar region. Deposits of coking coal, used in making iron and steel, are expected to be exploited. Resources at the Tavan-Tolgoi deposits, about 530 km from the capital, Ulaanbaatar, are estimated at more than 5 billion tonnes. The quality of these coal resources reportedly are on par with deposits in Australia and Canada, major players in the world coal market.

Until recently, foreign investment and direct participation by foreign companies in exploration for, and extraction and processing of, mineral resources, as well as in a wide range of mining-related industries, has been actively encouraged. However, Mongolia's national policies concerning its mineral sector are continuously under review, and on July 8, 2006, the Mongolian Parliament adopted a new Minerals Law that contains provisions relating to, among other things, state ownership that are inconsistent with the policy of actively encouraging foreign investment in the mining industry. (See "*Political Landscape*" and "*Mongolian Mining Legislation*".) With respect to uranium resources, a special committee within the Nuclear Energy Commission has been formed to make recommendations regarding the formation of a new Nuclear Policy which includes the regulation of uranium mining and processing.

Political Landscape

Mongolia has a democratic form of government based on a uni-cameral (one chamber) Parliamentary system and a directly elected President. The Prime Minister is nominated by and serves on behalf of the majority party in the Great Hural, which is the parliament of Mongolia. The Constitution enshrines the concepts of democracy, freedom of speech, and judicial independence, among others.

The first multiparty elections were held in July of 1990 at which the Mongolian People's Revolutionary Party (the "MPRP") became the dominant political party. The MPRP was victorious again in the July 1992 elections but lost to a coalition of opposition groups (the "Democratic Coalition") in the elections of 1996. The MPRP regained power in 2000.

In 2004, MPRP and the Democratic Coalition each gained control of roughly one-half of the parliamentary seats. In order to form a government, the groups entered into a power sharing agreement that caused it to be difficult for the Government of Mongolia to maintain consistent policies and administrative practices, most notably within the minerals sector.

On the legislative side, as a consequence of the governance gridlock following the 2004 elections, and a growing populist sentiment that foreign mining companies are profiting from the extraction and sale of Mongolia's mineral resources and that Mongolia is not getting its fair share, various individuals and groups seized the opportunity to propose radical changes to the existing minerals legislation. These proposals reflected a widespread public sentiment for establishing a new paradigm for the development and marketing of the country's natural resources and provoked strong negative responses from companies engaged in exploration and mining in Mongolia, as well as the World Bank and other institutional donors. In 2007, this populist sentiment continued and there was further evidence of nationalistic sentiment both in the form of specific administrative action, such as the purported cancellation of exploration licenses in August of 2007 described below, and political policy groups such as the Uranium Working Group described above.

In August 2007, in response to a performance audit conducted by the Mongolian National Audit Office as requested by Parliament's Economic Standing Committee, a junior level officer of the MRPAM, the entity that administers minerals legislation and mining activity in Mongolia, issued letters to ten minerals license-holders, including the Corporation in respect of its exploration license for the Additional Dornod Property, purportedly having authority to invalidate their minerals licenses. An internal investigation conducted by the Chairman of MRPAM revealed that the aforementioned audit findings had incorrectly applied Article 60.4 of RMLM and he rescinded the letter invalidating the licenses.

On June 29, 2008, a general election was held in Mongolia. The MPRP won the majority of seats in the Great Hural. After the election, a new Ministry of Mineral Resources and Energy was established. Previously, mining and energy matters were the responsibility of the Ministry of Industry and Trade.

Mongolian Mining Legislation

From July 1997 through July 7, 2006, Mongolian minerals legislation was principally governed by the *Minerals Law of Mongolia* ("MLM"). The MLM was sponsored by the World Bank and drafted by a team headed by an experienced U.S. mining lawyer. During this period, the MLM was widely regarded as one of the most well balanced minerals laws in the world and served to attract many foreign mining companies to establish operations in Mongolia.

Administration of minerals legislation and mining activity in Mongolia is largely the responsibility of the MRPAM, an administratively subordinate agency of the Ministry of Mineral Resources and Energy ("MMRE") (formerly the Ministry of Industry and Trade ("MIT")). MRPAM maintains a register of licenses in the Department of Geological and Mining Cadastre (the "Cadastral Office"), which serves as the official authority responsible for registering mineral exploration and exploitation permission granted to mineral exploration licenses and mining licenses holders.

On July 8, 2006, the Great Hural adopted a revised version of the MLM (the "RMLM") —replacing and superseding many of the provisions of the MLM. The following is a description of certain pertinent provisions of the RMLM that are of particular significance to the Corporation.

State Participation

The RMLM reconfirms the basic premise that all minerals are the property of the State. The RMLM contains the concept of the State's right to participate in mining projects with companies that are deemed to have a defined mineral deposit, production from which has the potential to have a significant impact on Mongolia's national security, or the economic or social development of the country at the national or regional level. Such a deposit is considered to be a "minerals deposit of strategic importance". On February 6, 2007, the Dornod Uranium Property was designated by Parliament Decree 27 (December 6, 2007) as a "minerals deposit of strategic importance".

Where the mineral reserves of a deposit (including but not limited to a "minerals deposit of strategic importance") have been defined by exploration activities paid for by the State, such activities are deemed to have been "funded by the State Budget". During the 1970s and 1980s, Mongolian geologists, together with geologists from various Soviet-Bloc countries, conducted extensive mineral exploration activities in Mongolia. Expenditures with respect to these activities have been recorded as reimbursable expenses funded from the state budget attributable to the respective deposits. The deposits at the Dornod Uranium Property have been included on the list of properties published by the Government of Mongolia that have been funded from the state budget.

Where a "minerals deposit of strategic importance" has been defined by exploration activities funded by the state budget, the RMLM provides that the State may participate up to 50% in the exploitation of the deposit with the private business entity that holds the relevant license(s). The terms and conditions of such participation are not prescribed by the RMLM.

Khan is investigating whether the designation of the Dornod Uranium Property as a "minerals deposit of strategic importance" complies with the requirements of the RMLM and is also investigating whether the Dornod Uranium Property was in fact defined by exploration activities funded by the state budget.

The specific percentage of the State's interest in the Dornod Uranium Property (above and beyond its current 21% interest in CAUC) will likely depend on the agreement with respect to the exploitation of the deposit and the amount of investment by the State. To date, the Corporation has not received any ownership request from the State.

Where a "minerals deposit of strategic importance" has been defined by activities funded other than by the state budget, the RMLM provides that the State may participate up to 34% in the exploitation of the deposit with the private business entity that holds the relevant license(s). As in the case of a deposit defined by activities funded by the state budget, the terms and conditions of such participation are not prescribed in the RMLM. The specific percentage of the State's interest will likely depend on the agreement with respect to the exploitation of the deposit and the amount of investment by the State.

Mining Licenses

Mining licenses are granted by the Cadastral Office for an initial term of 30 years and are renewable for two successive 20-year periods for a total period of 70 years. Only Mongolian legal entities are entitled to hold mining licenses. In the case of all minerals, other than coal and common construction minerals, annual fees of $15.00 are payable with respect to each hectare of a licensed area.

The holders of mining licenses must prepare an environmental impact assessment and environmental protection, monitoring and reclamation plan and comply with various reporting and reclamation security deposit requirements.

CAUC's mining license in respect of the Main Dornod Property was lawfully re-registered under the RMLM effective January 23, 2007 and is currently scheduled to expire on September 30, 2027.

Investment Agreements

The holder of a mining license that undertakes to invest more than certain threshold amounts over the first five years of a mining project may apply to the Government of Mongolia to enter into an investment agreement ("Investment Agreement") concerning the stability of tax rates, the right to sell products at international market prices, a guarantee that the license holder may receive and dispose of income from such sales, and provisions with respect to the amount and term of the license holder's investment.

The term of each Investment Agreement will depend on the amount of the five-year commitment as follows:

Minimum Investment ($)	Agreement Term
50 million	10 years
100 million	15 years
300 million	30 years

Khan intends to commence negotiation of an Investment Agreement with the Government of Mongolia at the earliest practicable date and intends to make satisfactory conclusion of such agreement a prerequisite to any major mine development work on the Dornod Uranium Property.

Exploration Licenses

Mineral exploration licenses are generally granted through a tender process. Exploration licenses are granted for an initial term of three years and are renewable for two successive three-year periods for a total period of nine years. Only Mongolian legal entities are entitled to hold mineral exploration licenses. Annual fees are payable with respect to each hectare of licensed land as follows:

Year	Fee ($/ha)	Year	Fee ($/ha)
1	0.10	6	1.00
2	0.20	7	1.50
3	0.30	8	1.50
4	1.00	9	1.50
5	1.00		

Holders of mineral exploration licenses must spend the following minimum amounts annually on exploration activities with respect to each hectare of licensed land:

Year	Minimum Expenditures ($/ha)	Year	Minimum Expenditures ($/ha)
2	0.50	6	1.00
3	0.50	7	1.50
4	1.00	8	1.50
5	1.00	9	1.50

Holders of mineral exploration licenses must also submit an exploration plan, an environmental protection, monitoring and reclamation plan, a reclamation security deposit, and thereafter an annual report on exploration activities, safety and environmental compliance. They also have the right to enter on the licensed area and to construct temporary structures necessary for conducting exploration activities.

The Corporation's exploration license in respect of the Additional Dornod Property was re-registered under the RMLM effective December 19, 2006. The exploration license was renewed by the Corporation in February 2008 and the current term of the exploration license expires on February 11, 2011. The Corporation is currently taking all necessary steps to convert the exploration license to a mining license.

Conversion of Exploration Licenses

The conversion from an exploration to a mining license requires that the exploration license holder submit an appropriately prepared minerals reserve estimate to the Minerals Professional Council ("MPC") for review and approval. MPC is subordinate to MRPAM, and generally meets on a weekly basis. Procedurally, MPC assigns a technical team of experts to review the minerals reserve estimate and submit its findings on the minerals reserve estimate submitted by the exploration license holder. In consultation

with MPC, the expert committee and the exploration license holder, a final approved minerals reserve estimate is submitted and recorded in the reserve registry. The process is modified in the case of "minerals deposits of strategic importance" in that the MRE and not MRPAM is responsible for appointing and convening the expert committee and approving the minerals reserve estimate in consultation with the exploration license holder. The RMLM together with the charter and regulation governing the MPC do not provide guidance as to when MRPAM or MMRE must convene an expert committee to review a minerals reserve estimate. Khan submitted a request to convene an expert committee in September 2007 for approval of its minerals reserve estimate for the Additional Dornod Property; as yet MMRE has not responded to its request.

Upon approval and registration of the minerals reserve estimate with MRPAM, the exploration license holder submits an application together with its approved minerals reserve estimate, various environmental reports and plans, and verification of its legal status as a Mongolian company to MRPAM's mining department for approval. MRPAM's mining department has 20 days to accept or reject the mining application. Officials of the mining department may reject the conversion of an exploration license to a mining license only where the applicant exploration license holder fails to properly complete its application, or the mining licensed area overlaps with a reserve area, special purpose area or an area already issued under another valid license.

Upon approval of the mining license application by MRPAM's mining department, the mining license holder must pay its first year mining license fees within three business days. Within seven days, MRPAM's mining department will issue a mining certificate for 30 years and notify the Ministry of Nature and Environment and the aimag Governor that a mining license has been granted.

Upon receipt of the mining certificate, the mining license holder must submit a feasibility study for the mining licensed area to MPC for approval within 60 days. As with the minerals reserve estimate, MPC reviews the feasibility study in consultation with the mining license holder. The charter and regulation governing MPC provide no guarantee as to the duration or the terms and conditions related to the MPC review process.

In addition to obtaining a mining license, the mining license holder is required to obtain the approval of a mining plan together with a wide range of construction, environmental, land and water use permits to commence mining. The RMLM requires, prior to commencement of mining activities, the mining license holder to obtain final approval from a specially formed committee ("Mine Commission Committee") whose members are jointly appointed by MMRE and the Ministry of Road, Transportation, Construction and Urban Development (formerly the Ministry of Construction and Urban Development). The activities of the Mine Commission Committee are regulated by MIT Resolution 291 (November 7, 2007).

Royalties

The RMLM provides for a royalty at the rate of 5% with respect to the sales value of minerals (other than coal and construction minerals) that are sold, shipped for sale, or otherwise used. The royalty rate for domestically sold coal and construction minerals is 2.5%.

Mongolian Tax Situation

In late June/early July 2006, the Parliament passed new legislation significantly amending Mongolia's tax laws. The package of amended laws consisted of new laws concerning business entity income tax, personal income tax, excise tax and value-added tax ("VAT"). Collectively these tax amendments came into effect on January 1, 2007.

The following is a summary of pertinent provisions of Mongolia's tax laws:

- Income tax rates applicable to business entities are 10% on the first three billion MNT (approximately $2,564,000) and 25% on amounts in excess of this amount.

- Subject to certain exemptions and other adjustments, a VAT at the rate of 10% is payable to the central government with respect to, among other things, imported and exported goods and services and goods sold and services rendered within Mongolia. However, as a general rule most all exports are "zero-rated" (i.e. the VAT rate for exports is 0% and the exporter can credit VAT paid to produce the exports against other taxes payable). The list of exempt imported items changes on an annual basis as approved by the Cabinet.

- A broad range of business expenses are allowed as deductions in calculating taxable income.

- A two-year loss carry-forward provision (with losses carried forward capped at 50% of the company's taxable income in each carry-forward year) is allowed.

- 10% of invested capital in priority sectors can be applied as a credit against income taxes payable.

Permitting

Various aspects of mine construction and operation require permits from relevant State and regional governmental authorities. For example, permits must be obtained before proceeding with a general mine development plan and at various stages during the construction of mining facilities and mine start-up. In addition, work undertaken pursuant to permits is subject to ongoing review and verification by relevant authorities.

Environmental Regulations

The *Environmental Protection Law of Mongolia together with the Environmental Impact Assessment Law* and the *RMLM* regulate how mining companies must comply with environmental legislation related to their mining activities. All mining companies have a duty to use the natural environment (which includes land and soil, water, underground and mineral wealth, flora, fauna and air) in a safe and healthy manner so as to prevent ecological imbalance. This duty includes the obligations to (i) conduct an environmental impact assessments defining how the mining companies' exploitation of mineral resources will impact the environment, and the measures taken by the mining companies to minimized and/or mitigated the adverse effects of such activities, (ii) prepare environmental protection plans and conduct ongoing environmental monitored related to those plans, (iii) report yearly on the mining companies' compliance with the environmental protection plans and monitoring requirements, (iv) maintain records on toxic substance disposal and waste discharges as well as the operation of any monitoring equipment, and (v) properly fund State-held reclamation accounts in accordance with the level of mining companies' mining and related activities for each given year.

Dornod Uranium Property – Technical Report of September 27, 2007

A reproduction of the summary from the Technical Report entitled "Technical Report on the Dornod Uranium Project, Mongolia" dated September 27, 2007 and prepared by Scott Wilson Roscoe Postle Associates Inc. ("Scott Wilson RPA") (Hrayr Agnerian, M.Sc. (Applied), P.Geo., Ken A. Bocking, P.Eng., Jason J. Cox, P.Eng., and Leslie H. Heymann, P.Eng.) is attached hereto as Exhibit A. The Technical Report was prepared in conformity with the requirements of NI 43-101. Each of Mr. Agnerian, Bocking, Cox and Heymann is an independent Qualified Person as defined in NI43-101 and Form43-

101F1. Readers are encouraged to review the Technical Report in its entirety under Khan's profile on SEDAR at www.sedar.com which Technical Report is incorporated by reference into this Annual Information Form.

