KHAN
RESOURCES INC.

February 21, 2014

Dear Shareholders:

On behalf of the Board of Directors, I would like to invite you to attend Khan's Annual and General Meeting of Shareholders to be held on March 28, 2014 at 10:00 a.m. (Eastern Standard Time) in the Library at The National Club located at 303 Bay Street, Toronto, Ontario.

At the meeting, we will report to you on Khan's performance for the financial year ended September 30, 2013 plus the status of the International Arbitration action against the Government of Mongolia. 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, and appointing the auditors for the ensuing year and authorizing the directors to fix their remuneration.

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

Sincerely,

JAMES B. C. DOAK (signed)
Chairman

KHAN RESOURCES INC.

The Exchange Tower, 130 King Street West, Suite 1800
Toronto, Ontario, Canada, M5X 1E3

Notice of the Annual and General Meeting of Shareholders

NOTICE is hereby given that the Annual and General Meeting of the Shareholders (the ''Meeting'') of Khan Resources Inc. (the "Corporation'' or ''Khan'') will be held in the Library at The National Club located at 303 Bay Street, Toronto, Ontario on March 28, 2014 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, 2013 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; and
4. 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 February 25, 2014 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 (10) days before the date of the Meeting.

DATED at Toronto, Ontario, this 21st day of February, 2014.

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 March 26, 2014 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.

The Exchange Tower, 130 King Street West, Suite 1800
Toronto, Ontario, Canada, M5X 1E3

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 General Meeting of Shareholders (or any postponement or adjournment thereof) of Khan (the ''Meeting'') to be held at 10:00 a.m. (Toronto time) on March 28, 2014 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 March 6, 2014.

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 February 21, 2014 and all references to financial results are based on our financial statements prepared in accordance with International Financial Reporting Standards. 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 and 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 February 25, 2014. Holders of Common Shares as of the close of business on February 25, 2014 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 March 26, 2014 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 six (6) nominees as directors for the ensuing year; and
- **FOR** the appointment of Ernst & Young LLP as auditors for the ensuing year and the authorization of the directors to fix their remuneration.

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 March 26, 2014 or the last business day before any adjourned or postponed Meeting.
- You may revoke a proxy by as set out below or in any other manner permitted by law:
  - by depositing an instrument in writing that is signed by the shareholder or by an attorney who is authorized by a document that is signed in writing or by electronic signature; or
  - by transmitting, by telephonic or electronic means, a revocation that is signed by an electronic signature if the means of electronic signature permits a reliable determination that the document was created or communicated by or on behalf of the shareholder or the attorney, as the case may be,

  the instrument or revocation must be received at the registered office of the Corporation, located at The Exchange Tower, 130 King Street West, Suite 1800, Toronto, Ontario, M5X 1E3 or by facsimile at (416) 947-0167, at any time up to and including the last business day preceding the day of the Meeting, or any adjournment of it, at which the proxy is to be used, or by the Chairman of the Meeting on the day of the Meeting, or any adjournment of the Meeting.

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 the date hereof, 75,816,482 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 (10%) 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		Percentage of Common Shares beneficially owned, controlled or directed, directly or indirectly
VR Global Partners, L.P.		10,573,500[(1)]		13.95%[(2)]
West Face Long Term Opportunities Global Master L.P.		12,243,000[(3)]		16.15%[(4)]

Notes:

(1) Based on insider reports publicly filed on the System for Electronic Disclosure by Insiders (SEDI) as at February 20, 2014.

(2) VR Global Partners, L.P. holds 13.02% of the Common Shares on a fully diluted basis.

(3) Based on the Alternative Monthly Report filed on SEDAR at www.sedar.com, under Khan's corporate profile by West Face Capital Inc., as portfolio manager of West Face Long Term Opportunities Global Master L.P. and the updated Form 9 – Notice of Proposed Issuance of Listed Securities dated September 23, 2013 filed on the Canadian Securities Exchange (formerly the CNSX) (the "CSE") website at www.thecse.com under Khan's corporate profile.

(4) West Face Long Term Opportunities Global Master L.P. holds 15.08% of the Common Shares on a fully diluted basis.

AUDITED FINANCIAL STATEMENTS

The consolidated financial statements for the financial year ended September 30, 2013 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 six (6) 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 (1) and a maximum of nine (9) directors.

