Khan Resources Inc.
Interim Consolidated Financial Statements
For the three and nine months ended
June 30, 2009
(Unaudited)

Management's Responsibility for Financial Reporting

The accompanying unaudited interim consolidated financial statements of Khan Resources Inc. are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The most significant of these principles have been set out in the Company's audited consolidated financial statements as at and for the year ended September 30, 2008. Only changes in accounting policies have been disclosed in these unaudited interim consolidated financial statements. The financial statements include estimates based on the experience and judgement of management in order to ensure that the financial statements are presented fairly, in all material respects.

The management of the Company and its subsidiaries developed and continues to maintain systems of internal accounting controls and management practices designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors exercises its responsibilities for ensuring that management fulfills its responsibilities for financial reporting with the assistance of the Audit Committee.

The Audit Committee is appointed by the Board and all its members are independent. The Committee meets periodically to review quarterly financial statements and to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues. The committee reviews the Company's quarterly and annual financial statements and recommends their approval to the Board of Directors.

(Signed)

Martin Quick
President and Chief Executive Officer

(Signed)

Paul D. Caldwell
Chief Financial Officer and Corporate Secretary

Toronto, Ontario
August 6, 2009

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

		As at June 30, 2009		As at September 30, 2008
Assets				
Current				
Cash and cash equivalents	$	4,767	$	24,600
Short-term investments		11,889		-
Accounts receivable		87		79
Prepaid expenses and other assets		97		126
Restricted cash (note 5)		45		732
Total current assets		16,885		25,537
Advances to suppliers (note 6)		-		97
Capital assets, net (note 7)		3,790		1,943
Mineral interests (notes 1 and 8)		11,521		8,607
	$	32,196	$	36,184
Liabilities				
Current				
Accounts payable and accrued liabilities	$	317	$	615
Commitments and contingencies				
Shareholders' Equity				
Capital stock (note 9)		70,954		70,493
Deficit		(39,075)		(34,924)
Accumulated other comprehensive income (note 10)		-		-
		31,879		35,569
	$	32,196	$	36,184

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 June 30, 2009	Three months ended June 30, 2008	Nine months ended June 30, 2009	Nine months ended June 30, 2008	Cumulative from inception on October 1, 2002
Revenue					
Interest	$ 30	$ 178	$ 150	$ 568	$ 2,085
Expenses					
General corporate	500	775	1,465	2,947	11,923
Mongolian operations	117	214	409	631	1,898
Amortization	38	37	124	107	358
Stock-based compensation (note 11)	140	421	517	1,316	11,089
Foreign exchange (gain) loss	(1,105)	144	1,801	180	1,688
(Gain) loss on sale of assets (note 12)	-	-	(15)	822	782
Offer for Western Prospector Group Ltd.	-	-	-	-	1,593
Write-off of assets	-	-	-	-	9,742
	(310)	1,591	4,301	6,003	39,073
Income (loss) before taxes	340	(1,413)	(4,151)	(5,435)	(36,988)
Future tax recovery (note 12)	-	-	-	822	3,394
Net income (loss) and comprehensive income (loss) for the period	340	(1,413)	(4,151)	(4,613)	(33,594)
Deficit, beginning of period	(39,415)	(30,201)	(34,924)	(27,001)	-
Equity financing costs	-	-	-	-	(5,481)
Deficit, end of period	$ (39,075)	$ (31,614)	$ (39,075)	$ (31,614)	$ (39,075)
Weighted average number of common shares outstanding (thousands) - basic (note 13)	53,972	54,143	54,019	54,094	
Net income (loss) per share - basic (note 13)	$ 0.01	$ (0.03)	$ (0.08)	$ (0.09)	
Weighted average number of common shares outstanding (thousands) - diluted (note 13)	54,748	54,143	54,019	54,094	
Net income (loss) per share - diluted (note 13)	$ 0.01	$ (0.03)	$ (0.08)	$ (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 June 30, 2009	Three months ended June 30, 2008	Nine months ended June 30, 2009	Nine months ended June 30, 2008	Cumulative From inception on October 1, 2002
Operating Activities					
Net income (loss) for the period	$ 340	$ (1,413)	$ (4,151)	$ (4,613)	$ (33,594)
Items not affecting cash:					
Amortization	38	37	124	107	358
Stock-based compensation	140	421	517	1,316	11,089
(Gain) loss on sale of assets (note 12)	-	-	(15)	822	810
Future tax recovery (note 12)	-	-	-	(822)	(3,394)
Unrealized foreign exchange (gain) loss	(1,087)	118	1,737	224	1,718
Write-off of assets	-	-	-	-	9,762
	(569)	(837)	(1,788)	(2,966)	(13,251)
Changes in non-cash working capital balances related to operations (note 14)	37	192	(162)	(133)	(446)
Cash used in operating activities	(532)	(645)	(1,950)	(3,099)	(13,697)
Investing Activities					
Proceeds from sale of investments	-	-	36	-	36
Proceeds from sale of mineral interests	-	-	-	2,500	2,500
Purchase of short-term investments	(4,227)	-	(11,347)	-	(11,347)
Purchase of investments	-	-	(21)	-	(21)
Restricted cash	2	-	683	(725)	(49)
Advances to suppliers	45	(212)	97	(212)	-
Deferred costs	-	(500)	-	(500)	-
Purchase of capital assets	(226)	(49)	(1,971)	(83)	(4,153)
Mineral interests	(452)	(1,769)	(3,029)	(2,857)	(11,836)
Payment of property acquisition liability	-	-	-	-	(1,667)
Cash used in investing activities	(4,858)	(2,530)	(15,552)	(1,877)	(26,537)
Financing Activities					
Capital stock (purchased) issued for cash	(22)	-	(56)	154	51,912
Equity financing costs	-	-	-	-	(4,619)
Cash (used in) provided by financing Activities	(22)	-	(56)	154	47,293
Foreign exchange gain (loss) on cash	539	(123)	(2,275)	(230)	(2,292)
Net (decrease) increase in cash during the period	(4,873)	(3,298)	(19,833)	(5,052)	4,767
Cash and cash equivalents, beginning of period	9,640	32,105	24,600	33,859	-
Cash and cash equivalents, end of period	$ 4,767	$ 28,807	$ 4,767	$ 28,807	$ 4,767

