



Khan Resources Inc.

Revised Annual Information Form

**For the year ended September 30, 2006
Dated as of December 12, 2006**

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GLOSSARY OF TERMS

The following terms used but not otherwise defined in this Annual Information Form have the meanings set out below:

"**alluvial**" means relating to deposits made by flowing water, washed away from one place and deposited in another.

"**assay**" means an analysis to determine the presence, absence or concentration of one or more chemical components of interest contained in a sample.

"**Au**" means gold.

"**°C**" means Celsius.

"**Closing Date**" means August 2, 2006.

"**cm**" means centimetres.

"**concentrate**" means a processing product containing the valuable ore mineral from which most of the waste material has been eliminated.

"**cut-off grade**" means the minimum mineral grade at which material can be economically mined and processed (used in the calculation of reserves).

"**deposit**" means a mineralized body which has been physically delineated by sufficient drilling, trenching and/or underground work and found to contain a sufficient average grade of metal or metals to warrant further exploration and/or development expenditures; such a deposit does not qualify as a commercially mineable ore body or as containing Mineral Reserves until final legal, technical and economic factors have been resolved.

"**dredge**" means equipment used to excavate materials under water. Dredges are used for mining alluvial mineral deposits, including tin, gold, and diamonds.

"**Feasibility Study**" means a comprehensive study of a deposit in which all geological, engineering, operating, economic and other relevant factors are considered in sufficient detail that it could reasonably serve as the basis for a final decision by a financial institution to finance the development of the deposit for mineral production.

"**grade**" means the amount of mineral in each tonne of ore.

"**Indicated Mineral Resources**" means that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics, can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and test information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

"**Inferred Mineral Resources**" means that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

"**leaching**" means a method of extraction in which a solvent is passed through a mixture to remove some desired substance from it. Leaching is used to remove metals from their ores.

"**leach pad**" means a site prepared with an impermeable base for the piling of ore that will be treated with solutions to extract valuable metals (usually gold and silver).

"**Measured Mineral Resource**" is that part of a Mineral Resource for which quantity, grade or quality, densities, shape, physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

"**mineral**" means an inorganic substance occurring in nature, having a characteristic and homogeneous chemical composition, definite physical properties, and, usually, a definite crystalline form. A few of the minerals (e.g., carbon, arsenic, bismuth, antimony, gold, silver, copper, lead, mercury, platinum, and iron) are elements, but the vast majority are chemical compounds. Minerals combine with each other to make up rocks. Many minerals, especially the metals, are of great economic importance to a highly industrialized civilization, entering into the composition of many manufactured articles. Some minerals, which would otherwise be of no economic significance, are highly-valued as gems.

"**Mineral Resources**" means a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge.

"**MI 52-110**" means Multilateral Instrument 52-110 – *Audit Committees*.

"**Mineral Reserve**" means the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Mineral Reserve includes allowances for dilution and losses that may occur when the material is mined.

"**mineralization**" means the concentration of minerals within a body of rock.

"**MW**" means megawatts.

"**NI 43-101**" means National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*.

"**NP 46-201**" means National Policy 46-201 – *Escrow for Initial Public Offerings*.

"**open pit mining**" means an excavation for removing minerals which is open to the surface.

"**ore**" means a metal or mineral, or a combination of these, of sufficient value as to quality and quantity to enable it to be mined and processed at a profit.

"**outcrop**" means an exposure of bedrock at the surface.

"**oz**" means ounces.

"**placer**" means a surficial mineral deposit formed by the mechanical concentration of mineral particles from weathered debris.

"**Pre-Feasibility Study**" means a comprehensive study of the viability of a mineral project that has advanced to a stage where the mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, has been established and an effective method of mineral processing has been determined, and includes a financial analysis based on reasonable assumptions of technical, engineering, legal, operating, economic, social, and environmental factors and the evaluation of other relevant factors

which are sufficient for a Qualified Person, acting reasonably, to determine if all or part of the Mineral Resource may be classified as a Mineral Reserve.

"**Qualified Person**" means an individual who (a) is an engineer or geoscientist with at least five years of experience in mineral exploration, mine development or operation or mineral project assessment, or any combination of these; (b) has experience relevant to the subject matter of the mineral project and the Technical Report related thereto; and (c) is a member in good standing of a professional association as defined by NI 43-101.

"**reclamation**" means the process by which lands disturbed as a result of mining activity are modified to support beneficial land use. Reclamation activity may include the removal of buildings, equipment, machinery and other physical remnants of mining, closure of tailings storage facilities, impoundments, leach pads and other mine features, and contouring, covering and re-vegetation of waste rock piles and other disturbed areas.

"**recovery**" is a term used in process metallurgy to indicate the proportion of valuable material physically recovered in the processing of an ore. It is generally stated as a percentage of valuable metal in the ore that is recovered compared to the total valuable metal originally present in the ore.

"**SEDAR**" means the System for Electronic Documents Analysis and Retrieval.

"**stripping ratio**" means the tonnage or volume of waste material which must be removed to allow the mining of one tonne of ore in an open pit.

"**Technical Report**" means a technical report completed in compliance with NI 43-101.

"**U**" means uranium.

"**U₃O₈**", "**uranium oxide**" or "**yellowcake**" means a concentrated uranium oxide obtained by milling a mixture of uranium oxide ore to produce "pulped" ore. This is then bathed in sulphuric acid to leach out the uranium. Yellowcake is what remains after drying and filtering and is usually represented by the formula U₃O₈. It is radioactive, forming a coarse powder which is insoluble in water and contains about 80% uranium oxide (U₃O₈), and melts at approximately 2,878°C. The yellowcake produced by most modern mills is actually brown or black, not yellow; the name comes from the colour and texture of the concentrates produced by early mining operations. This fine powder is packaged in drums and sent to a conversion plant that produces uranium hexafluoride (UF₆) as the next step in the manufacture of nuclear fuel.

EXPLANATORY NOTES

Unless otherwise indicated or the context otherwise indicates, in this document, "Khan" refers to Khan Resources Inc. and the "Corporation" refers to Khan and its direct and indirect subsidiaries on a consolidated basis.

Unless otherwise stated, all dollar amounts are expressed in United States dollars.

Forward Looking Information

Certain information in this Annual Information Form, including any information as to Khan's future financial or operating performance, constitutes "forward-looking information". All statements, other than statements of historical fact, are forward-looking statements. In this Annual Information Form, the words "believe", "plan", "expect", "contemplate", "target", "budget", "scheduled", "estimate", "forecast", "intend", "anticipates", "may", "could", "would", "might" or "will" and similar expressions or variations (including negative variations) of such words and phrases, often, but not always, identify forward looking information. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by Khan, are inherently subject to significant business, economic, political, social and competitive uncertainties and contingencies and involve known and unknown risks and other factors which may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, but are not limited to: the actual results of current exploration activities; actual results of reclamation activities; conclusions of economic evaluations; fluctuations in the value of United States and Canadian dollars relative to the Mongolian Togrog (the "MNT"); fluctuations in the price of uranium and gold; changes in project parameters as plans continue to be refined; future prices of uranium and gold; possible variations of ore grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; changes in national and local government legislation, taxation, controls, regulations and political or economic developments in Canada, Bermuda, Mongolia or the British Virgin Islands; political instability, insurrection or war; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, the timing and amount of estimated future production, costs of production, capital, operating and exploration expenditures, costs and timing of the development of new deposits, costs and timing of future exploration, requirements for additional capital, environmental risks, reclamation expenses, contests over title to properties, limitations of insurance coverage and the timing and possible outcome of pending litigation and regulatory matters as well as those factors discussed in the section entitled "*Risk Factors*" in this Annual Information Form. Many of these uncertainties and contingencies can affect Khan's actual results and could cause actual actions, events or results to differ materially from those expressed or implied in any forward-looking statement. All of the forward-looking statements in this Annual Information Form are qualified by these cautionary statements. Forward-looking statements contained herein are made as of the date of this Annual Information Form and the Corporation disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

The Corporation may, from time to time, make oral forward-looking statements. The Corporation advises that the above paragraph and the risk factors described in this Annual Information Form and in the Corporation's other documents filed with the Canadian securities commissions should be read for a

description of certain factors that could cause the actual results of the Corporation to materially differ from those in the oral forward-looking statements. The Corporation disclaims any intention or obligation to update or revise any oral or written forward-looking statements whether as a result of new information, future events or otherwise, except as required by applicable law.

CORPORATE STRUCTURE

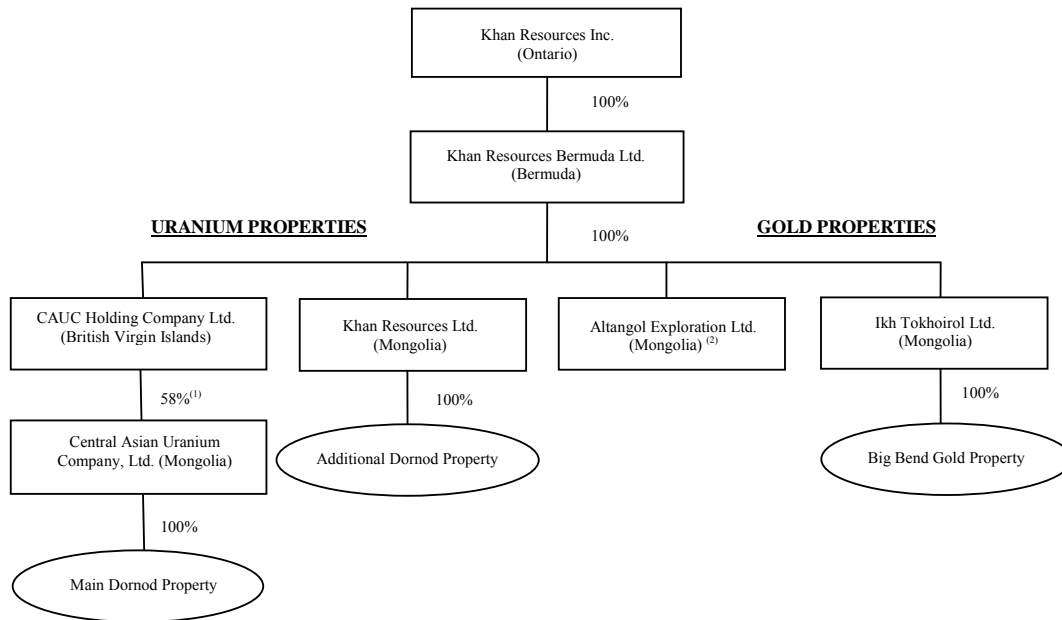
Name and Incorporation

Khan was incorporated under the name "2016594 Ontario Inc." pursuant to the *Business Corporations Act* (Ontario) (the "OBCA") on October 1, 2002. By a certificate and articles of amendment dated January 6, 2003, Khan amended its articles and changed its name to "Khan Resources Inc.". Khan's articles were further amended on May 31, 2004 by a certificate and articles of amendment removing restrictions in connection with the transferability of its shares.

The Corporation's head office is located at Suite 1007, 141 Adelaide Street West, Toronto, Ontario M5H 3L5 and its registered office is located at 1 First Canadian Place, 44th Floor, Toronto, Ontario M5X 1B1. Khan's Mongolian headquarters are located at Room 13, Sky Plaza Centre, 14 Olympic Street, Ulaanbaatar 48, Mongolia.

Intercorporate Relationships

Khan's corporate structure, its material subsidiaries, the percentage ownership in its material subsidiaries and the jurisdiction of incorporation of such corporations are set out in the following chart. The chart also indicates particulars of Khan's ownership of its uranium and gold properties.



Notes:

¹ The remaining 42% of Central Asian Uranium Company, Ltd. is currently owned as to 21% by each of the Republic of Mongolia and JSC Priargunsky Mining and Chemical Production Association, a subsidiary of TVEL Corporation, a Russian state company. Priargunsky was the operator of the Dornod Uranium Property from 1988 to 1995 when it was producing uranium ore for shipment to Russia.

² Through Altangol Exploration Ltd., Khan had a right to acquire a 60% interest in three gold mining licences pertaining to the Ogmoor Gold Property. Khan has elected not to exercise this right.

GENERAL DEVELOPMENT OF THE BUSINESS

Overview

The Corporation is a Canadian-based mineral exploration and development company engaged in the acquisition, exploration and development of uranium in Mongolia. The Corporation is currently engaged in the exploration and development of certain uranium properties, one of which is a former-producer, and all of which are located in the Dornod district of northeastern Mongolia which district contains a number of uranium deposits. The Corporation's primary asset is its interest in the "Dornod Uranium Property" which currently consists of a 58% interest in the Main Dornod Property (defined below) and a 100% interest in the Additional Dornod Property (defined below). The Corporation also holds an interest in a gold property in Mongolia which it does not consider to be a core holding. It also had a right to acquire a 60% interest in three gold mining licences at September 30, 2006 which right has not been pursued.

At September 30, 2006, the Corporation had a total of 19 employees; six in Canada and 13 in Mongolia. David Lewis, Khan's Chief Financial Officer, is resigning effective December 15, 2006.

Initial Listing

Khan listed its common shares (the "Common Shares") as well as its class E warrants (the "Class E Warrants") on the Toronto Stock Exchange (the "TSX") effective August 2, 2006 and became a reporting issuer in Ontario, British Columbia, Alberta, Saskatchewan and Manitoba. Each Class E Warrant entitles the holder thereof to purchase one Common Share at a price of \$1.90, subject to adjustment, at any time on or before 5:00 p.m. (Toronto time) on the date that is 24 months following the Closing Date. As of December 12, 2006, 3,561 Class E Warrants had been exercised and 2,397,174 Class E Warrants were still outstanding.

Acquisition of the Main Dornod Property and Big Bend Gold Property

Khan was incorporated on October 1, 2002 for the purpose of acquiring uranium and gold interests in Mongolia.

Khan and its wholly-owned subsidiary, Khan Resources Bermuda Ltd. ("Khan Bermuda"), were formed to effect the acquisition of a 58% interest in Central Asian Uranium Company, Ltd. ("CAUC"), the owner of the Main Dornod Property and a 100% interest in the Big Bend Gold Property (collectively, the "Properties").

The "Main Dornod Property" consists of an open pit mine ("Dornod Deposit No. 2") from which, between 1988 and 1995, JSC Priargunsky Mining and Chemical Production Association ("Priargunsky"), a subsidiary of TVEL Corporation, a Russian state company, extracted approximately 590,000 tonnes of material at an average grade of 0.118% U₃O₈, and approximately two-thirds of an underground deposit ("Dornod Deposit No. 7") which remains partially developed by two shafts and about 20,000 m of development drifts extending into the adjoining "Additional Dornod Property". The Additional Dornod Property consists of an exploration licence contiguous to the Main Dornod Property. The Additional Dornod Property contains part of another underground deposit ("Dornod Deposit No. 5").

The "Big Bend Gold Property" is a gold property located in the Zaamar goldfield district of Mongolia. It does not form part of the Corporation's future development plans.

The acquisition of the Properties was effected in two stages. In the first stage of the acquisition, by agreements dated July 30, 2003:

- (a) Khan Bermuda acquired 100% of the issued shares of CAUC Holding Company Ltd. ("CAUC Holding") (then known as World Wide Mongolia Mining Inc.), a British Virgin Islands company, which in turn owns 58% of the issued shares of CAUC, the owner of the Main Dornod Property; and
- (b) Ikh Tokhoirol Ltd. ("Ikh Tokhoirol"), a wholly-owned Mongolian subsidiary of Khan Bermuda, acquired the Big Bend Gold Property and the corresponding licences. The original agreement was subsequently amended and restated under a licence purchase and escrow agreement dated February 10, 2004, as amended (the "Big Bend Purchase Agreement") between Ikh Tokhoirol, as purchaser, and Ikh Temuulel XXX, as vendor. The consideration paid to Ikh Temuulel XXX was \$1,667,000.

In the second stage of the acquisition, following the acquisition of the Properties by Khan Bermuda, Khan acquired all of the issued and outstanding shares of Khan Bermuda pursuant to a share exchange agreement (the "Share Exchange Agreement") dated July 31, 2003 between Wallace Mays, as vendor, Khan, as purchaser, and Khan Bermuda pursuant to which the Corporation issued 5,500,000 Common Shares and 7,500,000 special warrants ("Special Warrants") as consideration. These transactions resulted in Wallace Mays, the previous owner of the Properties, owning a 42.31% voting interest in Khan. See "Legal Proceedings—*Second Mays Action*".

Khan's initial focus was to develop the Big Bend Gold Property. During 2004, the Corporation received preliminary approval from the Overseas Private Investment Corporation ("OPIC"), an agency of the U.S. government, to provide it with a \$10,000,000 facility to fund the purchase of capital equipment and working capital required to develop the Big Bend Gold Property. A drilling program was conducted on the Big Bend Gold Property during 2004 to further explore if the property yielded positive results. However, due to lack of investor interest for placer gold and the improved markets for uranium, during the last quarter of 2004 the Corporation made the strategic decision to refocus its activities on its Mongolian uranium properties and, consequently, did not pursue the facility with OPIC. The Corporation intends to sell, joint venture or otherwise spin off the Big Bend Gold Property.

Acquisition of an Additional 21% Interest in the Main Dornod Property

On September 30, 2005, Khan entered into a memorandum of understanding ("MOU") with the State Property Committee (the "SPC"), a governmental agency that holds and manages Mongolia's interests in various enterprises, relating to a share purchase agreement (the "CAUC Share Purchase Agreement") to be entered into between the Corporation and the SPC with respect to the purchase by the Corporation of Mongolia's 21% equity interest in CAUC (the "Mongolian Interest") for a purchase price of \$31,500,000. The MOU has since lapsed. The Corporation and the SPC have had discussions with a view to entering into a new agreement for the acquisition by the Corporation of the Mongolian Interest on terms and conditions acceptable to the Corporation. No assurance can be given as to whether a new agreement will be entered into or, in the event that the Corporation is successful in acquiring the Mongolian Interest, the terms thereof.

Acquisition of the Additional Dornod Property

In March 2005, pursuant to an agreement dated January 27, 2005 (the "Western Prospector Agreement") with Western Prospector Group Ltd., a TSX Venture Exchange listed company, with uranium properties in Mongolia, ("Western Prospector"), the Corporation acquired the Additional Dornod Property which consists of an exploration licence in respect of approximately 243 hectares contiguous with the Main Dornod Property. In consideration of this purchase, Khan issued 400,000 Common Shares to Western

Prospector and granted a 3% royalty on revenues generated from any mineral product mined from the Additional Dornod Property.

Additional Gold Licences

In April 2005, the Corporation entered into an earn-in agreement with Khos Khas Ltd., a Mongolian company pursuant to which the Corporation could acquire a 60% controlling interest in three gold mining licences through a minimal expenditure of \$150,000 by December 31, 2006. The Corporation has made the expenditure; however as a result of unsatisfactory drilling results, the Corporation determined not to pursue these licences and the earn-in provisions have been dropped.

Drilling Programs

During 2005 and 2006, the Corporation completed a confirmation drilling program resulting in verification of the Russian data and consequent upgrading of the Mineral Resources contained in Dornod Deposit No. 2 and Dornod Deposit No. 7 from Inferred to Indicated Mineral Resources. The average grade of confirmation drill holes on Dornod Deposit No. 7 was 45% higher than the Russian data, (i.e., 0.416% vs. 0.287% U_3O_8). The average grade of confirmation drill holes on Dornod Deposit No. 2 was 35% lower than the Russian data (i.e. 0.073% vs. 0.112% U_3O_8).

On November 20, 2006, Khan issued a press release announcing that it was conducting a diamond drilling program at the Dornod Uranium Property. The drilling program consists of a minimum of six diamond drill holes with a total of approximately 1,600 metres of core, and was designed to: (a) investigate the extensions of mineralized areas that were not followed-up by the previous Russian operators; (b) verify lower grade pods in outlying areas; and (c) check the possible extension of known areas adjacent to the defined indicated resource.

Financing Activities

Since incorporation up to December 12, 2006, the Corporation has raised an aggregate of \$16.2 million through the private placement of Special Warrants and the issuance of Common Shares and Share Purchase Warrants. Khan has also raised \$4,086,000 through an initial public offering of units comprising one common share and one half of Class E Warrant ("Units").

