Khan Resources Inc.
Interim Consolidated Financial Statements
For the three months ended December 31, 2008
(Unaudited)

Management's Responsibility for Financial Reporting

The accompanying unaudited interim consolidated financial statements of Khan Resources Inc. are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The most significant of these principles have been set out in the Company's audited consolidated financial statements as at and for the year ended September 30, 2008. Only changes in accounting policies have been disclosed in these unaudited interim consolidated financial statements. The financial statements include estimates based on the experience and judgement of management in order to ensure that the financial statements are presented fairly, in all material respects.

The management of the Company and its subsidiaries developed and continues to maintain systems of internal accounting controls and management practices designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors exercises its responsibilities for ensuring that management fulfills its responsibilities for financial reporting with the assistance of the Audit Committee.

The Audit Committee is appointed by the Board and all its members are independent. The Committee meets periodically to review quarterly financial statements and to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues. The committee reviews the Company's quarterly and annual financial statements and recommends their approval to the Board of Directors.

(Signed)	(Signed)
Martin Quick President and Chief Executive Officer	Paul D. Caldwell Chief Financial Officer and Corporate Secretary

Toronto, Ontario
February 6, 2009

Khan Resources Inc.
Interim Consolidated Balance Sheets
(Expressed in United States dollars)
(All dollar amounts are in thousands)
(Unaudited)

	As at December 31, 2008	As at September 30, 2008
Assets		
Current		
Cash	$ 19,051	$ 24,600
Accounts receivable	69	79
Investments (note 5)	49	-
Prepaid expenses and other assets	107	126
Restricted cash (note 6)	732	732
Total current assets	20,008	25,537
Advances to suppliers (note 7)	284	97
Capital assets, net (note 8)	3,013	1,943
Mineral interests (notes 1 and 9)	9,816	8,607
	$ 33,121	$ 36,184
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 403	$ 615
Commitments and contingencies		
Shareholders' Equity		
Capital stock (note 10)	70,674	70,493
Deficit	(37,984)	(34,924)
Accumulated other comprehensive income (note 11)	28	-
	32,718	35,569
	$ 33,121	$ 36,184

The accompanying notes form an integral part of these interim consolidated financial statements

On behalf of the Board:

Signed "James B.C. Doak"
Director

Signed "Martin Quick"
Director

Khan Resources Inc.
Interim Consolidated Statements of Operations and Deficit
(Expressed in United States dollars)
(All dollar amounts are in thousands except for per share amounts)
(Unaudited)

	Three months ended December 31 2008	Three months ended December 31 2007	Cumulative from inception on October 1, 2002
Revenue			
Interest	$ 82	$ 154	$ 2,017
Expenses (income)			
General corporate	409	1,294	10,867
Mongolian operations	167	250	1,656
Amortization	41	33	275
Stock-based compensation (note 12)	217	407	10,789
Foreign exchange loss (gain)	2,308	(111)	2,195
Sale of assets (note 13)	-	822	797
Offer for Western Prospector Group Ltd.	-	-	1,593
Write-off of assets	-	-	9,742
	3,142	2,695	37,914
Loss before taxes	(3,060)	(2,541)	(35,897)
Future tax recovery (note 13)	-	822	3,394
Net loss for the period	(3,060)	(1,719)	(32,503)
Deficit, beginning of period	(34,924)	(27,001)	-
Equity financing costs	-	-	(5,481)
Deficit, end of period	$ (37,984)	$ (28,720)	$ (37,984)
Weighted average number of common shares outstanding (thousands) - basic and diluted (note 14)	54,052	54,048	
Net loss per share - basic and diluted (note 14)	$ (0.06)	$ (0.03)	

The accompanying notes form an integral part of these interim consolidated financial statements.