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

Khan Resources Inc.
Notes to Interim Consolidated Financial Statements
June 30, 2009
(Expressed in United States dollars)
(All dollar amounts are in thousands, except for per share amounts)
(Unaudited)

1. Nature of Operations

Khan Resources Inc. ("Khan" or the "Company") is in the process of acquiring, exploring and developing mineral properties and is thus considered to be a development stage company. The recoverability of the amounts shown for mineral properties 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 and upon future profitable production and/or the proceeds from the disposition thereof. To date, the Company has not earned any revenues from its properties.

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, 2008 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.

Cash and cash equivalents

Cash and cash equivalents include cash at banks and short-term investments with original maturities of less than three months. The short-term investments consist of Guaranteed Investment Certificates with fixed interest rates and fixed maturity dates.

Short-term investments

Short-term investments are liquid investments with an original maturity greater than three months but less than one year. The short-term investments consist of Guaranteed Investments Certificates with fixed interest rates and fixed maturity dates. The Company intends to hold these investments to maturity, thus, records them at fair market value at acquisition and subsequently accounts for them at amortized cost.

Investments

Investments in marketable securities have been designated as available-for-sale and are recorded at fair value. Fair values for available-for-sale investments are determined by reference to quoted market prices at the balance sheet date. Unrealized gains and losses are recognized in other comprehensive income and realized gains and losses are recognized in the statement of operations. If a decline in fair value is considered to be other than temporary the loss is recognized in the statement of operations.

Accounting Policy Changes

Effective October 1, 2008, the Company adopted the new CICA accounting section: 3064 (Goodwill and Intangible Assets). Section 3064 provides guidance on the recognition of intangible assets in accordance with the definition of an asset and the criteria for asset recognition, clarifying the application of the concept of matching revenues and expenses, whether these assets are separately acquired or are developed internally. The adoption of this section did not have any impact on the Company's interim consolidated financial statements.

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board confirmed that International Financial Reporting Standards ("IFRS") will replace current Canadian GAAP for publicly accountable companies. The official change over date is for interim and annual financial statements for fiscal years beginning on or after January 11, 2011. IFRS will be required for Khan's interim and annual consolidated financial statements for the fiscal year beginning on October 1, 2011. The Company is currently formulating and developing an implementation plan to comply with the new standards and its future reporting requirements.

