Khan Resources Inc.
Interim Consolidated Financial Statements
For the three months ended December 31, 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 consolidated 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, 2009. Only changes in accounting policies have been disclosed in these consolidated financial statements. The consolidated 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 of Directors and all its members are independent. The Committee meets periodically to review interim consolidated financial statements and to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee reviews the Company's interim and annual consolidated financial statements and recommends their approval to the Board of Directors.

(Signed)	(Signed)
Martin Quick President and Chief Executive Officer	Paul D. Caldwell Chief Financial Officer

Toronto, Ontario
February 11,2010

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

	As at December 31, 2009	As at September 30, 2009
Assets		
Current		
Cash	$ 14,206	$ 16,794
Accounts receivable	75	67
Prepaid expenses and other assets	113	144
Restricted cash (note 5)	50	49
Total current assets	14,444	17,054
Investments (note 6)	2,379	-
Capital assets, net (note 7)	3,928	3,910
Mineral interests (notes 1 and 8)	11,771	11,625
	$ 32,522	$ 32,589
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 520	$ 284
Commitments and contingencies		
Shareholders' Equity		
Capital stock (note 9)	71,092	71,056
Deficit	(39,577)	(38,751)
Accumulated other comprehensive income (note 10)	487	-
	32,002	32,305
	$ 32,522	$ 32,589

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

	Three months ended December 31		Cumulative from inception on October 1,
	2009	**2008**	**2002**
Revenue			
Interest	$ 11	$ 82	$ 2,116
Expenses (income)			
General corporate	857	409	13,360
Mongolian operations	157	167	2,194
Amortization	36	41	434
Stock-based compensation (note 11)	36	217	11,227
Foreign exchange (gain) loss	(249)	2,308	274
Loss on sale of assets	-	-	782
Offer for Western Prospector Group Ltd.	-	-	1,593
Write-off of assets	-	-	9,742
	837	3,142	39,606
Loss before income taxes	(826)	(3,060)	(37,490)
Recovery of income taxes	-	-	3,394
Net loss for the period	(826)	(3,060)	(34,096)
Deficit, beginning of period	(38,751)	(34,924)	-
Equity financing costs	-	-	(5,481)
Deficit, end of period	$ (39,577)	$ (37,984)	$ (39,577)
Weighted average number of common shares outstanding (thousands) - basic and diluted (note 12)	53,964	54,052	
Net loss per share - basic and diluted (note 12)	$ (0.02)	$ (0.06)	

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

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

	Three months ended December 31 2009	Three months ended December 31 2008	Cumulative from inception on October 1, 2002
Net loss for the period	$ (826)	$ (3,060)	$ (34,096)
Other comprehensive income (loss)			
Unrealized holding gain on available-for-sale securities arising during the period	487	28	487
Comprehensive loss for the period	$ (339)	$ (3,032)	$ (33,609)

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 December 31 2009	Three months ended December 31 2008	Cumulative from inception on October 1, 2002
Operating Activities			
Net loss for the period	$ (826)	$ (3,060)	$ (34,096)
Items not affecting cash:			
Amortization expense	36	41	434
Stock-based compensation	36	217	11,227
Loss on sale of assets	-	-	810
Future tax recovery	-	-	(3,394)
Unrealized foreign exchange (gain) loss	(249)	2,328	1,714
Write-off of mineral interests	-	-	9,762
	(1,003)	(474)	(13,543)
Changes in non-cash working capital balances related to operations (note 13)	264	(272)	(169)
Cash used in operating activities	(739)	(746)	(13,712)
Investing Activities			
Proceeds from sale of assets	-	-	2,536
Purchase of investments	(1,891)	(21)	(1,912)
Restricted cash	-	-	(49)
Advances to suppliers	-	(187)	-
Purchase of capital assets	(54)	(1,111)	(4,367)
Mineral interests	(151)	(1,121)	(12,165)
Payment of property acquisition liability	-	-	(1,667)
Cash used in investing activities	(2,096)	(2,440)	(17,624)
Financing Activities			
Capital stock issued for cash	-	-	51,979
Capital stock purchased for cash	-	(36)	(67)
Equity financing costs	-	-	(4,619)
Cash (used in) provided by financing activities	-	(36)	47,293
Foreign exchange gain (loss) on cash	247	(2,327)	(1,751)
Net (decrease) increase in cash during the period	(2,588)	(5,549)	14,206
Cash, beginning of period	16,794	24,600	-
Cash, end of period	$ 14,206	$ 19,051	$ 14,206

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

Khan Resources Inc.
Notes to Interim Consolidated Financial Statements
December 31, 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.

