Khan Resources Inc.
Interim Consolidated Financial Statements
For the three and six months ended March 31, 2010
(Unaudited)

Management's Responsibility for Financial Reporting

The accompanying unaudited interim consolidated financial statements of Khan Resources Inc. for the three and six months ended March 31, 2010 are the responsibility of management and have been approved by the Board of Directors.

The interim 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 interim 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 "Martin Quick"
President and Chief Executive Officer

Signed "Paul D. Caldwell"
Chief Financial Officer

Toronto, Ontario
May 10, 2010

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

	As at March 31, 2010	As at September 30, 2009
Assets		
Current		
Cash	$ 12,836	$ 16,794
Accounts receivable	108	67
Prepaid expenses and other assets	97	144
Restricted cash (note 5)	52	49
Total current assets	13,093	17,054
Investments (note 6)	2,805	-
Capital assets, net (note 7)	3,881	3,910
Mineral interests (notes 1 and 8)	11,883	11,625
	$ 31,662	$ 32,589
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 485	$ 284
Commitments and contingencies		
Shareholders' Equity		
Capital stock (note 9)	71,111	71,056
Deficit	(40,848)	(38,751)
Accumulated other comprehensive income (note 10)	914	-
	31,177	32,305
	$ 31,662	$ 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 March 31, 2010	Three months ended March 31, 2009	Six months ended March 31, 2010	Six months ended March 31, 2009	Cumulative from inception on October 1, 2002
Revenue					
Interest	$ 9	$ 38	$ 20	$ 120	$ 2,125
Expenses					
General corporate	1,467	556	2,324	965	14,827
Mongolian operations	126	125	283	292	2,320
Amortization	38	45	74	86	472
Stock-based compensation (note 11)	19	160	55	377	11,246
Foreign exchange (gain) loss	(370)	598	(619)	2,906	(96)
(Gain) loss on sale of assets (note 12)	-	(15)	-	(15)	782
Offer for Western Prospector Group Ltd.	-	-	-	-	1,593
Write-off of assets	-	-	-	-	9,742
	1,280	1,469	2,117	4,611	40,886
Loss before income taxes	(1,271)	(1,431)	(2,097)	(4,491)	(38,761)
Recovery of income taxes	-	-	-	-	3,394
Net loss for the period	(1,271)	(1,431)	(2,097)	(4,491)	(35,367)
Deficit, beginning of period	(39,577)	(37,984)	(38,751)	(34,924)	-
Equity financing costs	-	-	-	-	(5,481)
Deficit, end of period	$ (40,848)	$ (39,415)	$ (40,848)	$ (39,415)	$ (40,848)
Weighted average number of common shares outstanding (thousands) - basic and diluted (note 13)	53,922	54,035	53,943	54,043	
Net loss per share - basic and diluted (note 13)	$ (0.02)	$ (0.03)	$ (0.04)	$ (0.08)	

The accompanying notes form an integral part of these interim 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 March 31, 2010	Three months ended March 31, 2009	Six months ended March 31, 2010	Six months ended March 31, 2009	Cumulative from inception on October 1, 2002
Net loss for the period	$ (1,271)	$ (1,431)	$ (2,097)	$ (4,491)	$ (35,367)
Other comprehensive income (loss)					
Unrealized holding gain on available-for-sale securities arising during the period	427	-	914	28	914
Reclassification of realized gain on sale of available-for-sale investments to income	-	(28)	-	(28)	-
Total other comprehensive income (loss)	427	(28)	914	-	914
Comprehensive loss for the period	$ (844)	$ (1,459)	$ (1,183)	$ (4,491)	$ (34,453)

