KHAN
RESOURCES INC.

January 13, 2012

Dear Shareholders:

On behalf of the Board of Directors, I would like to invite you to attend Khan's Annual and Special Meeting of Shareholders to be held on February 16, 2012 at 10:00 a.m. (Eastern Standard Time) at the Toronto Board of Trade, Ketchum/Osgoode Room, First Canadian Place, 77 Adelaide St. W., Toronto, Ontario.

At the meeting, we will report to you on Khan's performance for the financial year ended September 30, 2011 and our plans for the future. You will also be able to meet and ask questions of the Board of Directors and senior management.

The enclosed Management Information Circular describes the business to be conducted at the meeting, including electing the directors of Khan for the ensuing year, appointing the auditors for the ensuing year and authorizing the directors to fix their remuneration, and re-approving the Corporation's stock option plan

We hope that we will have the opportunity to welcome you to this year's Annual and Special Meeting.

Sincerely,

JAMES B. C. DOAK (signed)
Chairman

KHAN RESOURCES INC.

141 Adelaide Street West, Suite 1007
Toronto, Ontario, Canada M5H 3L5

Notice of the Annual and Special Meeting of Shareholders

NOTICE is hereby given that the Annual and Special Meeting of the Shareholders (the ‘‘Meeting’’) of Khan Resources Inc. (the “Corporation’’ or ‘‘Khan’’) will be held at the Toronto Board of Trade, Ketchum/Osgoode Room, First Canadian Place, 77 Adelaide St. W., Toronto, Ontario on February 16, 2012 at 10:00 a.m. (Toronto time) in order to:

1. receive the consolidated financial statements of the Corporation for the year ended September 30, 2011 and the auditors’ report thereon;
2. elect the directors for the ensuing year;
3. appoint the auditors for the ensuing year and authorize the directors to fix their remuneration;
4. re-approve the stock option plan (as amended from time to time, the “Plan”) of the Corporation; and
5. transact such other business as may properly be brought before the Meeting and any postponement or adjournment thereof.

Khan’s Board of Directors has fixed the close of business on January 5, 2012 as the record date for determining Shareholders entitled to receive notice of, attend and to vote at, the Meeting and any postponement or adjournment of the Meeting. Only the holders of record of Khan common shares are entitled to have their votes counted at the Meeting. Holders who have acquired Khan common shares after the record date are entitled to vote those shares at the Meeting upon producing properly endorsed share certificates, or otherwise establishing share ownership, and requesting the inclusion of their name in the list of shareholders not later than ten days before the date of the Meeting.

DATED at Toronto, Ontario, this 13th day of January, 2012.

By Order of the Board of Directors,

Grant A. Edey (signed)
President and Chief Executive Officer

Shareholders are cordially invited to attend the Meeting. Shareholders are urged to complete and return the enclosed proxy or voting instruction form promptly. **To be effective, Khan proxies must be received at the Toronto office of Equity Financial Trust Company (“Equity Financial”), the Corporation’s registrar and transfer agent, by 10:00 a.m. (Toronto time) on February 14, 2012 or the last business day prior to any adjourned or postponed Meeting.** Shareholders whose common shares are held by a nominee may receive either a voting instruction form or form of proxy from such nominee and should carefully follow the instructions provided by the nominee in order to have their shares voted at the Meeting.

Proxies will be counted and tabulated by Equity Financial, the Corporation’s registrar and transfer agent, in such a manner as to protect the confidentiality of how a particular shareholder votes except where they contain comments clearly intended for management, in the case of a proxy contest, or where it is necessary to determine the proxy’s validity or to permit management and the Board of Directors to discharge their legal obligations to the Corporation or its shareholders.

KHAN RESOURCES INC.

141 Adelaide Street West, Suite 1007
Toronto, Ontario, Canada M5H 3L5

MANAGEMENT INFORMATION CIRCULAR AND PROXY STATEMENT

This Management Information Circular and Proxy Statement, including all Appendices hereto (this ''Circular'') is furnished in connection with the solicitation of proxies by the management of Khan Resources Inc. (the ''Corporation'' or ''Khan'') for use at the Annual and Special Meeting of Shareholders (or any postponement or adjournment thereof) of Khan (the ''Meeting'') to be held at 10:00 a.m. (Toronto time) on February 16, 2012 for the purposes set forth in the accompanying Notice of Meeting.

The solicitation of proxies will be primarily by mail, but proxies may also be solicited personally, by telephone, by e-mail, by internet or other means of communication by regular employees, officers and agents of the Corporation for which no additional compensation will be paid. The cost of preparing, assembling and mailing this Circular, the Notice of Meeting, the proxy form, the voting instruction form and any other material relating to the Meeting and the cost of soliciting proxies has been or will be borne by Khan. It is anticipated that copies of this Circular, the Notice of Meeting, and accompanying proxy form or voting instruction form will be distributed to shareholders on or about January 26, 2012.

This Circular provides the information that you need to vote at the Meeting.

- If you are a registered holder of common shares of Khan (the "Common Shares"), we have enclosed a proxy form that you can use to vote at the Meeting.
- If your Common Shares are held by a nominee, you may receive either a form of proxy or voting instruction form from such nominee and should carefully follow the instructions provided by the nominee in order to have your Common Shares voted at the Meeting.

Unless otherwise indicated, the information in this Circular is given as at January 13, 2012 and all references to financial results are based on our financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Unless otherwise indicated, all references to "$" are to Canadian dollars.

These security holder materials are being sent to both registered and non-registered owners of the securities. If you are a non-registered owner, and Khan or its agent has sent these materials directly to you, your name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf. By choosing to send these materials to you directly, Khan (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

VOTING INFORMATION

Voting Matters

At the Meeting, shareholders are voting on the election of directors, the appointment of auditors and authorization of the board of directors of Khan (the "Board of Directors" or "Board") to fix their remuneration.

Who Can Vote

The record date for the Meeting is January 5, 2012. Holders of Common Shares as of the close of business on January 5, 2012 are entitled to vote at the Meeting. Each Common Share is entitled to one vote on those items of business identified in the Notice of Meeting.

If you have acquired Common Shares after the record date, you are entitled to vote those shares at the Meeting upon producing properly endorsed share certificates or otherwise establishing share ownership, and requesting the inclusion of your name in the list of shareholders not later than ten days before the date of the Meeting.

Voting your Common Shares

Registered Shareholders

If you are a registered shareholder, you may attend and vote in person at the Meeting or give another person authority to represent you and vote your shares at the Meeting, as described below under "*Voting by Proxy*".

Non-registered Shareholders

Your Common Shares may not be registered in your name but in the name of a nominee, which is usually a trust company, securities broker or other financial institution. If your Common Shares are registered in the name of a nominee, you are a non-registered shareholder. Your nominee is required to seek your instructions as to how to vote your shares. You may vote your Common Shares through your nominee or in person.

To vote your Common Shares through your nominee, you should carefully follow the instructions of your nominee with respect to the procedures to be followed for voting. Generally, nominees will provide non-registered shareholders with either: (a) a voting instruction form for completion and execution by you, or (b) a proxy form, executed by the nominee and restricted to the number of shares owned by you, but otherwise uncompleted. These procedures are to permit non-registered shareholders to direct the voting of the Common Shares that they beneficially own.

If you are a non-registered shareholder, to vote your shares in person at the Meeting, you should take the following steps:

(1) appoint yourself as the proxy holder by writing your own name in the space provided on the voting instruction form or form of proxy, and

(2) follow the nominee's instructions for return of the executed form or other method of response.

Do not otherwise complete the form as your vote, or your designate's vote, will be taken at the Meeting.

Voting by Proxy

If you will not be at the Meeting or do not wish to vote in person, you may still vote by using the enclosed proxy form. A proxy must be in writing and must be executed by you or by your attorney authorized in writing.

Your Proxy Vote

On the proxy form, you can indicate how you want to vote your Common Shares, or you can let your proxy holder decide for you.

All Common Shares represented by properly completed proxies received at the Toronto office of Equity Financial Trust Company ("Equity Financial") by 10:00 a.m. (Toronto time) on February 14, 2012 or the last business day before any adjourned or postponed Meeting will be voted or withheld from voting, in accordance with your instructions as specified in the proxy, on any ballot votes that take place at the Meeting. If you give directions on how to vote your shares, your proxy holder must vote your shares according to your instructions. If you have not specified how to vote on a particular matter, then your proxy holder can vote your shares as he or she sees fit. **If neither you nor your proxy holder gives specific instructions, your Common Shares will be voted as follows**:

- **FOR** the election of the seven nominees as directors for the ensuing year;
- **FOR** the appointment of Ernst & Young LLP as auditors for the ensuing year and the authorization of the directors to fix their remuneration; and
- **FOR** the re-approval of the stock option plan of the Corporation.

Appointing a Proxy holder

A proxy holder is the person you appoint to act on your behalf at the Meeting and to vote your shares. **You may choose anyone to be your proxy holder, including someone who is not a shareholder of Khan**. Simply fill in the name in the blank space provided on the enclosed proxy form. If you leave the space in the proxy form blank, the persons designated in the form, who are officers of Khan, are appointed to act as your proxy holder.

Your proxy authorizes the proxy holder to vote and act for you at the Meeting, including any continuation after an adjournment or postponement of the Meeting.

Revoking Your Proxy

If you give a proxy, you may revoke it at any time before it is used by doing any one of the following:

- You may send another proxy form with a later date to the Toronto office of Equity Financial, but it must reach Equity Financial by 10:00 a.m. (Toronto time) on February 14, 2012 or the last business day before any adjourned or postponed Meeting.
- You may deliver a signed instrument in writing, stating that you want to revoke your proxy, to the President of the Corporation no later than 10:00 a.m. (Toronto time) on February 16, 2012, or the last business day before any adjourned or postponed Meeting, at the Corporation's registered office located at 141 Adelaide Street West, Suite 1007, Toronto, Ontario, M5X 3L5 or by facsimile at (416) 360-3417.
- You may attend the Meeting and notify the Chairman of the Meeting prior to the commencement of the Meeting that you have revoked your proxy.
- You may revoke your proxy in any other manner permitted by law.

ADDITIONAL MATTERS PRESENTED AT THE ANNUAL MEETING

The enclosed proxy form or voting instruction form confers discretionary authority upon the persons named as proxies therein with respect to any amendments or variations to the matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting.

If you sign and return the proxy form for Common Shares and any matter is presented at the Meeting in addition to the matters described in the Notice of Meeting, the Khan officers named as proxies will vote in their best judgment. When this Circular went to press, management of Khan was not aware of any matters to be considered at the Meeting other than the matters described in the Notice of Meeting or any amendments or variations to the matters described in such notice.

VOTING SHARES

The Common Shares are the only shares entitled to vote at the Meeting. As at January 5, 2012, 54,525,445 Common Shares were issued and outstanding. The holders of Common Shares are entitled to one vote per share.

PRINCIPAL HOLDERS OF VOTING SHARES

To the knowledge of the directors and senior officers of Khan, no person beneficially owns, directly or indirectly, or exercises control or direction over, directly or indirectly, voting securities carrying ten percent or more of the voting rights attached to any class of voting securities of the Corporation, except as disclosed below.

Name of Shareholder	Number of Common Shares beneficially owned, controlled or directed, directly or indirectly(1)	Percentage of Common Shares beneficially owned, controlled or directed, directly or indirectly
Laramide Resources Ltd.	7,100,000	13%

Note:

(1) Based on insider reports publicly filed on the System for Electronic Disclosure by Insiders ("**SEDI**") as at January 5, 2012.

AUDITED FINANCIAL STATEMENTS

The consolidated financial statements for the financial year ended September 30, 2011 and the report of the auditors thereon which accompany this Circular will be submitted to the Meeting of shareholders. Receipt at such Meeting of the auditors' report and the Corporation's financial statements for this financial period will not constitute approval or disapproval of any matters referred to therein.

ELECTION OF DIRECTORS

It is proposed that the seven people listed below be nominated for election as directors of Khan to hold office until the next annual meeting or until their successors are elected or appointed. All of the proposed nominees are currently directors of Khan and have been since the dates indicated. The articles of amendment of the Corporation provide for a minimum of one and a maximum of nine directors. Mr. Jean-Pierre Chauvin, who has been a member of the Board since July 2005, will not be standing for re-election as a director. On behalf of the shareholders, the Board thanks Mr. Chauvin for his substantial efforts and contributions to the Corporation and wishes him well in his future endeavours.

The Board of Directors recommends that shareholders vote for the election of the proposed nominees set out below. Unless otherwise instructed, proxies and voting instructions given pursuant to this solicitation by the management of Khan will be voted for the election of the proposed nominees. If any proposed nominee is unable to serve as a director, the individuals named in the enclosed form of proxy reserve the right to nominate and vote for another nominee in their discretion.

Nominees for Election as Directors

The following table sets forth for each nominee for election as director: place of residence; present principal occupation and principal occupations held in the last five years, if different; a brief description of the nominee's principal directorships, memberships and education; the number of Common Shares beneficially owned, directly or indirectly, or over which control or direction, directly or indirectly, is exercised; the number of outstanding options to acquire Common Shares held by the nominee under Khan's stock option plan; the date the nominee became a director of Khan; current membership on committees of the Board; record of attendance at meetings of the Board and its committees during the twelve (12) months ended September 30, 2011; and whether or not the Board has determined each nominee to be independent. There are no contracts, arrangements or understandings between any director or executive officer or any other person pursuant to which any of the nominees has been nominated.