On July 16, 2009, the Mongolian Parliament passed a new Nuclear Energy Law that classifies all radioactive mineral deposits, regardless of size, as strategically important mineral deposits and regulates the nuclear energy industry in Mongolia, including the exploration, exploitation, development, mining and sale of uranium. The new law became effective on August 15, 2009. In connection with the passing of the Nuclear Energy Law, the Mongolian Parliament also passed certain procedures relating to the re-registration of existing exploration and mining licenses held prior to the Nuclear Energy Law becoming effective. Existing license holders were required to submit an application to the State Administrative Authority and renew and re-register their existing licenses by November 15, 2009. Khan submitted the applications for the renewal and re-registration of its mining license and exploration license on November 10, 2009. The license re-registrations are still pending as of the date of these interim consolidated financial statements and there can be no assurance that such licenses will be re-registered under the Nuclear Energy Law or, if re-registered, the terms and conditions upon which such licenses may be re-registered. If the mining license and exploration license are not renewed and re-registered, there will be a material impairment charge on the capital assets and mineral interests that are related to the licenses.

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 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, 2009 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.

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, 2009, the Company adopted the amendment to the Canadian Institute of Chartered Accountants ("CICA") section 3862 (Financial Instruments – Disclosures), which adopted the amendments recently issued by the IASB to IFRS 7 - Financial Instruments: Disclosures, which was issued in March 2009. The amendments enhance disclosures about fair value measurements, including the relative reliability of the inputs used in those measurements, and about the liquidity risk, of financial instruments. The amendments are effective for annual financial statements for fiscal years ending after September 30, 2009, with the early adoption permitted. The adoption of this standard did not have any impact on the Company's interim consolidated financial statements.

Effective October 1, 2009, the Company adopted the amendment to the CICA section 3855 (Financial Instruments – Recognition and Measurement) and concurrently accounting section 3025 (Impaired Loans). These amendments affect the classifications that are required or allowed for debt instruments, as well as the impairment model for held-to-maturity financial assets. The amendments are effective for annual financial statements relating to fiscal years beginning on or after November 1, 2008. The adoption of this standard 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. See also note 14 below.

The capital structure of the Company currently consists of common shares with a balance at December 31, 2009 of $61,209 (September 30, 2009 - $61,209). 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, common shares, warrants, agents' options, and debt may be issued in the future.

4. Financial Instruments

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

(a) Fair Value

Cash is designated as held for trading and therefore carried at fair value with the unrealized gains or losses recorded in the consolidated statements of operations and deficit. Accounts receivable are designated as loans and receivables and, therefore, carried at amortized cost with the gains and losses recognized in the consolidated statements of operations and deficit in the period that the asset is derecognized or impaired. Restricted cash is designated as held for trading and, therefore, carried at fair value with the unrealized gains or losses recorded in the interim consolidated statements of operations and deficit. 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. 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 statements 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 balance at December 31, 2009 was $14,256. 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 the guaranteed investment certificate is 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 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, investments 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 +/- 5% change in the exchange rates between the Canadian and United States dollars would, based on the Company’s interim consolidated financial statements as at December 31, 2009, have an effect on the loss before taxes of approximately +/- $597.

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 change of 100 basis points in interest rates would have an effect on the loss before taxes for the three months ended December 31, 2009 of approximately +/- $39.

The Company also records transaction costs related to the acquisition or issue of held for trading financial instruments to the interim consolidated statements 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. As at December 31, 2009, the Company was holding cash of $14,206.

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

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. Investments

On November 30, 2009, the Company purchased 10 million common shares of Macusani Yellowcake Inc. by way of private placement at a price of Cdn$0.20 per share. The Company recorded a cost of $1,891,000 for the purchase. The market value at December 31, 2009 was $2,379,000.

