Khan Resources Inc.

Condensed Interim Financial Statements

March 31, 2012
In thousands of Canadian dollars
(unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM STATEMENTS

The accompanying unaudited interim consolidated financial statements of the company have been prepared by management and approved by the Audit Committee and Board of Directors of the company. The company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

Condensed Consolidated Balance Sheet
In thousands of Canadian dollars
(unaudited)

	Notes	Mar 31 2012	Sep 30 2011
ASSETS			
Current Assets			
Cash and cash equivalents		**3,911**	5,927
Accounts receivable		**40**	28
Prepaid expenses and other assets		**54**	115
Restricted cash	3	**52**	52
Total current assets		**4,057**	6,122
Non-current assets			
Investments	4	**2,130**	2,264
Plant and equipment	5	**3,334**	3,588
Mineral rights and properties	6	**12,289**	13,022
Intangible assets		**-**	-
Total non-current assets		**17,753**	18,874
Total assets		**21,810**	24,996
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**509**	628
Total current liabilities		**509**	628
Total liabilities		**509**	628
Net assets		**21,301**	24,368
EQUITY			
Share capital		**73,622**	73,622
Contributed surplus		**11,790**	11,621
Accumulated other comprehensive income	7	**(2,440)**	(1,395)
Deficit		**(61,671)**	(59,480)
Total equity		**21,301**	24,368

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board of Directors on May 3, 2012 and signed on its behalf by:

Signed: "James B. C. Doak"
Director

Signed: "Grant A.Edey"
Director

Condensed Consolidated Statement of Comprehensive Income

For the three and six months ended March 31
In thousands of Canadian dollars
(unaudited)

		Three months		Six months	
	Notes	**2012**	2011	**2012**	2011
Revenue					
Other income		**10**	10	**21**	10
Finance income		**9**	20	**22**	44
Total revenue		**19**	30	**43**	54
Expenses					
General corporate		**(1,068)**	(620)	**(1,821)**	(1,178)
Mongolian operations		**(40)**	(94)	**(97)**	(263)
Amortization		**(22)**	(33)	**(46)**	(69)
Share-based compensation	8	**(108)**	(223)	**(169)**	(260)
Foreign exchange gain (loss)		**(16)**	(19)	**(39)**	(42)
Loss on investments		**(21)**	-	**(57)**	-
Write-off of assets		**-**	-	**-**	(3)
Total expenses		**(1,275)**	(989)	**(2,229)**	(1,815)
Income (loss) before income tax		**(1,256)**	(959)	**(2,186)**	(1,761)
Income tax	11	**(3)**	(263)	**(5)**	239
Net income (loss)		**(1,259)**	(1,222)	**(2,191)**	(1,522)
Other comprehensive income					
Foreign currency translation differences - foreign operations		**536**	363	**(967)**	756
Net change in fair value of available-for-sale financial assets		**-**	(2,095)	**(78)**	1,929
Income tax on other comprehensive income	11	**-**	262	**-**	(241)
Other comprehensive income net of income tax		**536**	(1,470)	**(1,045)**	2,444
Total comprehensive income (loss)		**(723)**	(2,692)	**(3,236)**	922
Earnings per share					
Basic earnings per share (CA cents)		**(0.02)**	(0.02)	**(0.04)**	(0.03)
Diluted earnings per share (CA cents)		**(0.02)**	(0.02)	**(0.04)**	(0.03)
Weighted average number of shares outstanding - Basic		**54,525,445**	54,098,945	**54,525,445**	54,039,868
Weighted average number of shares outstanding - Diluted		**54,525,445**	54,098,945	**54,525,445**	54,039,868

The accompanying notes form part of these financial statements.

Condensed Consolidated Cash Flow Statement
For the six months ended March 31
In thousands of Canadian dollars
(unaudited)

