



February 18, 2010

Dear Shareholders:

On behalf of the Board of Directors, I would like to invite you to attend Khan's Annual and Special Meeting of Shareholders to be held on March 24, 2010 at 10:00 a.m. (Eastern Standard Time) in the TSX Gallery at the Toronto Exchange Tower.

At the meeting, we will report to you on Khan's performance for fiscal 2009 and our plans for the future. You will also be able to meet and ask questions of the Board of Directors and senior management.

The enclosed Management Information Circular describes the business to be conducted at the meeting, including ratifying and confirming Khan's existing shareholder rights plan. It is important that you exercise your vote, either in person at the meeting or by completing and sending in your proxy form, particularly in light of recent developments affecting Khan.

We hope that we will have the opportunity to welcome you to this year's Annual and Special Meeting.

Sincerely,

JAMES B. C. DOAK (signed)
Chairman

KHAN RESOURCES INC.



141 Adelaide Street West, Suite 1007
Toronto, Ontario, Canada M5H 3L5

Notice of the Annual and Special Meeting of Shareholders

NOTICE is hereby given that the Annual and Special Meeting of the Shareholders (the "Meeting") of Khan Resources Inc. (the "Corporation" or "Khan") will be held in the TSX Gallery, located at the Toronto Exchange Tower, 130 King Street West, Toronto, Ontario on March 24, 2010 at 10:00 a.m. (Toronto time) in order to:

1. receive the consolidated financial statements of the Corporation for the year ended September 30, 2009 and the auditors' report thereon;
2. elect the directors for the ensuing year;
3. appoint the auditors for the ensuing year and authorize the directors to fix their remuneration;
4. consider and, if deemed appropriate, adopt a resolution (the full text of which is set out in Appendix C of the accompanying Management Information Circular and Proxy Statement (the "Circular")) to ratify and approve the continuation of the existing shareholder rights plan of the Corporation, all as more particularly described in the accompanying Circular; and
5. transact such other business as may properly be brought before the Meeting and any postponement or adjournment thereof.

Khan's Board of Directors has fixed the close of business on February 22, 2010 as the record date for determining Shareholders entitled to receive notice of, attend and to vote at, the Meeting and any postponement or adjournment of the Meeting. Only the holders of record of Khan common shares are entitled to have their votes counted at the Meeting. Holders who have acquired Khan common shares after the record date are entitled to vote those shares at the Meeting upon producing properly endorsed share certificates, or otherwise establishing share ownership, and requesting the inclusion of their name in the list of shareholders not later than ten days before the date of the Meeting.

DATED at Toronto, Ontario, this 18th day of February, 2010.

By Order of the Board of Directors,

Paul D. Caldwell (signed)
Chief Financial Officer and Corporate Secretary

Shareholders are cordially invited to attend the Meeting. Shareholders are urged to complete and return the enclosed proxy or voting instruction form promptly. **To be effective, Khan proxies must be received at the Toronto office of Equity Transfer & Trust Company ("Equity Transfer"), the Corporation's registrar and transfer agent, by 10:00 a.m. (Toronto time) on March 22, 2010 or the last business day prior to any adjourned or postponed Meeting.** Shareholders whose common shares are held by a nominee may receive either a voting instruction form or form of proxy from such nominee and should carefully follow the instructions provided by the nominee in order to have their shares voted at the Meeting.

Proxies will be counted and tabulated by Equity Transfer, the Corporation's registrar and transfer agent, in such a manner as to protect the confidentiality of how a particular shareholder votes except where they contain comments clearly intended for management, in the case of a proxy contest, or where it is necessary to determine the proxy's validity or to permit management and the Board of Directors to discharge their legal obligations to the Corporation or its shareholders.

KHAN RESOURCES INC.



141 Adelaide Street West, Suite 1007
Toronto, Ontario, Canada M5H 3L5

MANAGEMENT INFORMATION CIRCULAR AND PROXY STATEMENT

This Management Information Circular and Proxy Statement, including all Appendices hereto (the "Circular") is furnished in connection with the solicitation of proxies by the management of Khan Resources Inc. (the "Corporation" or "Khan") for use at the Annual and Special Meeting of Shareholders (or any postponement or adjournment thereof) of Khan (the "Meeting") to be held at 10:00 a.m. (Toronto time) on March 24, 2010 for the purposes set forth in the accompanying Notice of Meeting.

The solicitation of proxies will be primarily by mail, but proxies may also be solicited personally, by telephone, by e-mail, by internet or other means of communication by regular employees, officers and agents of the Corporation for which no additional compensation will be paid. The cost of preparing, assembling and mailing this Circular, the Notice of Meeting, the proxy form, the voting instruction form and any other material relating to the Meeting and the cost of soliciting proxies has been or will be borne by Khan. It is anticipated that copies of this Circular, the Notice of Meeting, and accompanying proxy form or voting instruction form will be distributed to shareholders on or about March 3, 2010.

This Circular provides the information that you need to vote at the Meeting.

- If you are a registered holder of common shares of Khan ("Common Shares"), we have enclosed a proxy form that you can use to vote at the Meeting.
- If your Common Shares are held by a nominee, you may receive either a form of proxy or voting instruction form from such nominee and should carefully follow the instructions provided by the nominee in order to have your Common Shares voted at the Meeting.

Unless otherwise indicated, the information in this Circular is given as at February 18, 2010 and all references to financial results are based on our financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Unless otherwise indicated, all references to "\$" are to Canadian dollars.

These security holder materials are being sent to both registered and non-registered owners of the securities. If you are a non-registered owner, and Khan or its agent has sent these materials directly to you, your name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf. By choosing to send these materials to you directly, Khan (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

VOTING INFORMATION

Voting Matters

At the Meeting, shareholders are voting on the election of directors, the appointment of auditors and authorization of the board of directors of Khan (the "Board of Directors" or "Board") to fix their remuneration and the adoption of a resolution set out in Appendix C to ratify and approve the continuation of the existing shareholder rights plan of the Corporation (the "Shareholder Rights Plan Resolution").

Who Can Vote

The record date for the Meeting is February 22, 2010. Holders of Common Shares as of the close of business on February 22, 2010 are entitled to vote at the Meeting. Each Common Share is entitled to one vote on those items of business identified in the Notice of Meeting.

If you have acquired Common Shares after the record date, you are entitled to vote those shares at the Meeting upon producing properly endorsed share certificates or otherwise establishing share ownership, and requesting the inclusion of your name in the list of shareholders not later than ten days before the date of the Meeting.

Voting your Common Shares

Registered Shareholders

If you are a registered shareholder, you may attend and vote in person at the Meeting or give another person authority to represent you and vote your shares at the Meeting, as described below under "Voting by Proxy".

Non-registered Shareholders

Your Common Shares may not be registered in your name but in the name of a nominee, which is usually a trust company, securities broker or other financial institution. If your Common Shares are registered in the name of a nominee, you are a non-registered shareholder. Your nominee is required to seek your instructions as to how to vote your shares. You may vote your Common Shares through your nominee or in person.

To vote your Common Shares through your nominee, you should carefully follow the instructions of your nominee with respect to the procedures to be followed for voting. Generally, nominees will provide non-registered shareholders with either: (a) a voting instruction form for completion and execution by you, or (b) a proxy form, executed by the nominee and restricted to the number of shares owned by you, but otherwise uncompleted. These procedures are to permit non-registered shareholders to direct the voting of the Common Shares that they beneficially own.

If you are a non-registered shareholder, to vote your shares in person at the Meeting, you should take the following steps:

- (1) appoint yourself as the proxy holder by writing your own name in the space provided on the voting instruction form or form of proxy, and
- (2) follow the nominee's instructions for return of the executed form or other method of response.

Do not otherwise complete the form as your vote, or your designate's vote, will be taken at the Meeting.

Voting by Proxy

If you will not be at the Meeting or do not wish to vote in person, you may still vote by using the enclosed proxy form. A proxy must be in writing and must be executed by you or by your attorney authorized in writing.

Your Proxy Vote

On the proxy form, you can indicate how you want to vote your Common Shares, or you can let your proxy holder decide for you.

All Common Shares represented by properly completed proxies received at the Toronto office of Equity Transfer & Trust Company ("Equity Transfer") by 10:00 a.m. (Toronto time) on March 22, 2010 or the last business day before any adjourned or postponed Meeting will be voted or withheld from voting, in accordance with your instructions as specified in the proxy, on any ballot votes that take place at the Meeting.

If you give directions on how to vote your shares, your proxy holder must vote your shares according to your instructions. If you have not specified how to vote on a particular matter, then your proxy holder can vote your shares as he or she sees fit. **If neither you nor your proxy holder gives specific instructions, your Common Shares will be voted as follows:**

- **FOR** the election of the eight nominees as directors for the ensuing year;
- **FOR** the appointment of Ernst & Young LLP as independent auditors for the ensuing year and the authorization of the directors to fix their remuneration, and
- **FOR** the Shareholder Rights Plan Resolution as set out in Appendix C of this Circular.

Appointing a Proxy holder

A proxy holder is the person you appoint to act on your behalf at the Meeting and to vote your shares. **You may choose anyone to be your proxy holder, including someone who is not a shareholder of Khan.** Simply fill in the name in the blank space provided on the enclosed proxy form. If you leave the space in the proxy form blank, the persons designated in the form, who are officers of Khan, are appointed to act as your proxy holder.

Your proxy authorizes the proxy holder to vote and act for you at the Meeting, including any continuation after an adjournment or postponement of the Meeting.

Revoking Your Proxy

If you give a proxy, you may revoke it at any time before it is used by doing any one of the following:

- You may send another proxy form with a later date to the Toronto office of Equity Transfer, but it must reach Equity Transfer by 10:00 a.m. (Toronto time) on March 22, 2010 or the last business day before any adjourned or postponed Meeting.
- You may deliver a signed instrument in writing, stating that you want to revoke your proxy, to the Corporate Secretary of the Corporation no later than 10:00 a.m. (Toronto time) on March 22, 2010, or the last business day before any adjourned or postponed Meeting, at the Corporation's registered office located at 141 Adelaide Street West, Suite 1007, Toronto, Ontario, M5X 3L5 or by facsimile at (416) 360-3417.
- You may attend the Meeting and notify the Chairman of the Meeting prior to the commencement of the Meeting that you have revoked your proxy.
- You may revoke your proxy in any other manner permitted by law.

ADDITIONAL MATTERS PRESENTED AT THE ANNUAL AND SPECIAL MEETING

The enclosed proxy form or voting instruction form confers discretionary authority upon the persons named as proxies therein with respect to any amendments or variations to the matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting.

If you sign and return the proxy form for Common Shares and any matter is presented at the Meeting in addition to the matters described in the Notice of Meeting, the Khan officers named as proxies will vote in their best judgment. When this Circular went to press, management of Khan was not aware of any matters to be considered at the Meeting other than the matters described in the Notice of Meeting or any amendments or variations to the matters described in such notice.

VOTING SHARES

The Common Shares are the only shares entitled to vote at the Meeting. As at February 18, 2010, 53,913,779 Common Shares were issued and outstanding. The holders of Common Shares are entitled to one vote per share.

PRINCIPAL HOLDERS OF VOTING SHARES

To the knowledge of the directors and senior officers of Khan, no person beneficially owns, directly or indirectly, or exercises control or direction over, directly or indirectly, voting securities carrying ten percent or more of the voting rights attached to any class of voting securities of the Corporation, except as disclosed below.

<u>Name of Shareholder</u>	<u>Number of Common Shares beneficially owned, controlled or directed, directly or indirectly</u>	<u>Percentage of Common Shares beneficially owned, controlled or directed, directly or indirectly</u>
Laramide Resources Ltd.	7,100,000	13.2%
JCS Compass Asset Management.....	5,669,100	10.5%

Note:

⁽¹⁾ Based on insider reports publicly filed on the System for Electronic Disclosure by Insiders ("**SEDI**") as at February 18, 2010.

AUDITED FINANCIAL STATEMENTS

The consolidated financial statements for the financial year ended September 30, 2009 and the report of the auditors thereon which accompany this Circular will be submitted to the Meeting of shareholders. Receipt at such Meeting of the auditors' report and the Corporation's financial statements for this financial period will not constitute approval or disapproval of any matters referred to therein.

ELECTION OF DIRECTORS

It is proposed that the eight people listed below be nominated for election as directors of Khan to hold office until the next annual meeting or until their successors are elected or appointed. All of the proposed nominees are currently directors of Khan and have been since the dates indicated. The articles of amendment of the Corporation provide for a minimum of one and a maximum of nine directors.

The Board of Directors recommends that shareholders vote for the election of the proposed nominees set out below. Unless otherwise instructed, proxies and voting instructions given pursuant to this solicitation by the management of Khan will be voted for the election of the proposed nominees. If any proposed nominee is unable to serve as a director, the individuals named in the enclosed form of proxy reserve the right to nominate and vote for another nominee in their discretion.

Nominees for Election as Directors

The following table sets forth for each nominee for election as director: place of residence; present principal occupation and principal occupations held in the last five years, if different; a brief description of the nominee's principal directorships, memberships and education; the number of Common Shares beneficially owned, directly or indirectly, or over which control or direction, directly or indirectly, is exercised; the number of outstanding options to acquire Common Shares held by the nominee under Khan's stock option plan; the date the nominee became a director of Khan; current membership on committees of the Board; record of attendance at meetings of the Board and its committees during the 12 months ended September 30, 2009; and whether or not the Board has determined each nominee to be independent. There are no contracts, arrangements or understandings between any director or executive officer or any other person pursuant to which any of the nominees has been nominated.

<p>James B. C. Doak Toronto, Ontario, Canada</p> <p>Shares: 1,000,000 ⁽¹⁾ Options: 350,000</p>	<p>James B. C. Doak, Chairman and Director of Khan, has over 25 years experience as a chartered financial analyst. Mr. Doak has served as the President and Managing Partner of Megantic Asset Management Inc., a Toronto-based investment company, since 2002. Mr. Doak is a Director of Cascades Inc., Purepoint Uranium Group Inc. and of Eurocopter Canada Ltd., and serves as Chair, Audit Committee for both Eurocopter and Purepoint. As well, he is a former Director of PetroKazakhstan Inc., Superior Propane Inc. and Spar Aerospace Inc. Mr. Doak has held senior positions at ScotiaMcLeod Inc., First Marathon Securities Ltd., McLeod Young Weir Ltd., was a founder of Enterprise Capital Management Inc., where he served as President and Managing Partner from 1997 to 2002, and is a past President and Director of the Toronto Society of Financial Analysts and a past Chair and Director of the Toronto French School. Mr. Doak has published a number of columns in two Canadian financial publications. He holds a Diplôme des études collégiales from McGill University and a B.A. in Economics from the University of Toronto.</p> <p>Khan Board Details:</p> <ul style="list-style-type: none"> • Director since September 30, 2005 • Committee memberships: Audit and Finance; Compensation; Corporate Governance and Nominating; Special and Strategic Review • Meetings attended: Board - 9 of 9 regular; Audit and Finance Committee - 4 of 4; Compensation Committee - 3 of 3; Corporate Governance and Nominating Committee - 1 of 1; Special - 7 of 7; Strategic Review - 1 of 1 • Independent
<p>Jean-Pierre Chauvin Oakville, Ontario, Canada</p> <p>Shares: 66,000 ⁽¹⁾ Options: 100,000</p>	<p>Jean-Pierre Chauvin, Director of Khan, Chairman of the Compensation Committee, has over 30 years of experience in the mining and construction industries. Since January 2009, Mr. Chauvin has been retired. From July 2006 to January 2009, Mr. Chauvin has served as Chief Operating Officer of Globestar Mining Corp. and was promoted to President in October 2006. Prior to March 2006, he was President, Chief Executive Officer and a Director of Patricia Mining Corporation, having assumed these positions in 2004. Since 2001, Mr. Chauvin has also acted as President and Senior Consultant of Chauvin Engineering Ltd., based in Oakville, Ontario. This company consults in the mining industry focusing on operational reviews and feasibility studies. Prior to 2001, he has served as a Director of Battle Mountain Canada Ltd., Crown Butte Resources Ltd., the Mining Association of Canada and the Ontario Mining Association. Mr. Chauvin has also served as General Manager of Canadian Operations for Battle Mountain Gold Co. Mr. Chauvin is an engineer holding a B.Sc. in Mining Engineering from Queen's University.</p> <p>Khan Board Details:</p> <ul style="list-style-type: none"> • Director since July 19, 2005 • Committee memberships: Compensation (Chair); Special⁽³⁾; Technical Advisory • Meetings attended: Board - 9 of 9 regular; Compensation Committee - 3 of 3; Technical Advisory Committee - 2 of 2 • Independent
<p>Grant A. Edey Mississauga, Ontario, Canada</p> <p>Shares: 25,000 ⁽¹⁾</p>	<p>Grant A. Edey, Director of Khan, Chairman of the Audit and Finance, Special, and Strategic Review Committees, has over 30 years of financial experience primarily in the mining industry. Mr. Edey retired from IAMGOLD Corporation where he was Chief Financial Officer from 2003 to 2007. From 1996 to 2002, he was Vice-President, Finance, Chief Financial Officer and</p>