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 (5) 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; 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: 2,219,426(1) Options: 700,000	***James B. C. Doak***, Chairman and Director of the Corporation, has over 25 years of 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 • Independent

Raffi Babikian Montreal, Quebec, Canada Shares: Nil(1) Options: 600,000	***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. Mr. Babikian 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: Audit and Finance; Corporate Governance and Nominating • Independent
Grant A. Edey Mississauga, Ontario, Canada Shares: 1,468,426 (1) Options: 1,100,000	***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 • Non-Independent (President & Chief Executive Officer of Khan)
Marc C. Henderson, Toronto, Ontario, Canada Shares: 550,000 (1) Options: 600,000	***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 one of Khan's largest shareholders. 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; Compensation • Independent

David L. McAusland Montreal, Quebec, Canada Shares: 100,000 (1) Options: 550,000	***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 joined Alcan Inc., a major widely held Canadian industrial and resource company, retiring as its Executive Vice President Corporate Development and Chief Legal Officer in 2008 after 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 Strategic Opportunities Committee of each of Cogeco Inc. and Cogeco Cable Inc., the Chairman of the Human Resource Committee of Cascades Inc. He is Chairman of the Board of Directors of ATS Automation Tooling Systems Inc. He is actively engaged as a member of the board of directors for several charities. **Khan Board Details:** • Director since April 23, 2008 • Committee memberships: Compensation; Corporate Governance and Nominating • Independent
Martin Quick Niagara on the Lake, Ontario, Canada Shares: 113,334 (1) Options: 550,000	***Martin Quick***, Director of the Corporation, has over 50 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 4½ 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. **Khan Board Details:** • Director since January 18, 2006 • Committee memberships: Compensation; Corporate Governance and Nominating • Independent

Note:

(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.

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 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, 2013, the Chief Executive Officer and Chief Financial Officer were required to file a certificate to certify that Khan's annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings and the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.

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 three (3) standing committees: (1) an Audit and Finance Committee; (2) a Compensation Committee; and (3) a Corporate Governance and Nominating 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 Raffi Babikian (Chair), James B. C. Doak and Marc C. Henderson. Reference should be made to "*Audit Committee and Auditors*" in the Corporation's Annual Information Form for the year ended September 30, 2013 dated as of January 14, 2014 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 Marc. C. Henderson, David L. McAusland (Chair) and Martin Quick.

Each of the members of the Compensation Committee has direct experience that is relevant to their responsibilities regarding executive compensation of the Corporation. Specifically, Messrs. Henderson, McAusland and Quick have experience acting as directors or executives of other reporting issuers. Accordingly, as a result of this collective experience, the Compensation Committee has knowledge of typical day-to-day responsibilities and challenges faced by the Corporation's management team, the role of a Board in reviewing the executive compensation of a reporting issuer, and first-hand knowledge regarding executive compensation policies and practices in the public oil and gas sector, all of which are beneficial to the committee in the context of its review of the Corporation's compensation policies and practices.

Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee assists the Board 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, David L. McAusland and Martin Quick (Chair).

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 "Named Executive Officers" or "NEOs", and each a "Named Executive Officer" or "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 current circumstances of the Corporation are given substantial weight in the determination of compensation practices.

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. For the most recently completed financial year-ended September 30, 2013, 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 2013 are noted below in the section "Compensation Decisions for 2013".

Named Executive Officers

During the most recently completed financial year ended September 30, 2013, the following individuals were NEOs of the Corporation:

- Grant A. Edey, President and Chief Executive Officer of the Corporation; and
- K. Bruce Gooding, Chief Financial Officer of the Corporation following his appointment on June 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, all consistent with the circumstances of the Corporation.

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 consistent with the circumstances of the Corporation.

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. Given the circumstances of the Corporation, neither the CEO nor the CFO were awarded any short-term incentive compensation for the financial year ended September 30, 2013.

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 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 six (6) months from the date of the grant and 1/3 after twelve (12) months from the date of the grant, or as otherwise determined by the Board. Other than the Plan, the Corporation does not have a share-based awards plan or long-term incentive plan.

