



January 8, 2016

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 February 11, 2016 at 11:00 a.m. (Eastern Standard Time) at The National Club located at 303 Bay Street, Toronto, Ontario.

At the meeting, we will report to you on Khan's performance for the financial year ended September 30, 2015 plus the status of the collection of the International Arbitration Award rendered against the Government of Mongolia. 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 electing the directors of Khan for the ensuing year, appointing the auditors for the ensuing year and authorizing the directors to fix their remuneration and ratifying and confirming Khan's existing shareholder rights plan.

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

Sincerely,

GRANT A. EDEY (signed)  
Chairman, President and Chief Executive Officer

# KHAN RESOURCES INC.



The Exchange Tower, 130 King Street West, Suite 1800  
Toronto, Ontario, Canada, M5X 1E3

## 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 at The National Club located at 303 Bay Street, Toronto, Ontario on February 11, 2016 at 11:00 a.m. (Toronto time) in order to:

1. receive the consolidated financial statements of the Corporation for the year ended September 30, 2015 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 B 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 January 11, 2016 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.

DATED at Toronto, Ontario, this 8<sup>th</sup> day of January, 2016.

By Order of the Board of Directors,

Grant A. Edey (signed)  
Chairman, President and Chief Executive Officer

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 TMX Equity Transfer Services ("TMX Equity"), the Corporation's registrar and transfer agent, by 11:00 a.m. (Toronto time) on February 9, 2016 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 TMX Equity, 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.



The Exchange Tower, 130 King Street West, Suite 1800  
Toronto, Ontario, Canada, M5X 1E3

## MANAGEMENT INFORMATION CIRCULAR AND PROXY STATEMENT

**This Management Information Circular and Proxy Statement, including all Appendices hereto (this “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 11:00 a.m. (Toronto time) on February 11, 2016 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 January 20, 2016.

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

- If you are a registered holder of common shares of Khan (the “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 January 8, 2016 and all references to financial results are based on our financial statements prepared in accordance with International Financial Reporting Standards. 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 and 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 B to ratify and approve the continuation of the existing Shareholder Rights Plan (the “Rights Plan”) of the Corporation (the “Shareholder Rights Plan Resolution”).

### Who Can Vote

The record date for the Meeting is January 11, 2016. Holders of Common Shares as of the close of business on January 11, 2016 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.

### 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 TMX Equity Transfer Services (“TMX Equity”) by 11:00 a.m. (Toronto time) on February 9, 2016 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 seven (7) nominees as directors for the ensuing year; and
- **FOR** the appointment of Collins Barrow Toronto LLP as 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 B 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 TMX Equity, but it must reach TMX Equity by 11:00 a.m. (Toronto time) on February 9, 2016 or the last business day before any adjourned or postponed Meeting.
- You may revoke a proxy as set out below or in any other manner permitted by law:
  - by depositing an instrument in writing that is signed by the shareholder or by an attorney who is authorized by a document that is signed in writing or by electronic signature; or
  - by transmitting, by telephonic or electronic means, a revocation that is signed by an electronic signature if the means of electronic signature permits a reliable determination that the document was created or communicated by or on behalf of the shareholder or the attorney, as the case may be.

The instrument or revocation must be received at the registered office of the Corporation, located at The Exchange Tower, 130 King Street West, Suite 1800, Toronto, Ontario, M5X 1E3 or by facsimile at (416) 947-0167, at any time up to and including the last business day preceding the day of the Meeting, or any adjournment of it, at which the proxy is to be used, or by the Chairman of the Meeting on the day of the Meeting, or any adjournment of the Meeting.

## ADDITIONAL MATTERS PRESENTED AT THE ANNUAL 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 the date hereof, 84,136,482 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 (10%) or more of the voting rights attached to any class of voting securities of the Corporation, except as disclosed below:

| Name of Shareholder                                  | Number of Common Shares beneficially owned, controlled or directed, directly or indirectly | Percentage of Common Shares beneficially owned, controlled or directed, directly or indirectly |
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| Camac Partners, LLC                                  | 12,781,321 <sup>(1)</sup>  | 15.19% <sup>(2)</sup>  |
| VR Global Partners, L.P.                             | 11,473,500 <sup>(3)</sup>  | 13.64% <sup>(4)</sup>  |
| West Face Long Term Opportunities Global Master L.P. | 13,108,000 <sup>(5)</sup>  | 15.58% <sup>(6)</sup>  |

Notes:

- (1) Based on the Alternative Monthly Report filed on SEDAR at [www.sedar.com](http://www.sedar.com), under Khan's corporate profile by Camac Partners, LLC dated November 3, 2015.
- (2) Camac Partners, LLC holds 14.12% of the Common Shares on a fully diluted basis.
- (3) Based on insider reports publicly filed on the System for Electronic Disclosure by Insiders (SEDI) as at January 7, 2016 and Khan's press release dated June 2, 2015.
- (4) VR Global Partners, L.P. holds 12.68% of the Common Shares on a fully diluted basis.
- (5) Based on the Alternative Monthly Report filed on SEDAR at [www.sedar.com](http://www.sedar.com), under Khan's corporate profile by West Face Capital Inc., as portfolio manager of West Face Long Term Opportunities Global Master L.P. and Khan's press releases dated September 24, 2013 and May 29, 2015.
- (6) West Face Long Term Opportunities Global Master L.P. holds 14.48% of the Common Shares on a fully diluted basis.

## AUDITED FINANCIAL STATEMENTS

The consolidated financial statements for the financial year ended September 30, 2015 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 seven (7) 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 (1) and a maximum of nine (9) 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 (5) 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; 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.