Khan Resources Inc.
Interim Consolidated Statements of Comprehensive Loss
(Expressed in United States dollars)
(All dollar amounts are in thousands except for per share amounts)
(Unaudited)

	Three months ended December 31 2008	Three months ended December 31 2007	Cumulative from inception on October 1, 2002
Net loss for the period	$ (3,060)	$ (1,719)	$ (32,503)
Other comprehensive income (loss)			
Unrealized holding gain on available-for-sale securities arising during the period	28	-	28
Comprehensive loss for the period	$ (3,032)	$ (1,719)	$ (32,475)

The accompanying notes form an integral part of these interim consolidated financial statements.

Khan Resources Inc.
Interim Consolidated Statements of Cash Flows
(Expressed in United States dollars)
(All dollar amounts are in thousands)
(Unaudited)

	Three months ended December 31 2008	2007	Cumulative from inception on October 1, 2002
Operating Activities			
Net loss for the period	$ (3,060)	$ (1,719)	$ (32,503)
Items not affecting cash:			
Amortization expense	41	33	275
Stock-based compensation	217	407	10,789
Sale of assets (note 13)	-	822	825
Future tax recovery (note 13)	-	(822)	(3,394)
Unrealized foreign exchange loss (gain)	2,328	(34)	2,309
Write-off of assets	-	-	9,762
	(474)	(1,313)	(11,937)
Changes in non-cash working capital balances related to operations (note 15)	(272)	36	(556)
Cash used in operating activities	(746)	(1,277)	(12,493)
Investing Activities			
Proceeds from sale of assets	-	2,500	2,500
Investments	(21)	-	(21)
Restricted cash	-	-	(732)
Advances to suppliers	(187)	-	(284)
Purchase of capital assets	(1,111)	(14)	(3,293)
Mineral interests	(1,121)	(619)	(9,928)
Payment of property acquisition liability	-	-	(1,667)
Cash (used in) provided by investing activities	(2,440)	1,867	(13,425)
Financing Activities			
Capital stock (purchased) issued for cash	(36)	68	51,932
Equity financing costs	-	-	(4,619)
Cash (used in) provided by financing activities	(36)	68	47,313
Foreign exchange (loss) gain on cash	(2,327)	34	(2,344)
Net (decrease) increase in cash during the period	(5,549)	692	19,051
Cash, beginning of period	24,600	33,859	-
Cash, end of period	$ 19,051	$ 34,551	$ 19,051

The accompanying notes form an integral part of these interim consolidated financial statements.

Khan Resources Inc.
Notes to Interim Consolidated Financial Statements
December 31, 2008
(Expressed in United States dollars)
(All dollar amounts are in thousands, except for per share amounts)
(Unaudited)

1. Nature of Operations

Khan Resources Inc. ("Khan" or the "Company") is in the process of acquiring, exploring and developing mineral properties and is thus considered to be a development stage company. The recoverability of the amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production and/or the proceeds from the disposition thereof. To date, the Company has not earned any revenues from its properties.

These interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. These interim consolidated financial statements do not contain any adjustments related to the carrying value and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

2. Summary of Significant Accounting Policies

These interim consolidated financial statements and accompanying notes have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") for the preparation of interim financial statements. They do not include all the information and disclosures required by GAAP for annual consolidated financial statements. These interim consolidated financial statements have been prepared in accordance with the accounting policies and methods set forth in the Company's audited consolidated financial statements as at and for the year ended September 30, 2008 and should be read in conjunction with those audited financial statements and notes thereto.

These interim consolidated financial statements include the accounts of the Company and its subsidiaries. All references to the Company should be treated as references to the Company and its subsidiaries. Inter-company accounts and transactions have been eliminated on consolidation.

Investments

Investments in marketable securities have been designated as available-for-sale and are recorded at fair value. Fair values for available-for-sale investments are determined by reference to quoted market prices at the balance sheet date. Unrealized gains and losses are recognized in other comprehensive income. If a decline in fair value is considered to be other than temporary the loss is recognized in net earnings.

