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

	As at March 31, 2008	As at September 30, 2007
Assets		
Current		
Cash	$ 32,105	$ 33,859
Accounts receivable	52	47
Prepaid expenses and other assets	145	133
Restricted cash (note 5)	725	-
Asset held for sale (note 6)	-	3,322
Total current assets	33,027	37,361
Capital assets, net (note 7)	542	578
Mineral interests (notes 1 and 8)	6,820	5,044
	$ 40,389	$ 42,983
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 880	$ 501
Future tax liability	-	822
Total current liabilities	880	1,323
Commitments and contingencies (note 14)		
Shareholders' Equity		
Capital stock (note 9)	69,710	68,661
Deficit	(30,201)	(27,001)
	39,509	41,660
	$ 40,389	$ 42,983

The accompanying notes form an integral part of these interim 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
(Expressed in United States dollars)
(All dollar amounts are in thousands, except for per share amounts)
(Unaudited)

	Three months ended March 31, 2008	Three months ended March 31, 2007	Six months ended March 31, 2008	Six months ended March 31, 2007	Cumulative from inception on October 1, 2002 to March 31, 2008
Revenue					
Interest	$ 236	$ 174	$ 390	$ 268	$ 1,603
Expenses					
General corporate	878	579	2,172	1,366	9,196
Mongolian operations	167	71	417	115	1,110
Amortization	37	7	70	22	158
Stock-based compensation (note 10)	488	2,165	895	2,984	9,789
Foreign exchange loss (gain)	147	(259)	36	(237)	(1,075)
Sale of asset (note 6)	-	-	822	-	797
Write-off of assets	-	-		-	9,742
	1,717	2,563	4,412	4,250	29,717
Loss before taxes	(1,481)	(2,389)	(4,022)	(3,982)	(28,114)
Future tax recovery (note 6)	-	-	822	-	3,394
Net loss and comprehensive loss for the period	(1,481)	(2,389)	(3,200)	(3,982)	(24,720)
Deficit, beginning of period	(28,720)	(13,009)	(27,001)	(11,416)	-
Equity financing costs	-	(2,169)	-	(2,169)	(5,481)
Deficit, end of period	$ (30,201)	$ (17,567)	$ (30,201)	$ (17,567)	$ (30,201)
Weighted average number of common shares outstanding (in thousands) - basic and diluted (note 12)	54,090	45,191	54,069	43,320	
Net loss per share - basic and diluted (note 12)	$ (0.03)	$ (0.05)	$ (0.06)	$ (0.09)	

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

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

	Three months ended March 31, 2008	Three months ended March 31, 2007	Six months ended March 31, 2008	Six months ended March 31, 2007	Cumulative from inception on October 1, 2002 to March 31, 2008
Operating Activities					
Net loss for the period	$ (1,481)	$ (2,389)	$ (3,200)	$ (3,982)	$ (24,720)
Items not affecting cash:					
Amortization	37	7	70	22	158
Stock-based compensation	488	2,165	895	2,984	9,789
Sale of asset (note 6)	-	-	822	-	825
Future tax recovery (note 6)	-	-	(822)	-	(3,394)
Unrealized foreign exchange (gain) Loss	140	-	106	-	(974)
Write-off of assets	-	-	-	-	9,762
	(816)	(217)	(2,129)	(976)	(8,554)
Changes in non-cash working capital balances related to operations (note 13)	(361)	(350)	(325)	(218)	(564)
Cash used in operating activities	(1,177)	(567)	(2,454)	(1,194)	(9,118)
Investing Activities					
Proceeds from sale of assets	-	-	2,500	-	2,500
Restricted cash	(725)	-	(725)	-	(725)
Purchase of capital assets	(20)	(2)	(34)	(80)	(705)
Mineral interests	(469)	(134)	(1,088)	(690)	(6,466)
Payment of property acquisition liability	-	-	-	-	(1,667)
Cash provided by (used in) investing activities	(1,214)	(136)	653	(770)	(7,063)
Financing Activities					
Capital stock issued	86	27,767	154	28,122	51,968
Equity financing costs	-	(1,509)	-	(1,509)	(4,619)
Cash provided by financing activities	86	26,258	154	26,613	47,349
Foreign exchange gain (loss) on cash	(141)	-	(107)	-	937
Net increase (decrease) in cash during the period	(2,446)	25,555	(1,754)	24,649	32,105
Cash, beginning of period	34,551	7,861	33,859	8,767	-
Cash, end of period	$ 32,105	$ 33,416	$ 32,105	$ 33,416	$ 32,105

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

Khan Resources Inc.
Notes to Interim Consolidated Financial Statements
March 31, 2008
(Expressed in United States dollars)
(All dollar amounts are in thousands, except for per share amounts)
(Unaudited)

1. Nature of Operations

Khan Resources Inc. (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 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 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 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 disclosures required by GAAP for annual consolidated financial statements. These 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 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). The only impact of adopting these sections are the additional disclosures required in the Company’s consolidated financial statements.