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| <p><b>Raffi Babikian</b><br/>Montreal, Quebec, Canada</p> <p>Shares: 180,000<sup>(1)</sup><br/>Options: 750,000</p>            | <p><b>Raffi Babikian</b>, Director of the Corporation, is a corporate finance and marketing advisor to global uranium mining companies. He was previously Vice-President, Investment Banking at Dundee Securities, where he was responsible for the firm's uranium mining practice. Mr. Babikian began his professional career at AREVA SA, the world's leading nuclear fuel cycle company, at the company's headquarters in Paris, France. His first responsibilities there involved evaluating growth opportunities for the company's reprocessing/recycling business. He subsequently joined Areva's Uranium Mining Business unit, working to identify, evaluate and implement merger and acquisition opportunities and associated marketing strategies. Mr. Babikian is also a director of Fission Uranium Corp. Mr. Babikian has a Bachelor of Engineering from McGill University, a MSc. from MIT, and an MBA from the Collège des Ingénieurs in Paris.</p> <p><b>Khan Board Details:</b></p> <ul style="list-style-type: none"> <li>• Director since June 22, 2010</li> <li>• Committee memberships: Audit and Finance; Corporate Governance and Nominating</li> <li>• Independent</li> </ul> |
| <p><b>Grant A. Edey</b><br/>Mississauga, Ontario,<br/>Canada</p> <p>Shares: 2,018,426<sup>(1)</sup><br/>Options: 1,400,000</p> | <p><b>Grant A. Edey</b>, Chairman and Director and President and Chief Executive Officer of the Corporation has over 35 years of experience in the mining industry. Mr. Edey was Chief Financial Officer at IAMGOLD Corporation from 2003 to 2007. From 1996 to 2002, he was Vice-President, Finance, Chief Financial Officer and 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 Primero Mining Corp. 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><b>Khan Board Details:</b></p> <ul style="list-style-type: none"> <li>• Director since February 15, 2007</li> <li>• Non-Independent (President &amp; Chief Executive Officer of Khan)</li> </ul>  |

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| <p><b>Marc C. Henderson,</b><br/>Toronto, Ontario, Canada</p> <p>Shares: 750,000 <sup>(1)</sup><br/>Options: 750,000</p>         | <p><b>Marc C. Henderson,</b> Director of the Corporation, is the President and CEO and a director of Laramide Resources Ltd., a Toronto-based resource company specializing in the acquisition, discovery and development of uranium projects and one of Khan's largest shareholders. Mr. Henderson is also a director of Plateau Uranium Mr. Henderson has more than 20 years of experience running junior mining companies and has served as president of a number of public companies, including Aquiline Resources Inc. from 1998 until its sale to Pan American Silver in 2009.</p> <p><b>Khan Board Details:</b></p> <ul style="list-style-type: none"> <li>• Director since June 21, 2010</li> <li>• Committee memberships: Audit and Finance; Compensation</li> <li>• Independent</li> </ul>   |
| <p><b>David L. McAusland</b><br/>Beaconsfield, Quebec,<br/>Canada</p> <p>Shares: 350,000 <sup>(1)</sup><br/>Options: 750,000</p> | <p><b>David L. McAusland,</b> Director of the Corporation, is a senior lawyer 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 joined Alcan Inc., a major widely held Canadian industrial and resource company, retiring as its Executive Vice President Corporate Development and Chief Legal Officer in 2008 after the company was acquired. In 2009, Mr. McAusland joined McCarthy Tétrault LLP as a partner. Mr. McAusland currently acts as director of Cogeco Inc. and Cogeco Cable Inc., Cascades Inc., and ATS Automation Tooling Systems Inc. He serves as a member of the Corporate Governance Committee for all the above companies, as Chairman of the Strategic Opportunities Committee of each of Cogeco Inc. and Cogeco Cable Inc., the Chairman of the Human Resource Committee, Chairman of the Governance and Nominating Committee and member of the Audit Committee of Cascades Inc. He is Chairman of the Board of Directors of ATS Automation Tooling Systems Inc. He is actively engaged as a member of the board of directors for several charities.</p> <p><b>Khan Board Details:</b></p> <ul style="list-style-type: none"> <li>• Director since April 23, 2008</li> <li>• Committee memberships: Compensation; Corporate Governance and Nominating</li> <li>• Independent</li> </ul> |
| <p><b>Loudon F. M. Owen,</b><br/>Toronto, Ontario, Canada</p> <p>Shares: Nil <sup>(1)</sup><br/>Options: 200,000</p>             | <p><b>Loudon F. M. Owen,</b> Director of Khan, is a lawyer and international businessman with extensive experience in all facets of high stakes litigation and enforcement. He has been an investor, advisor and driving force in a wide range of cases involving property rights with several substantial awards having been obtained, including a US\$315 million award against Microsoft. He holds a B.A., J.D. and MBA (INSEAD). Mr. Owen is a director of a number of publicly listed companies.</p> <p><b>Khan Board Details:</b></p> <ul style="list-style-type: none"> <li>• Director since August 20, 2015</li> <li>• Independent</li> </ul>  |