James B. C. Doak Toronto, Ontario, Canada Shares: 1,000,000[1] Options: 450,000	***James B. C. Doak***, Chairman and Director of the Corporation and Chairman of the Audit and Finance Committee, has over 25 years' experience as a Chartered Financial Analyst. Mr. Doak has served as the President and Managing Partner of Megantic Asset Management Inc., a Toronto-based investment company, since 2002. Jim Doak is also a Director of Cascades Inc., Purepoint Uranium Group Inc. and of Eurocopter Canada Ltd. Mr. Doak serves as Chair, Audit Committee for both Eurocopter and Purepoint and as Chair, Corporate Governance Committee for Cascades. As well, he is a former Director of PetroKazakhstan Inc., Superior Propane Inc. and Spar Aerospace Inc. Mr. Doak held senior positions at ScotiaMcLeod Inc., First Marathon Securities Ltd., McLeod Young Weir Ltd., was a founder of Enterprise Capital Management Inc., where he served as President and Managing Partner from 1997 to 2002, and is a past President and Director of the Toronto Society of Financial Analysts and a past Chair and Director of the Toronto French School and a past Chair and Director of l'Alliance Française de Toronto. Mr. Doak has published a number of columns in two Canadian financial publications as well as a submission to the House of Commons Special Committee on Energy. Mr. Doak was educated at McGill University and the University of Toronto and holds his CFA designation. **Khan Board Details:** • Director since September 30, 2005 • Committee memberships: Audit and Finance; Compensation[2]; Strategic Review (Chair) • Meetings attended: Board 5 of 5 regular; Audit and Finance Committee 4 of 4; Compensation Committee - 1 of 2; Strategic Review Committee[3] • Independent
Raffi Bakikian Montreal, Quebec, Canada Shares: nil[1] Options: 250,000	***Raffi Babikian,*** Director of the Corporation, is a corporate finance and marketing advisor to global uranium mining companies. He was previously Vice-President, Investment Banking at Dundee Securities, where he was responsible for the firm's uranium mining practice. Raffi began his professional career at AREVA SA, the world's leading nuclear fuel cycle company, at the company's headquarters in Paris, France. His first responsibilities there involved evaluating growth opportunities for the company's reprocessing/recycling business. He subsequently joined Areva's Uranium Mining Business unit, working to identify, evaluate and implement merger and acquisition opportunities and associated marketing strategies. Mr. Babikian has a Bachelor of Engineering from McGill University, a MSc. from MIT, and an MBA from the Collège des Ingénieurs in Paris. **Khan Board Details:** • Director since June 22, 2010 • Committee memberships: Corporate Governance and Nominating • Meetings attended: Board 4 of 5 regular; Corporate Governance and Nominating Committee 1 of 1 • Independent
Grant A. Edey Mississauga, Ontario, Canada Shares: 201,500[1] Options: 550,000	***Grant A. Edey***, Director and President and Chief Executive Officer of the Corporation since June 2010, has over 35 years of experience in the mining industry. Mr. Edey was Chief Financial Officer at IAMGOLD Corporation from 2003 to 2007. From 1996 to 2002, he was Vice-President, Finance, Chief Financial Officer and Corporate Secretary of Repadre Capital Corporation. Prior to 1996, he held senior positions with Strathcona Mineral Services

	Limited, TransCanada Pipelines Limited, Eldorado Nuclear Limited, Rio Algom Limited and INCO Limited. Mr. Edey is also a director of Primero Mining Corp. Mr. Edey holds a B.Sc. in Mining Engineering from Queen's University and an M.B.A. from the University of Western Ontario. **Khan Board Details:** • Director since February 15, 2007 • Meetings attended: Board 5 of 5regular • Non-Independent (President & Chief Executive Officer of Khan)
Marc C. Henderson, Toronto, Ontario, Canada Shares: 300,000[1] Options: 250,000	***Marc C. Henderson***, Director of the Corporation, is the President and CEO and a director of Laramide Resources Ltd., a Toronto-based resource company specializing in the acquisition, discovery and development of uranium projects and Khan's single largest shareholder holding approximately 13% of Khan's outstanding shares. Mr. Henderson has more than 20 years of experience running junior mining companies and has served as president of a number of public companies, including Aquiline Resources Inc. from 1998 until its sale to Pan American Silver in 2009. **Khan Board Details:** • Director since June 21, 2010 • Committee memberships: Audit and Finance (Chair); Corporate Governance and Nominating[4]; Strategic Review • Meetings attended: Board 3 of 5 regular; Audit and Finance Committee – 1 of 4; Corporate Governance and Nominating Committee - 0 of 1; Strategic Review Committee[3] • Independent
Hon. Robert P. Kaplan [5] Toronto, Ontario, Canada Shares: 75,000[1] Options: 300,000	***Hon. Robert P. Kaplan***, Director of the Corporation, Chairman of the Corporate Governance and Nominating Committee, has over 40 years of experience as a lawyer, businessman and elected politician. Mr. Kaplan retired from a 25-year career in elective politics in 1993. He was a Federal Member of Parliament and Cabinet Minister in the Governments of the Rt. Hon. Pierre-Elliott Trudeau and Rt. Hon. John N. Turner. Mr. Kaplan was a trustee of H&R REIT, Canada's second largest real estate trust, from its establishment until last year. As well, he is a former Director and Chairman of PetroKazakhstan, Inc. Mr. Kaplan is a founding Trustee of the State Hermitage Museum Foundation of Canada, one of five international foundations which support the Hermitage Museum in St Petersburg, Russia. He has also been honoured by being named a Chevalier of the Legion of Honour by the President of France. Mr. Kaplan has served as the Honourary Consul General of Kazakhstan for Canada for the last 16 years. Mr. Kaplan holds a B.A. in Sociology and an LL.B. from the University of Toronto. He was called to the Ontario Bar in 1963. **Khan Board Details:** • Director since February 15, 2007 • Committee memberships: Compensation; Corporate Governance and Nominating (Chair) • Meetings attended: Board - 4of 5 regular; Compensation Committee - 1 of 1; Corporate Governance and Nominating - 1 of 1 • Independent

David L. McAusland Montreal, Quebec, Canada Shares: nil[1] Options: 500,000	***David L. McAusland***, Director of the Corporation, is a senior lawyer and corporate director. A graduate of the Faculty of Law of McGill University, he practiced law for over 20 years at a prominent Montreal law firm. In 1999, he became a senior executive with Alcan Inc., a major Canadian industrial and resource company, retiring as Executive Vice President, Corporate Development and Chief Legal Officer in 2008 when the company was acquired. In 2009, Mr. McAusland joined McCarthy Tétrault LLP as a partner. Mr. McAusland currently acts as director of Cogeco Inc. and Cogeco Cable Inc., Cascades Inc., and ATS Automation Tooling Systems Inc. He serves as a member of the Corporate Governance Committee for all the above companies, as Chairman of the Human Resource Committee of Cascades Inc., and Chairman of the Board of Directors of ATS Automation Tooling Systems Inc. He is the Chairman of the Foundation of the National Circus School and director of the Montreal General Hospital Foundation. **Khan Board Details:** • Director since April 23, 2008 • Committee memberships: Audit and Finance[6]; Compensation • Meetings attended: Board - 5 of 5 regular; Audit and Finance Committee - 0 of 1; Compensation Committee - 0 of 1 • Independent
Martin Quick Niagara on the Lake, Ontario, Canada Shares: nil[1] Options: 283,334	***Martin Quick***, Director of the Corporation, has over 47 years of worldwide experience in the mining industry, including engineering, operations, and senior corporate fields. He has held senior mining production and engineering positions in Africa, Australia, Fiji, the United States and Canada. He retired as President and CEO of Khan Resources Inc. in June 2010 having served in that position for 4 and a half years. From August 2004 until December 2005, Mr. Quick was President and Chief Operating Officer of Power Resources Inc., a wholly-owned subsidiary of Cameco Corporation, a global producer of uranium for the nuclear power industry. Prior to this appointment, from March 2001 to July 2004, Mr. Quick was Vice President - Mining with Cameco Corporation, based in Saskatoon, where he was responsible for Cameco's Northern Saskatchewan operations including the world's largest uranium mine at McArthur River/Key Lake, and the planning and development of the Cigar Lake project. Prior to joining Cameco, Mr. Quick held senior operating positions with Areva and Rio Algom. He is a Professional Engineer (P.Eng.) in the province of Saskatchewan and a graduate of the Camborne School of Metalliferous Mining (ACSM), in the United Kingdom. Other directorships held – Crown Gold Corporation and Noravena Capital Corporation. **Khan Board Details:** • Director since January 18, 2006 • Committee memberships: Corporate Governance and Nominating • Meetings attended: Board - 4 of 5 regular; Corporate Governance and Nominating Committee - 1 of 1 • Non-Independent (former President & Chief Executive Officer of Khan)

Notes:

(1) The information about Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, not being within the knowledge of Khan, has been furnished by the respective nominees. Unless otherwise indicated, (a) beneficial ownership is direct and (b) the person indicated has sole voting and investment power.

(2) Mr. Doak was a member of the Compensation Committee until February 16, 2011.

(3) The Strategic Review Committee did not hold any meetings during the financial year ended September 30, 2011.

(4) Mr. Henderson was a member of the Corporate Governance and Nominating Committee until February 16, 2011.

(5) Hon. Robert P. Kaplan ceased to be a director of Mooney Aerospace Group, Ltd. approximately ten (10) months prior to June 2004 when the company filed voluntary petitions for reorganization under Chapter 11 of United States federal bankruptcy laws.

(6) Mr. McAusland was a member of the Audit and Finance Committee until February 16, 2011.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Effective corporate governance is a priority for the Board of Directors. In developing Khan's corporate governance practices, the Board of Directors has taken into account the rules and guidelines adopted by the Canadian Securities Administrators ("CSA") in June 2005 (National Instrument 58-101 - *Disclosure of Corporate Governance Practices* ("NI 58-101") and National Policy 58-201 - *Corporate Governance Guidelines* (collectively, the "CSA Governance Requirements"), which require Khan to disclose certain information relating to its corporate governance practices.

The CSA Governance Requirements set out 9 best practices drawn from existing Canadian standards and U.S. regulatory standards. Khan is required to describe certain aspects of its corporate governance practices in its management information circular, including a discussion of any practices that are inconsistent with the CSA Governance Requirements. This information is set out in Appendix A to this Circular.

The CSA has also enacted rules regarding the composition of audit committees (Multilateral Instrument 52-110 - *Audit Committees*) and the certification of an issuer's disclosure controls and procedures (Multilateral Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings*). Khan is currently in compliance with these rules. For the year ended September 30, 2011, the Chief Executive Officer and Chief Financial Officer were required to file a certificate to certify that Khan established appropriate disclosure controls and procedures, that management has evaluated the effectiveness of these controls and procedures and that management has appropriately designed internal controls over financial reporting, and has disclosed in Khan's Management Discussion & Analysis ("MD&A") its conclusions about the effectiveness of the disclosure controls and procedures as well as any material changes relative to the system of internal controls over financial reporting.

In this Circular and in the attached Appendix A, the term "independent" director has the corresponding meaning given to the term "independent" director in NI 58-101; namely, a director who has no direct or indirect material relationship with the Corporation which could, in the view of the Board of Directors, be reasonably expected to interfere with the exercise of the Director's independent judgement. A majority of the nominees standing for election as directors, are "independent" within the meaning of NI 58-101.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has established four committees: an Audit and Finance Committee, a Compensation Committee, a Corporate Governance and Nominating Committee, and a Strategic Review Committee. A brief description of each committee is set out below.

Audit and Finance Committee. The Audit and Finance Committee assists the Board of Directors in fulfilling its responsibilities for oversight of financial and accounting matters. The Committee recommends the auditors to be nominated and reviews the compensation of the auditors. The Committee is directly responsible for overseeing the work of the auditors, must pre-approve non-audit services, be satisfied that adequate procedures are in place for the review of our public disclosure of financial information extracted or derived from Khan's financial statements and must establish procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters. The current members of the Committee are Jean-Pierre Chauvin (not standing for re-election), James B. C. Doak and Marc C. Henderson (Chair). Reference should be made to "*Audit Committee and Auditors*" in the

Corporation's Annual Information Form for the year ended September 30, 2011 dated December 15, 2011 for additional information concerning the Audit and Finance Committee.

Compensation Committee. The Compensation Committee assists the Board of Directors in fulfilling its responsibilities for compensation philosophy and guidelines, and fixing compensation levels for Khan's executive officers. In addition, the Committee is charged with reviewing the employee stock option plan and proposing changes thereto, approving any awards of options under the employee stock option plan and recommending any other employee benefit plans, incentive awards and perquisites with respect to Khan's executive officers. The Committee is also responsible for reviewing, approving and reporting to the Board annually (or more frequently as required) on Khan's succession plans for its executive officers. The current members of the Committee are Jean-Pierre Chauvin (Chair) (not standing for re-election), Hon. Robert P. Kaplan, and David L. McAusland.

Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee assists the Board of Directors in fulfilling its responsibilities for corporate governance. The Committee provides a focus on corporate governance to enhance corporate performance and ensure, on behalf of the Board and shareholders, that the Corporation's governance system is effective. The Committee's duties and responsibilities include assessing and making recommendations regarding Board effectiveness, reviewing the size and composition of the Board, its general responsibilities and functions, the organization and responsibilities of Board committees and the operations and procedures of the Board as well as for establishing a process for identifying, recruiting, appointing, re-appointing and providing ongoing development for directors. The current members of the Committee are Raffi Babikian, Hon. Robert P. Kaplan (Chair) and Martin Quick.

Strategic Review Committee. The Strategic Review Committee assists the Board of Directors in identifying, reviewing and assessing investment opportunities. The Committee's duties and responsibilities include the accumulation of sufficient information and the performance of due diligence with respect to investment opportunities, engaging experts or consultants to evaluate investment opportunities and obtaining an independent valuation of investment opportunities, if required. The Strategic Review Committee was established on October 13, 2010. The members of the Strategic Review Committee are Jean-Pierre Chauvin (not standing for re-election), James B. C. Doak (Chair), and Marc C. Henderson.

STATEMENT OF EXECUTIVE COMPENSATION

Unless otherwise stated, "dollars" or "$" means Canadian dollars.

Compensation Discussion and Analysis

This section of the Circular explains how the Corporation's executive compensation program is designed and operated with respect to the President and Chief Executive Officer (referred to as the "CEO" in the narrative discussion in this section and under the section entitled "Executive Compensation Tables"), Chief Financial Officer ("CFO"), and the three other most highly compensated executive officers included in this reported financial year whose total compensation was, individually, more than $150,000 (together with the CEO and CFO collectively referred to as the "NEOs", and each an "NEO"). This section also identifies the objectives and material elements of compensation awarded to the NEOs and the reasons for the compensation. For a complete understanding of the executive compensation program, this Compensation Discussion and Analysis should be read in conjunction with the Summary Compensation Table and other executive compensation-related disclosure included in this Circular.

The philosophy of the Compensation Committee of the Board of Directors (the "Compensation Committee") is to determine compensation for the Corporation's executive officers relative to the performance of the Corporation in executing on its objectives.