The estimated cost of funding the Dornod Uranium Property through to completion of the feasibility study stage is approximately \$14.3 million, plus approximately \$3.3 million for Head Office costs. The capital cost of the project through to the completion of the processing plant and re-activation and further development of the mine is estimated to be approximately \$150 million. Funding arrangements for the project remain to be negotiated among the CAUC shareholders.

It is currently premature to identify Khan's exact source of financing; however, Khan is considering financing either by issuance of additional equity, by assumption of debt, by advance sale of product or by association with a joint venture partner such as a consumer of uranium or a major uranium producer, or a combination of two or more of these alternatives.

NARRATIVE DESCRIPTION OF THE BUSINESS

Business Objectives and Strategy

The Corporation's primary business objectives are to expand and develop the Dornod Uranium Property and to become a world supplier of U_3O_8 to the nuclear power industry. The Corporation has a mining

licence in respect of the Main Dornod Property and an exploration licence in respect of the Additional Dornod Property. See "*Narrative Description of the Business – Mongolia – Mongolian Mining Legislation*".

Subject to entering into an investment agreement with the Government of Mongolia (see "*Narrative Description of the Business – Mongolia – Investment Agreements*") and completion of positive pre-feasibility and feasibility studies, the Corporation intends to (i) bring Dornod Deposit No. 2 and Dornod Deposit No. 7, located on the Main Dornod Property, and Dornod Deposit No. 5, located on the Additional Dornod Property, into production, and (ii) construct on-site modern milling and processing facilities on the Main Dornod Property.

Khan plans to complete a pre-feasibility study and to commence the negotiation of, and enter into, an investment agreement with the Government of Mongolia by the earliest practicable dates. The successful negotiation of an investment agreement is considered by Khan to be a prerequisite to any major mine development work, including the preparation of a feasibility study. While Khan would like to enter into an investment agreement as soon as possible, there can be no certainty as to the timing to complete negotiations with the Government of Mongolia (see "*Risk Factors – Negotiation of Investment Agreement with the Government of Mongolia*").

Overview of the Uranium Industry

While there is no worldwide shortage of uranium, there is a shortage of known uranium deposits. With the steady increase in the spot price of uranium, now in the mid \$60 range, deposits that were previously uneconomic to mine are coming back into production, and there has been a significant increase in worldwide uranium exploration. The current rally in the price of uranium is believed to be due to increasing demand, diminishing inventories, mines at full production, and permitting and political constraints.

U₃O₈ is the primary material fabricated into fuel for nuclear power plants worldwide. Through the process of nuclear fission, the uranium isotope U235 undergoes a nuclear reaction where its nucleus is split into smaller particles. The reaction releases a significant amount of heat which may be used for electricity generation. The major stages in the production of nuclear fuel are uranium exploration, mining and milling, refining and conversion, enrichment for light water reactors, and fuel fabrication (source: World Nuclear Association ("WNA")).

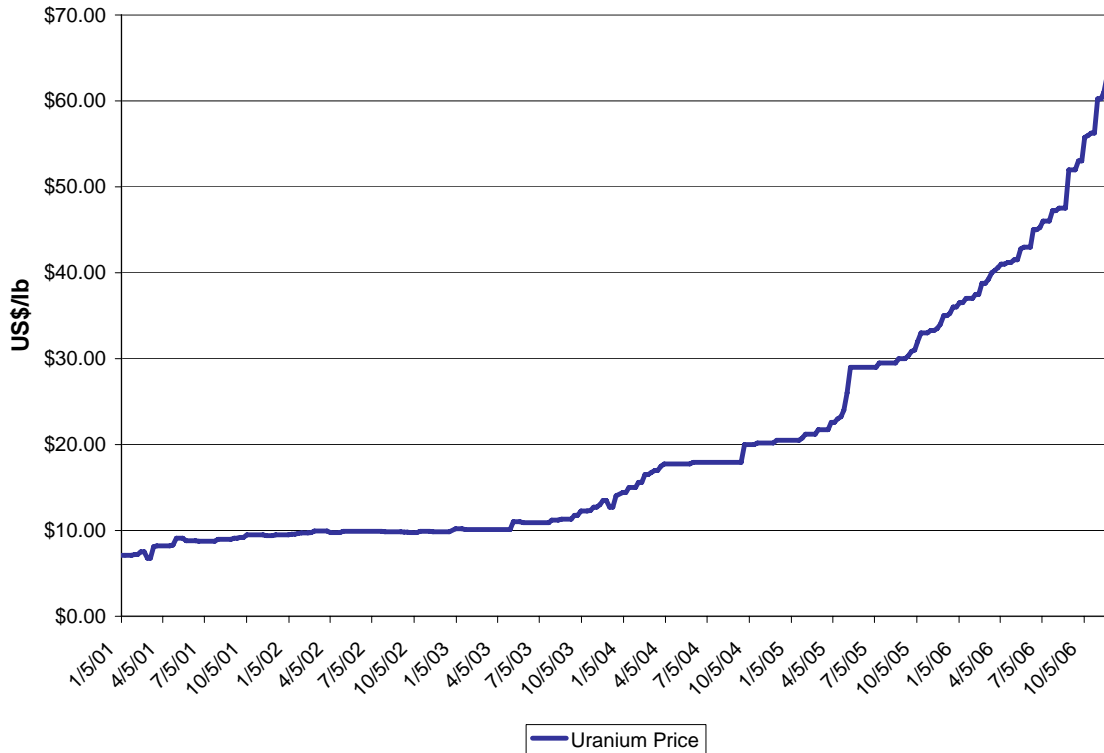
Uranium ore is mined in one of the three ways depending on the characteristics of the deposit. First, uranium deposits close to the surface can be recovered using an open pit mining method. Second, higher-grade, deeper deposits can be mined using conventional underground mining methods. Underground mines have relatively small surface disturbance and the quantity of material that must be removed to access the ore is considerably less than in the case of an open pit mine. Third, if ground conditions are appropriate, *in situ* leach can be used (source: WNA). The Corporation expects to employ open pit and conventional underground mining methods.

Mined ore is upgraded in a uranium processing facility, or mill, to produce uranium concentrates containing 80-90% U₃O₈. Milling, which is generally carried out close to a uranium mine, extracts the uranium from the ore. In a mill, uranium is extracted from the crushed and ground-up ore by leaching. The uranium is then removed from this solution and precipitated. After drying and usually heating it is packed in drums as a concentrate (source: WNA).

Current trends are encouraging for explorers and producers of uranium. The U₃O₈ spot price has increased steadily since December 25, 2000, when the spot price was \$7.10 per lb. On December 11,

2006, the spot price was at a 25-year high of \$65.50 per lb, representing an increase of approximately 823% from the 2000 year end spot price of \$7.10 per lb, 542% from the 2002 year end spot price of \$10.20 per lb, over 352% from the 2003 year end spot price of \$14.50 per lb and 216% from the 2004 year end spot price of \$20.70 per lb (see Figure 1).

Figure 1: Uranium Price History — 2001-2006



(Source: Bloomberg, December 2006)

Supply and Demand

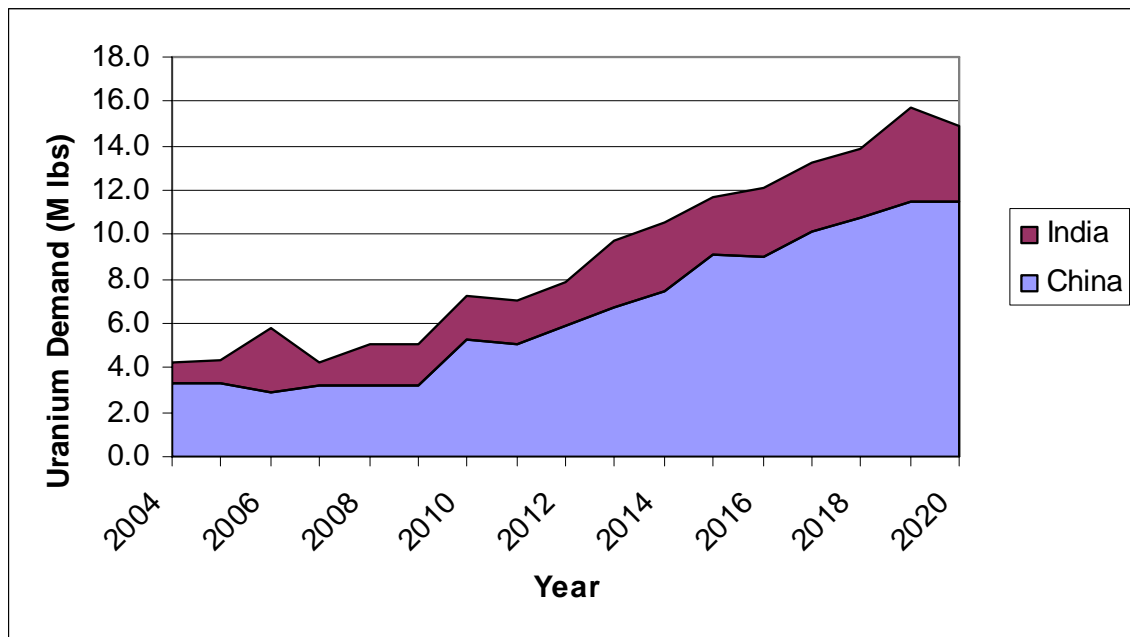
World energy production and consumption have recently been growing at approximately 2% per annum and most projections see this trend continuing to 2030. The International Energy Agency (the "IEA") World Energy Outlook 2006 Reference Scenario projects that global primary energy demand will increase by just over one-half between now and 2030. This represents an average annual rate of 1.6%. Demand grows by more than one-quarter in the period to 2015 alone. Over 70% percent of the increase in demand over the projection period comes from developing countries, with China alone accounting for 30%. Almost half of the increase in global primary use goes to generating electricity. The Reference Scenario projects an increase in world nuclear power generating capacity from 368 GW in 2005 to 418 GW in 2030.

As of November 2006, there were a total of 442 operable commercial nuclear power plants globally with an aggregate installed generating capacity of 370,921 MW requiring 170 million lbs of U₃O₈ per year. These commercial nuclear plants are currently supplying approximately 16% of the world's power requirements. Worldwide, an additional 28 commercial nuclear power plants, representing 22,645 MW

of electricity, are under construction. India is building seven plants, China is building five and Russia is building three. There are plans to build 62 new reactors in addition to those now under construction.

In China, ten operating plants account for approximately 2% of all power generation in that country. China's 2006 uranium requirement was 2.9 million lbs. China has five plants under construction and plans to build 13 new plants. China's uranium demand is expected to grow to almost 12 million pounds by 2020 (see Figure 2). In India, there are 16 plants operating, seven plants under construction and plans for the construction of four more plants. India's 2006 uranium requirement was 2.9 million lbs which is expected to grow to 3.5 million lbs by 2020 (see Figure 2). China and India are both very small suppliers of uranium and are expected to combine for only approximately 2.2 million lbs annually to 2020. Total global uranium demand of 142.3 million lbs in 2005 is expected to grow to 186.8 million lbs in 2020 while supply is expected to be only 155.4 million lbs by 2020 (see Figure 3) (source: WNA).

Figure 2: WNA Reference Uranium Production Demand



(Source: WNA)

Figure 3: WNA Reference Uranium Production and Demand by Country

	<u>Uranium Demand (millions of lbs)</u>			
	<u>2004</u>	<u>2005</u>	<u>2010</u>	<u>2020</u>
Canada.....	3.5	3.6	4.6	5.5
Australia.....	0.0	0.0	0.0	0.0
Kazakhstan.....	0.0	0.0	0.0	0.0
Russia.....	7.3	7.6	9.4	9.2
USA.....	45.8	43.2	45.0	49.8
Namibia.....	0.0	0.0	0.0	0.0
Niger.....	0.0	0.0	0.0	0.0
Uzbekistan.....	0.0	0.0	0.0	0.0
China.....	3.3	3.3	5.3	11.5
India.....	1.0	1.0	2.0	3.5
Other.....	84.7	83.7	91.5	107.3
World.....	145.5	142.3	157.7	186.8

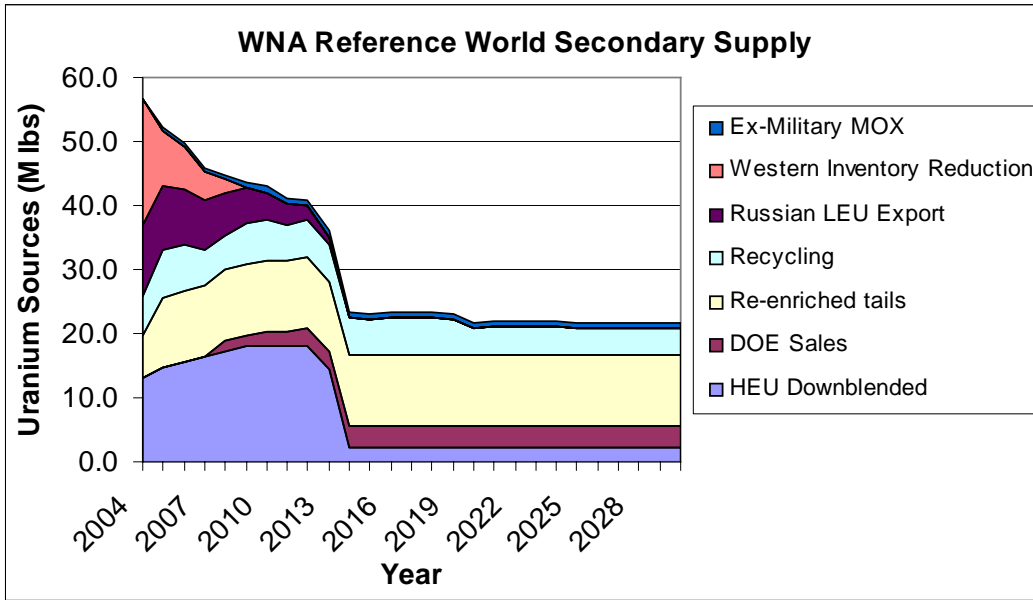
	<u>Uranium Supply (millions of lbs)</u>			
	<u>2004</u>	<u>2005</u>	<u>2010</u>	<u>2020</u>
Canada.....	25.6	25.6	36.5	36.5
Australia.....	19.8	19.8	33.0	39.0
Kazakhstan.....	8.2	9.9	22.5	32.4
Russia.....	7.1	7.7	9.9	12.1
USA.....	1.9	2.8	7.3	7.3
Namibia.....	6.7	6.7	8.9	2.2
Niger.....	7.2	7.2	7.2	7.2
Uzbekistan.....	4.4	4.4	4.4	6.6
China.....	1.7	1.7	1.7	1.7
India.....	0.5	0.5	0.5	0.5
Other.....	5.6	5.4	9.1	9.7
World.....	88.7	91.7	141.2	155.4
World Deficit.....	56.8	50.6	16.5	31.5

(Source: WNA)

Supply Deficit

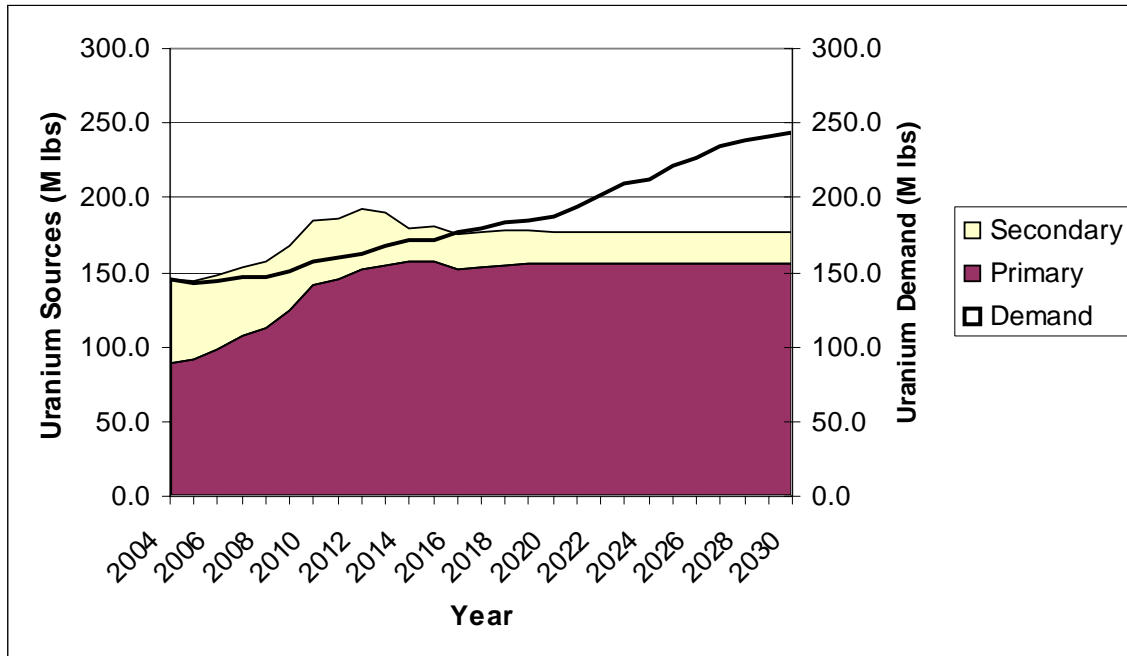
Primary supply filled only approximately 64% of world reactor requirements during 2005, but this represented an increase from 60% in 2004. The balance was made up of secondary supplies such as world inventory drawdown, the Russian HEU agreement (i.e., the "Megatons to Megawatts" program pursuant to which bomb-grade uranium from dismantled Russian nuclear warheads is being recycled into fuel used by American nuclear power plants to produce electricity), and by the recycling of both reprocessed spent reactor fuel and other fissile materials. The WNA estimates that secondary sources of uranium will continue to decline from 56.8 million lbs in 2004 to a low of 21.8 million lbs by 2020, necessitating increased production in order to meet demand (see Figure 4). As uranium demand increases, secondary sources are expected to fall short of meeting the deficit by 2016. By 2030, the deficit may increase to 67.1 million lbs of uranium (see Figure 5) (source: WNA). Figure 6 shows the correlation between supply/demand and spot prices through the first quarter of 2006.

Figure 4: WNA World Secondary Supply Forecast — Reference Case



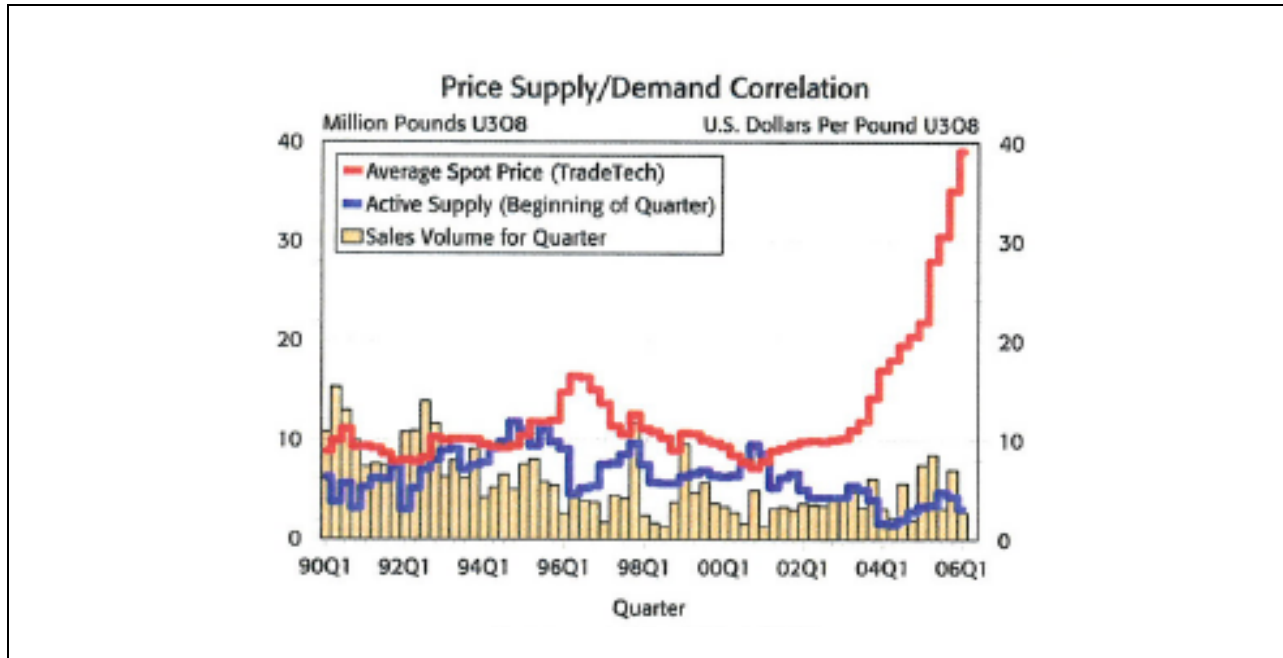
(Source: WNA)

Figure 5: WNA World Supply and Demand Forecast — Reference Case



(Source: WNA)

Figure 6: Price Supply/Demand Correlation



(Source: TradeTech LLC - <http://www.uranium.info/>)

Uranium Producers

The uranium industry is concentrated with a small number of companies controlling a majority of the production. In 2005, seven companies accounted for 78% of the world's total production (see Figure 7). Also, in 2005, the top seven uranium producing countries accounted for 89% of world production, led by Canada at 28% (see Figure 8).