Accounting Policy Changes

Effective October 1, 2008, the Company adopted the new CICA accounting section: 3064 (Goodwill and Intangible Assets). Section 3064 provides guidance on the recognition of intangible assets in accordance with the definition of an asset and the criteria for asset recognition, clarifying the application of the concept of matching revenues and expenses, whether these assets are separately acquired or are developed internally. The adoption of this section did not have any impact on the Company's interim consolidated financial statements.

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board confirmed that International Financial Reporting Standards ("IFRS") will replace current Canadian GAAP for publicly accountable companies. The official change over date is for interim and annual financial statements for fiscal years beginning on or after January 11, 2011. IFRS will be required for Khan's interim and annual consolidated financial statements for the fiscal year beginning on October 1, 2011. The Company is currently formulating and developing an implementation plan to comply with the new standards and its future reporting requirements.

3. Capital Management

The Company's objectives for managing capital are to safeguard its ability to continue as a going concern and to bring the Dornod Uranium Project ("Project") in Mongolia into production. The Company's strategy remains unchanged from the previous year.

The capital structure of the Company at December 31, 2008 consists of common shares and was $61,281 as at December 31, 2008 (September 30, 2008 - $61,471). The Company has issued common shares, warrants and agents' options from time to time to advance the Project through various stages of development; however, debt may be required to bring the Project into production. In order to meet the Company's objectives for managing capital, new common shares, warrants, agents' options and/or debt may be issued.

4. Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, restricted cash and accounts payable and accrued liabilities.

(a) Fair Value

Cash and restricted cash are designated as held for trading and therefore carried at fair value with the unrealized gains or losses recorded in the interim consolidated statement of operations and deficit. Accounts receivable are designated as loans and receivables and therefore carried at amortized cost with the gains and losses recognized in the interim consolidated statement of operations and deficit in the period that the asset is derecognized or impaired. Investments are designated as available-for-sale and recorded at fair value with unrealized gains and losses recognized in the interim statement of comprehensive loss and realized gains and losses recognized in the interim consolidated statement of operations and deficit. Accounts payable and accrued liabilities are designated as other financial liabilities and therefore carried at amortized cost with the gains or losses recognized in the interim consolidated statement of operation and deficit when the financial liability is derecognized or impaired. The estimated fair values of accounts receivable and accounts payable and accrued liabilities approximate their respective carrying values.

(b) Financial Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks.

Credit Risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its bank accounts and guaranteed investment certificates, whose balance at December 31, 2008 was $19,783. Bank accounts are held with major banks in Canada and Mongolia. As the majority of the Company's cash is held by a Canadian bank and all the guaranteed investment certificates are also held by the same Canadian bank, there is a concentration of credit risk with one bank in Canada. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. The Company's secondary exposure to credit risk is on its accounts receivable. This risk is minimal as accounts receivable consist primarily of refundable government sales taxes.

Currency Risk
The Company operates in Canada and Mongolia and is therefore exposed to foreign exchange risk arising from transactions denominated in a foreign currency. The majority of these transactions are in Canadian dollars. The Company's cash, accounts receivable, restricted cash and accounts payable and accrued liabilities that are held in Canadian dollars, Euros and Mongolian togrogs are subject to fluctuation against the United States dollar. A +/- 1% change in the exchange rates between the Canadian and United States dollars would, based on the Company's interim consolidated financial statements at December 31, 2008, have an effect on the loss before taxes of approximately +/- $147.

Interest Rate Risk
The Company is exposed to interest rate risk as bank accounts earn interest income at variable rates. The fair value of its portfolio is relatively unaffected by changes in short term interest rates. The income earned on these bank accounts is subject to the movements in interest rates. A +/- 1% change in interest rates would have an effect on the loss before taxes for the three months ended December 31, 2008 of approximately +/- $218.

The Company also records transaction costs related to the acquisition or issue of held for trading financial instruments to the consolidated statement of operations and deficit as incurred. Transaction costs related to financial instruments not designated as held for trading are included in the financial instrument's initial recognition amount.

