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August 3, 2005: Report to Securityholders of Khan Resources Inc.

FINANCING We are pleased to advise you that Khan Resources Inc. has engaged Haywood Securities Inc. as lead manager and TD Securities Inc. as co-manager for our proposed initial public offering. We expect to file a preliminary prospectus in respect of this financing this month. We may give no assurance of success in this regard, but will make every effort to bring this issue to market by late September or early October and successfully complete this financing. This year, Haywood Securities has acted in a lead or co-lead position for several public issues of Canadian uranium mining companies and has been active in trading the shares and providing follow-up research of these companies. TD Securities has five research analysts dedicated to the mining sector and in 2004 was ranked the # 1 institutional equity sales force in Canada by Brendan Woods International. We at Khan are most favourably impressed with the record of both companies in this regard and look forward to working with them to successfully complete our IPO.

PROJECT DEVELOPMENT Khan's primary asset is a 58% interest in the Dornod **uranium** property in north-eastern Mongolia. Our immediate focus in 2005 is to complete a confirmation-drilling project on the No. 2 and No. 7 deposits. These two deposits are the basis of an independent NI 43-101 report by Roscoe Postle Associates Inc. ("RPA") calculating an inferred resource of over 40 million lbs U3O8. No drill core was available for independent examination and sampling during RPA's due diligence, hence our proposed confirmation drilling program. The contract to undertake this drilling has been awarded and drilling has commenced with the approval of the regulatory authorities.

We also intend that exploration drilling will be carried out on the prospective No. 5 deposit in the area adjoining the original Dornod property, recently acquired from Western Prospector Group Limited. This newly acquired area is 100%-owned by Khan. The No. 5 deposit was not included in the 43-101 report. A permit for this drilling also will be requested of the authorities in Mongolia.. Alex Stewart Assayers in Ulaan Baatar will be preparing samples to be shipped to Activation Labs in Ancaster, Ontario for assaying. In addition, a scoping study has been commissioned. The authors of the study will be visiting the site in August accompanied by the company geologist. Baseline environmental studies are underway with preliminary activities being scrutinized by Golder and Associates ("Golder"). Golder will also provide the environmental input into the scoping study. A contract to dewater the existing open pit and underground workings will be negotiated soon, and dewatering will commence once a permit has been awarded. Permitting is expected to take 2-3 months.

Khan also has two **gold** properties in the Zamaar Valley of Mongolia. One property, Big Bend, is 100%-owned by our wholly-owned subsidiary, Ikh Tokhoriol Ltd. The Mineral Council of Mongolia has accepted our reserve estimate of this property, based on a drill program in 2004, and has given permission for Khan Resources to mine the gold reserve. The estimate of recoverable gold in Big Bend is between 130,000 and 150,000 oz. At the other site, the Ogmoor property, Khan is earning a 60% share therein by undertaking a drilling program. The drilling is being done by Khas Khos, the property owner. The financial commitment is up to US\$150,000, after which Khan has the right to assume a net 60% ownership of the property or withdraw. At present, it is expected no decision will be made until the 4th quarter of 2005. The gold properties are not a core holding of Khan and it is the intention of management to realize maximum value for these properties through sale or other disposition at the appropriate time.

MANAGEMENT CHANGES We regret to announce that Dale Hendrick has resigned as Chairman and a Director of Khan Resources. However, we are pleased to announce Dale will act in a consulting capacity to Khan Resources thus making his geological knowledge, experience and initiative available to the Company. We also announce with regret that Mr. R.V. Bailey has resigned from our Board of Directors. We thank both gentlemen for their efforts on behalf of the shareholders of Khan.

David R. Lewis has assumed the position of Chief Financial Officer and as a Director of our Company. Here is a brief profile on David which also may be found on our website:

David R. Lewis, B. Eng., C.A.: Chief Financial Officer and Director. Mr. Lewis is an Engineer (Metallurgy) and a Chartered Accountant with global business experience who for the past 13 years has been a full-time/part-time Director and/or CFO of a number of Canadian and US publicly-listed companies, currently including Revett Minerals Inc., a copper/silver mine in northwest Montana, Aurelian Resources Inc., a junior resource company exploring for gold in south-eastern Ecuador, and Fiber Optic Systems Technology Inc., a developer of fibre optic-sensing systems primarily in the Oil and Gas Industries. From 2002 – 2004, Mr. Lewis worked in the investment business in Toronto as Vice President Corporate Finance of PowerOne Capital Markets Limited, a Limited Market Dealer, and was Vice President of Kingsdale Capital Partners Inc., an investment banking, merchant banking, business consulting, investment management and venture capital company. From 1992 to 2002, Mr. Lewis was CFO, Secretary and Treasurer of several OTCBB companies including: SoftQuad Software, Ltd., an internationally recognized developer of XML enabling technologies, and helped negotiate the US\$35 million (9X revenues) merger of SoftQuad into Corel Corporation (NASDAQ: CORL), a major provider of personal productivity software assisting millions of users worldwide to run their businesses; and SUMmedia.com Inc.-a global Internet media and marketing company which grew from 6 people to 160 globally in 12 months. Over his 35+ year career, Mr. Lewis has been involved in a number of IPOs and M&A functions in deal values ranging from \$3 million up to \$60 million. He has established Risk Management, Human Relations, Investor Relations and Compliance teams and implemented Best Practices in Treasury, Corporate Finance (planning/analysis, budgets), Accounting, IT, and all administrative functions. Early in his career, Mr. Lewis articulated and was with Coopers Lybrand in Toronto for 5 years, was controller then VP Finance at two major teaching hospitals and built and then ran a professional accounting/consulting practice for 14 years.

We also are pleased to announce that two experienced, professional mining company executives have joined our Board of Directors effective July 18, 2005. Here are profiles on each of these new Directors.

Jean-Pierre Chauvin, B.Sc. Mining Engineering (Queen's University). Mr. Chauvin has substantial experience in the mining and construction industries. He currently is President, CEO and a Director of Patricia Mining Corporation where he has moved the company's Island Gold Project, located in the Wawa area, 125 kilometres southeast of Hemlo, Ontario, through the exploration stage and secured a joint venture partner to bring the mine into production. The mill could be started by mid 2006 and Island Gold could produce approximately 65,000 ounces of gold per year. Patricia's share would be in excess of 29,000 ounces. Jean-Pierre also is President and Senior Consultant of Chauvin Engineering Ltd., based in Oakville, Ontario. This company consults in the mining and insurance industries focusing on operational reviews and feasibility studies. Previously, Mr. Chauvin has served as a Director of Battle Mountain Canada Ltd., Crown Butte Resources Ltd., Mining Association of Canada and Ontario Mining Association. He has served as General Manager of Canadian Operations for Battle Mountain Gold where he was accountable for all aspects of underground operations at the Golden Giant and Holloway Mine with combined budgets of \$100 million and aggregate annual production of some 440,000 ounces of gold.

Peter J. Hooper, B.Sc. Mining Engineering (Witwatersrand). Mr. Hooper is a senior mining executive with broad-based experience in production, engineering, reorganization and training, contracting, exploration and corporate affairs. His experience includes 20 years offshore and he has established close corporate ties in some 20 countries. Currently, Mr. Hooper is the Chief Operating Officer for Afcan Mining Corporation primarily focused on building a 110,000 oz. per annum gold mine in China. His senior production management experience includes uranium production in Canada with Eldorado Nuclear Uranium Mines as well as gold production in South Africa and Ghana, and copper and zinc production in Canada. Mr. Hooper has been a senior mining executive with Consolidated Rio Australia Ltd., J.S. Redpath Mining Engineering Ltd., Dynatec Engineering Ltd., and Hooper Mining Services Inc. His consulting engineering projects were conducted in Canada, USA, Cuba, Columbia, Venezuela, Mexico, Chile, South Africa, Zimbabwe, Ghana, Zambia, Australia, Khrgyzstan, Kazakhstan, Uuzbekistan, Russia, Saudi Arabia and France. Mr. Hooper also is a director and/or officer of several public mining companies.

SHAREHOLDERS' MEETING We intend to schedule our first Shareholders' Meeting to be held later this summer and will send out the appropriate notice in this regard together with the audited financial statements for our fiscal year ended September 30, 2004 to all securityholders in the next few weeks.

On behalf of the Board

"Kenneth G. Murton"

Kenneth G. Murton: President/CEO

"David R. Lewis"

David R. Lewis, Chief Financial Officer/Director