Figure 7: Major Uranium Producers — Companies

	Production (millions of lbs)	World Share (%)
Cameco	18.2	20 %
Rio Tinto	12.3	13 %
Areva	11.4	12 %
KazAtomProm	8.9	10 %
BHP Billiton	8.1	9 %
TVEL	7.6	8 %
Navoi	<u>5.0</u>	<u>6 %</u>
Subtotal	<u>71.5</u>	<u>78 %</u>
World Total	<u>91.7</u>	<u>100 %</u>

(Source: WNA)

Figure 8: Major Uranium Producers — Countries

	Production (millions of lbs)	World Share (%)
Canada	25.6	28 %
Australia.....	21.0	23 %
Kazakhstan.....	9.6	10 %
Russia.....	7.6	8 %
Niger	6.9	8 %
Namibia.....	6.1	7 %
Uzbekistan	<u>5.0</u>	<u>5 %</u>
Sub Total.....	<u>81.8</u>	<u>89 %</u>
World Total.....	<u>91.7</u>	<u>100 %</u>

(Source: WNA)

Mongolia

Introduction

Mongolia is a landlocked country, located in northeast Asia between Russia and China. The country has a total area of 1,565,600 km² and shares a 4,673 km long border with China on its eastern, western and southern sides and a 3,485 km long border with Russia to the north. The population of Mongolia is estimated at 2.7 million people with approximately 1 million people living in Ulaanbaatar, the capital and largest city. Some 40% of the population lives in the countryside, primarily subsisting as nomadic livestock herders, while the rest live in cities or small settlements spread throughout the country. The official national language is "Khalkha Mongol" and the primary religion is Buddhism.



The latitude of Mongolia, between 42° and 52° north, is approximately the same as that of Central Europe; however, because the country is far from the ocean and has a relatively high median altitude of 1,580 m above sea level, the climate is characterized by an extreme continental climate with large temperature fluctuations and low total rainfall, averaging 200-220 mm per year. Most precipitation falls during the short summer, while winter is generally dry and extremely cold. Temperatures in summer average approximately 25°C, while winter temperatures average -21°C.

The Corporation's Dornod Uranium Property is located in the northeastern portion of Mongolia some 650 km to the east of the capital city of Ulaanbaatar. The Big Bend Gold Property is located in the Zaamar region of Mongolia some 250 km west-northwest of Ulaanbaatar.

Infrastructure

Mongolia, being a land-locked country with a small rural population, has limited transportation infrastructure. Although there are some second-class roads, travel to remote areas is difficult and requires the use of off-road vehicles or camel/horse trains. There are railway links with Russia and China, and excellent air links with Moscow, Beijing, Seoul, Western Europe and other East Asian countries.

The infrastructure in Mongolia is improving annually due to an increase in tourism, and the resulting need to provide western style accommodations and services.

Mongolian Mining Industry

The mining sector is Mongolia's single largest industry. Prior to 1970, Mongolia was not able to develop its vast mineral resources due to a lack of infrastructure and lack of financing for mineral resource development. However, beginning in 1970, various deposits of copper, gold, fluor spar, uranium, and coal were developed by joint ventures formed in partnership with the former Soviet Union and its allies. The most notable of these ventures is the Erdenet copper mine, a joint venture between Mongolia (51%) and Russia (49%). Sales of copper concentrate from Erdenet generate a significant percentage of Mongolia's gross domestic product.

In the mid-1990s, some major western companies, such as BHP Billiton plc and Rio Tinto plc, as well as a number of junior companies, began exploring for minerals in Mongolia, principally copper and gold. Following the enactment of a new minerals law in 1997 (which has recently been replaced as described below), and the general rise in prices of commodities in subsequent years, many other companies have initiated exploration programs in Mongolia.

Gold mining is second in importance to copper in mineral production from Mongolia with the largest proportion of that gold production being derived from alluvial gold deposits in the Zaamar region. Deposits of coking coal, used in making iron and steel, are expected to be exploited. Resources at the Tavan-Tolgoyt deposits, about 530 km from the capital, Ulaanbaatar, are estimated at more than 5 billion tonnes. The quality of these coal resources reportedly are on par with deposits in Australia and Canada, major players in the world coal market.

Until recently, foreign investment and direct participation by foreign companies in exploration for, and extraction and processing of, mineral resources, as well as in a wide range of mining-related industries, has been actively encouraged. However, Mongolia's national policies concerning its mineral sector are continuously under review, and on July 8, 2006, the Mongolian Parliament adopted a new Minerals Law that contains provisions that are inconsistent with the policy of actively encouraging foreign investment in the mining industry. (See "*Political Landscape*" and "*Mongolian Mining Legislation*")

Political Landscape

Mongolia has a democratic form of government based on a uni-cameral (one chamber) parliamentary system and a directly elected President. The Prime Minister is nominated by and serves on behalf of the majority party in the parliament. The Constitution enshrines the concepts of democracy, freedom of speech, and judicial independence, among others.

The first multiparty elections were held in July of 1990 at which the Mongolian People's Revolutionary Party (the "MPRP") became the dominant political party. The MPRP was victorious again in the July 1992 elections but lost to a coalition of opposition groups (the "Democratic Coalition") in the elections of 1996. The MPRP regained power in 2000.

As a result of the most recent Parliamentary elections in June 2004, the two principal political parties, the MPRP and the Democratic Coalition each gained control of roughly one-half of the 76 Parliamentary seats. In order to form a government, the two groups entered into a power sharing agreement whereby key posts in various ministries and agencies of the Government of Mongolia were allotted to each group, i.e. one from column A (the MPRP) and one from column B (the Democratic Coalition). As a consequence, it has become difficult for the Government of Mongolia to maintain consistent policies and administrative practices, most notably within the minerals sector.

On the legislative side, as a consequence of the governance gridlock following the 2004 elections, and a growing populist sentiment that foreign mining companies are profiting from the extraction and sale of Mongolia's mineral resources and that Mongolia is not getting its fair share, various individuals and groups seized the opportunity to propose radical changes to the existing minerals legislation. These radical proposals reflect a widespread public sentiment for establishing a new paradigm for the development and marketing of the country's natural resources and provoked strong negative responses from companies engaged in exploration and mining in Mongolia, as well as the World Bank and other institutional donors.

Mongolian Mining Legislation

From July 1997 through July 7, 2006, Mongolian minerals legislation was principally governed by the *Minerals Law of Mongolia* ("MLM"). The MLM was sponsored by the World Bank and drafted by a team headed by an experienced U.S. mining lawyer. During this period, the MLM was widely regarded as one of the most well balanced minerals laws in the world and served to attract many foreign mining companies to establish operations in Mongolia.

Administration of minerals legislation and mining activity in Mongolia is the responsibility of the Minerals Resources and Petroleum Authority of Mongolia ("MRPAM"), an administratively subordinate agency of the Ministry of Industry and Trade, a Cabinet level ministry of the Government of Mongolia. The MRPAM maintains a register of licences in the Department of Geological and Mining Cadastre (the "Cadastral Office"), which serves as the official authority governing title to mineral exploration licences and mining licences.

On July 8, 2006, after several months of debate, the Mongolian Parliament adopted a totally revised version of the MLM (the "RMLM") — effectively replacing and superseding the MLM. The following is a description of certain pertinent provisions of the RMLM that are of particular significance to the Corporation.

Both the MLM and RMLM confirm the basic premise that all minerals are the property of the State and, with one notable exception, the RMLM follows the same general organizational and substantive format as

the MLM. This exception is the introduction of the concept of the State's right to participate in mining projects with companies that are deemed to have a defined mineral deposit, production from which has the potential to have a significant impact on Mongolia's national security, or the economic or social development of the country at the national or regional levels. Such a deposit is considered to be a mineral deposit of "strategic importance."

Where any mineral deposit (including but not limited to a deposit of "strategic importance") has been defined by exploration activities paid for by the State, such activities are deemed to have been "funded by the State Budget." During the 1970s and 1980s, Mongolian geologists, together with geologists from various Soviet-Bloc countries, conducted extensive mineral exploration activities in Mongolia. Expenditures with respect to these activities have been recorded as reimbursable expenses funded from the State Budget attributable to the respective deposits.

State Participation

Where a deposit of "strategic importance" has been defined by activities funded by the State Budget, the RMLM provides that the State may participate in the exploitation of the deposit with the private business entity that holds the relevant licence(s) by acquiring up to a 50% participating interest in the shares of the entity. The specific percentage of the State's interest will depend on the agreement with respect to the exploitation of the deposit and the amount of investment by the State. The terms and conditions of such participation are not prescribed by the RMLM.

Where a deposit of "strategic importance" has been defined by activities funded other than by the State Budget, the RMLM provides that the State may participate in the exploitation of the deposit with the private business entity that holds the relevant licence(s) by acquiring up to a 34% participating interest in the shares of the entity. As in the case of a deposit defined by activities funded by the State Budget, the specific percentage of the State's interest will depend on the agreement with respect to the exploitation of the deposit and the amount of investment by the State.

Either the Government of Mongolia or the Parliament may initiate a proposal that a deposit be designated as being of "strategic importance", or with respect to the State's share in the exploitation of such deposit, but any such proposals must be approved by the Parliament to be effective.

Mining Licences

Mining licences are granted by the Cadastral Office for an initial term of 30 years and are renewable for two successive 20 year periods for a total period of 70 years. Only Mongolian legal entities are entitled to hold mining licences. In the case of all minerals, other than coal and common construction minerals, annual fees of \$15.00 are payable with respect to each hectare of a licensed area.

The holders of mining licences must prepare an environmental impact assessment and environmental protection and reclamation plan and comply with various reporting and security deposit requirements.

Investment Agreements

The holder of a mining licence that undertakes to invest more than certain threshold amounts over the first five years of a mining project may apply to the Government of Mongolia to enter into an investment agreement ("Investment Agreement") concerning the stability of tax rates, the right to sell products at international market prices, a guarantee that the licence holder may receive and dispose of income from such sales, and provisions with respect to the amount and term of the licence holder's investment.

The term of each Investment Agreement will depend on the amount of the five year commitment as follows:

<u>Minimum Investment (US\$)</u>	<u>Agreement Term</u>
50 million.....	10 years
100 million.....	15 years
300 million.....	30 years

Khan intends to commence negotiation of an Investment Agreement with the Government of Mongolia at the earliest practicable date and intends to make satisfactory conclusion of such agreement a prerequisite to any major mine development work on the Dornod Uranium Property.

Exploration Licences

Mineral exploration licences are granted by the Cadastral Office for an initial term of three years and are renewable for two successive three year periods for a total period of nine years. Only Mongolian legal entities are entitled to hold mineral exploration licences. Annual fees are payable with respect to each hectare of licensed land as follows:

<u>Year</u>	<u>Fee (US\$/ha)</u>	<u>Year</u>	<u>Fee (US\$/ha)</u>
1.....	0.10	6.....	1.00
2.....	0.20	7.....	1.50
3.....	0.30	8.....	1.50
4.....	1.00	9.....	1.50
5.....	1.00		

Holders of mineral exploration licences must spend the following minimum amounts (US\$) annually on exploration activities with respect to each hectare of licensed land:

<u>Year</u>	<u>Minimum Expenditures (US\$/ha)</u>	<u>Year</u>	<u>Minimum Expenditures (US\$/ha)</u>
2.....	0.50	6.....	1.00
3.....	0.50	7.....	1.50
4.....	1.00	8.....	1.50
5.....	1.00	9.....	1.50

Holders of mineral exploration licences must also submit an exploration plan, an environmental protection and reclamation plan, a security deposit, and thereafter an annual report on exploration activities. They also have the right to enter on the licensed area and to construct temporary structures necessary for conducting exploration activities.

Pre-Mining Operations

Following expiration of a mineral exploration licence, and if a reserve with respect to the licensed area has been established and registered with relevant authorities, the licence holder may obtain a pre-mining licence for a period of three years. The licence holder must complete feasibility studies and commence production prior to the expiration of this three year period.

Royalties

Prior to July 8, 2006, a government royalty at the rate of 2.5% was payable with respect to the sales value of all minerals except gold derived from alluvial deposits, for which the rate was 7.5%. The RMLM adopted on July 8, 2006 provides for a royalty at the rate of 5% with respect to the sales value of minerals (other than coal and construction minerals) that are sold, shipped for sale, or otherwise used. The royalty rate for coal and construction minerals is 2.5%.

Mongolian Tax Situation

In late June/early July 2006, the Parliament passed new legislation amending Mongolia's tax laws in significant respects. The package of amended laws (the "Tax Amendments") consists of new laws concerning business entity income tax, personal income tax, and value-added tax ("VAT"). The Tax Amendments will become effective on January 1, 2007.

The following is a summary of pertinent provisions of the existing tax laws and how they will be modified by the Tax Amendments when they become effective.

- Currently, the business entity income tax law provides for a three year income tax exemption from the commencement of production for business entities that export more than 50% of their production and a 50% reduction in taxes for the next succeeding three year period. Effective as of January 1, 2007, these exemptions will no longer be available.
- Currently, income tax rates applicable to business entities are 15% on the first 100 million MNT (approximately \$85,911) and 30% on amounts in excess of this amount. Effective as of January 1, 2007, the rate thresholds will be 10% on the first three billion MNT (approximately \$2,577,320) and 25% on amounts in excess of this amount.
- Currently, subject to certain exemptions and other adjustments, a VAT at the rate of 15% is payable to the central government with respect to, among other things, imported goods and services and goods sold and services rendered within Mongolia. Most exports are "zero-rated" (i.e. the VAT rate for exports is 0% and the exporter can credit VAT paid to produce the exports against other taxes payable). In contrast, sales of gold are "exempt" from VAT, which means that gold producers are not able to credit VAT paid to produce the gold against other taxes payable. Effective as of January 1, 2007, the generally applicable VAT rate will be reduced to 10% but the list of imported items that are presently exempt from the tax will be reduced.
- Effective as of January 1, 2007, (i) a broader range of business expenses will be allowed as deductions in calculating taxable income, (ii) a two-year loss carry-forward provision (with losses carried forward capped at 50% of the company's taxable income in each carry-forward year) will be introduced, (iii) 10% of invested capital in priority sectors can be applied as a credit against other taxes payable, and (iv) depreciation allowances and periods will be liberalized.

On May 12, 2006, the Parliament enacted a law (the "Windfall Tax Law") that imposes a tax (effectively a royalty) at the rate of 68% on portions of the proceeds from the sale of copper concentrates and gold when the market prices of copper and gold exceed certain specified threshold amounts. The tax is imposed on the difference between the market price and the threshold price. The law provides that the market prices for copper and gold are to be determined as of the date of each sale based on the respective prices of these commodities on the London Metals Exchange ("LME"). Since the price of gold is not quoted on the LME, presumably the market price for gold will be based on some other source, such as one of the daily London fixes, etc. The specified thresholds are \$500 per troy ounce of gold and \$2,600 per tonne of copper. It is not possible to determine from the wording of the law precisely how the tax will be calculated. Based on the methodology used in determining royalties under the MLM, it is expected

that the Windfall Tax will be 68% of the difference between the market price and the threshold price multiplied by the amount of gold or copper being sold as determined by assay.

Recently, the Mongolian Cabinet has discussed raising the threshold price for gold to \$650 per troy ounce. The Windfall Tax Law does not apply to sales of uranium.

Permitting

Various aspects of mine construction and operation require permits from relevant federal and regional governmental authorities. For example, permits must be obtained before proceeding with a general mine development plan and at various stages during the construction of mining facilities and mine start-up. In addition, work undertaken pursuant to permits is subject to ongoing review and verification by relevant authorities.

Environmental Regulations

Under the *Environmental Protection Law of Mongolia*, mining companies are required to: (i) comply with the legislation and the requirements of State inspectors, (ii) keep records on toxic substance disposal and waste discharges as well as the operation of any monitoring equipment, (iii) include provisions for reclamation and restoration in annual budgets, (iv) keep the "ecological passport" of the area, and (v) carry out environmental impact assessments that identify possible adverse effects from production. The law gives details of the type of information that is required for these studies.

Dornod Uranium Property – Technical Report of October 25, 2006

A reproduction of the summary from the Technical Report entitled "Technical Report on the Preliminary Assessment of the Dornod Uranium Project, Mongolia" dated October 25, 2006 and prepared by Scott Wilson Roscoe Postle Associates Inc. ("Scott Wilson RPA") (Hrayr Agnerian, M.Sc. (Applied), P.Geo. and Leslie H. Heymann, P.Eng.) is attached hereto as Exhibit A. The Technical Report was prepared in conformity with the requirements of NI 43-101. Messrs. Agnerian and Heymann are independent Qualified Persons. Readers are encouraged to review the Technical Report in its entirety under Khan's profile at www.sedar.com which Technical Report is incorporated by reference into this Annual Information Form.

Big Bend Gold Property – Technical Report of September 23, 2005

A reproduction of the summary from the Technical Report entitled "Report on Placer Gold Properties in the Tuul Valley, Zaamar Goldfield, Mongolia" as amended September 23, 2005 and prepared by Roscoe Postle Associates Inc. ("RPA") (Boris S. Karpoff, B.Sc., P.Eng. and William E. Roscoe, Ph.D., P.Eng.) is attached hereto as Exhibit B. The Technical Report was prepared in conformity with the requirements of NI 43-101. Mr. Karpoff and Mr. Roscoe are independent Qualified Persons. Readers are encouraged to review the Technical Report in its entirety under Khan's profile at www.sedar.com which Technical Report is incorporated by reference into this Annual Information Form.

RISK FACTORS

Risks Relating to the Corporation

No Current Mineral Reserves

Calculations of Mineral Resources and metal recovery are only estimates, and there can be no assurance about the quantity and grade of minerals until reserves or resources are actually mined. While the Corporation has drill-Indicated Mineral Resources, it currently does not have any Mineral Reserves. Until reserves or resources are actually mined and processed, the quantity of reserves or resources and grades must be considered as estimates only. In addition, the quantity of reserves or resources may vary depending on commodity prices. Any material change in the quantity of resources, grade or stripping ratio may affect the economic viability of the Corporation's properties.

No Operating History

The Corporation does not have an operating history and there can be no assurance of its ability to operate its projects profitably in the future. While Khan expects in the future to generate additional working capital through the operation, development, sale or possible syndication of its properties, there is no assurance that it will be capable of producing positive cash flow or, if successful, that any such funds will be available for exploration and development programs.

Ability to Continue as a Going Concern

The Corporation's ability to continue as a going concern is uncertain and is dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

Additional Capital Requirements

In order to continue exploring and ultimately developing (and operating) Khan's mineral properties and acquiring additional properties, management may be required to pursue additional sources of financing. While Khan has been successful in obtaining such financing in the past, there is no assurance that it will be successful in the future. Failure to obtain sufficient financing may result in delaying or indefinitely postponing exploration, development of or production on any or all of the Corporation's properties or even loss of property interest. It may also prevent the Corporation from meeting its obligations under agreements to which it is a party as a result of which, its interest in the properties may be reduced. There can be no assurance that additional capital or other types of financing, if needed, will be available or, if available, that the terms of such financing will be favourable to the Corporation.