3. Capital Management

The Company's objectives for managing capital are to safeguard its 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 at June 30, 2009 consists of common shares and was $61,209 as at June 30, 2009 (September 30, 2008 - $61,471). The Company has issued common shares, warrants and agents' options from time to time 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 and cash equivalents, short-term investments, investments, accounts receivable, restricted cash and accounts payable and accrued liabilities.

(a) Fair Value

Cash and cash equivalents are designated as held for trading and therefore carried at fair value with the unrealized gains or losses recorded in the interim consolidated statement of operations and deficit. Short-term investments are designated as held-to-maturity, therefore, recorded at fair market value at acquisition and subsequently accounted at amortized cost. Accounts receivable are designated as loans and receivables and therefore carried at amortized cost with the gains and losses recognized in the interim consolidated statement of operations and deficit in the period that the asset is derecognized or impaired. Investments are designated as available-for-sale and recorded at fair value with unrealized gains and losses recognized in the interim statement of comprehensive loss and realized gains and losses recognized in the interim consolidated statement of operations and deficit. Restricted cash is designated as held-to-maturity, therefore, recorded at fair market value at acquisition and subsequently accounted at amortized cost. Accounts payable and accrued liabilities are designated as other financial liabilities and therefore carried at amortized cost with the gains or losses recognized in the interim consolidated statement of operation and deficit when the financial liability is derecognized or impaired. The estimated fair values of accounts receivable and accounts payable and accrued liabilities approximate their respective carrying values.

(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, which are included in cash and cash equivalents and restricted cash, whose balance at June 30, 2009 was $16,701. 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 major 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 and cash equivalents, short-term investments, accounts receivable, restricted cash and accounts payable and accrued liabilities that are held in Canadian dollars, Euros and Mongolian togrogs are subject to fluctuation against the United States dollar. A +/- 1% change in the exchange rates between the Canadian and United States dollars would, based on the Company's interim consolidated financial statements at June 30, 2009, have an effect on the loss before taxes of approximately +/- $135.

Interest Rate Risk
The Company is exposed to interest rate risk as its bank accounts and guaranteed investment certificates 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 and guaranteed investment certificates is subject to the movements in interest rates. A +/- 1% change in interest rates would have an effect on the loss before taxes for the nine months ended June 30, 2009 of approximately +/- $206.

The Company also records transaction costs related to the acquisition or issue of held for trading financial instruments to the consolidated statement of operations and deficit 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 and cash equivalents and short-term investments on hand. As at June 30, 2009, the Company was holding cash and cash equivalents and short-term investments of $16,656.

5. Restricted Cash

Restricted cash consists of a guaranteed investment certificate pledged as security for a corporate credit card facility. This guaranteed investment certificate has a maturity date of less than one year.

6. Advances to Suppliers

The Company has provided funds to certain suppliers in advance of consulting services being performed at the Dornod Uranium Project. The costs of these services when performed are capitalized to mineral interests.

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

7. Capital Assets

Capital assets consist of the following:

	As at June 30, 2009	As at September 30, 2008
Buildings, equipment, fixtures, furniture and vehicles	$ 831	$ 776
Less: accumulated amortization	358	234
	473	542
Construction in progress	3,317	1,401
	$ 3,790	$ 1,943

8. Mineral Interests

	As at June 30, 2009	As at September 30, 2008
Dornod Uranium Project, Mongolia		
Acquisition costs	$ 447	$ 447
Deferred development costs	11,074	8,160
	$ 11,521	$ 8,607

9. Capital Stock

Capital stock consists of the following:

	As at June 30, 2009	As at September 30, 2008
Common shares (a)	$ 61,209	$ 61,471
Contributed surplus (b)	9,745	9,022
	$ 70,954	$ 70,493

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

(a) Common shares

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

The changes in issued and outstanding common shares during the nine months ended June 30, 2009 are as follows:

	Number of common shares (000's)		Amount
Balance, September 30, 2008	54,143	$	61,471
Cancellation of common shares (i)	(249)		(282)
Exercise of stock options (ii)	70		20
Balance, June 30, 2009	53,964	$	61,209

(i) On October 21, 2008, the Company announced that the Toronto Stock Exchange ("TSX") had 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 issued and outstanding at September 30, 2008. The notice provides that under the normal course issuer bid, the Company may purchase up to 4,056,828 common shares, being 10% of the public float. In addition, the notice provides that the aggregate number of common shares that the Company 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.

