



TSX:KRI

KHAN SIGNS MEMORANDUM OF UNDERSTANDING WITH MONATOM LLC

TORONTO, ONTARIO, January 25, 2010 – Khan Resources Inc. (TSX:KRI) ("Khan") announced today that it has signed a non-binding memorandum of understanding ("MOU") with MonAtom LLC ("MonAtom"), the Mongolian state-owned uranium development company. The MOU establishes the principal elements of a joint venture transaction which would finalize the ownership structure surrounding the Dornod uranium project, and creates a framework for developing the project and bringing it into operation as expeditiously as possible. Khan's objective in entering into this MOU is to protect and preserve value for Khan's shareholders in light of the Mongolian Nuclear Energy Law, the status of Khan's mining and exploration licenses in Mongolia and the hostile bid by JSC Atomredmetzoloto ("ARMZ"). Khan's Board of Directors believes that the transactions contemplated by the MOU will, when completed, deliver far greater value to Khan's shareholders than the \$0.65 per share offered by ARMZ in its hostile bid.

Khan's two principal assets in Mongolia are mining license 237A held by its 58% owned subsidiary Central Asian Uranium Company, Limited ("CAUC") and exploration license 9282X held by its wholly owned subsidiary Khan Mongolia XXK ("Khan Mongolia"). CAUC is a joint venture between Khan (58%), MonAtom (21%) and the Russian company JSC Priargunsky Industrial Mining and Chemical Union ("Priargunsky"), a subsidiary of ARMZ.

The principal elements of the proposed transaction include:

- the two pending applications to re-register the existing CAUC mining license and Khan Mongolia exploration license under the Nuclear Energy Law to be approved and new licenses issued within seven days of signing the MOU;
- Khan Mongolia's exploration license to be converted into a mining license within 45 days of signing the MOU.
- Khan and MonAtom would enter into a new joint venture arrangement whereby Khan and MonAtom would each hold shares of a joint venture company which would have ownership in both CAUC and Khan Mongolia.
- The proposed structure contemplates MonAtom acquiring a 51% interest in each of CAUC and Khan Mongolia in accordance with the Nuclear Energy Law, but MonAtom would then transfer to Khan part of its interest in the joint venture in exchange for newly issued shares of Khan representing 17% of Khan's outstanding shares, and a warrant to purchase an additional 2.9% of the shares of Khan at an exercise price equal to the market price on the date that the definitive agreements are signed. This transfer would result in Khan owning 65% of the joint venture company and the joint venture company owning 74% of CAUC and 100% of Khan Mongolia.
- In addition, Khan would have the right to nominate a majority of the members, including the Chair, of the management committee which will serve as the governing body of the joint venture. Certain fundamental decisions would require unanimous approval of the management committee. As long as

MonAtom remains a significant shareholder of Khan, it would be entitled to nominate two candidates for election to Khan's board of directors.

- Khan Mongolia would be appointed as the operator of the project pursuant to long term operator agreements with fees on a cost plus basis.
- The joint venture partners will use their best efforts to negotiate and finalize an investment agreement ("Investment Agreement") with the Government of Mongolia on an expedited basis, with the goal of entering into such agreement within six months after signing the definitive joint venture agreement.
- Khan and MonAtom intend that the MOU, definitive joint venture agreement and Investment Agreement will generally follow the precedent setting investment agreement entered into by Ivanhoe Mines (NYSE:IVN), Rio Tinto (NYSE:RTP) and the Government of Mongolia in respect of the Oyu Tolgoi copper and gold mining project, which provides for, among other things, a stable tax and operational environment for the project, protection of the shareholders' investment in the project, and provisions relating to mining, environmental, health, social and economic matters.

The transaction is subject to a number of conditions including negotiating and signing the formal joint venture agreement, operator agreements and related definitive documentation, as well as required approvals thereof including by the Khan and MonAtom boards. The parties intend to immediately commence negotiations on the definitive agreements with a goal of entering into such agreements before the end of March 2010.