The amount of administrative expenditures is related to the level of financing and exploration activities that are being conducted, which in turn may depend on the Corporation's recent exploration experience and prospects, as well as general market conditions relating to the availability of funding for exploration-stage resource companies. As a result, there may not be predictable or observable trends in the Corporation's business activities and comparison of financial operating results with prior years may not be meaningful.

Exploration and Development Risks

All of the Corporation's operations involve exploration and development and there is no guarantee that any such activity will result in commercial production of mineral deposits. Mineral exploration and development involves substantial expenses and a high degree of risk, which even a combination of

experience, knowledge and careful evaluation may not be able to adequately mitigate. Unusual or unexpected formations, pressures, fires, power outages, labour disruptions, flooding, explosions, cave-ins, land slides and the inability to obtain adequate suitable machinery, equipment or labour are all risks involved in the conduct of an exploration program. These risks and hazards could result in: damage to, or destruction of, properties; personal injury or death; environmental damage; delays; monetary losses; and possible legal liability.

Most exploration projects do not result in the discovery of commercially mineable deposits. There is no certainty that the expenditures made or to be made by Khan in the exploration and development of its mineral properties or properties in which it has an interest will result in the discovery of uranium or other mineralized materials in commercial quantities. While discovery of a uranium deposit may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a site. It is impossible to ensure that the Corporation's current exploration programs will result in profitable commercial uranium mining operations.

The commercial viability of a mineral deposit is also dependent upon a number of factors, some of which are the particular attributes of the deposit, such as size, grade and proximity to infrastructure, metal prices which are highly cyclical and government regulations, including regulations relating to prices, taxes, royalties, allowable production, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the negative combination of these factors may result in the Corporation not receiving an adequate return on invested capital. There is no certainty that expenditures made by Khan will result in discoveries of commercial quantities of ore.

Negotiation of Investment Agreement with the Government of Mongolia

Khan considers the successful negotiation of an Investment Agreement with the Government of Mongolia to be a prerequisite to any major mine development work. While Khan plans to commence the negotiation of, and enter into, an Investment Agreement with the Government of Mongolia at the earliest practicable date, there can be no certainty as to when such negotiations with the Government of Mongolia will commence or the amount of time that will be required to complete these negotiations and finalize an agreement. See "Narrative Description of the Business – Mongolia – *Investment Agreements*".

Competition from Other Energy Sources and Public Acceptance of Nuclear Energy

Nuclear energy competes with other sources of energy, including oil, natural gas, coal and hydro-electricity. These other energy sources are to some extent interchangeable with nuclear energy, particularly over the longer term. Lower prices of oil, natural gas, coal and hydro-electricity may result in lower demand for uranium concentrate and uranium conversion services. Furthermore, the growth of the uranium and nuclear power industry beyond its current level will depend upon continued and increased acceptance of nuclear technology as a means of generating electricity. Because of unique political, technological and environmental factors that affect the nuclear industry, the industry is subject to public opinion risks which could have an adverse impact on the demand for nuclear power and increase the regulation of the nuclear power industry.

Title to Properties

There can be no assurance that the interest held by the Corporation in its properties is free from defects nor that material contractual arrangements between the Corporation and entities owned or controlled by foreign governments will not be unilaterally altered or revoked. Khan has investigated its rights to

explore and exploit its properties and has caused property surveys to be undertaken. To the best of the Corporation's knowledge, those rights are in good standing. However, there is no assurance that such rights will not be revoked, or significantly altered, to the Corporation's detriment. There can be no assurance that Khan's rights will not be challenged or impugned by third parties.

Competition in the Uranium Industry

The international uranium industry is highly competitive. The uranium mining industry is global and was consolidated during the 1990s by takeovers, mergers and closures. In 2005, seven mining companies accounted for approximately 78% of the world's uranium production. Competition for new mining properties by these larger, more established companies may prevent Khan from acquiring interests in additional properties or mining operations. Significant and increasing competition exists for mineral acquisition opportunities in Mongolia. As a result of this competition, some of which is with large, better established mining companies with substantial capabilities and greater financial and technical resources than the Corporation, the Corporation may be unable to acquire rights to exploit additional attractive mining properties on terms it considers acceptable. Accordingly, there can be no assurance that Khan will acquire any interest in additional operations that would yield reserves or result in commercial mining operations.

Currency Fluctuations

Fluctuations in currency exchange rates may adversely affect the Corporation's financial position. Khan's management has determined the United States dollar as its reporting currency. Fluctuations in currency exchange rates, particularly equipment acquisition costs denominated in currencies other than United States dollars, may significantly impact Khan's financial position and results. Khan does not have in place a policy for managing or controlling foreign currency risks since, to date, its primary activities have not resulted in material exposure to foreign currency risk.

Market Factors and Volatility of Uranium and Gold Prices

There is no assurance that a profitable market will exist for the sale of mineralized material which may be acquired or discovered by Khan. There can be no assurance that uranium prices received will be such that the Corporation's properties can be mined at a profit. The price of uranium has fluctuated widely, particularly in recent years, and is affected by numerous factors beyond the Corporation's control. Commodity prices are subject to volatile price changes from a variety of factors including international economic and political trends, expectations of inflation, global and regional demand, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. Uranium on the spot market reached its highest price in 25 years in December 2006 having dropped sharply in the late 1980s and again in the late 1990s.

Future mineral prices cannot be accurately predicted. A severe decline in the price of a mineral being produced or expected to be produced by the Corporation would have a material adverse effect on it, and could result in the suspension of mining operations by the Corporation if such mining operations have commenced. Factors impacting the price of uranium include demand for nuclear power, political and economic conditions in uranium producing and consuming countries, reprocessing spent fuel and the re-enrichment of depleted uranium tails or waste, sales of excess civilian and military inventories (including from the dismantling of nuclear weapons) by governments and industry participants and production levels and costs of production in other jurisdictions.

In addition, Khan intends to sell, joint venture or otherwise spin-off the Big Bend Gold Property. The value attributable to this property will be affected by the price of gold, which can be subject to volatile price movements which can be material and can occur over short periods of time. The price fluctuations are affected by numerous industry and macroeconomic factors which are beyond the Corporation's control.

Environmental Regulations

The Corporation is subject to substantial environmental and other regulatory requirements and such regulations are becoming more stringent. All phases of the Corporation's development operations are subject to environmental regulations. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Corporation's operations. Environmental hazards may exist on the properties in which Khan holds interests which are presently unknown to it and which have been caused by previous or existing owners or operators of the properties.

The EPA is the Mongolian State administrative body responsible for the environment. The two principal environmental laws of concern for mining are the *Environmental Protection Law of Mongolia* and the *Law of Mongolia of Environmental Impact Assessment*.

Under the *Environmental Protection Law of Mongolia*, mining companies are required:

- To comply with the legislation and the requirements of State inspectors.
- To keep records on toxic substance disposal and waste discharges as well as the operation of any monitoring equipment.
- To include provisions for reclamation and restoration in annual budgets.
- To keep the "ecological passport" of the area.
- To carry out environmental impact assessments that identify possible adverse effects from production. The law gives details of the type of information that is required for these studies.

Current operations use an old method of discharging the dredge tailings. Sand, silt, and clay fines from the washing of the pay gravel are discharged to the bottom of the dredge pond, with the coarse fraction stones, boulders and rocks dumped on top. This creates problems in reclamation due to lack of fines available as soil for revegetation of dredge rejects.

On the terrace placers, the dry-mining methods used require water for washing plants. This leaves abandoned, flooded excavations where the placers have been removed. In addition, there are many illegal artisanal mining groups that take up residence in the area during summer months. The artisanal population is estimated to be in excess of 10,000 people, with the potential for rapid growth to more than 40,000 miners. These miners do not have any rights to surface mining, but are reworking tailings and other areas that have not been pursued by the existing operators. The artisanal mining falls outside any organized jurisdiction.

There is no provision in the existing operations in respect of the Big Bend Gold Property for wastewater, solid waste, reclamation, or other environmental management. The cumulative impacts of all the local placer mining operations are significant, and may represent an inherited liability to a new operator in the Tuul River Valley.

Legal Proceedings

Khan is currently the defendant in an action commenced by Wallace Mays (a former promoter, director and officer of Khan), WM Mining LLC (a company controlled by Mr. Mays, "WM Mining") and Nueces Investments Ltd. (a Bermuda corporation owned and controlled by Mr. Mays, "Nueces") in which the plaintiffs allege that the Corporation acted in a manner that was oppressive to their interests and that the Corporation knowingly assisted in a breach of trust or fiduciary duty by others. They are seeking certain declaratory relief as well as compensation for oppressive conduct in the amount of Cdn.\$150 million and other damages in the amount of Cdn.\$150 million. See "*Legal Proceedings—Second Mays Action*". Khan believes that this claim is completely without merit and intends to vigorously defend the action. However, if Khan is unable to successfully defend this claim, it may have a material adverse impact on its ability to carry out its business plan and on Khan's financial performance, cash flow and results of operations.

Khan may also be involved in disputes with other parties in the future which may result in litigation. If Khan is unable to resolve these disputes favourably, it may adversely impact on Khan's financial results.

Lack of Earnings and Dividend Record

The Corporation has no earnings or dividend record. The Corporation has not paid dividends on its Common Shares since incorporation and does not anticipate doing so in the foreseeable future. Payments of any dividends will be at the discretion of the board of directors of Khan (the "Board") after taking into account many factors, including the financial condition and current and anticipated cash needs of the Corporation.

Difficulty in Recruiting and Retaining Management and Key Personnel

Khan is dependant on a relatively small number of key directors and officers. Loss of any one of those persons could have an adverse affect on it. Recruiting and retaining qualified personnel is critical to the Corporation's success. As the Corporation's business activity grows, it may require additional key financial, administrative and mining personnel. Although Khan believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success.

Internal Controls

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation.

The Impact of Hedging Activities on Profitability

Although Khan has no present intention to do so, it may hedge a portion of its future uranium production to protect it against low uranium prices and/or to satisfy covenants required to obtain project financings. Although hedging activities may protect a company against low uranium prices, they may also limit the price that can be realized on uranium that is subject to forward sales and call options where the market price of uranium exceeds the uranium price in a forward sale or call option contract.

Risks Relating to Foreign Operations in Mongolia

Political Stability and Government Regulation

Khan is exposed to risks of political instability and changes in government policies, laws and regulations in the country in which it operates. The Corporation holds mineral interests in Mongolia that may be affected in varying degrees by political stability, government regulations relating to the mining industry and foreign investment therein, and the policies of other nations in respect of Mongolia. Any changes in regulations or shifts in political conditions are beyond Khan's control and may adversely affect its business. The Corporation's operations may be affected in varying degrees by government regulations, including those with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, employment, land use, water use, environmental legislation and mine safety. The regulatory environment is in a state of continuing change, and new laws, regulations and requirements may be retroactive in their effect and implementation. Khan's operations may also be affected in varying degrees by political and economic instability, economic or other sanctions imposed by other nations, terrorism, military repression, crime, fluctuations in currency exchange rates and high inflation.

The Corporation's operations, and the development of its properties, are subject to obtaining and maintaining permits from appropriate governmental authorities. There is no assurance that such permits can be obtained, or that delays will not occur in obtaining all necessary permits or renewals of such permits for Khan's existing properties or additional permits required in connection with future exploration and development programs. Prior to any development on any of its properties, the Corporation must receive permits from appropriate governmental authorities. There can be no assurance that the Corporation will obtain or continue to hold all permits necessary to develop or continue operating at any particular property.

If any of the Corporation's projects are advanced to development stage, those operations will also be subject to various laws and regulations concerning development, production, taxes, labour standards, environmental protections, mine safety and other matters. In addition, new laws and regulations governing operations and activities of mining companies could have a material adverse impact on any project in the mine development stage that Khan may possess.

Development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect Khan's operations, financial condition and results of operations.

Application of Recent Amendments to the Minerals Laws of Mongolia Could Affect Khan's Mineral Exploration Rights. Interpretation of Laws May be Arbitrary

On July 8, 2006, the Mongolian Parliament adopted substantial amendments to the Minerals Laws of Mongolia. This new legislation introduces the concept of the State's right to participate in mining projects that are deemed be of "strategic importance", i.e., projects that have a defined mineral deposit, production from which has the potential to have a significant impact on Mongolia's national security, or the economic or social development of the country at the national or regional levels. It further provides that where any mineral deposit (including but not limited to a deposit of "strategic importance") has been defined by exploration activities paid for by the State, such activities are deemed to have been "funded by the State Budget." Under this new legislation, the Mongolian Government has a right to acquire up to a 50% participating interest in the shares of any entity that holds licences pertaining to a project that is

considered to be of "strategic importance" and which has been funded by the State Budget. If the project is of "strategic importance" but was not funded by the State Budget, the Mongolian Government can acquire up to a 34% participating interest. The specific percentage of the State's interest will depend on the agreement with respect to the exploitation of the deposit and the amount of investment by the State.

There can be no assurance that the Government of Mongolia will not initiate a proposal to designate the Corporation's deposits as being of "strategic importance". In addition, there can be no assurance that the Mongolian Government will not seek to have any of the Corporation's mining activities declared to be "funded by the State Budget" as a result of the Mongolian Government's prior involvement in the development of the Dornod Uranium Deposit prior to its acquisition by the Corporation. If the Corporation's properties are ultimately so qualified, the terms and extent of any acquisition of a participating interest by the Mongolian Government are uncertain.

Amendments to Mongolian Tax Laws Could Affect the Economic Viability of the Corporation's Mineral Exploration Properties

On May 12, 2006, the Parliament enacted the Windfall Tax Law which imposes a tax (effectively a royalty) at the rate of 68% on portions of the proceeds from the sale of copper concentrates and gold when the market prices of copper and gold exceed certain specified threshold amounts. While the Windfall Tax Law does not apply to sales of uranium, there can be no assurance that the law will not be amended in the future to include uranium. Any change to the Windfall Tax Law to include uranium could adversely affect the Corporation's financial performance. See "Narrative Description of the Business – Mongolia—*Mongolian Tax Situation*".

Future amendments to Mongolia's tax laws could also have an adverse impact on the performance of the Corporation and could impact the viability of the Corporation's mineral exploration properties.

Inability to Enforce Khan's Legal Rights in Certain Circumstances

In the event of a dispute arising at the Corporation's foreign operations, it may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. Khan may also be hindered or prevented from enforcing its rights with respect to a government entity or instrumentality because of the doctrine of sovereign immunity.

DESCRIPTION OF CAPITAL STRUCTURE

Set forth below is a description of Khan's share capital. The following statements are brief summaries of, and are subject to the provisions of, the articles of amendment and by-laws of Khan and the relevant provisions of the OBCA.

General

Khan's authorized share capital consists of an unlimited number of Common Shares. Khan also has Common Share Purchase Warrants (i.e., the Class E Warrants) outstanding as disclosed below.

Common Shares

Khan is authorized to issue an unlimited number of Common Shares, of which there are 41,497,801 issued and outstanding as of December 12, 2006. Upon exercise of all the outstanding Class E Warrants, Agents' Options (as defined under "Material Contracts—*Agency Agreement*") and Stock Options (as defined below), the issued and outstanding Common Shares will increase to 48,721,075 Common Shares.

Holders of Common Shares are entitled to receive notice of any meetings of shareholders of Khan, and to attend and to cast one vote per Common Share at all such meetings. Holders of Common Shares do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the Common Shares entitled to vote in any election of directors may elect all directors standing for election. Holders of Common Shares are entitled to receive on a pro-rata basis such dividends, if any, as and when declared by the Board at its discretion and to receive, on a pro-rata basis, the net assets of Khan after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a pro-rata basis with the holders of Common Shares with respect to dividends or liquidation. The Common Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

Class E Warrants

The Class E Warrants are issued in registered form. The Class E Warrants were issued pursuant to an indenture (the "Warrant Indenture") entered into between Khan and Equity Transfer Services Inc., as warrant agent (the "Warrant Agent") on August 2, 2006. The Class E Warrants may be surrendered for exercise, exchange or replacement at the principal office of the Warrant Agent in Toronto, Ontario. The Warrant Indenture provides for the issue of 2,530,460 Class E Warrants. The following summary of certain provisions of the Warrant Indenture does not purport to be complete and is qualified in its entirety by reference to the provisions of the Warrant Indenture.

Each Class E Warrant entitles the holder thereof to purchase one Common Share at a price of Cdn.\$1.90, subject to adjustment in certain events, at any time on or before 5:00 p.m. (Toronto time) on August 2, 2008.

The Warrant Indenture provides for the adjustment of the exercise price and, in certain events, the number of Common Shares issuable on exercise of the Class E Warrants, on the occurrence of certain events, including: (i) the subdivision, redivision, combination, reduction or consolidation of outstanding Common Shares; (ii) the issuance or distribution by Khan of Common Shares (or securities exchangeable for or convertible into Common Shares) to all or substantially all the holders of Common Shares by way of a stock dividend or other distribution; (iii) the issue of rights, options or warrants to all or substantially all of the holders of Common Shares entitling them within a period of 45 days to acquire Common Shares (or securities exchangeable for or convertible into Common Shares) at less than 95% of the fair market price; (iv) the issuance or distribution to all or substantially all the holders of Common Shares of securities other than Common Shares or rights, options or warrants (other than those described in (iii)), or of property or other assets (including evidences of indebtedness); (v) a reclassification of the Common Shares; (vi) an amalgamation, merger or arrangement of Khan with another entity; and (vii) a transfer of all or substantially all of Khan's assets.

The Warrant Indenture also provides for adjustment in the class and/or number of securities issuable upon the exercise of the Class E Warrants and/or exercise price per security in the event of the following additional events: (i) reclassification of the Common Shares; (ii) consolidations, amalgamations, plans or arrangement or mergers of Khan with or into another entity (other than consolidations, amalgamations, plans or arrangement or mergers which do not result in any reclassification of the Common Shares or a change of the Common Shares into other shares); or (iii) the transfer (other than to one of Khan's subsidiaries) of the undertaking or assets of Khan as an entirety or substantially as an entirety to another corporation or other entity.

Khan will give at least 21 days notice to the holders of Class E Warrants of certain stated events including events that would result in an adjustment to the exercise price for the Class E Warrants or the number of

Common Shares issuable upon exercise of the Class E Warrants. Khan is not required to make any adjustment to the exercise price unless the cumulative effect of the adjustment and other adjustments not previously made would change the exercise price then in effect by at least 1% of the number of Common Shares purchasable upon exercise by at least one one-hundredth of a Common Share.

The Class E Warrants provide that modifications and alterations to the Class E Warrants may be made if authorized by extraordinary resolution. The term "extraordinary resolution" is defined in the Warrant Indenture to mean, in effect, a resolution passed by the affirmative vote of the holders of not less than 66 $\frac{2}{3}$ % of the outstanding Class E Warrants represented and voting at a meeting of holders, representing at least 51% of the aggregate number of the then outstanding Class E Warrants or an instrument or instruments in writing signed by the holders of not less than 66 $\frac{2}{3}$ % of the then outstanding applicable Class E Warrants.

No fractional Common Shares will be issued on the exercise of any Class E Warrant. In lieu of fractional shares, the holder will receive a cash payment.

Holders of the Class E Warrants have no voting rights, pre-emptive rights or any other rights as a shareholder of Khan.

Subject to compliance with the provisions of the Warrant Indenture and the requirements of applicable securities legislation, the Class E Warrants are transferable.

Fully Diluted Share Capital

The following table sets forth particulars of the fully-diluted share capitalization of Khan as at December 12, 2006:

<u>Securities</u>	<u>Number of Common Shares</u>
Issued and Outstanding Common Shares	41,497,801
Shares Issuable Upon Exercise of Class E Warrants	2,397,174
Shares Issuable Upon Exercise of Agents' Options ⁽¹⁾	389,175
Shares Issuable Upon Exercise of Stock Options	4,436,925
Total	<u>48,721,075</u>

Note:

¹ Under the terms of the Agency Agreement in connection with Khan's initial public offering of Units, Khan granted to the agents a non-assignable option entitling them to acquire a specified number of Units. This number includes the Common Shares and Class E Warrants underlying the Units issuable upon exercise of this option. See "*Material Contracts—The Agency Agreement*".