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, 2010	Three months ended March 31, 2009	Six months ended March 31, 2010	Six months ended March 31, 2009	Cumulative from inception on October 1, 2002
Operating Activities					
Net loss for the period	$ (1,271)	$ (1,431)	$ (2,097)	$ (4,491)	$ (35,367)
Items not affecting cash:					
Amortization	38	45	74	86	472
Stock-based compensation	19	160	55	377	11,246
(Gain) loss on sale of assets (note 12)	-	(15)	-	(15)	810
Future tax recovery	-	-	-	-	(3,394)
Unrealized foreign exchange (gain) loss	(369)	496	(618)	2,824	1,345
Write-off of mineral interests	-	-	-	-	9,762
	(1,583)	(745)	(2,586)	(1,219)	(15,126)
Changes in non-cash working capital balances related to operations (note 14)	(36)	73	228	(199)	(205)
Cash used in operating activities	(1,619)	(672)	(2,358)	(1,418)	(15,331)
Investing Activities					
Proceeds from sale of investments	-	36	-	36	36
Proceeds from sale of mineral interests	-	-	-	-	2,500
Purchase of investments	-	(7,120)	(1,891)	(7,141)	(1,912)
Restricted cash	-	681	-	681	(49)
Advances to suppliers	-	239	-	52	-
Purchase of capital assets	(14)	(634)	(68)	(1,745)	(4,381)
Mineral interests	(105)	(1,456)	(256)	(2,577)	(12,270)
Payment of property acquisition liability	-	-	-	-	(1,667)
Cash used in investing activities	(119)	(8,254)	(2,215)	(10,694)	(17,743)
Financing Activities					
Capital stock issued for cash	-	11	-	11	51,979
Capital stock purchased for cash	-	(9)	-	(45)	(67)
Equity financing costs	-	-	-	-	(4,619)
Cash provided by (used in) financing activities	-	2	-	(34)	47,293
Foreign exchange gain (loss) on cash	368	(487)	615	(2,814)	(1,383)
Net (decrease) increase in cash and cash equivalents during the period	(1,370)	(9,411)	(3,958)	(14,960)	12,836
Cash and cash equivalents, beginning of period	14,206	19,051	16,794	24,600	-
Cash and cash equivalents, end of period	$ 12,836	$ 9,640	$ 12,836	$ 9,640	$ 12,836

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

Khan Resources Inc.
Notes to Interim Consolidated Financial Statements
March 31, 2010
(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.

On February 26, 2010, the Company announced that CNNC Overseas Uranium Holding Ltd. ("CNNC"), an indirect wholly owned subsidiary of China National Nuclear Corporation, had commenced its offer to acquire all of the outstanding common shares (the "Shares") of the Company at Cdn$0.96 in cash per share (the "Offer"). The Company's Board of Directors unanimously recommended that shareholders accept the Offer and tender their Shares to the Offer. The Board of Directors unanimously believes that the Offer is fair, from a financial point of view, to shareholders and is in the best interests of the Company and its shareholders. The Offer is subject to certain conditions, including that at least 66 2/3% of the Company's Shares (calculated on a fully diluted basis) be tendered to the Offer and not withdrawn. The Offer has been extended and is open for acceptance until 5:00 p.m. (Toronto time) on May 25, 2010 (see note 15 (a)).

On April 9, 2010, Khan's 58%-owned Mongolian subsidiary, Central Asian Uranium Company, LLC ("CAUC") and its 100%-owned Mongolian subsidiary, Khan Resources LLC ("KRL") received notices from the Mongolian Nuclear Energy Agency (the "NEA") stating that CAUC's mining license 237A (the "Mining License") and KRL's exploration license 9282X (the "Exploration License") had been invalidated. Subsequently, on April 21, 2010, the Company announced that CAUC had filed a formal claim in the Capital City Administrative Court in Mongolia challenging the legal basis for the notice received from the NEA purporting to invalidate CAUC's Mining License. Shortly thereafter, on April 27, 2010, KRL filed a similar claim with the Court in respect of the NEA's purported action to invalidate KRL's Exploration License. The hearing of both claims has been accepted by the Court. There can be no assurance that any current or future claims by Khan and/or its Mongolian subsidiaries will be successful or that such licenses will be retained, re-instated or registered under the Nuclear Energy Law (or any other law pursuant to which such licenses may in the future be required to be registered) or, if retained, re-instated or registered, the terms and conditions upon which such licenses may be retained, re-instated or registered. If the Mining License and Exploration License are not retained, re-instated or registered, there will be a material impairment charge on the capital assets and mineral interests that are related to the licenses. See notes 15(c) and 15(d).

On April 23, 2010, the Office of the President of Mongolia announced that President Tsakhia Elbegdorj of Mongolia, also the Head of the National Security Council, ordered the temporary suspension of the issuance or transfer of all mineral licenses effective as of April 20, 2010 based on certain provisions of Mongolian National Security policy documents. The announcement indicates that the suspension order will remain effective until a new stricter law on mineral licenses is developed and adopted by the Mongolian Government. See note 15(d).

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 promote and safeguard its ability to continue as a going concern and to continue its efforts to try to advance the exploration and development of the Dornod Uranium Project ("Project") in Mongolia and bring the Project into production. The Company's strategy remains substantially unchanged from the previous year. See also note 15 below.