Liquidity Risk
Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash. As at December 31, 2008, the Company was holding cash of $19,051.

5. Investments

Investments consist of marketable securities that are available-for-sale and carried at fair value. The unrealized holding gain or loss is recorded in the interim statement of comprehensive loss.

6. Restricted Cash

Restricted cash consists of guaranteed investment certificates pledged as security for an international letter of credit for a contractor and a corporate credit card facility. These guaranteed investment certificates have a maturity date of less than one year. The international letter of credit expires on February 26, 2009 as the services are expected to be completed by this date.

7. Advances to Suppliers

The Company has provided funds to certain suppliers in advance of consulting services that will be performed at the Dornod Uranium Project. The costs of these services when performed will be capitalized to mineral interests.

(Expressed in United States dollars)
(All dollar amounts are in thousands, except for per share amounts)

8. Capital Assets

Capital assets consist of the following:

	As at December 31, 2008	As at September 30, 2008
Buildings, equipment, fixtures, furniture and vehicles	$ 776	$ 776
Less: accumulated amortization	275	234
	501	542
Construction in progress	2,512	1,401
	$ 3,013	$ 1,943

9. Mineral Interests

	As at December 31, 2008	As at September 30, 2008
Dornod Uranium Project, Mongolia		
Acquisition costs	$ 447	$ 447
Deferred development costs	9,369	8,160
	$ 9,816	$ 8,607

10. Capital Stock

Capital stock consists of the following:

	As at December 31, 2008	As at September 30, 2008
Common shares (a)	$ 61,281	$ 61,471
Contributed surplus (b)	9,393	9,022
	$ 70,674	$ 70,493

(Expressed in United States dollars)
(All dollar amounts are in thousands, except for per share amounts)

(a) Common shares

Authorized capital stock of the Company consists of an unlimited number of no par value common shares.

The changes in issued and outstanding common shares during the three months ended December 31, 2008 are as follows:

	Number of common shares (000's)		Amount
Balance, September 30, 2008	54,143	$	61,471
Cancellation of common shares (i)	(168)		(190)
Balance, December 31, 2008	53,975	$	61,281

(i) On October 21, 2008, the Company announced that the Toronto Stock Exchange ("TSX") had accepted a notice filed by the Company of its intention to make a normal course issuer bid.

The Company had 54,143,279 common shares issued and outstanding at September 30, 2008. The notice provides that under the normal course issuer bid, the Company may purchase up to 4,056,828 common shares, being 10% of the public float. In addition, the notice provides that the aggregate number of common shares that the Company may purchase during any trading day will not exceed 22,978 shares, being 25% of the average daily trading volume of the shares based on their trading volume on the TSX for the most recently completed six calendar months preceding the date of the notice of intention, subject to the Company's ability to make "block" purchases through the facilities of the TSX in accordance with the TSX rules.

During the three months ended December 31, 2008, the Company purchased 168,000 common shares under the normal course issuer bid and these shares were cancelled.

The Company has a stock option plan providing for the issuance of stock options to directors, officers, employees and service providers.

The changes in stock options during the three months ended December 31, 2008 are as follows:

(Expressed in United States dollars)
(All dollar amounts are in thousands, except for per share amounts)

	Number of options (000's)		Weighted Average Exercise Price (Cdn$)
Balance, September 30, 2008	3,910	$	2.34
Granted to directors, officers and employees	1,435		0.20
Expired	(150)		1.89
Balance, December 31, 2008	5,195	$	1.76

The following tables summarize information about the stock options outstanding and exercisable as at December 31, 2008:

Options outstanding

Exercise prices (Cdn$)	Number outstanding at December 31, 2008 (000's)	Weighted average remaining contractual life (years)		Weighted average exercise price (Cdn$)
0.20 to 1.89	2,720	4.14	$	0.76
2.37 to 2.39	1,445	3.59		2.37
3.53 to 4.69	1,030	3.18		3.57
0.20 to 4.69	5,195	3.79	$	1.76