After consultation with its financial advisors, Haywood Securities Inc., Khan's Board of Directors believes that, based on a Dornod after-tax net present value (NPV) using a 10% discount rate of U.S.\$276 million, and Khan's resulting interest in the project following the transaction contemplated by the MOU, such transaction implies a value for Khan of approximately U.S.\$2.14 (C\$2.26) per common share. Accordingly, after taking into account Khan's cash on hand of C\$0.26 per common share (after dilution), the total after-tax net asset value (NAV) attributable to Khan would be \$2.52 per common share. Khan believes this amount more closely reflects the actual value of Khan's shares and represents a significant improvement in value for Khan shareholders when compared to ARMZ's opportunistic and inadequate offer of \$0.65 per share.

"Since the passage of the Nuclear Energy Law last summer, it has been clear that the only viable path for Khan is to negotiate a mutually acceptable solution with the Government of Mongolia which achieves the Government's 51% ownership objective while protecting and maximizing value for Khan and its shareholders," said Martin Quick, President and CEO of Khan. "With this MOU, we think we have achieved the right balance. It gives us a stable ownership and regulatory platform upon which we can obtain the necessary financing to complete the project. We believe that this transaction delivers far greater long term value to Khan's shareholders than ARMZ's hostile bid."

Mr. Badamdandin, CEO of MonAtom, said: "We are very happy to have negotiated this MOU with Khan. We respect Khan's operating and financial expertise and look forward to taking Dornod as quickly and efficiently as possible to production."

"The Board of Directors and Special Committee repeat our recommendation to all Khan shareholders to reject the highly conditional and opportunistic ARMZ Offer," said Mr. James Doak, Chairman of the Khan Board. "The MOU with MonAtom offers a going concern alternative that we hope, by removing regulatory uncertainty, will increase our share price closer to its net asset value. Our Board looks forward to working with MonAtom to negotiate and sign the definitive documents necessary to reflect the transactions contemplated by the MOU and develop the Dornod deposit into an operating uranium mine."

Since ARMZ launched its hostile offer to acquire all of the outstanding common shares of Khan at \$0.65 per share on November 30, 2009 (the "ARMZ Offer"), the Special Committee of the Khan Board of Directors has been actively engaged in a process of identifying viable strategic alternatives that may be in the best interests of Khan and maximize value for its shareholders, having regard to the policies and laws of the Government of Mongolia and the unique circumstances in which Khan operates. Khan believes that the transactions contemplated by the MOU provide greater clarity for all interested parties to assess the true value of Khan and provides shareholders with a viable strategic alternative to the ARMZ Offer. Khan cautions, however, that the MOU is non-binding and is subject to negotiation of definitive documentation and other conditions. There can be no assurance that the transactions contemplated by the MOU will be concluded or that the terms and conditions or proposed final structure will not change.

UPDATE ON THE ARMZ OFFER

More information about the circumstances in Mongolia and the ARMZ Offer is provided in the Directors' Circular dated December 15, 2009 issued by Khan's Board of Directors. The Board continues to stand by its unanimous recommendation that shareholders reject the ARMZ Offer and not tender their shares to the ARMZ Offer. Khan strongly urges shareholders to read the Directors' Circular in its entirety and particularly the detailed "Reasons for Rejection" set out therein and summarized in Khan's related press release dated December 15, 2009, copies of which are available on SEDAR at www.sedar.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.

ABOUT MONATOM LLC.

MonAtom LLC is a Mongolian state-owned company in charge of representing the government of Mongolia in all activities regarding radioactive minerals. MonAtom LLC represents the Mongolian state ownership in all uranium projects in Mongolia and is the holder of all uranium licenses under Mongolian state control.

Forward-Looking Statements and Information

This press release contains 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 the terms and conditions of the MOU, the ARMZ 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, MonAtom 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, including those contemplated by the MOU, not being acceptable, definitive documentation relating to the transactions contemplated by the MOU not being negotiated or entered into, or entered into on the terms currently contemplated, 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.

Investor Relations Contacts:

Martin Quick
President & CEO
Khan Resources Inc.
Office: 416.360.3405
mquick@khanresources.com

Jonathan Buick
The Buick Group
Office: 416.915.0915, Ext. 302
Toll Free: 1.877.748.0914
jbuick@buickgroup.com