7. Capital Assets

Capital assets consist of the following:

	As at December 31, 2009	As at September 30, 2009
Buildings, equipment, fixtures, furniture and vehicles	$ 1,891	$ 1,896
Less: accumulated amortization	434	398
	1,457	1,498
Construction in progress	2,471	2,412
	$ 3,928	$ 3,910

8. Mineral Interests

Mineral interests consist of the following:

	As at December 31, 2009	As at September 30, 2009
Dornod Uranium Project, Mongolia		
Acquisition costs	$ 447	$ 447
Deferred development costs	11,324	11,178
	$ 11,771	$ 11,625

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

9. Capital Stock

Capital stock consists of the following:

	As at December 31, 2009	As at September 30, 2009
Common shares (a)	$ 61,209	$ 61,209
Contributed surplus (b)	9,883	9,847
	$ 71,092	$ 71,056

(a) Common shares

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

	Number of common shares (000's)	Amount
Balance, September 30, 2009 and December 31, 2009	53,964	$ 61,209

The Company has a stock option plan providing for the issuance of stock options to directors, officers, employees and service providers. At December 31, 2009, there were 1,879,578 options available for grant under the plan.

(Expressed in United States dollars)
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The changes in stock options during the three months ended December 31, 2009 are as follows:

	Number of options (000's)		Weighted average exercise price (Cdn$)
Balance, September 30, 2009	4,955	$	1.77
Cancelled	(1,415)		2.83
Expired	(24)		1.50
Balance, December 31, 2009	3,516	$	1.35

The following tables summarize information about the stock options outstanding and exercisable at December 31, 2009:

Options outstanding

Exercise prices (Cdn$)	Number outstanding at December 31, 2009 (000's)	Weighted average remaining contractual life (years)		Weighted average exercise price (Cdn$)
0.20	1,365	4.00	$	0.20
0.89 to 1.70	1,141	2.12		1.39
2.37 to 4.69	1,010	2.40		2.86
0.20 to 4.69	3,516	2.93	$	1.35

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

Options exercisable

Exercise prices (Cdn$)	Number exercisable at December 31, 2009 (000's)	Weighted average exercise price (Cdn$)
0.20	915	$ 0.20
0.89 to 1.70	1,000	1.43
2.37 to 4.69	1,010	2.86
0.20 to 4.69	2,925	$ 1.54

(b) Contributed surplus

The changes in contributed surplus during the three months ended December 31, 2009 are as follows:

	Amount
Balance, September 30, 2009	$ 9,847
Stock options granted to directors, officers and employees	36
Balance, December 31, 2009	$ 9,883

10. Accumulated Other Comprehensive Income

	Amount
Balance, September 30, 2009	$ -
Unrealized holding gain on available-for sale securities arising during the period	487
Balance, December 31, 2009	$ 487

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

11. Stock-based Compensation

The stock-based compensation expense during the three months ended December 31, 2009 was $36 (2008 - $217) 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.

There were no stock options granted during the three months ended December 31, 2009. There were 1,435,000 stock options granted during the three months ended December 31, 2008 and the weighted average fair value per option granted was Cdn$0.15.

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 53,964,000 during the three months ended December 31, 2009 (2008 – 54,052,000). 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 December 31 2009	Three months ended December 31 2008	Cumulative from inception on October 1, 2002
Changes in non-cash working capital balances related to operations:			
Accounts receivable	$ (7)	$ 10	$ (74)
Prepaid expenses and other assets	31	19	(113)
Accounts payable and accrued liabilities	240	(301)	18
	$ 264	$ (272)	$ (169)
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 three months ended December 31, 2009 and 2008.

14. Subsequent Events

(a) Subsequent to December 31, 2009, 50,000 common shares were cancelled and 1,010,000 stock options were cancelled.

(b) On January 11, 2010, the Company announced that its 58% owned Mongolian subsidiary, Central Asian Uranium Company LLC ("CAUC"), the holder of the mining license for the Main Dornod Property of the Dornod Uranium Project, had received a formal notice from the State Property Committee of Mongolia ("SPC") requiring CAUC to propose to its shareholders a resolution to approve an increase of the Mongolian State ownership in CAUC to 51%. CAUC is currently 58% owned by the Company, 21% owned by MonAtom LLC, a Mongolian state owned company, and 21% owned by JSC Priargunsky Industrial Mining and Chemical Union ("Priargunsky"), a Russian state owned company. The notice provides that if a favourable resolution is not provided to SPC by January 31, 2010, the mining license held by CAUC may be in danger of revocation. In response to the SPC notice, effective January 25, 2010, each of MonAtom LLC ("MonAtom") and CAUC Holding Company Limited ("CAUC Holding"), the subsidiary through which the Company holds its interest in CAUC, on the basis of their collective 79% holding of the outstanding capital of CAUC, authorized and approved an increase in MonAtom's ownership interest in CAUC from 21% to 51%, with a corresponding dilution of ownership interests of CAUC Holding and Priargunsky. The CAUC shareholders' resolution was subsequently submitted to the SPC by the January 31, 2010 deadline. Priargunsky, one of the existing 21% shareholders and a voting member of CAUC, abstained from voting in respect of each of the aforementioned CAUC shareholders' resolutions. As of the date of these interim consolidated financial statements, Khan Resources LLC, the holder of the exploration license for the Additional Dornod Property of the Dornod Uranium Project, has not yet received a similar notice from the SPC in respect of its exploration licence.