DIVIDENDS

Khan has not paid any dividends on its outstanding Common Shares and does not anticipate paying any dividends in the foreseeable future. The Board, from time to time, and on the basis of any earnings and the Corporation's financial requirements or any other relevant factor may consider paying dividends in the future when its operational circumstances permit, including earnings, cash flow, financial and legal requirements and business considerations.

ESCROWED SECURITIES

In accordance with NP 46-201 and pursuant to an agreement dated as of July 14, 2006 (the "Escrow Agreement") among Mr. Ken Murton (the "Escrowed Shareholder"), Khan and Equity Transfer & Trust Company, as escrow agent (the "Escrow Agent"), the Escrowed Shareholder agreed to deposit his Common Shares, Options and Common Shares issuable upon the exercise of the Options into escrow with the Escrow Agent. The placement of these securities into escrow with the Escrow Agent in accordance with the terms of the Escrow Agreement was a condition precedent to the closing of Khan's public offering. The class of the escrowed securities, and the number of securities subject to escrow held by each Escrowed Shareholder (the "Escrowed Securities"), are as follows:

<u>Class of Securities Subject to Escrow</u>	<u>Number of Securities Subject to Escrow⁽¹⁾</u>	<u>Percentage of Class</u>
Common Shares.....	375,000 ⁽²⁾	0.9%

¹ Assuming exercise of all Options held by the Escrowed Shareholder.

² There were initially 500,000 escrowed Common Shares (assuming exercise of all Options held by the Escrowed Shareholder). 25% of the escrowed securities were released from escrow on August 2, 2006 in accordance with the terms of the Escrow Agreement.

Under the terms of NP 46-201 and the Escrow Agreement, one-third of the remaining escrowed securities will be released on February 2, 2007 one-half of the remaining Escrowed Securities will be released on August 2, 2007, and all of the remaining Escrowed Securities will be released on February 2, 2008.

Generally, the Escrowed Securities may not be transferred or otherwise dealt with while subject to escrow, subject to certain limited exceptions as set out in NP 46-201.

MARKET FOR SECURITIES

Trading Price and Volume

Khan's Common Shares are listed and posted for trading on the TSX under the trading symbol "KRI". The following table outlines the closing share price trading range for Common Shares and volume of Common Shares traded by month in the 2006 fiscal year.

Common Share Price per share Volumes Traded (in Canadian dollars)			
	High	Low	Volume
August 2006	1.55	1.11	2,670,358
September 2006	1.70	1.23	5,167,838
October 2006	2.40	1.25	3,846,166
November 2006	3.08	2.11	5,697,219
December 2006 (up to December 12, 2006)	3.26	2.85	2,162,055

Khan's Class E Warrants are listed for trading on the TSX under the trading symbol "KRI.WT". The following table outlines the closing price trading range for Class E Warrants and volume Class E Warrants traded by month in the 2006 fiscal year.

Class E Warrant Price per warrant Volumes Traded (in Canadian dollars)			
	High	Low	Volume
August 2006	0.32	0.25	2,150
September 2006	0.38	0.25	10,150
October 2006	0.85	0.28	7,388
November 2006	2.20	0.86	113,663
December 2006 (up to December 12, 2006)	1.59	1.27	14,846

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

The following table sets forth the names and municipalities of residence, offices or positions with Khan and principal occupations of the current directors and officers of Khan during the past five years. The term of each director of Khan expires as of the next annual general meeting of Khan, to be held on February 15, 2007.

Name and Address of Director or Officer	Position Presently Held	Principal Occupation	Director Since
Martin Quick Toronto, Ontario Canada	Director, President & Chief Executive Officer	Officer of Khan	2006
James B.C. Doak ⁽¹⁾⁽²⁾⁽⁴⁾ Toronto, Ontario Canada	Director, Chairman	President and Managing Director of Megantic Asset Management Inc., an investment management company	2005
Kenneth G. Murton Toronto, Ontario Canada	Director	President of Kentish Holdings Inc., management consultants	2004
Maurice M. Lynch Arlington, Virginia United States	Director	Partner, Lynch & Mahoney (attorneys)	2004
Peter J. Hooper ⁽¹⁾⁽²⁾⁽³⁾ Toronto, Ontario Canada	Director	Corporate Director	2005
Jean-Pierre Chauvin ⁽²⁾⁽³⁾⁽⁴⁾ Oakville, Ontario Canada	Director	President of Chauvin Engineering Ltd.	2005
Paul Caldwell Toronto, Ontario Canada	Controller and Corporate Secretary	Officer of Khan	-
Donald A. Arsenault Mississauga, Ontario Canada	Chief Operating Officer	Officer of Khan	-
David R. Lewis Toronto, Ontario Canada	Chief Financial Officer (resigning effective December 15, 2006)	Officer of Khan until December 15, 2006	-

Notes:

- ¹ Member of the Nominating and Corporate Governance Committee.
- ² Member of the Finance and Audit Committee.
- ³ Member of the Technical Advisory Committee.
- ⁴ Member of the Compensation Committee.

As of December 12, 2006, as a group, the directors and executive officers listed above owned, directly or indirectly, or exercised control or direction over, 792,700 Common Shares, representing 2.0% of the total issued and outstanding Common Shares. In addition, as of that date, Khan's directors and executive officers, as a group, held 3,230,500 options for the purchase of an aggregate of 3,230,500 Common Shares.

A description of each of the directors and officers of Khan is set out below.

Martin Quick, Director, President and Chief Executive Officer of Khan, has over 42 years of worldwide mining experience in both underground and open pit operations. Mr. Quick joined Khan on January 16, 2006. He has held senior mining production and engineering positions in Africa, Australia, Fiji, the United States and Canada and has acted in the capacity of mining consultant for gold operations in Central and South America. From August 2004 until December 2005, Mr. Quick was President and Chief Operating Officer of Power Resources Inc., a wholly-owned subsidiary of Cameco Corporation, a global producer of uranium for the nuclear power industry. Mr. Quick's responsibilities at Power Resources Inc. included the operation, development and expansion of the company's in-situ leach uranium mines at Smith Ranch/Highlands in Wyoming, Crow Butte in Nebraska and the Inkai project in Kazakhstan. Prior to this appointment, from March 2001 to July 2004, Mr. Quick was Vice President-Mining with Cameco Corporation, based in Saskatoon, where he was responsible for Cameco's Northern Saskatchewan operations including the world's largest uranium mine at McArthur River/Key Lake, as well as the restart of the Eagle Point Mine at Rabbit Lake and the planning and development of the Cigar Lake project. Prior to joining Cameco, Mr. Quick held positions as General Manager of Cogema's Cluff Lake uranium mine in Northern Saskatchewan and Rio Algom's now decommissioned Quirke and Stanleigh uranium mines in Ontario, Canada. He is a Professional Engineer (P.Eng.) in the province of Saskatchewan and a graduate of the Camborne School of Metalliferous Mining (ACSM), in the United Kingdom.

James B. C. Doak, Chairman and Director of Khan and Chairman of the Finance and Audit Committee has over 25 years experience as an economist and chartered financial analyst. Mr. Doak has served as the President and Managing Partner of Megantic Asset Management Inc., a Toronto-based investment company, since 2002. Mr. Doak is a Director of Cascades Inc. and Purepoint Uranium Group Inc. As well, he is a former Director of PetroKazakhstan Inc., Superior Propane Inc. and Spar Aerospace Inc. Mr. Doak has held senior positions at ScotiaMcLeod Inc., First Marathon Securities Ltd., McLeod Young Weir Ltd., was a founder of Enterprise Capital Management Inc., where he served as President and Managing Partner from 1997 to 2002, and is a past President and Director of the Toronto Society of Financial Analysts and a past Chair and Director of the Toronto French School. Mr. Doak has published a number of columns in two Canadian financial publications. He holds a Diplôme des études collégiales from McGill University and a B.A. in Economics from the University of Toronto.

Kenneth G. Murton, Director of Khan, was formerly an investment banker with The First Boston Corporation and A.E. Ames & Company Limited in charge of operations in Canada, Europe and the United States of America. Mr. Murton served as President and Chief Executive Officer of Khan from April 2004 to January 2006 and as Chairman of Khan from September 2005 to April 2006. Since December 2000, through his company Kentish Holdings Inc., Mr. Murton has been a consultant to companies requiring assistance in raising venture capital. During the period 1992 to 1999, Mr. Murton was Chairman, President and Chief Executive Officer and thereafter until December, 2000 was Vice-Chairman of VoiceIQ Inc. a public company which he co-founded and which was involved with major installations of digital recording technology effected in court rooms, legislative assemblies and hospitals in North America and Europe. Mr. Murton is experienced as a senior manager of mining and oil and gas companies including Canuc Resources Corporation, where he served as Chairman from June 1989 to August 2005 and negotiated the sale of its uranium properties to Denison Mines, Petrotech Inc., where he assisted in the sale of control of the company to a U.K. life assurance company, and Basic Resources International S.A., where he assisted in the sale of control of the company to a group of companies controlled by Sir James Goldsmith. Mr. Murton holds a B. Commerce degree from the University of Toronto.

Maurice M. Lynch, Director of Khan, is a corporate/securities transactional lawyer and co-founder and Chairman of Lynch & Mahoney LLC, a law firm organized in 1997 under the laws of Mongolia, with

offices in Ulaanbaatar and Washington, D.C. Mr. Lynch has over 35 years experience in advising and assisting mining companies in concluding agreements as well as other mining-related transactions and in listing the securities of such companies on The New York Stock Exchange and NASDAQ. Since the founding of Lynch & Mahoney in 1997, he has advised and assisted numerous international mining companies that hold interests in Mongolia in establishing their Mongolian operations and in their relations with relevant Mongolian ministries and agencies. From 2000 to 2003, Mr. Lynch served as Chairman of the American Mongolian Business Group (AMBG), a non-governmental organization based in Ulaanbaatar that provided a forum for foreign companies and NGOs operating in Mongolia, and worked closely with the U.S. Embassy and other organizations to monitor developments affecting such companies. Mr. Lynch was formerly a partner in the New York City law firm of Dunnington, Bartholow & Miller and of counsel to the Washington office of the Denver-based law firm of Davis, Graham & Stubbs. Mr. Lynch is a graduate of Harvard College and the Harvard University Law School and, prior to embarking on his legal career, he served for over three years as an officer on Destroyers in the U.S. Navy. He is admitted to practice law as a member of the Bars of New York State, the District of Columbia, and the Commonwealth of Virginia, and is authorized to practice law as a solicitor in Mongolia.

Peter J. Hooper, Director of Khan, Chairman of the Technical Advisory Committee, is a senior mining executive with broad-based experience in production, engineering, reorganization and training, contracting, exploration and corporate affairs. Peter Hooper has a long track record in the mining industry in South Africa, Canada, Australia and Ghana. From April 2004 to September 2005, Mr. Hooper served as the Chief Operating Officer for Afcan Mining Corporation. From 2002 until 2004, Mr. Hooper served as Managing Director of mineral resources at Kingsdale Capital Corporation. Mr. Hooper also served as President of Valencia Resources Inc. from 2000 to 2005. From 1999 to 2001, Mr. Hooper provided consulting engineering services through his company Hooper Mining Services Inc. His senior management experience includes uranium production in Canada with Eldorado Nuclear Uranium Mines Ltd., gold production in South Africa and Ghana, and copper and zinc production in Canada. Mr. Hooper has been a senior mining executive with Consolidated Rio Australia Ltd., J.S. Redpath Mining Engineering Ltd. and Dynatec Engineering Ltd. His consulting engineering projects have been conducted in Canada, the United States, Cuba, Columbia, Venezuela, Mexico, Chile, South Africa, Zimbabwe, Ghana, Zambia, Australia, Kyrgyzstan, Kazakhstan, Uzbekistan, Russia, Saudi Arabia and France. Mr. Hooper holds a B.Sc. in Mining Engineering from University of the Witwatersrand, South Africa. He is a director and/or officer of several public mining companies.

Jean-Pierre Chauvin, P. Eng., Director of Khan, Chairman of the Compensation Committee, has over 30 years of experience in the mining and construction industries. Since July 2006, Mr. Chauvin has served as Chief Operating Officer of Globestar Mining Corp. and was promoted to President in October 2006. Prior to March 2006, he was President, Chief Executive Officer and a Director of Patricia Mining Corporation, having assumed these positions in 2004. Since 2001, Mr. Chauvin has also acted as President and Senior Consultant of Chauvin Engineering Ltd., based in Oakville, Ontario. This company consults in the mining industry focusing on operational reviews and feasibility studies. Prior to 2001, he has served as a Director of Battle Mountain Canada Ltd., Crown Butte Resources Ltd., Mining Association of Canada and Ontario Mining Association. Mr. Chauvin has also served as General Manager of Canadian Operations for Battle Mountain Gold Co. Mr. Chauvin is an engineer holding a B.Sc. in Mining Engineering from Queen's University.

Donald A. Arsenault, P.Eng., MBA, Chief Operating Officer of Khan, (age 57), has over 30 years of experience in the mining industry. Mr. Arsenault has served as Chief Operating Officer of Khan since October 2004. Mr. Arsenault has held project management responsibility on a wide variety of mining engineering projects including due diligence, Pre-Feasibility and Feasibility Studies. He has participated in and overseen operations such as a Denison/Rio Algom uranium project for Ontario Hydro. As an engineering superintendent for Esso Minerals from 1978 to 1981, he was directly involved in the design,

construction and reopening of an old mine (Granduc) as well as the design, construction and start-up of a new mine (Gays River). Prior to being appointed Chief Operating Officer of Khan in October 2004, Mr. Arsenault was a secondary school teacher in Hamilton, Ontario from August 2000 to April 2003 and owner of the Oxford Learning Centre from June 1999 until November 2005. Mr. Arsenault is an engineer holding a B.Sc. in Mining Engineering from Queen's University and an MBA and B.Ed. from the University of Toronto. He has principal direction over the day-to-day operations in Mongolia.

Paul D. Caldwell, B.A.(majors in Commerce and Economics), Controller and Corporate Secretary of the Company, has over 28 years of financial experience. Mr. Caldwell, who joined the Company in August 2006, has held senior financial positions with Canadian gold mining companies operating in Argentina, Canada, Costa Rica, Nicaragua and the United States. He has been involved with a number of capital market transactions including private placement, prospectus and debt financings and several mergers and acquisitions. From October 2003 until August 2006, he was Controller of Glencairn Gold Corporation which operates gold mines in Central America including the Bellavista Gold Mine in Costa Rica and the Limon Mine in Nicaragua. Mr. Caldwell was Controller, Corporate Secretary and Chief Financial Officer of Black Hawk Mining Inc., which operated gold mines in Canada and Nicaragua, from January 2000 until October 2003 when Black Hawk merged with Glencairn Gold Corporation. Prior to this position, he was Controller of Black Hawk Mining Inc. from July 1996 to December 1999. Mr. Caldwell was Controller and Chief Financial Officer of Granduc Mining Inc. from June 1994 until June 1996 when Granduc merged with Black Hawk Mining Inc. From June 1994 until February 1996, he was Secretary, Treasurer and Chief Financial Officer of Consolidated Professor Mines Limited.

David R. Lewis, Chief Financial Officer of Khan, has over 35 years of corporate finance-related business experience. Mr. Lewis has served as Chief Financial Officer since June 2005 and was a director of Khan from June 2005 until January 2006. In June 2006, Mr. Lewis was appointed the Chief Financial Officer of Starfield Resources Inc., a junior resource company. From August 2004 to April 2006, he served as part-time Chief Financial Officer of Fiber Optic Systems Technology Inc., a technology company in the Oil & Gas sector. Since September 2004, he has served as Chairman of the Audit Committee of Revett Minerals Inc., a copper mine and silver project in northwest Montana. In May 2004, Mr. Lewis assumed the role of part-time Chief Financial Officer of Aurelian Resources Inc., a junior mining exploration company with gold properties in Ecuador. From October 2003 to April 2004, Mr. Lewis was a consultant to Genevest Inc., a Toronto-based holding company; concurrently, from December 2003 to April 2004, he was Vice President Corporate Finance for a related company, PowerOne Capital Markets Limited, a Toronto-based limited market dealer. Mr. Lewis served as a Vice President of Kingsdale Capital Markets Limited, a Canadian integrated financial services institution, from September 2002 to October 2003. Mr. Lewis held the position of Chief Financial Officer, Secretary and Treasurer of SoftQuad Software, Ltd., a software developer in Toronto from November 2000 to March 2002. From July 1999 to October 2000, he was Chief Financial Officer, Secretary and Treasurer of the Vancouver-based software company SUMmedia.com Inc. Since 1992, he has been Chief Financial Officer, Corporate Secretary and Treasurer to a number of companies accumulating strong global experience in the funding, management, compliance and governance of mining and high-tech entities. Mr. Lewis obtained his Chartered Accountant designation in 1974 while with Coopers & Lybrand in Toronto and received a Bachelor of Engineering (Metallurgy) in 1969 from Dalhousie University in Halifax, Nova Scotia. Mr. Lewis had principal direction over matters relating to general and financial administration, regulatory compliance and corporate governance, risk management, accounting, financial and legal affairs. Mr. Lewis resigned his position with Khan, effective December 15, 2006.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Except as disclosed below, no director, officer, promoter or other member of management of Khan is, or within the ten years prior to the date hereof has been, a director, officer, promoter or other member of

management of any other issuer that, while that person was acting in the capacity of a director, officer, promoter or other member of management of that issuer, was the subject of a cease trade order or similar order or an order that denied the issuer access to any statutory exemptions for a period of more than 30 consecutive days or was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his or her assets.

Kenneth G. Murton was a director and Chairman of Canuc Resources Corporation in June 2000 when the company, its directors, officers and certain shareholders and insiders were subject to a cease trade order over shares of the company for failure to file audited financial statements for its 1999 financial year. This cease trade order remains in effect as of the date hereof.

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. Accordingly, conflicts of interest may arise which could influence these persons in evaluating possible acquisitions or in generally acting on behalf of Khan.

LEGAL PROCEEDINGS

Original Mays Action

In October 2004, Wallace Mays, a former promoter, director and officer of Khan and a principal shareholder of Khan, purported to transfer (the "Unlawful Assignments") all of the Corporation's assets including the Main Dornod Property and the Corporation's gold assets (the "Misappropriated Assets"), to WM Mining, a company controlled by him, in settlement of an outstanding account from AATA International Inc. ("AATA"). In executing the Unlawful Assignments, Mr. Mays purported to be acting as an officer of each of Khan's subsidiaries and as the senior officer of WM Mining. All of this was done without the knowledge or consent of the Corporation or the shareholders of the transferor companies and in direct violation of the Board's resolution of October 3, 2004 removing Mr. Mays from all directorships and offices with the Corporation's group of companies.

Khan, through its subsidiaries, continues to be the registered owner of the assets covered by the Unlawful Assignments. Except for execution of the Unlawful Assignments, Mr. Mays has not taken any action to have the assets transferred into the name of WM Mining or otherwise to have the Unlawful Assignments effected.

Khan has received legal opinions of Lynch & Mahoney, its Mongolian counsel, and Samuels Richardson & Co., its British Virgin Islands counsel, that the Unlawful Assignments have no legal effect under the laws of Mongolia and the laws of the British Virgin Islands, respectively. Khan has also received an opinion of McLean & Kerr, LLP, its Canadian counsel, that the action by Mr. Mays in attempting to assign the Corporation's assets to WM Mining was in breach of the fiduciary obligations that he owed as a former director and officer of Khan and/or its subsidiaries.

As a result of Mr. Mays' actions, Khan issued an application (the "Application") in the Ontario Superior Court of Justice seeking a declaration that the Unlawful Assignments are void and without any legal effect and injunctions restraining Mr. Mays and his companies from dealing with or interfering with assets covered by the Unlawful Assignments. The Ontario Superior Court of Justice declined to assume jurisdiction and stayed the Application. Khan appealed the decision to the Ontario Court of Appeal. On March 7, 2006, the Ontario Court of Appeal rendered its decision disallowing Khan's appeal, without dealing with the merits of Khan's claim, because the relief sought by Khan in the Application related directly to enforcing rights with respect to foreign land and was declaratory and injunctive in nature. The Court of Appeal was concerned that the relief claimed would likely not be enforceable in the jurisdiction where it would need to be effective.