RISK FACTORS

Negotiation of Investment Agreement with the Government of Mongolia

Khan considers the successful negotiation of an Investment Agreement with the Government of Mongolia to be a prerequisite to any major mine development work on the Dornod Uranium Property. While Khan plans to commence the negotiation of, and enter into, an Investment Agreement with the Government of Mongolia at the earliest practicable date, there can be no certainty as to when such negotiations with the Government of Mongolia will commence or the amount of time that will be required to complete these negotiations and finalize an agreement. Any material delays in, or the failure of, those negotiations could materially affect Khan's ability to develop the Dornod Uranium Property. See "*Narrative Description of the Business – Mongolia – Investment Agreements*".

Negotiation of Updated Joint Venture Development Agreement with CAUC Participants

Khan considers the successful negotiation of an updated joint venture development agreement with Atomredmetzoloto and the SPC to be a prerequisite to any major mine development work on the Main Dornod Property. While the Corporation intends to commence these negotiations at the earliest practicable date, there can be no certainty as to the amount of time that will be required to complete these negotiations or whether the negotiations will ultimately be successful. Any material delays in, or the failure of, those negotiations could materially affect the Corporation's ability to develop the Dornod Uranium Property and the Corporation's financial position.

Additional Capital Requirements

In order to continue exploring and ultimately developing (and operating) Khan's mineral properties and acquiring additional properties, management may be required to pursue additional sources of financing. While Khan has been successful in obtaining such financing in the past, there is no assurance that it will be successful in the future. Failure to obtain sufficient financing may result in delaying or indefinitely postponing exploration, development of or production on any or all of the Corporation's properties or even loss of property interest. It may also prevent the Corporation from meeting its obligations under agreements to which it is a party as a result of which its interest in the properties may be reduced. There can be no assurance that additional capital or other types of financing, if needed, will be available or, if available, that the terms of such financing will be favourable to the Corporation.

The amount of administrative expenditures is related to the level of financing and exploration activities that are being conducted, which in turn may depend on the Corporation's recent exploration experience and prospects, as well as general market conditions relating to the availability of funding for exploration-stage resource companies. As a result, there may not be predictable or observable trends in the Corporation's business activities and comparison of financial operating results with prior years may not be meaningful.

Political Stability and Government Regulation

Khan is exposed to risks of political instability and changes in government policies, laws and regulations in the country in which it operates. The Corporation exclusively holds mineral interests in Mongolia that may be adversely affected in varying degrees by political instability, government regulations relating to

the mining industry and foreign investment therein, and the policies of other nations in respect of Mongolia. Any changes in regulations or shifts in political conditions are beyond Khan's control and may adversely affect its business. The Corporation's operations may be adversely affected in varying degrees by government regulations, including those with respect to restrictions on foreign ownership, production, price controls, export controls, income taxes, expropriation of property, employment, land use, water use, environmental legislation and mine safety. The regulatory environment is in a state of continuing change, and new laws, regulations and requirements may be retroactive in their effect and implementation. Khan's operations may also be adversely affected in varying degrees by economic instability, economic or other sanctions imposed by other nations, terrorism, military repression, crime, risk of corruption including violations under U.S. and Canadian foreign corrupt practices statutes, fluctuations in currency exchange rates and high inflation.

The Corporation's operations, and the development of its properties, are subject to obtaining and maintaining permits from appropriate governmental authorities. There is no assurance that such permits can be obtained or renewed, or that delays will not occur in obtaining all necessary permits or renewals of such permits for Khan's existing properties or additional permits required in connection with future exploration and development programs. Prior to any development of the Dornod Uranium Property, the Corporation must receive permits from appropriate governmental authorities. There can be no assurance that the Corporation will obtain or continue to hold all permits necessary to develop or continue operating the Dornod Uranium Property.

If the Dornod Uranium Property is advanced to development stage, those operations will also be subject to various laws and regulations concerning development, production, taxes, labour standards, environmental protections, mine safety and other matters. In addition, new laws and regulations governing operations and activities of mining companies could have a material adverse impact on any of the Corporation's projects in the mine development stage.

Adequacy of Infrastructure

Development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect Khan's operations, financial condition and results of operations.

Estimates of Mineral Reserves and Mineral Resources May Prove to Be Inaccurate

Calculations of Mineral Reserves and Mineral Resources and metal recovery are only estimates, and there can be no assurance about the quantity and grade of minerals until reserves or resources are actually mined. Until reserves or resources are actually mined and processed, the quantity of reserves or resources and grades must be considered as estimates only. In addition, the quantity of reserves or resources may vary depending on commodity prices. Any material change in the quantity of resources, grade or stripping ratio may affect the economic viability of the Corporation's properties.

No Operating History

The Corporation does not have an operating history and there can be no assurance of its ability to operate the Dornod Uranium Property profitably in the future. While Khan expects in the future to generate additional working capital through the operation, development, sale or possible syndication of the Dornod Uranium Property, there is no assurance that it will be capable of producing positive cash flow or, if successful, that any such funds will be available for exploration and development programs.

Ability to Continue as a Going Concern

The Corporation's ability to continue as a going concern is uncertain and is dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. In addition, before commencing any major mine development at the Dornod Uranium Property, the Corporation will have to successfully negotiate an updated joint venture development agreement with its joint venture partners and an investment agreement with the Government of Mongolia. Any material delays in the negotiation of these agreements could have an adverse impact on the ability of the Corporation to raise adequate financing and commence operations (see *"Negotiation of Updated Joint Venture Development Agreement with CAUC Participants"* above).

Actions under the RMLM Could Affect Khan's Ability to Control its Mineral Properties

The deposits at the Dornod Uranium Property have been designated as being a "minerals deposit of strategic importance" and the property is included on the list of properties approved by the Great Hural that have been funded from the state budget. As a result, the RMLM provides that the State may participate up to 50% in the exploitation of the Dornod Uranium Property. See "*Narrative Description of the Business – Mongolia – State Participation*".

The specific equity participation that Mongolia may acquire is to be determined by an agreement between the Government of Mongolia and the license holder of the deposit, based on "the amount of investment made by the State"; however the terms and conditions on which any such equity participation would be made have not been announced. It is uncertain whether amounts for exploration activities previously funded or deemed to be funded from the state budget will be considered as part of the "amount of investment made by the state". It is also uncertain as to how the 21% interest currently held by Mongolia in the Main Dornod Property will be treated.

If Mongolia acquires a sufficient level of equity participation such that Khan is no longer the majority owner of all or part of the Dornod Uranium Property, Khan may not be able to influence the further exploration, development or exploitation of such properties. Accordingly, no assurance can be given that the Corporation will be able to retain control of, or exert influence over, decisions relating to the exploration, development or exploitation of all or part of the Dornod Uranium Property in the event Mongolia chooses to increase its equity participation in all or part of the Dornod Uranium Property. Similarly, no assurance can be given that if the Mongolian Government elects to increase its interest in the Dornod Uranium Property that the Corporation will be adequately compensated to the extent that its interest is reduced.

Joint Ventures

The Corporation operates the Main Dornod Property through a joint venture with Atomredmetzoloto and the SPC, and may, in the future, enter into one or more additional joint ventures. The Corporation is therefore subject to the typical risks associated with the conduct of joint ventures, including disagreement on how to develop, operate or finance the project. The joint venture development agreements currently in place for the Main Dornod Property were implemented in 1997 and do not adequately address the next stage of mine development. While the Corporation is actively seeking to re-negotiate the joint venture development agreements and has initiated discussions with its joint venture partners, there can be no assurances that satisfactory agreements will be entered into.

Title to Properties

There can be no assurance that the Corporation's ownership interest in its properties is free from defects nor that material contractual arrangements between the Corporation and entities owned or controlled by foreign governments will not be unilaterally altered or revoked. Khan has investigated its rights to explore and exploit its properties and has caused property surveys to be undertaken. To the best of the Corporation's knowledge, those rights are in good standing. However, there is no assurance that such rights will not be revoked, or significantly altered, to the Corporation's detriment. There can be no assurance that Khan's rights will not be challenged or impugned by third parties, including local governments.

Proposed Mongolian Nuclear Policy Could Affect the Corporation's Mineral Properties

The Corporation has learned that the Mongolian Nuclear Energy Commission has struck a Special Committee to formulate a new Nuclear Policy and to make recommendations to the Great Hural on the regulation of the uranium industry in Mongolia. There can be no assurances that the recommendations to the Great Hural may not have a detrimental effect on the Corporation's ownership and control of uranium properties in Mongolia (including its 58% interest in the Main Dornod Property and its 100% interest in the Additional Dornod Property). The timing of the recommendations from the Special Committee to the Great Hural is unknown.

No Guarantee of License Renewals or Conversions

The mining license in respect of the Main Dornod Property was issued in 1997 for a period of 15 years and was re-registered in 2007 with a term of 30 years commencing on September 30, 1997. The RMLM provides that a mining license is granted for an initial period of 30 years and the holder may apply for extensions of the license for two successive 20-year periods. There can be no assurance that prior to the expiration of the mining license in respect of the Main Dornod Property a renewal of the license will be granted or, if granted, the terms under which it may be granted.

The exploration license in respect of the Additional Dornod Property expires on February 11, 2011. The RMLM provides for one additional three-year extension period, and the Corporation will apply at the appropriate time to renew its license (in the event that it is unable to convert it into a mining license prior to the expiration date). There can be no assurance that at that time a renewal will be granted or, if granted, the terms under which it may be granted. The conversion of the exploration license in respect of the Additional Dornod Property into a mineral license is conditional on approvals of MIT and MRPAM. There can be no assurances when, or if, the requisite approvals will be granted and the conversion completed. See "*Narrative Description of the Business – Mongolia – Conversion of Exploration Licenses*".

Exploration and Development Risks

All of the Corporation's operations involve exploration and development and there is no guarantee that any such activity will result in commercial production of mineral deposits. Mineral exploration and development involves substantial expenses and a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to adequately mitigate. Unusual or unexpected formations, pressures, fires, power outages, labour disruptions, flooding, explosions, cave-ins, land slides and the inability to obtain adequate suitable machinery, equipment or labour are all risks involved in the conduct of an exploration program. These risks and hazards could result in: damage to, or

destruction of, properties; personal injury or death; environmental damage; delays; monetary losses; and possible legal liability.

The commercial viability of a mineral deposit is also dependent upon a number of factors, some of which are the particular attributes of the deposit, such as size, grade and proximity to infrastructure, commodity prices which are highly cyclical and government regulations, including regulations relating to prices, taxes, royalties, allowable production, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the negative combination of these factors may result in the Corporation not receiving an adequate return on invested capital. There is no certainty that expenditures made by Khan will result in discoveries of commercial quantities of ore.

Inability to Enforce the Corporation's Legal Rights in Certain Circumstances

In the event of a dispute arising in respect of the Corporation's foreign operations, the Corporation may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. The Corporation may also be hindered or prevented from enforcing its rights with respect to a government entity or instrumentality because of the doctrine of sovereign immunity.

The dispute resolution provisions of the CAUC founding agreements stipulate that any dispute between the parties thereto is to be submitted to international arbitration. However, there can be no assurance that a particular governmental entity or instrumentality or Atomredmetzoloto will either comply with the provisions of these or other agreements or voluntarily submit to arbitration.

The Corporation's inability to enforce its contractual rights could have an adverse effect on its future cash flows, earnings and results of operations and financial condition.

Environmental Regulations

The Corporation is subject to substantial environmental and other regulatory requirements and such regulations are becoming more stringent. All phases of the Corporation's development operations are subject to environmental regulations. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Corporation's operations. Environmental hazards may exist on the properties in which Khan holds interests which are presently unknown to it and which have been caused by previous or existing owners or operators of the properties.

Competition from Other Energy Sources and Public Acceptance of Nuclear Energy

Nuclear energy competes with other sources of energy, including oil, natural gas, coal and hydro-electricity. These other energy sources are to some extent interchangeable with nuclear energy, particularly over the longer term. Lower prices of oil, natural gas, coal and hydro-electricity may result in lower demand for uranium concentrate and uranium conversion services. Furthermore, the growth of the uranium and nuclear power industry beyond its current level will depend upon continued and increased acceptance of nuclear technology as a means of generating electricity. Because of unique political, technological and environmental factors that affect the nuclear industry, the industry is subject to public

opinion risks which could have an adverse impact on the demand for nuclear power and increase the regulation of the nuclear power industry.

Competition in the Uranium Industry

The international uranium industry is highly competitive. The uranium mining industry is global and was consolidated during the 1990s by takeovers, mergers and closures. In 2007, seven companies marketed 85% of the world's uranium mine production. Competition for new mining properties by these larger, more established companies may prevent Khan from acquiring interests in additional properties or mining operations. Significant and increasing competition exists for mineral acquisition opportunities in Mongolia. As a result of this competition, some of which is with large, better established mining companies with substantial capabilities and greater financial and technical resources than the Corporation, the Corporation may be unable to acquire rights to exploit additional attractive mining properties on terms it considers acceptable. Accordingly, there can be no assurance that Khan will acquire any interest in additional operations that would yield reserves or result in commercial mining operations.

Currency Fluctuations

Fluctuations in currency exchange rates may adversely affect the Corporation's financial position. Khan's management has determined the United States dollar as its reporting currency. Fluctuations in currency exchange rates, particularly equipment acquisition costs denominated in currencies other than United States dollars, may significantly impact Khan's financial position and results. Khan does not have in place a policy for managing or controlling foreign currency risks since, to date, its primary activities have not resulted in material exposure to foreign currency risk.

Market Factors and Volatility of Uranium Prices

There is no assurance that a profitable market will exist for the sale of mineralized material which may be acquired or discovered by Khan. There can be no assurance that uranium prices received will be such that the Corporation's properties can be mined at a profit. The price of uranium has fluctuated widely, particularly in recent years, and is affected by numerous factors beyond the Corporation's control. Commodity prices are subject to volatile price changes from a variety of factors, including international economic and political trends, expectations of inflation, global and regional demand, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. The uranium spot price (US$/pound U_3O_8) steadily increased from US$7 per pound in December 2000 to a peak of US$135 per pound in June 2007. Since that time, the uranium spot price has ranged from $45 to $123 and was US$54 at December 4, 2008. (Source: Trade Tech – www.uranium.info)

Future mineral prices cannot be accurately predicted. A severe decline in the price of a mineral being produced or expected to be produced by the Corporation would have a material adverse effect on it, and could result in the suspension of mining operations by the Corporation if such mining operations have commenced. Factors impacting the price of uranium include demand for nuclear power, political and economic conditions in uranium producing and consuming countries, reprocessing spent fuel and the re-enrichment of depleted uranium tails or waste, sales of excess civilian and military inventories (including from the dismantling of nuclear weapons) by governments and industry participants and production levels and costs of production in other jurisdictions.

Lack of Earnings and Dividend Record

The Corporation has no earnings or dividend record. The Corporation has not paid dividends on its Common Shares since incorporation and does not anticipate doing so in the foreseeable future. Payments of any dividends will be at the discretion of the board of directors of Khan (the "Board") after taking into account many factors, including the financial condition and current and anticipated cash needs of the Corporation.

Difficulty in Recruiting and Retaining Management and Key Personnel

Khan is dependent on a relatively small number of key directors and officers. Loss of any one of those persons could have an adverse effect on it. Recruiting and retaining qualified personnel is critical to the Corporation's success. As the Corporation's business activity grows, it may require additional key financial, administrative and mining personnel. Although Khan believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success.