Notes		2012	2011
Operating Activities			
Income (loss) before income tax		**(2,186)**	(1,761)
Adjustments for:			
Amortization		**46**	69
Share-based compensation		**169**	260
Gain on sale of plant and equipment		**-**	3
Write-off of plant and equipment		**-**	-
Loss on Investments		**57**	-
Unrealized foreign exchange loss (gain)		**36**	(41)
Financial income and expenses		**(22)**	(44)
Changes in:			
Accounts receivable		**(12)**	(5)
Accounts payable and accrued liabilities		**61**	116
Prepaid expenses and other assets		**(120)**	(136)
Cash generated from operations		**(1,971)**	(1,539)
Dividends received			
Interest received		**22**	44
Interest paid		**-**	-
Income tax refunded		**-**	-
Income tax paid		**(5)**	(3)
Net operating cash flows		**(1,954)**	(1,498)
Investing activities			
Development expenditure		**(24)**	(131)
Purchases of plant and equipment		**(1)**	-
Investment in financial assets		**-**	(2,425)
Cash outflow s from investing activities		**(25)**	(2,556)
Proceeds from sale of plant and equipment		**-**	-
Net investing cash flows		**(25)**	(2,556)
Financing activities			
Purchase of common shares by share option plan participants		**-**	62
Net financing cash flows		**-**	62
Net increase (decrease) in cash and cash equivalents		**(1,979)**	(3,992)
Cash and cash equivalents at the beginning of the period		**5,927**	10,860
Effect of foreign currency exchange rate changes on cash and cash equivalents		**(37)**	20
Cash and cash equivalents at the end of the period		**3,911**	6,888

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Changes in Equity
For the period ended March 31, 2012
In thousands of Canadian dollars
(unaudited)

	Notes	Share capital					
		Number of shares	Amount	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total equity
Balance as at October 1, 2011		**54,525,445**	**73,622**	**11,621**	**(1,395)**	**(59,480)**	**24,368**
Total comprehensive income (loss)		**-**	**-**	**-**	**(1,045)**	**(2,191)**	**(3,236)**
Transactions w ith ow ners:							
Employee share options:							
Value of services recognize	8	**-**	**-**	**169**	**-**	**-**	**169**
Proceeds on issuing shares		**-**	**-**	**-**	**-**	**-**	**-**
Proceeds on issuance in private placement		**-**	**-**	**-**	**-**	**-**	**-**
Balance as at March 31, 2012		**54,525,445**	**73,622**	**11,790**	**(2,440)**	**(61,671)**	**21,301**
Balance as at October 1, 2010		53,913,779	73,407	11,281	1,306	(55,656)	30,338
Total comprehensive income (loss)		-	-	-	2,444	(1,522)	922
Transactions w ith ow ners:							
Employee share options:							
Value of services recognized		-	-	260	-	-	260
Proceeds on issuing shares		311,666	109	(47)	-	-	62
Proceeds on issuance in private placement		-	-	-	-	-	-
Balance as at March 31, 2011		54,225,445	73,516	11,494	3,750	(57,178)	31,582

The accompanying notes form part of these financial statements.

Notes to Financial Statements

1 Corporate information

Khan Resources Inc., along with its subsidiary companies (collectively the "company"), is involved in acquiring, exploring and developing mineral properties, primarily in Mongolia. The company has initiated an international arbitration action case against the Government of Mongolia and its state-owned uranium company, MonAtom LLC for the Government of Mongolia's failure to reissue the company's mining and exploration licenses.

The company is a publicly listed company incorporated in Canada with limited liability under the legislation of the Province of Ontario. The company's shares are listed on the Toronto Stock Exchange.

The head office, registered address and records office of the Company are located at 141 Adelaide Street West, Suite 1007, Toronto, Ontario, Canada, M5H 3L5.

The unaudited condensed consolidated financial statements of the company as at and for the six months ended March 31, 2012 were authorized for issue in accordance with a resolution of the Board of Directors dated on May 3, 2012.

2 Basis of preparation and adoption of IFRS

The company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards, and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the company commenced reporting on this basis in its 2012 interim consolidated financial statements. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before adoption of IFRS.

These interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34*, Interim Financial Reporting*, and IFRS 1, *First-time Adoption of International Financial Reporting Standards*, The accounting policies followed in these interim financial statements are the same as those applied in the company's interim financial statements for the period ended December 31, 2011. The company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect. Note 12 discloses the impact of the transition to IFRS on the company's reported equity as at March 31, 2012 and comprehensive income for the three and six months ended March 31, 2012, including the nature and effect of significant changes in accounting policies from those used in the company's consolidated financial statements for the year ended September 30, 2011.

The accounting policies applied in these condensed interim consolidated financial statements are based on IFRS effective for the year ended September 30, 2012, as issued and outstanding as of May 3, 2012, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the company's annual consolidated financial statements for the year ending September 30, 2012 could result in restatement of these interim consolidated financial statements, including transition adjustments recognized on change-over to IFRS.