The Compensation Committee's assessment of corporate performance is based on a number of qualitative and quantitative factors including execution of on-going projects and transactions, safety, operational performance and progress on key growth initiatives. For the most recently completed financial year-ended September 30, 2011, the Compensation Committee determined the overall corporate performance rating to be "at target". NEOs do not automatically receive any particular award based on the Compensation Committee's determination of the overall performance of the Corporation, but rather the determination establishes the background for the Compensation Committee's subsequent review of the NEOs' individual performance. The Compensation Committee's decisions with respect to Total Direct Compensation for NEOs for 2011 are noted below in the section "Compensation Decisions for 2011".

Named Executive Officers

During the most recently completed financial year ended September 30, 2011, the following individuals were NEOs of the Corporation:

- Grant A. Edey, President and Chief Financial Officer of the Corporation;
- Paul D. Caldwell, Chief Financial Officer of the Corporation until his resignation on June 1, 2011 and Corporate Secretary of the Corporation until February 16, 2011;
- K. Bruce Gooding, Chief Financial Officer of the Corporation following his appointment on June 1, 2011; and
- Enkhbayar Ochirbal, Vice President, Governmental Affairs, until his resignation on July 1, 2011.

Objectives of the Compensation Program

The objectives of the Corporation's executive compensation program are:

- to reward individual contributions in light of overall business results;
- to be competitive with the companies with whom the Corporation competes for talent;
- to align the interests of the executives with the interests of the shareholders; and
- to attract and retain executives who can help the Corporation achieve its objectives.

Elements of Executive Compensation

Total direct compensation ("**Total Direct Compensation**") represents the combined value of fixed compensation and performance-based variable incentive compensation, comprising: base salary, short-term incentive compensation in the form of an annual cash bonus, and long-term incentive compensation in the form of stock options.

The allocation of Total Direct Compensation value to these different compensation elements is not based on a formula, but rather is intended to reflect the Compensation Committee's discretionary assessment of an executive officer's past contribution and ability to contribute to future short and long-term business results.

Base Salary

The base salary of each NEO is reviewed annually and is the fixed portion of each NEO's Total Direct Compensation and is designed to provide income certainty and to attract and retain executives.

Short-term Incentives

The annual cash bonus is a short-term incentive that is intended to reward each executive officer for their yearly individual contribution and performance of personal objectives in the context of overall annual corporate performance. The annual cash bonus is designed to motivate executives annually to achieve personal business objectives, to be accountable for their relative contribution to the Corporation's performance, as well as to attract and retain executives. For the financial year ended September 30, 2011, neither the CEO, CFO, nor the Vice President, Governmental Affairs, were awarded any short-term incentive compensation.

Long-term Incentives

Long-term incentive compensation is provided through the granting of stock options. This incentive arrangement is designed to motivate executives to achieve longer-term sustainable business results, align their interests with those of the shareholders and to attract and retain executives. Participants benefit only if the market value of the Corporation's Common Shares at the time of a stock option exercise is greater than the exercise price of the stock options at the time of the relevant grant. Stock options vest 1/3 at the date of the grant, 1/3 after one year from the date of the grant and 1/3 after two years from the date of the grant.

Determination of Compensation

Rather than strictly applying formulas and weightings to forward-looking performance objectives, which may lead to unintended consequences for compensation purposes, the Compensation Committee exercises its discretion and uses sound judgment in making compensation determinations. For this reason, the Compensation Committee does not measure performance using any pre-set formulas in determining compensation awards for NEOs.

The Compensation Committee's comprehensive assessment of the overall business performance of the Corporation, including corporate performance against objectives (both quantitative and qualitative), business circumstances and, where appropriate, relative performance against peers, provides the context for individual executive officer evaluations for all direct compensation awards and management fees.

The Board does not feel it is necessary to assess the effectiveness of individual board members. Each board member has considerable experience which is sufficient to meet the needs of the Corporation. On an annual basis, however, the Board assesses the contributions of each of the individual directors, and of the Board as a whole, in order to determine whether each is functioning effectively.

Stock Options

Stock Option Granting Process

Generally, stock option grants are determined annually. The CEO makes recommendations to the Compensation Committee regarding individual stock option awards for all recipients. The CEO does not participate in deliberations of the Compensation Committee regarding his own stock option grants. The Compensation Committee and the Chairman of the Board deliberate and consider relevant market data and other information in order to determine the CEO's stock option grant recommendation to the Board.

The Compensation Committee reviews the appropriateness of the stock option grant recommendations from the CEO for all eligible employees and accepts or adjusts these recommendations. The Compensation Committee is responsible for approving all individual stock option grants, including grants that are awarded outside the annual compensation deliberation process for such things as promotions or new hires. The Compensation Committee is also responsible for recommending to the Board for its approval any stock option grants for executive officers.

The Compensation Committee approves or recommends compensation awards, including stock option grants, which are not contingent on the number, term or current value of other outstanding compensation previously awarded to the individual.

Stock Option Plan

On May 21, 2004, the Corporation introduced a rolling stock option plan (the "Plan"), which was subsequently amended on January 9, 2009 by the Board and most recently obtained shareholder approval on February 11, 2009. The purpose of the Plan is to advance the interests of the Corporation and its subsidiaries by encouraging the directors, officers, employees and consultants (including the directors, officers and employees of such consultants) (each a "Participant") of the Corporation and its subsidiaries to acquire Common Shares, thereby (a) increasing the proprietary interests of such persons in the Corporation, (b) aligning the interests of such person with the interests of the Corporation's shareholders generally, (c) encouraging such persons to remain associated with the Corporation, and (d) furnishing such persons with an additional incentive in their efforts on behalf the Corporation.

According to the provisions of the Plan, the Board is authorized to provide for the granting, exercise and method of exercise of options, all on such terms as it shall determine including the delegation of the administration and operation of the Plan, in whole or in part, to a committee of the Board, subject to the terms of the Plan and applicable stock exchange rules. Under the Plan, the aggregate number of shares reserved for issuance may not exceed the greater of 5,000,000 Common Shares or 10% of the total number of issued and outstanding Common Shares at the time of any option grant, being 5,452,544 Common Shares as of the date of this Circular. As of the date thereof, there were options outstanding to purchase an aggregate of 3,478,334 Common Shares under the Plan, representing approximately 6.4% of the Corporation's outstanding capital as of that date, taking into account options that have been exercised, forfeited or cancelled. Accordingly, as of the date of this Circular, 3,478,334 Common Shares (representing 6.4% of the issued and outstanding Common Shares) are currently reserved for issuance pursuant to options granted under the Plan and the Corporation may grant an additional 1,974,210 options under the Plan (representing 3.6% of the issued and outstanding Common Shares), calculated based on 10% of the number of Common Shares issued and outstanding as of the date of this Circular.

The number of Common Shares that may be acquired under an option granted to a Participant is determined by the Board, provided that the aggregate number of Common Shares reserved for issuance in any 12 month period to any one Participant shall not exceed 5% of the Corporation's then issued and outstanding Common Shares unless the Corporation has obtained prior shareholder approval. In addition, no more than 2% of the Corporation's then issued and outstanding Common Shares may be granted to any one consultant or to any one employee in any 12 month period and no more than 1% of the Corporation's issued and outstanding Common Shares may be granted to all of the non-executive directors of the Corporation.

Within any 12 month period, the number of Common Shares issued to insiders of the Corporation under the Plan and any other security based compensation arrangement, may not exceed 10% of the Corporation's then issued and outstanding Common Shares and nor may the number of Common Shares reserved for issuance to insiders of the Corporation under the Plan at any time exceed 10% of the Corporation's then issued and outstanding Common Shares.

The exercise price of any options granted under the Plan will be fixed by the Board at the time of the grant, provided that the options shall not be less than the closing price of the Common Shares on the business day immediately prior to the date of the grant as quoted on the Toronto Stock Exchange (the "TSX").

The period during which an option may be exercised shall also be determined by the Board at the time the option is granted, provided that no option shall be exercisable for a period exceeding five years from the date it was granted and subject to any vesting limitations imposed by the Board in its sole unfettered discretion at the time of the grant. Generally, options expire within 90 days of a Participant ceasing to be a Participant, if the Participant is engaged to provide investor relations activities to the Corporation, 30 days after the optionee ceases to be employed to provide such investor relations activities or immediately if the Participant is terminated for cause. In the event of death or permanent disability of a Participant, any option previously granted to such Participant shall be exercisable until the end of the option period or until the date that is not later than one year after the date of death or permanent disability of such Participant, whichever is earlier. All options granted pursuant to the Plan are personal to the grantee and are not assignable or otherwise transferable except for a limited right of assignment to allow (a) the exercise of options by a Participant's legal representative in the event of death or incapacity, or (b) the transfer of an option to a corporation wholly owned by the Participant or certain trusts, of which the Participant is the sole beneficiary.

The Plan or any option thereunder may be amended at any time, subject to the approval of the Board and the shareholders of the Corporation, as well as any requisite regulatory approvals, in order to (i) increase the maximum number (or percentage) of Common Shares issuable under the Plan, (ii) increase the maximum number of Common Shares issuable under the Plan to insiders, (iii) make any amendment that would reduce the exercise price of any outstanding option (including a cancellation or reissue of an option constituting a reduction of the exercise price), (iv) extend the term of any option granted under the Plan beyond the original expiry date, (v) increase the maximum term of any option permitted under the Plan, (vi) expand the categories of individuals eligible to participate under the Plan, (vii) allow options to be transferred or assigned other than as provided under the Plan (and described above), or (viii) to amend the amendment provisions of the Plan. Without limiting the scope of the foregoing, the Plan provides that, for greater certainty, the Board may at any time and for any reason, make the following amendments to the Plan or any option thereunder without shareholder approval (provided that a Participant's consent to such action is required unless the Board determines that the action would not materially and adversely affect the existing rights of such Participant): (i) amendments of a housekeeping or clerical nature, as well as any clarifying amendment to the provisions of the Plan, (ii) amendments to the eligibility criteria and limits for participation in the Plan, (iii) a change to the termination provisions of an option or of the Plan, provided that the change does not entail an extension beyond an option's original expiry date, (iv) additions and amendments to or deletions from the Plan in order to comply with legislation governing the Plan or the requirements of a regulatory body or stock exchange, and (v) amendments to the provisions relating to the administration of the Plan.

Shareholders will be asked at the meeting to consider, and if considered advisable, to re-approve the stock option plan of the Corporation. For further details concerning the terms of the Plan, please see the section of this Circular below entitled "*Special Business – Re-Approval of Stock Option Plan*". Reference should be made to the full text of the Plan attached as Appendix C to this Information Circular.

Other Compensation

Executive officers receive other benefits that the Corporation believes are reasonable and consistent with its overall executive compensation program. These benefits, which are based on competitive market practices, support the attraction and retention of executive officers. Benefits include traditional health programs and limited executive perquisites.

<u>How the Corporation Determines Compensation</u>

The Role of the Compensation Committee

The Compensation Committee approves, or recommends for approval, all compensation to be awarded to the NEOs. The Compensation Committee directs management to gather information on its behalf, and provide initial analysis and commentary. The Compensation Committee reviews this material along with other information in its deliberations before considering or rendering decisions.

The Compensation Committee has full discretion to adopt or alter management recommendations or to consult its own external advisors.

The Compensation Committee believes it is important to follow appropriate governance practices in carrying out its responsibilities with respect to the development and administration of executive compensation and benefit programs. Governance practices followed by the Compensation Committee include holding in-camera sessions without management present and, when necessary, obtaining advice from external consultants.

The Role of Management

Management has direct involvement in and knowledge of the business goals, strategies, experiences and performance of the Corporation. As a result, management plays an important role in the compensation decision-making process. The Compensation Committee engages in active discussions with the CEO concerning the determination of performance objectives, including individual goals and initiatives for NEOs, and whether, and to what extent, criteria for the previous year have been achieved for those individuals. The CEO may also provide a self-assessment of his own individual performance objectives and/or results achieved, if requested by the Compensation Committee.

The CEO makes recommendations to the Compensation Committee regarding the amount and type of compensation awards for other members of executive management. The CEO does not engage in discussions with the Compensation Committee regarding his own Total Direct Compensation. The Compensation Committee and the Chairman of the Board are provided with relevant market data and other information as requested, in order to support the Compensation Committee's deliberations regarding the CEO's Total Direct Compensation and subsequent recommendation to the Board.

Performance Assessment

Rather than strictly applying formulas and weightings to forward-looking performance objectives, which may lead to unintended consequences for compensation purposes, the Compensation Committee exercises its discretion and uses sound judgment in making compensation determinations. For this reason, the Compensation Committee does not measure performance using any pre-set formulas in determining compensation awards for NEOs.

The Compensation Committee's comprehensive assessment of the overall business performance of the Corporation, including corporate performance against objectives (both quantitative and qualitative) and business circumstances provides the context for individual executive officer evaluations for all direct compensation awards.

Corporate Performance

The Corporation's Board approves annual corporate objectives, which include financial performance, strategic direction, plan implementation, financial controls and other facets of the Corporation's development, in line with the Corporation's key longer-term strategies for growth and value creation. These quantitative and qualitative objectives are utilized by the Compensation Committee as a reference when making compensation decisions.

At the end of each year, the Compensation Committee reviews the results achieved and discusses them with management. For the purposes of Total Direct Compensation deliberations, the Compensation Committee then determines an overall rating for actual corporate performance relative to an expected level of performance. This overall corporate performance rating provides general context for the Compensation Committee's review of individual performance by the NEOs.

Individual Performance

The Compensation Committee approves annual individual performance objectives, which include financial performance, strategic direction, plan implementation, financial controls and other facets of the Corporation's development, for the NEOs that are intended to align with the corporate objectives and reflect key performance areas for each executive relative to his or her specific role. As with the corporate objectives, individual executive officer's performance objectives may include a combination of quantitative and qualitative measures with no pre-determined weightings.

The Compensation Committee, in consultation with the CEO, reviews the achievements and overall contribution of each individual executive officer who reports to the CEO. The Board Chair and Compensation Committee have in-camera discussions to complete an independent assessment of the performance of the CEO. The Compensation Committee then determines an overall individual performance rating for each individual executive officer and considers this rating in determining Total Direct Compensation.

Internal Equity and Retention Value

Executive officer pay relative to other executives ("internal equity") is generally considered in establishing compensation levels. The difference between one executive officer's compensation and that of the other NEOs reflects, in part, the difference in their relative responsibilities. The CEO's responsibility for the management and oversight of the enterprise is greater than each of the executive officers' respective business areas. As a result, the compensation level for the CEO is higher than for other NEOs.