The Court of Appeal stated in its decision that, had Khan sought the remedy of damages based on an allegation that Mr. Mays and WM Mining had breached a contractual or equitable obligation associated with the impugned assignments, even though the underlying asset is rights in foreign lands, an Ontario court could exercise jurisdiction by enforcing a personal obligation rather than purporting to determine the rights to mining interests in a foreign jurisdiction.

Shareholder Oppression Action

On May 11, 2006, a shareholder of Khan (the "Applicant"), issued an application (the "Oppression Application") in the Ontario Superior Court of Justice under Section 248 of the OBCA naming WM Mining, Mr. Mays and Khan and its subsidiaries, as respondents. The Applicant sought (i) a declaration that the purported transfer of the assets of the Corporation to WM Mining as described above is oppressive, unfairly prejudicial to and unfairly disregards the Applicant's interests as a shareholder of the Corporation; and (ii) an order setting aside the Unlawful Assignments.

On June 20, 2006, the Applicant issued an amended notice of application (the "Amended Notice of Application") in which the Applicant amended his Application to include the following additional relief: (i) a declaration that the respondent Mays unlawfully purported to convert, misappropriate or otherwise interfere with the principal assets of Khan and its affiliates; (ii) an order compelling Mr. Mays and WM Mining to transfer the Misappropriated Assets back to Khan or its affiliates; (iii) an interim, interlocutory and permanent injunction restraining WM Mining and Mr. Mays from holding WM Mining out as being the owner of any legal or beneficial interest in the Misappropriated Assets; and (iv) in the alternative, an order compensating the Applicant.

Mr. Mays and WM Mining brought a motion to stay or dismiss the Oppression Application on the basis that the Ontario court did not have jurisdiction and/or that the proceeding was an abuse of process. The motion was heard on July 14, 2006 and was dismissed with costs awarded to the Applicant and the Corporation.

On October 12, 2006, the parties to the Oppression Application consented to an Order of the Ontario Superior Court of Justice. Among other things, the Consent Order: (i) declared that the Unlawful Assignments were unfairly prejudicial to and unfairly disregarded the Applicant's interests as a shareholder of Khan; (ii) set aside the Unlawful Assignments; and (iii) ordered that Mr. Mays and WM Mining not take any steps to deal or attempt to deal with the assets that are the subject of the Unlawful Assignments. The Consent Order does not affect the claims asserted in the Second Mays action (described below), nor does it affect the rights of the parties to the second Mays action to proceed with or respond to those claims.

Second Mays Action

On September 15, 2006, Mr. Mays, WM Mining and Nueces issued a Statement of Claim in the Ontario Superior Court of Justice (the "Mays Claim") under Section 248 of the OBCA against Khan, Khan Bermuda, certain current and former directors and shareholders of Khan and others. In the Mays Claim, Mr. Mays asserts that he is the victim of a deceit and conspiracy to deprive him of his interests in certain mining properties in Mongolia. Mr. Mays also asserts that he has been oppressed as a shareholder of Khan as a result of Khan allegedly: (i) depriving him of the opportunity to play an active role in the management of the business; (ii) failing to satisfy financial obligations that he had incurred through WM Mining; (iii) failing to pursue the development of its gold properties; and (iv) failing to secure a loan or loan guarantee from Overseas Private Investment Corporation for the development of the Big Bend Gold Property.

The relief sought as against Khan and Khan Bermuda in the Mays Claim includes: (i) a declaration that the business and affairs of Khan and Khan Bermuda have been carried on in a manner oppressive of, unfairly prejudicial to, or that unfairly disregards the interests of the plaintiffs; (ii) an order setting aside a Share Exchange Agreement; (iii) an order setting aside the issuance of common shares of Khan pursuant to the exercise of certain share purchase warrants granted or extended by the Board on October 3, 2004; (iv) an order requiring Khan to indemnify Mr. Mays and WM Mining for all expenses, costs and liabilities incurred by them in connection with the business, operations and affairs of Khan; (v) an order requiring the Corporation to take immediate steps to develop the Big Bend and Ogmooor gold properties in Mongolia; (vi) compensation for oppressive conduct in the amount of Cdn.\$150 million; and (vii) damages for knowing assistance in breach of trust and breach of fiduciary duty in the amount of Cdn.\$150 million.

On November 13, 2006, Khan and Khan Resources Bermuda Ltd. filed a Statement of Defence denying the allegations set out in the Mays Claim and denying that the Plaintiffs are entitled to the relief claimed therein.

Khan Action for Damages

On October 3, 2006, Khan and its subsidiaries issued a Statement of Claim against Mr. Mays, WM Mining and Nueces in the Ontario Superior Court of Justice. As against Mr. Mays, the plaintiffs seek equitable compensation resulting from his alleged breach of fiduciary duties in the amount of Cdn.\$10 million. As against all of the defendants, the plaintiffs seek, among other things: (i) general damages resulting from the alleged torts of injurious falsehood and unlawful interference with economic interests in the amount of Cdn.\$10 million; (ii) damages and/or reimbursement in the amount of the \$550,000 relating to a debt owed by the defendants to AATA; (iii) aggravated, exemplary and punitive damages in the amount of Cdn.\$5 million; (iv) an interim, interlocutory and permanent injunction restraining the defendants and their servants or agents from dealing or purporting to deal with or interfering with, among other things, any mineral property or interest owned by any of the plaintiffs.

MATERIAL CONTRACTS

Except for contracts entered into by Khan in the ordinary course of business or otherwise disclosed herein, the only material contracts entered into by Khan within the most recently completed financial year, or entered into prior to the most recently completed financial year but still in effect, are the following:

The Western Prospector Agreement

See "*General Development of the Business – History*".

The Escrow Agreement

See "*Escrowed Securities*".

The Agency Agreement

In connection with its initial public offering, Khan entered into an agency agreement dated July 14, 2006 with Haywood Securities Inc. and Paradigm Capital Inc., as agents (the "Agency Agreement"). Pursuant to the Agency Agreement, the agents agreed to offer for sale to the public, on a best efforts basis, and Khan agreed to issue and sell, 2,667,000 Units (consisting consist of one Common Share and one half of one Class E Warrant) at a price of Cdn.\$1.50 per Unit for aggregate proceeds of Cdn.\$4,000,500. The Company also provided the Agents with a list of directors, officers and shareholders of Khan, and certain other investors who were entitled to purchase up to a maximum of 680,000 Units (the "President's List Units"). In accordance with the terms of the Agency Agreement, Khan paid the Agents a fee of 6.5% of the gross proceeds of the Units sold under the Offering (other than in connection with President's List Units in which case the Agents' fee was 5.5%) for their services in connection with the distribution of the Units. In addition, the Agency Agreement provided for the granting to the agents of a non-assignable option entitling them to acquire that number of Units equal to 8% (6.5% in connection with President's List Units) of the Units sold under the Offering at an exercise price of Cdn.\$1.50 per Unit at any time on or before during the period of 24 months following the Closing Date ("Agents' Options"). The Agency Agreement also provided for the payment by Khan to Haywood Securities Inc. of a corporate finance fee of Cdn.\$75,000.

The Warrant Indenture

See "*Description of Capital Structure – Class E Warrants*".

The Amended and Restated Shareholder Rights Plan Agreement

On November 14, 2006, Khan implemented an amended and restated Shareholder Rights Plan for which shareholder approval will be sought at Khan's Annual and Special Meeting of Shareholders. The terms of the Plan are contained in the Shareholder Rights Plan Agreement dated November 14, 2006 between Khan and Equity Transfer & Trust Company, as rights agent. The Shareholder Rights Plan is intended to provide the Board 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. If approved, the Shareholder Rights Plan will be in effect for a period of three years, unless reconfirmed by shareholders. A shareholder or any other interested party may obtain a copy of the Shareholder Rights Plan through the internet at www.sedar.com.

The Pooling Agreement

Pursuant to a Pooling Agreement dated as of July 7, 2006 between Equity Transfer & Trust Company, as pooling agent, and certain shareholders (the "Pooling Shareholders"), including directors and officers, of Khan holding a total of 8,347,850 Common Shares, including Common Shares issuable upon the exercise of certain stock options (the "Pooled Shares"), the Pooling Shareholders have agreed, for a period of up to six months after the Closing Date of Khan's initial public offering, not to, directly or indirectly, offer, sell, contract to sell, grant any option to purchase, make any short sale, or otherwise dispose of, or transfer, or

announce any intention to do so, any of the Pooled Shares owned directly or indirectly, or under their control or direction, or enter into any transaction or arrangement that has such effect other than as provided in the Pooling Agreement. The Pooling Agreement provides for the release of the Pooled Shares from the restrictions contained in the Pooling Agreement as follows:

- (i) 10% of the Pooled Shares on the Closing Date;
- (ii) 30% of the Pooled Shares, two months after the Closing Date;
- (iii) 30% of the Pooled Shares, four months after the Closing Date; and
- (iv) 30% of the Pooled Shares, six months after the Closing Date.

Notwithstanding the release schedule noted above, if the closing market price of the Common Shares is 150% or more of the price per Unit of the Offering for ten consecutive trading days during the term of the Pooling Agreement, all of the Pooled Shares will be released from the restrictions contained in the Pooling Agreement. On November 15, 2006, the foregoing requirement was met and, as such, all Pooled Shares were released from any and all transfer restrictions.

The Subscription Agreement

Khan, as issuer, entered into a subscription agreement dated July 14, 2006 with Mega Uranium Ltd., as investor, pursuant to which Khan privately placed 1,667,000 Units consisting of one Common Share and one-half of one Class E Warrant, at a price of Cdn.\$1.50 per unit for total proceeds to Khan of Cdn.\$2,500,500.

REGISTRAR AND TRANSFER AGENT

Khan's registrar and transfer agent is Equity Transfer & Trust Company, Suite 400, 200 University Avenue, Toronto, Ontario, M5H 4H1.

AUDIT COMMITTEE AND AUDITORS

Audit Committee Charter

The text of the charter of the audit committee (the "Audit Committee") of the Board is attached hereto as Exhibit C.

Composition of the Audit Committee

The Audit Committee is composed of James B.C. Doak, Peter J. Hooper and Jean-Pierre Chauvin, all of whom are independent. A member of the Audit Committee is considered independent if the member has no direct or indirect material relationship with the Corporation which could, in the view of the Board, reasonably interfere with the exercise of the member's independent judgment. In addition, each member of the Audit Committee is financially literate. The following table describes the education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member.

<p align="center">Name of Audit Committee Member</p>	<p align="center">Relevant Experience and Qualifications</p>
<p>James B.C. Doak</p>	<p>Over 25 Years Experience As An Economist And Chartered Financial Analyst</p> <p>Is a director of Cascades Inc. and Purepoint Uranium Group Inc. and a former Director of PetroKazakhstan Inc., Superior Propane Inc. and Spar Aerospace Inc.</p> <p>Has held senior positions at ScotiaMcLeod Inc., First Marathon Securities Ltd., McLeod Young Weir Ltd.</p> <p>Past President and Director of the Toronto Society of Financial Analysts</p> <p>BA in Economics from the University of Toronto</p>
<p>Peter J. Hooper</p>	<p>Served as the Chief Operating Officer for Afcan Mining Corporation.</p> <p>Served as managing director of mineral resources at Kingsdale Capital Corporation and as president of Valencia Resources Inc.</p> <p>Was a senior mining executive with Consolidated Rio Australia Ltd., J.S. Redpath Mining Engineering Ltd. and Dynatec Engineering Ltd.</p>
<p>Jean-Pierre Chauvin</p>	<p>Was President, Chief Executive Officer and a Director of Patricia Mining Corporation</p> <p>Served as Chief Operating Officer (and currently serves as President) of Globestar Mining Corp.</p> <p>Served as a Director of Battle Mountain Canada Ltd., Crown Butte Resources Ltd., Mining Association of Canada and Ontario Mining Association.</p> <p>Served as General Manager of Canadian Operations for Battle Mountain Gold Co.</p>

Pre-Approval Policies and Procedures

The charter of the Audit Committee provides that the Audit Committee must pre-approve any non-audit services to be provided to Khan or its subsidiaries by the external auditor.

Auditor Service Fees

The current auditors of Khan are Ernst & Young LLP ("Ernst & Young"), 222 Bay Street, Toronto-Dominion Centre, Toronto, Ontario M5K 1J5. The following Ernst & Young fees were incurred by Khan for the year ended September 30, 2006 and 2005 for professional services rendered to Khan:

Fees (amount in millions)	2006	2005
Audit Fees ¹	Cdn.\$185,000	Cdn.\$40,000
Audit-Related Fees ²	Cdn.\$206,000	-
Tax Fees ³	-	-
All Other Fees	-	-
Total	Cdn.\$391,000	Cdn.\$40,000

Notes:

- ¹ Audit Fees comprise professional services for the audit of Khan's annual financial statements, review of Khan's interim financial statements, and services normally provided in connection with Khan's statutory and regulatory filings.
- ² Audit-Related Fees comprise amounts paid for consultations on accounting developments and the accounting for potential corporate transactions.
- ³ Tax Fees comprise amounts paid for tax compliance, planning and advisory services.
- ⁴ The aggregate fees billed for products and services other than as set out under the headings "Audit Fees", "Audit Related Fees" and "Tax Fees".

INTERESTS OF EXPERTS

Scientific or technical information in this Annual Information Form relating to the Dornod Uranium Property and the Big Bend Gold Property is based upon Technical Reports prepared by Scott Wilson RPA and RPA, respectively. These Technical Reports provide independent technical reviews of the Mineral Resources and the preliminary mining plan and recommend further work to advance exploration and development of the properties noted in each such report. The Technical Report relating to the Dornod Uranium Property was prepared by Hrayr Agnerian, M.Sc. (Applied), P. Geo. (a Consulting Geologist) and Leslie H. Heymann, P. Eng. The Technical Report relating to the Big Bend Gold Property was prepared by Boris S. Karpoff, B.Sc., P.Eng. (an Associate Mining Engineer) and William Roscoe, Ph.D., P.Eng (a Consulting Geologist). Each of Messrs. Agnerian, Heymann, Karpoff and Roscoe is a Qualified Person. To the best of Khan's knowledge, all of the authors of the Technical Reports are independent of the Corporation within the meaning of NI 43-101 and none of them hold any registered or beneficial interest, directly or indirectly, in any securities or other property of Khan or its associates or affiliates.

Ernst & Young have prepared an auditor's report on the annual financial statements of Khan for the year ended September 30, 2006. Ernst & Young has advised that they are independent with respect to Khan within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

ADDITIONAL INFORMATION

Additional information relating to Khan may be found on SEDAR at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Khan's securities and securities authorized for issuance under equity compensation plans, where applicable, is contained in Khan's prospectus dated July 14, 2006 and will be updated in Khan's information circular relating to the forthcoming annual and special meeting of shareholders to be held on February 15, 2007. Additional financial information is provided in Khan's financial statements and MD&A for its most recently completed financial year, all of which are filed on SEDAR.

EXHIBIT A

SUMMARY OF TECHNICAL REPORT ON THE PRELIMINARY ASSESSMENT OF THE DORNOD URANIUM PROJECT, MONGOLIA

EXECUTIVE SUMMARY

Scott Wilson Roscoe Postle Associates Inc. (Scott Wilson RPA) and Aker Kvaerner Canada Inc. (Aker Kvaerner, together The Consultants) have been retained by Khan Resources Inc. (Khan) to prepare a Preliminary Assessment of the Dornod Uranium Property (the Dornod Property or Project) located in the northeastern corner of Mongolia. The Technical Report is required to be conformable to NI 43-101—*Standards of Disclosure for Mineral Projects*. Scott Wilson RPA visited the property on October 5, 2004, from September 11 to 14, 2005, and again from December 19 to 20, 2005.

Khan is a Canadian reporting issuer with a corporate office in Toronto. The Project is a joint venture and the equity ownership is; Mongol Erdene (ME, a division of the Ministry of Energy, Geology and Mining of Mongolia, the registered owner with 21% interest); Priargunsky Industrial Mining and Chemical Enterprise (21%); and Khan (58%, operator).

The Dornod Property comprises two mineral deposits and some infrastructure. In particular these include:

- An open pit mine at the No. 2 deposit. From 1988 to 1995, Priargunsky Industrial Mining and Chemical Enterprise (Priargunsky) extracted some 590,000 tonnes of material at an average grade of 0.118% U₃O₈. Currently, the open pit is full of water.
- An underground uranium deposit (No. 7) which remains partially developed by two shafts and about 20,000 m of development drifts. Some of this development is also related to the nearby No. 4 and No. 5 deposits. Currently, the underground workings are flooded.
- Mine infrastructure including some buildings which have been gutted.

The following table summarizes Scott Wilson RPA's estimate of the mineral resources of the No. 7 and No. 2 deposits at the Dornod Property.

**TABLE 1-1 SCOTT WILSON RPA MINERAL RESOURCE ESTIMATE
OF THE NO. 7 DEPOSIT
Khan Resources Inc. - Dornod Uranium Property, Mongolia**

Cut-off Grade (% U₃O₈)	Category	Tonnes (million)	% U₃O₈	lbs U₃O₈
0.030	Indicated	16.99	0.131	49,000,000
0.047	Indicated	12.96	0.159	45,500,000
0.059	Indicated	10.59	0.184	42,935,000
0.088	Indicated	7.49	0.230	37,960,000
0.118	Indicated	5.53	0.275	33,510,000
0.177	Indicated	3.76	0.337	27,980,000
0.236	Indicated	2.89	0.378	24,000,000

Notes:

- ¹ The numbers for tonnage, % U₃O₈ and contained lbs U₃O₈ are rounded figures.
² The grade values (% U₃O₈) are converted from %U values.

**TABLE 1-2 SCOTT WILSON RPA MINERAL RESOURCE ESTIMATE
OF THE NO. 2 DEPOSIT
Khan Resources Inc. - Dornod Uranium Property, Mongolia**

Cut-off Grade (% U₃O₈)	Category	Tonnes (million)	% U₃O₈	lbs U₃O₈
0.030	Indicated	3.79	0.120	10,000,000
0.047	Indicated	3.52	0.127	9,900,000
0.059	Indicated	3.26	0.133	9,500,000
0.088	Indicated	2.44	0.152	8,200,000
0.118	Indicated	1.48	0.185	6,000,000
0.177	Indicated	0.58	0.252	3,200,000
0.236	Indicated	0.30	0.301	2,000,000

Notes:

- ¹ The numbers for tonnage, % U₃O₈ and contained lbs U₃O₈ are rounded figures.
² The grade values (% U₃O₈) are converted from %U values.

Scott Wilson RPA has calculated a cut-off grade of 0.047% U₃O₈ (0.04% U) based on estimates of cash operating costs by Aker Kvaerner and metallurgical test work done in the past, and recommends that a cut-off grade of 0.047% U₃O₈ (or 0.04% U) be used for reporting purposes. The Consultants recommend further test work and a Prefeasibility Study on the Project.

In March 2005, Khan's wholly owned Mongolian subsidiary, Khan Resources Ltd. (Khan Mongolia), acquired the Mineral Licence 9282X (Additional Dornod Property), which is adjacent to the

existing Dornod Property. The Additional Dornod Property contains approximately one-third of the No. 7 deposit and contains part of the No. 5 deposit with reported Mineral Resources.