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 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 and the Board regarding individual stock option awards for all recipients. The CEO does not engage in discussions with the Compensation Committee or the Board regarding his own stock option grants. The Compensation Committee and the Board deliberate and consider relevant market data and other information in order to determine the CEO's stock option grant.

The Compensation Committee and the Board review the appropriateness of the stock option grant recommendations from the CEO for all eligible employees and accepts or adjusts these recommendations. The Compensation Committee and the Board are 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.

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 and re-approved on January 13, 2012 by the Board and most recently obtained shareholder approval on February 16, 2012. Further housekeeping and clerical revisions to the Plan were approved by the Board on January 10, 2013 to reflect the Corporation's migration to the CSE. The CSE does not require annual approval by the shareholders of the Plan. 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 7,581,648 Common Shares as of the date of this Circular. As of the date hereof, there were options outstanding to purchase an aggregate of 5,375,000 Common Shares under the Plan, representing approximately 7.09% 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, 5,375,000 Common Shares (representing 7.09% 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 2,206,648 options under the

Plan (representing 2.91% 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 twelve (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 twelve (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 twelve (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 CSE.

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 (5) 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 ninety (90) days of a Participant ceasing to be a Participant, or if the Participant is engaged to provide investor relations activities to the Corporation, thirty (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 unless otherwise determined by the Board. 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.

Other Compensation

Executive officers may receive other benefits that the Corporation believes are reasonable and consistent with its overall executive compensation program. Benefits may include traditional health programs and limited executive perquisites.

How the Corporation Determines Compensation

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 reviews various materials 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.

Corporate Performance

The 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.

Individual Performance

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 Chairman of the Board and Compensation Committee have in-camera discussions to complete an independent assessment of the performance of the CEO.

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.

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 2013

There were no compensation decisions related to NEOs for the year ended September 30, 2013.

Decisions Related to Executive Compensation That Were Taken After Year End

There were no decisions related to executive compensation that were taken after the year ended September 30, 2013.

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 and CFO), 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, 2013, 2012 and 2011.

NEO Name and Principal Position	Year	Salary ($)	Share-based awards ($)	Option-based awards (1) ($)	Non-equity incentive plan compensation		Pension plans ($)	All other compensation ($)	Total Compensation ($)
					Annual incentive plans ($)	Long-term incentive plans ($)			
Grant A. Edey, CEO	2013 2012 2011	125,000 143,750 225,063	- - -	35,000(2) 31,110(3) 78,000(4)	Nil Nil Nil	- - -	- - -	Nil Nil Nil	160,000 174,860 303,063
K. Bruce Gooding, CFO(5)	2013 2012 2011	97,204 111,512 58,054	- - -	7,500(6) 5,185(7) Nil	Nil Nil Nil	- - -	- - -	Nil Nil Nil	104,704 116,697 58,054

Notes:

(1) 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, 2013.

(2) On February 14, 2013, options to purchase 350,000 Common Shares at a price of $0.20 were granted to Mr. Edey.

(3) On February 16, 2012, options to purchase 300,000 Common Shares at a price of $0.20 were granted to Mr. Edey.

(4) On February 16, 2011, options to purchase 200,000 Common Shares at a price of $0.55 were granted to Mr. Edey.

(5) Mr. Gooding was appointed CFO on June 1, 2011 following the resignation of Paul D. Caldwell.

(6) On February 14, 2013, options to purchase 75,000 Common Shares at a price of $0.20 were granted to Mr. Gooding.

(7) On February 16, 2012, options to purchase 50,000 Common Shares at a price of $0.20 were granted to Mr. Gooding.

The President and CEO is employed by the Corporation pursuant to an employment contract which sets out the NEOs' compensation arrangements. The CFO is retained under a consulting/services contract.

Employment and Consulting Contracts, Termination and Change of Control

Grant A. Edey

The services of 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.

The employment agreement between the Corporation and Mr. Edey was revised effective January 1, 2012 and again effective January 1, 2013 (the "**Revised Edey Agreement**") 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 (12) months of the termination, Mr. Edey will be entitled to twelve (12) months compensation. Under the Revised Edey Agreement, if a "change of control" occurs and Mr. Edey is terminated within six (6) months of such "change of control," Mr. Edey will be entitled to twelve (12) months compensation. Mr. Edey has the sole discretion to waive the "change of control" termination payments.