The Compensation Committee also considers the retentive potential of its compensation decisions. Retention of the NEOs is critical to business continuity and succession planning.

Previously Awarded Compensation

The Compensation Committee approves or recommends compensation awards which are not contingent on the number, term or current value of other outstanding compensation previously awarded to the individual. The Compensation Committee believes that reducing or limiting current stock option grants or other forms of compensation because of prior gains realized by an executive officer would unfairly penalize the officer and reduce the motivation for continued high achievement. Similarly, the Compensation Committee does not purposely increase long-term incentive award values in a given year to offset less-than-expected returns from previous grants.

During the annual Total Direct Compensation deliberations, the Compensation Committee is provided with summaries of the history of each executive officer's previously awarded Total Direct Compensation. These summaries help the Compensation Committee to track changes in an executive officer's Total Direct Compensation from year to year and to remain aware of the historical compensation for each individual.

Compensation Decisions for 2011

The Compensation Committee considered and approved amendments to the annual base salary of the CEO during the year. The CEO entered into a contract with the Corporation effective April 1, 2011, which provided compensation at an annual rate of $200,000, as compared to the previous arrangement of providing compensation at $187.50 per hour.

The CFO position changed from a full time to a part time basis effective January 1, 2011. The Compensation Committee considered and approved compensation of $100 per hour for the CFO. Following the resignation of Mr. Caldwell, effective June 1, 2011, a contract for CFO services was entered into with Mr. Gooding at a rate of $4,800 per month, plus $162.50 per hour for hours in excess of 32 per month.

The Compensation Committee approved a 9.2% increase in the compensation for the Vice President, Governmental Affairs to $162,000 per year effective January 1, 2011.

There were no cash bonuses during the year for any of the CEO, CFO or Vice-President, Governmental Affairs.

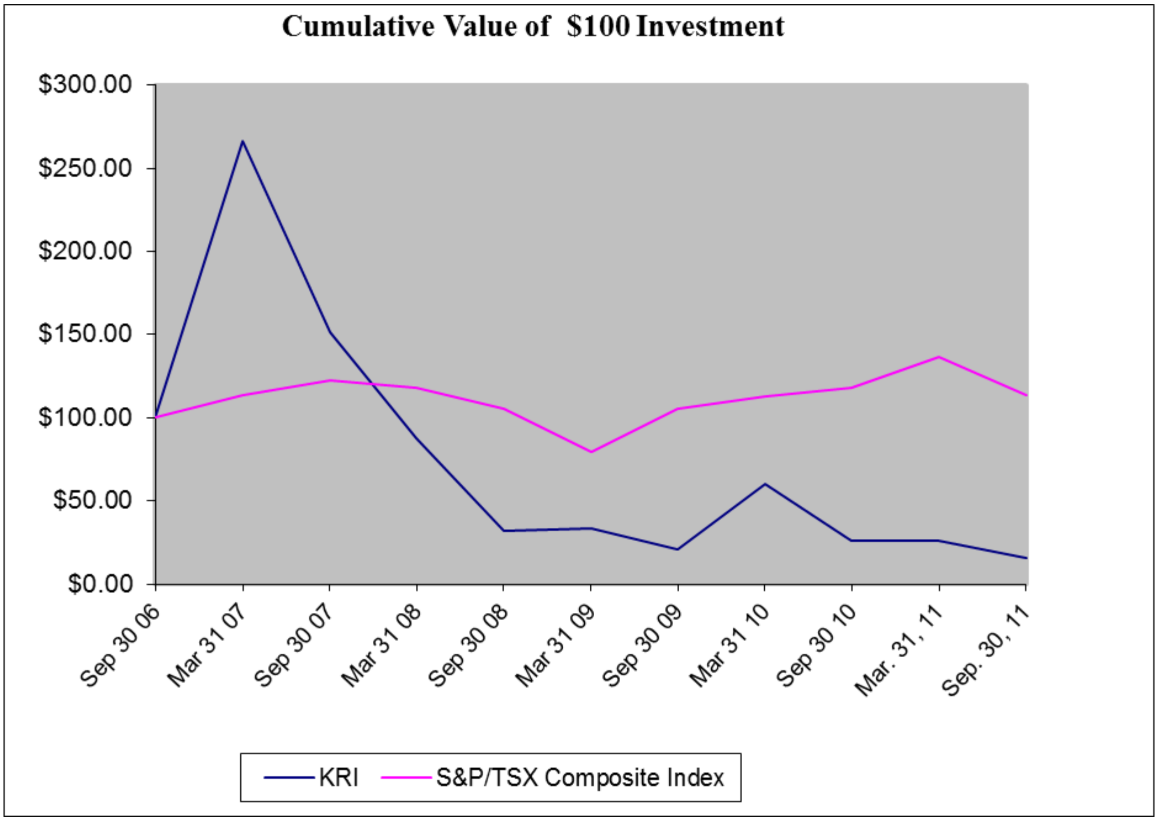
The Compensation Committee considered and approved the grant of options to purchase 325,000 Common Shares at a price of $0.55 per share on February 16, 2011 to the CEO and Vice President, Governmental Affairs, amongst other non-NEO optionees.

Decisions Related To Executive Compensation That Were Taken After Year End

Following fiscal year end, the Compensation Committee considered and approved a reduction in the annual base salary for the CEO to $125,000.

Performance Graph

The following graph compares the total cumulative shareholder return for $100 invested in Common Shares on September 30, 2006 to September 30, 2011 with the cumulative total return of the S&P/TSX Composite Index over the same period.



Comparison of Cumulative Total Return [(1)]

	Sep. 30, 2006	Sep. 30, 2007	Sep. 30, 2008	Sep. 30, 2009	Sep. 30, 2010	Sept 30, 2011
KRI	100	151	32	21	26	16
S&P/TSX Composite Index	100	123	105	106	118	114

Note:

(1) *Assumes $100 invested in the Corporation's Common Shares on September 30, 2006 and in the S&P/TSX Composite Index.*

The Compensation Committee considers a number of factors and performance elements when determining compensation. Although the Corporation's total shareholder return is one performance measure that is reviewed, it is not the only consideration in executive compensation deliberations. As a result, a direct correlation between total shareholder return over a given period and executive compensation levels is not anticipated.

Summary Compensation Table

The following table sets forth the total annual and long-term equity and non-equity compensation for each NEO (being the CEO, CFO and Vice President, Governmental Affairs), along with any other compensation awarded to each NEO, for services rendered in all capacities to the Corporation for the financial years ended September 30, 2011, 2010 and 2009.

NEO Name and Principal Position	Financial Year	Salary ($)	Share-based awards (1) ($)	Option-based awards (2) ($)	Non-equity incentive plan compensation: Annual incentive plans ($)	Non-equity incentive plan compensation: Long-term incentive plans (3) ($)	Pension plans (4) ($)	All other compensation ($)	Total Compensation ($)
Grant A. Edey, CEO(5)	2011 2010 2009	225,063 41,813 -	- - -	78,000(6) 52,500(7) Nil	Nil Nil Nil	- - -	- - -	Nil Nil Nil	303,063 94,313 Nil
K. Bruce Gooding, CFO(8)	2011	58,054	-	Nil	Nil	-	-	Nil	58,054
Paul D. Caldwell, CFO(8)	2011 2010 2009	60,660 174,500 167,000	- - -	Nil 31,500(9) 22,500(10)	Nil Nil Nil	- - -	- - -	Nil Nil Nil	60,660 206,000 189,500
Enkhbayar Ochirbal, Vice President, Governmental Affairs(11)	2011 2010 2009	104,600 146,300 141,585	- - -	48,750(12) 31,500(13) 22,500(14)	Nil Nil 11,273	- - -	- - -	Nil Nil Nil	153,350 177,800 175,358

Notes:

(1) The Corporation does not have a share-based awards plan.
(2) The amount reported is the fair value of the stock options granted. The fair value of stock options granted was estimated on the date of grant using the Black-Scholes option pricing model with assumptions as described in Note 10 to the Consolidated Financial Statements for the year ended September 30, 2011.
(3) The Corporation does not have a long-term incentive plan.
(4) The Corporation does not have a pension plan.
(5) Mr. Edey was appointed President and CEO on June 25, 2010.
(6) On February 16, 2011, options to purchase 200,000 Common Shares at a price of $0.55 were granted to Mr. Edey as President and CEO.
(7) On August 17, 2010, options to purchase 250,000 Common Shares at a price of $0.29 were granted to Mr. Edey as President and CEO.
(8) Mr. Gooding was appointed CFO on June 1, 2011 following the resignation of Mr. Caldwell.
(9) On August 17, 2010, options to purchase 150,000 Common Shares at a price of $0.29 were granted to Mr. Caldwell.
(10) On December 17, 2008, options to purchase 100,000 Common Shares at a price of $0.20 were granted to Mr. Caldwell.
(11) Mr. Ochirbal resigned as Vice President, Governmental Affairs on July 1, 2011.
(12) On February 16, 2011, options to purchase 125,000 Common Shares at a price of $0.55 were granted to Mr. Ochirbal.
(13) On August 17, 2010, options to purchase 150,000 Common Shares at a price of $0.29 were granted to Mr. Ochirbal.
(14) On December 17, 2008, options to purchase 100,000 Common Shares at a price of $0.20 were granted to Mr. Ochirbal.

Each of the NEOs is employed by the Corporation pursuant to an employment contract which sets out the NEOs' compensation arrangements.

Employment Contracts, Termination and Change of Control

Grant A. Edey

The services of Mr. Grant A. Edey, President and CEO of the Corporation, were provided pursuant to an employment agreement (the "**Edey Agreement**") with the Corporation. Under the Edey Agreement, Mr. Edey's employment commenced on April 1, 2011 at an annual salary of $200,000.

Subsequent to the financial year ended September 30, 2011, the employment agreement (the "**Revised Edey Agreement**") between the Corporation and Mr. Edey was revised effective January 1, 2012 at an annual salary of $125,000.

Under the Edey Agreement, Mr. Edey was entitled to certain "change of control" payments after termination. If a "change of control" occurs within twelve months of the termination, Mr. Edey will be entitled to 12 months compensation. Under the Revised Edey Agreement, if a "change of control" occurs and Mr. Edey is terminated within six months of such "change of control," Mr. Edey will be entitled to 12 months compensation. Mr. Edey has the sole discretion to waive the "change of control" termination payments.

A "change of control" is defined in to include any of the following events:

(a) any change in the holding, direct or indirect, of shares in the capital of the Corporation as a result of which a person or group of persons acting jointly or in concert, or person associated or affiliated with any such person or group within the meaning of the *Securities Act* (Ontario), becomes the beneficial owner, directly or indirectly, of shares and/or securities in excess of the number which, directly or following the conversion thereof, would entitle the holders thereof to cast more than 50% of the votes attaching to all shares of the Corporation which may be cast to elect directors of the Corporation;

(b) a sale or other disposition of all or substantially all of the property or assets of the Corporation, other than to an affiliate within the meaning of the *Securities Act* (Ontario), if such affiliate offers to retain the executive on identical terms and conditions which pertain to the executive as of the date of sale or other disposition; or

(c) incumbent directors no longer constitute a majority of the Board, whereby "incumbent directors" means those persons who were directors of the Corporation on the date of the last annual general meeting and including any person who becomes a director of the Corporation thereafter and whose election, or nomination for election, by the Corporation's shareholders was approved by a majority of the incumbent directors then on the Board.

The Revised Edey Agreement also contains a confidentiality clause prohibiting the dissemination of confidential information of the Corporation and a non-compete covenant precluding Mr. Edey from competing with the Corporation for a period of three months following any termination of employment.

Paul D. Caldwell

The services of Mr. Paul D. Caldwell, CFO and Corporate Secretary of the Corporation, were provided pursuant to an employment agreement (the "**Caldwell Agreement**") with the Corporation. Under this agreement, Mr. Caldwell's employment commenced on August 9, 2006 at an annual salary of $140,000. On January 16, 2009, the Caldwell Agreement was revised with respect to the change of control provisions. The Caldwell Agreement provides that Mr. Caldwell will be granted a bonus payment from time to time, as determined by Khan, taking into account (i) the financial performance and profitability of Khan and (ii) Mr.

Caldwell's achievement of prescribed performance goals and eligibility criteria. The Caldwell Agreement was terminated on December 31, 2010 by Mr. Caldwell.

If Mr. Caldwell's employment was terminated by the Corporation or by Mr. Caldwell within 12 months of the occurrence of a "change of control, Mr. Caldwell was entitled to 24 months compensation and unvested stock options will, pursuant to the Plan, immediately vest and become exercisable for 90 days following the date of termination.

A "change of control" is defined in to include any of the following events:

(a) any change in the holding, direct or indirect, of shares in the capital of the Corporation as a result of which a person or group of persons acting jointly or in concert, or person associated or affiliated with any such person or group within the meaning of the *Securities Act* (Ontario), becomes the beneficial owner, directly or indirectly, of shares and/or securities in excess of the number which, directly or following the conversion thereof, would entitle the holders thereof to cast more than 50% of the votes attaching to all shares of the Corporation which may be cast to elect directors of the Corporation;

(b) a sale or other disposition of all or substantially all of the property or assets of the Corporation, other than to an affiliate within the meaning of the *Securities Act* (Ontario), if such affiliate offers to retain the executive on identical terms and conditions which pertain to the executive as of the date of sale or other disposition; or

(c) incumbent directors no longer constitute a majority of the Board, whereby "incumbent directors" means those persons who were directors of the Corporation on the date of the last annual general meeting and including any person who becomes a director of the Corporation thereafter and whose election, or nomination for election, by the Corporation's shareholders was approved by a majority of the incumbent directors then on the Board.

The Caldwell Agreement also contains a confidentiality clause prohibiting the dissemination of confidential information of the Corporation and a non-compete covenant precluding Mr. Caldwell from competing with the Corporation for a period of one year following any termination of employment.

Following the termination of the Caldwell Agreement by Mr. Caldwell on December 31, 2010, Mr. Caldwell provided his services as Chief Financial Officer of the Corporation on a part-time basis at an hourly rate of $100 per hour until his resignation on June 1, 2011.

K. Bruce Gooding

Following the resignation of Mr. Caldwell on June 1, 2011, Mr. Gooding was appointed as Chief Financial Officer of the Corporation. Mr. Gooding provides his services as Chief Financial Officer of the Corporation on a part-time basis at a rate of $4,800 per month plus $162.50 per hour for hours in excess of 32 per month.