The condensed interim consolidated financial statements should be read in conjunction with the company's Canadian GAAP annual financial statements for the year ended September 30, 2011, and the company's interim financial statements for the quarter ended December 31, 2011 prepared in accordance with IFRS applicable to interim financial statements. The consolidated financial statements are presented in thousands of Canadian dollars unless otherwise stated.

3 Restricted cash

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

4 Investments

	Mar 31 2012	Sep 30 2011
Investments by classification		
Available-for-sale financial assets (a)	**2,096**	2,173
Financial assets designated at fair value through profit and loss (b)	**34**	91
Total investments	**2,130**	2,264

The Company held the above financial assets measured at fair value at each reporting period using quoted market prices.
(a) Changes in the fair value of available-for-sale financial assets are recognized in other comprehensive income.
(b) Changes in the fair value through profit and loss are recognized in income before tax.

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5 Plant and equipment

Period ended March 31, 2012	**Buildings**	**Camp equipment (a)**	**Office equipment**	**Construction in progress (b)**	**Total**
Cost					
At the beginning of the financial year	**307**	**233**	**119**	**3,462**	**4,121**
Additions	**-**	**1**	**-**	**-**	**1**
Disposals	**-**	**(1)**	**(17)**	**-**	**(18)**
Exchange differences	**(18)**	**(10)**	**(2)**	**(202)**	**(232)**
Transfers and other movements	**-**	**-**	**-**	**-**	**-**
At the end of the period	**289**	**223**	**100**	**3,260**	**3,872**
Accumulated depreciation					
At the beginning of the financial year	**(230)**	**(195)**	**(108)**	**-**	**(533)**
Charge for the period	**(30)**	**(14)**	**(2)**	**-**	**(46)**
Disposals	**-**	**1**	**17**	**-**	**18**
Impairments for the period	**-**	**-**	**-**	**-**	**-**
Reversals of impairment	**-**	**-**	**-**	**-**	**-**
Exchange differences	**14**	**6**	**3**	**-**	**23**
Transfers and other movements	**-**	**-**	**-**	**-**	**-**
At the end of the period	**(246)**	**(202)**	**(90)**	**-**	**(538)**
Net book value at March 31, 2012	**43**	**21**	**10**	**3,260**	**3,334**

Period ended March 31, 2011	Buildings	Camp equipment (a)	Office equipment	Construction in progress (b)	Total
Cost					
At the beginning of the financial year	304	360	132	3,370	4,166
Additions	-	-	-	-	-
Disposals	(7)	(1)	-	(24)	(32)
Exchange differences	14	13	3	156	186
Transfers and other movements	-	-	-	-	-
At the end of the period	311	372	135	3,502	4,320
Accumulated depreciation					
At the beginning of the financial year	(168)	(210)	(127)	-	(505)
Charge for the period	(31)	(34)	(4)	-	(69)
Disposals	7	1	-	-	8
Impairments for the period	-	-	-	-	-
Reversals of impairment	-	-	-	-	-
Exchange differences	8	6	(1)	-	13
Transfers and other movements	-	-	-	-	-
At the end of the period	(184)	(237)	(132)	-	(553)
Net book value at March 31, 2011	127	135	3	3,502	3,767

(a) Camp equipment comprises furniture, fixtures and vehicles.
(b) Construction in progress comprises a pow er line and a sedimentation pond.

6 Mineral rights and properties

Period ended March 31, 2012	**Acquisition**	**Development**	**Total**
Cost			
At the beginning of the financial year	**501**	**12,521**	**13,022**
Additions	**-**	**24**	**24**
Disposals	**-**	**-**	**-**
Exchange differences	**(23)**	**(734)**	**(757)**
At the end of the period	**478**	**11,811**	**12,289**
Accumulated depletion			
At the beginning of the financial year	**-**	**-**	**-**
Charge for the period	**-**	**-**	**-**
Disposals	**-**	**-**	**-**
Impairments for the period	**-**	**-**	**-**
Reversals of impairment	**-**	**-**	**-**
Exchange differences	**-**	**-**	**-**
At the end of the period	**-**	**-**	**-**
Net book value at March 31, 2012	**478**	**11,811**	**12,289**