A “change of control” is defined in the Revised Edey Agreement as 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.

The Revised Edey Agreement also contains a confidentiality clause prohibiting the dissemination of confidential information of the Corporation.

K. Bruce Gooding

Following the resignation of Paul D. Caldwell on June 1, 2011, K. Bruce Gooding was appointed as Chief Financial Officer of the Corporation pursuant to management consulting agreement between the Corporation and Carandian Corporation (the “**Consultant**”), a company controlled by K. Bruce Gooding (the “**Manager**”). Pursuant to the Carandian Agreement, the Consultant has agreed to provide the services of the Manager as the Chief Financial Officer of the Corporation on an ongoing part-time basis at a rate of $4,800 per month plus $162.50 per hour for hours in excess of 32 hours 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.

Estimated Payouts

Assuming the occurrence of a “change of control” on September 30, 2013, Mr. Edey would have been entitled to receive cash compensation of approximately $125,000. Assuming the accelerated vesting and exercise of all options under the Plan as of September 30, 2013, Mr. Edey would also receive an additional “$7,500” 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, 2013 on the CSE and the exercise price of such options. In cases where the closing price on September 30, 2013 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, 2013, would have been approximately $62,500. In addition, assuming the accelerated vesting and exercise of all options under the Plan held by the foregoing NEO as of September 30, 2013, Mr. Edey would also receive an additional “$7,500”, 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, 2013 on the CSE and the exercise price of such options. In cases where the closing price on September 30, 2013 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, 2013

	Option-based Awards				Share-based Awards		
NEO Name	**Number of securities underlying unexercised options (1) (#)**	**Option exercise price (2) ($)**	**Option expiration date**	**Value of unexercised in-the-money options (3) ($)**	**Number of shares or units of shares that have not vested (#)**	**Market or payout value of share-based awards that have not vested (#)**	**Market or payout value of share-based awards not paid out or distributed ($)**
Grant A. Edey	100,000(4) 250,000 200,000 300,000 350,000	0.20 0.29 0.55 0.20 0.20	Dec 17, 2013 Aug 16, 2015 Feb 16, 2016 Feb 16, 2015 Feb 14, 2016	1,000 Nil Nil 3,000 3,500	-	-	-
K. Bruce Gooding	50,000 75,000	0.20 0.20	Feb 16, 2015 Feb 14, 2016	500 750	-	-	-

Notes:

(1) 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”.

(2) The exercise price of an option granted under the Plan is generally the closing sale price of the Common Shares on the CSE on the trading day immediately preceding the date of grant.

(3) 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 CSE on September 30, 2013 of $0.21 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 CSE on the date of the option exercise. Each of the options with the following exercise prices granted on August 17, 2010 ($0.29) and February 16, 2011, ($0.55), had exercise prices higher than the closing price of the Common Shares on the CSE on September 30, 2013 ($0.21).

(4) Granted to Mr. Edey as a Director.

Incentive plan awards - value vested or earned during the year ended September 30, 2013

NEO Name	Option-based awards – Value vested during the year ($)	Share-based awards – Value vested during the year ($)	Non-equity incentive plan compensation - Value earned during the year ($)
Grant A. Edey	Nil	Nil	Nil
K. Bruce Gooding	Nil	Nil	Nil

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	Fees earned(1) ($)	Share-based awards ($)	Option-based awards(2) ($)	Non-equity incentive plan compensation ($)	Pension value ($)	All other compensation ($)	Total Compensation ($)
James B. C. Doak	20,000	-	25,000(3)	-	-	Nil	45,000
Raffi Babikian	20,500	-	20,000(4)	-	-	Nil	40,500
Marc C. Henderson	18,000	-	20,000(4)	-	-	Nil	38,000
Hon. Robert P. Kaplan(5)	3,750	-	Nil	-	-	Nil	3,750
David L. McAusland	18,500	-	20,000(4)	-	-	Nil	38,500
Martin Quick	18,000	-	20,000(4)	-	-	Nil	38,500

Notes:

(1) Meeting fees and retainer fee.

(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 CSE 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, 2013.

(3) On February 14, 2013, options to purchase 250,000 Common Shares at a price of $0.20 were granted to Mr. Doak.