There are no changes of control provisions in the agreement with Mr. Gooding.

Mr. Gooding has not entered into confidentiality or a non-competition agreement with the Corporation.

Enkhbayar Ochirbal

The services of Mr. Enkhbayar Ochirbal, Vice President, Governmental Affairs of the Corporation, are provided pursuant to an employment agreement (the "Ochirbal Agreement") with the Corporation. Under this agreement, Mr. Ochirbal's employment commenced on March 1, 2009 at an annual salary of $140,000. The Ochirbal Agreement provides that Mr. Ochirbal will be granted a bonus payment from time to time, as determined by Khan, taking into account (i) the financial performance and profitability of Khan and (ii) Mr. Ochirbal's achievement of prescribed performance goals and eligibility criteria.

The Corporation may terminate the employment agreement without cause upon payment to Mr. Ochirbal of six months compensation in lieu of notice. If Mr. Ochirbal's employment is terminated by the Corporation or by Mr. Ochirbal within 12 months of the occurrence of a "change of control" (as defined in the Caldwell Agreement described above), Mr. Ochirbal will be entitled to 18 months compensation and unvested stock options will, pursuant to the Plan, immediately vest and become exercisable for 90 days following the date of termination.

The Ochirbal Agreement also provides that Khan will maintain for the continued benefit of Mr. Ochirbal and his family all benefits to which Mr. Ochirbal was entitled prior to his termination (or, if greater, such coverage and terms as were in effect immediately prior to the change of control) for a period following termination equal to the earlier of three months and the commencement of full-time employment with a new employer, provided the new employer's continued participation is possible under the terms of the respective plans and programs.

The Ochirbal Agreement also contains a confidentiality clause prohibiting the dissemination of confidential information of the Corporation and a non-compete covenant precluding Mr. Ochirbal from competing with the Corporation for a period of one year following any termination of employment.

On April 13, 2011, the Ochirbal Agreement was amended pursuant to an amending agreement (the "**Ochirbal Amending Agreement**"). The Ochirbal Amending Agreement provided allowed Mr. Ochirbal to reduce the time and attention that he used to provide services to the Corporation with a corresponding pro rata reduction in annual salary and vacation days. Such a reduction was limited to 60%.

On May 1, 2011, Mr. Ochirbal elected to reduce the time and attention that he used to provide services to the Corporation to 50% and on July 1, 2011, Mr. Ochirbal resigned as Vice President, Governmental Affairs.

Estimated Payouts

Assuming the occurrence of a "change of control" on September 30, 2011, Mr. Edey would have been entitled to receive cash compensation of approximately $200,000. Assuming the accelerated vesting and exercise of all options under the Plan as of September 30, 2011, Mr. Edey would also receive an additional $3,000 in value, calculated as the number of options held on such date multiplied by the difference between the closing price of the Common Shares on September 30, 2011 on the TSX and the exercise price of such options. In cases where the closing price on September 30, 2011 exceeded the exercise price of the option, a "nil" value was attributed to the applicable options.

In the event that certain NEO's employment with the Corporation was terminated without cause in circumstances other than a change of control, estimated payouts for Mr. Edey, assuming the occurrence of the termination event on September 30, 2011, would have been approximately $200,000. In addition, assuming the accelerated vesting and exercise of all options under the Plan held by the foregoing NEO as of September 30, 2011, Mr. Edey would also receive an additional $3,000, calculated as the number of options held on such date multiplied by the difference between the closing price of the Common Shares on September 30, 2011 on the TSX and the exercise price of such options. In cases where the closing price on September 30, 2011 exceeded the exercise price of the option, a "nil" value was attributed to the applicable options.

Incentive Plan Awards

Outstanding option-based awards and share-based awards as at September 30, 2011

	Option-based Awards				Share-based Awards (1)	
NEO Name	Number of securities underlying unexercised options (2) (#)	Option exercise price (3) ($)	Option expiration date	Value of unexercised in-the-money options (4) ($)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested ($)
Grant A. Edey	100,000(5) 250,000 200,000	0.20(5) 0.29 0.55	Dec. 17, 2013(5) Aug. 16, 2015 Feb 16, 2016	3,000(5) Nil Nil	-	-
K. Bruce Gooding	Nil	N/A	N/A	N/A	-	-
Paul D. Caldwell(6)	Nil	N/A	N/A	N/A	-	-
Enkhbayar Ochirbal(7)	Nil	N/A	N/A	N/A	-	-

Notes:

(1) The Corporation does not have a share-based awards plan.
(2) The securities underlying the stock options of the Corporation are Common Shares. The issuer of the stock options is the Corporation. For further details concerning the terms of the Plan and options granted thereunder, reference is made to the section above entitled "Stock Option Plan".
(3) The exercise price of an option granted under the Plan is generally the closing sale price of the Common Shares on the TSX on the trading day immediately preceding the date of grant.
(4) The value of unexercised in-the-money options is calculated as the difference between the closing price of the Corporation's Common Shares on the TSX on September 30, 2011 of $0.23 and the underlying option exercise price, multiplied by the number of options outstanding. This value has not been, and may never be, realized by the NEO. The actual gains, if any, on exercise will depend on the value of the Common Shares on the TSX on the date of the option exercise. Each of the options with the following exercise prices granted on August 30, 2007 ($1.70), August 16, 2010 ($0.29) and February 16, 2011, ($0.55) respectively, had exercise prices higher than the closing price of the Common Shares on the TSX on September 30, 2011 ($0.23).
(5) Granted to Mr. Edey as a Director.
(6) Mr. Caldwell resigned as Chief Financial Officer as of June 1, 2011 and his outstanding options have expired.
(7) Mr. Ochirbal resigned as Vice President, Governmental Affairs as of July 1, 2011 and his outstanding options have expired.

Incentive plan awards - value vested or earned during the year ended September 30, 2011

NEO Name	Option-based awards - Value vested during the year ($)	Share-based awards - Value vested during the year (1) ($)	Non-equity incentive plan compensation - Value earned during the year (2) ($)
Grant A. Edey	9,167	Nil	Nil
K. Bruce Gooding	Nil	Nil	Nil
Paul D. Caldwell(3)	13,750	Nil	Nil
Enkhbayar Ochirbal(3)	13,750	Nil	Nil

Notes:

(1) The Corporation does not have a share-based awards plan.
(2) The Corporation does not have any long-term non-equity incentive plans in place.
(3) Both Mr. Caldwell and Mr. Ochirbal resigned during the year and, as at the year ended September 30, 2011 these options have expired.

Any options held by a NEO that vested during the year that had an exercise price higher than the market price at the time of vesting were valued at zero as no dollar amount would have been realized if the options had been exercised on the date of vesting.

Pension Plan Benefits

The Corporation does not have any pension plans that provide for payments or benefits at, following, or in connection with retirement or provide for retirement or deferred compensation plans.

Director Compensation

The following table sets forth information concerning the annual and long term compensation in respect of the directors of the Corporation, other than the NEOs, during the most recently completed financial year.

Director Compensation Table

Name	Financial Year	Fees earned ($)	Share-based awards (1) ($)	Option-based awards (2) ($)	Non-equity incentive plan compensation (3) ($)	Pension value (4) ($)	All other compensation ($)	Total Compensation ($)
James B. C. Doak	2011	16,750(5)	-	58,500(6)	-	-	Nil	72,250
Raffi Babikian	2011	21,750(5)	-	39,000(71)	-	-	Nil	60,750
Jean-Pierre Chauvin	2011	23,950(8)	-	39,000(7)	-	-	Nil	62,950
Marc C. Henderson	2011	21,250(5)	-	39,000(7)	-	-	Nil	60,250
Hon. Robert P. Kaplan	2011	14,250(5)	-	39,000(7)	-	-	Nil	53,250
David L. McAusland	2011	13,250(5)	-	39,000(7)	-	-	Nil	52,250
Martin Quick	2011	13,750(5)	-	39,000(9)	-	-	Nil	52,750

Notes:

(1) The Corporation does not have a share-based awards plan.

(2) The securities underlying the stock options of the Corporation are Common Shares. The issuer of the stock options is the Corporation. For further details concerning the terms of the Plan and options granted thereunder, reference is made to the section above entitled “Stock Option Plan”. The exercise price of an option granted under the Plan is generally the closing sale price of the Common Shares on the TSX on the trading day immediately preceding the date of grant. The amount reported is the fair value of the stock options granted. The fair value of stock options granted was estimated on the date of grant using the Black-Scholes option pricing model with assumptions as described in Note 10 to the Consolidated Financial Statements for the year ended September 30, 2011.

(3) The Corporation does not have a non-equity incentive plan for directors.

(4) The Corporation does not have a pension plan.

(5) Meeting fees and retainer fee.

(6) On February 16, 2011, options to purchase 150,000 Common Shares at a price of $0.55 were granted to Mr. Doak.

(7) On February 16, 2011, options to purchase 100,000 Common Shares at a price of $0.55 were granted to each of Messrs. Babikian, Chauvin, Henderson, Kaplan, McAusland and Quick.

(8) Meeting fees, strategic committee fee and retainer fee paid to Mr. Chauvin.

(9) Meeting fees and retainer after Mr. Quick's resignation as President and CEO on June 25, 2010.

Material Factors Necessary to Understand Director Compensation

The Board reviews and approves changes to the Corporation's director compensation arrangements from time to time to ensure they remain competitive in light of the time commitments required from directors and align directors' interests with those of Khan's shareholders.

The Corporation has adopted a compensation scheme for non-executive directors that pay each non-executive director an attendance fee of $500 per meeting attended in person and $500 per meeting attended by telephone.

On January 19, 2010, the Board approved the payment of an annual retainer fee of $15,000 to each member of the Board of Directors. The retainer is payable quarterly.

Directors are also eligible to participate in the Plan and are awarded stock options under the Plan from time to time as compensation for their services as directors. For further details concerning the terms of the Plan, please see the section of this Circular above entitled "*Stock Option Plan*".

Directors are also reimbursed for travel and other expenses incurred in attending meetings and the performance of their duties.

During the financial year ended September 30, 2011, the directors (excluding NEOs who are directors and are not entitled to any additional compensation for their service as directors) received the compensation set out in this Circular. The directors are not entitled to any compensation under any annual or long-term non-equity incentive plans. The Corporation has not granted, and nor do the directors hold, any share-based awards.

Director Option-based Awards

Outstanding option-based awards and share-based awards as at September 30, 2011

	Option-based Awards				Share-based Awards (1)	
Name	**Number of securities underlying unexercised options (2) (#)**	**Option exercise price (3) ($)**	**Option expiration date**	**Value of unexercised in-the-money Options (4) ($)**	**Number of shares or units of shares that have not vested (#)**	**Market or payout value of share-based awards that have not vested ($)**

	Option-based Awards				Share-based Awards (1)	
Name	Number of securities underlying unexercised options (2) (#)	Option exercise price (3) ($)	Option expiration date	Value of unexercised in-the-money Options (4) ($)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested ($)
James B. C. Doak	150,000 150,000 150,000	0.20 0.29 0.55	Dec. 17, 2013 Aug. 16, 2015 Feb. 16, 2016	4,500 Nil Nil	-	-
Raffi Babikian	150,000 100,000	0.29 0.55	Aug. 16, 2015 Feb. 16, 2016	Nil Nil	-	-
Jean-Pierre Chauvin	100,000 100,000 100,000	0.20 0.29 0.55	Dec. 17, 2013 Aug. 16 ,2015 Feb. 16, 2016	3,000 Nil Nil	-	-
Marc C. Henderson	150,000 100,000	0.29 0.55	Aug. 16, 2015 Feb. 16, 2016	Nil Nil	-	-
Hon. Robert P. Kaplan	100,000 100,000 100,000	0.20 0.29 0.55	Dec. 17, 2013 Aug. 16, 2015 Feb. 16, 2016	3,000 Nil Nil	-	-
David L. McAusland	200,000 100,000 100,000 100,000	0.89 0.20 0.29 0.55	May 14, 2013 Dec. 17, 2013 Aug. 16, 2015 Feb. 16, 2016	Nil 3,000 Nil Nil	-	-
Martin Quick	180,000 100,000	0.20 0.55	Dec. 17, 2013 Feb. 16, 2016	5,400 Nil	-	-

Notes:

(1) The Company does not have a share-based awards plan.
(2) The securities underlying the stock options of the Corporation are Common Shares. The issuer of the stock options is the Corporation. For further details concerning the terms of the Plan and options granted thereunder, reference is made to the section above entitled “Stock Option Plan”.
(3) The exercise price of an option granted under the Plan is generally the closing sale price of the Common Shares on the TSX on the trading day immediately preceding the date of grant.
(4) The value of unexercised in-the-money options is calculated as the difference between the closing price of the Corporation’s Common Shares on the TSX on September 30, 2011 of $0.23 and the underlying option exercise price, multiplied by the number of options outstanding. This value has not been, and may never be, realized by the director. Actual gains, if any, on exercise will depend on the value of the Common Shares on the TSX on the date of the option exercise. Each of the options with the following exercise prices granted on May 14, 2008, ($0.89), August 16, 2010 ($0.29) and February 16, 2011 ($0.55), respectively, had exercise prices higher than the closing price of the Common Shares on the TSX on September 30, 2011 ($0.23).

Any options held by directors that vested during the year had an exercise price higher than the market price at the time of vesting and therefore no dollar amount would have been realized if the options had been exercised on the date of vesting.

The Board considers option grants to directors at the time a director joins the Board and annually thereafter. Option grants to directors are intended as a long term incentive and vest in equal portions over a period of three years.

Incentive plan awards - value vested or earned during the year ended September 30, 2011

Name	Option-based awards - Value vested during the year ($)	Share-based awards - Value vested during the year (1) ($)	Non-equity incentive plan compensation - Value earned during the year (2) ($)
James B.C. Doak	13,750	Nil	Nil
Raffi Babikian	Nil	Nil	Nil
Jean-Pierre Chauvin	9,167	Nil	Nil
Marc. C. Henderson	Nil	Nil	Nil
Hon Robert P. Kaplan	9,167	Nil	Nil
David L. McAusland	9,167	Nil	NIl
Martin Quick	22,917	Nil	Nil

Notes:

(1) The Corporation does not have a share-based awards plan.
(2) The Corporation does not have any long-term non-equity incentive plans in place.

Any options held by a director that vested during the year that had an exercise price higher than the market price at the time of vesting were valued at zero as no dollar amount would have been realized if the options had been exercised on the date of vesting.

