



KHAN RESOURCES INC.
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January 11, 2005: Report to Shareholders of Khan Resources Inc.

FINANCING

We reported to you on November 9, 2004 that Khan Resources intended to pursue a private placement of Special Warrants, to raise a minimum of CAN\$5 million and a maximum of CAN\$10 million, to be managed by Toll Cross Securities Inc. Each Special Warrant will entitle the holder to convert into one Khan Resources common share and one half share purchase warrant and is to be priced at CAN\$1.00 with one full share purchase warrant entitling the holder to purchase one additional common share at CAN\$1.35 at any time during the 18 months following closing. Based on interest expressed in this issue, Management of Khan is of the opinion that this financing will be successfully completed on or before January 31, 2005.

We at Khan Resources now are preparing for the next round of financing, i.e. a public issue of common shares. As previously stated, this financing could be three to six months away depending upon a number of key factors, including completion of negotiations with the government of Mongolia. These negotiations are progressing well, thanks to our new director and Mongolian legal counsel, Mr. Maurice Lynch. In our last report to shareholders, we reported that the scope of these negotiations included the completion of a mining plan for the Dornod Uranium Project, of which Khan Resources owns 58%, that indicated annual production from the Dornod property would be in the order of 1 million lbs. of uranium concentrate (yellowcake). We now project that annual production from the Dornod property will be in the order of 3,000,000 lbs of uranium concentrate, net to Khan Resources, for a period of between 8 and 10 years.

BOARD OF DIRECTORS

On December 5, 2004 at a meeting of the Board of Directors of Khan, the Board appointed two new directors. We also accepted with much regret the resignation of Mr. William Stearns (Steve) Vaughan. Mr. Vaughn was forced to resign due to ever-increasing demands on his time.

We are pleased to announce our new Directors:

R.V. Bailey, B Sc (Geology)

Mr. Bailey is the Chairman of Aspen Exploration Corporation, a junior, publicly-owned company headquartered in Denver, Colorado. He has 45 years experience in the mineral industry involving a wide spectrum of mineral-related activities including mineral project conception, exploration and development, as well as formation of business ventures such as limited partnerships, joint ventures, corporate structures and public offerings. Mr. Bailey is the author of a number of technical articles dealing with exploration geology, including the co-authored 542 page, published technical book titled Applied Mineral Exploration with Special Reference to Uranium (Westview Press, 1977). His experience includes projects involving oil and gas, gold, clay minerals, zeolites, ground water, gravel, copper, nephrite jade, coal, uranium,

vanadium and diamonds. Currently, Mr. Bailey has launched a coalbed methane project in Wyoming as well as a substantial uranium project in the Rocky Mountain region.

Maurice M. Lynch, BA (Honours), Juris Doctor from Harvard University Law School

Maurice Lynch is the co-founder and Chairman of Lynch & Mahoney, a law firm with offices in Ulaanbaatar, Mongolia and Washington, D.C. This firm advises and assists companies in structuring business transactions and relationships and in accessing capital markets to obtain financing for ventures and projects in Mongolia. The firm also advises Mongolian government ministries and agencies with respect to foreign investment, securities law, and other regulatory policy issues. Mr. Lynch has more than 35 years experience as a corporate transactional lawyer, including advising and assisting joint venture and earn-in agreements and public and private financing for mining projects. He was formerly a partner in the New York City law firm of Dunnington, Bartholow & Miller and Of Counsel in the Washington D.C. office of Davis, Graham & Stubbs. He is a member of the bars of New York State, the District of Columbia and the Commonwealth of Virginia. He is also a member of the International Law, Business Law, and Natural Resources Law Sections of the American Bar Association, the Business Law, and Natural Resources Law Sections of the International Bar Association, and the Rocky Mountain Mineral Law Foundation.