The capital structure of the Company currently consists of common shares with a balance at March 31, 2010 of $61,184 (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 totalled $12,888 at March 31, 2010. 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 March 31, 2010, have an effect on the loss before taxes of approximately +/- $541.

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 six months ended March 31, 2010 of approximately +/- $74.

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 March 31, 2010, the Company was holding cash of $12,836.

Khan Resources Inc.
Notes to Interim Consolidated Financial Statements
March 31, 2010
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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 for the purchase. The market value at March 31, 2010 was $2,805.

7. Capital Assets

Capital assets consist of the following:

	As at March 31, 2010	As at September 30, 2009
Buildings, equipment, fixtures, furniture and vehicles	$ 1,891	$ 1,896
Less: accumulated amortization	472	398
	1,419	1,498
Construction in progress	2,462	2,412
	$ 3,881	$ 3,910

8. Mineral Interests

Mineral interests consist of the following:

	As at March 31, 2010	As at September 30, 2009
Dornod Uranium Project, Mongolia		
Acquisition costs	$ 447	$ 447
Deferred development costs	11,436	11,178
	$ 11,883	$ 11,625

(Expressed in United States dollars)
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9. Capital Stock

Capital stock consists of the following:

	As at March 31, 2010	As at September 30, 2009
Common shares (a)	$ 61,184	$ 61,209
Contributed surplus (b)	9,927	9,847
	$ 71,111	$ 71,056

(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 six months ended March 31, 2010 are as follows:

	Number of common shares (000's)	Amount
Balance, September 30, 2009	53,964	$ 61,209
Cancellation of common shares (i)	(50)	(25)
Balance, March 31, 2010	53,914	$ 61,184

(i) The Company cancelled common shares that were held by a trust as the trust was terminated**.**

The Company has a stock option plan providing for the issuance of stock options to directors, officers, employees and service providers. At March 31, 2010, there were 3,885,578 options available for grant under the plan.

Khan Resources Inc.
Notes to Interim Consolidated Financial Statements
March 31, 2010
(Expressed in United States dollars)
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The changes in stock options during the six months ended March 31, 2010 are as follows:

	Number of options (000's)	Weighted average exercise price (Cdn$)
Balance, September 30, 2009	4,955	$ 1.77
Cancelled	(2,425)	2.84
Expired	(33)	1.50
Balance, March 31, 2010	2,497	$ 0.74

The following tables summarize information about the stock options outstanding and exercisable at March 31, 2010:

Options outstanding

Exercise prices (Cdn$)	Number outstanding at March 31, 2010 (000's)	Weighted Average Remaining Contractual Life (years)	Weighted average exercise price (Cdn$)
0.20	1,365	3.75	$ 0.20
0.89	220	3.08	0.89
1.37 to 1.70	912	1.53	1.51
0.20 to 1.70	2,497	2.88	$ 0.74

(Expressed in United States dollars)
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Options exercisable

Exercise prices (Cdn$)	Number exercisable at March 31, 2010 (000's)		Weighted average exercise price (Cdn$)
0.20	915	$	0.20
0.89	146		0.89
1.37 to 1.70	912		1.51
0.20 to 1.70	1,973	$	0.86

(b) Contributed surplus

The changes in contributed surplus during the six months ended March 31, 2010 are as follows:

		Amount
Balance, September 30, 2009	$	9,847
Vesting of stock options granted to directors, officers and employees		55
Common shares cancelled (i)		25
Balance, March 31, 2010	$	9,927

(i) The Company cancelled common shares that were held by a trust as the trust was terminated**.**

10. Accumulated Other Comprehensive Income

		Amount
Balance, September 30, 2009	$	-
Unrealized holding gain on available-for sale securities arising during the period		914
Balance, March 31, 2010	$	914

11. Stock-based Compensation

The stock-based compensation expense during the six months ended March 31, 2010 was $55 (2009 - $377) 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 six months ended March 31, 2010. There were 1,435,000 stock options granted during the six months ended March 31, 2009 and the weighted average fair value per option granted was Cdn$0.15.

12. 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.

13. 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 53,922,000 and 53,943,000, respectively, during the three and six months ended March 31, 2010 (2009 – 54,035,000 and 54,043,000). Any potential common shares whose effect is anti-dilutive have not been reflected in the calculation of diluted loss per share.