(c) On January 14, 2010, the Company announced that a settlement had been reached with the Mineral Resources Authority of Mongolia (“MRAM”) whereby the suspension of the mining license for the Main Dornod Property has been terminated. The reinstatement of the mining license is a prerequisite to re-registration of the license under the Nuclear Energy Law.

(d) On January 25, 2010, the Company announced that it had signed a non-binding memorandum of understanding ("MOU") with MonAtom, the Mongolian state-owned uranium development company. The MOU sought to establish the principal elements of a joint venture transaction which could finalize the ownership structure surrounding the Dornod Uranium Project and create a framework for developing the Project and bringing it into operation. The transaction contemplated under the MOU was subject to a number of conditions including negotiating and signing the formal joint venture agreement, operator agreements and related definitive documentation, as well as obtaining required approvals, including by the Company and MonAtom boards. One of the conditions under the MOU was that the two pending applications to re-register the existing CAUC mining license and Khan Resources LLC exploration license under the Nuclear Energy Law were to be approved and new licenses issued within seven days of signing the MOU. As of January 29, 2010, the seventh day following the execution of the MOU, such license re-registrations were still pending and, accordingly, this essential condition of the MOU was not fulfilled as required (and has yet to be fulfilled as of the date of these interim consolidated financial statements).

(e) On November 27, 2009, the Company announced that it was informed that Atomredmetzoloto JSC ("ARMZ"), a Russian state-owned nuclear energy corporation, which in turn owns Priargunsky, intended to make an unsolicited offer to purchase all of the outstanding common shares of the Company for Cdn$0.65 per share (the "ARMZ Offer"). On November 30, 2009, ARMZ filed a copy of its offer to purchase and related take-over bid circular (the "Circular") on SEDAR and published an advertisement formally commencing the ARMZ Offer. Subsequently, on February 1, 2010, ARMZ issued a press release and filed a notice of extension, extending the ARMZ Offer until 5:00 p.m. (Toronto time) on March 1, 2010, unless further extended or withdrawn. Other than an extension of the expiry time of the ARMZ Offer, the ARMZ Offer currently remains unamended as to its other terms and conditions, which are set out in detail in the ARMZ Circular.

(f) On February 1, 2010, the Company announced that it had entered into a definitive agreement with CNNC Overseas Uranium Holding Ltd. ("CNNC"), a Chinese nuclear energy corporation based in Beijing and an indirect wholly owned subsidiary of China National Nuclear Corporation, pursuant to which CNNC has agreed to acquire all of the Company's outstanding common shares for Cdn$0.96 per share in cash (the "CNNC Offer"). The CNNC Offer represents a premium to the ARMZ unsolicited bid of Cdn$0.65 per share. Based on the recommendation of the Special Committee and advice from its advisors, the Company's Board of Directors has unanimously recommended that shareholders accept the CNNC Offer. The details of the CNNC Offer will be included in the formal offer and take-over bid circular, which is expected to be mailed to shareholders by on or around February 26, 2010. The offer will be open for acceptance for a period of not less than 35 days and will be conditional upon, among other things, acceptance by holders of at least 66 2/3% of the outstanding common shares on a fully diluted basis and receipt of all Canadian and Chinese regulatory, government and corporate approvals. Assuming the CNNC Offer is made in accordance with and subject to the terms and conditions contained in the definitive agreement between the parties, the Company expects that its Board of Directors will prepare, file and mail to shareholders a directors' circular setting out the Board's recommendation that shareholders accept the CNNC Offer and tender their common shares to the CNNC Offer. The Company cautions readers, however, that CNNC has not yet formally commenced the CNNC Offer and, accordingly, there can be no assurance that the transactions contemplated by the definitive agreement with CNNC will be concluded or that the terms and conditions of proposed the CNNC Offer will be satisfied or waived. Provided that the minimum condition is met and CNNC takes up and pays for the Company’s common shares tendered, CNNC is expected to seek to acquire the remaining outstanding common shares pursuant to a subsequent acquisition transaction or compulsory acquisition, as applicable.