



TSX:KRI

**KHAN BOARD OF DIRECTORS RECOMMENDS SHAREHOLDERS REJECT
ARMZ'S HIGHLY INADEQUATE AND PREJUDICIAL OFFER**

TORONTO, ONTARIO, December 15, 2009 – Khan Resources Inc. (TSX:KRI) ("Khan") announced today that its Board of Directors unanimously recommends that shareholders REJECT Atomredmetzoloto JSC's ("ARMZ") unsolicited offer to acquire all of the outstanding common shares of Khan at \$0.65 in cash per share (the "Offer") and NOT TENDER their common shares to the ARMZ Offer. The Board of Directors unanimously believes that the Offer is inadequate, fails to recognize the full value of Khan and contains objectionable terms and conditions. The Board of Directors also unanimously believes that the Offer is highly prejudicial and opportunistic and exposes Khan to serious risks.

In making its recommendation, the Board of Directors received the unanimous recommendation of the Special Committee, comprised of Messrs. Grant Edey (Chairman), David McAusland, James Doak and Jean-Pierre Chauvin. The Special Committee, with the assistance of its legal and financial advisors, carefully considered all aspects of the ARMZ Offer and unanimously concluded that the ARMZ Offer is not in the best interests of Khan or its shareholders. In making its recommendation to the Board, the Special Committee considered a number of factors, including an inadequacy opinion it received from its financial advisor.

"The ARMZ Offer is not only inadequate but is also highly prejudicial and opportunistic and exposes Khan to serious risks," said Grant Edey, Chairman of the Special Committee. "ARMZ has commenced its unsolicited Offer during a critical period when Khan is making every effort to cooperate with the Government of Mongolia to re-register the essential mining and exploration licenses for the Dornod Uranium Property and to pave a path forward with the necessary and reasonable cooperation of the Mongolian Government. By doing so, ARMZ is seeking to take advantage of Khan and its shareholders at a particularly vulnerable time, and to capitalize on this regulatory uncertainty." Mr. Edey added, "The Special Committee and Khan management are focused on finding alternative strategic transactions that take into account the interests of all relevant stakeholders and recognize the reality of the current circumstances in Mongolia and the critical value of maintaining a positive working relationship with the Mongolian Government."

REASONS TO REJECT:

The Special Committee and the Board of Directors identified several factors as being the most relevant to its recommendation to shareholders that they REJECT the ARMZ Offer and NOT TENDER their common shares, including:

- ***The Offer Significantly Undervalues Khan and its Assets:*** The ARMZ Offer significantly undervalues Khan, the Dornod Uranium Property and Khan's uranium reserves and resources and represents a significant discount to the project's net asset value. If completed, the Offer would prevent shareholders from sharing in the potential upside anticipated as the Dornod Uranium Property advances closer to development and production.

- ***The ARMZ Offer is Inadequate:*** Haywood Securities Inc., financial advisor to the Special Committee, has provided a written opinion that the consideration offered under the Offer is inadequate from a financial point of view to Khan's shareholders.
- ***Highly Prejudicial and Opportunistic Offer:*** The ARMZ Offer is highly prejudicial and opportunistic and exposes Khan to serious risks, including the risk that the pending re-registrations of the essential mining and exploration licenses for the Dornod Uranium Property under the new Nuclear Energy Law may be delayed or denied. By launching its Offer during a critical period when Khan is making great efforts to work with the Mongolian Government to secure the license re-registrations in the context of the Government's renewed focus on maintaining significant influence over strategic resources in Mongolia, ARMZ has placed Khan and its future operations and ownership structure in a state of uncertainty and therefore exposed Khan to serious risks.
- ***It is NOT a Firm Offer:*** The ARMZ Offer contains highly subjective and discretionary conditions, most of which give ARMZ "sole discretion" to determine whether or not they have been satisfied. These conditions include events or uncertainties that were known to ARMZ prior to launching its Offer and would allow ARMZ to abandon its Offer today, thereby giving ARMZ a pure option to acquire Khan's shares. It is NOT a firm offer and the Board of Directors considers there to be a high risk that the ARMZ Offer will not be completed.
- ***Highly Disadvantageous Offer:*** The ARMZ Offer is highly disadvantageous in light of its timing and the circumstances in which it was made. It not only seeks to take advantage of Khan and its shareholders at a particularly vulnerable time when the Dornod license re-registration process is pending, but also at a time when Khan's share price has suffered a disproportionate decline of 50% as a result of the regulatory uncertainty unique to Khan, as compared to other comparable companies.
- ***Strategic Alternatives are being Pursued:*** Alternative strategic transactions are being pursued and evaluated by the Special Committee and which may provide greater strategic value to Khan's shareholders than the ARMZ Offer.
- ***Major Shareholders and Directors and Officers REJECT the Offer:*** Major Khan shareholders and all of Khan's Directors and officers who together hold in excess of 30% of the outstanding common shares, have indicated to Khan that they currently consider the ARMZ Offer to be inadequate and do NOT intend to tender their common shares.
- ***Khan has the Experience and Resources:*** Khan has an experienced Board and management and technical team and access to the financial resources necessary to continue to develop the Dornod Uranium Property either as a stand-alone entity or in combination with one or more third parties. Khan has established a development plan for the Dornod Uranium Property which contemplates developing the project within three years of obtaining an investment agreement from the Government of Mongolia.