Internal Controls

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation.

The Impact of Hedging Activities on Profitability

Although Khan has no present intention to do so, it may hedge a portion of its future uranium production to protect it against low uranium prices and/or to satisfy covenants required to obtain project financings. Although hedging activities may protect a company against low uranium prices, they may also limit the price that can be realized on uranium that is subject to forward sales and call options where the market price of uranium exceeds the uranium price in a forward sale or call option contract.

DESCRIPTION OF CAPITAL STRUCTURE

Khan's share capital consists of an unlimited number of Common Shares, of which there are 53,975,279 issued and outstanding as of December 12, 2008.

Holders of Common Shares are entitled to receive notice of any meetings of shareholders of Khan, and to attend and to cast one vote per Common Share at all such meetings. Holders of Common Shares do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the Common Shares entitled to vote in any election of directors may elect all directors standing for election. Holders of Common Shares are entitled to receive on a pro rata basis such dividends, if any, as and when declared by the Board at its discretion and to receive, on a pro rata basis, the net assets of Khan after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a pro rata basis with the holders of Common Shares with respect to dividends or liquidation. The Common Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions. For a full description of the

characteristics of the Common Shares of the Corporation, reference should be made to the articles of amendment and by-laws of Khan and the relevant provisions of the OBCA.

The following table sets forth particulars of the fully-diluted share capitalization of Khan as at December 12, 2008:

Securities	**Number of Common Shares**
Issued and Outstanding Common Shares	53,975,279
Shares Issuable Upon Exercise of Stock Options	3,909,800
Total	57,885,079

DIVIDENDS

Khan has not paid any dividends on its outstanding Common Shares and does not anticipate paying any dividends in the foreseeable future. The Board, from time to time, and on the basis of any earnings and the Corporation's financial requirements or any other relevant factor may consider paying dividends in the future when its operational circumstances permit, including earnings, cash flow, financial and legal requirements and business considerations.

MARKET FOR SECURITIES

Trading Price and Volume

Khan's Common Shares are listed and posted for trading on the TSX under the trading symbol "KRI". The following table outlines the high and low share price trading range for Common Shares and volume of Common Shares traded by month in the 2008 fiscal year:

Common Share Price per share Volumes Traded on the TSX (in Canadian dollars)			
	High	**Low**	**Volume**
October 2007	2.98	2.01	10,352,857
November 2007	3.14	1.60	7,458,037
December 2007	1.78	1.24	5,784,435
January 2008	1.68	1.12	4,750,114
February 2008	1.80	1.17	3,345,413
March 2008	1.75	1.22	2,737,578
April 2008	1.30	0.85	1,811,598
May 2008	1.09	0.83	1,795,311
June 2008	1.04	0.78	1,508,598
July 2008	1.38	0.75	2,422,394
August 2008	0.95	0.67	1,600,623
September 2008	0.84	0.41	2,535,272

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

The following table sets forth the names and municipalities of residence, offices or positions with Khan and principal occupations of the current directors and officers of Khan. The term of each director of Khan expires as of the next annual general meeting of Khan, to be held on February 11, 2009.

Name and Address of Director or Officer	Position Presently Held	Principal Occupation	Director Since
Martin Quick Toronto, Ontario, Canada	Director, President & Chief Executive Officer	Officer of Khan	2006
James B. C. Doak[1][2][3] Toronto, Ontario, Canada	Director, Chairman	President and Managing Partner of Megantic Asset Management Inc., an investment management company	2005
Peter J. M. Hooper[1][(3][4] Toronto, Ontario, Canada	Director	Corporate Director	2005
Jean-Pierre Chauvin[2][4] Oakville, Ontario, Canada	Director	President and Senior Consultant of Chauvin Engineering Ltd., a consulting firm to the mining industry	2005
Hon. Robert P. Kaplan[2][3] Toronto, Ontario, Canada	Director	Corporate Director	2007
Grant A. Edey[1][4] Mississauga, Ontario, Canada	Director	Corporate Director	2007
Stephen W. Harapiak[3][4] Oakville, Ontario, Canada	Director	Consultant to the International Finance Corporation (World Bank Group)	2008
David L. McAusland[1][2] Montreal, Quebec, Canada	Director	Corporate Director, consultant, and lawyer	2008
Paul D. Caldwell Toronto, Ontario, Canada	Chief Financial Officer	Officer of Khan	-

Notes:

1 Member of the Audit and Finance Committee.
2 Member of the Compensation Committee.
3 Member of the Corporate Governance and Nominating Committee
4 Member of the Technical Advisory Committee.

As of December 12, 2008, as a group, all directors and executive officers listed above beneficially owned, or controlled or directed, directly or indirectly, 1,571,400 Common Shares, representing 2.9% of the total issued and outstanding Common Shares. In addition, as of that date, Khan's directors and executive officers, as a group, held 3,127,000 options for the purchase of an aggregate of 3,127,000 Common Shares.

A description of each of the directors and officers of Khan is set out below.

Martin Quick, Director, President and Chief Executive Officer of Khan, has over 44 years of worldwide mining experience in both underground and open pit operations. Mr. Quick joined Khan on January 16, 2006. He has held senior mining production and engineering positions in Africa, Australia, Fiji, the United States and Canada and has acted in the capacity of mining consultant for gold operations in Central and South America. From August 2004 until December 2005, Mr. Quick was President and Chief Operating Officer of Power Resources Inc., a wholly-owned subsidiary of Cameco Corporation, a global producer of uranium for the nuclear power industry. Mr. Quick's responsibilities at Power Resources Inc. included the operation, development and expansion of the company's in situ leach uranium mines at Smith Ranch/Highlands in Wyoming, Crow Butte in Nebraska and the Inkai project in Kazakhstan. Prior to this appointment, from March 2001 to July 2004, Mr. Quick was Vice President - Mining with Cameco Corporation, based in Saskatoon, where he was responsible for Cameco's Northern Saskatchewan operations including the world's largest uranium mine at McArthur River/Key Lake, as well as the restart of the Eagle Point Mine at Rabbit Lake and the planning and development of the Cigar Lake project. Prior to joining Cameco, Mr. Quick held positions as General Manager of Cogema's Cluff Lake uranium mine in Northern Saskatchewan and Rio Algom's now decommissioned Quirke and Stanleigh uranium mines in Ontario, Canada. He is a Professional Engineer (P.Eng.) in the province of Saskatchewan and a graduate of the Camborne School of Metalliferous Mining (ACSM), in the United Kingdom.

James B. C. Doak, Chairman and Director of Khan, has over 25 years experience as a chartered financial analyst. Mr. Doak has served as the President and Managing Partner of Megantic Asset Management Inc., a Toronto-based investment company, since 2002. Mr. Doak is a Director of Cascades Inc. and Purepoint Uranium Group Inc. As well, he is a former Director of PetroKazakhstan Inc., Superior Propane Inc. and Spar Aerospace Inc. Mr. Doak has held senior positions at ScotiaMcLeod Inc., First Marathon Securities Ltd., McLeod Young Weir Ltd., was a founder of Enterprise Capital Management Inc., where he served as President and Managing Partner from 1997 to 2002, and is a past President and Director of the Toronto Society of Financial Analysts and a past Chair and Director of the Toronto French School. Mr. Doak has published a number of columns in two Canadian financial publications. He holds a Diplôme des études collégiales from McGill University and a B.A. in Economics from the University of Toronto.

Peter J. M. Hooper, Director of Khan, Chairman of the Technical Advisory Committee, is a senior mining executive with broad-based experience in production, engineering, reorganization and training, contracting, exploration and corporate affairs. Mr. Hooper has a long track record in the mining industry in South Africa, Canada, Australia and Ghana. Currently, Mr. Hooper is CEO of Macusani Yellowcake, a company he was instrumental in founding in 2006. From April 2004 to September 2005, Mr. Hooper served as the Chief Operating Officer for Afcan Mining Corporation. From 2002 until 2004, Mr. Hooper served as Managing Director of mineral resources at Kingsdale Capital Corporation. Mr. Hooper also served as President of Valencia Resources Inc. from 2000 to 2005. From 1999 to 2001, Mr. Hooper provided consulting engineering services through his company, Hooper Mining Services Inc. His senior management experience includes uranium production in Canada with Eldorado Nuclear Uranium Mines Ltd., gold production in South Africa and Ghana, and copper and zinc production in Canada. Mr. Hooper has been a senior mining executive with Consolidated Rio Australia Ltd., J.S. Redpath Mining

Engineering Ltd. and Dynatec Engineering Ltd. His consulting engineering projects have been conducted in Canada, the United States, Cuba, Colombia, Venezuela, Mexico, Chile, South Africa, Zimbabwe, Ghana, Zambia, Australia, Kyrgyzstan, Kazakhstan, Uzbekistan, Russia, Saudi Arabia and France. Mr. Hooper holds a B.Sc. in Mining Engineering from the University of the Witwatersrand, South Africa. He is a director and/or officer of several public mining companies.

Jean-Pierre Chauvin, P. Eng., Director of Khan, Chairman of the Compensation Committee, has over 30 years of experience in the mining and construction industries. Since July 2006, Mr. Chauvin has served as Chief Operating Officer of Globestar Mining Corp. and was promoted to President in October 2006. Prior to March 2006, he was President, Chief Executive Officer and a Director of Patricia Mining Corporation, having assumed these positions in 2004. Since 2001, Mr. Chauvin has also acted as President and Senior Consultant of Chauvin Engineering Ltd., based in Oakville, Ontario. This company consults in the mining industry focusing on operational reviews and feasibility studies. Prior to 2001, he has served as a Director of Battle Mountain Canada Ltd., Crown Butte Resources Ltd., the Mining Association of Canada and the Ontario Mining Association. Mr. Chauvin has also served as General Manager of Canadian Operations for Battle Mountain Gold Co. Mr. Chauvin is an engineer holding a B.Sc. in Mining Engineering from Queen's University.

Grant A. Edey, Director of Khan, Chairman of the Audit and Finance Committee, has over 30 years of financial experience primarily in the mining industry. Mr. Edey recently retired from IAMGOLD Corporation where he was Chief Financial Officer from 2003 to 2007. From 1996 to 2002, he was Vice-President, Finance, Chief Financial Officer and Corporate Secretary of Repadre Capital Corporation. Prior to 1996, he held senior positions with Strathcona Mineral Services Limited, TransCanada Pipelines Limited, Eldorado Nuclear Limited, Rio Algom Limited and INCO Limited. Mr. Edey is also a director of Breakwater Resources Ltd. and Baffinland Iron Mines Corporation. Mr. Edey holds a B.Sc. in Mining Engineering from Queen's University and an M.B.A. from the University of Western Ontario.

Hon. Robert P. Kaplan, P.C., Q.C. Director of Khan, Chairman of the Corporate Governance and Nominating Committee, has over 40 years of experience as a lawyer, businessman and elected politician. Mr. Kaplan retired from a 25-year career in elective politics in 1993. He was a Federal Member of Parliament and Cabinet Minister in the Governments of the Rt. Hon. Pierre-Elliott Trudeau and Rt. Hon. John N. Turner. Mr. Kaplan is a director of Advanced Explorations, Inc. and a trustee of H&R REIT. As well, he is a former Director and Chairman of PetroKazakhstan, Inc. Mr. Kaplan is a founding Trustee of the State Hermitage Museum Foundation of Canada, one of five international foundations which support the Hermitage Museum in St Petersburg, Russia. He has also been honoured by being named a Chevalier of the Legion of Honour by the President of France. Mr Kaplan has served as the Honourary Consul General of Kazakhstan for Canada for the last 15 years. Mr. Kaplan holds a B.A. in Sociology and an LL.B. from the University of Toronto. He was called to the Ontario Bar in 1963.

Stephen W. Harapiak, Director of Khan, is a graduate in Mechanical Engineering from the University of Manitoba and has spent his entire career in the minerals industry. He has worked in the uranium, potash, iron, base metal and gold sectors. His experience spans the entire range of activity from engineering, construction and project management to operation of mining, milling and refining facilities. He has also served in senior executive positions in major companies in Canada and abroad; Canadian companies include Noranda, Denison Mines and Potash Corporation of Saskatchewan where he served as President and CEO. His international experience includes engineering assignments in Chile, Cuba and Russia. Additionally, he has headed up major mineral projects in Zambia (Director of operations – Zambia Consolidated Copper Mines), in Russia (General Director of Kubaka Gold Mine, a Russian American joint venture green fields project) and in Kazakhstan (Senior Vice President of Kazzinc, a Glencore company, with responsibility for all operations and new projects for this integrated mining, smelting and refining company). Most recently he was retained as a consultant to the International Finance Corporation

(World Bank Group) overseeing mining supply chain development projects in Russia. He is currently employed by Victory Nickel Inc. in the capacity of President and Chief Operating Officer. His previous directorships include Belmoral Gold Mines, Potash Corporation of Saskatchewan and Software Innovation, a Kitchener based software development company. He is past president of the CIM and is a member of the Professional Engineers of Ontario. He has served on various industry, government, professional and educational advisory boards.

David L. McAusland, Director of Khan, is a consultant, lawyer and corporate director. A graduate of the Faculty of Law of McGill University, he practiced law for over 20 years at a prominent Montreal law firm. In 1999, he joined Alcan Inc. and served as Senior Vice President for Mergers and Acquisitions, Chief Legal Officer since October 2000 and Executive Vice President, Corporate Development from February 2005. Mr. McAusland's responsibilities included worldwide legal and regulatory affairs, mergers, acquisitions and major transactions as well as corporate development initiatives until the sale of Alcan Inc. in 2007 to Rio Tinto PLC. Mr. McAusland is a Director of Cascades Inc., Cogeco Inc., Cogeco Cable Inc. and Equinox Minerals Ltd. and is a member of the governance committee for all four of these corporations. He is the Chairman of the Foundation of the National Circus School and a director of Centraide of Greater Montreal.

Paul D. Caldwell, B.A. (majors in Commerce and Economics), Chief Financial Officer of the Company, has over 31 years of financial experience. Mr. Caldwell, who joined the Company in August 2006, has held senior financial positions with Canadian gold mining companies operating in Argentina, Canada, Costa Rica, Nicaragua and the United States. He has been involved with a number of capital market transactions including private placement, prospectus and debt financings and several mergers and acquisitions. From October 2003 until August 2006, he was Controller of Glencairn Gold Corporation which operated gold mines in Central America including the Bellavista Gold Mine in Costa Rica and the Limon Mine in Nicaragua. Mr. Caldwell was Controller, Corporate Secretary and Chief Financial Officer of Black Hawk Mining Inc., which operated gold mines in Canada and Nicaragua, from January 2000 until October 2003 when Black Hawk merged with Glencairn Gold Corporation. Prior to this position, he was Controller of Black Hawk Mining Inc. from July 1996 to December 1999. Mr. Caldwell was Controller and Chief Financial Officer of Granduc Mining Inc. from June 1994 until June 1996 when Granduc merged with Black Hawk Mining Inc. From June 1994 until February 1996, he was Secretary, Treasurer and Chief Financial Officer of Consolidated Professor Mines Limited.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No director or executive officer of Khan is, as at the date of this Annual Information Form, or was within 10 years before the date of this Annual Information Form, a director, chief executive officer or chief financial officer of any company (including Khan), that:

(a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or
(b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Except as disclosed below, no director or executive officer of Khan, or a shareholder holding a sufficient number of securities of Khan to affect materially the control of Khan:

(a) is, as at the date of this Annual Information Form, or has been within the 10 years before the date of this Annual Information Form, a director or executive officer of any company (including Khan) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or
(b) has, within the 10 years before the date of the AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

The Hon. Robert P. Kaplan was a director of Hurricane Hydrocarbons Ltd. (subsequently PetroKazakhstan Inc.) when the company was granted protection from its creditors under the *Companies Creditors Arrangement Act* (Canada) from May 1999 until March 2000. Mr. Kaplan also ceased to be a director of Mooney Aerospace Group, Ltd. approximately ten months prior to June 2004 when the company filed voluntary petitions for reorganization under Chapter 11 of United States federal bankruptcy laws.