<p>Options: 100,000</p>	<p>Corporate Secretary of Repadre Capital Corporation. Prior to 1996, he held senior positions with Strathcona Mineral Services Limited, TransCanada Pipelines Limited, Eldorado Nuclear Limited, Rio Algom Limited and INCO Limited. Mr. Edey is also a Director of Baffinland Iron Mines Corporation. Mr. Edey holds a B.Sc. in Mining Engineering from Queen's University and an M.B.A. from the University of Western Ontario.</p> <p>Khan Board Details:</p> <ul style="list-style-type: none"> • Director since February 15, 2007 • Committee memberships: Audit and Finance (Chair); Special (Chair); Strategic Review (Chair); Technical Advisory • Meetings attended: Board - 9 of 9 regular; Audit and Finance Committee - 4 of 4; Special - 7 of 7; Strategic Review - 1 of 1; Technical Advisory Committee - 2 of 2 • Independent
<p>Stephen W. Harapiak, Oakville, Ontario, Canada</p> <p>Shares: nil ⁽¹⁾ Options: 300,000</p>	<p><i>Stephen W. Harapiak</i>, Director of Khan, is a graduate in Mechanical Engineering from the University of Manitoba and has spent his entire career in the minerals industry. He has worked in the uranium, potash, iron, base metal and gold sectors. His experience spans the entire range of activity from engineering, construction and project management to operation of mining, milling and refining facilities. He has also served in senior executive positions in major companies in Canada and abroad; Canadian companies include Noranda, Denison Mines and Potash Corporation of Saskatchewan where he served as President and CEO. His international experience includes engineering assignments in Chile, Cuba and Russia. Additionally, he has headed up major mineral projects in Zambia (Director of operations - Zambia Consolidated Copper Mines), in Russia (General Director of Kubaka Gold Mine, a Russian American joint venture green fields project) and in Kazakhstan (Senior Vice President of Kazzinc, a Glencore company, with responsibility for all operations and new projects for this integrated mining, smelting and refining company). Most recently, he was retained as a consultant to the International Finance Corporation (World Bank Group) overseeing mining supply chain development projects in Russia. He is currently employed by Victory Nickel Inc. in the capacity of President and Chief Operating Officer. His previous directorships include Belmoral Gold Mines, Potash Corporation of Saskatchewan and Software Innovation, a Kitchener based software development company. He is Past President of the CIM and is a member of the Professional Engineers of Ontario. He has served on various industry, government, professional and educational advisory boards.</p> <p>Khan Board Details:</p> <ul style="list-style-type: none"> • Director since February 14, 2008 • Committee memberships: Corporate Governance and Nominating; Technical Advisory • Meetings attended: Board - 8 of 9 regular; Corporate Governance and Nominating - 1 of 1; Technical Advisory - 2 of 2 • Independent
<p>Peter J. M. Hooper Toronto, Ontario, Canada</p> <p>Shares: 90,000 ⁽¹⁾ Options: 100,000</p>	<p><i>Peter J. M. Hooper</i>, Director of Khan, Chairman of the Technical Advisory Committee, is a senior mining executive with broad-based experience in production, engineering, reorganization and training, contracting, exploration and corporate affairs. Mr. Hooper has a long track record in the mining industry in South Africa, Canada, Australia and Ghana. Currently, Mr. Hooper is CEO of Macusani Yellowcake Inc., a company he was instrumental in founding in 2006. From April 2004 to September 2005, Mr. Hooper served as the Chief</p>

	<p>Operating Officer for Afcan Mining Corporation. From 2002 until 2004, Mr. Hooper served as Managing Director of mineral resources at Kingsdale Capital Corporation. Mr. Hooper also served as President of Valencia Resources Inc. from 2000 to 2005. From 1999 to 2001, Mr. Hooper provided consulting engineering services through his company, Hooper Mining Services Inc. His senior management experience includes uranium production in Canada with Eldorado Nuclear Uranium Mines Ltd., 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. and Dynatec Engineering Ltd. His consulting engineering projects have been conducted in Canada, the United States, Cuba, Colombia, Venezuela, Mexico, Chile, South Africa, Zimbabwe, Ghana, Zambia, Australia, Kyrgyzstan, Kazakhstan, Uzbekistan, Russia, Saudi Arabia and France. Mr. Hooper holds a B.Sc. in Mining Engineering from the University of the Witwatersrand, South Africa. He is a director and/or officer of several public mining companies.</p> <p>Khan Board Details:</p> <ul style="list-style-type: none"> • Director since July 19, 2005 • Committee memberships: Audit and Finance; Technical Advisory (Chair) • Meetings attended: Board - 8 of 9 regular; Audit and Finance Committee - 2 of 4; Corporate Governance and Nominating Committee - 1 of 1; Technical Advisory Committee - 2 of 2 • Independent
<p>Hon. Robert P. Kaplan (2) Toronto, Ontario, Canada Shares: 75,000⁽¹⁾ Options: 100,000</p>	<p><i>Hon. Robert P. Kaplan</i>, Director of Khan, Chairman of the Corporate Governance and Nominating Committee, has over 40 years of experience as a lawyer, businessman and elected politician. Mr. Kaplan retired from a 25-year career in elective politics in 1993. He was a Federal Member of Parliament and Cabinet Minister in the Governments of the Rt. Hon. Pierre-Elliott Trudeau and Rt. Hon. John N. Turner. Mr. Kaplan is a Trustee of H&R REIT. As well, he is a former Director and Chairman of PetroKazakhstan Inc. Mr. Kaplan is a founding Trustee of the State Hermitage Museum Foundation of Canada, one of five international foundations which support the Hermitage Museum in St. Petersburg, Russia. He has also been honoured by being named a Chevalier of the Legion of Honour by the President of France. Mr. Kaplan has served as the Honorary Consul General of Kazakhstan for Canada for the last 15 years. Mr. Kaplan holds a B.A. in Sociology and an LL.B. from the University of Toronto. He was called to the Ontario Bar in 1963.</p> <p>Khan Board Details:</p> <ul style="list-style-type: none"> • Director since February 15, 2007 • Committee memberships: Compensation; Corporate Governance and Nominating (Chair) • Meetings attended: Board - 8 of 9 regular; Compensation Committee - 3 of 3; Corporate Governance and Nominating Committee - 1 of 1 • Independent

<p>David L. McAusland Montreal, Quebec, Canada</p> <p>Shares: nil ⁽¹⁾ Options: 300,000</p>	<p>David L. McAusland, Director of Khan, is a senior corporate lawyer, advisor and corporate director. A graduate of the Faculty of Law of McGill University, he practiced law for over 20 years at a prominent Montreal law firm. In 1999 he became a senior executive with Alcan Inc., a major Canadian industrial and resource company, retiring as Executive Vice-President, Corporate Development and Chief Legal Officer in 2008 when the company was acquired. In 2009 Mr. McAusland joined McCarthy Tétrault LLP, a major law firm in Canada, as a Partner. Mr. McAusland currently acts as Director of Cogeco Inc. and Cogeco Cable Inc., Cascades Inc., Equinox Minerals Ltd. and World Color Press, Inc. He serves as a member of the Corporate Governance Committees for Cascades Inc. and Equinox Minerals, is a member of the Compensation Committee of Equinox Minerals Ltd. and a member of the Audit Committee of World Color Press, Inc. Mr. McAusland is also Chair of the Reform Implementation Council for the Royal Canadian Mounted Police, Chairman of the Foundation of the National Circus School, and a Director of Centraide of Greater Montreal.</p> <p>Khan Board Details:</p> <ul style="list-style-type: none"> • Director since April 23, 2008 • Committee memberships: Audit and Finance; Compensation; Special • Meetings attended: Board - 9 of 9 regular; Audit and Finance - 2 of 4; Compensation - 1 of 3; Special - 5 of 7 • Independent
<p>Martin Quick Toronto, Ontario, Canada</p> <p>Shares: 199,500 ⁽¹⁾ Options: 430,000</p>	<p>Martin Quick, Director, President and Chief Executive Officer of Khan, has over 45 years of worldwide mining experience in both underground and open pit operations. Mr. Quick joined Khan on January 16, 2006. He has held senior mining production and engineering positions in Africa, Australia, Fiji, the United States and Canada and has acted in the capacity of mining consultant for gold operations in Central and South America. From August 2004 until December 2005, Mr. Quick was President and Chief Operating Officer of Power Resources Inc., a wholly-owned subsidiary of Cameco Corporation, a global producer of uranium for the nuclear power industry. Mr. Quick's responsibilities at Power Resources Inc. included the operation, development and expansion of the company's in-situ leach uranium mines at Smith Ranch/Highlands in Wyoming, Crow Butte in Nebraska and the Inkai project in Kazakhstan. Prior to this appointment, from March 2001 to July 2004, Mr. Quick was Vice President - Mining with Cameco Corporation, based in Saskatoon, where he was responsible for Cameco's Northern Saskatchewan operations including the world's largest uranium mine at McArthur River/Key Lake, as well as the restart of the Eagle Point Mine at Rabbit Lake and the planning and development of the Cigar Lake project. Prior to joining Cameco, Mr. Quick held positions as General Manager of Cogema's Cluff Lake uranium mine in Northern Saskatchewan and Rio Algom's now decommissioned Quirke and Stanleigh uranium mines in Ontario, Canada. He is a Professional Engineer (P.Eng.) in the province of Saskatchewan and a graduate of the Camborne School of Metalliferous Mining (ACSM), in the United Kingdom.</p> <p>Khan Board Details:</p> <ul style="list-style-type: none"> • Director since January 18, 2006 • Committee memberships: Strategic Review • Meetings attended: Board - 9 of 9 regular; Special⁽⁴⁾ - 7 of 7; Strategic Review - 1 of 1 • Non-Independent (President & Chief Executive Officer of Khan)

Notes:

- (1) The information about Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, not being within the knowledge of Khan, has been furnished by the respective nominees. Unless otherwise indicated, (a) beneficial ownership is direct and (b) the person indicated has sole voting and investment power.
- (2) Hon. Robert P. Kaplan was a director of Hurricane Hydrocarbons Ltd. (subsequently PetroKazakhstan Inc.) when the company was granted protection from its creditors under the *Companies Creditors Arrangement Act* (Canada) from May 1999 until March 2000. Mr. Kaplan also ceased to be a director of Mooney Aerospace Group, Ltd. approximately 10 months prior to June 2004 when the company filed voluntary petitions for reorganization under Chapter 11 of United States federal bankruptcy laws.
- (3) Jean-Pierre Chauvin was appointed to the Special Committee on November 10, 2009.
- (4) Martin Quick resigned from the Special Committee on November 10, 2009.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Effective corporate governance is a priority for the Board of Directors. In developing Khan's corporate governance practices, the Board of Directors has taken into account the rules and guidelines adopted by the Canadian Securities Administrators ("CSA") in June 2005 (National Instrument 58-101 - *Disclosure of Corporate Governance Practices* ("NI 58-101") and National Policy 58-201 - *Corporate Governance Guidelines* (the "CSA Governance Requirements")), which require Khan to disclose certain information relating to its corporate governance practices.

The CSA Governance Requirements set out 9 best practices drawn from existing Canadian standards and U.S. regulatory standards. Khan is required to describe certain aspects of its corporate governance practices in its management information circular, including a discussion of any practices that are inconsistent with the CSA Governance Requirements. This information is set out in Appendix A to this Circular.

The CSA has also enacted rules regarding the composition of audit committees (Multilateral Instrument 52-110 - *Audit Committees*) and the certification of an issuer's disclosure controls and procedures (Multilateral Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings*). Khan is currently in compliance with these rules. For the year ended September 30, 2009, the Chief Executive Officer and Chief Financial Officer were required to file a certificate to certify that Khan established appropriate disclosure controls and procedures, that management has evaluated the effectiveness of these controls and procedures and that management has appropriately designed internal controls over financial reporting, and has disclosed in Khan's Management Discussion & Analysis ("MD&A") its conclusions about the effectiveness of the disclosure controls and procedures as well as any material changes relative to the system of internal controls over financial reporting.

In this Circular and in the attached Appendix A, the term "independent" director has the corresponding meaning given to the term "independent" director in NI 58-101; namely, a director who has no direct or indirect material relationship with the Corporation which could, in the view of the Board of Directors, be reasonably expected to interfere with the exercise of the Director's independent judgement. A majority of the nominees standing for election as directors, are "independent" within the meaning of NI 58-101.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has established six committees: an Audit and Finance Committee, a Compensation Committee, a Corporate Governance and Nominating Committee, a Special Committee, a Strategic Review Committee and a Technical Advisory Committee. A brief description of each committee is set out below.

Audit and Finance Committee. The Audit and Finance Committee assists the Board of Directors in fulfilling its responsibilities for oversight of financial and accounting matters. The committee recommends the auditors to be nominated and reviews the compensation of the auditors. The committee is directly responsible for overseeing the work of the auditors, must pre-approve non-audit services, be satisfied that adequate procedures are in place for the review of our public disclosure of financial information extracted or derived from Khan's financial statements and must establish procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters. The current members of the Audit and Finance Committee are Grant A. Edey (Chair), James B. C. Doak, Peter J. M.

Hooper, and David L. McAusland. Reference should be made to "Audit Committee and Auditors" in the Corporation's Annual Information Form for the year ended September 30, 2009 dated December 17, 2009 for additional information concerning the Audit and Finance Committee.

Compensation Committee. The Compensation Committee assists the Board of Directors in fulfilling its responsibilities for compensation philosophy and guidelines, and fixing compensation levels for Khan's executive officers. In addition, the committee is charged with reviewing the employee stock option plan and proposing changes thereto, approving any awards of options under the employee stock option plan and recommending any other employee benefit plans, incentive awards and perquisites with respect to Khan's executive officers. The committee is also responsible for reviewing, approving and reporting to the Board annually (or more frequently as required) on Khan's succession plans for its executive officers. The current members of the Compensation Committee are Jean-Pierre Chauvin (Chair), James B. C. Doak, Hon. Robert P. Kaplan, and David L. McAusland.

Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee assists the Board of Directors in fulfilling its responsibilities for corporate governance. The committee provides a focus on corporate governance to enhance corporate performance and ensure, on behalf of the Board and shareholders, that the Corporation's governance system is effective. The committee's duties and responsibilities include assessing and making recommendations regarding Board effectiveness, reviewing the size and composition of the Board, its general responsibilities and functions, the organization and responsibilities of Board committees and the operations and procedures of the Board as well as for establishing a process for identifying, recruiting, appointing, re-appointing and providing ongoing development for directors. The current members of the Corporate Governance and Nominating Committee are Hon. Robert P. Kaplan (Chair), James B. C. Doak, Peter J. M. Hooper, and Stephen W. Harapiak.

Special Committee. The Special Committee assists the Board of Directors in fulfilling its responsibilities to be adequately prepared in the event that a transaction involving the acquisition of all or substantially all of the shares of the Corporation or of a controlling interest in the Corporation is proposed by a third party or the Board of Directors otherwise determines that a change of control or alternative strategic transaction is desirable. The responsibilities of the committee include considering and making recommendations to the Board of Directors concerning all such steps as the committee considers necessary or advisable and in the best interests of the Corporation and its shareholders in order to prepare itself for (i) any take-over bid or other offer to acquire shares of the Corporation, any acquisition of all or substantially all of the assets of the Corporation, any merger, amalgamation, plan of arrangement, consolidation, reorganization or other business combination pursuant to which the assets and business of the Corporation are combined with one or more entities, or any other similar transaction; (ii) any alternatives to any of the aforementioned transactions, including, without limitation, any transaction with a strategic partner or investor, which may include a private placement of shares or other securities, a joint venture, an asset swap or any other type of transaction; or (iii) any proposal or intention to effect any of the aforementioned transactions. The current members of the Special Committee are Grant A. Edey (Chair), James B. C. Doak, Jean-Pierre Chauvin, and David L. McAusland.