THE DIRECTORS' CIRCULAR

The Board of Directors' recommendation that Khan's shareholders REJECT the ARMZ Offer and NOT TENDER their common shares, as well as a more detailed discussion of the reasons for rejecting the Offer and the full text of Haywood Securities Inc.'s inadequacy opinion, is contained in the Directors' Circular that is being mailed today to each of Khan's shareholders, and filed with Canadian securities regulatory authorities. The Directors' Circular will be available on SEDAR at www.sedar.com. Shareholders are advised to read the Directors' Circular carefully and in its entirety, as it contains important information regarding Khan, ARMZ and the ARMZ Offer.

HOW TO WITHDRAW TENDERED SHARES

To reject the ARMZ Offer, you should do nothing. The Offer is open for acceptance until February 1, 2010. Tendering your shares before the Special Committee and its advisors have had an opportunity to explore all available alternatives may preclude the possibility of a superior strategic transaction emerging.

Shareholders who have already tendered their shares to the ARMZ Offer can withdraw them at any time before they have been taken up and accepted for payment by ARMZ. Shareholders holding shares through a dealer, broker or other nominee should contact such dealer, broker or nominee to withdraw their common shares. Shareholders may also contact the information agent retained by Khan:



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North American Toll-Free Number: 1-866-374-9877
Banks and Brokers and Collect Number: 1-212-806-6859
Email: gsproxygroup@gscorp.com

ABOUT KHAN RESOURCES INC.

Khan Resources Inc. (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 northeastern 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.

Forward-Looking Statements and Information

This press release may contain forward-looking statements and forward-looking information, which are subject to certain risks, uncertainties and assumptions. Forward-looking statements and information are characterized by words such as "will", "plan", "expect", "project", "intend", "believe", "anticipate", "forecast", "schedule", "estimate" and similar expressions, or statements that certain events or conditions "may" or "will" occur. Forward-looking statements and information are not historical facts and are based upon a number of estimates and assumptions and are inherently subject to significant business, social, economic, political, regulatory, competitive and other risks and uncertainties, contingencies and other factors, including the impact of Mongolian and Canadian laws and regulatory requirements on ARMZ's Offer and Khan's business, properties, licenses, operations and capital structure, Khan's ability to re-register its existing licenses, regulatory uncertainty and obtaining governmental approvals, legislative, political, social, regulatory and economic developments or changes in jurisdictions in which Khan and ARMZ carry on business, the speculative nature of exploration and development, risks involved in the exploration, development and mining business, changes in market conditions, changes or disruptions in the securities markets and market fluctuations in prices for Khan securities, the lack of any alternative transactions or the terms and conditions of any alternative transactions not being acceptable, the method of funding and availability of potential alternative strategic transactions involving Khan, including those transactions that may produce superior strategic value to shareholders, and uncertainty

in the estimation of mineral reserves and resources. In addition, a number of other factors could cause actual results to differ materially from the results discussed in such statements and information, and there is no assurance that actual results will be consistent with them. For further details, reference is made to the risk factors discussed or referred to in Khan's annual and interim management's discussion and analyses and Annual Information Form on file with the Canadian securities regulatory authorities and available on SEDAR at www.sedar.com. Such forward-looking statements and information are made or given as at the date of this news release, and Khan 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.

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