



**TSX: KRI**

Annual General Meeting  
February 16, 2012



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Disclosure with respect to mineral resources contained in this presentation have been prepared in accordance with National Instrument 43-101 of the Canadian Securities Administrators. Readers should refer to the NI 43-101 report by Aker Solutions, dated April 22, 2009 all of which are available at [www.secdar.com](http://www.secdar.com), for this detailed information, which is subject to the qualifications and notes set forth therein.

**Cautionary Note to United States Investors Concerning Estimates of Measured, Indicated and Inferred Resources:** This presentation uses the terms “Measured”, “Indicated” and “Inferred” Resources. United States investors are advised that while such terms are recognized and required by Canadian regulations, the United States Securities and Exchange Commission does not recognize them. “Inferred Mineral Resources” have a great amount of uncertainty as to their existence, and as to their economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or other economic studies. **United States investors are cautioned not to assume that all or any part of Inferred Mineral Resources will ever be converted into Measured or Indicated Resources or into Mineral Reserves. United States investors are also cautioned not to assume that all or any part of an Inferred Mineral Resource exists, or is economically or legally mineable.**



# Market Capitalization

(in C\$mm)

	FEB	FEB
	<u>2011</u>	<u>2012</u>
Market Capitalization	29.4	9.0

## Composed of:

Cash	9.0	4.7
Macusani Yellowcake	16.4	2.5
Dornod (residual value)	4.0	1.8



# History

- ❖ 15 years in Mongolia
- ❖ Over \$50mm of expenditures on the Dornod Project
- ❖ Definitive Feasibility Study completed March 2009
- ❖ NPV<sub>10%</sub> of \$256 mm
- ❖ Mine was scheduled to start in 2012
- ❖ Licenses not renewed by Mongolian government



# Commencement of Arbitration

- ❖ Notice of Arbitration served on Mongolia and MonAtom on January 10, 2011
- ❖ Three Bases for Claim:
  - ❖ Founding Agreement
  - ❖ Energy Charter Treaty
  - ❖ Foreign Investment Law of Mongolia
- ❖ Seeks damages in excess of \$200 million



# The Tribunal

## Constituted in May 2011

- ❖ L. Yves Fortier (Canada) – Khan's appointment
- ❖ Bernard Hanotiau (Belgium) – Mongolia's appointment
- ❖ David A.R. Williams (New Zealand) – Chairman selected by Fortier and Hanotiau



# The Process

- ❖ Hearing on procedural matters held September 2011
- ❖ Jurisdiction Hearing scheduled for May 2012
- ❖ Merits and Damages Hearing scheduled for November 2013



# Schedule for the Jurisdictional Phase

- December 2, 2011: Mongolia's Opening Memorial
- February 3, 2012: Khan's Countermemorial
- March 14, 2012: Mongolia's Reply Memorial
- April 23, 2012: Khan's Reply Memorial
- May 14-16, 2012: Evidentiary Hearing in Paris



# Issues for the Jurisdictional Phase

- ❖ Under Founding Agreement
  - ❖ Parties to the Agreement
  - ❖ Nature of the Claim
  
- ❖ Under the Energy Charter Treaty
  - ❖ Notice
  - ❖ Nature of the Claim
  - ❖ Denial of Benefits



## After the Jurisdictional Phase

- ❖ Decision on jurisdiction expected by mid-September 2012
- ❖ Briefing on merits and damages to be conducted between December 2012 and September 2013
- ❖ Hearing on merits and damages will take place from 11-16 November 2013
- ❖ Award on merits and damages expected in 2014



# Conclusion

- ❖ Khan has a very strong case
- ❖ Khan will continue to protect its assets and shareholder value
- ❖ Funding is available through third parties to ensure the case can be taken to the end if necessary



## Awards/Settlements in Other Investor-State Arbitration Cases

- ❖ \$900 million (*Motorola v. Turkey* settlement, ICSID 2005)
- ❖ \$877 million (*C.O.B. v. Czech Republic* award, ICSID 2004)
- ❖ \$698 million (*Chevron v. Ecuador* award, UNCITRAL 2011)
- ❖ \$527 million (*Himpurna v. Indonesia* award, PCA 1999)
- ❖ \$355 million (*CME v. Czech Republic* award, UNCITRAL 2003)
- ❖ \$193 million (*Bridas v. Turkmenistan* award, ICC 2000)
- ❖ \$133 million (*CMS v. Argentina* award, ICSID 2005)
- ❖ \$90 million (*Kardassopoulos v. Georgia* award, ICSID 2010)\*

\* *Kardassopoulos* settled for \$37 million after the award was rendered, but Georgia had arrested and convicted one of the principals on bribery charges; he was released as part of the settlement.