(4) On February 14, 2013, options to purchase 200,000 Common Shares at a price of $0.20 were granted to each of Messrs. Babikian, Henderson, McAusland and Quick.

(5) The Honourable Robert P. Kaplan passed away on November 5, 2012.

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 or 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, 2013, 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.

<u>Director Option-based Awards</u>

Outstanding option-based awards and share-based awards as at September 30, 2013

	Option-based Awards				Share-based Awards		
Name	**Number of securities underlying unexercised options (1) (#)**	**Option exercise price (2) ($)**	**Option expiration date**	**Value of unexercised in-the-money Options (3) ($)**	**Number of shares or units of shares that have not vested (#)**	**Market or payout value of share-based awards that have not vested ($)**	**Market or payout value of share-based awards not paid out or distributed ($)**
James B. C. Doak	150,000 150,000 150,000 150,000 250,000	0.20 0.29 0.55 0.20 0.20	Dec 17, 2013 Aug 16, 2015 Feb 16, 2016 Feb 15, 2015 Feb 14, 2016	1,500 Nil Nil 1,500 2,500	-	-	-
Raffi Babikian	150,000 100,000 150,000 200,000	0.29 0.55 0.20 0.20	Aug 16, 2015 Feb 16, 2016 Feb 15, 2015 Feb 16, 2016	Nil Nil 1,500 2,000	-	-	-
Marc C. Henderson	150,000 100,000 150,000 200,000	0.29 0.55 0.20 0.20	Aug 16, 2015 Feb 16, 2016 Feb 15, 2015 Feb 14, 2016	Nil Nil 1,500 2,000	-	-	-
Hon. Robert P. Kaplan (4)	100,000 100,000 100,000 150,000	0.20 0.29 0.55 0.20	Dec 17, 2013 Aug 16, 2015 Feb 16, 2016 Feb 15, 2015	1,000 Nil Nil 1,500	-	-	-
David L. McAusland	100,000 100,000 100,000 150,000 200,000	0.20 0.29 0.55 0.20 0.20	Dec 17, 2013 Aug 16, 2015 Feb 16, 2016 Feb 15, 2015 Feb 14, 2016	1,000 Nil Nil 1,500 2,000	-	-	-
Martin Quick	83,334(5) 100,000 100,000 150,000 200,000	0.20 0.29 0.55 0.20 0.20	Dec 17, 2013 Aug 16, 2015 Feb 16, 2016 Feb 15, 2015 Feb 14, 2016	833 Nil Nil 1,500 2,000	-	-	-

Notes:

(1) 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".

(2) The exercise price of an option granted under the Plan is generally the closing sale price of the Common Shares on the CSE on the trading day immediately preceding the date of grant.

(3) 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 CSE on September 30, 2013 of $0.21 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. The actual gains, if any, on exercise will depend on the value of the Common Shares on the CSE on the date of the option exercise. Each of the options with the following exercise prices granted on August 17, 2010 ($0.29) and February 16, 2011, ($0.55), had exercise prices higher than the closing price of the Common Shares on the CSE on September 30, 2013 ($0.21).
(4) The Honourable Robert P. Kaplan passed away on November 5, 2012.
(5) Granted to Martin Quick as an officer

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 two years or as otherwise determined by the Board.

Incentive plan awards - value vested or earned during the year ended September 30, 2013

Name	Option-based awards – Value vested during the year ($)	Share-based awards – Value vested during the year ($)	Non-equity incentive plan compensation – Value earned during the year ($)
James B. C. Doak	Nil	Nil	Nil
Raffi Babikian	Nil	Nil	Nil
Marc. C. Henderson	Nil	Nil	Nil
Hon Robert P. Kaplan (1)	Nil	Nil	Nil
David L. McAusland	Nil	Nil	Nil
Martin Quick	Nil	Nil	Nil

Note:

(1) The Honourable Robert P. Kaplan passed away on November 5, 2012.

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.

DIRECTORS' AND OFFICERS' INSURANCE AND INDEMNIFICATION

The Corporation has obtained directors' and officers' liability insurance with a cumulative policy limit of $5,000,000 subject to a deductible of $100,000. The annual premium cost of this insurance coverage for the financial year ended September 30, 2013 is $49,600, 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.