SPECIAL BUSINESS – RE-APPROVAL OF STOCK OPTION PLAN

The Corporation's stock option plan (and any future amendments thereto) (the "**Plan**") is subject to such future approvals of the shareholders and applicable stock exchanges as may be required by the terms of the Plan or applicable stock exchanges from time to time. As a result of implementing a rolling stock option plan, the TSX requires that the approval of all unallocated options under the Plan be sought by the Corporation every three years from a majority of the shareholders. The Plan was last approved by the shareholders on February 11, 2009.

As of the date hereof, there are options outstanding to purchase 3,478,334 Common Shares (representing approximately 6.4% of the aggregate number of issued and outstanding Common Shares) resulting in the Plan currently having 1,974,210 options under the Plan (representing approximately 3.6% of the aggregate number of issued and outstanding Common Shares) unallocated options to purchase Common Shares. If approval is obtained at the Meeting, the Corporation will not be required to seek further approval of the grant of unallocated options under the Plan until the Corporation's 2015 annual shareholders' meeting (provided that such meeting is held on or prior to February 16, 2015).

Shareholders will be asked at the Meeting to consider, and if considered advisable, to pass an ordinary resolution re-approving the Plan in its current form, such resolution to be substantially in the following form:

"BE IT RESOLVED THAT"

1. the Plan as described in and attached to the Corporation's information circular dated January 13, 2012, subject to any modifications required by applicable stock exchanges or regulatory authorities, be and is hereby authorized and approved to grant stock options pursuant and subject to the terms and conditions of the Plan, entitling the option holders to purchase up to that number of common shares that is equal

to the greater of: (i) 5,000,000 Common Shares; or (ii) 10% of the issued and outstanding Common Shares of the Corporation as at the time of the grant. , in accordance with the terms of the Plan and within the rules and policies of applicable stock exchanges or regulatory authorities in effect at the time of granting, be and is hereby approved;

2. all unallocated stock options under the Plan, as amended from time to time, are hereby approved and authorized, which approval shall be effective until February 16, 2015;

3. the Corporation has the ability to continue granting options under the Plan, until February 16, 2015, a date that is three (3) years from the date where shareholder approval is being sought; and

4. any one officer or one director of the Corporation be and is hereby authorized and directed to make such agreements and arrangements and to do all such acts and things and execute all such documents under the corporate seal of the Corporation or otherwise as he or she may deem necessary or desirable in connection with the matters provided for in the foregoing resolutions or in the due carrying out thereof."

In the event the shareholders do not re-approve the Plan:

- the existing options will continue unaffected until the expiry date or date of cessation as set out in the respective option agreements; and

- previously granted options that are cancelled prior to exercise or if they expire unexercised will not be available for re-grant.

For further details concerning the terms of the Plan, please see the section of this Circular above entitled "*Statement of Executive Compensation - Stock Option Plan*". Reference should be made to the full text of the Plan attached as Appendix C to this Information Circular.

The Board of Directors recommends voting for the resolution re-approving the Plan. To be effective, the Plan must be approved by not less than a majority of the votes cast by holders of Common Shares present in person, or represented by proxy, at the Meeting. Unless otherwise instructed, proxies and voting instructions given pursuant to this solicitation by management of the Khan will be voted for the resolution re-approving the Plan.

DIRECTORS' AND OFFICERS' INSURANCE AND INDEMNIFICATION

The Corporation has obtained directors' and officers' liability insurance with a cumulative policy limit of $10,000,000 subject to a deductible of $100,000. The annual premium cost of this insurance coverage for financial year ended September 30, 2011 is $120,308, all of which is paid by the Corporation.

In accordance with the provisions of the *Business Corporations Act* (Ontario), Khan's by-laws provide that Khan will indemnify a director or officer, a former director or officer, or a person who acts or acted at the Corporation's request as a director or officer of a body corporate of which Khan is or was a shareholder or creditor, and his or her heirs and legal representatives, against all costs, charges and expenses, including amounts paid to settle an action or to satisfy a judgment, reasonably incurred in respect of any civil, criminal or administrative action or proceeding to which he or she was made a party by reason of being or having been a director or officer of Khan or such other company if he or she acted honestly and in good faith with a view to the best interests of the Corporation and, in the case of a criminal or administrative action or proceeding that is enforced by monetary penalty, he or she had reasonable grounds to believe that his or her conduct was lawful. If Khan becomes liable under the terms of its by-laws, the insurance coverage will extend to its liability; however, each claim will be subject to a deductible.

APPOINTMENT OF AUDITORS

The Board of Directors proposes that Ernst & Young LLP (the "Auditors") be re-appointed as the auditors of the Corporation to hold office until the close of the next annual meeting of shareholders and that the Board of Directors be authorized to fix the remuneration of the Auditors. The Auditors were first appointed as auditors of Khan on January 15, 2004.

For the year ended September 30, 2011, the Auditors were paid total fees of $138,650, which included $102,000 for audit services and $36,650 for all other fees. No other services were provided in financial year ended September 30, 2011. All non-audit services to be provided by the Auditors are subject to pre-approval by the Audit and Finance Committee.

Details of the fees paid to the Auditors during financial years ended September 30, 2011 and 2010 can be found in the Corporation's Annual Information Form for the financial year ended September 30, 2011, a copy of which is available on SEDAR at www.sedar.com.

The Board of Directors recommends that shareholders vote for the appointment of Ernst & Young LLP as auditor and the authorization of the Board to fix their remuneration.

AUDIT COMMITTEE

The information required by Multilateral Instrument 52-110 - Audit Committees ("52-110") is available under the heading "Audit Committees and Auditors" in the Corporation's most recently filed Annual Information Form available on SEDAR at www.sedar.com.

AVAILABILITY OF DISCLOSURE DOCUMENTS

Additional information relating to Khan is available on SEDAR at www.sedar.com and on Khan's website at www.khanresources.com. Financial information about Khan is provided in the Corporation's comparative financial statements and management's discussion and analysis of financial and operating results for the financial year ended September 30, 2011.

Khan will provide to any person or company, upon request to its President and Chief Executive Officer, a copy of:

(1) its 2011 Annual Report, including management's discussion and analysis of financial and operating results;

(2) its latest Annual Information Form, together with a copy of any document, or pertinent pages of any document, incorporated therein by reference; and

(3) its comparative financial statements for the year ended September 30, 2011, together with the report of its auditors thereon, and any interim financial statements filed subsequently.

Khan's President and Chief Executive Officer may be reached at:

Telephone: (416) 360-3405 Ext. 2601

Fax: (416) 360-3417

Email: gedey@rogers.com

141 Adelaide Street West, Suite 1007
Toronto, Ontario, Canada
M5H 3L5

DIRECTORS' APPROVAL

The contents of this Circular and the sending, communication and delivery thereof to the shareholders of the Corporation have been approved by the Board of Directors. A copy of this Circular has been sent to each director, each shareholder entitled to notice of the Meeting and the auditors of the Corporation.

Toronto, Ontario, January 13, 2012.	By Order of the Board of Directors

Grant A. Edey (signed)
President and Chief Executive Officer

APPENDIX A

CORPORATE GOVERNANCE DISCLOSURE

Khan believes that effective corporate governance practices are fundamental to the overall success of a company. Effective June 30, 2005, the CSA Governance Requirements require an issuer to disclose its corporate governance practices. The CSA Governance Requirements replaced the corporate governance guidelines of the Toronto Stock Exchange.

Governance Disclosure Guideline under NI 58-101	**Comments**
1. Board of Directors	
(a) Disclose the identity of directors who are independent.	The following directors are independent: James B. C. Doak, Raffi Babikian, Jean-Pierre Chauvin, Marc C. Henderson, the Hon. Robert P. Kaplan and David L. McAusland.
(b) Disclose the identity of directors who are not independent, and the basis for that determination.	As at September 30, 2011, the following directors were not independent: Grant A. Edey, President and Chief Executive Officer and Martin Quick, former President and Chief Executive Officer.
(c) Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the board of directors (the "board") does to facilitate its exercise of independent judgment in carrying out its responsibilities.	The Board is comprised of eight members, six of whom are independent and two of whom are not. Seven of the eight directors are up for re-election, the majority of which are independent. The Board expects that future slates of directors will comprise a majority of independent outside directors.
(d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.	James B. C. Doak is a director of Cascades Inc., Purepoint Uranium Group Inc. and Eurocopter Canada Ltd. Grant A. Edey is a director of Primero Mining Corp. Jean-Pierre Chauvin is a director of Macusani Yellowcake Inc., Andean American Gold Inc., PC Gold Inc. and Lakeside Minerals Corp. Marc C. Henderson is a director of Laramide Resources Ltd. Hon. Robert P. Kaplan is a trustee of H&R REIT. David L. McAusland is a director of Cascades Inc., Cogeco Inc., Cogeco Cable Inc., and ATS Automation Tooling Systems Inc. Martin Quick is a director of Crown Gold Corporation and Noravena Capital Corporation.
(e) Disclose whether or not the independent directors hold regularly scheduled meetings at which members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the	The Board of Directors and its committees meet independently of management when needed. The Audit and Finance Committee, Compensation Committee, and Strategic Review Committee are composed entirely of independent directors. The Corporate Governance and Nominating

Governance Disclosure Guideline under **NI 58-101**	**Comments**
independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.	Committee is composed of two independent directors and one non-independent director. The Audit and Finance Committee held four (4) meetings and the Compensation Committee held two (2) meetings during the financial year ended September 30, 2011. The Corporate Governance and Nominating Committee Strategic Review Committee did not meet during the financial ended September 30, 2011.
(f) Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the board has neither a chair that is independent nor a lead director that is independent, describe what the board does to provide leadership for its independent directors.	James B.C. Doak, an independent director, is the Chairman of the Board. The Chairman is responsible for the management, the development and the performance of the Board of Directors and provides leadership to the Board for all aspects of its work. The Chairman also acts in an advisory capacity to the Chief Executive Officer. The Chairman of the Board's duties and responsibilities include the following: • establishing the agenda for all regular and special meetings of the Board; • presiding over meetings of the Board; • providing leadership to the Board and facilitating the Board's review and consideration of strategic business plans; • to monitor and evaluate, through the Corporate Governance and Nominating Committee, the effectiveness of the Board of Directors; • through the Corporate Governance and Nominating Committee, to identify potential candidates who possess the knowledge, experience and business acumen to serve as directors; • to liaise between the Board and management; and • to sponsor continuing education programs for directors.
(g) Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.	The attendance record of each director for all Board of Directors meetings held since the beginning of the financial year ended September 30, 2011 is set out in this Circular under the heading "Business of the Meeting - Election of Directors".

Governance Disclosure Guideline under **NI 58-101**	**Comments**
2. Mandate of the Board	
Disclose the text of the board's written mandate. If the board does not have a written mandate, describe how the board delineates its role and responsibilities.	The Board of Directors has the responsibility to oversee the conduct of the business of the Corporation and to supervise management which is responsible for the day-to-day conduct of the business. The Board's fundamental objectives are to enhance and preserve long-term shareholder value; to ensure that the Corporation meets its obligations on an ongoing basis and that the Corporation operates in a reliable and safe manner. In performing its functions, the Board's mandate dictates that it should consider the legitimate interests that its stakeholders, such as employees, customers and communities, may have in the Corporation. In supervising the conduct of the business, the Board, through the Chief Executive Officer, sets the standards of conduct for the enterprise. The full Board mandate is set out in Appendix B to the Circular.
3. Position Descriptions	
(a) Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.	The Board has developed a role description for the Chairman of the Board. While the Board has not developed role descriptions for the chair of each committee, the mandate of each committee is well defined. The role of a committee chair is to take responsibility for the management and performance of the applicable Board committee and provide leadership to the committee in connection with its work.
(b) Disclose whether or not the board and CEO have developed a written position description for the CEO. If the board and CEO have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the CEO.	A position description for Khan's Chief Executive Officer has been established by the Board. The Chief Executive Officer is responsible to the Board of Directors for the overall leadership, direction and management of the Corporation and its subsidiaries. The Chief Executive Officer is expected to chart the course of the Corporation, providing the leadership, strategic direction, operational planning and broad executive management necessary to achieve business and shareholder objectives.
4. Orientation and Continuing Education	
(a) Briefly describe what measures the board takes to orient new directors regarding (i) the role of the board, its committees and its directors, and (ii) the nature and operation of the issuer's business.	The Board recognizes the importance of providing new directors with an orientation upon election to the Board and with continuing education in the business of the Corporation. The Board has delegated the responsibility to ensure that appropriate orientation and education programs are in place for new directors and committee members to the Corporate Governance and Nominating Committee.

Governance Disclosure Guideline under NI 58-101	Comments
	Upon becoming a member of the Board, an individual will be provided with copies of the Corporation's principal continuous disclosure documents and a series of interviews or meetings with senior personnel in order to be informed on various business, operational and organizational aspects of the Corporation. Orientation will also include such things as: • organized visits to the Corporation's facilities; • familiarization with the service providers and partners; • company history and other relevant data; • information concerning mission, goals, strategy, philosophy and major policies of the Corporation; • review of recent analyst reports; • information pertaining to personal liability and insurance coverage; • rules for purchasing and selling securities of the Corporation; and • rules regarding insider information.
(b) Briefly describe what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.	Continuing education could include periodic site visits of various properties and operations centres. Further, as part of the continuing education process, the Chief Executive Officer reports on industry developments to the Board of Directors at each meeting. Directors are also regularly provided with copies of the Corporation's ongoing continuous disclosure documents, and receive management presentations and information and presentations from the Corporation's external advisors and experts, as appropriate, from time to time.
5. Ethical Business Conduct	
(a) Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code: (i) disclose how a person or company may obtain a copy of the code; (ii) describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code; and (iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed	The Board of Directors has adopted a Code of Ethics that is applicable to all directors, officers and employees of the Corporation (the "Code") a copy of which may be obtained, upon request, from Grant A. Edey, President and Chief Executive Officer, by e-mail, at gedey@rogers.com or by written request sent to Grant A. Edey, President and Chief Executive Officer at 141 Adelaide Street West, Suite 1007, Toronto, Ontario, Canada, M5H 3L5.