Strategic Review Committee. The Strategic Review Committee assists the Board of Directors from time to time in fulfilling its responsibilities in relation to identifying, reviewing and assessing investment opportunities for the Corporation outside of Mongolia. The current members of the Strategic Review Committee are Grant A. Edey (Chair), James B. C. Doak, and Martin Quick.

Technical Advisory Committee. The Technical Advisory Committee assists the Board of Directors in fulfilling its responsibilities for operational issues, including environmental, geological, engineering and safety issues. The primary responsibility for these issues, including compliance with laws and regulations, rests with management; however, the committee assists the Board of Directors in establishing, reviewing and complying with corporate policies to follow in accomplishing the Corporation's goals and objectives relating to operations. The current members of the Technical Advisory Committee are Peter J. M. Hooper (Chair), Jean-Pierre Chauvin, Grant A. Edey, and Stephen W. Harapiak.

STATEMENT OF EXECUTIVE COMPENSATION

Unless otherwise stated, "dollars" or "\$" means Canadian dollars.

Compensation Discussion and Analysis

This section of the Circular explains how the Corporation's executive compensation program is designed and operated with respect to the President and CEO (referred to as the "CEO" in the narrative discussion in this section and under the section entitled "Executive Compensation Tables"), Chief Financial Officer and Corporate Secretary ("CFO"), and the three other most highly compensated executives included in this reported financial year whose total compensation was, individually, more than \$150,000 (together with the CEO and CFO collectively referred to as the "NEOs", and each an "NEO"). This section also identifies the objectives and material elements of compensation awarded to the NEOs and the reasons for the compensation. For a complete understanding of the executive compensation program, this Compensation Discussion and Analysis should be read in conjunction with the Summary Compensation Table and other executive compensation-related disclosure included in this Circular.

The philosophy of the Compensation Committee of the Board of Directors (the "Compensation Committee") is to determine compensation for the Corporation's executive officers relative to the performance of the Corporation in executing on its objectives.

The Compensation Committee's assessment of corporate performance is based on a number of qualitative and quantitative factors including execution of on-going projects and transactions, safety, operational performance and progress on key growth initiatives. For the most recently completed financial year-ended September 30, 2009, the Compensation Committee determined the overall corporate performance rating to be "at target". NEOs do not automatically receive any particular award based on the Compensation Committee's determination of the overall performance of the Corporation, but rather the determination establishes the background for the Compensation Committee's subsequent review of the NEOs' individual performance. The Compensation Committee's decisions with respect to Total Direct Compensation for NEOs for 2009 are noted below in the section "Compensation Decisions for 2009".

Named Executive Officers

The CEO at the end of the most recently completed financial year-end was Martin Quick.

The CFO at the end of the most recently completed financial year-end was Paul D. Caldwell.

The Corporation had one other NEO at the end of the most recently completed financial year-end, Enkhbayar Ochirbal, Vice President, Governmental Affairs.

Objectives of the Compensation Program

The objectives of the Corporation's executive compensation program are:

- to reward individual contributions in light of overall business results;
- to be competitive with the companies with whom the Corporation competes for talent;
- to align the interests of the executives with the interests of the shareholders; and
- to attract and retain executives who can help the Corporation achieve its objectives.

Elements of Executive Compensation

Total direct compensation ("Total Direct Compensation") represents the combined value of fixed compensation and performance-based variable incentive compensation, comprising: base salary, short-term incentive compensation in the form of an annual cash bonus, and long-term incentive compensation in the form of stock options.

The allocation of Total Direct Compensation value to these different compensation elements is not based on a formula, but rather is intended to reflect the Compensation Committee's discretionary assessment of an executive officer's past contribution and ability to contribute to future short and long-term business results.

Base Salary

The base salary of each NEO is reviewed annually and is the fixed portion of each Named Executive Officer's Total Direct Compensation and is designed to provide income certainty and to attract and retain executives.

Short-term Incentives

The annual cash bonus is a short-term incentive that is intended to reward each executive officer for their yearly individual contribution and performance of personal objectives in the context of overall annual corporate performance. The annual cash bonus is designed to motivate executives annually to achieve personal business objectives, to be accountable for their relative contribution to the Corporation's performance, as well as to attract and retain executives. For fiscal 2009, neither the CEO nor the CFO were awarded any short-term incentive compensation. For fiscal 2009, the Vice President, Governmental Affairs, was awarded a short-term incentive bonus of \$11,273, which bonus award was granted based on his contribution and performance during the year. Further details are set out below under the table entitled "Summary Compensation Table".

Long-term Incentives

Long-term incentive compensation is provided through the granting of stock options. This incentive arrangement is designed to motivate executives to achieve longer-term sustainable business results, align their interests with those of the shareholders and to attract and retain executives. Participants benefit only if the market value of the Corporation's Common Shares at the time of a stock option exercise is greater than the exercise price of the stock options at the time of the relevant grant. Stock options vest 1/3 at the date of the grant, 1/3 after one year from the date of the grant and 1/3 after two years from the date of the grant.

Determination of Compensation

Rather than strictly applying formulas and weightings to forward-looking performance objectives, which may lead to unintended consequences for compensation purposes, the Compensation Committee exercises its discretion and uses sound judgment in making compensation determinations. For this reason, the Compensation Committee does not measure performance using any pre-set formulas in determining compensation awards for NEOs.

The Compensation Committee's comprehensive assessment of the overall business performance of the Corporation, including corporate performance against objectives (both quantitative and qualitative), business circumstances and, where appropriate, relative performance against peers, provides the context for individual executive officer evaluations for all direct compensation awards and management fees.

The Board does not feel it is necessary to assess the effectiveness of individual board members. Each board member has considerable experience which is sufficient to meet the needs of the Corporation. On an annual basis, however, the Board assesses the contributions of each of the individual directors, and of the Board as a whole, in order to determine whether each is functioning effectively.

Stock Options

Stock Option Granting Process

Generally, stock option grants are determined annually. The CEO makes recommendations to the Compensation Committee regarding individual stock option awards for all recipients. The CEO does not engage in discussions with the Compensation Committee regarding his own stock option grants. The Compensation Committee and the Chairman of the Board deliberate and consider relevant market data and other information in order to determine the CEO's stock option grant recommendation to the Board.

The Compensation Committee reviews the appropriateness of the stock option grant recommendations from the CEO for all eligible employees and accepts or adjusts these recommendations. The Compensation Committee is responsible for approving all individual stock option grants, including grants that are awarded outside the annual compensation deliberation process for such things as promotions or new hires. The Compensation Committee is also responsible for recommending to the Board for its approval any stock option grants for executive officers.

The Compensation Committee approves or recommends compensation awards, including stock option grants, which are not contingent on the number, term or current value of other outstanding compensation previously awarded to the individual.

Stock Option Plan

On May 21, 2004, the Corporation introduced a rolling stock option plan (the "Plan"), which was subsequently amended on January 9, 2009 by the Board and most recently obtained shareholder approval on February 11, 2009. The purpose of the Plan is to advance the interests of the Corporation and its subsidiaries by encouraging the directors, officers, employees and consultants (including the directors, officers and employees of such consultants) (each a "Participant") of the Corporation and its subsidiaries to acquire Common Shares, thereby (a) increasing the proprietary interests of such persons in the Corporation, (b) aligning the interests of such person with the interests of the Corporation's shareholders generally, (c) encouraging such persons to remain associated with the Corporation, and (d) furnishing such persons with an additional incentive in their efforts on behalf the Corporation.

According to the provisions of the Plan, the Board is authorized to provide for the granting, exercise and method of exercise of options, all on such terms as it shall determine including the delegation of the administration and operation of the Plan, in whole or in part, to a committee of the Board, subject to the terms of the Plan and applicable stock exchange rules. Under the Plan, the aggregate number of shares reserved for issuance may not exceed the greater of 5,000,000 Common Shares or 10% of the total number of issued and outstanding Common Shares at the time of any option grant. As of September 30, 2009, there were options outstanding to purchase an aggregate of 4,954,800 Common Shares under the Plan, representing approximately 9.2% of the Corporation's outstanding capital as of that date, taking into account options that have been exercised, forfeited or cancelled. As of the date of this Circular, an aggregate of 10,346,375 options (representing 19.2% of the issued and outstanding Common Shares) have been granted under the Plan (on a rolling basis) of which 3,670,325 options (representing 6.8% of the issued and outstanding Common Shares) have been exercised and 4,170,250 options expired or were cancelled without being exercised. Accordingly, as of the date of this Circular, 2,505,800 Common Shares (representing 4.6% of the issued and outstanding Common Shares) are currently reserved for issuance pursuant to options granted under the Plan and the Corporation may grant an additional 2,885,577 options under the Plan, calculated based on 10% of the number of Common Shares issued and outstanding as of the date of this Circular.

The number of Common Shares that may be acquired under an option granted to a Participant is determined by the Board, provided that the aggregate number of Common Shares reserved for issuance in any 12 month period to any one Participant shall not exceed 5% of the Corporation's then issued and outstanding Common Shares unless the Corporation has obtained prior shareholder approval. In addition, no more than 2% of the Corporation's then issued and outstanding Common Shares may be granted to any one consultant

or to any one employee in any 12 month period and no more than 1% of the Corporation's issued and outstanding Common Shares may be granted to all of the non-executive directors of the Corporation.

Within any 12 month period, the number of Common Shares issued to insiders of the Corporation under the Plan and any other security based compensation arrangement, may not exceed 10% of the Corporation's then issued and outstanding Common Shares and nor may the number of Common Shares reserved for issuance to insiders of the Corporation under the Plan at any time exceed 10% of the Corporation's then issued and outstanding Common Shares.

The exercise price of any options granted under the Plan will be fixed by the Board at the time of the grant, provided that the options shall not be less than the closing price of the Common Shares on the business day immediately prior to the date of the grant as quoted on the Toronto Stock Exchange (the "TSX").

The period during which an option may be exercised shall also be determined by the Board at the time the option is granted, provided that no option shall be exercisable for a period exceeding five years from the date it was granted and subject to any vesting limitations imposed by the Board in its sole unfettered discretion at the time of the grant. Generally, options expire within 90 days of a Participant ceasing to be a Participant, if the Participant is engaged to provide investor relations activities to the Corporation, 30 days after the optionee ceases to be employed to provide such investor relations activities or immediately if the Participant is terminated for cause. All options granted pursuant to the Plan are personal to the grantee and are not assignable or otherwise transferable except for a limited right of assignment to allow (a) the exercise of options by a Participant's legal representative in the event of death or incapacity, or (b) the transfer of an option to a corporation wholly owned by the Participant or certain trusts, of which the Participant is the sole beneficiary.

The Plan or any option thereunder may be amended at any time, subject to the approval of the Board and the shareholders of the Corporation, as well as any requisite regulatory approvals, in order to (i) increase the maximum number (or percentage) of Common Shares issuable under the Plan, (ii) increase the maximum number of Common Shares issuable under the Plan to insiders, (iii) make any amendment that would reduce the exercise price of any outstanding option (including a cancellation or reissue of an option constituting a reduction of the exercise price), (iv) extend the term of any option granted under the Plan beyond the original expiry date, (v) increase the maximum term of any option permitted under the Plan, (vi) expand the categories of individuals eligible to participate under the Plan, (vii) allow options to be transferred or assigned other than as provided under the Plan (and described above), or (viii) to amend the amendment provisions of the Plan. The Plan provides that, for greater certainty, the Board may at any time and for any reason, make the following amendments to the Plan or any option thereunder without shareholder approval (provided that a Participant's consent to such action is required unless the Board determines that the action would not materially and adversely affect the existing rights of such Participant): (i) amendments of a housekeeping or clerical nature, as well as any clarifying amendment to the provisions of the Plan, (ii) amendments to the eligibility criteria and limits for participation in the Plan, (iii) a change to the termination provisions of an option or of the Plan, provided that the change does not entail an extension beyond an option's original expiry date, (iv) additions and amendments to or deletions from the Plan in order to comply with legislation governing the Plan or the requirements of a regulatory body or stock exchange, and (v) amendments to the provisions relating to the administration of the Plan.

Other Compensation

Executive officers receive other benefits that the Corporation believes are reasonable and consistent with its overall executive compensation program. These benefits, which are based on competitive market practices, support the attraction and retention of executive officers. Benefits include traditional health programs and limited executive perquisites.

How the Corporation Determines Compensation

The Role of the Compensation Committee

The Compensation Committee approves, or recommends for approval, all compensation to be awarded to the NEOs. The Compensation Committee directs management to gather information on its behalf, and provide initial analysis and commentary. The Compensation Committee reviews this material along with other information in its deliberations before considering or rendering decisions.

The Compensation Committee has full discretion to adopt or alter management recommendations or to consult its own external advisors.

The Compensation Committee believes it is important to follow appropriate governance practices in carrying out its responsibilities with respect to the development and administration of executive compensation and benefit programs. Governance practices followed by the Compensation Committee include holding in-camera sessions without management present and, when necessary, obtaining advice from external consultants.

The Role of Management

Management has direct involvement in and knowledge of the business goals, strategies, experiences and performance of the Corporation. As a result, management plays an important role in the compensation decision-making process. The Compensation Committee engages in active discussions with the CEO concerning the determination of performance objectives, including individual goals and initiatives for NEOs, and whether, and to what extent, criteria for the previous year have been achieved for those individuals. The CEO may also provide a self-assessment of his own individual performance objectives and/or results achieved, if requested by the Compensation Committee.

The CEO makes recommendations to the Compensation Committee regarding the amount and type of compensation awards for other members of executive management. The CEO does not engage in discussions with the Compensation Committee regarding his own Total Direct Compensation. The Compensation Committee and the Chairman of the Board are provided with relevant market data and other information as requested, in order to support the Compensation Committee's deliberations regarding the CEO's Total Direct Compensation and subsequent recommendation to the Board.

Performance Assessment

Rather than strictly applying formulas and weightings to forward-looking performance objectives, which may lead to unintended consequences for compensation purposes, the Compensation Committee exercises its discretion and uses sound judgment in making compensation determinations. For this reason, the Compensation Committee does not measure performance using any pre-set formulas in determining compensation awards for NEOs.

The Compensation Committee's comprehensive assessment of the overall business performance of the Corporation, including corporate performance against objectives (both quantitative and qualitative) and business circumstances provides the context for individual executive officer evaluations for all direct compensation awards.

Corporate Performance

The Corporation's Board approves annual corporate objectives, which include financial performance, strategic direction, plan implementation, financial controls and other facets of the Corporation's development, in line with the Corporation's key longer-term strategies for growth and value creation. These quantitative and qualitative objectives are utilized by the Compensation Committee as a reference when making compensation decisions.

At the end of each year, the Compensation Committee reviews the results achieved and discusses them with management. For the purposes of Total Direct Compensation deliberations, the Compensation Committee then determines an overall rating for actual corporate performance relative to an expected level of performance. This overall corporate performance rating provides general context for the Compensation Committee's review of individual performance by the NEOs.

Individual Performance

The Compensation Committee approves annual individual performance objectives, which include financial performance, strategic direction, plan implementation, financial controls and other facets of the Corporation's development, for the NEOs that are intended to align with the corporate objectives and reflect key performance areas for each executive relative to his or her specific role. As with the corporate objectives, individual executive officer's performance objectives may include a combination of quantitative and qualitative measures with no pre-determined weightings.

The Compensation Committee, in consultation with the CEO, reviews the achievements and overall contribution of each individual executive officer who reports to the CEO. The Board Chair and Compensation Committee have in-camera discussions to complete an independent assessment of the performance of the CEO. The Compensation Committee then determines an overall individual performance rating for each individual executive officer and considers this rating in determining Total Direct Compensation.

Internal Equity and Retention Value

Executive officer pay relative to other executives ("internal equity") is generally considered in establishing compensation levels. The difference between one executive officer's compensation and that of the other NEOs reflects, in part, the difference in their relative responsibilities. The CEO's responsibility for the management and oversight of the enterprise is greater than each of the executive officers' respective business areas. As a result, the compensation level for the CEO is higher than for other NEOs.

The Compensation Committee also considers the retentive potential of its compensation decisions. Retention of the NEOs is critical to business continuity and succession planning.