TECHNICAL REPORT ON DORNOD

As reported to you previously, we have commissioned the geological and mining consulting firm of Roscoe Postle Associates Inc. (“RPA”) to complete a National Instrument 43-101 report on the Dornod uranium property. On December 30, 2004, Khan received the final NI 43-101 Report prepared by RPA. This technical report estimated total Inferred Mineral Resource on both deposits of the Dornod uranium property with a range of cut-off grades as follows:

Cut-Off Grade (U₃O₈)	Tonnes	% U₃O₈	Lbs U₃O₈
0.118	7,095,000	0.257	40,128,000
0.177	4,382,000	0.328	31,664,000
0.236	3,205,000	0.374	26,349,000

The report then states, “RPA has calculated a preliminary cut-off grade of 0.185% U₃O₈ based on preliminary estimates of cash operating costs and metallurgical test work done in the past. Nevertheless, RPA recommends that a cut-off grade of 0.236% U₃O₈ (or 0.20% U) be used for reporting purposes. RPA recommends further test work and a scoping study to establish a cut-off grade that would better reflect current market conditions.”

The RPA Report then provides the following **Conclusions**:

"Two uranium deposits are hosted by Paleozoic sandstones, siltstones and conglomerates on the Dornod Property. Based on our review of past exploration and production data, RPA concludes that:

1. Both deposits are situated within the inner Mineral License which covers an area of 261 ha.
2. At the No. 2 deposit, a significant Mineral Resources has been estimated from 450 diamond drill holes.
3. At the 0.236% U₃O₈ cut-off grade and 1 m minimum vertical thickness of mineralization, the No. 2 deposit contains some 296,000 tonnes of Inferred Mineral Resources at an average grade of 0.302% U₃O₈.
4. At the No. 7 deposit, a significant amount of surface and underground exploration has outlined a higher grade deposit.
5. At the 0.236% U₃O₈ cut-off grade and 5 m minimum vertical thickness of mineralization, the No. 7 deposit contains some 2.9 million tonnes of Inferred Mineral Resources at an average grade of 0.381% U₃O₈.
6. Normally, based on the close drill hole spacing, most (if not all) of these resources would be classified as Indicated Mineral Resources. Because of the absence of actual drill core at the present time, however, RPA has classified them into Inferred Mineral Resources. Upon completion of the recommended confirmation drilling program, these resources would likely be upgraded into Measured and Indicated Mineral Resources.
7. Several additional uranium deposits and showings have been discovered in the general Dornod area. Four of these deposits (No. 2A, 5, 8 and 9) - in addition to the No. 2 and 7 deposits - are situated in the area of the present property (Mineral Licence U27).
8. There is a halo of lower-grade mineralization around the deposit at the 0.236% U₃O₈ cut-off grade used for this study. At the 0.118% U₃O₈ cut-off grade, RPA estimates that there are additional resources in the order of 2.7 million tonnes at an average grade of 0.163% U₃O₈ contained within the No. 7 deposit. At the present time, RPA also considers these to consist of Inferred Mineral Resources.
9. Past exploration work has been carried out in a systematic manner and well documented. These data are acceptable to estimate Mineral Resources and, upon completion of a Prefeasibility study, Mineral Reserves may be estimated.
10. Results of diamond drilling completed to date indicate that the trend of uranium mineralization at the No. 2 deposit continues along strike to the south, towards the No. 7 deposit, which is situated about 1 km south of the No. 2 deposit.

GOLD PROPERTIES

While Khan has been focusing on its uranium project, we have not ignored our gold properties. Here is a brief update on these properties:

Big Bend: A report which summarizes the results of the 2004 drilling program at Big Bend is being prepared by our consulting geologist, Mr. Galsan Jamsrandorj. This report will be submitted to the

Mongolian government. Preliminary results are very favourable. On completion of the report Khan will prepare an activity plan for 2005.

Ogmoor: An earn-in agreement has been confirmed and signed between Khan's subsidiary, Altangol Exploration XXX, and Khos Khas XXX whereby Khan will acquire through work expenditures a 60% interest in prospective gold production from Khos Khas's Ogmoor properties. The earn-in calls for a drilling and sampling program to be completed in 2005 with budgeted expenditures up to US\$300,000.. Further activities are under review, and will only proceed if they are deemed to be in the best interests of both parties.

We take this opportunity to extend best wishes to all our security holders for good health, peace and prosperity in the New Year. We at Khan will do our best with regard to the last of these items.

On behalf of the Board

"Dale M. Hendrick"

Dale M. Hendrick: Chairman

"Kenneth G. Murton"

Kenneth G. Murton: President