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| <p><b>Martin Quick</b><br/>Niagara on the Lake,<br/>Ontario, Canada</p> <p>Shares: 463,334 <sup>(1)</sup><br/>Options: 450,000</p> | <p><b>Martin Quick</b>, Director of the Corporation, has over 50 years of worldwide experience in the mining industry, including engineering, operations, and senior corporate fields. He has held senior mining production and engineering positions in Africa, Australia, Fiji, the United States and Canada. He retired as President and CEO of Khan Resources Inc. in June 2010 having served in that position for 4½ years. 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. 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, and the planning and development of the Cigar Lake project. Prior to joining Cameco, Mr. Quick held senior operating positions with Areva and Rio Algom. 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><b>Khan Board Details:</b></p> <ul style="list-style-type: none"> <li>• Director since January 18, 2006</li> <li>• Committee memberships: Compensation; Audit and Finance; Corporate Governance and Nominating</li> <li>• Independent</li> </ul> |
| <p><b>Eric Shahinian</b>,<br/>New York, New York, USA</p> <p>Shares: Nil <sup>(1)(2)</sup><br/>Options: 200,000</p>                | <p><b>Eric Shahinian</b>, Director of Khan, is the managing partner of Camac Partners, a private investment firm based in New York, which manages funds for sophisticated clients. The funds have a major investment focus on companies engaged in material litigation across the world, both in developed and emerging markets. Camac is currently one of Khan’s largest shareholders. Prior to 2011, Mr. Shahinian was an analyst covering special situations and prior to that provided services for workout and turnaround situations. He received a Bachelors Cum Laude from Babson College.</p> <p><b>Khan Board Details:</b></p> <ul style="list-style-type: none"> <li>• Director since August 20, 2015</li> <li>• Independent</li> </ul>   |

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) Mr. Shahinian is the Managing Partner of Camac Partners which beneficially owns, controls or directs, directly or indirectly, 12,781,321 Common Shares representing approximately 15.19% of the issued and outstanding Common Shares.

## Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No director or executive officer of Khan is, as at the date hereof, or was within ten (10) years before the date of this Circular, a director, chief executive officer or chief financial officer of any company (including Khan), that: (a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer, other than Loudon F. M. Owen who served as a director of Hanfeng Evergreen Inc. (“Hanfeng”) until February 24, 2014. On February 19, 2014, a temporary cease trade order was issued by the Ontario Securities Commission against Hanfeng for failure to file interim financial statements for the six-month period ended December 31, 2013; management’s discussion and analysis relating to the interim financial statements for the six-month period ended December 31, 2013; and certification of the foregoing filings as required by National Instrument 52-109 - Certification of Disclosure in Issuers’ Annual and Interim Filings. The temporary cease trade order was replaced by a permanent cease trade order dated March 3, 2014. The securities commissions of each of Quebec and British Columbia also issued permanent cease trade orders against Hanfeng for the same deficiency.

No director or executive officer of Khan, or a shareholder holding a sufficient number of securities of Khan to affect materially the control of Khan: (a) is, as at the date hereof, or has been within the ten (10) years before the date of this Circular, a director or executive officer of any company (including Khan) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the ten (10) years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder, other than Loudon F. M. Owen ceased being a director of the Fight Network Inc. in October 2010, at which time the company filed for bankruptcy proceedings.

No director or executive officer of Khan, or a shareholder holding a sufficient number of securities of Khan to affect materially the control of Khan, has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### **Conflicts of Interest**

The directors or officers of Khan are, or may become, directors or officers of other companies with businesses which may conflict with the business of Khan. In accordance with the OBCA, directors are required to act honestly and in good faith with a view to the best interests of Khan. In addition, directors in a conflict of interest position are required to disclose certain conflicts to Khan and to abstain from voting in connection with the matter. To the best of Khan's knowledge, there are no known existing or potential conflicts of interest between Khan or a subsidiary of Khan and a director or officer of Khan or a subsidiary of Khan as a result of their outside business interests at the date hereof. However, certain of the directors and officers serve as directors and/or officers of other companies including Marc C. Henderson, who is the President and CEO and a director of Laramide, a resource company specializing in the acquisition, discovery and development of uranium projects, a director of Plateau and one of Khan's largest shareholders, and Eric Shahinian, who is the Managing Partner of Camac Partners, one of Khan's largest shareholders. Accordingly, conflicts of interest may arise which could influence these persons in evaluating possible acquisitions or in generally acting on behalf of Khan.

### **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* (collectively, the "CSA Governance Requirements")), which require Khan to disclose certain information relating to its corporate governance practices.

The CSA Governance Requirements set out 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, 2015, the Chief Executive Officer and Chief Financial Officer were required to file a certificate to certify that Khan's annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances

under which it was made, for the period covered by the annual filings and the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.

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 three (3) standing committees: (1) an Audit and Finance Committee; (2) a Compensation Committee; and (3) a Corporate Governance and Nominating 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 Committee are Raffi Babikian (Chair), Marc C. Henderson and Martin Quick. Reference should be made to “*Audit Committee and Auditors*” in the Corporation’s Annual Information Form for the year ended September 30, 2015 dated as of December 10, 2015 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 Committee are Marc. C. Henderson, David L. McAusland (Chair) and Martin Quick.

Each of the members of the Compensation Committee has direct experience that is relevant to their responsibilities regarding executive compensation of the Corporation. Specifically, Messrs. Henderson, McAusland and Quick have experience acting as directors or executives of other reporting issuers. Accordingly, as a result of this collective experience, the Compensation Committee has knowledge of typical day-to-day responsibilities and challenges faced by the Corporation’s management team, the role of a Board in reviewing the executive compensation of a reporting issuer, and first-hand knowledge regarding executive compensation policies and practices in the public sector, all of which are beneficial to the committee in the context of its review of the Corporation’s compensation policies and practices.

***Corporate Governance and Nominating Committee.*** The Corporate Governance and Nominating Committee assists the Board 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 Committee are Raffi Babikian, David L. McAusland and Martin Quick (Chair).

## 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 Chief Executive Officer (referred to as the “CEO” in the narrative discussion in this section and under the section entitled “Executive Compensation Tables”), Chief Financial Officer (“CFO”), and the three other most highly compensated executive officers 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 “Named Executive Officers” or “NEOs”, and each a “Named Executive Officer” or “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 current circumstances of the Corporation are given substantial weight in the determination of compensation practices.

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. For the most recently completed financial year-ended September 30, 2015, 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 2015 are noted below in the section “Compensation Decisions for 2015”.