No director or executive officer of Khan, or a shareholder holding a sufficient number of securities of Khan to affect materially the control of Khan, has been subject to:

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

The directors or officers of Khan are, or may become, directors or officers of other companies with businesses which may conflict with the business of Khan. In accordance with the OBCA, directors are required to act honestly and in good faith with a view to the best interests of Khan. In addition, directors in a conflict of interest position are required to disclose certain conflicts to Khan and to abstain from voting in connection with the matter. To the best of Khan's knowledge, there are no known existing or potential conflicts of interest between Khan or a subsidiary of Khan and a director or officer of Khan or a subsidiary of Khan as a result of their outside business interests at the date hereof. However, certain of the directors and officers serve as directors and/or officers of other companies. Accordingly, conflicts of interest may arise which could influence these persons in evaluating possible acquisitions or in generally acting on behalf of Khan.

LEGAL PROCEEDINGS

Legal Proceedings Involving Wallace Mays

Mays Action

On September 15, 2006, Mr. Wallace Mays, WM Mining LLC (a company controlled by Mr. Mays, "WM Mining") and Nueces Investments Ltd. (a Bermuda corporation owned and controlled by Mr. Mays,

"Nueces") issued a Statement of Claim in the Ontario Superior Court of Justice (the "Mays Claim") under Section 248 of the OBCA against Khan, Khan Bermuda, certain current and former directors and shareholders of Khan and others. In the Mays Claim, Mr. Mays asserted that he was the victim of a deceit and conspiracy to deprive him of his interests in certain mining properties in Mongolia. Mr. Mays also asserted that he has been oppressed as a shareholder of Khan.

The relief sought as against Khan and Khan Bermuda in the Mays Claim included: (i) a declaration that the business and affairs of Khan and Khan Bermuda have been carried on in a manner oppressive of, unfairly prejudicial to, or that unfairly disregards the interests of the plaintiffs; (ii) an order setting aside a Share Exchange Agreement; (iii) an order setting aside the issuance of common shares of Khan pursuant to the exercise of certain common share purchase warrants granted or extended by the Board on October 3, 2004; (iv) an order requiring Khan to indemnify Mr. Mays and WM Mining for all expenses, costs and liabilities incurred by them in connection with the business, operations and affairs of Khan; (v) an order requiring the Corporation to take immediate steps to develop the Big Bend and Ogmoor gold properties in Mongolia; (vi) compensation for oppressive conduct in the amount of Cdn$150 million; and (vii) damages for knowing assistance in breach of trust and breach of fiduciary duty in the amount of Cdn$150 million.

On November 13, 2006, Khan and Khan Bermuda filed a Statement of Defence denying the allegations set out in the Mays Claim and denying that the Plaintiffs were entitled to the relief claimed therein.

On September 28, 2007, Mr. Mays, WM Mining and Nueces amended the Mays Claim (the "Amended Mays Claim") and withdrew their claim to set aside the Share Exchange Agreement. Instead the Amended Mays Claim sought (i) an order varying the Share Exchange Agreement such that Mr. Mays is the only party entitled to the issuance of the Special Warrants under that agreement; (ii) an order setting aside all issuances of the Special Warrants to recipients other than Mr. Mays (the "Recipients") and an order issuing those Special Warrants to Mays as of July 31, 2003; (iii) an order requiring Khan to issue to Mr. Mays that number of Khan common shares into which the Special Warrants received by the Recipients were exercisable; and (iv) an order rectifying the securities and other records of Khan to reflect that Mr. Mays is the registered owner of all Khan securities that have been issued to the Recipients as a result of the exercise of Special Warrants.

Khan Action for Damages

On October 3, 2006, the Corporation issued a Statement of Claim against Mr. Mays, WM Mining and Nueces in the Ontario Superior Court of Justice (the "Khan Claim"). As against Mr. Mays, the plaintiffs sought equitable compensation resulting from his alleged breach of fiduciary duties in the amount of Cdn$10 million. As against all of the defendants, the plaintiffs sought, among other things: (i) general damages resulting from the alleged torts of injurious falsehood and unlawful interference with economic interests in the amount of Cdn$10 million; (ii) damages and/or reimbursement in the amount of the Cdn$550,000 relating to a debt owed by the defendants to AATA International Inc.; (iii) aggravated, exemplary and punitive damages in the amount of Cdn$5 million; and (iv) an interim, interlocutory and permanent injunction restraining the defendants and their servants or agents from dealing or purporting to deal with or interfering with, among other things, any mineral property or interest owned by any of the plaintiffs. Mr. Mays, WM Mining and Nueces served a defence to this claim in January 2007.

Contempt Proceedings

On December 10, 2007, Khan commenced contempt of court proceedings in the Ontario Superior Court of Justice against Mr. Mays and WM Mining (the "Khan Contempt Proceedings"). Khan alleged that

by signing and delivering to the SPC a September 3, 2007 letter, Mr. Mays and WM Mining breached the terms of an October 12, 2006 consent order of the Superior Court of Justice.

Settlement of Outstanding Litigation

In February 2008, Khan and Khan Bermuda reached a settlement of the Mays Claim and the Amended Mays Claim with Mr. Mays, WM Mining and Nueces. Under the terms of the settlement, Khan and the other defendants were not required to make any payment of damages.

At the same time, the Corporation reached a settlement of the Khan Claim and the Khan Contempt Proceedings. Under the terms of the settlement, Khan received payment in respect of certain of its costs incurred in connection with such litigation. In addition, Mr. Mays and WM Mining signed a letter addressed to the SPC retracting the claims set out in the September 3, 2007 letter referred to above.

MATERIAL CONTRACTS

Except for contracts entered into by Khan in the ordinary course of business or otherwise disclosed herein, the only material contracts entered into by Khan within the most recently completed financial year, or entered into prior to the most recently completed financial year but still in effect, are the following:

The Western Prospector Agreement

See "*General Development of the Business – History*".

The Amended and Restated Shareholder Rights Plan Agreement

On November 14, 2006, Khan implemented an amended and restated shareholder rights plan (the "Shareholder Rights Plan") which was approved by the shareholders at Khan's Annual and Special Meeting of Shareholders held on February 15, 2007. The terms of the Plan are contained in the Shareholder Rights Plan Agreement dated November 14, 2006 between Khan and Equity Transfer & Trust Company, as rights agent. The Shareholder Rights Plan is intended to provide the Board with sufficient time to explore and develop alternatives for maximizing shareholder value if a take-over bid is made for Khan and to provide every shareholder with an equal opportunity to participate in such bid. The Shareholder Rights Plan will be in effect for a period of three years, unless reconfirmed by shareholders. A shareholder or any other interested party may obtain a copy of the Shareholder Rights Plan on SEDAR at www.sedar.com.

REGISTRAR AND TRANSFER AGENT

Khan's registrar and transfer agent is Equity Transfer & Trust Company, located at Suite 400, 200 University Avenue, Toronto, Ontario M5H 4H1.

AUDIT COMMITTEE AND AUDITORS

Audit Committee Charter

The text of the charter (the "Charter") of the audit and finance committee (the "Audit Committee") of the Board is attached hereto as Exhibit B.

Composition of the Audit Committee

The Audit Committee is composed of Grant A. Edey, James B.C. Doak, Peter J.M. Hooper and David L. McAusland, all of whom are independent and financially literate in accordance with NI 52-110. The following table describes the education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member.

Name of Audit Committee Member	Relevant Experience and Qualifications
Grant A. Edey	Served as Chief Financial Officer of IAMGold Corporation for five years and Chief Financial Officer of Repadre Capital Corporation for seven years Chairman of Audit Committee of Breakwater Resources Ltd. MBA from the University of Western Ontario
James B. C. Doak	Over 25 years experience as an Economist and Chartered Financial Analyst Is a director of Cascades Inc. and Purepoint Uranium Group Inc. and a former Director of PetroKazakhstan Inc., Superior Propane Inc. and Spar Aerospace Inc. Has held senior positions at ScotiaMcLeod Inc., First Marathon Securities Ltd. and McLeod Young Weir Ltd. Past President and Director of the Toronto Society of Financial Analysts BA in Economics from the University of Toronto

Peter J. M. Hooper	Served as the Chief Operating Officer for Afcan Mining Corporation Served as Managing Director of mineral resources at Kingsdale Capital Corporation and as President of Valencia Resources Inc. Was a senior mining executive with Consolidated Rio Australia Ltd., J.S. Redpath Mining Engineering Ltd. and Dynatec Engineering Ltd.
David L. McAusland	Served as Senior Vice President for Mergers and Acquisitions, Chief Legal Officer and Executive Vice President, Corporate Development of Alcan Inc. Is a director of Cascades Inc., Cogeco Inc., Cogeco Cable Inc. and Equinox Minerals Ltd., and is a member of the Audit and Governance Committees for both Cogeco companies.

Audit Committee Oversight

At no time since the commencement of the Khan's most recently completed financial year was a recommendation to nominate or compensate an external auditor not adopted by the Board.

Pre-Approval Policies and Procedures

The Charter provides that the Audit Committee must pre-approve any non-audit services to be provided to the Corporation by the external auditor.

Auditor Service Fees

The current auditors of Khan are Ernst & Young LLP ("Ernst & Young") and are located at 222 Bay Street, Toronto-Dominion Centre, Toronto, Ontario M5K 1J5. The following Ernst & Young fees were incurred by Khan for the year ended September 30, 2008 and 2007 for professional services rendered to Khan:

Fees	**2008**	**2007**
Audit Fees[1]	Cdn.$272,200	Cdn.$113,000
Audit-Related Fees[2]	-	Cdn.$75,000
Tax Fees[3]	Cdn.$3,000	Cdn.$25,000
All Other Fees[4]	-	-
Total	Cdn.$275,200	Cdn.$213,000

_____

Notes:

1 Audit Fees are the aggregate fees billed by Ernst & Young in each of the last two fiscal years for audit services. Included in these aggregate fees are the amounts for the audit of the annual consolidated financial statements which were Cdn.$86,000 in 2008 and Cdn.$85,500 in 2007.

2 Audit-Related Fees are the aggregate fees billed in each of the last two fiscal years for assurance and related services by Ernst & Young that are reasonably related to the performance of the audit or review of Khan's financial statements and are not Audit Fees, including for consultations on accounting developments and the accounting for potential corporate transactions.

3 Tax Fees are the aggregate fees billed in each of the last two fiscal years for professional services rendered by Ernst & Young for tax compliance, tax advice, and tax planning.

4 All Other Fees are the aggregate fees billed in each of the last two fiscal years for products and services provided by Ernst & Young, other than Audit Fees, Audit-Related Fees or Tax Fees.

INTERESTS OF EXPERTS

Scientific or technical information in this Annual Information Form relating to the Dornod Uranium Property is based upon a Technical Report prepared by Scott Wilson RPA. The Technical Report provides an independent technical review of the Mineral Reserves and Mineral Resources and the preliminary mining plan and recommends further work to advance exploration and development of the Dornod Uranium Property. The Technical Report was prepared by Hrayr Agnerian, M.Sc. (Applied), P. Geo., Ken A. Bocking, P. Eng., Jason J. Cox, P. Eng., and Leslie H. Heymann, P. Eng. Each of Messrs. Agnerian, Bocking, Cox and Heymann is a Qualified Person. To the best of Khan's knowledge, all of the authors of the Technical Report are independent of the Corporation within the meaning of NI 43-101 and none of them holds any registered or beneficial interest, directly or indirectly, in any securities or other property of Khan or its associates or affiliates.

Ernst & Young has prepared an auditor's report on the annual financial statements of Khan for the year ended September 30, 2008. Ernst & Young has advised that it is independent with respect to Khan within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

ADDITIONAL INFORMATION

Additional information relating to Khan may be found on SEDAR at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Khan's securities and securities authorized for issuance under equity compensation plans, where applicable, is contained in Khan's information circular for its annual and special meeting of shareholders held on February 14, 2008. Additional financial information is provided in Khan's financial statements and MD&A for its most recently completed financial year, all of which are filed on SEDAR at www.sedar.com.

EXHIBIT A

SUMMARY

EXECUTIVE SUMMARY

Scott Wilson Roscoe Postle Associates Inc. (Scott Wilson RPA), Aker Kvaerner Canada Inc. (Aker Kvaerner), and Golder Associates Ltd. (Golder, together The Consultants) were retained by Khan Resources Inc. (Khan) to prepare a Pre-Feasibility Study (the PFS) on the Dornod Uranium Property (the Project) located in north-eastern Mongolia. This Technical Report, summarizing the PFS, is conformable to NI 43-101 Standards of Disclosure for Mineral Projects.

The Dornod Project comprises several uranium deposits and some infrastructure. There are two deposits for which Mineral Resources and Mineral Reserves have been estimated:

- An open pit mine at the No. 2 Deposit. From 1988 to 1995, Priargunsky Industrial Mining and Chemical Enterprise (Priargunsky) extracted some 590,000 tonnes of material at an average grade of 0.118% U_3O_8. Currently, the open pit is full of water.

- An underground uranium deposit (No. 7) which remains partially developed by three shafts and about 20,000 m of development drifts. Some of this development is also related to the nearby No. 4 and No. 5 Deposits. Currently, the underground workings are flooded.

Khan is a Canadian reporting issuer with a corporate office in Toronto. Khan, in joint venture with Priargunsky (a Russian government entity, based in Krasnokamensk, Eastern Siberia), and Mongol Erdene (a division of the Ministry of Energy, Geology and Mining of Mongolia), plans to bring the Dornod Project into production.

CONCLUSIONS AND RECOMMENDATIONS

The Pre-Feasibility Study commissioned by Khan for the Dornod Project shows a positive economic outcome, including the following key results:

MINERAL RESOURCES

- At the 0.040% U_3O_8 cut-off grade and five-metre minimum vertical thickness of mineralization, the No. 7 Deposit contains 14.36 million tonnes of Indicated Mineral Resources at an average grade of 0.154% U_3O_8.

- At the 0.030% U_3O_8 cut-off grade and two-metre minimum vertical thickness of mineralization, the No. 2 Deposit contains 9.55 million tonnes of Indicated Mineral Resources at an average grade of 0.071% U_3O_8.

- Several additional uranium deposits and showings have been discovered in the general Dornod area. In particular, the No. 5 Deposit is situated within the Additional Dornod Property (Mineral Licence 9282X). Two other deposits, No. 8 and No. 9, are situated outside the present property.

- Past and recent exploration work has been carried out in a systematic manner and is well documented. These data are acceptable to estimate Mineral Resources.

MINERAL RESERVES

- At the 0.040% U_3O_8 cut-off grade and five-metre minimum vertical thickness of mineralization, the No. 7 Deposit contains 11.28 million tonnes of Probable Mineral Reserves at an average grade of 0.156% U_3O_8, containing approximately 38.9 million pounds of U_3O_8. These Mineral Reserves constitute mineralized material which can be developed and mined as an underground mine.