(i) Capital Disclosures (CICA 1535)
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. The required disclosure is included in note 3 to these interim consolidated financial statements.

(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. The required disclosure is included in note 4 to these interim consolidated financial statements.

(iii) Financial Instruments – 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 assets 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 ("Project") in Mongolia into production. The Company's strategy remains unchanged from the previous year.

The capital structure of the Company currently consists of common shares, warrants and agents' Options and was $62,857 as at March 31, 2008 (September 30, 2007 $62,606). The Company has issued common shares, warrants and agents' options 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, agents' options and/or debt may be issued.

4. Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, restricted cash and accounts payable and accrued liabilities.

a.) Fair Value

Cash, accounts receivable and restricted cash are designated as held-for-trading and therefore carried at fair value with the unrealized gain or loss recorded in interest income. Accounts payable and accrued liabilities are designated as other financial liabilities and therefore carried at fair value with the unrealized loss gain or loss recorded in expenses.

b.) Financial Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks.

Credit Risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its bank accounts and guaranteed investment certificates, whose balance at March 31, 2008 was $32,830. Bank accounts are held with major banks in Canada and Mongolia. As the majority of the Company's cash is held by a Canadian bank and all the guaranteed investment certificates are also held by the same Canadian bank, there is a concentration of credit risk with one bank in Canada. This risk is managed by using a Schedule 1 bank that is a high credit quality financial institution as determined by rating agencies. The Company's secondary exposure to credit risk is on its accounts receivable. This risk is minimal as accounts receivable consist primarily of refundable government sales taxes.

Currency Risk
The Company operates in Canada and Mongolia and is therefore exposed to foreign exchange risk arising from transactions denominated in a foreign currency. The majority of these transactions are in Canadian dollars. The Company's cash, accounts receivable, restricted cash and accounts payable and accrued liabilities that are held in Canadian dollars and Mongolian togrogs are subject to fluctuation against the United States dollar. A +/- 5% change in the exchange rates between the Canadian and United States dollars would, everything else being equal, have an effect on the net loss before income taxes for the three months ended March 31, 2008, of approximately +/- $178.

Interest Rate Risk
The Company is exposed to interest rate risk as bank accounts earn interest income at variable rates. The fair value of its portfolio is relatively unaffected by changes in short term interest rates. The income earned on these bank accounts is subject to the movements in interest rates. A +/- 1% change in interest rates would, everything else being equal, have an effect on the net loss before income taxes for the three months ended March 31, 2008, of approximately +/- $83.

The Company also records transaction costs related to the acquisition or issue of held-for-trading financial instruments to the statement of operations as incurred. Transaction costs related to financial instruments not designated as held-for-trading are included in the financial instrument's initial recognition amount.

Liquidity Risk
Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash. As at March 31, 2008, the Company was holding cash of $32,105.

(Expressed in United States dollars)
(All dollar amounts are in thousands, except for per share amounts)

5. Restricted Cash

Restricted cash consists of guaranteed investment certificates pledged as security for an international letter of credit for a contractor and a corporate credit card facility. These guaranteed investment certificates have a maturity date of less than one year.

6. 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 held the Company's 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 for an amount of $9,476 as at September 30, 2007. The sale closed on October 11, 2007 and the Company received $2,500 in cash. During the six months ended March 31, 2008, the Company recorded a loss on the sale of $822 and a future tax recovery of $822. At the time of acquisition of this asset, the accounting value of the asset exceeded the tax value and a future tax liability was recorded.

7. Capital Assets

Capital assets consist of the following:

	As at March 31, 2008	As at September 30, 2007
Buildings, equipment and vehicles	$ 700	$ 666
Less: accumulated amortization	158	88
	$ 542	$ 578

8. Mineral Interests

	As at March 31, 2008	As at September 30, 2007
Dornod Uranium Project, Mongolia		
Acquisition costs	$ 447	$ 447
Deferred development costs	6,373	4,597
	$ 6,820	$ 5,044

(Expressed in United States dollars)
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9. Capital Stock

Capital stock consists of the following:

	As at March 31, 2008	As at September 30, 2007
Common shares (a)	$ 61,471	$ 61,220
Warrants (c)	996	996
Agents' options (d)	390	390
Contributed surplus (e)	6,853	6,055
	$ 69,710	$ 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 six months ended March 31, 2008 are as follows:

	Number of common shares (000's)	Amount
Balance, September 30, 2007	54,016	$ 61,220
Exercise of stock options (b)	127	251
Balance, March 31, 2008	54,143	$ 61,471

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

A summary of the stock option transactions during the six months ended March 31, 2008 is as follows:

	Number of options (000's)	Weighted average exercise price (Cdn$)
Balance, September 30, 2007	4,108	$ 2.44
Granted	308	1.35
Exercised	(127)	1.17
Expired	(61)	2.84
Balance, March 31, 2008	4,228	$ 2.39

The following tables summarize information about the stock options outstanding and exercisable at March 31, 2008:

Options outstanding

Exercise prices (Cdn$)	Number outstanding at March 31, 2008 (000's)	Weighted average remaining contractual life (years)	Weighted average exercise price (Cdn$)
1.00 to 1.89	1,403	3.37	1.46
2.37 to 2.39	1,695	4.33	2.37
3.53 to 4.69	1,130	4.17	3.57
1.00 to 4.69	4,228	3.97	2.39

(Expressed in United States dollars)
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Options exercisable

Exercise prices (Cdn$)	Number exercisable at March 31, 2008 (000's)	Weighted average exercise price (Cdn$)
1.00 to 1.89	1,105	1.47
2.37 to 2.39	708	2.38
3.53 to 4.69	1,130	3.57
1.00 to 4.69	2,943	2.49

(c) Warrants

There was no change in the warrants account during the six months ended March 31, 2008. The account balance is as follows:

	Number of warrants (000's)	Amount
Balance, September 30, 2007 and March 31, 2008	1,507	$ 996

The warrants outstanding at March 31, 2008 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 six months ended March 31, 2008. The account balance is as follows:

	Number of agents' options (000's)	Amount
Balance, September 30, 2007 and March 31, 2008	294	$ 390

(Expressed in United States dollars)
(All dollar amounts are in thousands, except for per share amounts)

The agents' options outstanding at March 31, 2008 comprise 68,000 options granted on August 2, 2006 and 226,000 options granted on March 1, 2007. The options granted on August 2, 2006 entitle the holder to purchase one unit at a price of 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. The options granted on March 1, 2007 entitle the holder to acquire a common share at a price of Cdn$3.70 per share until August 2, 2008.

(e) Contributed surplus

A summary of the transactions in the contributed surplus account during the six months ended March 31, 2008 is as follows:

		Amount
Balance, September 30, 2007	$	6,055
Stock options granted to directors, officers and employees		895
Stock options exercised		(97)
Balance, March 31, 2008	$	6,853

10. Stock-based Compensation

The stock-based compensation expense during the six months ended March 31, 2008 was $895 (2007 - $2,984) 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 fair value of the stock options granted during the six months ended March 31, 2008 was estimated on the date of issue using the Black-Scholes option pricing model with the following weighted average assumptions:

Expected life in years: 5
Risk free interest rate: 4.5%
Expected volatility: 100%
Dividend yield: 0%

The weighted average fair value per option of options granted during the three months ended March 31, 2008 was Cdn$1.03 (2007 – Cdn$2.69).

(Expressed in United States dollars)
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11. Related Party Transaction

There were no related party transactions for the three and six months ended March 31, 2008. During the three months ended March 31, 2007, the Company incurred legal fees of $18 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 consideration established and agreed to by the related party. The director resigned on February 15, 2007.

12. 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 54,090,000 and 54,069,000, respectively, during the three and six months ended March 31, 2008 (2007 – 45,191,000 and 43,320,000). Any potential common shares whose effect is anti-dilutive have not been reflected in the calculation of diluted loss per share.

13. Supplemental Cash Flow Information

	Three months ended March 31,		Six months ended March 31,		Cumulative from inception on October 1, 2002 to March 31,
	2008	2007	2008	2007	2008
Changes in non-cash working capital balances related to operations					
Accounts receivable	$ 18	$ (51)	$ (5)	$ (11)	$ (52)
Prepaid expenses and other assets	(15)	24	(12)	43	(145)
Accounts payable and accrued Liabilities	(364)	(323)	(308)	(250)	(367)
	$ (361)	$ (350)	$ (325)	$ (218)	$ (564)
Non-cash financing activities					
Equity financing costs settled by issue of agents' options	$ -	$ 418	$ -	$ 418	$ 604

The Company did not pay income taxes and interest during the three and six months ended March 31, 2008 and 2007.

14. Commitments and Contingencies

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 a payment in respect of certain of its costs incurred in connection with the litigation. The payment received was credited to general corporate expenses.

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".