CONCLUSIONS

The Dornod No. 7 and No. 2 uranium deposits are hosted by Paleozoic sandstones, siltstones, and conglomerates on the Dornod Property. Based on our review of past exploration and production data, the Consultants conclude that:

- At the 0.047% U_3O_8 cut-off grade and 5 m minimum vertical thickness of mineralization, the No. 7 deposit contains some 13 million tonnes of Indicated Mineral Resources at an average grade of 0.159% U_3O_8 . These resources are estimated by cutting high assay values to 0.637% U_3O_8 .
- At the 0.047% cut-off grade and 2 m minimum vertical thickness of mineralization, the No. 2 deposit contains some 3.5 million tonnes of Indicated Mineral Resources at an average grade of 0.127% U_3O_8 . These resources are estimated by cutting high assay values to 0.637% U_3O_8 .
- At the 0.047% U_3O_8 cut-off grade the combined Indicated Mineral Resources of the No. 7 and No. 2 deposits are approximately 16.5 million tonnes at an average grade of 0.152% U_3O_8 , containing approximately 55.3 million lbs U_3O_8 .
- These resources are classified as Indicated Mineral Resources because of the drill hole spacing and the results of the recent confirmation drilling program.
- Several additional uranium deposits and showings have been discovered in the general Dornod area. In particular, the No. 5 deposit is situated within the Additional Dornod Property (Mineral Licence 9282X). Two other deposits, No. 8 and No. 9, are situated outside the present property.
- Past exploration work has been carried out in a systematic manner and well documented. These data are acceptable to estimate Mineral Resources and, upon completion of a Prefeasibility Study, Mineral Reserves may be estimated.
- More work is required to confirm the processing method and the recovery that might be expected.
- Several of the design parameters such as work index, bulk density, and settling rates need to be confirmed.
- Capital and operating costs should be refined to $\pm 25\%$ accuracy in future studies.
- The Project is considered to be sufficiently robust to proceed to the prefeasibility study level.
- The Preliminary Assessment indicate the projected production and financial data, as follows:
 - Annual production: 900,000 tonnes.
 - Mine life: 17.4 years.
 - Capital costs: \$150.4 million.
 - Internal rate of return (IRR): 24.2%.
 - Payback period: 4.5 years.

- Total operating cost: \$44.68/tonne.
- There are no current data available regarding the environmental status on the Project.

RECOMMENDATIONS

The Mineral Resources outlined to date are based on the current interpretation and geological continuity of the mineralized zones. Since recent confirmation drilling results confirmed, in general, the previous Russian drill results, the Consultants recommend a Prefeasibility Study to allow conversion of the Mineral Resources to Mineral Reserves.

In order to move the Project to the feasibility stage, Scott Wilson RPA recommends a two-phase program. The Phase One program, estimated to be in the order of \$1.6 million, includes:

- Compilation of old Russian drill hole data including comparison of radiometric data with similar data from the recent confirmation drilling program.
- Completion of an environmental audit of the existing site, with an estimated budget of approximately US\$50,000.
- Carrying out metallurgical testwork to confirm the flowsheet parameters to process the ore at the two deposits. The budget for this is estimated to be in the order of US\$100,000.
- A program to evaluate the exploration potential of the area between the No. 2 and No. 7 deposits. This would include diamond drilling and resource modelling with a budget of approximately US\$300,000.
- A program of confirmation drilling in the Additional Dornod Property and estimate of the Mineral Resources of the No. 5 deposit. The budget for this work would be in the order of US\$700,000.
- A Prefeasibility Study: The Consultants estimate a budget of approximately US\$500,000 for this study.

Scott Wilson RPA also recommends a Phase Two program, contingent on results of the Phase One program, consisting of:

- Data verification including a study and comparison of the lithologic logs with the down-hole radiometric logs in light of results from the recent confirmation drilling program. Scott Wilson RPA also recommends standardized radiometric logging of all accessible drill holes.
- Dewatering of the mine shafts and underground workings at the No. 7 deposit to inspect their condition and allow access for further sampling as well as bulk sampling. Khan has estimated a cost of US\$1 million for this work.
- Review of the technical data on work carried out on the Additional Dornod Property, and an estimate of the Mineral Resources of the No. 5 deposit, at an estimated cost of US\$75,000.

The total budget for the Phase Two recommended work by the Consultants is approximately US\$1,575,000, and the total budget for Phase One and Two programs is estimated to be in the order of US\$2,725,000.

TECHNICAL SUMMARY

PROPERTY STATUS

The Dornod Property consists of two mineral licences (Mining Licence 237A and Exploration Licence 9282X) covering an area of approximately 504 ha. They have been granted by the Office of Geological and Mining Cadastre (OGMC), of the Minerals Resources Authority of Mongolia, to Central Asian Uranium Corporation (CAUC), a limited liability company organized under the laws of Mongolia. Khan, through a subsidiary corporation, holds 58% of the issued and outstanding common shares of CAUC.

The two licences (237A and 9282X) of the Dornod Property cover the No. 2 and No. 7 deposits and part of the No. 5 deposit in the area. In addition, they cover the old waste dump of the No. 2 deposit.

ACCESS AND INFRASTRUCTURE

Access to the Dornod Property is by paved road, about 100 km east from Ulaan Baatar to the coal mining Town of Baganoor, then 550 km east by partly paved and partly dirt road from Baganoor to Choibalsan in northeastern Mongolia, and then some 125 km north by dirt road from Choibalsan to Mardai. Irregular air service between Choibalsan and Ulaan Baatar is available and may operate three days per week.

Infrastructure support, in terms of power, is not available at the site, but is available at Choibalsan, which is linked to the Mongolian Power grid. Telephone service is not available at the site. Water is available from wells near the property. Infrastructure is fair to poor for mining activities, since there are very few mining operations in the general area. Infrastructure for mining equipment and personnel is available at Choibalsan and Ulaan Baatar and in northern Mongolia, where a few open pit gold deposits are being developed. A high voltage power line follows the road connecting Ulaan Baatar and Choibalsan.

HISTORY

Historic mining and prospecting activities in the Mardai district of northeastern Mongolia, which hosts the Dornod deposit, date back to the 1940s. Early prospecting work led to the discovery of the

Dornod uranium deposit and production started from an open pit in 1988. The area is host to numerous undeveloped uranium occurrences. From 1988 to 1995, some 590,000 tonnes of material at an average grade of 0.118% U_3O_8 were mined from the Dornod open pit mine. The advent of Perestroika in 1985 and the dissolution of the Soviet Union in 1991 led to cessation of mining activity. In 1995, Priargunsky - on behalf of World Wide Minerals Ltd. (World Wide), a predecessor company to Khan) - commenced stripping and mining operations at the No. 2 deposit open pit. Due to low uranium prices, however, the mine was shut down in 1995. Since then, the Project has been maintained on a care and maintenance basis.

GEOLOGICAL SETTING

Mongolia is within the Central Asian branch of the Ural-Mongolian Mobile Belt. The Main Mongolian Lineament, an arcuate series of deep-seated faults that extend generally east-west through the mid-section of the country, divides Mongolia into Northern and Southern Megablocks. The Dornod uranium district is within the North Choibalsan mineral region in extreme northeast Mongolia, in the Northern Megablock at the eastern end of the Central Mongolian Fold System.

Although uranium mineralization is common throughout the Dornod Complex, economic concentrations of uranium mineralization occur in a narrow stratigraphic interval in the lower part of the Complex. Ore mineralization is most extensive in horizons of porous sedimentary and volcanic rocks usually enriched with organic or sulphide minerals. Deposits are controlled by major zones of steeply dipping fractures of the northerly and northeasterly faults and their junctures with northwesterly faults.

The area of the Dornod Property is underlain by Jurassic volcanic and sedimentary rocks. The volcanic rocks comprise amygdaloidal basalt, andesite, ignimbrite, rhyolite, and tuff. The sedimentary rocks are dominantly sandstone and conglomerate containing interbed carbonaceous partings.

Uranium mineralization in the Dornod district is found at depths of 30 m to 700 m and is concentrated within a 30 km² area. Thirteen deposits have been identified in the Dornod district, of which five have been explored in detail. The No. 7 deposit, which is the largest, has been partially developed for mining by conventional underground techniques.

The flat-lying No. 7 uranium deposit is situated at the northern end of the Dornod uranium district and occupies the southern half of the Mining Licence. The deposit is situated approximately 1,000 m south of the No. 2 deposit. As with the latter, the No. 7 deposit was discovered during the 1970s, as a result of a large scale uranium exploration program jointly conducted by Russian and Mongolian

Geological Expeditions. The No. 7 deposit comprises as many as nine separate uranium horizons spread over an area measuring 800 m by 400 m. Horizon 7a is a thick tabular body of high grade uranium mineralization occurring at vertical depths between 440 m and 460 m below surface.

Uranium mineralization in the Dornod Mine area occurs as pitchblende-coffinite assemblages associated with carbonaceous partings and fragments in areas of structural preparation. The uranium mineralization occurs as "blanket-like" horizons from less than 1 m thick to greater than 30 m thick within the volcano-sedimentary succession at depths from 30 m to greater than 450 m below surface. Near surface, mineralization has been developed as an open pit at the Dornod site, while deeper lying mineralization has been examined by underground workings. A number of uranium deposits and target areas have been outlined in the Dornod area by systematic exploration work.

PREVIOUS RUSSIAN DRILLING AND UNDERGROUND DEVELOPMENT

The No. 7 deposit has been explored by some 123 surface diamond drill holes, 143 underground diamond drill holes, and some 20,000 m of underground development including drifts, cross-cuts, and three shafts. Some of this development is also related to the nearby No. 4 and No. 5 deposits.

RECENT CONFIRMATION DRILLING

Recently, Khan carried out a program of confirmation drilling on the No. 2 and No. 7 deposit areas. In total, Khan completed 5,885 m of drilling in twenty three vertical drill holes. Twelve of these holes were in the area of the No. 7 deposit, ranging in total depth from 357 m to 537 m, and eleven of the holes were in the area of the No. 2 deposit area, ranging in depth from 36 m to 170 m. Scott Wilson RPA notes that these are not twinned holes, rather, drill holes which have tested the areas of mineralization that represent the bulk of the remaining mineral resources of the No. 2 deposit, and both high-grade and medium grade areas of the No. 7 deposit.

MINERAL RESOURCES

For this Report, Scott Wilson RPA has updated the Mineral Resources of the No. 7 deposit, based on the old drill data and new drilling by Khan. The Scott Wilson RPA resource estimate is in accordance with the Mineral Resource/Reserve Classification as recommended by the CIM Committee on Mineral Resources/Reserves.

The No. 7 deposit at Dornod comprises as many as nine separate uranium horizons, within a single unit, spread over an area measuring 1,000 m x 500 m, which is surrounded by a halo of lower grade mineralization. The largest and highest grade of these, is the 7a horizon located in the central part of the

deposit area. Most of the exploration activity in the past has been directed towards the 7a horizon including shaft sinking, extensive underground workings, such as drifts and cross-cuts.

Based on our interpretation of the mineralized zones, and using a cut-off grade of 0.047% U_3O_8 , Scott Wilson RPA estimates the Mineral Resources of the Dornod No. 7 deposit to total some 13 million tonnes at an average grade of 0.159% U_3O_8 . Based on the close drill hole spacing, and recent confirmation drilling results, these resources are classified as Indicated Mineral Resources.

Uranium mineralization in No. 2 deposit occurs mainly in two stacked mineralized horizons hosted within sedimentary rocks that conform in attitude to the basement topography. The mineralized area comprises four separate uraniferous horizons, of which two are more prominent, spread over an area measuring 1,400 m x 1,000 m. The mineralized horizons occur at vertical depths between 70 m and 110 m. The upper horizon (2B) appears to be the more continuous of the two, is somewhat higher grade and hosts most of the known uranium resources in the Indicated category. The lower horizon (26) is more lens-like in distribution and generally of lower grade.

Based on our interpretation of the mineralized zones, and using a cut-off grade of 0.047% U_3O_8 , Scott Wilson RPA estimates the Mineral Resources of the Dornod No. 2 deposit to total some 3.5 million tonnes at an average grade of 0.127% U_3O_8 . Based on the close drill hole spacing, and recent confirmation drilling results, these resources also are classified as Indicated Mineral Resources.

MINING AND MILLING OPERATIONS

Currently, there are no mining operations at Dornod. Prior to its closure, mining of the No. 2 deposit was by open pit methods and the No. 7 deposit was partly developed by underground openings. In its 1995 Feasibility Study and 2002 economic analysis, World Wide planned to continue with the same mining methods to extract uranium at these two mines, as noted above. Currently, Khan plans to access the remaining resources at the No. 2 deposit by constructing a decline and extracting the mineralized material by the room-and-pillar method of mining. Khan also plans to develop the No. 7 deposit as an underground mine, and use the No. 2 open pit as tailings containment area for both deposits.

Historically, 92% recovery of the uranium from the Dornod deposit has been achieved at the Priargunsky plant by a conventional sulphuric acid leach, ion exchange and solvent extraction flow method. For the calculation of the cut-off grade for the resource estimate, however, Scott Wilson RPA has considered a recovery of 84% for the uranium. The Priargunsky mill has a daily throughput capability of 4,700 tonnes of ore and a nominal capacity to produce 3,500 tonnes U per year (9.1 million lbs U_3O_8).

ENVIRONMENTAL STUDIES

There are no current data available regarding the environmental status on the Dornod Project. In the past, Priargunsky, on behalf of the Mongolian Government, completed an environmental review of the proposed expansion of mine operations in mid-1995. The review concluded that the uranium mining operations, including the (then) proposed heap leaching operation, do not present unusual or significant impacts on the environment, and that the mine would have a positive socio-economic impact on the working population.

EXPLORATION POTENTIAL

Even though there has been previous mining on the property, the Dornod Project is an advanced stage exploration property that contains six uranium deposits hosted by relatively flat-lying sandstones, siltstones, gravels conglomeratic breccia units. Mineralization occurs both as pitchblende and as coffinite. Two of these deposits, No. 2 and No. 7, have received considerable amount of exploration in the past.

Scott Wilson RPA is of the opinion that there is good potential for additional resources in the area of the present property. Earlier results indicate that the No. 7 deposit could be developed by underground methods. Khan should consider developing a program to evaluate this exploration potential.

EXHIBIT B

SUMMARY OF TECHNICAL REPORT ON PLACER GOLD PROPERTIES IN THE TUUL VALLEY, ZAAMAR GOLDFIELD, MONGOLIA

INTRODUCTION

Roscoe Postle Associates Inc. (RPA) was retained by Khan Resources Inc. (Khan), a private company, to prepare an independent report on the Big Bend and Ogmoor alluvial gold properties that cover approximately 80 km² held under mining licences in the Zaamar Goldfield alluvial gold mining area of the Tuul River Valley, north-central Mongolia. The properties are accessible by road approximately 250 km west-northwest of Ulaanbaatar, the capital of Mongolia.

This Technical Report describes exploration undertaken on the Big Bend and Ogmoor properties, assesses the status and potential for placer gold resources and reserves, reports a mineral resource estimate and recommends work to further advance exploration and development of the properties.

This report is prepared in compliance with National Instrument 43-101. The purpose of the Technical Report is to support a listing application to a Canadian stock exchange and for financing by means of a prospectus and initial public offering.

Boris S. Karpoff, P. Eng., RPA Associate Mining Engineer, carried out a site visit in Mongolia from May 11 to 26, 2003 during which time he examined the properties, reviewed and collected exploration data for the properties, and obtained information on development and alluvial gold production in the Zaamar Goldfield. Mr. Karpoff revisited the site during the period September 5 to 16, 2005 when he re-examined the properties and collected updated information.

Placer gold deposits were discovered along the Tuul River Valley in the late 1970s by Russian exploration teams and, since then, have been the subject of increased wet and dryalluvial mining activity. As of January 2003, the Mineral Resources Authority of Mongolia (MRAM) listed 80 exploration and mining licenses in the Zaamar region. The Zaamar Goldfield is the largest producer of gold in Mongolia, having produced 10,040 kg in 1998, 10,146 kg in 1999, 11,433 kg in 2000, 12,059 kg in 2001, 10,636 kg in 2002, 10,837 kg in 2003 and 18,500 kg in 2004.

PROPERTIES

The Big Bend property consists of three mining licenses covering an area of 3,172 ha. Under an agreement dated July 30, 2003, Khan could purchase the property from a Mongolian company, Ikh

Temuuulel XXX for US\$1,500,000. The first purchase payment of US\$125,000 was paid in 2003 and balance was paid in August 2005.

The Ogmoor property consists of two exploration licenses and three mining licenses covering an area of 4,871 ha. Under terms of an agreement dated November 2003, Khan can acquire a 60% interest in the property from a Mongolian company, Khos Khaas XXX. Khan will fund US\$150,000 in drilling expenditures on the property.

LOCATION, ACCESS AND INFRASTRUCTURE

The properties are accessible by a 50 km gravel road from Zaamar Soum, the nearest town and administrative centre for the area. The property area is at a mean elevation of 1,580 m above sea level. The climate is continental with seasonal extremes, marked by short hot summers and long cold winters. Most of the annual precipitation of 200 to 220 mm falls in summer.

The area surrounding the Tuul Valley is economically underdeveloped and the sparse population is involved in agriculture and livestock production. Any future exploration and mining activities will require the recruitment of skilled labour from cities and training for highly specialized types of work such as drilling and operation of dredges.

Electrical power for existing mining operations in the Zaamar Goldfield is supplied by the national grid and water supply is readily available. In RPA's opinion, the local infrastructure in general is adequate to service the present facilities, but will need some expansion to allow for future increases in mine production and washing facilities.

The Big Bend and Ogmoor properties are located along the Tuul River Valley floodplain and surrounding terraces and hills with relief up to several hundreds of metres. The Tuul River meanders along its broad floodplain which is commonly one kilometre wide, but up to two kilometres wide in places.

HISTORY

The Zaamar Goldfield has been explored from about the late 1970s to the early 1990s by Russian and Russian-Mongolian Geological Expeditions. The work consisted of geological mapping of the bedrock, Quaternary and recent deposits of the Tuul River Valley, and drilling of over 2,400 boreholes to explore the Tuul placer and terrace deposits. Holes were drilled along section lines across the Tuul River Valley and some of its tributaries. Drill hole spacing was mostly at 40 m intervals with samples taken

every 40 cm. Holes were drilled at large diameter (660 mm) or smaller diameters (219 mm or 245 mm). The Zaamar Goldfield was explored for a length of some 50 km along the Tuul River Valley. A number of gold mining operations have been developed in placer and terrace deposits along the Tuul River Valley based on the Russian drilling results.

On the Big Bend property, large diameter holes were drilled along the Tuul River floodplain on nine section lines spaced from 600 m to 1,900 m apart. A Russian historical mineral resource estimate based on the results of this drilling totals 8.7 million m³ at an average grade of 223 mg/m³ Au at a fineness of 870, for 1.69 t of contained pure gold. Subsequently five intermediate section lines were drilled with small diameter holes by Ikh Temuulel. The Russian estimate is not compliant with NI 43-101 and should not be relied on.

On the Ogmoor property, two areas of interest that have been drilled by small diameter holes. These are the Ar Tamsag placer and the Far North area. In addition, some mining activity has taken place on the Ar Tamsag placer. EMI, a consultant to Khan in 2003, estimated that in the order of 350 kg of gold has been produced from the Ar Tamsag placer as recently as 2002-03.

In the area of the Ar Tamsag placer, some 240 small diameter holes have been drilled mostly at 20 m spacing along section lines. Resources have been estimated by a Soviet team, but much of the placer has been mined. Most of the remaining mineralized placer is under some 20 m to 30 m of overburden.

On the Ogmoor Far North area, drilling of small diameter holes has been carried out on seven section lines at wide intervals along the Tuul River Valley floodplain, plus a few other lines on terraces and tributary valleys. EMI has compiled the drilling and geological data and recognizes exploration potential for alluvial and terrace deposits in the Far North area. Good results were obtained on section lines adjacent to the Ar Tamsag area.

GEOLOGY AND MINERALIZATION

The bedrock geology of the Tuul River Valley consists of Late Precambrian to Ordovician metamorphic rocks and Devonian intrusives unconformably overlain by weakly deformed Carboniferous sandstones and siltstones and grey Cretaceous coalbearing sedimentary rocks. The latter are preserved only in a series of narrow downfaulted basins that were to become the approximate position of today's Tuul Valley. Neogene red clays and gravels were deposited and gold-bearing alluvial placers formed in the linear depressions. Further subsidence and weak deformation occurred in late Neogene to early Quaternary time, contemporaneously with general regional uplift.

The top of the Tuul placers is generally a few metres below the present water table and below the level of the Tuul River and as such the placer deposits are amenable to "wet" mining methods, *i.e.* dredging. Locally, the Tuul placers consist of terrace deposits found above the river level and water table and covered by thicker overburden. These are amenable to "dry" mining by excavator or front end loader serving a wash plant. The depth and width of the placer varies but, typically, pay gravel is two to eight metres below the surface and may be from four to eight metres thick.

The Tuul placers host economic quantities of gold and large volumes of black sands. Gold mineralization and particle size distribution vary considerably from section to section through the placer deposit and from one area to another. Gold particle size is variable from place to place and occurs as extremely fine (flour) to nugget size, averaging in the order of 0.5 mm.