- At the 0.030% U_3O_8 cut-off grade and two-metre minimum vertical thickness of mineralization, the No. 2 Deposit contains 3.34 million tonnes of Probable Mineral Reserves at an average grade of 0.081% U_3O_8, containing approximately 6.0 million pounds of U_3O_8. These Mineral Reserves constitute mineralized material which can be developed and mined as an open pit.

MINING

- Underground and open pit mines are planned, producing a total of approximately 1,225,000 tonnes of ore per year, at a rate of 3,500 tpd.

- A total of 18.3 million tonnes of ore at an average grade of 0.122% U_3O_8 will be mined from the No. 7 and No. 2 Deposits over a period of 15 years.

PROCESSING

- Uranium mineralization of the No. 7 Deposit is refractory. This is presumed to be due to the presence of brannerite, (a uranium titanate mineral), zircon, and the high carbonate content (4% to 7%) associated with the mineralization. Furthermore, uranium minerals occur as very small grains and intergrowths with other minerals, which will require relatively fine grinding.

- Metallurgical recovery of 90% has been achieved in recent test work on the No. 7 Deposit, and this recovery has been used in the financial analysis on the Project.

- Uranium mineralization of the No. 2 Deposit is free milling. This is based on previous testwork and results by Priargunsky.

- Metallurgical recovery of 93% has been achieved in past operations on the No. 2 Deposit, and this recovery has been used in the financial analysis on the Project.

- A milling rate of 3,500 tpd is planned for the combined production from the No. 7 and No. 2 Deposits.

ENVIRONMENTAL

- The Project is expected to produce a total volume of approximately 15.3 million m^3 of residue, which will be managed within a separate Residue Management Area (RMA).

- Environmental studies required for permitting are in progress.

RECOMMENDATIONS

Project economics are robust, and the authors recommend that Khan advance the Dornod Project to the Feasibility stage. In addition to the course of work typical of that level of study, the authors recommend the following specific items be included in a Feasibility Study:

- Detailed gamma-ray logging should be part of future exploration programs, as a complement to assaying for uranium grades.

- Evaluation of ground conditions in the No. 7 Deposit workings, once dewatering is completed.

- Geomechanical modelling of the proposed excavation plan for the No. 7 Deposit, and subsequent review of the stoping sequence.

- Examination of economic trade-offs for cemented fill vs. leaving thin pillars in ore, in marginal-grade areas.

- Review of open pit design, which is sensitive to input parameters.

- Metallurgical testwork to optimise leaching parameters for No. 7 Deposit material.

- Metallurgical testwork to confirm historical recoveries and other parameters for processing of No. 2 Deposit material.
- Further study of the grade-recovery relationship, such that Life of Mine recoveries can be evaluated against mill feed grades.

- Consideration of a sulfur-burning acid plant on site, to reduce operating and transport costs, in exchange for an increase in the capital requirement.

- Investigation of additional land use acquisition, necessary for open pit waste disposal, and for potential improvements to Residue Management Area (RMA) location.

- Hydrogeologic studies should be undertaken to improve estimates of groundwater infiltration rates into the underground workings and into the open pit as sources of fresh water for process operation requirements. These studies should also address estimation of the long-term sustainable ground water yield of the open pit.

ECONOMIC ANALYSIS

A financial analysis has been completed for the Project. This evaluation has been done from the perspective of the joint venture.

A cash flow model has been developed and cash flow statement prepared for the life of the Project. The model reflects first quarter 2007 pricing. The following assumptions have been used in the preparation of the model.

- A uranium price of $55.00/lb of U_3O_8 has been used for the base case.

- The Project is assumed to be 100% equity financed, and no interest charges have been applied.

- The Owner's costs were supplied by Khan.

- Sustaining capital will be required for the raising of the tailings dams, for the stripping of the No. 2 open pit and to replace some of the non-mining mobile equipment. This capital is charged to the Project during the year in which it is incurred.

The Project has a life of 14.5 years, an initial capital cost of $283.0 million including Owner's costs, a payback period of 4.8 years from the time that the first capital payments are made, and generates net cash flow of $748.5 million.

The Project has an IRR of 36.8% and an NPV of $370.8 million, assuming a discount rate of 7.5%. The NPV at discount rates of 10%, 15%, and 20% are $293.9 million, $183.5 million, and $111.3 million, respectively.

Key parameters used and arising out of the analysis are as follows:

- Annual Throughput (Mt) 1.26
- Mine Life (years) 14.5
- Total Capital Cost ($ millions) 283.0
- Maximum Negative Cash Flow ($ millions) -283.9
- Average Annual Production (‘000 lbs U_3O_8) 3,685
- Total Operating Cost ($/t) 49.21
- Metal Price ($/lb U_3O_8) 55.00
- Average Employment 201

The cash flow model is shown in Table 1-1.

TABLE 1-1 DORNOD CASH FLOW BASE CASE

Aker Kvaerner

Table 1-1
Dornod Cash Flow Base Case

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Year	-2	-1	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Ore Mined N0. 7 Deposit	39,006	34,130	123,260	870,978	1,224,888	1,225,156	1,225,121	1,224,911	1,224,856	1,225,094	1,122,550	448,700	350,000	350,000	350,000	129,500	-	-	-
Ore Mined No 2 Deposit	-	-	-	-	-	-	-	-	-	-	102,550	775,950	875,000	637,000	875,000	1,095,500	1,225,000	1,225,000	124,433
Ore Mined, 000t	39,006	34,130	123,260	870,978	1,224,888	1,225,156	1,225,121	1,224,911	1,224,856	1,225,094	1,225,100	1,224,650	1,225,000	987,000	1,225,000	1,225,000	1,225,000	1,225,000	124,433
Ore Processed, 000 t			150,000	917,000	1,225,000	1,225,000	1,225,000	1,225,000	1,225,000	1,225,000	1,225,000	1,225,000	1,225,000	1,225,000	1,225,000	1,225,000	1,225,000	1,225,000	124,000
Uranium Grade % U3O8	Sens. Factor		0.222%	0.214%	0.208%	0.207%	0.215%	0.129%	0.112%	0.095%	0.134%	0.109%	0.111%	0.077%	0.069%	0.061%	0.058%	0.054%	0.064%
Recovery %	1		90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.3%	92.0%	92.3%	92.1%	92.3%	92.9%	93.2%	93.2%	93.2%
Uranium recovered (Tonne)			299.7	1766.1	2296.0	2283.5	2372.8	1417.6	1239.6	1052.3	1477.2	1226.3	1256.2	863.5	783.3	691.9	661.6	620.8	74.1
Uanium Recovered (000 lbs)	2204.6		660.7	3893.7	5061.8	5034.3	5231.2	3125.3	2733.0	2320.0	3256.8	2703.6	2769.5	1903.6	1727.0	1525.4	1458.6	1368.6	163.3
Uranium Price (USD/lb U3O8)			$ 55.00	$ 55.00	$ 55.00	$ 55.00	$ 55.00	$ 55.00	$ 55.00	$ 55.00	$ 55.00	$ 55.00	$ 55.00	$ 55.00	$ 55.00	$ 55.00	$ 55.00	$ 55.00	55.00
Uranium Revenue (USD/annum 000's)			36,340	214,152	278,397	276,884	287,717	171,890	150,313	127,600	179,122	148,700	152,325	104,699	94,984	83,898	80,224	75,271	8,981
Operating Cost																			
Mining, $ (1000)/a			4,400	28,059	31,220	30,834	29,495	24,998	22,166	22,172	19,671	33,735	32,727	32,727	32,727	28,855	25,883	20,937	1,974
Process, $ (1000)/a			3,434	20,993	28,044	28,044	28,044	28,044	28,044	28,044	28,044	28,044	28,044	28,044	28,044	28,044	28,044	28,044	2,839
General and Administration, $ (1000)/a			492	3,005	4,015	4,015	4,015	4,015	4,015	4,015	4,015	4,015	4,015	4,015	4,015	4,015	4,015	4,015	406
Total Operating Cost, $ (1000)/a	1		8,326	52,058	63,279	62,893	61,554	57,057	54,225	54,231	51,730	65,795	64,786	64,786	64,786	60,914	57,942	52,996	5,219
Cash Flow from Operations, $ (1000)/a (Before Tax)			28,014	162,094	215,118	213,991	226,163	114,833	96,087	73,369	127,392	82,905	87,539	39,913	30,198	22,984	22,282	22,275	3,763
Residual value of Assets	7%																		18,809
Depreciation Straight line in assets less residue(1000)			18,150	18,150	18,150	18,150	18,150	18,150	18,150	18,150	18,150	18,150	18,150	18,150	18,150	18,150	18,150	18,150	18,150
Uranium Royalty (l000)	5%		1,817	10,708	13,920	13,844	14,386	8,594	7,516	6,380	8,956	7,435	7,616	5,235	4,749	4,195	4,011	3,764	449
Taxable income (1000)			8,047	133,237	183,048	181,997	193,627	88,089	70,421	48,839	100,286	57,320	61,773	36,337	7,299	639	120	361	23,123
Corporate Tax Rate (1st 3 mil @15% then 25%)	3000	15% 25%	0	33,009	45,462	45,199	48,107	21,722	17,305	11,910	24,771	14,030	15,143	8,784	1,525 -	140 -	270 -	210 -	4,009
Cash Flow from operations after Tax (1000)			26,197	118,377	155,736	154,947	163,670	84,516	71,266	55,079	93,664	61,440	64,780	45,703	23,924	18,929	18,540	18,721	7,323
Capital Expenditures (1000)																			
Mining	- 10,738	- 16,299	- 25,618	- 13,982		30													
Process	- 3,939	- 11,816	- 19,693	- 3,939		60													
Factored Commodities Process Plant	- -	- 16,839	- 16,839	-		90													
Infrastructure	- -	- 20,562	- 13,708	-		120													
Indirects	- 10,330	- 36,155	- 5,165	-		150													
Contingency	-	- -	41,215																
Owner's Costs		-	16,150																
Sustaining Capital - Mine							-	581 -	10,074 -	23,998 -	23,999	-	581						
Sustaining Capital - Tailings				- 8,170				-	8,170										
Working Capital (months)	5			- 2,603										2,603					
Capital Expenditure/Working Capital,	- 25,007	- 101,670	- 138,387	- 28,693	0	450	0 -	581 -	18,244 -	23,998 -	23,999	- -	581	2,603	-	-	-	-	-
Project Cash Flow	- 25,007	- 101,670	- 112,190	89,684	155,736	155,397	163,670	83,936	53,022	31,081	69,665	61,440	64,199	48,306	23,924	18,929	18,540	18,721	7,323
Accumulative Cash Flow	- 25,007	- 126,677	- 238,867	- 149,183	6,553	161,950	325,621	409,557	462,579	493,660	563,326	624,766	688,965	737,271	761,195	780,124	798,664	817,385	824,708

IRR		37.1%
	Discount %	USD (000's)
NPV (1000)	0%	737.3
NPV (1000)	7.5%	363.1
NPV (1000)	10%	287.6
NPV (1000)	15%	178.9
NPV (1000)	20%	108.0

Payback 4.8 years

AKER KVÆRNER

ADDITIONAL CASH FLOW ASSUMPTIONS

The following assumptions have been made for working capital:

- It has been assumed that a period of 3 months will be required to start up the plant and get up to full production, and that it will take a further 2 months to receive payment for the initial uranium sales. Five months worth of operating costs will be required for working capital to cover this period. This money will be recovered at the end of the mine life.

- Mining capital costs were estimated by SWRPA and the costs of the residue disposal requirements were provided by Golder.

- Uranium will be shipped in truckloads of approximately 40 t. There will be an average of about 0.8 loads per week once production reaches steady state.

The following assumptions have been made regarding taxation:

- A royalty of 5% of the uranium revenue has been applied.

- Corporate tax has been applied at a rate of 15% of income on the first $3 million and 25% on the remaining pre-tax profit. These details were provided by Khan and have not been verified.

- It was assumed that 7% of the original capital cost will be recovered once the deposits have been mined out. Depreciation of the other 93% was applied on a straight-line basis during the mine life.

In total, corporate taxes and royalties of $377.4 million will be paid during the Project life.

SENSITIVITY ANALYSIS

The sensitivity analysis evaluates the response to a range of uranium prices, from $30.00 to $150.00 per lb of U_3O_8. The sensitivity to changes in capital and operating cost has been shown over a ±20% range. The Project rate of return and net present value at a 10% discount rate has been calculated over a ±10% range of uranium metallurgical recoveries.

These sensitivities are shown in Table 1-2 and Figures 1-1 to 1-4.

TABLE 1-2 SENSITIVITY ANALYSIS

Khan Resources Inc. – Dornod Uranium Property, Mongolia

Variable	Unit	Value	Percent of Base Case	NPV @ 10% ($ Millions)	Internal Rate of Return
Uranium Price	$/lb U_3O_8	$30.0	55%	$41.1	4.5%
		$60.0	109%	$361.0	42.3%
		$90.0	164%	$762.9	68.3%
		$120.0	218%	$1,165.0	90.3%
		$150.0	273%	$1,567.0	109.7%
Capital Cost	$ million	$226.4	80%	$322.0	44.2%
		$254.7	90%	$308.0	40.5%
		$283.0	Base	$293.9	37.3%
		$311.3	110%	$279.9	34.5%
		$339.6	120%	$265.9	32.0%
Operating Cost	$/t Milled	$39.4	80%	$338.5	40.0%
		$44.3	90%	$316.2	38.8%
		$49.2	Base	$293.9	37.3%
		$54.1	110%	$271.7	35.8%
		$59.1	120%	$245.4	34.2%
Recovery	%	82%	90%	$219.7	31.1%
		91%	Base	$293.9	37.3%
		100%	110%	$367.7	42.8%