During the nine months ended June 30, 2009, the Company purchased 249,500 common shares under the normal course issuer bid and these shares were cancelled.

(Expressed in United States dollars)
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(ii) The Company has a stock option plan providing for the issuance of stock options to directors, officers, employees and service providers.

The changes in stock options during the nine months ended June 30, 2009 are as follows:

	Number of options (000's)		Weighted Average Exercise Price (Cdn$)
Balance, September 30, 2008	3,910	$	2.34
Granted to directors, officers and employees	1,435		0.20
Exercised	(70)		0.20
Expired	(200)		2.49
Balance, June 30, 2009	5,075	$	1.76

The following tables summarize information about the stock options outstanding and exercisable as at June 30, 2009:

Options outstanding

Exercise prices (Cdn$)	Number outstanding at June 30, 2009 (000's)	Weighted average remaining contractual life (years)		Weighted average exercise price (Cdn$)
0.20 to 1.89	2,650	3.60	$	0.77
2.37 to 2.39	1,445	3.09		2.37
3.53 to 4.69	980	2.67		3.54
0.20 to 4.69	5,075	3.27	$	1.76

(Expressed in United States dollars)
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Options exercisable

Exercise prices (Cdn$)	**Number exercisable at June 30, 2009 (000's)**		**Weighted Average Exercise Price (Cdn$)**
0.20 to 1.89	1,565	$	1.05
2.37 to 2.39	1,035		2.37
3.53 to 4.69	980		3.54
0.20 to 4.69	3,580	$	2.12

(b) Contributed surplus

The changes in contributed surplus during the nine months ended June 30, 2009 are as follows:

		Amount
Balance, September 30, 2008	$	9,022
Stock options granted to directors, officers and employees		517
Stock options exercised		(9)
Normal Course Issuer Bid (i)		215
Balance, June 30, 2009	$	9,745

(i) The excess of the value of common shares cancelled after being purchased under the normal course issuer bid over the purchase price is charged to contributed surplus.

10. Stock-based Compensation

The stock-based compensation expense during the nine months ended June 30, 2009 was $517 (2008 - $1,316) 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 nine months ended June 30, 2009 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: 2.49%
Expected volatility: 100%
Dividend yield: 0%

The weighted average fair value per option of options granted during the nine months ended June 30, 2009 was Cdn$0.15.

11. Sale of Assets

In November 2008, the Company purchased marketable securities at a cost of $21. In February 2009, the Company sold these marketable securities and received proceeds of $36. During the three months ended March 31, 2009, the Company recorded a gain on the sale of $15.

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 sale closed on October 11, 2007 and the Company received $2,500 in cash. During the three months ended December 31, 2007, 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.

(Expressed in United States dollars)
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12. Net Income (Loss) per Share

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

Basic net income (loss) per share has been calculated using the weighted average number of common shares outstanding of 53,972,000 and 54,019,000, respectively, during the three and nine months ended June 30, 2009 (2008 – 54,143,000 and 54,094,000).

Diluted net income (loss) per share has been calculated using the weighted average number of common shares outstanding adjusted for the effect of dilutive securities (for the periods with net income) of 54,748,000 and 54,019,000, respectively, during the three and nine months ended June 30, 2009 (2008 – 54,143,000 and 54,094,000).

For the periods with net loss, potential common shares are not included in the period to date diluted earnings per share because in this case their effect would be anti-dilutive.

13. Supplemental Cash Flow Information

	Three months ended June 30, 2009	Three months ended June 30, 2008	Nine months ended June 30, 2009	Nine months ended June 30, 2008	Cumulative from inception on October 1, 2002
Changes in non-cash working capital balances related to operations:					
Accounts receivable	$ (9)	$ (10)	$ (8)	$ (15)	$ (87)
Prepaid expenses and other assets	(15)	(22)	29	(34)	(97)
Accounts payable and accrued liabilities	61	224	(183)	(84)	(262)
	$ 37	$ 192	$ (162)	$ (133)	$ (446)
Non-cash financing activities:					
Equity financing costs settled by issue of agents options	$ -	$ -	$ -	$ -	$ 604

The Company did not pay income taxes or interest during the nine months ended June 30, 2009 and 2008.