### **Named Executive Officers**

During the most recently completed financial year ended September 30, 2015, the following individuals were NEOs of the Corporation:

- Grant A. Edey, Chairman, President and Chief Executive Officer of the Corporation; and
- K. Bruce Gooding, Chief Financial Officer.

### **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, all consistent with the circumstances of the Corporation.

### *Base Salary*

The base salary of each NEO is reviewed annually and is the fixed portion of each NEO's Total Direct Compensation and is designed to provide income certainty consistent with the circumstances of the Corporation.

### *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. Given the circumstances of the Corporation, neither the CEO nor the CFO were awarded any short-term incentive compensation for the financial year ended September 30, 2015.

### *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 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 generally vest at the date of the grant, or as otherwise determined by the Board. Other than the Plan, the Corporation does not have a share-based awards plan or long-term incentive plan.

### 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 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 and the Board regarding individual stock option awards for all recipients. The CEO does not engage in discussions with the Compensation Committee or the Board regarding his own stock option grants. The Compensation Committee and the Board deliberate and consider relevant market data and other information in order to determine the CEO's stock option grant.

The Compensation Committee and the Board review the appropriateness of the stock option grant recommendations from the CEO for all eligible employees and accepts or adjusts these recommendations. The Compensation Committee and the Board are 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.

### **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 and re-approved on January 13, 2012 by the Board and most recently obtained shareholder approval on February 16, 2012. Further housekeeping and clerical revisions to the Plan were approved by the Board on January 10, 2013 to reflect the Corporation's migration to the Canadian Securities Exchange ("CSE"). The CSE does not require annual approval by the shareholders of the Plan. 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, being 8,413,648 Common Shares as of the date of this Circular. As of the date hereof, there were options outstanding to purchase an aggregate of 6,380,000 Common Shares under the Plan, representing approximately 7.58% of the Corporation’s outstanding capital as of that date, taking into account options that have been exercised, forfeited or cancelled. Accordingly, as of the date of this Circular, 6,380,000 Common Shares (representing 7.58% 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 2,033,648 options under the Plan (representing 2.42% of the issued and outstanding Common Shares), 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 twelve (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 twelve (12) month period.

Within any twelve (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 CSE.

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 (5) 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 ninety (90) days of a Participant ceasing to be a Participant, or if the Participant is engaged to provide investor relations activities to the Corporation, thirty (30) days after the optionee ceases to be employed to provide such investor relations activities or immediately if the Participant is terminated for cause. In the event of death or permanent disability of a Participant, any option previously granted to such Participant shall be exercisable until the end of the option period or until the date that is not later than one year after the date of death or permanent disability of such Participant, whichever is earlier unless otherwise determined by the Board. 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.

Without limiting the scope of the foregoing, 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 may receive other benefits that the Corporation believes are reasonable and consistent with its overall executive compensation program. Benefits may 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 reviews various materials 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.

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 is 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.

## Corporate Performance

The 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.

## Individual Performance

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 Compensation Committee has in-camera discussions to complete an independent assessment of the performance of the CEO.

## 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 2015

There were no compensation decisions related to NEOs for the year ended September 30, 2015, other than with respect to the decision to pay Mr. Edey a \$75,000 bonus at any time between January 1, 2015 and December 31, 2017 upon the satisfaction of certain conditions in consideration for the relinquishing of his salary between June 2014 and December 2014 in the amount of \$72,916.62.

## Decisions Related to Executive Compensation That Were Taken After Year End

There were no decisions related to executive compensation that were taken after the year ended September 30, 2015.

## 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 and CFO), along with any other compensation awarded to each NEO, for services rendered in all capacities to the Corporation for the financial years ended September 30, 2015, 2014 and 2013:

| NEO Name and Principal Position | Year | Salary (\$)            | Share-based awards (\$) | Option-based awards <sup>(1)</sup> (\$) | Non-equity incentive plan compensation |                                | Pension plans (\$) | All other compensation (\$) | Total Compensation (\$) |
|---------------------------------|------|------------------------|-------------------------|---|--|--------------------------------|--------------------|-----------------------------|-------------------------|
|                                 |      |                        |                         |   | Annual incentive plans (\$)            | Long-term incentive plans (\$) |                    |                             |                         |
| Grant A. Edey, CEO              | 2015 | 93,750 <sup>(2)</sup>  | -                       | 140,000 <sup>(3)</sup>                  | Nil                                    | -                              | -                  | 75,000                      | 308,750                 |
|                                 | 2014 | 83,334 <sup>(2)</sup>  | -                       | 120,000 <sup>(4)</sup>                  | Nil                                    | -                              | -                  | Nil                         | 203,334                 |
|                                 | 2013 | 125,000 <sup>(2)</sup> | -                       | 35,000 <sup>(5)</sup>                   | Nil                                    | -                              | -                  | Nil                         | 160,000                 |

| NEO Name and Principal Position | Year | Salary (\$) | Share-based awards (\$) | Option-based awards <sup>(1)</sup> (\$) | Non-equity incentive plan compensation |                                | Pension plans (\$) | All other compensation (\$) | Total Compensation (\$) |
|---------------------------------|------|-------------|-------------------------|---|--|--------------------------------|--------------------|-----------------------------|-------------------------|
|                                 |      |             |                         |   | Annual incentive plans (\$)            | Long-term incentive plans (\$) |                    |                             |                         |
| K. Bruce Gooding, CFO           | 2015 | 71,506      | -                       | 40,000 <sup>(6)</sup>                   | Nil                                    | -                              | -                  | Nil                         | 111,506                 |
|                                 | 2014 | 100,370     | -                       | 24,000 <sup>(7)</sup>                   | Nil                                    | -                              | -                  | Nil                         | 124,370                 |
|                                 | 2013 | 97,204      | -                       | 7,500 <sup>(8)</sup>                    | Nil                                    | -                              | -                  | Nil                         | 104,704                 |

