Khan Resources Inc.
Interim Consolidated Balance Sheets
(Unaudited)
(Expressed in United States dollars)
(All dollar amounts are in thousands)

	As at December 31, 2007	As at September 30, 2007
Assets		
Current		
Cash	$ 34,551	$ 33,859
Accounts receivable	70	47
Prepaid expenses and other assets	130	133
Asset held for sale (note 5)	-	3,322
Total current assets	34,751	37,361
Capital assets, net (note 4)	559	578
Mineral interests (notes 1 and 6)	5,657	5,044
	$ 40,967	$ 42,983
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 552	$ 501
Future tax liability	-	822
Total liabilities	552	1,323
Commitments and contingencies		
Shareholders' Equity		
Capital stock (note 7)	69,135	68,661
Deficit	(28,720)	(27,001)
	40,415	41,660
	$ 40,967	$ 42,983

The accompanying notes form an integral part of these consolidated financial statements.

On behalf of the Board:

Signed "James B.C. Doak"
Director

Signed "Martin Quick"
Director

Khan Resources Inc.
Interim Consolidated Statements of Operations and Deficit
(Unaudited)
(Expressed in United States dollars)
(All dollar amounts are in thousands, except for per share amounts)

	Three months ended December 31,		
	2007	**2006**	**Cumulative from inception on October 1, 2002**
Revenue			
Interest	$ 154	$ 94	$ 1,367
Expenses			
General corporate	1,294	787	8,218
Mongolian operations	250	44	943
Amortization	33	15	121
Stock-based compensation (note 8)	407	819	9,301
Foreign exchange (gain) loss	(111)	22	(1,222)
Loss on sale of assets (note 5)	822	-	797
Write-off of assets	-	-	9,742
	2,695	1,687	27,900
Loss before taxes	(2,541)	(1,593)	(26,533)
Future tax recovery (note 5)	822	-	3,394
Net loss and comprehensive loss for the Period	(1,719)	(1,593)	(23,139)
Deficit, beginning of period	(27,001)	(11,416)	-
Equity financing costs	-	-	(5,481)
Deficit, end of period	$ (28,720)	$ (13,009)	$ (28,620)
Weighted average number of common shares outstanding - basic and diluted (note 10)	54,048,000	41,490,000	
Net loss per share - basic and diluted (note 10)	$ (0.03)	$ (0.04)	

The accompanying notes form an integral part of these consolidated financial statements.

Khan Resources Inc.
Interim Consolidated Statement of Cash Flows
(Unaudited)
(Expressed in United States dollars)
(All dollar amounts are in thousands)

	Three months ended December 31, 2007	2006	Cumulative from inception on October 1, 2002
Operating Activities			
Net loss for the period	$ (1,719)	$ (1,593)	$ (23,239)
Items not affecting cash:			
Amortization expense	33	15	121
Stock-based compensation expense	407	819	9,301
Loss on sale of assets (note 5)	822	-	825
Future tax recovery	(822)	-	(3,394)
Unrealized foreign exchange gain	(34)	-	(1,114)
Write-off of assets	-	-	9,742
Write-off of deferred financing costs	-	-	20
	(1,313)	(759)	(7,738)
Changes in non-cash working capital balances related to operations (note 11)	36	132	(203)
Cash used in operating activities	(1,277)	(627)	(7,941)
Investing Activities			
Proceeds from sale of assets	2,500	-	2,500
Purchase of capital assets	(14)	(78)	(685)
Mineral interests	(619)	(556)	(5,997)
Payment of property acquisition liability	-	-	(1,667)
Cash provided by (used in) investing activities	1,867	(634)	(5,849)
Financing Activities			
Capital stock issued	68	355	51,882
Equity financing costs	-	-	(4,619)
Cash provided by financial activities	68	355	47,263
Foreign exchange gain on cash	34	-	1,078
Net increase in cash during the period	692	(906)	34,551
Cash, beginning of period	33,859	8,767	-
Cash, end of period	$ 34,551	$ 7,861	$ 34,551

The accompanying notes form an integral part of these consolidated financial statements.

Khan Resources Inc.
Notes to Interim Consolidated Financial Statements
(Unaudited)
(Expressed in United States dollars)
(All dollar amounts are in thousands, except for per share amounts)

1. Nature of Operations

Khan Resources Inc. ("Khan" or the "Company") is in the process of acquiring, exploring and developing its mineral properties and is thus considered to be a development stage company. The recoverability of the amounts shown for mineral interests is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves, upon future profitable production and/or the proceeds from the disposition thereof. To date, the Company has not earned significant revenues.

