



TSX:KRI

Khan Provides Update on Developments in Mongolia

TORONTO, ONTARIO, September 10, 2009 – Khan Resources Inc. (TSX:KRI) ("Khan") is providing a further update concerning the new Nuclear Energy Law that was approved by the Mongolian Parliament on July 16, 2009, along with updates on the previously reported suspension of mining license 237A held by Khan's joint venture company, Central Asian Uranium Company, Limited ("CAUC") and the activities of CAUC. CAUC holds one of the two primary licenses for Khan's Dornod uranium deposit, and is a joint venture between Khan's wholly owned subsidiary (58%), the Russian company Priargunsky (21%) and Monatom, a Mongolian state owned company (21%).

Mongolia Nuclear Energy Law

On July 16, 2009, the Mongolian Parliament passed a new Nuclear Energy Law that classifies all radioactive mineral deposits, regardless of size, as strategically important mineral deposits and regulates the nuclear energy industry in Mongolia, including the exploration, exploitation, development, mining and sale of uranium. The new law became effective on August 15, 2009. This matter has been the subject of the full focus and energy of Khan senior management.

Khan has carried out additional due diligence work to reinforce its confidence as to the accuracy of the unofficial translation of the final version of the Nuclear Energy Law. Khan has also requested, but has yet to receive, an official translation of the law from the Government of Mongolia. Khan offers the following comments based on its review of the unofficial translation. Regulations related to the Nuclear Energy Law have yet to be published and will in large part determine how the new law will be implemented.

The Nuclear Energy Law gives the Mongolian Government the right to take ownership without payment of not less than 51% of the shares of a project or joint venture if uranium resources were determined through exploration with State funding, or not less than 34% if State funding was not used during exploration to determine the resource. It is not certain whether or on what terms Mongolia would seek to acquire additional equity in the license holders, or the amount of such additional equity.

The law gives the State Administrative Authority the responsibility over the implementation and enforcement of State policy on the exploitation of radioactive minerals and nuclear energy, including the power to grant, suspend or revoke any licenses granted pursuant to the Nuclear Energy Law. The Nuclear Energy Law requires licenses to be obtained to conduct a variety of activities relating to radioactive minerals and nuclear energy, including an exploration license to prospect and explore for radioactive minerals, and a mining license to exploit radioactive minerals.

To obtain an exploration license, the law provides that the applicant must, among other things, conduct its activities in a transparent and stable manner, be financially capable to conduct

exploration activity of radioactive minerals and reclamation, conduct responsible mining, and have sufficient experience in the field of mining. Exploration licenses will be issued to persons who best meet the conditions set out in the Nuclear Energy Law, and agree to accept the state ownership of the required percentage of shares of the license holder, discussed above.

In addition to satisfying the conditions applicable to exploration licenses, an applicant for a mining license must also, among other things, hold a stable and leading position producing and selling radioactive minerals on the world market, be financially independent and have the capacity to sell radioactive minerals for peaceful purposes at the world market price, have the financial capacity to mine radioactive minerals and have many years of experience in mining radioactive minerals.

The Nuclear Energy Law requires that a holder of a mining license conclude a mining agreement with the State Administrative Authority within 60 days from issuance of the mining license, setting out, among other things, the reasons for mining radioactive minerals, the term of exploitation, the type and grade of deposit and deposit reserves, the technology, production capacity and quantity of products to be mined as reflected in the feasibility study, conditions of sale, an environmental protection and reclamation plan including the associated implementation costs, a mine closure plan, and the other rights, obligations and responsibilities of the parties. The State Administrative Authority can revoke the license if a mining agreement is not concluded within the 60-day period.

The Nuclear Energy Law also provides that an investment agreement may be concluded between the State and a mining license holder for up to a 10-year term. The law further provides that an investment agreement may be extended for a further term of up to 10 years.

In connection with the passing of the Nuclear Energy Law, the Mongolian Parliament also passed certain procedures relating to the re-registration of existing exploration and mining licenses held prior to the Nuclear Energy Law becoming effective. Existing license holders must submit an application to the State Administrative Authority and renew and re-register their existing licenses by November 15, 2009. In order to have licenses re-registered, applicants must comply with all of the conditions and requirements set out in the Nuclear Energy Law, including acceptance of the State's 51% or 34% share participation in the license holder, as applicable. Any licenses that are not re-registered as required by the November 15th deadline will automatically be suspended. Khan is currently in the process of taking the necessary steps to re-register its exploration license.

Suspension of CAUC Mining License

On July 15, 2009, Khan reported that it had received notice from the Mineral Resources Authority of Mongolia ("MRAM") that mining license 237A, held by CAUC, had been suspended. Subsequently, following communications with MRAM and the State Specialized Inspection Agency of the Government of Mongolia, Khan was informed that the mining license was suspended based on the conclusions of the State Inspector who determined that CAUC was in violation of applicable laws by reason of it not having registered its deposit reserves with the State Integrated Registry for approval by the Minerals Council. In fact, Khan submitted its reserve calculations to MRAM for registration in accordance with Mongolian law initially in 2007 and again in 2008. Notwithstanding its continued efforts to register its reserves, CAUC is still awaiting approval and registration of its reserves in respect of the Dornod uranium property. Having submitted its reserve calculations as required, obtaining approval and registration of its reserves continues to lie within the purview and control of the Minerals Council of Mongolia. Khan continues to be confident that CAUC has complied with the terms of the mining license 237A and applicable laws in all material respects and, accordingly, is hopeful that with the passing of the Nuclear Energy Law, the Minerals Council will facilitate the registration of the

Dornod reserves thereby allowing CAUC to proceed with re-registration of its mining license 237A in accordance with the new Nuclear Energy Law.

CAUC joint venture partners met recently to discuss, among other things, the impact of the Nuclear Energy Law and re-registration of the mining license. Khan's management is continuing to monitor the developments in Mongolia and will provide further updates concerning the Nuclear Energy Law and status of its mining license suspension, as well as any key developments pertaining to CAUC and the Dornod licenses, as they become available. Khan remains committed in its efforts to advance the Dornod Uranium Project into production and to enhance shareholder value.

The management of Khan remains focused on the continued development of the Dornod Uranium Project, and is confident that it has the technical and fiscal resources to bring the project into production in line with the parameters laid out in the Definitive Feasibility Study, which was completed earlier this year (see prior news release dated March 11, 2009). Khan is currently working on the detailed development strategy for the project and will issue a news release highlighting the planning process at a later date.

The management and Board of Directors of Khan wish to reassure Khan's investors that Khan is continuing to take all reasonable and available steps to protect its shareholders' interests in the assets of Khan.

Forward-Looking Statements

This press release may contain forward-looking statements, which are subject to certain risks, uncertainties and assumptions. A number of factors could cause actual results to differ materially from the results discussed in such statements, and there is no assurance that actual results will be consistent with them. Such forward-looking statements are made as at the date of this news release, and Khan Resources assumes no obligation to update or revise them, either publicly or otherwise, to reflect new events, information or circumstances, except as may be required under applicable securities law.

***Khan Resources (TSX:KRI)** is a Canadian company engaged in the acquisition, exploration and development of uranium properties. Its current activities are focused on the Dornod area in north eastern Mongolia, the site of a former Russian open-pit uranium mine. Khan holds interests in the Main Dornod Property, licensed for mining, and in the Additional Dornod Property, licensed for exploration. The Company's website is www.khanresources.com.*

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