Notes:

- (1) 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 10 to the Consolidated Financial Statements for the year ended September 30, 2015.
- (2) Mr. Edey determined to accrue his salary from the Corporation beginning in June, 2014. The amount of the accrued salary between June 2014 and September 2014 was \$41,666. In December 2014, Mr. Edey relinquished his rights to the accrued salary to December 31, 2014 in the amount of \$72,917 in consideration for a bonus of \$75,000 at any time between January 1, 2015 and December 31, 2017 upon the satisfaction of certain conditions. The bonus was paid in June 2015.
- (3) On March 19, 2015, options to purchase 350,000 Common Shares at a price of \$0.57 were granted to Mr. Edey.
- (4) On March 28, 2014, options to purchase 500,000 Common Shares at a price of \$0.335 were granted to Mr. Edey.
- (5) On February 14, 2013, options to purchase 350,000 Common Shares at a price of \$0.20 were granted to Mr. Edey.
- (6) On March 19, 2015, options to purchase 100,000 Common Shares at a price of \$0.57 were granted to Mr. Gooding.
- (7) On March 28, 2014, options to purchase 100,000 Common Shares at a price of \$0.335 were granted to Mr. Gooding.
- (8) On February 14, 2013, options to purchase 75,000 Common Shares at a price of \$0.20 were granted to Mr. Gooding.

### CFO Consulting Contract

#### *K. Bruce Gooding*

K. Bruce Gooding was appointed as Chief Financial Officer of the Corporation in 2011 pursuant to a management consulting agreement between the Corporation and Carandian Corporation (the “**Consultant**”), a company controlled by K. Bruce Gooding (the “**Manager**”). Pursuant to the Carandian Agreement, the Consultant has agreed to provide the services of the Manager as the Chief Financial Officer of the Corporation on an ongoing part-time basis at a rate of \$4,800 per month plus \$162.50 per hour for hours in excess of 32 hours per month.

There are no changes of control provisions in the agreement with Mr. Gooding.

Mr. Gooding has not entered into a confidentiality or a non-competition agreement with the Corporation.

### Incentive Plan Awards

#### Outstanding option-based awards and share-based awards as at September 30, 2015

| NEO Name      | Option-based Awards  |   |                        |   | Share-based Awards   |   |   |
|---------------|--|---|------------------------|---|--|---|---|
|               | Number of securities underlying unexercised options <sup>(1)</sup> (#) | Option exercise price <sup>(2)</sup> (\$) | Option expiration date | Value of unexercised in-the-money options <sup>(3)</sup> (\$) | Number of shares or units of shares that have not vested (#) | Market or payout value of share-based awards that have not vested (#) | Market or payout value of share-based awards not paid out or distributed (\$) |
| Grant A. Edey | 200,000  | 0.55                                      | Feb 16, 2016           | Nil   | -  | -   | -   |
|               | 350,000  | 0.20                                      | Feb 14, 2016           | 101,500   |  |   |   |
|               | 500,000  | 0.335                                     | Mar 28, 2017           | 77,500  |  |   |   |
|               | 350,000  | 0.57                                      | Mar 19, 2018           | Nil   |  |   |   |

| NEO Name         | Option-based Awards  |   |                        |   | Share-based Awards   |   |   |
|------------------|--|---|------------------------|---|--|---|---|
|                  | Number of securities underlying unexercised options <sup>(1)</sup> (#) | Option exercise price <sup>(2)</sup> (\$) | Option expiration date | Value of unexercised in-the-money options <sup>(3)</sup> (\$) | Number of shares or units of shares that have not vested (#) | Market or payout value of share-based awards that have not vested (#) | Market or payout value of share-based awards not paid out or distributed (\$) |
| K. Bruce Gooding | 75,000   | 0.20                                      | Feb 14, 2016           | 21,750  | -  | -   | -   |
|                  | 100,000  | 0.335                                     | Mar 28, 2017           | 15,500  |  |   |   |
|                  | 100,000  | 0.57                                      | Mar 19, 2018           | Nil   |  |   |   |

Notes:

- (1) 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."
- (2) The exercise price of an option granted under the Plan is generally the closing sale price of the Common Shares on the CSE on the trading day immediately preceding the date of grant.
- (3) 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 CSE on September 30, 2015 of \$0.49 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 CSE on the date of the option exercise. The options granted on February 16, 2011 (\$0.55) and March 19, 2015 (\$0.57), had exercise prices higher than the closing price of the Common Shares on the CSE on September 30, 2015 (\$0.49).

#### Incentive plan awards - value vested or earned during the year ended September 30, 2015

| NEO Name         | Option-based awards – Value vested during the year (\$) | Share-based awards – Value vested during the year (\$) | Non-equity incentive plan compensation - Value earned during the year (\$) |
|------------------|---|--|--|
| Grant A. Edey    | Nil   | N/A  | N/A  |
| K. Bruce Gooding | Nil   | N/A  | N/A  |

Any options held by a NEO that vested during the year that had an exercise price higher than the market price at the time of vesting were valued at zero as 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 most recently completed financial year.