EXPLORATION DRILLING, SAMPLING AND ANALYSES

The results of the Russian and Russian-Mongolian drilling along the Tuul River Valley and its tributaries are believed to be reliable in general, in particular the results from large diameter (660 mm) holes. The results of the smaller diameter (219 mm and 245 mm) holes are less certain for resource estimation, but should be reasonably reliable for exploration work. The smaller diameter boreholes appear to underestimate the gold grade and resources in this type of placer deposit. Some preliminary comparisons suggest that the gold content in the smaller boreholes may be in the order of 20% to 50% less than in the larger boreholes.

The Russian drilling procedures were similar to churn drilling methods. Samples were taken at 40 cm intervals as casing was driven into the ground. Each sample was washed and panned near the drill site. The heavy mineral concentrate was sent to a laboratory in Ulaanbaatar where final cleaning was carried out and the gold separated and weighed. Although drill log records for this drilling are very superficial and sometimes nonexistent, sections and plans were plotted at various scales recording the sampling and geological data. The information is extensive and well documented for the Big Bend property, and limited for the Ogmooor property.

In RPA's opinion, the sample preparation and gold content estimation are typical of those used in the placer mining industry; however, due the lack of independent information, RPA is not able to comment on the security issues of sample preparation and analyses. RPA has not carried out an independent sampling and assay program; however, from RPA's experience with Russian exploration practices, data collection, and analyses, it is likely that the results and grade estimates are realistic and reliable.

Khan carried out a drilling program in 2004 on the Big Bend property on lines between those drilled by the Russian-Mongolian groups and those drilled by Ikh Temuulel using 219 mm diameter holes. The drilling techniques and sampling methods were similar to the Russian systems. A heavy mineral concentrate was produced at the drilling site and sent to a laboratory in Ulaan Baatar for separation and weighing of gold grains. Khan drilled approximately 1,000 m in 93 drill holes.

On the Ogmooor property, Khan was just starting a drilling program at the south end of the Far North area, but no results are available.

ADJACENT PROPERTIES

The Tuul River Valley placer is a single large dredgeable alluvial placer deposit that extends for several tens of kilometres beneath the floodplain of the Tuul River in the Zaamar Goldfield. In addition, dry placer deposits are present in Quaternary sediments on terraces adjacent to the Tuul River floodplain.

Both wet dredging operations and dry terrace operations are mining and processing placer deposits on properties adjacent to and in the general area of the Khan Big Bend and Ogmooor properties. A large scale wet mining operation is located in the Tuul placer utilizing two dredges immediately upstream south from the Big Bend property. Two terrace mining operations are located on properties adjoining Big Bend to the south. Two other wet mining dredging operations are located immediately downstream east and further northeast of the Big Bend property and adjoining east of the Ogmooor terrace area. Another terrace mining operation is taking place east of Big Bend along with a former terrace mine restoration project.

MINERAL PROCESSING TESTWORK

No test mining has been carried out on the gold bearing gravels of the Big Bend and Ogmooor properties; however, much production experience exists in the mining of adjacent properties over the past 20 years. The mining and extraction facilities and methods in the Tuul Valley are typical wet and dry placer operations, utilizing somewhat antiquated and inefficient equipment. Processing is done onboard the Russian dredges using a rotating scrubber-screen and traditional Russian sluice boxes.

A substantial amount of gold is lost to large clay balls that are formed during scrubbing and discarded as waste at the rear of the dredge. It is estimated that much of the fine gold is not recovered and that overall recovery of gold with the Russian equipment is in the order of 70% or less. Conventional jigs on modern dredges should considerably improve the recovery of fine gold.

At the terrace mining operations, the pay gravel is fed into a screening plant where it is disaggregated by high pressure water jet, then directed into long sluices with riffles.

MINERAL RESOURCE AND MINERAL RESERVE ESTIMATES

RPA has carried out a mineral resource estimate of the Big Bend placer deposit using data compiled by Khan from the Russian drill holes, the Ikh Temuulel drill holes and the 2004 Khan drill holes. The RPA estimate utilized a cut-off grade of 40 mg/m³ and a minimum placer thickness of 1.2 m, and cut high gold values to 5,000 40 mg/m³. The RPA estimate is tabulated below. The mineral resources are classified as inferred mineral resources because of the wide spacing of some of the drill lines and because of uncertainties of gold recovery in small diameter drill holes.

Big Bend Inferred Mineral Resource Estimate

<u>Item</u>	<u>Quantity</u>
Placer volume	4.7 million m ³
Average grade (cut to 5,000 mg/m ³ .)	410 mg/m ³
Average placer thickness	2.1 m
Overburden volume	19.6 m ³
Contained placer gold	1.94 t
Contained pure gold (910 fineness)	1.76 t
Contained pure gold (910 fineness)	56,700 oz

OTHER RELEVANT DATA AND INFORMATION

In 2003 Khan prepared a preliminary mining plan for dredging of the Tuul River Valley placer on the Big Bend property with input from local consultants. RPA has reviewed the preliminary mining plan in the context of costs of existing operations in the Zammar Goldfield, and from the point of view of justifying further work on the Big Bend and Ogmoor properties.

The preliminary mining plan contemplates using a cutter suction dredge for overburden removal, a bucket wheel dredge for pay gravel removal, and a floating wash plant. The double dredge approach proposed by Khan offers advantages over the Russian dragline/dredge approach used at other operations in the Zaamar Goldfield. The advantages include faster mining rate; higher recovery of the fine gold resulting in an estimated 90% overall recovery; and less impact on the environment. RPA has reviewed the Khan preliminary mining plan. The assumptions and projections are considered to be reasonable approximations for this early stage of the project.

ENVIRONMENTAL CONSIDERATIONS

The Environmental Protection Agency (EPA) is the Mongolian state administrative body responsible for the environment. The two principal environmental laws of concern for mining are the *Environmental Protection Law of Mongolia* and the *Law of Mongolia of Environmental Impact Assessment*. Under the *Environmental Protection Law of Mongolia* the mining companies are required:

- To comply with the legislation and the requirements of state inspectors.
- To keep records on toxic substance disposal and waste discharges as well as the operation of any monitoring equipment.
- To include provisions for reclamation and restoration in annual budgets.
- To keep the "ecological passport" of the area.
- To carry out Environmental Impact Assessments that identify possible adverse effects from production. The law gives details of the type of information that is required for these studies.

There are environmental impacts associated with the mining operations in the Zaamar Goldfield, as noted below. The cumulative impacts of all the local placer mining operations are significant, in RPA's opinion, and may represent an inherited liability to a new operator in the Tuul Valley.

- The draglines deposit the overburden leaving linear ridges of steep piles, some as high as 30 m. To date none of the dragline waste heaps in the area has been reclaimed.
- Dredge tailings in the form of sand, silt, and clay fines are discharged to the bottom of the dredge pond, with the coarse fraction stones, boulders and rocks dumped on top. This creates problems in reclamation due to lack of fines available as soil for revegetation of dredge rejects.
- When the dry terrace mines are abandoned, flooded excavations remain.
- Many illegal artisanal groups mine tailings and other material seasonally. The artisanal mining falls outside any organized jurisdiction.
- There is no provision in the existing operations for wastewater, solid waste, reclamation, or other environmental management.

INTERPRETATION AND CONCLUSIONS

The Zaamar Goldfield, located along the Tuul River Valley, is the largest producer of gold in Mongolia, with production of, 18,500 kg of gold in 2004. Both the Big Bend and Ogmoor properties are located along the Tuul River Valley and adjacent terraces in the vicinity of several active alluvial and terrace placer operations, and in RPA's opinion, have good potential for development of economic placer gold operations.

In RPA's opinion, the data collection (drilling, sampling, gold recovery information, and preparation of maps and sections) by Russian and Mongolian teams of geologists is extensive, detailed, and exceeds normal placer mining industry standards. Likewise, the 2004 drilling and data collection by Khan appears to be in keeping with industry standards.

Based on data supplied to RPA by EMI, the smaller diameter (219 mm and 245 mm) drill holes appear to significantly underestimate the gold grade compared to larger diameter (660 mm) holes, by as much as 50%. RPA recommended in 2003 that larger diameter drilling be used for mineral resource and mineral reserve estimation, however since these machines are no longer available, Khan used 219 mm diameter drilling in its 2004 program.

The Big Bend property has known gold mineralization along a 12 km stretch of the Tuul placer (Figure 3). A mineral resource estimate has been prepared by RPA for the northern and eastern parts of the Big Bend property. It totals 4.7 million m³ of alluvial placer with an average grade of 410 mg/m³, with a cut-off grade of 40 mg/m³ and with high gold values cut to 5,000 mg/m³. Contained gold is 1.76 tonnes (56,700 oz) of pure gold at a fineness of 910. This estimate is classified as inferred mineral resource because of the wide spacing of some of the drill lines and because of uncertainties of gold recovery in small diameter drill holes.

In addition to the mineral resource estimates, exploration potential has been identified in the western part of the property by widely spaced drill section lines, where the Tuul River floodplain is up to 2 km wide (Figure 3). RPA estimates that the exploration potential of this area is in the order of 10 to 20 million m³ of alluvial placer with grades in the order of 250 to 350 mg/m³, with overburden in the order of 12 to 30 m. This potential volume and grade is conceptual in nature since there has been insufficient drilling to define a mineral resource in this area of the property and it is uncertain if further exploration will result in mineral resources. In RPA's view, this area of potential represents an exploration target that warrants further drilling. In RPA's opinion, the Big Bend property offers good economic potential based on the current mineral resource estimates and the advantages outlined in the Khan preliminary mining plan. Further work is justified to bring the mineral resources into the indicated category, to carry out engineering work and study the feasibility of a dredging operation and to explore for more mineral resources.

The Ogmooor property covers a 17 km section of the Tuul River floodplain downstream from active placer gold operations (Far North area) as well as part of the Ar Tamsag placer at the south end of the Ogmooor property (Figure 9). Results of previous drilling indicate that placer gold mineralization remains at Ar Tamsag, mostly under 20 to 30 m of overburden. In RPA's opinion, more drilling is needed to confirm results of the earlier smaller diameter drilling and to estimate remaining mineral resources.

The Ogmooor Far North area has been explored by widely spaced section lines of small diameter drill holes with mixed results. Several areas of exploration potential in the Tuul River Valley and adjacent

terraces have been outlined by EMI (Figure 9). In RPA's opinion, exploration work is warranted to test these areas of potential, especially where good drilling results were obtained adjacent to the Ar Tamsag area.

RECOMMENDATIONS

With respect to potential placer mining operations on the Big Bend and Ogmoor properties, RPA has the following recommendations for further work. The recommended work is in two phases. Phase 2 is contingent on results of Phase 1. The total cost of Phase 1 is estimated to be US\$1,190,000. The total cost of Phase 2 is estimated to be US\$1,250,000. Property payments are not included in the cost estimate.

Phase 1

- Drilling on the Big Bend property on section lines spaced at 400 m to confirm the historical mineral resources and delineate them to the indicated level. This work involves approximately 200 drill holes spaced at 40 m on section lines from 736 to 822. The drilling should cover the entire width of the Tuul River floodplain and totals approximately 2,300 m. Approximately half of this work was carried out in 2004 by Khan.
- Drilling on the Big Bend property on section lines spaced at approximately 800 m to explore the area of exploration potential in the western part of the property and delineate resources to the inferred level. This work involves approximately 100 drill holes spaced at 40 m on section lines from 822 to 860. The drilling should cover the entire width of the Tuul River floodplain and totals approximately 2,100 m.
- Drilling on the Ar Tamsag placer at 80 m spacing to confirm the previous drilling results and delineate mineral resources to the indicated level.
- Estimate mineral resources of the Ar Tamsag placer deposit to CIM definitions and guidelines to ensure compliance with National Instrument 43-101.
- Drilling in the Far North area of the Ogmoor property to explore areas of exploration potential.

Phase 2

- For the Big Bend property, feasibility and engineering studies of gold placer mining of the Tuul placer, using the mineral resource estimate updated in Phase 1. The studies should examine mining methods, mining plans, operating equipment, infrastructure, environmental impact, capital and operating costs, and overall production schedules.
- For the Ogmoor Far North area and possibly other areas, drilling to delineate mineral resources of mineralized alluvial or terrace placers resulting from Phase 1 exploration.

EXHIBIT C

AUDIT COMMITTEE CHARTER

1. General

The Board of Directors (the "Board") of Khan Resources Inc. (the "Company") has established the Audit Committee (the "Committee") to assist in fulfilling the Board's responsibilities. The Committee is a key component in fulfilling the Company's commitment to maintaining a higher standard of corporate responsibility.

The Committee will review the Company's financial reports and its process, internal control systems, the management of financial risks, the external audit and assurance process, and the Company's compliance with legal and regulatory requirements and the Company's own code of business conduct and ethics.

2. Organization

2.1 Membership

The Committee will be comprised of a minimum of three members to be nominated and appointed annually by the Board, all of whom are to be independent directors unless exempted under applicable laws and regulations. A member continues in his/her capacity until a successor is appointed or if the member resigns, is removed, or ceases to be a director of the Company.

Members of the Committee must, in the opinion of the Board, be financially literate and at a minimum be capable of reading and understanding all financial information and understand their respective implications over the short and long term.

2.2 Committee Chair and Secretary

The Board shall nominate and appoint/reappoint the Chair of the Committee annually. The Chair of the Committee must be an independent director of the Company and meet the Company's standards of Independence outlined in Section 4 of the Corporate Governance Guidelines.

The role of Secretary can be filled by the Corporate Secretary or any other person as may be appointed by the Chair of the Committee.

2.3 Meetings

A quorum for any meeting will be two members in attendance. The Committee shall meet quarterly at a minimum and may invite any outside director or member of senior management to attend a meeting as an observer or answer questions that the Committee may have. The proceedings will be minuted.

3. Authority

The Board has authorized the Committee, within the parameters of its responsibilities, to seek any required information from any employee or external party, including obtaining outside legal or

other professional counsel. The Committee is authorized to set and pay the compensation to those parties. The Committee will hire and monitor the Auditor.

4. Duties and Responsibilities

4.1 Financial Reporting

- (a) Audited Annual Financial Statements: The Committee shall review the audited annual and interim financial statements, all related management discussion and analysis ("MD&A"), and earnings press releases for submission to the Board for approval and public disclosure.
- (b) Quarterly Review: The Committee shall review the unaudited quarterly financial statements, the related MD&A, and earnings press releases for submission to the Board for approval and public disclosure.
- (c) Significant Accounting Principles and Disclosure Issues: The Committee shall review with management and the external auditor, significant accounting principles and disclosure issues, including complex or unusual transactions, highly judgmental areas such as reserves or estimates, significant changes to accounting principles, and alternative treatments under Canadian GAAP for material transactions. This shall be undertaken with a view to understanding their impact on the financial statements, and to gaining reasonable assurance that the statements are accurate, complete, do not contain any misrepresentations, and present fairly the Company's financial position and the results of its operations in accordance with Canadian GAAP.
- (d) Compliance: The Committee shall ensure that all of the Company's financial reporting conforms to, and meets or exceeds, the requirements of Canadian GAAP and all applicable laws and regulations.
- (e) Legal Events: In the event of any actual or anticipated litigation or other events, including tax assessments, the Committee shall examine what material effect the event may have on the Company's current or future financial statements and the manner in which these details have been disclosed in the financial statements.
- (f) Off-Balance Sheet Transactions: The Committee shall review any off-balance sheet transactions, arrangements, obligations, and other relationships with unconsolidated entities or other persons, and examine how that may have a material current or future effect on the Company's financial position.
- (g) Procedural Review: The Committee shall satisfy itself that adequate procedures are in place for the review of the Company's public disclosure of financial information and periodically assess the adequacy of those procedures.

4.2 Internal Controls

- (a) Review and Assessment: The Committee shall periodically review the effectiveness of the Company's system of internal control and management information systems through discussions with management and the external auditor. Based on that review the Committee will advise the Board of the adequacy of these controls and make recommendations for alterations to these controls when deemed necessary.

- (b) Fraud: The Committee shall oversee any investigations of alleged fraud and illegality relating to the Company's finances.
- (c) Complaints: The Committee shall ensure appropriate systems are in place for the receipt, retention, and treatment of internal and external complaints in an anonymous and confidential manner by the Company regarding accounting, internal accounting controls, or auditing matters.
- (d) Hiring from the Auditor: The Committee shall review and approve the Company's hiring policies regarding current or former partners and employees of the current or former external auditor.

4.3 External Audit

- (a) Auditor Reporting: The external auditor will report directly to the Committee.
- (b) Auditor Performance: The Committee shall review the terms of the external auditor's engagement, accountability, experience, qualifications, independence, and overall performance.
- (c) Auditor Appointment or Replacement: The Committee shall appoint or replace the auditor based on the Committee's evaluation and conclusions of the auditor's performance and adequacy and set its compensation. The Committee shall advise the Board of the decision.
- (d) Audit Plan: The Committee shall review the audit plan and scope of the external audit with the external auditor and management, and consider whether the nature and scope of the planned audit procedures can be relied upon to detect weaknesses in internal controls, frauds or other illegal acts. The Committee shall make adjustments as needed.
- (e) Audit Results: The Committee shall review, in the absence of management, the results of the annual external audit, the audit report thereon and the auditor's review of the related MD&A, and discuss with the external auditor the quality (not just the acceptability) of accounting principles used, any alternative treatments of financial information that have been discussed with management, the ramifications of their use and the auditor's preferred treatment, and any other material communications with management.
- (f) Actions to be Taken: The Committee shall ensure that significant findings and recommendations by the external auditors are received and discussed on a timely basis. The Committee shall ensure that management responds to these findings and recommendations.
- (g) Disparity and Disagreements: The Committee shall ensure the resolution of any disagreements between management and the external auditor or incongruity between expectations and results regarding financial reporting.
- (h) Interim Financial Statements: The Committee may engage the external auditor to review all interim financial statements. The Committee shall review the results of the auditor's review of the interim financial statements and MD&A.

- (i) Meeting with External Auditor: The Committee shall meet with the external auditor in the absence of management at least annually to discuss and review specific issues as appropriate as well as any significant matters that the auditor may wish to bring to the Committee for its consideration.
- (j) Correspondence Review: The Committee shall review with management and the external auditor any correspondence with regulators or governmental agencies, employee complaints or published reports that raise material issues regarding the Company's financial statements or accounting policies.
- (k) Non-Audit/Audit Services: The Committee must pre-approve any non-audit services to be provided to the Company or its subsidiaries by the external auditor, with reference to compatibility of the service with the external auditor's independence as prescribed by OSC regulations.
- (l) Other Audit Matters: The Committee shall review any other matters related to the external audit that are to be communicated to the Committee under generally accepted auditing standards.

4.4 Risk Management

The Committee shall undertake an annual review the Company's risk management policies and procedures. The Committee oversees the implementation of these systems and determines their adequacy in mitigating and managing risks.

4.5 Compliance

- (a) General: The Committee shall monitor the Company's compliance with all applicable laws and regulations. The Committee will review any investigations, reports, examinations or other instructions from regulatory authorities.
- (b) Filings: The Committee ensures timeliness and accuracy of the Company's filings with regulatory authorities.
- (c) Code of Business Conduct and Ethics: The Committee shall confirm that the Company, its employees, and its operations follow the Company's own Code of Business Conduct and Ethics and that adequate and effective systems are in place to enforce compliance.
- (d) Discussion with Management: The Committee will meet privately with management at least quarterly to discuss any areas of concern to the Committee or management.

4.6 Reporting Responsibilities

- (a) Adequacy of Charter: The Committee shall assess the continued adequacy of the Committee Charter annually and submit such amendments as the Committee sees fit to the Nominating and Corporate Governance Committee.
- (b) Disclosure: The Committee shall oversee appropriate disclosure of the Committee's Charter, and other information required to be disclosed by applicable legislation, in the Company's Annual Information Form and all other applicable disclosure documents.

- (c) Reporting to the Board: The Committee shall report regularly to the Board on Committee activities, findings and recommendations. The Committee is responsible for ensuring that the Board is aware of, and understands, any matter that may have a significant impact on the financial condition or affairs of the Company. The Committee shall submit its recommendations with respect to any such matter to the Board.