These unaudited interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. These unaudited interim consolidated financial statements do not contain any adjustments related to the carrying value and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

2. Summary of Significant Accounting Policies

These unaudited interim consolidated financial statements and accompanying notes have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") for the preparation of interim financial statements. They do not include all the information and disclosure required by GAAP for annual consolidated financial statements. These unaudited interim consolidated financial statements have been prepared in accordance with the accounting policies and methods set forth in the Company's audited consolidated financial statements as at and for the year ended September 30, 2007 and should be read in conjunction with those audited financial statements and notes thereto.

These unaudited interim consolidated financial statements include the accounts of the Company and its subsidiaries. All references to the Company should be treated as references to the Company and its subsidiaries. Inter-company accounts and transactions have been eliminated on consolidation.

Accounting Policy Changes

Effective October 1, 2007, the Company adopted the new CICA accounting sections: 1535 (Capital Disclosures), 3862 (Financial Instruments – Disclosure) and 3863 (Financial Instruments – Presentation). These accounting changes have been adopted prospectively with no restatement of comparative interim consolidated financial statements.

(i) <u>Capital Disclosures (CICA 1535)</u>
This standard establishes the requirements for the disclosure of information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital including disclosures of any externally imposed capital requirements and the consequences for non-compliance.

(Expressed in United States dollars)
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(ii) Financial Instruments – Disclosure (CICA 3862)
This standard requires disclosure of information related to the significance of financial instruments to a company's financial position and performance. A company is also required to disclose information related to the risks of its use of financial instruments and how those risks are managed.

(iii) Financial Instrument – Presentation (CICA 3863)
This standard establishes the requirements for presentation of financial instruments. It deals with the presentation of financial instruments and the circumstances in which financial asset and financial liabilities are offset.

3. Capital Management

The Company's objectives for managing capital are to safeguard the entity's ability to continue as a going concern and to bring the Dornod Uranium Project into production. The Company's strategy remains unchanged from the previous year.

The capital structure of the Company currently consists of common shares and warrants. The Company has issued common shares and warrants to advance the Project through various stages of development; however, debt may be required to bring the Project into production. In order to meet the Company's objectives for managing capital, new common shares, warrants and debt may be issued.

4. Capital Assets

Capital assets consist of the following:

	As at December 31, 2007	As at September 30, 2007
Buildings, equipment and vehicles	$ 680	$ 666
Less: accumulated amortization	121	88
	$ 559	$ 578

5. Sale of Asset

In August 2007, the Company entered into an agreement for the sale of the issued and outstanding common shares of Ikh Tokhoirol XXK, which holds the mining licenses for the Big Bend Gold Property, to Berleg Mining XXK, a Mongolian company, for $2,500 in cash. The acquisition and deferred development costs that were in excess of the sale price were written off at September 30, 2007. The sale closed on October 11, 2007, the Company received $2,500 in cash and recorded a loss on sale of asset of $822 and a related future tax recovery of $822.

(Expressed in United States dollars)
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6. Mineral Interests

	As at December 31, 2007	As at September 30, 2007
Dornod Uranium Project		
Acquisition costs	447	447
Deferred development costs	5,210	4,597
	$ 5,657	$ 5,044

7. Capital Stock

Capital stock consists of the following:

	As at December 31, 2007	As at September 30, 2007
Common shares (a)	$ 61,330	$ 61,220
Warrants (c)	996	996
Agents' options (d)	390	390
Contributed surplus (e)	6,419	6,055
	$ 69,135	$ 68,661

(a) Common shares

Authorized capital stock of the Company consists of an unlimited number of no par value common shares.

Changes in the issued and outstanding common shares during the three months ended December 31, 2007 are as follows:

	Number of Common Shares (000's)	Amount
Balance, September 30, 2007	54,016	$ 61,220
Exercise of stock options (b)	42	110
Balance, December 31, 2007	54,058	$ 61,330

(Expressed in United States dollars)
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(b) Stock options

A summary of the stock option transactions during the three months ended December 31, 2007 is as follows:

	Number of options (000's)	Weighted-Average Exercise Price (Cdn$)
Balance, September 30, 2007	4,108	$ 2.44
Exercised	(42)	1.50
Expired	(48)	2.77
Balance, December 31, 2007	4,018	$ 2.44

The following tables summarize information about the stock options outstanding and exercisable at December 31, 2007:

Options outstanding

Exercise Price (Cdn$)	Number outstanding at December 31, 2007 (000's)	Weighted-average remaining contractual life (years)	Weighted-average exercise price (Cdn$)
1.00 to 1.89	1,180	3.13	1.45
2.37 to 2.39	1,700	4.60	2.37
3.53 to 4.69	1,138	4.42	3.57
1.00 to 4.69	4,018	4.11	2.44

(Expressed in United States dollars)
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Options exercisable

Exercise prices (Cdn$)	**Number exercisable at December 31, 2007 (000's)**	**Weighted-average exercise price (Cdn$)**
1.00 to 1.89	845	1.41
2.37 to 2.39	708	2.38
3.53 to 4.69	1,138	3.57
1.00 to 4.69	2,691	2.58

(c) Warrants

There was no change in the warrants account during the three months ended December 31, 2007. The account balance is as follows:

	Number of warrants (000's)	**Amount**
Balance, September 30 and December 31, 2007	1,507	$ 996

The warrants outstanding at December 31, 2007 entitle the holder to purchase one common share at a price of Cdn$1.90 until August 2, 2008.