Previously Awarded Compensation

The Compensation Committee approves or recommends compensation awards which are not contingent on the number, term or current value of other outstanding compensation previously awarded to the individual. The Compensation Committee believes that reducing or limiting current stock option grants or other forms of compensation because of prior gains realized by an executive officer would unfairly penalize the officer and reduce the motivation for continued high achievement. Similarly, the Compensation Committee does not purposely increase long-term incentive award values in a given year to offset less-than-expected returns from previous grants.

During the annual Total Direct Compensation deliberations, the Compensation Committee is provided with summaries of the history of each executive officer's previously awarded Total Direct Compensation. These summaries help the Compensation Committee to track changes in an executive officer's Total Direct Compensation from year to year and to remain aware of the historical compensation for each individual.

Compensation Decisions for 2009

The Compensation Committee considered and approved an increase in the base salary for the Vice President, Governmental Affairs effective January 1, 2009. The base salary for the Vice President, Governmental Affairs was set at US\$117,700, an increase of 10% from the previous base salary of US\$107,000. The Vice President, Governmental Affairs was paid in US dollars from October 1, 2008 to

February 28, 2009. Effective March 1, 2009, the Vice President, Governmental Affairs was paid in Canadian dollars. There was no change in base salary for the CEO and CFO.

The Compensation Committee considered and approved a cash bonus for the Vice President, Governmental Affairs in the amount of \$11,273. There was no cash bonus for the CEO and CFO.

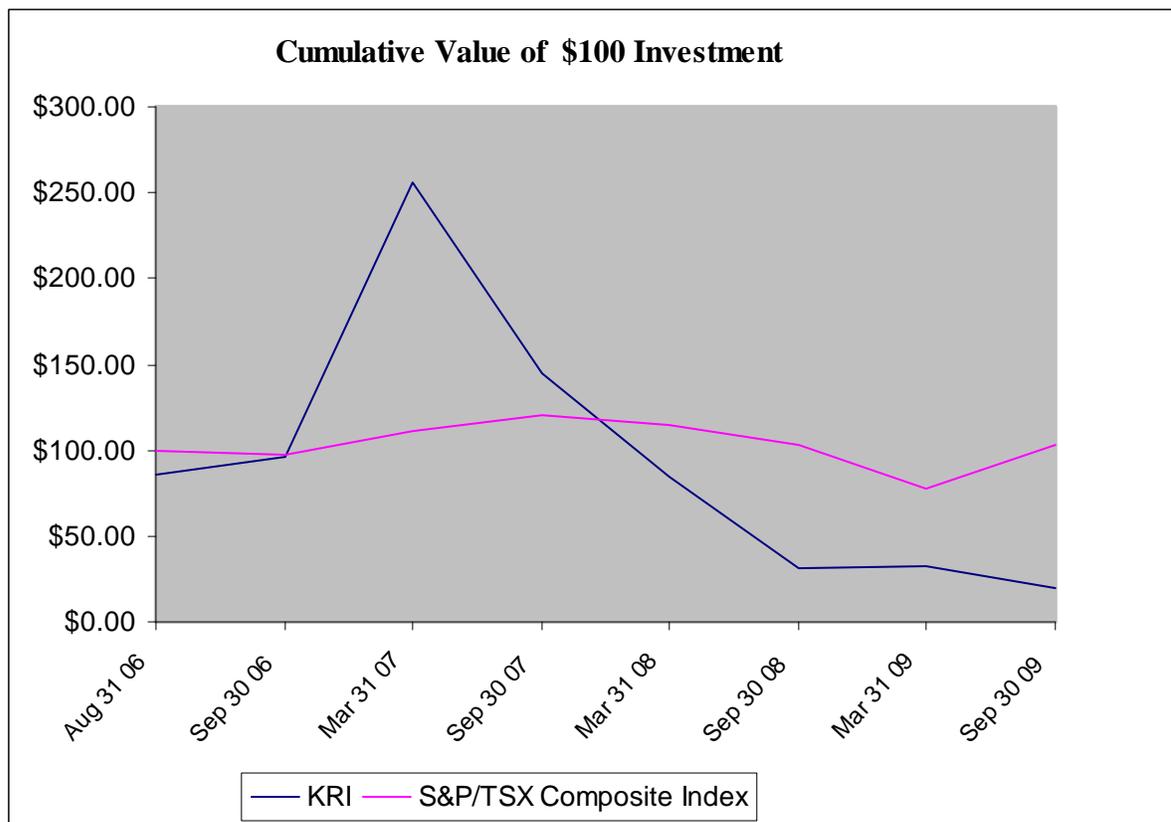
The Compensation Committee considered and approved the grant of options to purchase 550,000 Common Shares, at a price of \$0.20 per share, on December 17, 2008 to the CEO, CFO and Vice President, Governmental Affairs.

Decisions Related To Executive Compensation That Were Taken After Year End

Following fiscal year-end, the Compensation Committee considered and approved increases in the base salary for the CEO, CFO and Vice President, Governmental Affairs effective January 1, 2010. The base salary for the CEO was set at \$269,000, an increase of \$39,000; however, the annual benefits allowance of \$39,000 was terminated effective January 1, 2010. The base salary for the CFO was set at \$177,000, an increase of 5% from the previous base salary of \$167,000. The base salary for the Vice President, Governmental Affairs was set at \$148,400, an increase of 6% from the previous base salary of \$140,000.

Performance Graph

The following graph compares the total cumulative shareholder return for \$100 invested in Common Shares on August 2, 2006 (the date the Common Shares were listed on the Toronto Stock Exchange) to the September 30, 2009 with the cumulative total return of the S&P/TSX Composite Index over the same period.



Comparison of Cumulative Total Return ⁽¹⁾

	Aug. 6, 2006	Sep. 30, 2006	Sep. 30, 2007	Sep. 30, 2008	Sep. 30, 2009
KRI	100	96	145	31	20
S&P/TSX Composite Index	100	98	120	103	103

Note:

- (1) Assumes \$100 invested in the Corporation's Common Shares on August, 2, 2006 and in the S&P/TSX Composite Index.

The Compensation Committee considers a number of factors and performance elements when determining compensation. Although the Corporation's total shareholder return is one performance measure that is reviewed, it is not the only consideration in executive compensation deliberations. As a result, a direct correlation between total shareholder return over a given period and executive compensation levels is not anticipated.

Summary Compensation Table

The following table sets forth the total annual and long-term equity and non-equity compensation for each NEO (being the CEO, CFO and Vice President, Governmental Affairs), along with any other compensation awarded to each NEO, for services rendered in all capacities to the Corporation for the fiscal year ended September 30, 2009. As permitted under amended Form 51-102F6 under National Instrument 51-102 - *Continuous Disclosure Obligations*, information has only been provided with respect to the most recent fiscal year of the Corporation. For information related to the compensation payable to the Corporation's NEOs for fiscal 2008 and fiscal 2007, please refer to the Corporation's information circulars in respect of each such year, copies of which are available on SEDAR at www.sedar.com. The Corporation does not have any pension plans, long-term non-equity incentive plans or deferred compensation plans. In addition, the Corporation does not currently have any plans or arrangements in place that provide for share-based awards.

NEO Name and Principal Position	Fiscal Year	Salary (\$)	Share-based awards ⁽¹⁾ (\$)	Option-based awards ⁽²⁾ (\$)	Non-equity incentive plan compensation		Pension value ⁽⁴⁾ (\$)	All other compensation (\$)	Total Compensation (\$)
					Annual incentive plans ⁽³⁾ (\$)	Long-term incentive plans ⁽³⁾ (\$)			
Martin Quick, CEO	2009	219,080 ⁽⁵⁾	-	37,500 ⁽⁶⁾	Nil	-	-	71,360 ⁽⁷⁾	327,940
Paul D. Caldwell, CFO	2009	167,000	-	22,500 ⁽⁸⁾	Nil	-	-	Nil	189,500
Enkhbayar Ochirbal, Vice President, Governmental Affairs ⁽⁹⁾	2009	141,585	-	22,500 ⁽⁸⁾	11,273	-	-	Nil	175,358

Notes:

- (1) The Corporation does not have a share-based awards plan.

- (2) The amount reported is the fair value of the stock options granted. The fair value of stock options granted was estimated on the date of grant using the Black-Scholes option pricing model with assumptions as described in Note 9 to the Consolidated Financial Statements for the year ended September 30, 2009.
- (3) The Corporation does not have a long-term incentive plan.
- (4) The Corporation does not have a pension plan.
- (5) Mr. Quick took an unpaid leave of absence during the year. Mr. Quick's annualized salary is \$230,000.
- (6) On December 17, 2008, options to purchase 250,000 Common Shares at a price of \$0.20 were granted.
- (7) Benefits allowance of \$39,000 and housing allowance of \$32,360.
- (8) On December 17, 2008, options to purchase 150,000 Common Shares at a price of \$0.20 were granted.
- (9) Mr. Ochirbal was appointed as Vice President, Governmental Affairs on May 7, 2009 in addition to his position as Country Manager and Executive Director of Khan Resources LLC, Khan's wholly-owned subsidiary in Mongolia.

Each of the NEOs is employed by the Corporation pursuant to an employment contract which sets out the NEO's base salary and bonus entitlements.

Employment Contracts, Termination and Change of Control

Martin Quick

The services of Mr. Martin Quick, President and CEO of the Corporation, are provided pursuant to an employment agreement (the "Quick Agreement") with the Corporation. Under this agreement, Mr. Quick's employment commenced on January 16, 2006 at an annual salary of \$230,000. On January 16, 2010, the Quick Agreement was revised with respect to the change of control provisions and bonus payments. The bonus payments will be determined by the Compensation Committee in its discretion.

The Corporation may terminate the Quick Agreement without cause upon payment to Mr. Quick of six months compensation in lieu of notice. If Mr. Quick's employment is terminated by the Corporation or by Mr. Quick within 12 months of the occurrence of a "change of control", Mr. Quick will be entitled to 24 months compensation, provided that such amount will be limited to 12 months compensation unless the date of termination occurs within 6 months of the change of control, and unvested stock options will, pursuant to the Plan, immediately vest and become exercisable for 90 days following the date of termination.

A "change of control" is defined in to include any of the following events:

- (a) any change in the holding, direct or indirect, of shares in the capital of the Corporation as a result of which a person or group of persons acting jointly or in concert, or person associated or affiliated with any such person or group within the meaning of the *Securities Act* (Ontario), becomes the beneficial owner, directly or indirectly, of shares and/or securities in excess of the number which, directly or following the conversion thereof, would entitle the holders thereof to cast more than 50% of the votes attaching to all shares of the Corporation which may be cast to elect directors of the Corporation;
- (b) a sale or other disposition of all or substantially all of the property or assets of the Corporation, other than to an affiliate within the meaning of the *Securities Act* (Ontario), if such affiliate offers to retain the executive on identical terms and conditions which pertain to the executive as of the date of sale or other disposition; or
- (c) incumbent directors no longer constitute a majority of the Board, whereby "incumbent directors" means those persons who were directors of the Corporation on the date of the last annual general meeting and including any person who becomes a director of the Corporation thereafter and whose election, or nomination for election, by the Corporation's shareholders was approved by a majority of the incumbent directors then on the Board.

The amounts discussed above are also payable after the date of termination if a change of control occurs within 12 months of the expiry date of the Quick Agreement. The Quick Agreement also provides that

Khan will maintain for the continued benefit of Mr. Quick and his family all benefits to which Mr. Quick was entitled prior to his termination (or, if greater, such coverage and terms as were in effect immediately prior to the change of control) for a period following termination equal to the earlier of three months and the commencement of full-time employment with a new employer, provided the new employer's continued participation is possible under the terms of the respective plans and programs.

The Quick Agreement also contains a confidentiality clause prohibiting the dissemination of confidential information of the Corporation and a non-compete covenant precluding Mr. Quick from competing with the Corporation for a period of three months following any termination of employment.

Paul D. Caldwell

The services of Mr. Paul D. Caldwell, CFO and Corporate Secretary of the Corporation, are provided pursuant to an employment agreement (the "Caldwell Agreement") with the Corporation. Under this agreement, Mr. Caldwell's employment commenced on August 9, 2006 at an annual salary of \$140,000. On January 16, 2009, the Caldwell Agreement was revised with respect to the change of control provisions. The Caldwell Agreement provides that Mr. Caldwell will be granted a bonus payment from time to time, as determined by Khan, taking into account (i) the financial performance and profitability of Khan and (ii) Mr. Caldwell's achievement of prescribed performance goals and eligibility criteria.

The Corporation may terminate the Caldwell Agreement without cause upon payment to Mr. Caldwell of six months compensation in lieu of notice. If Mr. Caldwell's employment is terminated by the Corporation or by Mr. Caldwell within 12 months of the occurrence of a "change of control" (as defined above), Mr. Caldwell will be entitled to 24 months compensation and unvested stock options will, pursuant to the Plan, immediately vest and become exercisable for 90 days following the date of termination.

The Caldwell Agreement also provides that Khan will maintain for the continued benefit of Mr. Caldwell and his family all benefits to which Mr. Caldwell was entitled prior to his termination (or, if greater, such coverage and terms as were in effect immediately prior to the change of control) for a period following termination equal to the earlier of three months and the commencement of full-time employment with a new employer, provided the new employer's continued participation is possible under the terms of the respective plans and programs.

The Caldwell Agreement also contains a confidentiality clause prohibiting the dissemination of confidential information of the Corporation and a non-compete covenant precluding Mr. Caldwell from competing with the Corporation for a period of one year following any termination of employment.

Enkhbayar Ochirbal

The services of Mr. Enkhbayar Ochirbal, Vice President, Governmental Affairs of the Corporation, are provided pursuant to an employment agreement (the "Ochirbal Agreement") with the Corporation. Under this agreement, Mr. Ochirbal's employment commenced on March 1, 2009 at an annual salary of \$140,000. The Ochirbal Agreement provides that Mr. Ochirbal will be granted a bonus payment from time to time, as determined by Khan, taking into account (i) the financial performance and profitability of Khan and (ii) Mr. Ochirbal's achievement of prescribed performance goals and eligibility criteria.

The Corporation may terminate the employment agreement without cause upon payment to Mr. Ochirbal of six months compensation in lieu of notice. If Mr. Ochirbal's employment is terminated by the Corporation or by Mr. Ochirbal within 12 months of the occurrence of a "change of control" (as defined above), Mr. Ochirbal will be entitled to 18 months compensation and unvested stock options will, pursuant to the Plan, immediately vest and become exercisable for 90 days following the date of termination.

The Ochirbal Agreement also provides that Khan will maintain for the continued benefit of Mr. Ochirbal and his family all benefits to which Mr. Ochirbal was entitled prior to his termination (or, if greater, such coverage and terms as were in effect immediately prior to the change of control) for a period following termination equal to the earlier of three months and the commencement of full-time employment with a

new employer, provided the new employer's continued participation is possible under the terms of the respective plans and programs.

The Ochirbal Agreement also contains a confidentiality clause prohibiting the dissemination of confidential information of the Corporation and a non-compete covenant precluding Mr. Ochirbal from competing with the Corporation for a period of one year following any termination of employment.

Estimated Payouts

Assuming the occurrence of a "change of control" on September 30, 2009, estimated payments for Messrs. Quick, Caldwell and Ochirbal under their respective employment agreements are approximately \$539,000, \$358,300 and \$225,800. Assuming the accelerated vesting and exercise of all options under the Plan held by the foregoing NEOs as of September 30, 2009, Messrs. Quick, Caldwell and Ochirbal would also receive an additional \$18,000, \$15,000 and \$15,000 in value, respectively, calculated as the number of options held on such date multiplied by the difference between the closing price of the Common Shares on September 30, 2009 on the TSX and the exercise price of such options. In cases where the closing price on September 30, 2009 exceeded the exercise price of the option, a "nil" value was attributed to the applicable options.

In the event the above NEO's employment with the Corporation was terminated without cause in circumstances other than a change of control, estimated payouts for Messrs. Quick, Caldwell and Ochirbal, assuming the occurrence of the termination event on September 30, 2009, are approximately \$134,500, \$88,500 and \$74,200, respectively. In addition, assuming the accelerated vesting and exercise of all options under the Plan held by the foregoing NEOs as of September 30, 2009, Messrs. Quick, Caldwell and Ochirbal would also receive an additional \$18,000, \$15,000 and \$15,000 in value, respectively, calculated as the number of options held on such date multiplied by the difference between the closing price of the Common Shares on September 30, 2009 on the TSX and the exercise price of such options. In cases where the closing price on September 30, 2009 exceeded the exercise price of the option, a "nil" value was attributed to the applicable options.