FIGURE 1-1 URANIUM PRICE NPV SENSITIVITY

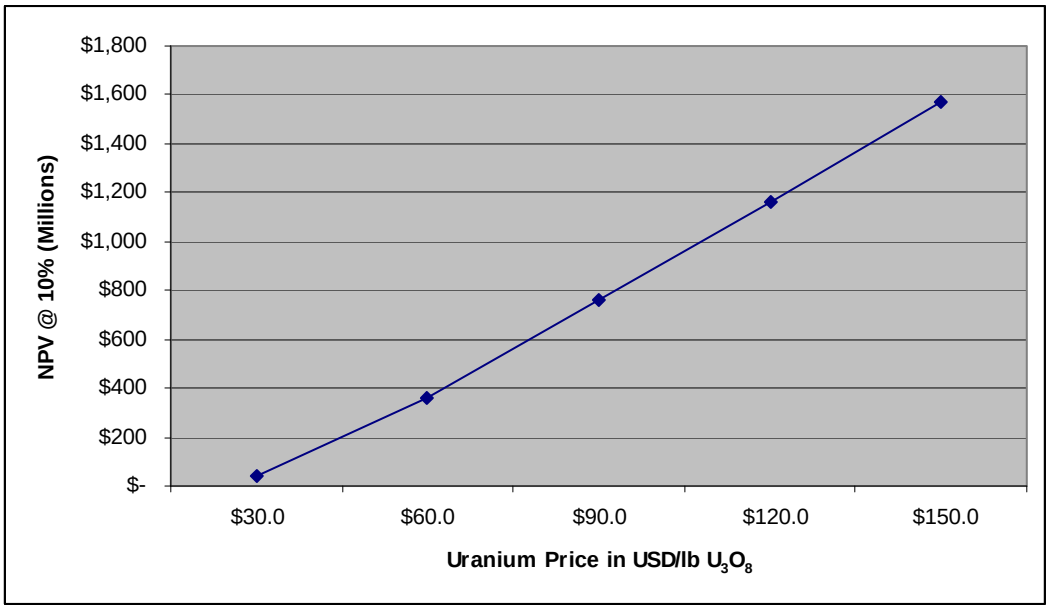


FIGURE 1-2 URANIUM PRICE IRR SENSITIVITY

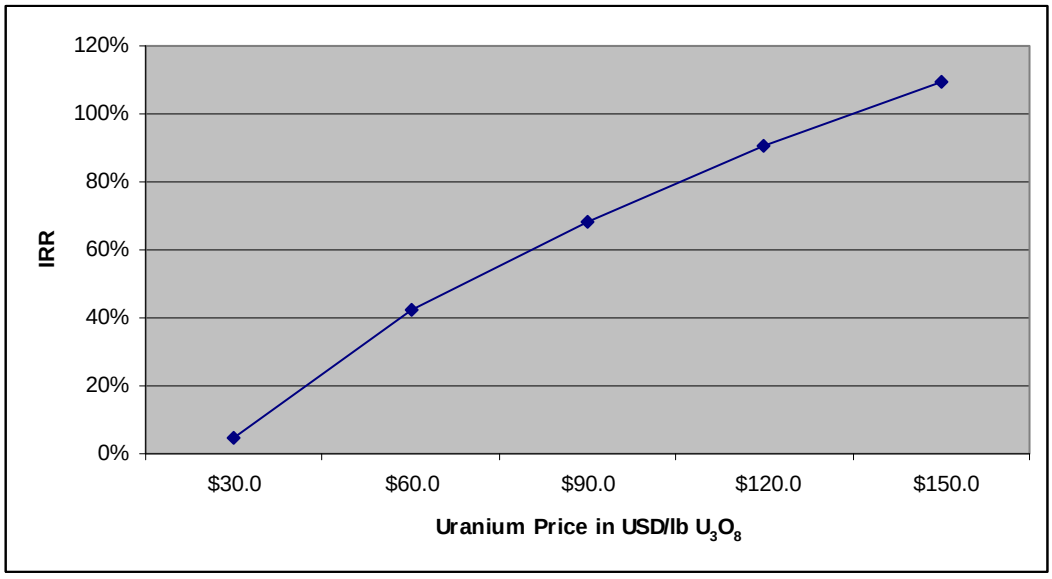


FIGURE 1-3 NPV SENSITIVITIES

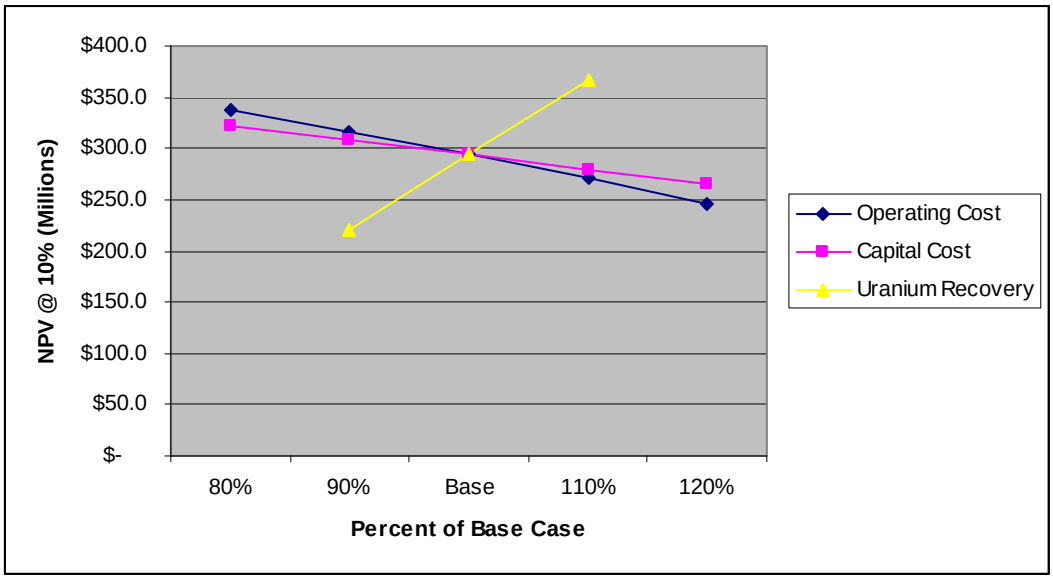
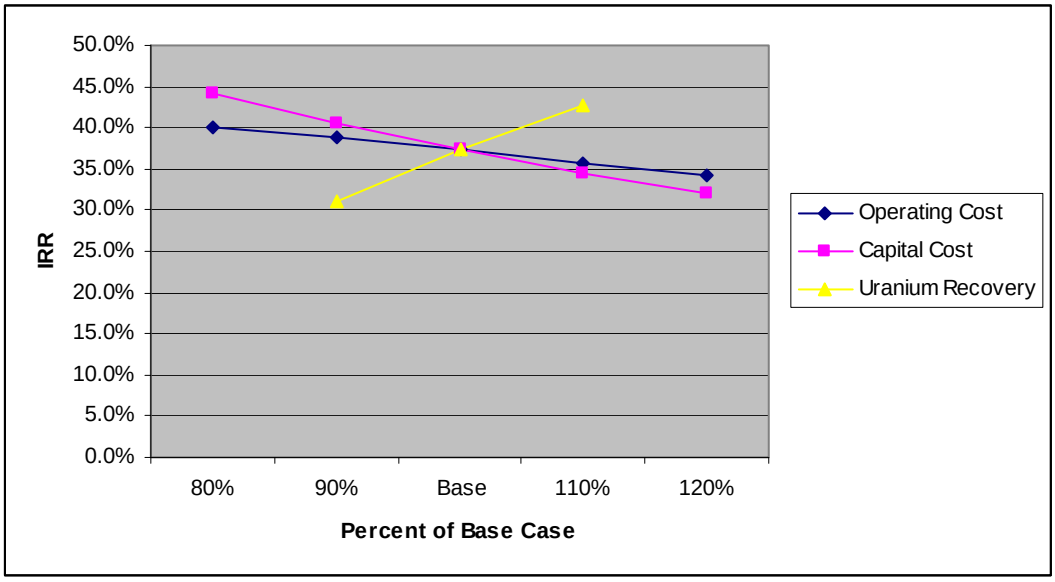


FIGURE 1-4 IRR SENSITIVITIES



The Project is most sensitive to changes in the uranium prices. The base case price of \$55.00/lb U_3O_8 represents about 65% of the current spot price of \$85.00 (UxC, September 24, 2007).

The Project is also slightly sensitive to changes in both initial capital and operating costs. These sensitivities are almost equivalent.

The Project is slightly more sensitive to a change in uranium recovery. An average recovery of 91.2% was used in the PFS. A drop in recovery to 82% would result in a 6% drop in IRR.

TECHNICAL SUMMARY

PROPERTY LOCATION AND DESCRIPTION

The Dornod Project is located in north-eastern Mongolia, approximately 125 km north of Choibalsan, capital of the Dornod Aimag (province). The population of Choibalsan is about 15,000, and it is situated along a major east-west road connecting the town with Ulaan Baatar, the capital of Mongolia, some 650 km to the west. The abandoned settlement of Mardai, built for Russian mineral exploration crews, is 14 km west of the Project.

LAND TENURE AND OWNERSHIP

The Dornod Property consists of two mineral licences, a Mining Licence (237A, originally U-27) and an Exploration Licence (9282X). Mining Licence 237A was granted by the Office of Geological and Mining Cadastre (OGMC), of the Minerals Resources Authority of Mongolia, to Central Asian Uranium Corporation (CAUC), a limited liability company organized under the laws of Mongolia. Khan, through a subsidiary corporation, holds 58% of the issued and outstanding common shares of CAUC (Lynch, 2004). The description of the ownership structure of the Dornod Project is based on information received from Khan and its legal counsel.

As detailed in a company press releases (August 17, 2007), Khan received a notice from the Mineral Resources Authority of Mongolia (Minerals Authority) advising that the Minerals Authority had determined that the decision to issue Khan's Special Exploration Licence 9282X was considered invalid. Subsequent conversations with the Minerals Authority clarified that the licence was not invalid, but rather was subject to review (Khan press release, August 23, 2007). On September 10, 2007, the Minerals

Authority issued a clarifying statement confirming that exploration licences were not invalid, and the intention was to encourage advancement of projects that the Minerals Authority deemed ready for mine development. Khan states that they "have been and continue to take all steps necessary to convert its Special Exploration Licence 9282X into a mining licence, in accordance with the Mongolian Minerals Law" (Khan press release, September 11, 2007).

PERMITTING

The Mineral Resources and Petroleum Authority of Mongolia (MRPAM) is the authority that oversees mining and exploration licensing in Mongolia. To change a license from exploration to mining, the company must submit:

- Mineral Resource/Reserve approved by the Minerals Council
- Feasibility study approved by the Mining Department of MRPAM
- Mongolian EIA approved by the Ministry of the Environment

It is expected the PFS will satisfy the requirements for a feasibility study as it includes a Life of Mine Plan.

To date, all permits and licenses are in place for the program presently underway. All licenses for the properties are in good standing.

The Project status and schedule is dependent on the company obtaining an investment agreement from the Mongolian Government. It is expected that government review will commence in the third quarter of 2007. Khan expects this process will be finished and approved by the end of the fourth quarter or early first quarter of 2008. It is not known at this time what impact these negotiations will have on the existing ownership structure.

ACCESS

Access to the Dornod Property is by paved road, about 100 km east from Ulaan Baatar to the coal mining town of Baganoor, then 550 km east by dirt road from

Baganoor to Choibalsan in northeastern Mongolia and then about 125 km north by dirt road from Choibalsan to Mardai. The main access road to the mine, from the town of Choibalsan, is presently an unimproved dirt road and will have to be graded and maintained to provide year-round access.

INFRASTRUCTURE

Infrastructure near the Project is limited. Power, not available at the site, is generated at Choibalsan. The PFS includes construction of an electric power line from Choibalsan to the Dornod site, in conjunction with the Government of Mongolia and other mining companies who have development projects in the area. Telephone service is not available at the site. Water is available from wells near the property. Some mining equipment and personnel are available at Choibalsan, Ulaan Baatar, and in northern Mongolia, where a few open pit gold deposits are being developed.

HISTORY

Historic mining and prospecting activities in the Mardai district of northeastern Mongolia, which hosts the Dornod deposit, date back to the 1940s. Early prospecting work led to the discovery of the Dornod uranium deposit and production started from an open pit in 1988. The area is host to numerous undeveloped uranium occurrences. From 1988 to 1995, some 590,000 tonnes of material at an average grade of 0.118% U_3O_8 were mined from the No. 2 Deposit of the Dornod site. The advent of Perestroika in 1985 and the dissolution of the Soviet Union in 1991 led to cessation of mining activity.

In 1995, Priargunsky - on behalf of World Wide Minerals Ltd. (World Wide), a predecessor company to Khan - commenced stripping and mining operations at the No. 2 Deposit as an open pit mine. Due to low uranium prices, however, the mine was shut down in 1995. Until 2005, the Project had been maintained on a care and maintenance basis. In early 2005, Khan became operator and began a confirmation drilling program on the areas of the No. 2 and 7 Deposits. Results of this program confirmed earlier Priargunsky results and established the continuity of uranium mineralization at the two

deposits. Khan commissioned a Scoping Study on Dornod in 2005, followed by a Pre-Feasibility Study starting in 2006.

GEOLOGY

Mongolia is within the Central Asian branch of the Ural-Mongolian Mobile Belt. The Main Mongolian Lineament, an arcuate series of deep-seated faults that extend generally east-west through the mid-section of the country, divides Mongolia into Northern and Southern Megablocks. The Dornod uranium district is within the North Choibalsan mineral region in extreme northeast Mongolia, in the Northern Megablock at the eastern end of the Central Mongolian Fold System.

Although uranium mineralization is common throughout the Dornod Complex, economic concentrations of uranium mineralization occur in a narrow stratigraphic interval in the lower part of the Complex. Mineralization is most extensive in horizons of porous sedimentary and volcanic rocks usually enriched with organic or sulphide minerals. Deposits are controlled by major zones of steeply dipping fractures of the northerly and northeasterly faults and their junctures with northwesterly faults.

The area of the Dornod Property is underlain by Jurassic volcanic and sedimentary rocks. The volcanic rocks are comprised of amygdaloidal basalt, andesite, ignimbrite, rhyolite and tuff. The sedimentary rocks are predominantly sandstone and conglomerate containing interbed carbonaceous partings.

Uranium mineralization in the Dornod district is found at depths of 30 m to 700 m and is concentrated within a 30 km^2 area. Thirteen deposits have been identified in the Dornod district, of which five have been explored in detail. The No. 7 Deposit, which is the largest, has been partially developed for underground exploration. The No. 2 Deposit, which is closer to surface, has been partially mined by open pit methods.

Uranium mineralization occurs as pitchblende-coffinite assemblages associated with carbonaceous partings and fragments in areas of structural preparation. The uranium

mineralization occurs as "blanket-like" horizons from less than 1 m thick to greater than 30 m thick within the volcano-sedimentary succession at depths from 30 m to greater than 450 m below surface. A number of uranium deposits and target areas have been outlined in the Dornod area by systematic exploration work.

The No. 7 Deposit is situated at the northern end of the Dornod uranium district and occupies the southern half of the area covered by Mining Licence 237A. The Deposit is situated approximately one kilometre south of the No. 2 Deposit. The No. 7 Deposit comprises a number of separate, flat-lying uraniferous horizons spread over an area measuring 1,000 m by 500 m. The most continuous zone is a 30 m to 40 m thick tabular body of high grade uranium mineralization occurring at vertical depths between 410 m and 450 m below surface.

The No. 2 Deposit comprises a number of separate uraniferous horizons spread over an area measuring approximately 1,800 m by 1,500 m. There are at least five horizons of sedimentary rocks hosting uranium mineralization, which are interlayered with felsic to intermediate volcanic rocks. The most continuous zone (Layer 3) is a 6 m to 10 m thick layer of low grade uranium mineralization which is stratabound and defines the broad southwest trending synform in the area. This layer occurs at vertical depths between 75 m and 225 m below surface, and was the target of most past mining activity.

Russian exploration of the No. 7 Deposit included 123 surface diamond drill holes, 143 underground diamond drill holes and approximately 20,000 m of underground development including drifts, cross-cuts, and three shafts, which extend to the No. 5 Deposit area. Russian exploration of the No. 2 Deposit included 450 surface diamond drill holes.

From August 2005 to April 2007, Khan completed a program of confirmation drilling in both deposits, totalling 5,885 m in 23 vertical diamond drill holes.

In 2007, Khan continued to test the area between the No. 2 and No. 7 Deposit as well as the area southeast of the No. 2 open pit, by drilling. In total, some 1,987 m of drilling was completed in 8 diamond drill holes.

MINERAL RESOURCES

Scott Wilson RPA updated the Mineral Resources of the No. 7 and No. 2 Deposits, based on a new digital database of previous results, and additional confirmation drilling results. The Scott Wilson RPA resource estimate is in accordance with the Mineral Resource/Reserve Classification as recommended by the CIM Committee on Mineral Resources/Reserves.