## **Director Compensation Table**

| <b>Name</b>                     | <b>Fees earned<sup>(1)</sup><br/>(\$)</b> | <b>Share-based awards<br/>(\$)</b> | <b>Option-based awards<sup>(2)</sup><br/>(\$)</b> | <b>Non-equity incentive plan compensation<br/>(\$)</b> | <b>Pension value<br/>(\$)</b> | <b>All other compensation<br/>(\$)</b> | <b>Total Compensation<br/>(\$)</b> |
|---------------------------------|---|------------------------------------|---|--|-------------------------------|--|------------------------------------|
| James B. C. Doak <sup>(3)</sup> | 15,750                                    | -                                  | 120,000 <sup>(4)</sup>                            | -  | -                             | Nil                                    | 135,750                            |
| Raffi Babikian                  | 25,250                                    | -                                  | 80,000 <sup>(5)</sup>                             | -  | -                             | Nil                                    | 105,250                            |
| Marc C. Henderson               | 24,750                                    | -                                  | 80,000 <sup>(5)</sup>                             | -  | -                             | Nil                                    | 104,750                            |
| David L. McAusland              | 22,250                                    | -                                  | 80,000 <sup>(5)</sup>                             | -  | -                             | Nil                                    | 102,250                            |
| Loudon F. M. Owen               | 2,375                                     | -                                  | 76,000 <sup>(6)</sup>                             | -  | -                             | Nil                                    | 78,375                             |
| Martin Quick                    | 23,750                                    | -                                  | 80,000 <sup>(5)</sup>                             | -  | -                             | Nil                                    | 103,750                            |
| Eric Shahinian                  | 2,375                                     | -                                  | 76,000 <sup>(6)</sup>                             | -  | -                             | Nil                                    | 78,375                             |

Notes:

- (1) Meeting fees and retainer fee.
- (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 Shares on the CSE 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 10 to the Consolidated Financial Statements for the year ended September 30, 2015.
- (3) Mr. James B. C. Doak passed away on April 23, 2015.
- (4) On March 19, 2015, options to purchase 300,000 Common Shares at a price of \$0.57 were granted to Mr. Doak.
- (5) March 19, 2015, options to purchase 200,000 Common Shares at a price of \$0.57 were granted to each of Messrs. Babikian, Henderson, McAusland and Quick.
- (6) On August 20, 2015, options to purchase 200,000 Common Shares at a price of \$0.53 were granted to each of Messrs. Owen and Shahinian.

## **Material Factors Necessary to Understand Director Compensation**

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.

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 or by telephone.

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.

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*".

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

During the financial year ended September 30, 2015, 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, 2015

| Name                            | Option-based Awards  |   |                        |   | Share-based Awards   |  |   |
|---------------------------------|--|---|------------------------|---|--|--|---|
|                                 | Number of securities underlying unexercised options <sup>(1)</sup> (#) | Option exercise price <sup>(2)</sup> (\$) | Option expiration date | Value of unexercised in-the-money Options <sup>(3)</sup> (\$) | Number of shares or units of shares that have not vested (#) | Market or payout value of share-based awards that have not vested (\$) | Market or payout value of share-based awards not paid out or distributed (\$) |
| James B. C. Doak <sup>(4)</sup> | 150,000  | 0.55                                      | Feb 16, 2016           | Nil   | -  | -  | -   |
|                                 | 250,000  | 0.20                                      | Feb 14, 2016           | 72,500  | -  | -  | -   |
|                                 | 300,000  | 0.335                                     | Mar 28, 2017           | 46,500  | -  | -  | -   |
|                                 | 300,000  | 0.57                                      | Mar 19, 2018           | Nil   | -  | -  | -   |
| Raffi Babikian                  | 100,000  | 0.55                                      | Feb 16, 2016           | Nil   | -  | -  | -   |
|                                 | 200,000  | 0.20                                      | Feb 14, 2016           | 58,000  | -  | -  | -   |
|                                 | 250,000  | 0.335                                     | Mar 28, 2017           | 38,750  | -  | -  | -   |
|                                 | 200,000  | 0.57                                      | Mar 19, 2018           | Nil   | -  | -  | -   |
| Marc C. Henderson               | 100,000  | 0.55                                      | Feb 16, 2016           | Nil   | -  | -  | -   |
|                                 | 200,000  | 0.20                                      | Feb 14, 2016           | 58,000  | -  | -  | -   |
|                                 | 250,000  | 0.335                                     | Mar 28, 2017           | 38,750  | -  | -  | -   |
|                                 | 200,000  | 0.57                                      | Mar 19, 2018           | Nil   | -  | -  | -   |
| David L. McAusland              | 100,000  | 0.55                                      | Feb 16, 2016           | Nil   | -  | -  | -   |
|                                 | 200,000  | 0.20                                      | Feb 14, 2016           | 58,000  | -  | -  | -   |
|                                 | 250,000  | 0.335                                     | Mar 28, 2017           | 38,750  | -  | -  | -   |
|                                 | 200,000  | 0.57                                      | Mar 19, 2018           | Nil   | -  | -  | -   |
| Loudon F. M. Owen               | 200,000  | 0.53                                      | Aug 20, 2017           | Nil   | -  | -  | -   |
| Martin Quick                    | 200,000  | 0.57                                      | Mar 19, 2017           | Nil   | -  | -  | -   |
| Eric Shahinian                  | 200,000  | 0.53                                      | Aug 20, 2017           | Nil   | -  | -  | -   |

Notes:

- (1) 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".
- (2) The exercise price of an option granted under the Plan is generally the closing sale price of the Common Shares on the CSE on the trading day immediately preceding the date of grant.
- (3) 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 CSE on September 30, 2015 of \$0.49 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. The actual gains, if any, on exercise will depend on the value of the Common Shares on the CSE on the date of the option exercise. The options granted on February 16, 2011 (\$0.55), March 19, 2015 (\$0.57), and Aug. 20, 2015 (\$0.53) had exercise prices higher than the closing price of the Common Shares on the CSE on September 30, 2015 (\$0.49)
- (4) Mr. James B. C. Doak passed away on April 23, 2015.

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 with vesting as determined by the Board.