Incentive Plan Awards

Outstanding option-based awards and share-based awards as at September 30, 2009

NEO Name	Option-based Awards				Share-based Awards ⁽¹⁾	
	Number of securities underlying unexercised options ⁽²⁾ (#)	Option exercise price ⁽³⁾ (\$)	Option expiration date	Value of unexercised in-the-money options ⁽⁴⁾ (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
Martin	250,000	1.50	Jan. 16, 2011	Nil		
Quick	200,000	3.53	Mar. 5, 2012	Nil		
	270,000	2.37	Sep. 12, 2012	Nil		
	180,000	0.20	Dec. 17, 2013	18,000		
					-	-
Paul D. Caldwell	37,000	1.37	Aug. 9, 2011	Nil		
	60,000	3.53	Mar. 5, 2012	Nil		
	135,000	2.37	Sep. 12, 2012	Nil		
	150,000	0.20	Dec. 17, 2013	15,000		
				-	-	
Enkhbayar Ochirbal	150,000	1.70	Aug. 30, 2012	Nil		
	100,000	2.37	Sep. 12, 2012	Nil		
	150,000	0.20	Dec. 17, 2013	15,000		
				-	-	

Notes:

- (1) The Corporation does not have a share-based awards plan.
- (2) The securities underlying the stock options of the Corporation are Common Shares. The issuer of the stock options is the Corporation. For further details concerning the terms of the Plan and options granted thereunder, reference is made to the section above entitled "Stock Option Plan".
- (3) The exercise price of an option granted under the Plan is generally the closing sale price of the Common Share son the TSX on the trading day immediately preceding the date of grant.
- (4) The value of unexercised in-the-money options is calculated as the difference between the closing price of the Corporation's Common Shares on the TSX on September 30, 2009 of \$0.30 and the underlying option exercise price, multiplied by the number of options outstanding. This value has not been, and may never be, realized by the NEO. The actual gains, if any, on exercise will depend on the value of the Common Shares on the TSX on the date of the option exercise. Each of the options with the following exercise prices granted on January 16, 2006, (\$1.50), August 9, 2006 (\$1.37), March 5, 2007 (\$3.53), August 30, 2007, (\$1.70) and September 12, 2007 (\$2.37), respectively, had exercise prices higher than the closing price of the Common Shares on the TSX on September 30, 2009 (\$0.30).

During the year ended September 30, 2009, Mr, Quick exercised 70,000 options at a price of \$0.20 per share or an aggregate of \$14,000 converting them into Common Shares.

Incentive plan awards - value vested or earned during the year ended September 30, 2009

NEO Name	Option-based awards - Value vested during the year (\$)	Share-based awards - Value vested during the year ⁽¹⁾ (\$)	Non-equity incentive plan compensation - Value earned during the year ⁽²⁾ (\$)
Martin Quick	Nil	-	Nil
Paul D. Caldwell	Nil	-	Nil
Enkhbayar Ochirbal	Nil	-	11,273

Notes:

- (1) The Corporation does not have a share-based awards plan.
- (2) The Corporation does not have any long-term non-equity incentive plans in place. For further details concerning the short-term non-equity incentive plan grant to Mr. Ochirbal, please see the "Compensation Discussion and Analysis" above.

Any options held by a NEO that vested during the year had an exercise price higher than the market price at the time of vesting and therefore no dollar amount would have been realized if the options had been exercised on the date of vesting.

Pension Plan Benefits

The Corporation does not have any pension plans that provide for payments or benefits at, following, or in connection with retirement or provide for retirement or deferred compensation plans.

Director Compensation

The following table sets forth information concerning the annual and long term compensation in respect of the directors of the Corporation, other than the NEOs, during the financial year ended September 30, 2009.

Director Compensation Table

Name	Fiscal Year	Fees earned (\$)	Share-based awards⁽¹⁾ (\$)	Option-based awards⁽²⁾ (\$)	Non-equity incentive plan compensation⁽³⁾ (\$)	Pension value⁽⁴⁾ (\$)	All other compensation (\$)	Total Compensation (\$)
James B. C. Doak	2009	8,500	-	22,500 ⁽⁵⁾	-	-	Nil	31,000
Jean-Pierre Chauvin	2009	5,250	-	15,000 ⁽⁶⁾	-	-	Nil	20,250
Grant A. Edey	2009	11,250	-	15,000 ⁽⁶⁾	-	-	Nil	26,250
Stephen W. Harapiak	2009	4,250	-	15,000 ⁽⁶⁾	-	-	Nil	19,250
Peter J. M. Hooper	2009	5,000	-	15,000 ⁽⁶⁾	-	-	Nil	20,000
Hon. Robert P. Kaplan	2009	5,000	-	15,000 ⁽⁶⁾	-	-	Nil	20,000
David L. McAusland	2009	3,750	-	15,000 ⁽⁶⁾	-	-	Nil	18,750

Notes:

- (1) The Corporation does not have a share-based awards plan
- (2) The securities underlying the stock options of the Corporation are Common Shares. The issuer of the stock options is the Corporation. For further details concerning the terms of the Plan and options granted thereunder, reference is made to the section above entitled "Stock Option Plan". The exercise price of an option granted under the Plan is generally the closing sale price of the Common Share on the TSX on the trading day immediately preceding the date of grant. The amount reported is the fair value of the stock options granted. The fair value of stock options granted was estimated on the date of grant using the Black-Scholes option pricing model with assumptions as described in Note 9 to the Consolidated Financial Statements for the year ended September 30, 2009.
- (3) The Corporation does not have a non-equity incentive plan for directors.
- (4) The Corporation does not have a pension plan.
- (5) On December 17, 2008, options to purchase 150,000 Common Shares at a price of \$0.20 were granted.
- (6) On December 17, 2008, options to purchase 100,000 Common Shares at a price of \$0.20 were granted.

Material Factors Necessary to Understand Director Compensation

The Corporation has adopted a compensation scheme for non-executive directors that pay each non-executive director an attendance fee of \$500 per meeting attended in person and \$250 per meeting attended by telephone. Subsequent to the fiscal 2009 year-end, on January 19, 2010, the Board approved the payment of an annual retainer fee of \$15,000 to each member of the Board of Directors, which retainer was paid on January 29, 2010. Mr. Quick receives compensation as an officer and employee of the Corporation and, accordingly, does not receive any additional compensation for his service as a director.

The Board reviews and approves changes to the Corporation's director compensation arrangements from time to time to ensure they remain competitive in light of the time commitments required from directors and align directors' interests with those of Khan's shareholders. During the fiscal year ended September 30, 2009, no changes were made to the Corporation's director compensation arrangements.

Directors are also eligible to participate in the Plan and are awarded stock options under the Plan from time to time as compensation for their services as directors. For further details concerning the terms of the Plan, please see the section of this Circular above entitled "Stock Option Plan".

On December 11, 2009, the Board of Directors approved a one-time payment of \$15,000 to each member of the Special Committee of the Board of Directors as compensation for their time and effort in respect of the ARMZ Offer (as discussed further below under the section of this Circular entitled “Shareholder Rights Plan”). Such payments were made on January 29, 2010. The Board of Directors also approved an arrangement which has been implemented pursuant to which two members of the Board of Directors are compensated at a rate of \$1,500 per day in respect of additional duties and responsibilities performed by such directors beyond their normal duties and responsibilities in their capacity as directors.

Directors are also reimbursed for travel and other expenses incurred in attending meetings and the performance of their duties.

During the fiscal year ended September 30, 2009, the directors (excluding NEOs who are directors and are not entitled to any additional compensation for their service as directors) received the compensation set out in this Circular. The directors are not entitled to any compensation under any annual or long-term non-equity incentive plans. The Corporation has not granted, and nor do the directors hold, any share-based awards.

Director Option-based Awards

Outstanding option-based awards and share-based awards as at September 30, 2009

NEO Name	Option-based Awards				Share-based Awards ⁽¹⁾	
	Number of securities underlying unexercised options ⁽²⁾ (#)	Option exercise price ⁽³⁾ (\$)	Option expiration date	Value of unexercised in-the-money Options ⁽⁴⁾ (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
James B. C. Doak	100,000	1.50	Oct. 5, 2010	Nil	-	-
	100,000	1.50	June 9, 2011	Nil	-	-
	100,000	2.39	Nov. 14, 2011	Nil	-	-
	100,000	3.53	Mar. 5, 2012	Nil	-	-
	175,000	2.37	Sep. 12, 2012	Nil	-	-
	150,000	0.20	Dec. 17, 2013	15,000	-	-
Jean-Pierre Chauvin	100,000	2.39	Nov. 14, 2011	Nil	-	-
	100,000	3.53	Mar. 5, 2012	Nil	-	-
	125,000	2.37	Sep. 12, 2012	Nil	-	-
	100,000	0.20	Dec. 17, 2013	10,000	-	-
Grant A. Edey	200,000	3.53	Mar. 5, 2012	Nil	-	-
	125,000	2.37	Sep. 12, 2012	Nil	-	-
	100,000	0.20	Dec. 17, 2013	10,000	-	-
Stephen W. Harapiak	200,000	1.40	Feb. 19, 2013	Nil	-	-
	100,000	0.20	Dec. 17, 2013	10,000	-	-
Peter J. M. Hooper	100,000	3.53	Mar. 5, 2012	Nil	-	-
	125,000	2.37	Sep. 12, 2012	Nil	-	-
	100,000	0.20	Dec. 17, 2013	10,000	-	-
Hon. Robert P. Kaplan	200,000	3.53	Mar. 5, 2012	Nil	-	-
	125,000	2.37	Sep. 12, 2012	Nil	-	-
	100,000	0.20	Dec. 17, 2013	10,000	-	-
David L. McAusland	200,000	0.89	May 14, 2013	Nil	-	-
	100,000	0.20	Dec. 17, 2013	10,000	-	-

Notes:

- (1) The Company does not have a share-based awards plan.
- (2) The securities underlying the stock options of the Corporation are Common Shares. The issuer of the stock options is the Corporation. For further details concerning the terms of the Plan and options granted thereunder, reference is made to the section above entitled "Stock Option Plan".
- (3) The exercise price of an option granted under the Plan is generally the closing sale price of the Common Share on the TSX on the trading day immediately preceding the date of grant.
- (4) The value of unexercised in-the-money options is calculated as the difference between the closing price of the Corporation's Common Shares on the TSX on September 30, 2009 of \$0.30 and the underlying option exercise price, multiplied by the number of options outstanding. This value has not been, and may never be, realized by the director. Actual gains, if any, on exercise will depend on the value of the Common Shares on the TSX on the date of the option exercise. Each of the options with the following exercise prices granted on October 5, 2005, (\$1.50), June 9, 2006 (\$1.50), November 14, 2006 (\$2.39), March 5, 2007, (3.53), September 12, 2007, (\$ 2.37), February 19, 2008 (\$1.40) and May 14, 2008, (\$0.89), respectively, had exercise prices higher than the closing price of the Common Shares on the TSX on September 30, 2009 (\$0.30).

Any options held by directors that vested during the year had an exercise price higher than the market price at the time of vesting and therefore no dollar amount would have been realized if the options had been exercised on the date of vesting.

The Board considers option grants to directors at the time a director joins the Board and annually thereafter. Option grants to directors are intended as a long term incentive and vest in equal portions over a period of three years.

DIRECTORS' AND OFFICERS' INSURANCE AND INDEMNIFICATION

The Corporation has obtained directors' and officers' liability insurance with a cumulative policy limit of \$10,000,000 subject to a deductible of \$100,000. The annual premium cost of this insurance coverage for fiscal 2009 is \$66,475, all of which is paid by the Corporation.

In accordance with the provisions of the *Business Corporations Act* (Ontario), Khan's by-laws provide that Khan will indemnify a director or officer, a former director or officer, or a person who acts or acted at the Corporation's request as a director or officer of a body corporate of which Khan is or was a shareholder or creditor, and his or her heirs and legal representatives, against all costs, charges and expenses, including amounts paid to settle an action or to satisfy a judgment, reasonably incurred in respect of any civil, criminal or administrative action or proceeding to which he or she was made a party by reason of being or having been a director or officer of Khan or such other company if he or she acted honestly and in good faith with a view to the best interests of the Corporation and, in the case of a criminal or administrative action or proceeding that is enforced by monetary penalty, he or she had reasonable grounds to believe that his or her conduct was lawful. If Khan becomes liable under the terms of its by-laws, the insurance coverage will extend to its liability; however, each claim will be subject to a deductible.

APPOINTMENT OF AUDITORS

The Board of Directors proposes that Ernst & Young LLP (the "Auditors") be re-appointed as the auditors of the Corporation to hold office until the close of the next annual meeting of shareholders and that the Board of Directors be authorized to fix the remuneration of the Auditors. The Auditors were first appointed as auditors of Khan on January 15, 2004.

For the year ended September 30, 2009, the Auditors were paid total fees of \$128,000 for audit services. No other services were provided in fiscal 2009. All non-audit services to be provided by the Auditors are subject to pre-approval by the Audit and Finance Committee.

Details of the fees paid to the Auditors during fiscal 2009 and fiscal 2008 can be found in the Corporation's Annual Information Form for the fiscal year ended September 30, 2009, a copy of which is available on SEDAR at www.sedar.com.

The Board of Directors recommends that shareholders vote for the appointment of Ernst & Young LLP as auditor and the authorization of the Board to fix their remuneration.

SHAREHOLDER RIGHTS PLAN

On November 14, 2006, the Corporation adopted a Shareholder Rights Plan (the “Rights Plan”) under the Amended and Restated Shareholder Rights Plan Agreement dated November 14, 2006 (the “Rights Plan Agreement”) between the Corporation and Equity Transfer, as rights agent. The Rights Plan was approved, ratified and confirmed by shareholders at the Corporation’s annual and special meeting held on February 15, 2007.

The Rights Plan Agreement provides that the Rights Plan and any Rights (as defined below) issued thereunder will be terminated and of no further force and effect at the close of the Corporation’s third annual meeting of its shareholders occurring after the date that shareholders ratify the Rights Plan Agreement unless the continued existence of the Rights Plan is ratified by a majority of the votes cast by Independent Shareholders (as defined below) at such a meeting. The TSX also requires a majority of all shareholders to ratify the continued existence of a shareholder rights plan as well as a majority of all shareholders excluding any Grandfathered Persons (as defined below).

Accordingly, shareholders will be asked at the Meeting to consider and, if thought fit, to approve, by simple majority of votes cast at the Meeting, the Shareholder Rights Plan Resolution to ratify the continued existence of the Rights Plan, unamended, and, if applicable, by a separate majority vote excluding any votes cast by non-Independent Shareholders and, if applicable, by a separate majority vote excluding any votes cast by Grandfathered Persons. Management of the Corporation is not aware of any shareholder who is not an Independent Shareholder or who is a Grandfathered Person, and accordingly, it is anticipated that a simple majority of votes cast by all shareholders represented in person or by proxy at the Meeting in favour of the Shareholder Rights Plan Resolution will be sufficient to ratify the continued existence of the Shareholder Rights Plan. The full text of the proposed Shareholder Rights Plan Resolution is attached to this Circular as Appendix C.

The existence of the Rights Plan will only continue if the requisite majority shareholder approval is obtained at the Meeting. If the Shareholder Rights Plan Resolution ratifying and approving the continued existence of the Rights Plan is not passed by a majority of the holders of Common Shares, and, if applicable, by a separate majority vote excluding any votes cast by non-Independent Shareholders and, if applicable, by a separate majority vote excluding any votes cast by Grandfathered Persons, the Rights Plan will terminate immediately and the Board will be deemed to have elected to redeem the Rights at the Redemption Price (as defined in the Rights Plan). Presently, the unsolicited ARMZ Offer (as defined below) is structured as a “Permitted Bid” (as defined below) under the Rights Plan, which provisions are designed to, among other things, ensure the fair and equal treatment of shareholders. In order to continue as a Permitted Bid under the Rights Plan, ARMZ (as defined below) will be unable to take up and pay for any Common Shares under the ARMZ Offer unless more than 50% of the issued and outstanding Common Shares held by Independent Shareholders have been deposited to the ARMZ Offer (as defined below), which condition may not be waived by ARMZ. As of the date of this Circular, ARMZ has not taken up or paid for any Common Shares under the ARMZ Offer. If shareholders do not ratify and confirm the continued existence of the Rights Plan and the Rights Plan therefore terminates, ARMZ would no longer be required to comply with the Permitted Bid requirements and, accordingly, could in such a case take up any number of Common Shares, without more than 50% of the outstanding Common Shares held by Independent Shareholders having been tendered to the ARMZ Offer. Such a result could, effectively, allow ARMZ to obtain a controlling position in the Corporation and possibly put it in a position where it could prevent or delay the completion of the CNNC Offer (as defined below), without obligating ARMZ to acquire all of the Common Shares of the Corporation, which, in the opinion of the Board of Directors, may result in the unfair and unequal treatment of shareholders, or result in shareholders feeling coerced into tendering their Common Shares to the ARMZ Offer, despite the fact that the Board of Directors considers the ARMZ Offer to be inadequate and not in the best interests of Khan or its shareholders.