TABLE 1-3 MINERAL RESOURCE ESTIMATE

Khan Resources Inc. - Dornod Uranium Property, Mongolia

Location	Category	Tonnes (million)	% U_3O_8	lbs U_3O_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**
No. 2 Deposit	Inferred	2.18	0.050	2.4

Notes:
1. CIM definitions were followed for Mineral Resources.
2. Mineral Resources were estimated using a U_3O_8 price of US$55 per lb.
3. Mineral Resources were estimated using a cut-off grade of 0.04% U_3O_8 for No. 7 Deposit, and 0.025% U_3O_8 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. Mineral Resources are inclusive of, not in addition to, Mineral Reserves.
6. The numbers for tonnage, % U_3O_8 and contained lbs U_3O_8 are rounded figures.

Systematic density measurements, made on drill core by staff of Priargunsky, and confirmed by more recent testing, result in an average density of 2.60 g/cc for the host rock siltstones.

Interpretation of mineralization was done at a threshold of approximately 0.015% U_3O_8 for the No. 7 Deposit, and approximately 0.010% U_3O_8 for the No. 2 Deposit. Separate block models were evaluated for each deposit, within the interpreted wireframes. Blocks in the models were compared to higher cut-off grades, calculated using operating costs, metallurgical recoveries, and the uranium price.

Scott Wilson RPA classified the Mineral Resources in the No. 7 and No. 2 Deposits into the Indicated category based on drill hole spacing, apparent continuity of mineralization, and the results of the recent confirmation drilling. A small additional part of the No. 2 Deposit has been classified as Inferred Mineral Resources, in an area extending both inside and outside (north) of the current boundary of Mineral Licence 237A.

In plan view, the No. 7 Deposit block model shows a high-grade central core, with a large halo of mineralization in which the grade declines smoothly towards the edges. The No. 2 Deposit block model shows several areas of higher-grade (>0.10 % U_3O_8) mineralization, with the largest area concentrated underneath the current pit, and another area to the south-east. West of the current pit, grades start below 0.10% U_3O_8, and decrease gradually.

MINERAL RESERVES

Mineral Reserves were estimated for the PFS assuming underground longhole open stoping methods with delayed backfill for the No. 7 Deposit, with stope sizes and pillar layouts as described in a geotechnical study by Golder. Reserves for the No. 2 Deposit assume open pit mining. Mineral Reserves are summarized in Table 1-4.

TABLE 1-4 MINERAL RESERVE ESTIMATE

Khan Resources Inc. - Dornod Uranium Property, Mongolia

Location	Category	Tonnes (million)	% U_3O_8	lbs U_3O_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 U_3O_8 price of $55 per lb.
3. Mineral Reserves were estimated using an underground cut-off grade of 0.04% U_3O_8 for No. 7 Deposit, and an open pit cut-off grade of 0.025% U_3O_8 for No. 2 Deposit.
4. The numbers for tonnage, % U_3O_8 and contained lbs U_3O_8 are rounded figures.

DILUTION – NO. 7 DEPOSIT

External dilution for No. 7 Deposit stopes is estimated to average 5.3%, including hangingwall dilution and backfill dilution.

In Scott Wilson RPA's opinion, 5% dilution is at the low end of the range of industry experience with this mining method, however, it is reflective of the massive nature of the orebody. There are relatively few stope boundaries with waste rock on the other side, compared to, for example, a vertical vein-type deposit, with at least two waste boundaries on every stope.

DILUTION – NO. 2 DEPOSIT

Examination of the block model for the No. 2 Deposit shows the gently-dipping mineralized layers angling into, and out of, successive ore benches. Open pit grade control will have to be applied to each bench, in order to determine boundaries for ore definition, on a scale that matches the selectivity of the mining equipment. A dilution allowance of 10% was factored into bench grades to account for this problem.

EXTRACTION – NO. 7 DEPOSIT

Mineral Reserve tonnage (exclusive of dilution) totals 74% of Mineral Resource tonnage for the No. 7 Deposit. Metal content in Mineral Reserves (38.9 million lbs)

totals 80% of Mineral Resource metal. Extraction was assessed in two stages; first, by application of stope outlines, with some resources rejected for being too thin or scattered to form stopes; and second, by application of expected recoveries for various stope configurations.

EXTRACTION – NO. 2 DEPOSIT

Portions of mineralized layers will be rejected by open pit grade control, where dilution within an ore bench is too high. An extraction factor of 85% was applied to bench tonnage to account for this problem.

MINING OPERATIONS

The PFS outlined mining of the No. 2 and No. 7 Deposits, at a combined production rate of 3,500 tpd, or 1.225 million tonnes per year. Mining of all Mineral Reserves is expected to require slightly more than 15 years, starting in 2011.

The No. 7 Deposit was partially developed for exploration, with two shafts, and development drifting on 550 Level. The exploration drifting was extended southwards to test other potential deposits (Nos. 4 and 5 Deposits), with another ventilation shaft (No. 2 Shaft) serving that area. Currently, the underground workings are flooded and the mine needs to be dewatered before a full evaluation of their condition can be completed. For the most part, the mine infrastructure, which supported the original exploration, has been destroyed or removed and has to be replaced.

Underground mining is proposed for No. 7 Deposit, using longhole open stoping with delayed backfill. Production at the full rate of 3,500 tpd for the first eight years will come from the No. 7 Deposit, followed by 4 ½ years of pillar recovery at a much reduced rate.

The No. 2 Deposit was mined as an open-pit operation from 1988 to 1995 by Priargunsky. The open pit is currently partially flooded, and is expected to serve as a reservoir for process water during the early years of operation. As production from the

No. 7 Deposit begins to drop, Phase 1 open pit mining will begin. Two additional phases are proposed, with total open pit mining expected to last just over seven years.

UNDERGROUND MINE DESIGN – NO. 7 DEPOSIT

Golder completed a geotechnical review entitled "Mine Geotechnical Underground Design for Dornod Project Mongolia," dated September 2006. Golder's review, based on evaluation of drill core, included recommendations for stope dimensions and ground support requirements, which were used for the PFS.

Stopes were designed 15 m wide, 25 m long and 25 m high, requiring seven-metre, fully-grouted cable bolts in the back. The mining sequence was anticipated to be a retreat of primary and secondary stopes. The Deposit was divided into 165 m wide by 125 m long blocks, separated by 30 m rib pillars. One such block of stopes (11 drifts wide by five stages in length) was centred on the high-grade core of the Deposit, and then pillars and further stope blocks were laid out around it.

Levels were nominally set at 25 m intervals from 500 Level to 575 Level, with the 550 Level corresponding with existing drifts.

The stoping cycle will consist of long hole drilling, drop raise and slot blasting, followed by mass blasting, mucking by remote LHDs (Load-Haul-Dump units), and haulage by truck. After mucking is completed, each stope will be filled with cemented rock fill, which will be allowed to cure before mining adjacent stopes.

The stoping sequence begins with lower primary stopes at the far end of the access drift, followed by the stope(s) immediately above. Primary stopes are then retreated in a similar fashion (bottom to top) towards the drift collars. Mining of secondary stopes begins after primary stopes on each side are completed, also proceeding bottom to top before retreating to the next stage.

Once entire stope blocks are mined out, pillar recovery will be carried out by dividing the pillars into 15 m by 30 m stopes, and mining in a retreat towards the shaft area.

SHAFT HOISTING

Main production hoisting options were evaluated, including installing a hoisting system on the existing No. 3 Shaft, compared to sinking a new shaft. The new shaft option was selected for the following reasons:

- Shorter haulage distance underground.
- Shaft headframe and hoist room could be incorporated into the surface mill complex of buildings. This allows for very little ore travel on surface (no road haul or long conveyor), and better control of surface facilities (centrally-located instead of spread out).
- Better configuration for ventilation.
- Production shaft installation is independent of pre-production mine development.
- Lower operating costs offset small increase in capital costs.

Design and costing was carried out for the following hoisting systems:

- No. 3 Ventilation Shaft: A cage hoisting system within an existing ventilation shaft, to be used for mine dewatering and limited material hoisting during pre-production, and for emergency egress during operations.
- New Production Shaft: A dual purpose hoisting system, designed to carry ore in a skip as well as men and materials in a cage. The new shaft will be six metres in diameter, and lined with cement. Sinking will proceed using conventional shaft-sinking techniques, assumed to be carried out by contractor.

Material will be dumped by underground haul trucks or LHDs onto a grizzly, located near the 525 Level Shaft Station. An underground ore storage bin will excavated below the level, consisting of an eight-metre diameter vertical silo between the ore dumping point and the skip loading level. The bottom of the bin will be conical and equipped with a chute and vibrating feeder to feed ore from the bunker onto the skip loading feeder.

UNDERGROUND MINE DEVELOPMENT

After dewatering, the existing workings the 550 Level will be rehabilitated for safe access. These workings were driven for exploration purposes, and will be slashed out to five metres by five metres, as necessary. New development, including level accesses within the pillars, stope drifts, infrastructure such as ramps, shaft accesses and mine services excavations, will largely by driven at five metres by five metres. This size will permit the use of large LHDs and haul trucks, necessary for high-productivity bulk mining. The headings will be driven using a two boom jumbo for development drilling.

Some larger excavations will be driven, such as underground shop facilities, the main settling sump, a waste rock receiving area (for backfill), and various areas where trucks can be loaded by LHD.

Development waste during pre-production will be skipped to surface for disposal. During operations, the majority of development is planned to be in ore, and waste is expected to be minimal. Some underground disposal will be available (final secondary stages in each drift, for example), so it has been assumed that no waste hoisting will be necessary.

VENTILATION

For uranium mines, one of the key elements in reducing worker exposure to alpha and beta radiation risk, is through the operation of high-volume mine ventilation systems. To prevent radon and thoron gas (decay products of the uranium decay chain) from decaying into alpha and beta particle emitters, it is considered “Good Practice” to keep the underground air to an average of 15 minutes or less in working areas, regardless of production activity. To achieve this, total required volumes are expected to peak at 22,000 m^3/min (approximately 780,000 cfm).

The fresh air intake will be a raw, five metre by five metre raise, located near the new No. 7 Shaft. Intake air speed was estimated to be too high to use the production shaft, and a separate fresh air intake will simplify mine air heating.

OPEN PIT MINING – NO. 2 DEPOSIT

Open pit mining will proceed in three phases, at a total production rate of 12 million tonnes per year (35,000 tpd) of ore and waste. Mining will be carried out by a Mongolian open pit contractor, with engineering, geology, grade control and oversight provided by Khan.

Open pit mining is scheduled to begin six years after underground production. Two and a half years of pre-stripping is planned prior to feeding open pit ore to the mill. The existing pit waste dump, to the north of the current open pit, is expected to be somewhat depleted from tailings dam construction and underground backfilling. The waste dump is north of Khan's land use boundary, and permission to add to the dump will be required.

Ore mining starts with Phase 1, which is a deepening of the existing pit, and an expansion to the southwest. Phase 2 targets some higher-grade intersections southeast of the existing pit, and Phase 3 extends further southwest in largely marginal-grade material. The average strip ratio over all three phases is 15:1.

Grade control for the No. 2 Deposit is expected to be challenging, as mineralization drifts above and below the cut-off grade, within the lithological host unit (mudstone). The best grades are often limited to one to two metre thicknesses, intersecting pit benches at shallow angles. Dilution and recovery of ore benches will be adversely impacted in these areas of intersection.

In addition, the presence of large quantities of marginal-grade material causes pit designs to be highly sensitive to input parameters. It is recommended that the implications for pit design be examined whenever inputs such as price forecasts, cost estimates or metallurgical recovery undergo significant change. The current pit design depends heavily on the higher-grade ore from the No. 7 Deposit to pay initial capital costs – the pit would not likely be viable as a stand-alone project. On the positive side, the open pit provides supplementary feed to keep the process plant operating at full

capacity, at a time when the underground mine is in a pillar-recovery phase, and can no longer do so.

LIFE OF MINE PLAN

The underground and open pit mines are designed to produce 1,225,000 tonnes of ore per year at a rate of 3,500 tpd. A total of 18.3 million tonnes of ore grading 0.122% U_3O_8 will be mined from the No. 7 and No. 2 Deposits, over a period of more than 15 years. During the pre-production phase, ore from level development and stope accesses will be stockpiled for processing during the initial production period.

Pre-production activities will begin with dewatering and rehabilitation of existing workings in the No. 7 Deposit in 2008. Next, mine development will proceed in parallel with shaft-sinking on the new No. 7 Shaft. Development will be limited to 500 tonnes per day, the maximum that can be hoisted using the small hoist to be installed on the No. 3 Shaft. Once the new No. 7 Shaft is commissioned (early 2011), mine development will continue at a much higher rate, as hoisting will no longer be a limitation. Production is scheduled to begin when the mill is commissioned, in Q4 2011.

Initially, production will be at half of the planned production rate, ramping up to 3,500 tpd over nine months (to mid 2012). Most of the production for the first eight years will be from underground mining of the No. 7 Deposit. Open pit stripping will begin in 2017, with the first open pit ore scheduled for 2019. From 2020 onwards, the open pit will provide the majority of the mill feed, supplemented with ore from pillar recovery mining underground. The current Mineral Reserves will be exhausted in early 2027.

SURFACE INFRASTRUCTURE

WATER

The water balance calculated for the PFS indicates that about18 m^3/h of process water will be required for the plant. Process water will be reclaimed from the mine and pit, which should be capable of supply up to 60 m^3/h of water once dewatering is complete.

Currently, there is approximately 1.56 M m^3 of water available in the flooded pit. An allocation for the drilling of a well at the plant site has been made.

POWER

The client has been informed by both the Aimag Business Development manager and the Power Plant Manager that the power plant in Choibalsan has been refurbished to consistently produce over 30 MW and spare capacity presently exists within the system to meet project needs. This will be enhanced once the system is connected to the Mongolian national grid. The dependability of the plant to produce over 30 MW consistently has not been independently verified. Temporary diesel power will be used to dewater the mine and for the construction camp, with the units providing standby emergency power during operations.

MINERAL PROCESSING AND METALLURGICAL TESTING

The PFS has relied on metallurgical reports supplied by Khan (based on work done in Russia) and on subsequent work performed at SGS Lakefield Laboratories (SGS) by Aker Kvaerner.

During the time of Priargunsky's operations, processing of No. 2 open pit material was done at Krasnokamensk. Operationally, 92% recovery of uranium from the Dornod No. 2 Deposit was achieved at the Priargunsky plant, using a conventional sulphuric acid leach, ion exchange, and solvent extraction flow method.

Russian testwork on the No. 7 Deposit indicated that the ore was refractory and testwork was conducted at SGS to try to overcome the problem. Initial work confirmed that leach recoveries were low and that the ore contained substantial carbonate that consumed a large amount of acid. In order to overcome this, several leach tests using an alkali environment were tried. These yielded uranium leach extractions in the 85% range.

Mineralogical work could not identify the problem minerals, but indicated that the residual uranium in acid leached tailings consisted of extremely finely divided particles. This provided an indication that finer grinding or longer leach times would yield better results.