Period ended March 31, 2011	Acquisition	Development	Total
Cost			
At the beginning of the financial year	487	11,937	12,424
Additions	-	131	131
Disposals	-	-	-
Exchange differences	17	558	575
At the end of the period	504	12,626	13,130
Accumulated depletion			
At the beginning of the financial year	-	-	-
Charge for the period	-	-	-
Disposals	-	-	-
Impairments for the period	-	-	-
Reversals of impairment	-	-	-
Exchange differences	-	-	-
At the end of the period	-	-	-
Net book value at March 31, 2011	504	12,626	13,130

7 Accumulated other comprehensive income

	Mar 31 2012	Sep 30 2011
Currency translation account (a)		
Balance at the beginning of the financial year	**558**	-
Exchange differences on translation of foreign operations taken to equity	**(967)**	558
Exchange differences on translation of foreign operations transferred to income before tax	**-**	-
Balance at the end of the period	**(409)**	558
Financial assets account (b)		
Balance at the beginning of the financial year	**(1,953)**	1,306
Net valuation (losses)/gains on available for sale investments taken to equity	**(78)**	(3,453)
Net valuation (gains)/losses on available for sale investments transferred to income before tax	**-**	-
Deferred tax relating to revaluations	**-**	194
Balance at the end of the period	**(2,031)**	(1,953)
Accumulated other comprehensive income	**(2,440)**	(1,395)

(a) The foreign currency translation account represents exchange differences arising on the translation of non-CA dollar functional currency operations within the company into CA dollars.

(b) The financial assets account represents the revaluation of available for sale financial assets. Where a revalued financial asset is sold or impaired, the relevant portion of the account is transferred to income before tax.

8 Share-based payment

On February 16, 2012, a total of 1,400,000 options with a contractual life of three years were granted to directors, officers, and employees at an exercise price of $ 0.20 per share subject to a vesting schedule over a one-year term with one-third vesting immediately, one-third vesting in six months and one-third vesting in one year. The exercise price of the options $0.20 was higher than the market price of the shares on the date of the grant. There is no cash settlement of the options. The fair value of the options granted is estimated at the date of grant using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The fair value of the options granted during the six months ended March 31, 2012 was estimated on the date of grant using the following assumptions:

Dividend yield (%)	-
Expected volatility (%)	110.00
Risk free interest rate(%)	1.10
Forfeiture rate (%)	5.62
Expected life (years)	3.00
Weighted average share price ($)	0.20

A share-based payment compensation expense of $65 as a result of the options granted on February 16, 2012 has been recognized in the consolidated statement of comprehensive income.

The following table summarizes information about share options outstanding at March 31, 2012:

Grants listed by expiry date	Exercise price ($)	Remaining life (years)	Fair value per option ($)	Number outstanding	Number vested	Number unvested
August 31, 2012	1.70	0.42	1.30	25,000	25,000	-
February 19, 2013	1.40	0.89	1.07	200,000	200,000	-
May 14, 2013	0.89	1.12	0.68	200,000	200,000	-
December 17, 2013	0.20	1.80	0.15	753,334	753,334	-
August 16, 2015	0.29	3.30	0.21	1,200,000	800,000	400,000
February 16, 2015	0.20	2.90	0.10	1,400,000	466,664	933,336
February 16, 2016	0.55	3.90	0.39	1,100,000	733,333	366,667
				4,878,334	**3,178,331**	**1,700,003**

9 Management compensation

	Three months		Six months	
	2012	2011	**2012**	2011
Directors' fees	**37**	33	**76**	76
Salaries and short-term benefits	**55**	109	**146**	260
Share-based compensation	**99**	207	**155**	249
Total management compensation	**190**	349	**377**	585

10 Related party transactions

An officer of the company is a partner in a firm that provides legal services to the company. The company paid an aggregate of $49 for the three months ended March 31, 2012 (2011 - Nil) and $54 for the six months ended March 31, 2012 (2011 - Nil).

11 Income tax

	Three months		Six months	
	2012	2011	**2012**	2011
Current income tax expense (a)	**(3)**	(1)	**(5)**	(2)
Deferred income tax expense related to reversal of deferred taxes (b)	**-**	(262)	**-**	241
Income tax expense	**(3)**	(263)	**(5)**	239
Income tax recognized in other comprehensive income	**-**	262	**-**	(241)
Total income tax expense	**(3)**	(1)	**(5)**	(2)

(a) The Government of Mongolia withholds income tax related to intercompany interest expense. The company has not tax-benefited pre-tax losses. More information about non-capital losses is set out below.