Options exercisable

Exercise prices (Cdn$)	Number exercisable at December 31, 2008 (000's)		Weighted average exercise price (Cdn$)
0.20 to 1.89	1,458	$	1.00
2.37 to 2.39	1,035		2.37
3.53 to 4.69	1,030		3.57
0.20 to 4.69	3,523	$	2.16

(Expressed in United States dollars)
(All dollar amounts are in thousands, except for per share amounts)

(b) Contributed surplus

The changes in contributed surplus during the three months ended December 31, 2008 are as follows:

		Amount
Balance, September 30, 2008	$	9,022
Stock options granted to directors, officers and employees		217
Normal Course Issuer Bid (i)		154
Balance, December 31, 2008	$	9,393

(i) The excess of the value of common shares cancelled after being purchased under the normal course issuer bid over the purchase price is charged to contributed surplus.

11. Accumulated Other Comprehensive Income

	Three months ended December 31		Cumulative from inception on October 1, 2002
	2008	**2007**	
Balance, September 30, 2008	$ -	$ -	$ -
Other comprehensive income			
Unrealized holding gain on available-for sale securities arising during the period	28	-	28
Balance, December 31, 2008	$ 28	$ -	$ 28

12. Stock-based Compensation

The stock-based compensation expense during the three months ended December 31, 2008 was $217 (2007 - $407) and this amount was credited to contributed surplus.

In the case of options which vest immediately, the fair value of the options is expensed immediately. In the case of options which vest over time, the graded vesting method is used to expense compensation over the vesting period.

The fair value of the stock options granted during the three months ended December 31, 2008 was estimated on the date of issue using the Black-Scholes option pricing model with the following weighted average assumptions:

Expected life in years: 5
Risk free interest rate: 2.49%
Expected volatility: 100%
Dividend yield: 0%

The weighted average fair value per option of options granted during the three months ended December 31, 2008 is Cdn$0.15. There were no stock options granted during the three months ended December 31, 2007.

13. Sale of Assets

In August 2007, the Company entered into an agreement for the sale of the issued and outstanding common shares of Ikh Tokhoirol XXK, which held the Company's mining licenses for the Big Bend Gold Property, to Berleg Mining XXK, a Mongolian company, for $2,500 in cash. The sale closed on October 11, 2007 and the Company received $2,500 in cash. During the three months ended December 31, 2007, the Company recorded a loss on the sale of $822 and a future tax recovery of $822. At the time of acquisition of this asset, the accounting value of the asset exceeded the tax value, and a future tax liability was recorded.

14. Loss per Share

Basic and diluted loss per share is computed by dividing the net loss for the period by the weighted average number of common shares outstanding during the year.

Basic and diluted loss per share has been calculated using the weighted average number of common shares outstanding of 54,052,000 during the three months ended December 31, 2008 (2007 – 54,048,000). Any potential common shares whose effect is anti-dilutive have not been reflected in the calculation of diluted loss per share.

(Expressed in United States dollars)
(All dollar amounts are in thousands, except for per share amounts)

15. Supplemental Cash Flow Information

	Three months ended December 31 2008	Three months ended December 31 2007	Cumulative from Inception on October 1, 2002
Changes in non-cash working capital balances related to operations:			
Accounts receivable	$ 10	$ (23)	$ (69)
Prepaid expenses and other assets	19	3	(107)
Accounts payable and accrued liabilities	(301)	56	(380)
	$ (272)	$ 36	$ (556)
Non-cash financing activities:			
Equity financing costs settled by issue of agents options	$ -	$ -	$ 604

The Company did not pay income taxes or interest during the three months ended December 31, 2008 and 2007.

16. Subsequent Events

Subsequent to December 31, 2008, 70,000 stock options were exercised.