Governance Disclosure Guideline under **NI 58-101**	**Comments**
financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.	The Board of Directors expects directors, officers and employees of the Corporation to act ethically at all times and to acknowledge their adherence to the policies comprising the Code. The Code prohibits actions that could be considered a conflict of interest and contains provisions in respect of fair dealing, confidentiality and prohibitions and illegal or unethical behaviour and is discussed at least annually by the Corporate Governance and Nominating Committee.
(b) Describe any steps the board takes to ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.	Each director must disclose all actual or potential conflicts of interest and refrain from voting on matters in which such director has a conflict of interest. In addition, a director must excuse himself or herself from any discussion or decision on any matter in which the director is precluded from voting as a result of a conflict of interest. The matter will also be discussed by non-conflicted directors of the Corporate Governance and Nominating Committee on matters referred by the Board.
(c) Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.	The Board of Directors has a written disclosure policy aimed at informative, timely and broadly disseminated disclosure of material information to the market, in accordance with applicable securities legislation. The Board has also established a written insider trading policy which is intended as a guideline to eliminate any transaction by an insider which would not be in full compliance with applicable securities legislation or which, by implication, might suggest trading by insiders was carried out when they were in possession of privileged or material information not yet disclosed to the public.
6. Nomination of Directors	
(a) Describe the process by which the board identifies new candidates for board nomination.	Khan maintains, through its Corporate Governance and Nominating Committee, a list of potential directors who have appropriate levels of senior business experience. Names on that list come from several sources. The directors of Khan are encouraged to submit names. Candidates' names are also obtained through analysis of other corporate boards and through reviews of senior corporate executives in other types of enterprises. Business and financial publications are also sources of names. Shareholders are also welcome to submit names for consideration. The list is reviewed by the Corporate Governance and Nominating Committee on a regular basis.

Governance Disclosure Guideline under <u>NI 58-101</u>	<u>Comments</u>
	The Corporate Governance and Nominating Committee reviews the size, structure and composition of the Board from time to time so that when a vacancy occurs, the most appropriate candidate can be readily identified. When a vacancy occurs, the Corporate Governance and Nominating Committee reviews the list and selects the names of the most suitable candidates. The Corporate Governance and Nominating Committee may, if it is felt necessary, utilize the services of outside consultants in searching for candidates. The names of candidates are then submitted to the entire Board to obtain the comments and suggestions from its members. Once the Board agrees on the best candidate, an approach is made to that person in a manner deemed most appropriate by the Corporate Governance and Nominating Committee. The approach would be followed by personal interviews with the prospective director involving the Chairman of the Board, the Chair of the Corporate Governance and Nominating Committee, the Chief Executive Officer and other Board members as circumstances warrant. If there is agreement to serve as a director, a Board orientation process is then carried out by the Chairman of the Board. After appointment or election, as the case may be, orientation with management is carried out.
(b) Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process.	The Corporate Governance and Nominating Committee is composed of a majority of independent directors. Because a majority of committee members are independent of management, the committee is able to objectively pursue its mandate of identifying new directors. In addition, Khan's Board is required to agree on any candidate put forward by the Corporate Governance and Nominating Committee before an approach is made to that person.

Governance Disclosure Guideline under **NI 58-101**	**Comments**
(c) If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.	In addition to the responsibilities described above, the Corporate Governance and Nominating Committee is responsible for: (i) reviewing the Board's stewardship, performance of the Corporation and individual director performance; (ii) establishing processes for identifying, recruiting, appointing, re-appointing and providing ongoing development for directors; and (iii) regularly reviewing the Corporation's Code of Conduct and ensuring that the Board remains in compliance with all rules, regulations, and guidelines relating to corporate governance.
7. Compensation	
(a) Describe the process by which the board determines the compensation for the issuer's directors and officers.	The Compensation Committee is charged with developing, for recommendation to the Board, a compensation philosophy and guidelines for the executive officers. It recommends to the Board the level of compensation for each executive officer (including level of variable pay compensation for the executive officers based on annual performance information). The Compensation Committee also considers and, if deemed appropriate, makes recommendations to the Board about any option or benefit plans to be established for executive officers. The Compensation Committee is charged with developing, for recommendation to the Board, a compensation philosophy and guidelines for the directors. It recommends the level of compensation for the directors based on a review of compensation paid by other public companies of the same size as the Corporation and in the same industry as the Corporation. Further details are also set out in the Circular under the heading "Compensation Discussion and Analysis".
(b) Disclose whether or not the board has a compensation committee composed entirely of independent directors. If the board does not have a compensation committee composed entirely of independent directors, describe what steps the board takes to ensure an objective process for determining such compensation.	The Compensation Committee of the Board of Directors is comprised entirely of independent directors.
(c) If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.	The responsibilities, powers and operations of the Compensation Committee are as follows: • developing compensation philosophy and guidelines for executive management for recommendation to the Board;

Governance Disclosure Guideline under <u>NI 58-101</u>	**<u>Comments</u>**
	• reviewing the compensation of the Chief Executive Officer and their performance compared to their role responsibilities, corporate goals and objectives, and reporting on such to the Board; • reviewing and fixing the compensation of executive management, including the Chief Executive Officer, and reporting its conclusions to the Board for consideration and approval; • reviewing the compensation of each director and their performance compared to their role responsibilities, corporate goals and objectives, and reporting on such to the Board; • reviewing and approving any compensation to an employee or any of its subsidiaries in which the amounts exceed $125,000 per year; • reviewing any employee contract where the severances, bonuses and other benefits exceed $100,000; • recommending to the Board for consideration and approval, and assisting the Board with the establishment of stock option or employee benefit plans; • reviewing and authorizing any loan or advance not in the ordinary course of business to an employee or director, and consult with the Board on such matter; • retaining outside consultants to review executive compensation; and • reviewing all executive compensation disclosure before the Corporation public discloses such information.
(d) If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.	A compensation consultant has not been retained to assist in the determination of compensation for any of the directors and/or officers of the Corporation for the 2011 financial year.

Governance Disclosure Guideline under NI 58-101	Comments
8. Other Board Committees	
If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.	
9. Assessments	
Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.	The Corporate Governance and Nominating Committee conducts annually, in conjunction with the Chairman of the Board, an evaluation of the effectiveness of the Board of Directors and its committees. In such evaluation, the Corporate Governance and Nominating Committee assesses the effectiveness of the Board of Directors and its committees, the adequacy of information provided to directors, communication processes between the Board of Directors and management, agenda planning for Board of Directors and committee meetings and strategic planning.

APPENDIX B

MANDATE OF THE BOARD OF DIRECTORS

Purpose

The Board of Directors (the "Board") has the responsibility to oversee the conduct of the business of Khan Resources Inc. (the "Corporation") and to supervise management which is responsible for the day-to-day conduct of the business. The Board's fundamental objectives are to enhance and preserve long-term shareholder value; to ensure the Corporation meets its obligations on an ongoing basis and that the Corporation operates in a reliable and safe manner. In performing its functions, the Board should consider the legitimate interests its stakeholders, such as employees, customers and communities, may have in the Corporation. In supervising the conduct of the business, the Board, through the Chief Executive Officer (the "CEO"), shall set the standards of conduct for the enterprise.

Procedure and Organization

The Board operates by delegating certain of its authorities to management and by reserving certain powers for itself. The Board retains the responsibility for managing its own affairs including selecting its Chair, nominating candidates for election to the Board, constituting committees of the full Board and determining director compensation.

Duties and Responsibilities

1. Legal Requirements

The Board's principal duties and responsibilities fall into a number of categories which are outlined below.

(a) The Board has the responsibility to ensure that legal requirements have been met and documents and records have been properly prepared, approved and maintained.

(b) The Board has the statutory responsibility to:

(i) manage the business and affairs of the Corporation;

(ii) act honestly and in good faith with a view to the best interests of the Corporation;

(iii) exercise the care, diligence and skill that reasonable, prudent people would exercise in comparable circumstances; and

(iv) act in accordance with its obligations contained in the *Business Corporations Act* (Ontario) and the regulations thereto, the Corporation's articles of amendment and by-laws, the securities acts of each province and territory of Canada, and other relevant legislation and regulations.

(c) The Board has the statutory responsibility for considering the following matters as a full Board, which responsibilities, by law, may not be delegated to management or to a committee of the Board:

(i) any submission to the shareholders of a question or matter requiring the approval of the shareholders;

(ii) the filling of a vacancy among the directors or in the office of the auditor;

(iii) the issuance of securities except in a manner and on terms already authorized;

(iv) the declaration of dividends;

(v) the purchase, redemption or any other form of acquisition of shares issued by the Corporation;

(vi) the payment of a commission to any person in consideration of his/her purchasing or agreeing to purchase shares of the Corporation from the Corporation or from any other person, or procuring or agreeing to procure purchasers for any such shares;

(vii) the approval of management proxy circulars;

(viii) the approval of a takeover-bid circular or a directors' circular;

(ix) the approval of financial statements of the Corporation; and

(x) the adoption, amendment or repeal of by-laws of the Corporation.

2. Strategy Determination

The Board has the responsibility to ensure there are long-term goals and a strategic planning process in place for the Corporation and to participate with management directly or through its committees in developing and approving a statement of the mission of the business of the Corporation and the strategy by which it proposes to achieve these goals.

3. Managing Risk

The Board has the responsibility to understand the principal risks of the business in which the Corporation is engaged, to achieve a proper balance between risks incurred and the potential return to shareholders, and to ensure that there are systems in place which effectively monitor and manage those risks with a view to the long-term viability of the Corporation.

4. Appointment, Training and Monitoring Senior Management

The Board has the responsibility:

(a) to appoint the CEO, to monitor and assess the CEO's performance, to determine the CEO's compensation, and to provide advice and counsel in the execution of the CEO's duties;

(b) to approve the appointment and remuneration of all corporate officers, acting upon the advice of the CEO; and

(c) to ensure that adequate provision has been made to train and develop management and for the orderly succession of management, including the CEO.

5. Policies, Procedures and Compliance

The Board has the responsibility:

(a) to ensure that the Corporation operates at all times within applicable laws and regulations and to the highest ethical and moral standards;

(b) to approve and monitor compliance with significant policies and procedures by which the Corporation operates;

(c) to ensure the Corporation sets high environmental standards in its operations and is in compliance with environmental laws and legislation; and

(d) to ensure the Corporation has a high regard for the health and safety of its employees in the workplace and has in place appropriate programs and policies.

6. Reporting and Communication

The Board has the responsibility:

(a) to ensure the Corporation has in place policies and programs to enable the Corporation to communicate effectively with its shareholders, other stakeholders and the public generally;

(b) to ensure that the financial performance of the Corporation is adequately reported to shareholders, other security holders and regulators on a timely and regular basis;

(c) to ensure that the financial results are reported fairly and in accordance with generally accepted accounting principles;

(d) to ensure the timely reporting of any other developments that are expected to have a significant and material impact on the value of the Corporation; and

(e) to report annually to shareholders on its stewardship of the affairs of the Corporation for the preceding year.

7. Monitoring and Acting

The Board has the responsibility:

(a) to monitor the Corporation’s progress towards its goals and objectives and to revise and alter its direction through management in response to changing circumstances;

(b) to take action when performance falls short of its goals and objectives or when other special circumstances warrant; and

(c) to ensure that the Corporation has implemented adequate control and information systems which ensure the effective discharge of its responsibility.

APPENDIX C

AMENDED AND RESTATED STOCK OPTION PLAN

Adopted by the Board of Directors on January 9, 2009
and re-approved by the Board of Directors on January 13, 2012

1. The Plan

A stock option plan (the "Plan") pursuant to which options to purchase common shares ("Shares") in the capital stock of Khan Resources Inc. (the "Corporation") may be granted to bona fide directors, officers, employees and consultants of the Corporation and its subsidiaries is hereby established on the terms and conditions herein set forth.

2. Purpose

The purpose of this Plan is to advance the interests of the Corporation and its subsidiaries by encouraging the directors, officers, employees and consultants of the Corporation and its subsidiaries to acquire Shares, thereby (i) increasing the proprietary interests of such persons in the Corporation, (ii) aligning the interests of such persons with the interests of the Corporation's shareholders generally, (iii) encouraging such persons to remain associated with the Corporation, and (iv) furnishing such persons with an additional incentive in their efforts on behalf of the Corporation.

3. Administration

(a) This Plan shall be administered by the board of directors of the Corporation (the "Board").

(b) Subject to the terms and conditions set forth herein, the Board is authorized to provide for the granting, exercise and method of exercise of Options (as hereinafter defined), all on such terms (which may vary between Options granted from time to time) as it shall determine. In addition, the Board shall have the authority to: (i) construe and interpret this Plan and all option agreements entered into hereunder, (ii) prescribe, amend and rescind rules and regulations relating to this Plan, and (iii) make all other determinations necessary or advisable for the administration of this Plan. All determinations and interpretations made by the Board shall be binding on all Participants (as hereinafter defined) and on their legal, personal representatives and beneficiaries.

(c) Notwithstanding the foregoing or any other provision contained herein, the Board shall have the right to delegate the administration and operation of this Plan, in whole or in part, to a committee of the Board. Whenever used herein, the term "Board" shall be deemed to include any committee to which the Board has, fully or partially, delegated the administration and operation of this Plan pursuant to this section 3.

(d) Options to purchase the Shares granted hereunder ("Options") shall be evidenced by an agreement, signed on behalf of the Corporation and by the person to whom an Option is granted, which agreement shall be in such form as the Board shall approve or authorize from time to time.

4. Shares Subject to Plan

(a) The securities that may be acquired by Participants under this Plan shall consist of authorized but unissued Shares. Whenever used herein, the term "Shares" shall be deemed to include any other listed securities that may be acquired by a Participant upon the exercise of an Option the terms of which have been modified in accordance with Section 15 below.

(b) This Plan shall be a "rolling" stock option plan such that, subject to adjustment pursuant to Section 15 below, the aggregate number of Shares reserved for issuance under this Plan shall not exceed the greater of 5,000,000 Shares or 10% of the total number of issued and outstanding Shares of the Corporation (the "Eligible Stock") at the time of any Option grant.

(c) Notwithstanding any other provisions of this Plan or any agreement relating to Options:

(i) the number of Shares issued to insiders under this Plan and any other security based compensation arrangement, within any one-year period, may not exceed 10% of the Corporation's then issued and outstanding Shares; or

(ii) the number of Shares reserved for issuance pursuant to Options granted to insiders under this Plan and any other security based compensation arrangement, may not, at any time, exceed 10% of the Corporation's then issued and outstanding Shares.