A series of acid leach tests were performed, which indicated that recoveries in excess of 90% could be achieved with high acid consumptions in a conventional leach, provided that the following conditions were met:

- a grind size of 80% passing 75 microns
- pre-aeration for 12 hours
- leach temperatures of 80º C
- leach time of 24 hours
- the use of sodium chlorate as an oxidizer

The latest work at SGS has confirmed that recoveries of 90% might be anticipated at the expense of relatively high acid consumptions (160 kg/t) under the above conditions. The authors recommend that investigation of the grade vs. recovery relationship be included at the feasibility study stage, so that recovery can be modelled as a function of mill feed grade.

Recoveries of 93% for the No. 2 Deposit, and 90% for the No. 7 Deposit, have been used in the cut-off grade calculations and economic analysis.

PROCESSING

A milling rate of 3,500 tpd is planned. Initially treating only No. 7 ore, head grades will typically be 0.2% U_3O_8 for 2011 to 2015, and 0.1% for 2016 to 2018. After 2018, No. 2 ore is added to the mix, gradually decreasing the grade until it reaches the average grade of No. 2 ore, 0.08% U_3O_8 in 2022. The grade drops to 0.07% U_3O_8 in 2023 and 2024, and to 0.06% U_3O_8 through to the end of mine life in 2027.

A conventional sulphuric acid leach plant has been designed to treat ore from the two deposits. Ore will be crushed, milled and thickened, then fed to the head of an 18-tank overflow leach train, where acid sufficient to treat both ores will be added. The pregnant uranium containing solution will be separated from the barren pulp using a six-stage counter current decantation train.

The pregnant solution will be clarified and then fed to a conventional solvent extraction plant where Alamine 336 will remove the uranium into an organic phase. The uranium will be stripped from the organic with an ammonium-sulphate solution and precipitated using anhydrous ammonia. The yellowcake will be thickened in a conventional thickener and centrifuge before drying in a multiple hearth dryer.

ENVIRONMENTAL CONSIDERATIONS

RESIDUE DISPOSAL

The process will produce several waste streams, as follows:

1. Leach residue will report to the underflow of the final counter current decantation (CCD) thickener. This will comprise particles of ore which are not dissolved in the leaching process, together with gypsum resulting from the neutralization of entrained sulphuric acid, and some metal hydroxides.

2. Raffinate bleed streams will comprise a small volume of barren solution which is not recycled to the process. This will comprise gypsum resulting from the neutralization of waste sulphuric acid, together with some metal hydroxides. (The PFDs currently show this stream as reporting to the underflow of the final CCD thickener; thus it will be disposed of in combination with the leach residue stream.)

3. Solvent extraction (SX) crud will comprise a small volume of waste from the solvent extraction. It is assumed that, because of the organic content, the SX crud will be disposed of separately from the leach residue.

Prior to disposal, the waste streams will be treated with lime, so that their pH is neutral to slightly basic. In addition to the above process streams, a relatively small volume of ash from coal burning boilers will also be disposed of in a lined Residue Management Area (RMA), which will be located in the southwest corner of the land use permit area.

Containment for the residue will be provided partially by the surrounding topography and partially by the construction of three perimeter dams. The dams will be constructed in two or more stages. The first stage (i.e., the Starter Dam Stage) was designed to contain about 2 years of residue production.

WATER MANAGEMENT

There are no perennial rivers in the vicinity of the Project site. Fresh water requirements for the operation of the processing plant will have to be supplied either from the harvesting of surface water runoff (from occasional rainfall events or from seasonal thaw), or from groundwater. Surface water runoff will be highly intermittent and relatively unreliable; therefore, groundwater will have to be the primary source.

The water currently in the open pit represents a source of water which can be used for the start up of operations. The open pit can also be used as a source of water on an ongoing basis. Historical observations of pit water levels suggest that it may be possible to withdraw up to about 500,000 m^3 annually, providing that the pit water level is fully drawn down to stimulate groundwater inflow and to reduce evaporative losses. It has not been demonstrated that such large yields can be sustained on a year-to-year basis. The long-term sustainable yield from the open pit will depend on the size of the drawdown cone and the rate of recharge. Hydrogeologic studies should be undertaken as part of future studies to allow estimation of the long-term sustainable yield of the open pit.

It is anticipated that the Project will be operated such that it does not produce any liquid effluent. Inflows and outflows can be kept in balance by controlling the open pit water level.

ONGOING ENVIRONMENTAL INVESTIGATIONS

Currently, a comprehensive Baseline Data Collection Program is being carried out at and around the Dornod site. The objective of this program is to deliver data to support:

- the permitting process in Mongolia, and
- the ESIA that follows guidelines established by international funding institutions and the Mongolian Government.

CAPITAL COST ESTIMATE

The PFS capital cost for mining and surface facilities is $283 million in second quarter 2007 US dollars. The capital cost is summarized in Table 1-5 and is inclusive of the costs up to and including plant commissioning and start up. Sustaining capital and working capital are excluded from this estimate; however, they are included in the operating cost estimate.

The capital does not include interest or financing during construction. Budgetary quotations were solicited for major mining and processing equipment. Commodity pricing for earthwork, concrete, steel and architectural has been factored from equipment costs. Earthwork costs associated with the RMA are based on typical unit costs from construction. The cost estimate, based on the designs presented in the PFS report, has a predicted accuracy level of ±20%.

TABLE 1-5 PRE-PRODUCTION CAPITAL COSTS
Khan Resources Inc. – Dornod Uranium Property, Mongolia

Description	Cost ($ millions)
Process Mechanical Equipment	39.4
Process Plant Factored Commodities	33.7
Infrastructure	34.2
Mining	66.6
Subtotal – Direct Costs	**174.0**
Indirects – Process Plant	32.5
Indirects - Mining	19.1
Contingency	41.2
Owner's Costs	16.2
Project Total	**283.0**

OPERATING COST ESTIMATE

Operating costs for the Project reflect first quarter 2007 dollars. The exchange rates used to convert other currencies to US dollars are as follows:

US$1 =C$1.06
=7.596 Chinese RMB
= 1200 Mongolian tugriks.

The PFS operating cost estimates were prepared by area and component, and consider the mining plan and processing schedule.

Life of Mine operating costs average approximately $60 million per year, at the following average unit rates:

TABLE 1-6 UNIT OPERATING COSTS
Khan Resources Inc. – Dornod Uranium Property, Mongolia

Area	Cost ($/t)	Cost ($/lb U_3O_8)
Mining	23.04	9.36
Processing	22.89	9.30
G&A	3.28	1.33
Total	**49.21**	**19.99**

MANPOWER

Manpower estimates were based on activity levels over the life of the mine, productivity calculations, first principal rules and comparison with similar projects. Employment totals summarized in the following table represent early-year maximums, and show number of people on site.

TABLE 1-7 MANPOWER SUMMARY

Khan Resources Inc. – Dornod Uranium Property, Mongolia

Area	Staff	Hourly	Total
Mine	30	80	110
Mill	5	46	51
G&A	12	37	49
TOTAL	**47**	**163**	**210**

EXPATRIATE LABOUR

It has been recognized that some of the more technical skills will be difficult to source in Mongolia. Initially, these needs will be satisfied by the employment of expatriate specialists. These operator-trainers will be employed for as long as it takes to train suitable Mongolian replacements. Expatriate replacement by appropriately-trained local personnel will begin in 2013, reducing steadily to long-term levels by 2017, leaving permanent expatriates in the following positions: Mine Manager, Mine Superintendent, Mill Superintendent, Chief Geologist, Chief Mine Engineer, Mine Foreman, Maintenance Foreman and Mine Safety Inspector.

Over the Life of Mine, the ratio of expatriates to total labour averages 16.6%. At no time is the ratio anticipated to be over 39%, the maximum allowed by the Mongolian government for enterprises of this type (Gold Mining, Registered Capital 500 million tugriks or more, 101 to 500 employees).

EXHIBIT B

AUDIT COMMITTEE CHARTER

1. General

The Board of Directors (the "Board") of Khan Resources Inc. (the "Company") has established the Audit Committee (the "Committee") to assist in fulfilling the Board's responsibilities. The Committee is a key component in fulfilling the Company's commitment to maintaining a higher standard of corporate responsibility.

The Committee will review the Company's financial reports and its process, internal control systems, the management of financial risks, the external audit and assurance process, and the Company's compliance with legal and regulatory requirements and the Company's own code of business conduct and ethics.

2. Organization

2.1 Membership

The Committee will be comprised of a minimum of three members to be nominated and appointed annually by the Board, all of whom are to be independent directors unless exempted under applicable laws and regulations. A member continues in his/her capacity until a successor is appointed or if the member resigns, is removed, or ceases to be a director of the Company.

Members of the Committee must, in the opinion of the Board, be financially literate and at a minimum be capable of reading and understanding all financial information and understand their respective implications over the short and long term.

2.2 Committee Chair and Secretary

The Board shall nominate and appoint/reappoint the Chair of the Committee annually. The Chair of the Committee must be an independent director of the Company and meet the Company's standards of Independence outlined in Section 4 of the Corporate Governance Guidelines.

The role of Secretary can be filled by the Corporate Secretary or any other person as may be appointed by the Chair of the Committee.

2.3 Meetings

A quorum for any meeting will be two members in attendance. The Committee shall meet quarterly at a minimum and may invite any outside director or member of senior management to attend a meeting as an observer or answer questions that the Committee may have. The proceedings will be minuted.

3. Authority

The Board has authorized the Committee, within the parameters of its responsibilities, to seek any required information from any employee or external party, including obtaining outside legal or other professional counsel. The Committee is authorized to set and pay the compensation to those parties. The Committee will hire and monitor the Auditor.

4. Duties and Responsibilities

4.1 Financial Reporting

(a) Audited Annual Financial Statements: The Committee shall review the audited annual and interim financial statements, all related management discussion and analysis ("MD&A"), and earnings press releases for submission to the Board for approval and public disclosure.

(b) Quarterly Review: The Committee shall review the unaudited quarterly financial statements, the related MD&A, and earnings press releases for submission to the Board for approval and public disclosure.

(c) Significant Accounting Principles and Disclosure Issues: The Committee shall review with management and the external auditor, significant accounting principles and disclosure issues, including complex or unusual transactions, highly judgmental areas such as reserves or estimates, significant changes to accounting principles, and alternative treatments under Canadian GAAP for material transactions. This shall be undertaken with a view to understanding their impact on the financial statements, and to gaining reasonable assurance that the statements are accurate, complete, do not contain any misrepresentations, and present fairly the Company's financial position and the results of its operations in accordance with Canadian GAAP.

(d) Compliance: The Committee shall ensure that all of the Company's financial reporting conforms to, and meets or exceeds, the requirements of Canadian GAAP and all applicable laws and regulations.

(e) Legal Events: In the event of any actual or anticipated litigation or other events, including tax assessments, the Committee shall examine what material effect the event may have on the Company's current or future financial statements and the manner in which these details have been disclosed in the financial statements.

(f) Off-Balance Sheet Transactions: The Committee shall review any off-balance sheet transactions, arrangements, obligations, and other relationships with unconsolidated entities or other persons, and examine how that may have a material current or future effect on the Company's financial position.

(g) Procedural Review: The Committee shall satisfy itself that adequate procedures are in place for the review of the Company's public disclosure of financial information and periodically assess the adequacy of those procedures.

4.2 Internal Controls

(a) Review and Assessment: The Committee shall periodically review the effectiveness of the Company's system of internal control and management information systems through discussions with management and the external auditor. Based on that review the Committee will advise the Board of the adequacy of these controls and make recommendations for alterations to these controls when deemed necessary.

(b) Fraud: The Committee shall oversee any investigations of alleged fraud and illegality relating to the Company's finances.

(c) Complaints: The Committee shall ensure appropriate systems are in place for the receipt, retention, and treatment of internal and external complaints in an anonymous and confidential manner by the Company regarding accounting, internal accounting controls, or auditing matters.

(d) Hiring from the Auditor: The Committee shall review and approve the Company's hiring policies regarding current or former partners and employees of the current or former external auditor.

4.3 External Audit

(a) Auditor Reporting: The external auditor will report directly to the Committee.

(b) Auditor Performance: The Committee shall review the terms of the external auditor's engagement, accountability, experience, qualifications, independence, and overall performance.

(c) Auditor Appointment or Replacement: The Committee shall appoint or replace the auditor based on the Committee's evaluation and conclusions of the auditor's performance and adequacy and set its compensation. The Committee shall advise the Board of the decision.

(d) Audit Plan: The Committee shall review the audit plan and scope of the external audit with the external auditor and management, and consider whether the nature and scope of the planned audit procedures can be relied upon to detect weaknesses in internal controls, frauds or other illegal acts. The Committee shall make adjustments as needed.

(e) Audit Results: The Committee shall review, in the absence of management, the results of the annual external audit, the audit report thereon and the auditor's review of the related MD&A, and discuss with the external auditor the quality (not just the acceptability) of accounting principles used, any alternative treatments of financial information that have been discussed with management, the ramifications of their use and the auditor's preferred treatment, and any other material communications with management.

(f) Actions to be Taken: The Committee shall ensure that significant findings and recommendations by the external auditors are received and discussed on a timely basis. The Committee shall ensure that management responds to these findings and recommendations.

(g) Disparity and Disagreements: The Committee shall ensure the resolution of any disagreements between management and the external auditor or incongruity between expectations and results regarding financial reporting.

(h) Interim Financial Statements: The Committee may engage the external auditor to review all interim financial statements. The Committee shall review the results of the auditor's review of the interim financial statements and MD&A.

(i) Meeting with External Auditor: The Committee shall meet with the external auditor in the absence of management at least annually to discuss and review specific issues as appropriate as well as any significant matters that the auditor may wish to bring to the Committee for its consideration.

(j) Correspondence Review: The Committee shall review with management and the external auditor any correspondence with regulators or governmental agencies, employee complaints or published reports that raise material issues regarding the Company's financial statements or accounting policies.

(k) Non-Audit/Audit Services: The Committee must pre-approve any non-audit services to be provided to the Company or its subsidiaries by the external auditor, with reference to compatibility of the service with the external auditor's independence as prescribed by OSC regulations.

(l) Other Audit Matters: The Committee shall review any other matters related to the external audit that are to be communicated to the Committee under generally accepted auditing standards.

4.4 Risk Management

The Committee shall undertake an annual review the Company's risk management policies and procedures. The Committee oversees the implementation of these systems and determines their adequacy in mitigating and managing risks.

4.5 Compliance

(a) General: The Committee shall monitor the Company's compliance with all applicable laws and regulations. The Committee will review any investigations, reports, examinations or other instructions from regulatory authorities.

(b) Filings: The Committee ensures timeliness and accuracy of the Company's filings with regulatory authorities.

(c) Code of Business Conduct and Ethics: The Committee shall confirm that the Company, its employees, and its operations follow the Company's own Code of Business Conduct and Ethics and that adequate and effective systems are in place to enforce compliance.

(d) Discussion with Management: The Committee will meet privately with management at least quarterly to discuss any areas of concern to the Committee or management.

4.6 Reporting Responsibilities

(a) Adequacy of Charter: The Committee shall assess the continued adequacy of the Committee Charter annually and submit such amendments as the Committee sees fit to the Nominating and Corporate Governance Committee.

(b) Disclosure: The Committee shall oversee appropriate disclosure of the Committee's Charter, and other information required to be disclosed by applicable legislation, in the Company's Annual Information Form and all other applicable disclosure documents.

(c) Reporting to the Board: The Committee shall report regularly to the Board on Committee activities, findings and recommendations. The Committee is responsible for ensuring that the Board is aware of, and understands, any matter that may have a significant impact on the financial condition or affairs of the Company. The Committee shall submit its recommendations with respect to any such matter to the Board.