(b) Reversal of deferred taxes originated in other comprehensive income.

Non-capital losses

At September 30, 2011, the Company had Canadian non-capital losses of approximately $26,790 (2010 - $24,295) available for deduction against future taxable income and these losses, if unutilized, will expire from 2014 to 2031; Mongolian non-capital losses of approximately $589 (2010 - $622) available for deduction against future taxable income and these losses, if unutilized, will expire from 2012 to 2013; and Netherlands non-capital losses of approximately $188 (2010 - $117) available for deduction against future taxable income and these losses, if unutilized, will expire from 2017 to 2020. None of the non-capital losses have been tax-benefited.

12 Transition to IFRS

The company adopted IFRS effective October 1, 2011 with a transition date of October 1, 2010. This note explains the principal adjustments made by the company in restating its previously published Canadian GAAP consolidated financial statements for the six months ended March 31, 2011.

a. First-time adoption exemptions applied

In preparing these consolidated financial statements in accordance with IFRS 1, the company has applied certain of the optional exemptions from full retrospective application of IFRS. The optional exemptions applied are described below.

i. Business combinations

The company has elected the business combinations exemption in IFRS 1 to not apply IFRS 3 *Business Combinations* retrospectively to past business combinations. Accordingly, the company has not restated business combinations that took place prior to the transition date.

ii. Cumulative translation differences

The company has elected to set the previously cumulative translation account, which was included in accumulated other comprehensive income, to zero as at the transition date, and absorbed the balance to retained earnings.

iii. Share-based payment

The company has elected to not apply IFRS 2 *Share-based Payment* to equity instruments granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the date of transition to IFRS.

b. Reconciliation of equity

The following is a reconciliation of the company's equity reported in accordance to Canadian GAAP to its equity under IFRS as at March 31, 2011:

	Canadian GAAP US$	Functional currency change (e. i)	Notes	Other IFRS changes	IFRS
ASSETS					
Current Assets					
Cash and cash equivalents	7,104	6,888		-	6,888
Accounts receivable	50	50		-	50
Prepaid expenses and other assets	80	84		-	84
Restricted cash	55	52		-	52
Total current assets	7,289	7,074		-	7,074
Non-current assets					
Investments	8,101	7,854		-	7,854
Plant and equipment	3,729	3,767		-	3,767
Mineral rights and properties	12,140	13,130		-	13,130
Intangible assets	-	-		-	-
Total non-current assets	23,970	24,751		-	24,751
Total assets	31,259	31,825		-	31,825
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	250	243		-	243
Total current liabilities	250	243		-	243
Total liabilities	250	243		-	243
Net assets	31,009	31,582		-	31,582
EQUITY					
Share capital	61,285	73,516		-	73,516
Contributed surplus	10,284	11,515	e. iii	(21)	11,494
Accumulated other comprehensive income	3,291	2,994		-	2,994
Cumulative translation adjustment		756	e. i	-	756
Deficit	(43,851)	(57,199)	e. iii	21	(57,178)
Total equity	31,009	31,582		-	31,582

c. Reconciliation of comprehensive income

The following is a reconciliation of the company's comprehensive income reported in accordance with Canadian GAAP to its comprehensive income under IFRS for the three months ended March 31, 2011:

	Canadian GAAP US$	Functional currency change (e. i)	Notes	Other IFRS changes	IFRS
Revenue					
Other income	-	-	e. v	10	10
Finance income	20	20			20
Total revenue	20	20		10	30
Expenses					
General corporate	(618)	(610)	e. v	(10)	(620)
Mongolian operations	(95)	(94)			(94)
Amortization	(32)	(33)			(33)
Share-based compensation	(224)	(223)			(223)
Foreign exchange gain (loss)	189	(19)	e. i		(19)
Loss on investments	-	-			-
Write-off of assets	-	-			-
Total expenses	(780)	(979)		(10)	(989)
Income (loss) before income tax	(760)	(959)		-	(959)
Income tax	(244)	(263)			(263)
Net income (loss)	(1,004)	(1,222)			(1,222)
Other comprehensive income					
Foreign currency translation differences - foreign operations	-	363	e. i		363
Net change in fair value of available-for-sale financial assets	(1,934)	(2,095)			(2,095)
Income tax on other comprehensive income	241	262			262
Other comprehensive income net of income tax	(1,693)	(1,470)		-	(1,470)
Total comprehensive income (loss)	(2,697)	(2,692)		-	(2,692)