For the purpose of this Plan, the terms "insider" and "security based compensation arrangement" have the meanings assigned to those terms under applicable rules of the Toronto Stock Exchange.

5. Maintenance of Sufficient Capital

The Corporation shall at all times during the term of the Plan ensure that the number of Shares it is authorized to issue shall be sufficient to satisfy the requirements of this Plan.

6. Eligibility and Participation

(a) The Board may, in its discretion, select any of the following persons to participate in this Plan:

(i) directors of the Corporation or any of its subsidiaries;

(ii) officers of the Corporation or any of its subsidiaries;

(iii) employees of the Corporation or any of its subsidiaries; and

(iv) consultants (the term "consultant" being deemed to include its directors, officers and employees) who provide ongoing services to the Corporation or any of its subsidiaries.

(Any such person having been selected for participation in this Plan by the Board is herein referred to as a "Participant").

(b) The Board may from time to time, in its discretion, grant an Option to any Participant, upon such terms, conditions and limitations as the Board may determine, including the terms, conditions and limitations set forth herein.

(c) In respect of Options granted to Participants, the Corporation shall represent in the option agreement that the Optionee receiving such options is a bona fide Participant.

7. Exercise Price

Options may be exercised at a price (the "Exercise Price") which shall be fixed by the Board at the time that the Option is granted, provided, however, that the Exercise Price shall not be less than the closing price of the Shares on the business day immediately prior to the date of the grant as quoted on the Toronto Stock Exchange and shall otherwise comply with the requirements from time to time of the stock exchange or exchanges on which the Shares are listed.

8. Number of Optioned Shares

(a) The number of Shares that may be acquired under an Option granted to a Participant shall be determined by the Board as at the time the Option is granted, provided that the aggregate number of Shares reserved for issuance in a 12 month period to any one Participant under this Plan or any other security based compensation arrangement shall not exceed five percent (5%) of the Corporation's then issued and outstanding Shares.

(b) The aggregate number of Shares reserved for issuance in a 12 month period to any one consultant (in his capacity as a consultant as opposed to his capacity as a director or officer of the

Corporation, if applicable) under the Plan or any other security based compensation arrangement shall not exceed two percent (2%) of the Corporation's then issued and outstanding Shares.

(c) The aggregate number of Shares reserved for issuance in a 12 month period to any one employee under the Plan or any other security based compensation arrangement shall not exceed two percent (2%) of the Corporation's then issued and outstanding Shares.

(d) The aggregate number of Shares reserved for issuance to all non-executive directors of the Board under the Plan or any other security based compensation arrangement shall not exceed one percent (1%) of the Corporation's issued and outstanding Shares.

9. Term

The period during which an Option may be exercised (the "Option Period") shall be determined by the Board at the time the Option is granted, subject to any vesting limitations which may be imposed by the Board in its sole unfettered discretion at the time such Option is granted, provided that:

(a) no Option shall be exercisable for a period exceeding five (5) years from the date the Option is granted;

(b) the Option Period shall be automatically reduced in accordance with Sections 11 and 12 below upon the occurrence of any of the events referred to therein; and

(c) no Option in respect of which shareholder approval is required under the rules of any stock exchange or exchanges on which the Shares are then listed shall be exercisable until such time as the Option has been approved by the shareholders of the Corporation.

Notwithstanding the foregoing, if the Option Period in respect of an Option held by a Participant expires during or within ten (10) business days of the expiration of a Black-out Period, then the Option Period of such Option shall be extended to the close of business on the tenth business day following the expiration of the Black-out Period. For purposes of this section, the term "Black-out Period" means a period when the Optionee is prohibited from trading in the Corporation's securities pursuant to securities regulatory requirements or the Corporation's written insider trading policies then applicable, and the term "business day" means any day other than a Saturday, Sunday or statutory or civic holiday in the Province of Ontario.

10. Method of Exercise of Option

Except as set forth in Sections 11 and 12 below or as otherwise determined by the Board, no Option may be exercised unless the holder of such Option is, at the time the Option is exercised, a director, officer, employee or consultant of the Corporation or any of its subsidiaries.

Options may be exercised in whole or in part and may be exercised on a cumulative basis where a vesting limitation has been imposed at the time of grant.

Any Participant (or his legal, personal representative) wishing to exercise an Option shall deliver to the Corporation, at its principal office in the City of Toronto, Ontario:

(i) a written notice expressing the intention of such Participant (or his legal, personal representative) to exercise his Option and specifying the number of Shares in respect of which the Option is exercised; and

(ii) a cash payment, cheque or bank draft, representing the full purchase price of the Shares in respect of which the Option is exercised.

(b) Upon the exercise of an Option as aforesaid, the Corporation shall use its reasonable efforts to forthwith deliver, or cause the registrar and transfer agent of the Shares to deliver, to the relevant Participant (or his legal, personal representative) or to the order thereof, a certificate representing the aggregate number of fully paid and non-assessable Shares as the Participant (or his legal, personal representative) shall have then paid for.

11. Ceasing to be a Director, Officer, Employee or Consultant

(a) The Options will expire, if not exercised within 90 days after a Participant ceases to be a director or officer or employee or consultant of the Corporation or any of its subsidiaries by virtue of resignation or retirement or at the end of the Option Period, whichever is earlier, or immediately if the Participant is terminated for cause.

(b) Options granted to an Optionee who is engaged in investor relations activities must expire within 30 days after the Optionee ceases to be employed to provide investor relations activities.

Neither the selection of any person as a Participant nor the granting of an Option to any Participant under this Plan shall (i) confer upon such Participant any right to continue as a director, officer, employee or consultant of the Corporation or any of its subsidiaries, as the case may be, or (ii) be construed as a guarantee that the Participant will continue as a director, officer, employee or consultant of the Corporation or any of its subsidiaries, as the case may be.

12. Death or Permanent Disability of a Participant

In the event of the death, permanent disability of a Participant, any Option previously granted to him shall be exercisable until the end of the Option Period or until the date that is not later than one year after the date of death or permanent disability of such Participant, whichever is earlier, and then in the event of death or permanent disability, only:

(a) by the person or persons to whom the Participant's rights under the Option shall pass by the Participant's will or applicable law; and

(b) to the extent that he was entitled to exercise the Option as at the date of his death or permanent disability.

13. Rights of Participants

No person entitled to exercise any Option granted under this Plan shall have any of the rights or privileges of a shareholder of the Corporation in respect of any Shares issuable upon exercise of such Option until such Shares have been paid for in full and issued to such person.

14. Proceeds from Exercise of Options

The proceeds from any sale of Shares issued upon the exercise of Options shall be added to the general funds of the Corporation and shall thereafter be used from time to time for such corporate purposes as the Board may determine and direct.

15. Anti-Dilution Adjustments

(a) The number of Shares subject to the Plan shall be increased or decreased proportionately in the event of the subdivision, consolidation, reclassification or change of the outstanding Shares of the Corporation, whether by way of a stock dividend, stock split, recapitalization or other transaction effected without receipt of consideration or in the event of any special dividend or other distribution, and in any such event a corresponding adjustment shall be made changing the number of Shares deliverable upon the exercise of any Option granted prior to such event without any change in the total price applicable to the unexercised portion of the Option, but with a corresponding adjustment in the price for each Share covered by the Option. In case the Corporation is reorganized or merged or consolidated or amalgamated with another corporation, appropriate provisions shall be made for the continuance of the Options outstanding under this Plan and to prevent their dilution or enlargement.

(b) Adjustments under this Section 15 shall be made by the Board, whose determination as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive. No fractional Shares shall be issued under this Plan on any such adjustment.

16. Change of Control – Accelerated Vesting

Notwithstanding the provisions of Section 11 (i) in the event of a sale by the Corporation of all or substantially all of its assets or (ii) in the event of a change of control of the Corporation then the Participant shall be entitled to exercise in full or in part any unexercised Options previously granted to him hereunder, whether vested or not, either during the term of the Option or within ninety (90) days after the date of termination of the employment of the Participant with the Corporation or the cessation or termination of the Participant as a director, officer, employee or consultant of the Corporation or any of its subsidiaries, whichever first occurs.

For the purpose of this Agreement change of control of the Corporation means or shall be deemed to have occurred if and when:

(a) the acceptance by the holders of shares of the Corporation, representing in the aggregate more than thirty-five percent (35%) of all issued and voting Shares of the Corporation, of any offer, whether by way of a takeover bid or otherwise, for all or any of the Shares of the Corporation;

(b) the acquisition, by whatever means (including, without limitation, amalgamation, arrangement, consolidation or merger), by a person (or two or more persons who in such acquisition have acted jointly or in concert or intend to exercise jointly or in concert any voting rights attaching to the Shares acquired), directly or indirectly, of the beneficial ownership of such number of voting Shares or rights to voting Shares of the Corporation, which together with such person's then owned voting Shares and rights to voting Shares, if any, represent (assuming the full exercise of such rights to voting Shares) more than thirty-five percent (35%) of the combined voting rights of the Corporation's then outstanding voting Shares, together with the voting Shares that would be outstanding on the full exercise of the rights to voting Shares acquired and such person's previously own rights to voting Share**;**

(c) the entering into of any agreement by the Corporation to merge, consolidate, amalgamate, initiate an arrangement or be absorbed by or into another company;

(d) the passing of a resolution by the Board or shareholders of the Corporation to substantially liquidate assets or wind-up its business or significantly rearrange its affairs in one or more transactions or series of transactions or the commencement of proceedings for such a liquidation, winding-up or re-arrangement (except where such re-arrangement is part of a bona fide reorganization of the Corporation in circumstances where the business of the Corporation is continued and where the shareholdings remain substantially the same following the re-arrangement as existed prior to the re-arrangement); or

(e) individuals who were members of the Board of the Corporation immediately prior to a meeting of the shareholders of the Corporation involving a contest for or, an item of business relating to the election of directors shall not constitute a majority of the board of directors following such election.

17. Transferability

All Options granted pursuant to this Plan shall be personal to the Participant and shall not be assignable or otherwise transferable except for a limited right of assignment to allow (i) the exercise of Options by a Participant's legal representative in the event of death or incapacity, (ii) the transfer of an Option to a corporation wholly owned by the Participant or (iii) to a trust governed by a Registered Retirement Savings Plan, Pension Plan or similar plan, of which the holder is the sole beneficiary.

18. Non-Exercise of Options

If all or part of an Option granted pursuant to the Plan expires for any reason or is terminated, surrendered or cancelled without in each case being exercised in full, the number of Shares that would have been issuable upon the exercise of such Option shall revert to the Plan and shall be available for grant under the Plan, however, at no time shall there be outstanding Options exceeding in the aggregate the number of Shares reserved for issuance pursuant to Options under this Plan.

19. Amendment or Termination of Plan

(a) The approvals of the Board and the shareholders of the Corporation, as well as any requisite regulatory approvals, shall be required to amend the Plan or an Option to:

(i) increase the maximum number (or percentage) of Shares issuable under the Plan pursuant to Section 4;

(ii) increase the maximum number of Shares issuable under the Plan to insiders pursuant to Sections 4(d)(i) and (ii);

(iii) make any amendment that would reduce the Exercise Price of an outstanding Option (including a cancellation and reissue of an Option constituting a reduction of the Exercise Price);

(iv) extend the Option Period of any Option granted under the Plan beyond the original expiry date of such Option;

(v) increase the maximum Option Period permitted under the Plan;

(vi) expand the categories of individuals eligible to participate in the Plan;

(vii) allow Options to be transferred or assigned other than in accordance with Section 17; or

(viii) amend this Section 19,

unless the change to the Plan or an Option results from the application of the anti-dilution provisions of Section 15, and provided that, (i) in the case of an amendment referred to in Section 19(a)(ii), (iii) or (iv), insiders of the Corporation who benefit from such amendment are not eligible to vote their Shares in respect of the amendment and (ii) in the case of an amendment to an Option previously granted to a Participant, such Participant's consent to such amendment shall be required unless the Board determines that the action would not materially and adversely affect the existing rights of such Participant.

(b) Subject to paragraph (a) and any requisite regulatory approvals, the Board may, at any time and for any reason, amend, revise, suspend or discontinue this Plan, in whole or in part, or amend an Option granted to a Participant (provided that the Participant's consent to such action shall be required unless the Board determines that the action would not materially and adversely affect the existing rights of such Participant), in its sole discretion and without having to obtain shareholder approval. Without limiting the scope of the foregoing, the Board may make the following without shareholder approval:

(i) amendments of a "housekeeping" or clerical nature, as well as any amendment clarifying any provision of the Plan;

(ii) amendments to the eligibility criteria and limits for participation in the Plan;

(iii) a change to the termination provisions of an Option or of the Plan, provided that the change does not entail an extension beyond an Option's original expiry date;

(iv) additions and amendments to or deletions from the Plan in order to comply with the legislation governing the Plan or the requirements of a regulatory body or stock exchange; and

(v) amendments to the provisions relating to the administration of the Plan.

20. Necessary Approvals

The obligation of the Corporation to issue and deliver Shares in accordance with the Plan is subject to applicable securities legislation and to the receipt of any approvals that may be required from any regulatory authority or stock exchange having jurisdiction over the securities of the Corporation. If Shares cannot be issued to a Participant upon the exercise of an Option for any reason whatsoever, the obligation of the Corporation to issue such Shares shall terminate and any funds paid to the Corporation in connection with the exercise of such Option will be returned to the relevant Participant as soon as practicable.

21. Stock Exchange Rules

This Plan and any option agreements entered into hereunder shall comply with the requirements from time to time of the stock exchange or exchanges on which the Shares are listed.

22. Right to Issue Other Shares

The Corporation shall not by virtue of the Plan be in any way restricted from declaring and paying stock dividends, issuing further Shares, varying or amending its share capital or corporate structure or conducting its business in any way whatsoever.

23. Notice

Any notice required to be given by this Plan shall be in writing and shall be given by registered mail, postage prepaid or delivered by courier or by facsimile transmission address, if to the Corporate, at its principal address in Toronto, Ontario (being currently 141 Adelaide Street West, Suite 1007, Toronto, Ontario M5H 3L5), Attention: Secretary; or if to a Participant, to such Participant at his address as it appears on the books of the Corporation or in the event of the address of any such Participant no so appearing then to the last known address of such Participant; or if to any other person, to the last known address of such person.

24. Gender

Whenever used herein words importing the masculine gender shall include the feminine and neuter genders and vice versa.

25. Interpretation

This Plan will be governed by and construed in accordance with the laws of the Province of Ontario.