Details of the fees paid to the Auditors during financial years ended September 30, 2013 and 2012 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, the CSE's website at www.thecse.com under Khan's corporate profile 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, 2013.

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

(1) its 2013 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;

(3) its latest CSE Form 2A –Listing Statement, together with a copy of any document or pertinent pages of any document incorporated therein by reference; and

(4) its comparative financial statements for the year ended September 30, 2013, 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
Fax: (416) 947-0167
Email: gedey@rogers.com

The Exchange Tower
130 King Street West, Suite 1800
Toronto, Ontario, Canada
M5X 1E3

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, February 21, 2014.

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. National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("NI 58-101") requires the Corporation to disclose its corporate governance practices by providing in the Circular the disclosure required by Form 58-101F2 – *Corporate Governance Disclosure (Venture Issuers* ("Form 58-101F2"). National Instrument 58-201 – *Corporate Governance Guidelines* establishes corporate governance guidelines which apply to all public companies. The Corporation's disclosure of corporate governance practices pursuant to NI 58-101 is set out below in the form required by Form 58-101F2:

	Governance Disclosure Guidelines under <u>NI 58-101</u>		**<u>Comments</u>**
1.	**Board of Directors**		
	Disclose how the board of directors (the "Board") facilitates its exercise of independent supervision over management, including:		The Board is responsible for the stewardship of the Corporation and for the supervision of management to protect shareholder interests. The Board oversees the development of the Corporation's strategic plan and the ability of management to continue to deliver on the corporate objectives. Accordingly, the Board has confirmed the strategic objective of the Corporation is to obtain value for its historical interests in the Dornod Uranium Project through the pursuit of the International Arbitration action against the Government of Mongolia and for its investment in Macusani Yellowcake Inc.
	(i) the identity of directors who are independent; and		As at September 30, 2013, the following five (5) directors are independent: James B. C. Doak, Raffi Babikian, Marc C. Henderson, David L. McAusland and Martin Quick.
	(ii) the identity of directors who are not independent, and the basis for that determination.		As at September 30, 2013, the following director was not independent: Grant A. Edey, President and Chief Executive Officer of Khan
2.	**Directorships**		
	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. Marc C. Henderson is a director of Laramide Resources Ltd. David L. McAusland is a director of Cascades Inc., Cogeco Inc., Cogeco Cable Inc., and ATS Automation Tooling Systems Inc.
3.	**Orientation and Continuing Education**		
	(a) Briefly describe what steps, if any, the Board takes to orient new board members, and describe any measures the board takes to provide continuing education for directors.		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.

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			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. Continuing education could include: reports from the Chief Executive Officer 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.
4.	**Ethical Business Conduct**		
	Describe what steps, if any, 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.

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5.	**Nomination of Directors**		
	Disclose what steps, if any, are taken to identify new candidates for board nomination, including: (i) who identifies new candidates; and (ii) the process of identifying new candidates.		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. 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.
6.	**Compensation**		
	Disclose what steps, if any, are taken to determine compensation for the directors and CEO, including: (i) who determines compensation; and (ii) the process of determining compensation.		The Compensation Committee is charged with developing, for recommendation to the Board, a compensation philosophy and guidelines for the CEO and other executive officers of the Corporation. It recommends to the Board the level of compensation for the CEO and other executive officers of the Corporation. The Compensation Committee also considers and, if deemed appropriate, makes recommendations to the Board about any option or benefit plans to be established for the CEO and other executive officers of the Corporation. The Compensation Committee is also 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.

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			Further details are also set out in the Circular under the heading “Compensation Discussion and Analysis”.
7.	**Other Board Committees**		
	If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.		Other than the Audit and Finance Committee, the Compensation Committee and Corporate Governance and the Nominating Committee, there are no other standing committees of the Board. Further details are also set out in the Circular under the heading “Committees of the Board of Directors”.
8.	**Assessments**		
	Disclose what steps, if any, that the board takes to satisfy itself that the board, the 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 and its committees. In such evaluation, the Corporate Governance and Nominating Committee assesses the effectiveness of the Board and its committees, the adequacy of information provided to directors, communication processes between the Board and management, agenda planning for Board and committee meetings and strategic planning.