The following is a reconciliation of the company's comprehensive income reported in accordance with Canadian GAAP to its comprehensive income under IFRS for the six months ended March 31, 2011:

	Canadian GAAP US$	Functional currency change (e. i)	Notes	Other changes	IFRS
Revenue					
Other income	-	-	e. v	10	10
Finance income	44	44			44
Total revenue	44	44		10	54
Expenses					
General corporate	(1,173)	(1,168)	e. v	(10)	(1,178)
Mongolian operations	(259)	(263)			(263)
Amortization	(69)	(69)			(69)
Share-based compensation	(260)	(260)			(260)
Foreign exchange gain (loss)	472	(42)	e. i		(42)
Loss on investments	-	-			-
Write-off of assets	(3)	(3)			(3)
Total expenses	(1,292)	(1,805)		(10)	(1,815)
Income (loss) before income tax	(1,248)	(1,761)		-	(1,761)
Income tax	278	239			239
Net income (loss)	(970)	(1,522)			(1,522)
Other comprehensive income					
Foreign currency translation differences - foreign operations	-	756	e. i		756
Net change in fair value of available-for-sale financial assets	2,252	1,929			1,929
Income tax on other comprehensive income	(282)	(241)			(241)
Other comprehensive income net of income tax	1,970	2,444		-	2,444
Total comprehensive income (loss)	1,000	922		-	922

d. Statement of cash flows

The conversion to IFRS did not result in material changes to the statement of cash flows.

e. Notes to the reconciliations

Transitional adjustments are made according to the following notes:

i. Foreign exchange impact on translation

With the adoption of IFRS, the functional currency of the Canadian head office and all intermediate holding companies changed from USD to CAD. The company's Mongolian subsidiaries changed their functional currency from the USD to the MNT. Such change resulted in a foreign exchange difference between the two accounting standards on certain non-monetary assets. These assets were previously translated from MNT to USD by using historical rates (temporal method). However under IFRS, they are translated from MNT to CAD directly by using period end rates (current method). Under Canadian GAAP, exchange differences were recognized in net income whereas under IFRS exchange differences are recognized in other comprehensive income. The company's share capital has been restated at historic CAD carrying amounts.

ii. Intangible assets

Certain specialized mining computer software recognized as a tangible asset under Canadian GAAP has been identified as an intangible asset under IFRS. At transition the acquisition cost of $12 had been depreciated to a carrying amount of $1 and was fully depreciated by December 31, 2011.

iii. Share-based compensation

In accordance with IFRS transitional provisions, the company elected to apply IFRS relating to share-based payments retrospectively to outstanding stock options that had not vested prior to the transition date. This resulted in an adjustment of $21 relating to a small number of stock options that had not vested by October 1, 2010.

iv. Cumulative translation difference

The Company has elected to eliminate its cumulative translation difference that existed at the date of transition to IFRS. Cumulative translation difference of $3,216 was reclassified from accumulated other comprehensive income to retained earnings at transition.

v. Rental Income

Rental income related to surplus office space has been reclassified from general corporate expense to other income.

13 Subsequent events

Subsequent to March 31, 2012, the company received a notice from the Toronto Stock Exchange ("TSX") that the TSX has decided to delist the company's securities effective at the close of market on May 11, 2012. The TSX determined that the company had failed to meet its continued listing requirements because business activity had fallen below certain thresholds. This is a result of the company putting its Dornod uranium project in Mongolia on a care and maintenance status and initiating the internal arbitration action case against the Government of Mongolia and its state-owned uranium company, MonAtom LLC (see note 1).

As a result of the TSX decision the company applied to the Canadian National Stock Exchange ("CNSX") and has since received conditional approval to list its shares on the CNSX. Subject to the CNSX formal approval process the company anticipates that there will be no disruption to trading in its shares during the change-over.

On April 19, 2012 the company completed a non-brokered private placement financing resulting in the issuance of 13,600,000 common shares at a price of $0.17 per common share for gross proceeds of $2,312,000. The common shares issued are subject to resale restrictions until August 19, 2012. No fees or commissions were paid in connection with the offering.

The company plans to use the proceeds of the offering to advance its international arbitration case against the Government of Mongolia and its state-owned uranium company, MonAtom LLC.