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

14. Supplemental Cash Flow Information

	Three months ended March 31, 2010	Three months ended March 31, 2009	Six months ended March 30, 2010	Six months ended March 30, 2009	Cumulative from inception on October 1, 2002
Changes in non-cash working capital balances related to operations:					
Accounts receivable	$ (34)	$ (9)	$ (41)	$ 1	$ (108)
Prepaid expenses and other assets	16	25	47	44	(97)
Accounts payable and accrued liabilities	(18)	57	222	(244)	-
	$ (36)	$ 73	$ 228	$ (199)	$ (205)
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 six months ended March 31, 2010 and 2009.

15. Subsequent Events

(a) On February 26, 2010, the Company announced that CNNC Overseas Uranium Holding Ltd. ("CNNC" or the "Offeror"), an indirect wholly owned subsidiary of China National Nuclear Corporation, had commenced its offer to acquire all of the outstanding Shares of the Company at Cdn$0.96 in cash per share (the "Offer"). The Offer was originally scheduled to expire at 5:00 p.m. (Toronto time) on April 6, 2010. On April 6, 2010, the Offeror and the Company jointly announced that the Offeror had extended the Offer. The notice of extension sent by the Offeror to the Company's shareholders amended the Offer dated February 25, 2010 to extend the expiry date from 5:00 p.m. (Toronto time) on April 6, 2010 to 5:00 p.m. (Toronto time) on May 25, 2010.

The Offer is conditional upon, among other things, at least 66 2/3% of the Company's Shares (calculated on a fully diluted basis) being tendered to the Offer and not withdrawn and the Offeror having obtained all required approvals from the Government of China or any regulatory authority in China that are necessary to complete the Offer. The Offeror informed the Company that it had extended the Offer as it is awaiting approval of the Offer from the Chinese government.

(b) On April 13, 2010, the Company announced that its 58% owned Mongolian subsidiary, CAUC and its 100%-owned Mongolian subsidiary, KRL had received notices from the Mongolian NEA stating that CAUC's mining license 237A (the "Mining License") and KRL's exploration license 9282X (the "Exploration License") had been invalidated. The invalidations purport to be effective as of October 8, 2009 and purport to be based on a failure by CAUC and KRL to address violations of Mongolian law stemming from a July 2009 report issued by an inspection team appointed by the Mongolian State Specialized Inspection Agency in respect of the Mining License.

(c) On April 21, 2010, the Company announced that CAUC had filed a formal claim in the Capital City Administrative Court in Mongolia challenging the legal basis for the notice received from the NEA purporting to invalidate CAUC's Mining License. The claim asserts, among other things, that the NEA has no legal authority to make a decision to invalidate the Mining License and that the NEA's purported decision to do so violates the provisions of Mongolian law. CAUC is seeking a declaration of the Court that the NEA's purported action to invalidate the Mining License is itself invalid**.** Shortly thereafter, on April 26, 2010, KRL filed a similar claim with the Court in respect of the NEA's purported action to invalidate KRL's Exploration Licenses. The hearing of both claims has been accepted by the Court.

There can be no assurance that any current or future claims by Khan and/or its Mongolian subsidiaries will be successful or that such licenses will be retained, re-instated or registered under the Nuclear Energy Law (or any other law pursuant to which such licenses may in the future be required to be registered) or, if retained, re-instated or registered, the terms and conditions upon which such licenses may be retained, re-instated or registered.

The Company continues to believe that it and its Mongolian subsidiaries have always operated and continue to operate in compliance with all applicable Mongolian laws, including the Nuclear Energy Law, and there is no legal basis for the NEA invalidation notices. The Company intends to continue to challenge the NEA's actions through all legally available means. In the Company's view, the actions by the NEA are a clear violation of the Company's rights and interests under the laws and Constitution of Mongolia, and are in breach of Mongolia's obligations under international law. In addition to filing the claims, the Company and its legal counsel intend to vigorously defend its rights and interests, and to pursue all available rights and remedies in the Mongolian and Canadian courts and, if necessary, in international arbitration.

(d) On April 23, 2010, the Office of the President of Mongolia announced that President Tsakhia Elbegdorj of Mongolia, also the Head of the National Security Council, ordered the temporary suspension of the issuance or transfer of all mineral licenses effective as of April 20, 2010 based on certain provisions of Mongolian National Security policy documents. The announcement indicates that the suspension order will remain effective until a new stricter law on mineral licenses is developed and adopted by the Mongolian Government.