### Incentive plan awards - value vested or earned during the year ended September 30, 2015

| Name                            | Option-based awards – Value vested during the year (\$) | Share-based awards – Value vested during the year (\$) | Non-equity incentive plan compensation – Value earned during the year (\$) |
|---------------------------------|---|--|--|
| James B. C. Doak <sup>(1)</sup> | Nil   | N/A  | N/A  |
| Raffi Babikian                  | Nil   | N/A  | N/A  |
| Marc. C. Henderson              | Nil   | N/A  | N/A  |
| David L. McAusland              | Nil   | N/A  | N/A  |
| Loudon F. M. Owen               | Nil   | N/A  | N/A  |
| Martin Quick                    | Nil   | N/A  | N/A  |
| Eric Shahinian                  | Nil   | N/A  | N/A  |

Note:

- (1) Mr. James B. C. Doak passed away on April 23, 2015.

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

### DIRECTORS' AND OFFICERS' INSURANCE AND INDEMNIFICATION

The Corporation has obtained directors' and officers' liability insurance with a cumulative policy limit of \$5,000,000 subject to a deductible of \$100,000. The annual premium cost of this insurance coverage for the financial year ended September 30, 2015 is \$50,000, 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 Collins Barrow Toronto LLP (the "Auditors") be 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 July 28, 2014 replacing Ernst & Young LLP, who were first appointed as auditors of Khan on January 15, 2004.

Details of the fees paid to the Auditors during financial years ended September 30, 2015 and 2014 can be found in the Corporation's Annual Information Form for the financial year ended September 30, 2015, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

**The Board of Directors recommends that shareholders vote for the appointment of Collins Barrow Toronto LLP as auditor and the authorization of the Board to fix their remuneration.**

## 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](http://www.sedar.com).

### Review of Effectiveness of Auditors

Pursuant to a report released in May, 2013 by Chartered Professional Accountants of Canada and the Canadian Public Accountability Board entitled *Enhancing Audit Quality: Canadian Perspectives*, the Corporation has adopted the recommendations of the report with respect to the review of the effectiveness of the Corporation’s auditors as follows:

- (a) Having the audit committee perform a periodic comprehensive review of the audit firm at least every five years, resulting in a recommendation to retain or replace the audit firm, is the preferred approach to address any institutional familiarity threats potentially created by audit firm tenure and to focus on audit quality.
- (b) The mandatory rotation of audit firms or mandatory re-tendering of the audit would not contribute to the enhancement of audit quality.
- (c) A report summarizing the results, findings and conclusions of the comprehensive review should be included in an entity’s public disclosures in the year the comprehensive review is carried out.

In order to comply with the recommendations noted above, the Audit Committee will conduct a comprehensive review every five (5) years with the first one occurring in 2019, which is five years after the appointment of the current auditor.

### *Yearly Review*

The Audit Committee shall every year:

- (a) Monitor the effectiveness of the financial reporting environment;
- (b) Oversee the annual work of the auditors;
- (c) Review the audit plan;
- (d) Consider the impact of business risk on the audit plan;
- (e) Assess reasonableness of the audit fee;
- (f) Monitor the execution of the audit plan, with emphasis on the more complex and risky areas of the audit;
- (g) Review and evaluate the audit findings; and
- (h) Conduct an annual assessment of the performance of the external auditors.

In carrying out its annual assessment, the Audit Committee concluded that the auditor’s performance of its duties to the Corporation were satisfactory, providing a high degree of confidence in the effectiveness of the yearly audit. The Audit Committee recommended that the incumbent auditor be retained.

## **SPECIAL BUSINESS 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 Financial, 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, March 24, 2010 and February 14, 2013.

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.

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. The full text of the proposed Shareholder Rights Plan Resolution is attached to this Circular as Appendix B.

**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, 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).**

**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.

### **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 or with the concurrence of the Board of Directors.

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.

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](http://www.sedar.com) or by writing or calling the Corporate Secretary of the Corporation at the Corporation's head office located at The Exchange Tower, 130 King Street West, Suite 1800, Toronto, Ontario, M5X 1E3 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 Shareholder. 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:

- (a) a “Permitted Bid Acquisition” means an acquisition of Common Shares made pursuant to a Permitted Bid or a Competing Permitted Bid;
- (b) 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;

- (c) 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;
- (d) 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.

### ***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.

*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.**

## AVAILABILITY OF DISCLOSURE DOCUMENTS

Additional information relating to Khan is available on SEDAR at [www.sedar.com](http://www.sedar.com), the CSE's website at [www.thecse.com](http://www.thecse.com) under Khan's corporate profile and on Khan's website at [www.khanresources.com](http://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 financial year ended September 30, 2015.

Khan will provide to any person or company, upon request to its President and Chief Executive Officer, a copy of:

- (1) its 2015 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;
- (3) its latest CSE Form 2A – Listing Statement, together with a copy of any document or pertinent pages of any document incorporated therein by reference; and
- (4) its comparative financial statements for the year ended September 30, 2015, together with the report of its auditors thereon, and any interim financial statements filed subsequently.

Khan's Chairman, President and Chief Executive Officer, Grant Edey, may be reached at:

Telephone: (416) 360-3405

Fax: (416) 947-0167

Email: [gedey@rogers.com](mailto:gedey@rogers.com)

The Exchange Tower  
130 King Street West, Suite 1800  
Toronto, Ontario, Canada  
M5X 1E3