(d) Agents' options

There was no change in the agents' options account during the three months ended December 31, 2007. The account balance is as follows:

	Number of agents' options (000's)	**Amount**
Balance, September 30 and December 31, 2007	294	$ 390

(Expressed in United States dollars)
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The agent options outstanding at December 31, 2007 comprise 68 options granted on August 2, 2006 and 226 options granted on March 1, 2007. The options granted on August 2, 2006 entitle the holder to purchase one unit at a price Cdn$1.50 per unit until August 2, 2008**.** Each unit consists of one common share and one-half of a share purchase warrant with each full warrant entitling the holder to purchase a common share at a price of Cdn$1.90 until August 2, 2008.

(e) Contributed surplus

A summary of the transactions in the contributed surplus account during the three months ended December 31, 2007 is as follows:

		Amount
Balance, September 30, 2007	$	6,055
Stock options granted to directors, officers and employees		407
Stock options exercised		(43)
Balance, December 31, 2007	$	6,419

8. Stock-based Compensation

The stock-based compensation expense during the three months ended December 31, 2007 was $407 (2006 - $819) and this amount was credited to contributed surplus. In the case of options which vest immediately, the fair value of the options is expensed immediately. In the case of options which vest over time, the graded vesting method is used to expense compensation over the vesting period.

The stock-based compensation expense during the three months ended December 31, 2007 was for stock options which vest over time as no stock options were granted during the period.

9. Related Party Transaction

During the three months ended December 31, 2006, the Company incurred legal fees of $40 provided by a director of the Company. The amount was expensed as legal expense incurred in the ordinary course of business and was measured at the exchange amount, which was the amount of the consideration established and agreed to by the related party. The director resigned on February 15, 2007.

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10. Loss per Share

Basic and diluted loss per share is computed by dividing the net loss for the period by the weighted average number of common shares outstanding during the period.

Basic and diluted loss per share has been calculated using the weighted average number of common shares outstanding of 54,048,000 during the three months ended December 31, 2007 (2006 – 41,490,000). Any potential common shares whose effect is anti-dilutive have not been reflected in the calculation of diluted loss per share.

11. Supplemental Cash Flow Information

	Three months ended December 31,		
	2007	**2006**	**Cumulative from inception on October 1, 2002**
Changes in non-cash working capital balances related to operations			
Accounts receivable	$ (23)	$ 40	$ (70)
Prepaid expenses and other assets	3	19	(130)
Accounts payable and accrued liabilities	56	73	(3)
	$ 36	$ 132	$ (203)

The Company did not pay income taxes and interest during the three months ended December 31, 2007 and 2006.

12. Subsequent Events

(a) Subsequent to December 31, 2007, 108,000 stock options were issued.

(b) On February 12, 2008, the Company announced that it had reached a settlement of all outstanding litigation with Wallace M. Mays ("Mays"), WM Mining Company, LLC ("WM Mining") and Nueces Investments Ltd. (together, the "Mays Parties").

The Mays Parties' claim for damages was filed on September 18, 2006 against Khan and others in the Superior Court of Justice of Ontario. Khan and the other defendants will not make any payment of damages in connection with the resolution of the claim for damages brought by the Mays Parties.

On November 13, 2006, Khan filed an action for damages against Mays and WM Mining in the Superior Court of Justice of Ontario. On December 10, 2007, Khan also brought a motion seeking a contempt order against Mays and WM Mining.

The damages action and contempt proceedings have been settled and Khan has received payment in respect of certain of its costs incurred in connection with the litigation.

In connection with the settlement, Mays and WM Mining have signed a letter addressed to the State Property Committee of Mongolia which retracts a previous claim to ownership of a 58% interest in Central Asian Uranium Company, Ltd. (the "Share Interest"), confirms that Mays and WM Mining are not asserting any ownership interest in, or claim to, the Share Interest and states that Mays and WM Mining: "undertake not to assert, directly or indirectly, in any communication with any representative of the Government of Mongolia, other governmental or regulatory authority or any other person that Khan does not lawfully own an indirect 58% interest in Central Asian Uranium Company, Ltd. or cause any such assertion to be made".