Accordingly, in light of the pending ARMZ Offer and the CNNC Offer, it is imperative that the continued existence of the Rights Plan is ratified and confirmed by shareholders at the Meeting.

Unless otherwise instructed, proxies and voting instructions given pursuant to this solicitation by management of Khan will be voted “for” the Shareholder Rights Plan Resolution.

Background

The primary objective of the Rights Plan is to provide the Board of Directors with sufficient time to explore and develop alternatives for maximizing shareholder value if a take-over bid is made for Khan and to provide every shareholder with an equal opportunity to participate in such bid. The Rights Plan does not prevent take-over bids, but, rather, encourages a potential acquiror to proceed either by way of a Permitted Bid (as defined below), which requires the take-over bid to satisfy certain minimum standards designed to promote fairness, or with the concurrence of the Board of Directors.

In adopting the Rights Plan, the Board of Directors considered the legislative framework in Canada governing take-over bids. Under provincial securities legislation, a take-over bid generally means an offer to acquire voting or equity shares of a person or persons, where the shares subject to the offer to acquire, together with shares already owned by the bidder and certain related parties thereto, represent, in the aggregate, 20% or more of the outstanding shares of a corporation.

ARMZ Offer

On November 27, 2009, Atomredmetzoloto JSC (“ARMZ”) issued a press release announcing its intention to make an unsolicited offer to purchase all of the outstanding Common Shares of the Corporation by way of take-over bid at a cash price of \$0.65 per share (the “ARMZ Offer”). On November 30, 2009, ARMZ filed a copy of its offer and related take-over bid circular (the “ARMZ Circular”) on SEDAR and published an advertisement commencing the ARMZ Offer. Subsequently, on February 1, 2010, ARMZ issued a press release and filed a notice of extension, extending the ARMZ Offer until March 1, 2010, unless further extended or withdrawn. Other than an extension of the expiry time of the ARMZ Offer, the ARMZ Offer currently remains unamended as to its other terms and conditions, which are set out in the ARMZ Circular available on SEDAR at www.sedar.com. The ARMZ Offer was structured as a Permitted Bid under the Rights Plan, as discussed further below.

On December 2, 2009, Khan announced that the Special Committee would be carefully considering and evaluating the ARMZ Offer, along with identifying and evaluating any alternative strategic transactions that might be in the best interests of Khan and its shareholders. The Special Committee engaged Haywood Securities Inc. (“Haywood”) as its financial advisor in connection with the above process and Davies Ward Phillips & Vineberg LLP is acting as legal counsel.

On December 15, 2009, Khan announced that its Board of Directors had unanimously recommended that shareholders reject the unsolicited ARMZ Offer to acquire all of the outstanding Common Shares and not tender their Common Shares to the ARMZ Offer and filed and mailed its directors’ circular dated December 14, 2009 containing its unanimous recommendation (the “ARMZ Rejection Circular”). Haywood has provided an opinion that the consideration under the ARMZ Offer is inadequate from a financial point of view to the shareholders.

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. 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 ARMZ Offer and the full text of Haywood’s inadequacy opinion, is contained in the ARMZ Rejection Circular that is available on SEDAR at www.sedar.com. Each of Khan’s Special Committee and its Board of Directors continues to stand by its unanimous recommendation to reject the ARMZ Offer. Shareholders are advised to read the ARMZ Rejection Circular carefully and 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, as they contain important information regarding Khan, ARMZ and the ARMZ Offer.

As discussed above, the Board of Directors considers it imperative that shareholders ratify and confirm the continued existence of the Rights Plan so as to ensure that ARMZ continues to be required to comply with the Permitted Bid requirements under the Rights Plan.

CNNC Offer

On February 1, 2010, the Corporation announced that it had entered into a definitive support agreement with CNNC Overseas Uranium Holding Ltd. (“CNNC”), a Chinese nuclear energy corporation based in Beijing and an indirect wholly-owned subsidiary of China National Nuclear Corporation, pursuant to which CNNC has agreed to make an offer to purchase all of Khan’s issued and outstanding Common Shares by way of a take-over bid at a cash price of \$0.96 per share (the “CNNC Offer”). The CNNC Offer represents a premium of approximately 118% to the closing price of the Common Shares on the TSX on the last trading day immediately preceding the announcement of the unsolicited ARMZ Offer, and a 48% premium to the consideration offered under ARMZ’s unsolicited \$0.65 per share bid.

Based on the recommendation of the Special Committee and advice from its advisors, Khan’s Board of Directors unanimously recommends that shareholders accept the CNNC Offer. Haywood has provided an oral opinion that the consideration to be offered under the CNNC Offer is fair, from a financial point of view, to Khan’s shareholders. The Board has extensively considered the various alternatives and has determined that the CNNC Offer is in the best interests of Khan and is currently the most attractive option for its shareholders. The CNNC Offer contains far fewer conditions than the ARMZ Offer and is clearly more advantageous to Khan in this regard.

The CNNC Offer will be in the form of a take-over bid. The definitive support agreement provides for customary Board support and non-solicitation covenants subject to customary “fiduciary out” provisions entitling Khan to consider and accept an unsolicited superior offer. CNNC has the right to match any superior offer made by another bidder. A termination fee of \$1.6 million will be payable to CNNC if the acquisition is not completed in certain circumstances. An equally valued reverse-termination fee is payable to Khan if the transaction is not completed in certain circumstances, namely, if CNNC is unable to obtain the requisite Chinese approval for the proposed CNNC Offer. A copy of the definitive support agreement with CNNC is available on SEDAR at www.sedar.com.

The complete details of the CNNC Offer will be set out in the formal offer to purchase and take-over bid circular, which is expected to be mailed to shareholders on or around February 26, 2010. The CNNC Offer will be open for acceptance for a period of not less than 35 days and will be conditional upon, among other things, acceptance by holders of at least 66 2/3% of the outstanding Common Shares on a fully diluted basis and receipt of all Canadian and Chinese regulatory, government and corporate approvals.

Assuming the CNNC Offer is made in accordance with and subject to the terms and conditions contained in the definitive agreement between the parties, Khan expects that its Board of Directors will prepare, file and mail to shareholders a directors’ circular setting out the Board’s recommendation that shareholders accept the CNNC Offer and tender their Common Shares to the CNNC Offer. Khan cautions readers, however, that CNNC has not yet formally commenced the CNNC Offer and, accordingly, there can be no assurance that the transactions contemplated by the definitive agreement with CNNC will be concluded or that the terms and conditions of proposed the CNNC Offer will be satisfied or waived.

Summary of Rights Plan – Principal Terms

As noted above, the Rights Plan does not prevent take-over bids or the shareholders ability to consider and determine whether to accept or reject any take-over bid made for the Corporation. Rather, the Rights Plan encourages a potential acquiror to proceed either by way of a Permitted Bid, such as the ARMZ Offer, or with the concurrence of the Board of Directors, such as the CNNC Offer.

The existing legislative framework for take-over bids in Canada, particularly in light of the foregoing events, continues to raise the following concerns for shareholders of the Corporation, and accordingly, the Board of Directors considers it imperative that the Rights Plan be ratified and confirmed by shareholders at the Meeting so as to ensure its continued existence in accordance with its terms, thereby ensuring the continued fair and equal treatment of shareholders in the face of the ARMZ Offer and the CNNC Offer.

The following is a summary of the principal terms of the Rights Plan which is qualified in its entirety by reference to the text of the Rights Plan Agreement. The terms and conditions of the Rights Plan are similar to a number of rights plans adopted by other Canadian companies and approved by their shareholders. A shareholder or any other interested party may obtain a copy of the Rights Plan Agreement on SEDAR at www.sedar.com or by writing or calling the Corporate Secretary of the Corporation at the Corporation’s

head office located at 141 Adelaide Street West, Suite 1007, Toronto, Ontario, M5H 3L5 or at (416) 360-3405.

Time

Current legislation permits a take-over bid to expire 35 days after it is initiated. The Board of Directors is of the view that this is not sufficient time to properly consider a take-over bid and allow the Board of Directors to maximize value for all shareholders. For this reason, the Rights Plan provides that a Permitted Bid must be open for acceptance for at least 60 days after the bid is made and at least 10 additional days after the bidder publicly announces that it has satisfied the minimum tender condition discussed below.

Pressure to Tender

A shareholder may feel compelled to tender to a take-over bid which the shareholder considers to be inadequate out of concern that in failing to do so, the shareholder may be left with illiquid or minority discounted shares. This is particularly so in the case of a partial take-over bid for less than all of the shares, where the bidder wishes to obtain a control position but does not wish to acquire all of the shares.

A partial bid structure is, by its very nature, coercive because it forces shareholders to make a decision as to whether to accept an offer (and in respect of how many shares), sell into the market, or reject such offer and maintain their position, all without knowing whether and to what extent other shareholders will accept the offer and without the ability to know the price at which the shares (which are not tendered or are returned to shareholders as a result of pro-ration) will trade after such offer. Shareholders are confronted with increased uncertainty as to the future value (in part as a result of uncertainty as to the plans of the offeror and discounts applied by the market to “controlled” companies) and the reduced liquidity of shares that are not acquired under the partial bid. Since the post-partial bid market price and number of shareholders tendering to a partial bid will not be known with any certainty, shareholders may be forced to make an investment decision with incomplete information.

If shareholders deposit their shares under a partial offer as a result of its coercive nature, they may reduce the risks associated with those shares that are acquired under the partial offer (after pro-ration), but will expose their remaining holdings to these increased uncertainties and reduced liquidity. Indeed, due to the nature of a partial bid, it is not possible for all shares deposited to the offer to be taken up and paid for by the offeror. All remaining shares must be returned to shareholders and such shares will be subject to reduced liquidity and potentially a corresponding decrease in value.

For these reasons, and consistent with the practices of other public companies, the Rights Plan provides that a Permitted Bid must be made to all holders of Common Shares and establishes a shareholder tender approval mechanism, which is intended to ensure that a shareholder can separate the decision to tender from the approval or disapproval of a particular take-over bid. This is accomplished by requiring that no shares may be taken up under the take-over bid until more than 50% of the Common Shares held by Independent Shareholders have been tendered to the take-over bid, and that satisfaction of this condition be publicly announced and the take-over bid remain open for at least 10 business days thereafter, which condition may not be waived by the bidder.

Unequal Treatment: Fair Value

While existing provincial securities legislation has substantially addressed many concerns in this regard, there remains the possibility that control of the Corporation may be acquired pursuant to a private agreement in which one or a small group of shareholders disposes of Common Shares at a premium to market price which premium is not shared with the other shareholders. In addition, a person may slowly accumulate common shares through stock exchange acquisitions which may result, over time, in an acquisition of control without payment of fair value for control or a fair sharing of a control premium among all shareholders.

Effective Date

The effective date of the Rights Plan is November 14, 2006 (the “Effective Date”).

Term

If the continued existence of the Rights Plan is ratified at the Meeting, the Rights Plan will continue in full force and effect, unamended, until it expires at the close of the next third annual meeting of shareholders of the Corporation occurring after the ratification and approval of the continuation of the Rights Plan at this Meeting.

Shareholder Approval

For the Rights Plan to continue in effect following the Meeting, the Shareholder Rights Plan Resolution must be approved by a majority of the votes cast at the Meeting by holders of Common Shares and, if applicable, by a separate majority vote excluding votes cast by any non-Independent Shareholders and by a separate majority vote excluding votes cast by any Grandfathered Persons. Management of the Corporation is not aware of any shareholder who will be ineligible to vote on the confirmation of the Rights Plan at the Meeting and believes all shareholders are Independent Shareholders as defined under the Rights Plan and that there are no Grandfathered Persons as defined under the Rights Plan. If the Shareholder Rights Plan Resolution is not approved, the Rights Plan will terminate immediately.

Issue of Rights

On the Effective Date, one right (a “Right”) was issued and attached to each Common Share outstanding and attached to each Common Share subsequently issued.

Exercise of Rights

The Rights are not exercisable initially and certificates representing the Rights will not be sent to shareholders. Until the Separation Time (defined below), the Rights will be transferred with the associated Common Shares.

The Rights will separate from the Common Shares and will be exercisable ten business days (the “Separation Time”) after the earliest of, (i) the first date of public announcement by the Corporation or another person of facts that any person has become an “Acquiring Person” (as defined below) (the “Stock Acquisition Date”), (ii) the date of the commencement of, or first public announcement of the intent of any person to commence a Take-over Bid (as defined below), other than a Permitted Bid or a Competing Permitted Bid (as such terms are defined below), and (iii) the date upon which a Permitted Bid or a Competing Permitted Bid ceases to be such. For the purposes of the Rights Plan, a “Take-over Bid” means an offer to acquire Common Shares or any securities issued by the Corporation pursuant to which the holder may acquire Common Shares or other securities which are convertible into or exercisable or exchangeable for Common Shares (or both), where the Common Shares subject to the offer to acquire, together with Common Shares into which the securities subject to the offer to acquire are convertible, constitute in the aggregate 20% or more of the outstanding Common Shares at the date of the offer. The acquisition by any person (the “Acquiring Person”) of 20% or more of the Common Shares, other than by way of a Permitted Bid, a Competing Permitted Bid or an Exempt Acquisition (as such terms are defined below), among other circumstances, is referred to as a “Flip-in Event”. Any Rights held by an Acquiring Person will become void upon the occurrence of a Flip-in Event. After the Separation Time but prior to the occurrence of a Flip-In-Event, each Right may be exercised to purchase one Common Share at the exercise price per Right of Cdn.\$8.44, subject to adjustment in accordance with the terms of the Rights Plan (the “Exercise Price”). Ten trading days after the occurrence of the Stock Acquisition Date, each Right (other than those held by the Acquiring Person) will permit the purchase of that number of Common Shares of the Corporation having an aggregate Market Price (as defined in the Rights Plan) on the date of consummation or occurrence of such Flip-in Event equal to twice the Exercise Price for an amount in cash equal to the Exercise Price of the Right.

The issue of the Rights is not initially dilutive. Upon a Flip-in Event occurring and the Rights separating from the Common Shares, reported earnings per share on a fully-diluted or non-diluted basis may be affected. Holders of Rights not exercising their Rights upon the occurrence of a Flip-in Event may suffer substantial dilution.

Permitted Bids

The Rights Plan will not be triggered by a Permitted Bid or a Competing Permitted Bid. The requirements for a Permitted Bid include the following:

- (a) the Take-over Bid must be made by way of a Take-over Bid circular;
- (b) the Take-over Bid must be made to all shareholders for all Common Shares held by them, other than Common Shares held by the offeror;
- (c) Common Shares may be deposited under the Take-over Bid any time between the date of the bid and the date Common Shares are taken up and paid for, and any Common Shares deposited under the Take-over Bid may be withdrawn until taken up and paid for;
- (d) the Take-over Bid must be outstanding for at least 60 days and Common Shares tendered pursuant to the Take-over Bid may not be taken up before the expiry of the 60 day period and only if at such time more than 50% of the Common Shares held by Independent Shareholders have been tendered to the Take-over Bid and not withdrawn;
- (e) the Take-over Bid must contain an irrevocable and unqualified condition that more than 50% of the outstanding Common Shares held by Independent Shareholders must be deposited to the Take-over Bid and not withdrawn at the close of business on the date of first take-up or payment for Common Shares; and
- (f) if, on the date on which Common Shares may be taken up and paid for by the bidder, more than 50% of the Common Shares held by Independent Shareholders shall have been tendered to the Take-over Bid, the bidder must make a public announcement to that effect and the Take-over Bid must remain open for deposits of Common Shares for an additional 10 business days from the date of such public announcement.