## 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, January 8, 2016.

By Order of the Board of Directors

Grant A. Edey (signed)  
Chairman, President and Chief Executive Officer

**APPENDIX A  
CORPORATE GOVERNANCE DISCLOSURE**

Khan believes that effective corporate governance practices are fundamental to the overall success of a company. National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (“NI 58-101”) requires the Corporation to disclose its corporate governance practices by providing in the Circular the disclosure required by Form 58-101F2 – *Corporate Governance Disclosure (Venture Issuers)* (“Form 58-101F2”). National Instrument 58-201 – *Corporate Governance Guidelines* establishes corporate governance guidelines which apply to all public companies. The Corporation’s disclosure of corporate governance practices pursuant to NI 58-101 is set out below in the form required by Form 58-101F2:

| <b>Governance Disclosure Guidelines under<br/>NI 58-101</b>  | <b><u>Comments</u></b>  |
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| <b>1. Board of Directors</b>   |   |
| Disclose how the board of directors (the “Board”) facilitates its exercise of independent supervision over management, including:  | The Board is responsible for the stewardship of the Corporation and for the supervision of management to protect shareholder interests. The Board oversees the development of the Corporation’s strategic plan and the ability of management to continue to deliver on the corporate objectives. Accordingly, the Board has confirmed the strategic objective of the Corporation is to obtain value for its historical interests in the Dornod Uranium Project through the collection of the International Arbitration award rendered against the Government of Mongolia and for its investment in Plateau Uranium Inc. (formerly Macusani Yellowcake Inc.) |
| (i) the identity of directors who are independent; and   | As at September 30, 2015, the following six (6) directors are independent:<br><br>Raffi Babikian, Marc C. Henderson, David L. McAusland, Loudon F. M. Owen, Martin Quick and Eric Shahinian.  |
| (ii) the identity of directors who are not independent, and the basis for that determination.  | As at September 30, 2015, the following director was not independent:<br><br>Grant A. Edey, Chairman, President and Chief Executive Officer of Khan   |
| <b>2. Directorships</b>  |   |
| 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. | Raffi Babikian is a director of Fission Uranium Corp.<br><br>Grant A. Edey is a director of Primero Mining Corp.<br><br>Marc C. Henderson is a director of Laramide Resources Ltd., Midpoint Holdings Ltd. (formerly Javelina Resources Ltd.), Plateau Uranium Inc. (formerly Macusani Yellowcake Inc.) and Treasury Metals Inc.<br><br>David L. McAusland is a director of ATS Automation Tooling Systems Inc., Cascades Inc., Cogeco Cable Inc., and Cogeco Inc.<br><br>Loudon F. M. Owen is a director of Aureus Mining Inc., Genesis Land Development Corp., Kilo Goldmines Inc. and Posera-HDX Limited.  |

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| <b>3.</b> | <b>Orientation and Continuing Education</b>  |   |
|           | (a) Briefly describe what steps, if any, the Board takes to orient new board members, and describe any measures the board takes to provide continuing education for directors. | <p>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. The Board has delegated the responsibility to ensure that appropriate orientation and education programs are in place for new directors and committee members to the Corporate Governance and Nominating Committee.</p> <p>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:</p> <ul style="list-style-type: none"> <li>● organized visits to the Corporation's facilities;</li> <li>● familiarization with the service providers and partners;</li> <li>● company history and other relevant data;</li> <li>● information concerning mission, goals, strategy, philosophy and major policies of the Corporation;</li> <li>● review of recent analyst reports;</li> <li>● information pertaining to personal liability and insurance coverage;</li> <li>● rules for purchasing and selling securities of the Corporation; and</li> <li>● rules regarding insider information.</li> </ul> <p>Continuing education could include: reports from the Chief Executive Officer 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.</p> |
| <b>4.</b> | <b>Ethical Business Conduct</b>  |   |
|           | Describe what steps, if any, the board takes to encourage and promote a culture of ethical business conduct.   | <p>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.</p> <p>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</p>   |

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|           |  | carried out when they were in possession of privileged or material information not yet disclosed to the public.  |
| <b>5.</b> | <b>Nomination of Directors</b>   |  |
|           | <p>Disclose what steps, if any, are taken to identify new candidates for board nomination, including:</p> <p>(i) who identifies new candidates; and</p> <p>(ii) the process of identifying new candidates.</p> | <p>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.</p> <p>The Corporate Governance and Nominating Committee reviews the size, structure and 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.</p> <p>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.</p> <p>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.</p> |
| <b>6.</b> | <b>Compensation</b>  |  |
|           | <p>Disclose what steps, if any, are taken to determine compensation for the directors and CEO, including:</p> <p>(i) who determines compensation; and</p> <p>(ii) the process of determining compensation.</p> | <p>The Compensation Committee is charged with developing, for recommendation to the Board, a compensation philosophy and guidelines for the CEO and other executive officers of the Corporation. It recommends to the Board the level of compensation for the CEO and other executive officers of the Corporation. The Compensation Committee also considers and, if deemed appropriate, makes recommendations to the Board about any option or benefit plans to be established for the CEO and other executive officers of the Corporation.</p>   |

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|           |  | <p>The Compensation Committee is also 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.</p> <p>Further details are also set out in the Circular under the heading “Compensation Discussion and Analysis”.</p>                          |
| <b>7.</b> | <b>Other Board Committees</b>  |  |
|           | <p>If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.</p>     | <p>Other than the Audit and Finance Committee, the Compensation Committee and Corporate Governance and the Nominating Committee, there are no other standing committees of the Board.</p> <p>Further details are also set out in the Circular under the heading “Committees of the Board of Directors”.</p>  |
| <b>8.</b> | <b>Assessments</b>   |  |
|           | <p>Disclose what steps, if any, that the board takes to satisfy itself that the board, the committees and its individual directors are performing effectively.</p> | <p>The Corporate Governance and Nominating Committee conducts annually, in conjunction with the Chairman of the Board, an evaluation of the effectiveness of the Board and its committees. In such evaluation, the Corporate Governance and Nominating Committee assesses the effectiveness of the Board and its committees, the adequacy of information provided to directors, communication processes between the Board and management, agenda planning for Board and committee meetings and strategic planning.</p> |

**APPENDIX B**  
**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 Financial 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.”