The Rights Plan allows for a “Competing Permitted Bid” to be made while a Permitted Bid or another Competing Permitted Bid is in existence. A Competing Permitted Bid must satisfy all the requirements of a Permitted Bid except that it may expire on the same date as the Permitted Bid, subject to the requirement that it remain open until the later of 35 days (or such longer period as is prescribed by the *Securities Act* (Ontario)) after the date on which the Competing Bid was made and 60 days after the earliest date on which a Permitted Bid or other Competing Permitted Bid then in existence was made.

Acquiring Person

In general, an Acquiring Person is a person who beneficially owns 20% or more of the outstanding Common Shares. Excluded from the definition of “Acquiring Person” are Khan and its Subsidiaries (as defined in the Rights Plan), and any person who becomes the Beneficial Owner (as defined in the Rights Plan) of 20% or more of the outstanding Common Shares as a result of one or more or any combination of an acquisition or redemption by Khan of Common Shares, a Permitted Bid Acquisition, an Exempt Acquisition, a Convertible Security Acquisition and a Pro Rata Acquisition. The definitions of “Permitted Bid Acquisition”, “Exempt Acquisition”, “Convertible Security Acquisition” and “Pro Rata Acquisition” are set out in the Rights Plan Agreement. However, in general:

- (g) a “Permitted Bid Acquisition” means an acquisition of Common Shares made pursuant to a Permitted Bid or a Competing Permitted Bid;
- (h) an “Exempt Acquisition” means an acquisition of Common Shares or securities which are convertible into or exercisable or exchangeable for Common Shares: (a) in respect of which the Board of Directors has waived the application of the Rights Plan, or which was made on or prior to the close of business on November 14, 2006; or (b) pursuant to a distribution of Common Shares or convertible securities (and the conversion or exchange of such convertible securities) made by the Corporation pursuant to a prospectus, private placement or other distribution made by the Corporation exempt from the prospectus requirements of applicable law;

- (i) a “Convertible Security Acquisition” means an acquisition of Common Shares upon the exercise of convertible securities acquired by such person pursuant to a Permitted Bid Acquisition, Exempt Acquisition or a Pro Rata Acquisition;
- (j) a “Pro Rata Acquisition” means an acquisition by a person of Common Shares or convertible securities: (a) as a result of a stock dividend, a stock split or other event pursuant to which such person receives or acquires Common Shares or convertible securities on the same pro rata basis as all other holders of Common Shares of the same class.; (b) pursuant to any regular dividend reinvestment plan or other plan made available by the Corporation to holders of its securities where such plan permits the holder to direct that some or all of: (i) dividends paid in respect of shares of any class of the Corporation, (ii) proceeds of redemption of shares of the Corporation, (iii) interest paid on evidences of indebtedness of the Corporation, or (iv) optional cash payments, be applied to the purchase from the Corporation of further securities of the Corporation; (c) pursuant to the receipt and/or exercise by the person of rights (other than the Rights) issued by the Corporation to all of the holders of a series or class of Common Shares on a pro-rata basis to subscribe for or purchase Common Shares or convertible securities, provided that such rights are acquired directly from the Corporation and not from any other person; or (d) pursuant to a plan of arrangement, amalgamation or other statutory procedure requiring shareholder approval.

Based on the foregoing, the Rights Plan will not be triggered by the CNNC Offer if the Board of Directors waives the application of the Flip-In Event provisions pursuant to the provisions of the Rights Plan. The Board of Directors may waive the application of the Rights Plan to any Flip-In Event triggered as a result of the CNNC Offer since, in those circumstances, the Flip-In Event would occur by reason of a Take-over Bid made by Take-over Bid circular to all holders of Common Shares. The Rights Plan also provides that if the Board of Directors so waives the application of the Rights Plan to a Flip-In Event occurring by reason of any such Take-over Bid by CNNC, the Board will be deemed to have waived the application of the Rights Plan to any other Flip-In Event occurring by reason of any other Take-over Bid made by Take-over Bid circular to all holders of Common Shares which is made prior to the expiry of any Take-over Bid, which would include the ARMZ Offer.

The Board of Directors has deferred the Separation Time in respect of the CNNC Offer and, further, has agreed pursuant to the terms of the definitive agreement between CNNC and the Corporation, to waive the application of the Rights Plan to the CNNC Offer and the transactions contemplated thereby if requested by CNNC and, only then, immediately prior to the expiry time of the CNNC Offer.

Independent Shareholders

Generally, pursuant to the Rights Plan, “Independent Shareholders” means holders of outstanding Common Shares other than:

- (i) any Acquiring Person;
- (ii) any person who is the beneficial owner of 20% or more of the outstanding Common Shares determined as of the Record Time (a “Grandfathered Person”);
- (iii) any person who has announced an intention to make or who has made a Take-over Bid (an “Offeror”);
- (iv) any Affiliate or Associate (as such terms are defined in the Rights Plan) of such Acquiring Person, such Grandfathered Person or such Offeror;
- (v) an person acting jointly or in concert with such Acquiring Person, such Grandfathered Person or such Offeror; and
- (vi) a person who is a trustee of any employee benefit plan, share purchase plan, deferred profit sharing plan or any similar plan or trust for the benefit of employees of the Corporation or a Subsidiary of the Corporation, unless the beneficiaries of the plan or trust direct the manner in which the Common Shares are to be voted or direct whether the Common Shares are to be tendered to a Take-over Bid.

Certificates and Transferability

Prior to the Separation Time, the Rights are evidenced by a legend on certificates for the Common Shares issued from and after the Effective Date and are not to be transferable separately from the Common Shares. From and after the Separation Time, the Rights will be evidenced by Rights certificates which will be transferable and traded separately from the Common Shares.

Redemption

Rights may be redeemed by the Board of Directors at any time prior to the occurrence of a Flip-in Event at a redemption price of Cdn\$0.000001 per Right. However, the Rights will be automatically redeemed if the Rights Plan is not ratified by shareholders at the Meeting or in the event of a successful Permitted Bid or a bid for which the Board of Directors has waived the operation of the Rights Plan.

Waiver

Discretionary Waiver with Mandatory Waiver of Concurrent Bids. As noted above, the Board of Directors acting in good faith may, prior to the occurrence of a Flip-in Event as to which the Rights Plan has not been waived, upon prior written notice to the rights agent, waive the application of the Rights Plan to any Flip-in Event that may occur by reason of a Take-over Bid made by means of a Take-over Bid circular to all holders of record of Common Shares. If the Board of Directors considers that such a Take-over Bid is in the best interests of Khan and its shareholders, this feature of the Rights Plan allows the Board to put such a bid to Corporation's shareholders without delay so that shareholders can decide whether or not they wish to tender their Common Shares to a Take-over Bid and without the Corporation being required to incur the time and expense associated with calling a meeting of shareholders in order to have the provisions of the Rights Plan waived in respect of such a Take-over Bid. However, if the Board of Directors waives the application of the Rights Plan, the Board of Directors shall be deemed to have waived the application of the Rights Plan in respect of any other Flip-in Event occurring by reason of any Take-over Bid made prior to the expiry of a bid for which a waiver is, or is deemed to have been, granted. As noted above, this means that if the Rights Plan is waived in respect of the CNNC Offer, holders of Common Shares will be able to tender their Common Shares to the CNNC Offer and, if such Common Shares are taken up and paid for by CNNC pursuant to the CNNC Offer, will be entitled to receive the consideration offered under the CNNC Offer without the provisions of the Rights Plan being triggered. Further, at such time, shareholders would be free to decide whether to tender their Common Shares to either the CNNC Offer or the ARMZ Offer, without the provisions of the Rights Plan being triggered in respect of either Take-over Bid.

Discretionary Waiver respecting Acquisition not by Take-over Bid Circular. The Board of Directors acting in good faith may, with the prior consent of the holders of Common Shares, determine, at any time prior to the occurrence of a Flip-in Event as to which the application of the Rights Plan has not been waived, if such Flip-in Event would occur by reason of an acquisition of Common Shares otherwise than pursuant to a Take-over Bid made by means of a Take-over Bid circular to holders of Common Shares and otherwise than by inadvertence when such inadvertent Acquiring Person has then reduced its holdings to below 20%, to waive the application of the Rights Plan to such Flip-in Event. However, if the Board of Directors waives the application of the Rights Plan in these circumstances, the Board of Directors shall extend the Separation Time to a date subsequent to and not more than 10 business days following the meeting of shareholders called to approve such a waiver.

Amendment

The corporation may amend any provision of the Rights Plan without the approval of shareholders (or holders of Rights) where the Board acting in good faith deems such action necessary or desirable. The Board of Directors may amend the Rights Plan with the majority approval of shareholders (or the holders of Rights, if the Separation Time has occurred) at a meeting duly called for that purpose. The Directors, without such approval, may make amendments to the Rights Plan to correct clerical or typographical errors or to maintain its validity due to changes in applicable legislation.

Board of Directors

The Rights Plan will not detract from or lessen the duty of the Board of Directors to act honestly and in good faith with a view to the best interests of the Corporation. The Board of Directors, when a Permitted

Bid is made, will continue to have the duty and power to take such actions and make such recommendations to shareholders as are considered appropriate.

Recommendation of The Board Of Directors

The Board of Directors has determined that the Rights Plan is in the best interest of the Corporation and its shareholders. **The Board of Directors unanimously recommends that shareholders vote for the Shareholder Rights Plan Resolution to ratify, confirm and approve the continued existence of the Rights Plan and the Rights issued pursuant thereto.**

To be effective, the Shareholder Rights Plan Resolution must be approved by a majority of votes cast in person or by proxy at the Meeting. **Unless instructed in the form of proxy to the contrary, the management proxy nominees named in the accompanying form of proxy intend to vote “FOR” the approval of the Shareholder Rights Plan Resolution.**

AUDIT COMMITTEE

The information required by Multilateral Instrument 52-110 - Audit Committees (“52-110”) is available under the heading “Audit Committees and Auditors” in the Corporation’s most recently filed Annual Information Form available on SEDAR at www.sedar.com.

AVAILABILITY OF DISCLOSURE DOCUMENTS

Additional information relating to Khan is available on SEDAR at www.sedar.com and on Khan's website at www.khanresources.com. Financial information about Khan is provided in the Corporation's comparative financial statements and management's discussion and analysis of financial and operating results for the fiscal year ended September 30, 2009.

Khan will provide to any person or company, upon request to its Corporate Secretary, a copy of:

- (1) its 2009 Annual Report, including management’s discussion and analysis of financial and operating results;
- (2) its latest Annual Information Form, together with a copy of any document, or pertinent pages of any document, incorporated therein by reference; and
- (3) its comparative financial statements for the year ended September 30, 2009, together with the report of its auditors thereon, and any interim financial statements filed subsequently.

Khan's Corporate Secretary may be reached at:

Telephone: (416) 360-3405 Ext. 2606

Fax: (416) 360-3417

Email: pcaldwell@khanresources.com

141 Adelaide Street West, Suite 1007
Toronto, Ontario, Canada
M5H 3L5

DIRECTORS' APPROVAL

The contents of this Circular and the sending, communication and delivery thereof to the shareholders of the Corporation have been approved by the Board of Directors. A copy of this Circular has been sent to each director, each shareholder entitled to notice of the Meeting and the auditors of the Corporation.

Toronto, Ontario, February 18, 2009.

By Order of the Board of Directors

Paul D. Caldwell (signed)
Chief Financial Officer and Corporate Secretary

APPENDIX A
CORPORATE GOVERNANCE DISCLOSURE

Khan believes that effective corporate governance practices are fundamental to the overall success of a company. Effective June 30, 2005, the CSA Governance Requirements require an issuer to disclose its corporate governance practices. The CSA Governance Requirements replaced the corporate governance guidelines of the Toronto Stock Exchange.

Governance Disclosure Guideline under <u>NI 58-101</u>	<u>Comments</u>
1. Board of Directors	
(a) Disclose the identity of directors who are independent.	The following directors are independent: James B. C. Doak, Jean-Pierre Chauvin, Grant A. Edey, Stephen W. Harapiak, Peter J. M. Hooper, the Hon. Robert P. Kaplan and David L. McAusland.
(b) Disclose the identity of directors who are not independent, and the basis for that determination.	As at September 30, 2009, the following director was not independent: Martin Quick, President and Chief Executive Officer
(c) Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the board of directors (the "board") does to facilitate its exercise of independent judgment in carrying out its responsibilities.	The Board is comprised of eight members, seven of whom are independent and one of whom is not. Each of the eight directors is up for re-election, the majority of which are independent. The Board expects that future slates of directors will comprise a majority of independent outside directors.
(d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.	James B.C. Doak is a director of Advanced Explorations Inc., Cascades Inc. and Purepoint Uranium Group Inc. Grant A. Edey is a director of Baffinland Iron Mines Corporation. Peter J. Hooper is a director of Macusani Yellowcake Inc. Hon. Robert P. Kaplan is a director of Advanced Explorations Inc. and a trustee of H&R REIT. David L. McAusland is a director of Cascades Inc., Cogeco Inc., Cogeco Cable Inc., Equinox Minerals Limited and World Color Press, Inc. Martin Quick is a director of Gold Summit Corporation.
(e) Disclose whether or not the independent directors hold regularly scheduled meetings at which members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to	The Board of Directors and its committees meet independently of management when needed. The Audit and Finance Committee, Compensation Committee, Corporate Governance and Nominating Committee, Special Committee and Technical Advisory Committee are composed entirely of independent directors. The Audit and Finance Committee held 4 meetings,

**Governance Disclosure Guideline under
NI 58-101**

facilitate open and candid discussion among its independent directors.

(f) Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the board has neither a chair that is independent nor a lead director that is independent, describe what the board does to provide leadership for its independent directors.

(g) Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.

2. Mandate of the Board

Disclose the text of the board's written mandate. If the board does not have a written mandate, describe how the board delineates its role and responsibilities.

Comments

the Compensation Committee held 3 meetings the Corporate Governance and Nominating Committee held 1 meeting, the Special Committee held 7 meetings, the Strategic Review Committee held 1 meeting and the Technical Advisory Committee held 2 meetings during the fiscal year ended September 30, 2009.

James B.C. Doak, an independent director, is the Chairman of the Board. The Chairman is responsible for the management, the development and the performance of the Board of Directors and provides leadership to the Board for all aspects of its work. The Chairman also acts in an advisory capacity to the Chief Executive Officer.

The Chairman of the Board's duties and responsibilities include the following:

- establishing the agenda for all regular and special meetings of the Board;
- presiding over meetings of the Board;
- providing leadership to the Board and facilitating the Board's review and consideration of strategic business plans;
- to monitor and evaluate, through the Corporate Governance and Nominating Committee, the effectiveness of the Board of Directors;
- through the Corporate Governance and Nominating Committee, to identify potential candidates who possess the knowledge, experience and business acumen to serve as directors;
- to liaise between the Board and management; and
- to sponsor continuing education programs for directors.

The attendance record of each director for all Board of Directors meetings held since the beginning of the fiscal year ended September 30, 2009 is set out in this Circular under the heading "Business of the Meeting - Election of Directors".

The Board of Directors has the responsibility to oversee the conduct of the business of the Corporation and to supervise management which is responsible for the day-to-day conduct of the business. The Board's fundamental objectives are to enhance and preserve

**Governance Disclosure Guideline under
NI 58-101**

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long-term shareholder value; to ensure that the Corporation meets its obligations on an ongoing basis and that the Corporation operates in a reliable and safe manner. In performing its functions, the Board's mandate dictates that it should consider the legitimate interests that its stakeholders, such as employees, customers and communities, may have in the Corporation. In supervising the conduct of the business, the Board, through the Chief Executive Officer, sets the standards of conduct for the enterprise.

The full Board mandate is set out in Appendix B to the Circular.

3. Position Descriptions

(a) Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.

The Board has developed a role description for the Chairman of the Board. While the Board has not developed role descriptions for the chair of each committee, the mandate of each committee is well defined. The role of a committee chair is to take responsibility for the management and performance of the applicable Board committee and provide leadership to the committee in connection with its work.

(b) Disclose whether or not the board and CEO have developed a written position description for the CEO. If the board and CEO have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the CEO.

A position description for Khan's Chief Executive Officer has been established by the Board. The Chief Executive Officer is responsible to the Board of Directors for the overall leadership, direction and management of the Corporation and its subsidiaries. The Chief Executive Officer is expected to chart the course of the Corporation, providing the leadership, strategic direction, operational planning and broad executive management necessary to achieve business and shareholder objectives.

4. Orientation and Continuing Education

(a) Briefly describe what measures the board takes to orient new directors regarding (i) the role of the board, its committees and its directors, and (ii) the nature and operation of the issuer's business.

The Board recognizes the importance of providing new directors with an orientation upon election to the Board and with continuing education in the business of the Corporation.

Upon becoming a member of the Board, an individual will be provided with copies of the Corporation's principal continuous disclosure documents and a series of interviews or meetings with senior personnel in order to be informed on various business, operational and organizational aspects of the Corporation. Orientation will also include such things as:

- organized visits to the Corporation's facilities;
- familiarization with the service providers

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and partners;

- company history and other relevant data;
- information concerning mission, goals, strategy, philosophy and major policies of the Corporation;
- review of recent analyst reports;
- information pertaining to personal liability and insurance coverage;
- rules for purchasing and selling securities of the Corporation; and
- rules regarding insider information.

(b) Briefly describe what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.

Continuing education could include periodic site visits of various properties and operations centres. Further, as part of the continuing education process, the Chief Executive Officer reports on industry developments to the Board of Directors at each meeting. Directors are also regularly provided with copies of the Corporation's ongoing continuous disclosure documents, and receive management presentations and information and presentations from the Corporation's external advisors and experts, as appropriate, from time to time.

5. Ethical Business Conduct

(a) Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code: (i) disclose how a person or company may obtain a copy of the code; (ii) describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code; and (iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.

The Board of Directors has adopted a Code of Ethics that is applicable to all directors, officers and employees of the Corporation (the "Code") a copy of which may be obtained, upon request, from Paul D. Caldwell, Chief Financial Officer and Corporate Secretary, by e-mail, at pcaldwell@khanresources.com or by written request sent to Paul D. Caldwell, Chief Financial Officer and Corporate Secretary at 141 Adelaide Street West, Suite 1007, Toronto, Ontario, Canada, M5H 3L5.

The Board of Directors expects directors, officers and employees of the Corporation to act ethically at all times and to acknowledge their adherence to the policies comprising the Code. The Code prohibits actions that could be considered a conflict of interest and contains provisions in respect of fair dealing, confidentiality and prohibitions and illegal or unethical behaviour and is discussed at least annually by the Corporate Governance and Nominating Committee.

(b) Describe any steps the board takes to ensure directors exercise independent judgment in considering transactions and agreements in

Each director must disclose all actual or potential conflicts of interest and refrain from voting on matters in which such director has a conflict of interest. In

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respect of which a director or executive officer has a material interest.

(c) Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.

6. Nomination of Directors

(a) Describe the process by which the board identifies new candidates for board nomination.

Comments

addition, a director must excuse himself or herself from any discussion or decision on any matter in which the director is precluded from voting as a result of a conflict of interest. The matter will also be discussed by non-conflicted directors of the Corporate Governance Committee.

The Board of Directors has a written disclosure policy aimed at informative, timely and broadly disseminated disclosure of material information to the market, in accordance with applicable securities legislation.

The Board has also established a written insider trading policy which is intended as a guideline to eliminate any transaction by an insider which would not be in full compliance with applicable securities legislation or which, by implication, might suggest trading by insiders was carried out when they were in possession of privileged or material information not yet disclosed to the public.

Khan maintains, through its Corporate Governance and Nominating Committee, a list of potential directors who have appropriate levels of senior business experience. Names on that list come from several sources. The directors of Khan are encouraged to submit names. Candidates' names are also obtained through analysis of other corporate boards and through reviews of senior corporate executives in other types of enterprises. Business and financial publications are also sources of names. Shareholders are also welcome to submit names for consideration. The list is reviewed by the Corporate Governance and Nominating Committee on a regular basis.

The Corporate Governance and Nominating Committee reviews the composition of the Board from time to time so that when a vacancy occurs, the most appropriate candidate can be readily identified. When a vacancy occurs, the Corporate Governance and Nominating Committee reviews the list and selects the names of the most suitable candidates. The Corporate Governance and Nominating Committee may, if it is felt necessary, utilize the services of outside consultants in searching for candidates. The names of candidates are then submitted to the entire Board to obtain the comments and suggestions from its members.

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(b) Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process.

(c) If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.

7. Compensation

(a) Describe the process by which the board determines the compensation for the issuer's directors and officers.

Once the Board agrees on the best candidate, an approach is made to that person in a manner deemed most appropriate by the Corporate Governance and Nominating Committee. The approach would be followed by personal interviews with the prospective director involving the Chairman of the Board, the Chair of the Corporate Governance and Nominating Committee, the Chief Executive Officer and other Board members as circumstances warrant.

If there is agreement to serve as a director, a Board orientation process is then carried out by the Chairman of the Board. After appointment or election, as the case may be, orientation with management is carried out.

The Corporate Governance and Nominating Committee is composed entirely of independent directors. Because all committee members are independent of management, the committee is able to objectively pursue its mandate of identifying new directors. In addition, Khan's Board is required to agree on any candidate put forward by the Corporate Governance and Nominating Committee before an approach is made to that person.

In addition to the responsibilities described above, the Corporate Governance and Nominating Committee is responsible for establishing processes for identifying, recruiting, appointing, re-appointing and providing ongoing development for directors.

The Compensation Committee is charged with developing, for recommendation to the Board, a compensation philosophy and guidelines for the executive officers. It recommends to the Board the level of compensation for each executive officer (including level of variable pay compensation for the executive officers based on annual performance information). The Compensation Committee also considers and, if deemed appropriate, makes recommendations to the Board about any option or benefit plans to be established for executive officers.

The Compensation Committee is charged with developing, for recommendation to the Board, a compensation philosophy and guidelines for the directors. It recommends the level of compensation for the directors based on a review of compensation paid by other public companies of the same size as the Corporation and in the same industry as the Corporation. Further details are also set out in the Circular under the heading "Compensation Discussion and Analysis".

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(b) Disclose whether or not the board has a compensation committee composed entirely of independent directors. If the board does not have a compensation committee composed entirely of independent directors, describe what steps the board takes to ensure an objective process for determining such compensation.

(c) If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.

Comments

The Compensation Committee of the Board of Directors is comprised entirely of independent directors.

The responsibilities, powers and operations of the Compensation Committee are as follows:

- developing compensation philosophy and guidelines for executive management for recommendation to the Board;
- reviewing, approving and reporting to the Board on succession planning for executive management (although the Corporate Governance and Nominating Committee is required to approve the succession plan for the Chief Executive Officer);
- reviewing and fixing the compensation of executive management and reporting its conclusions to the Board for consideration and approval;
- recommending to the Board for consideration and approval, and assisting the Board with the establishment of stock option or employee benefit plans;
- subject to approval of and establishment by the Board of annual guidelines with respect to variable pay compensation, reviewing annual performance information, determining and reporting its conclusions on variable pay compensation for the executive management, including individual performance awards;
- within guidelines established by the Board, considering and making recommendations to the Board on all matters pertaining to incentive awards, perquisites and other remuneration matters with respect to executive management;
- approving the selection of outside consultants retained by management to review executive compensation;

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Comments

- conducting annual review of the labour relations environment for the Corporation; and
- receiving reports on the nature and extent of compliance with the Corporation's occupational health and safety policies and standards and applicable legislations.

(d) If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.

A compensation consultant has not been retained to assist in the determination of compensation for any of the directors and/or officers of the Corporation for the 2009 fiscal year.

8. Other Board Committees

If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.

The Board of Directors also has a Technical Advisory Committee comprised of four independent directors (Peter J. M. Hooper (Chair), Grant A. Edey, Jean-Pierre Chauvin and Stephen W. Harapiak, see "Committee of the Board of Directors - Technical Advisory Committee".

9. Assessments

Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.

The Corporate Governance and Nominating Committee conducts annually, in conjunction with the Chairman of the Board, an evaluation of the effectiveness of the Board of Directors and its committees. In such evaluation, the Corporate Governance and Nominating Committee assesses the effectiveness of the Board of Directors and its committees, the adequacy of information provided to directors, communication processes between the Board of Directors and management, agenda planning for Board of Directors and committee meetings and strategic planning.

APPENDIX B
MANDATE OF THE BOARD OF DIRECTORS

Purpose

The Board of Directors (the "Board") has the responsibility to oversee the conduct of the business of Khan Resources Inc. (the "Corporation") and to supervise management which is responsible for the day-to-day conduct of the business. The Board's fundamental objectives are to enhance and preserve long-term shareholder value; to ensure the Corporation meets its obligations on an ongoing basis and that the Corporation operates in a reliable and safe manner. In performing its functions, the Board should consider the legitimate interests its stakeholders, such as employees, customers and communities, may have in the Corporation. In supervising the conduct of the business, the Board, through the Chief Executive Officer (the "CEO"), shall set the standards of conduct for the enterprise.

Procedure and Organization

The Board operates by delegating certain of its authorities to management and by reserving certain powers for itself. The Board retains the responsibility for managing its own affairs including selecting its Chair, nominating candidates for election to the Board, constituting committees of the full Board and determining director compensation.

Duties and Responsibilities

1. **Legal Requirements**

The Board's principal duties and responsibilities fall into a number of categories which are outlined below.

- (a) The Board has the responsibility to ensure that legal requirements have been met and documents and records have been properly prepared, approved and maintained.
- (b) The Board has the statutory responsibility to:
 - (i) manage the business and affairs of the Corporation;
 - (ii) act honestly and in good faith with a view to the best interests of the Corporation;
 - (iii) exercise the care, diligence and skill that reasonable, prudent people would exercise in comparable circumstances; and
 - (iv) act in accordance with its obligations contained in the *Business Corporations Act* (Ontario) and the regulations thereto, the Corporation's articles of amendment and by-laws, the securities acts of each province and territory of Canada, and other relevant legislation and regulations.
- (c) The Board has the statutory responsibility for considering the following matters as a full Board, which responsibilities, by law, may not be delegated to management or to a committee of the Board:
 - (i) any submission to the shareholders of a question or matter requiring the approval of the shareholders;
 - (ii) the filling of a vacancy among the directors or in the office of the auditor;
 - (iii) the issuance of securities except in a manner and on terms already authorized;
 - (iv) the declaration of dividends;
 - (v) the purchase, redemption or any other form of acquisition of shares issued by the Corporation;
 - (vi) the payment of a commission to any person in consideration of his/her purchasing or agreeing to purchase shares of the Corporation from the Corporation or from any other person, or procuring or agreeing to procure purchasers for any such shares;
 - (vii) the approval of management proxy circulars;
 - (viii) the approval of a takeover-bid circular or a directors' circular;
 - (ix) the approval of financial statements of the Corporation; and

- (x) the adoption, amendment or repeal of by-laws of the Corporation.

2. Strategy Determination

The Board has the responsibility to ensure there are long-term goals and a strategic planning process in place for the Corporation and to participate with management directly or through its committees in developing and approving a statement of the mission of the business of the Corporation and the strategy by which it proposes to achieve these goals.

3. Managing Risk

The Board has the responsibility to understand the principal risks of the business in which the Corporation is engaged, to achieve a proper balance between risks incurred and the potential return to shareholders, and to ensure that there are systems in place which effectively monitor and manage those risks with a view to the long-term viability of the Corporation.

4. Appointment, Training and Monitoring Senior Management

The Board has the responsibility:

- (a) to appoint the CEO, to monitor and assess the CEO's performance, to determine the CEO's compensation, and to provide advice and counsel in the execution of the CEO's duties;
- (b) to approve the appointment and remuneration of all corporate officers, acting upon the advice of the CEO; and
- (c) to ensure that adequate provision has been made to train and develop management and for the orderly succession of management, including the CEO.

5. Policies, Procedures and Compliance

The Board has the responsibility:

- (a) to ensure that the Corporation operates at all times within applicable laws and regulations and to the highest ethical and moral standards;
- (b) to approve and monitor compliance with significant policies and procedures by which the Corporation operates;
- (c) to ensure the Corporation sets high environmental standards in its operations and is in compliance with environmental laws and legislation; and
- (d) to ensure the Corporation has a high regard for the health and safety of its employees in the workplace and has in place appropriate programs and policies.

6. Reporting and Communication

The Board has the responsibility:

- (a) to ensure the Corporation has in place policies and programs to enable the Corporation to communicate effectively with its shareholders, other stakeholders and the public generally;
- (b) to ensure that the financial performance of the Corporation is adequately reported to shareholders, other security holders and regulators on a timely and regular basis;
- (c) to ensure that the financial results are reported fairly and in accordance with generally accepted accounting principles;
- (d) to ensure the timely reporting of any other developments that are expected to have a significant and material impact on the value of the Corporation; and
- (e) to report annually to shareholders on its stewardship of the affairs of the Corporation for the preceding year.

7. Monitoring and Acting

The Board has the responsibility:

- (a) to monitor the Corporation's progress towards its goals and objectives and to revise and alter its direction through management in response to changing circumstances;
- (b) to take action when performance falls short of its goals and objectives or when other special circumstances warrant; and
- (c) to ensure that the Corporation has implemented adequate control and information systems which ensure the effective discharge of its responsibility.

APPENDIX C

SHAREHOLDER RIGHTS PLAN RESOLUTION

"BE IT RESOLVED THAT:

1. the continued existence of the Amended and Restated Shareholder Rights Plan Agreement dated as of November 14, 2006 between the Corporation and Equity Transfer & Trust Company and the Rights (as such term is defined thereunder) issued pursuant thereto are hereby ratified, confirmed and re-approved; and
2. any director or officer of the Corporation be and is hereby authorized and directed, for and in the name of and on behalf of the Corporation, to execute and deliver such agreements, documents and instruments and to take such other actions as such person may determine to be necessary or advisable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such agreement, document or instrument or the taking of any such action."

KHAN RESOURCES INC.



141 Adelaide Street West, Suite 1007
Toronto, Ontario, Canada M5H 3L5

CORRIGENDUM

The management information circular of Khan Resources Inc. (the “Company”) dated February 18, 2010 contains an inadvertent error at page 6, under the caption “Election of Directors”, relating to shareholdings of Peter Hooper, a director of the Company. The following should replace the section of table setting out the nominees for election as directors of the Company relating to Peter Hooper:

<p>Peter J. M. Hooper Toronto, Ontario, Canada</p> <p>Shares: nil ⁽¹⁾ Options: 100,000</p>	<p>Peter J. M. Hooper, Director of Khan, Chairman of the Technical Advisory Committee, is a senior mining executive with broad-based experience in production, engineering, reorganization and training, contracting, exploration and corporate affairs. Mr. Hooper has a long track record in the mining industry in South Africa, Canada, Australia and Ghana. Currently, Mr. Hooper is CEO of Macusani Yellowcake Inc., a company he was instrumental in founding in 2006. From April 2004 to September 2005, Mr. Hooper served as the Chief Operating Officer for Afcan Mining Corporation. From 2002 until 2004, Mr. Hooper served as Managing Director of mineral resources at Kingsdale Capital Corporation. Mr. Hooper also served as President of Valencia Resources Inc. from 2000 to 2005. From 1999 to 2001, Mr. Hooper provided consulting engineering services through his company, Hooper Mining Services Inc. His senior management experience includes uranium production in Canada with Eldorado Nuclear Uranium Mines Ltd., 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. and Dynatec Engineering Ltd. His consulting engineering projects have been conducted in Canada, the United States, Cuba, Colombia, Venezuela, Mexico, Chile, South Africa, Zimbabwe, Ghana, Zambia, Australia, Kyrgyzstan, Kazakhstan, Uzbekistan, Russia, Saudi Arabia and France. Mr. Hooper holds a B.Sc. in Mining Engineering from the University of the Witwatersrand, South Africa. He is a director and/or officer of several public mining companies.</p> <p>Khan Board Details:</p> <ul style="list-style-type: none">• Director since July 19, 2005• Committee memberships: Audit and Finance; Technical Advisory (Chair)• Meetings attended: Board - 8 of 9 regular; Audit and Finance Committee - 2 of 4; Corporate Governance and Nominating Committee - 1 of 1; Technical Advisory Committee - 2 of 2• Independent
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Notes:

⁽¹⁾ The information about Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, not being within the knowledge of Khan, has been furnished by the respective nominees. Unless otherwise indicated, (a) beneficial ownership is direct and (b) the person indicated has sole voting and investment power.