



**Khan Resources Inc.**

**CSE Form 2A – Listing Statement**

**Dated as of January 14, 2014**

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## **GLOSSARY OF TERMS**

The following terms used but not otherwise defined in this Listing Statement have the meanings set out below:

“**Aker Solutions**” means Aker Solutions Canada Inc.

“**ARMZ**” means Atomredmetzoloto.

“**ARMZ Offer**” means an unsolicited offer made by ARMZ to purchase all Khan’s outstanding common shares for CAD\$0.65 per share.

“**Big Bend Gold Property**” is a gold property located in the Zaamar goldfield district of Mongolia.

“**Board**” or “**Board of Directors**” means the board of directors of Khan.

“°C” means degrees Celsius.

“**CAUC**” means Central Asian Uranium Company, LLC.

“**CAUC Holding**” means CAUC Holding Company Limited.

“**CNNC**” means CNNC Overseas Uranium Holding Ltd.

“**CNNC Offer**” means an offer made by CNNC to acquire all of Khan’s outstanding Common Shares for CAD\$0.96 per share in cash.

“**Common Shares**” means all of the issued and outstanding common shares in the capital of Khan and “**Common Share**” means any one common share of Khan.

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

“**Corporation**” or “**Khan**” means Khan Resources Inc., a corporation existing under the laws of the Province of Ontario.

“**CSE**” means the Canadian Securities Exchange (formerly the Canadian National Stock Exchange).

“**CSE Issuer**” means an issuer which has its securities qualified for listing on the CSE System or which has applied to have its securities qualified for listing on the CSE System, as applicable.

“**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.

“**DFS**” or “**Definitive Feasibility Study**” means the NI 43-101 compliant technical report dated April 22, 2009 in respect of the Definitive Feasibility Study for the Dornod Uranium Project, Mongolia, filed on SEDAR at [www.sedar.com](http://www.sedar.com) on April 24, 2009.

**“Dornod Uranium Project”** means uranium properties that are located in the Dornod district of north eastern Mongolia.

**“Dornod Deposit No. 2”** means an open pit mine located on the Main Dornod Property.

**“Dornod Deposit No. 5”** means an underground deposit located in part on the Additional Dornod Property.

**“Dornod Deposit No. 7”** means an underground deposit located on the Main Dornod Property and the Additional Dornod Property.

**“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.

**“Freely-Tradeable Float”** is the total issued and outstanding shares that have no restriction on resale or transfer, including restrictions imposed by pooling or other arrangements or in a shareholder agreement.

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

**“Indicated Mineral Resource”** 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.

**“International Arbitration”** means the international arbitration against the Government of Mongolia.

**“IRR”** means internal rate of return.

**“Khan Bermuda”** means Khan Resources Bermuda Ltd.

**“KRL”** means Khan Resources LLC.

**“Laramide”** means Laramide Resources Ltd.

**“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).

**“Macusani”** means Macusani Yellowcake Inc.

**“Main Dornod Property”** consists of an open pit mine (Dornod Deposit No. 2) and approximately two-thirds of an underground deposit (Dornod Deposit No. 7).

“**Measured Mineral Resource**” is that part of a Mineral Resource for which quantity, grade or quality, densities, shape and 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 Reserve**” means the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a pre-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.

“**Mineral Resource**” 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.

“**MNT**” means the tögrög, the official currency of Mongolia.

“**MonAtom**” means MonAtom LLC.

“**MOU**” means the non-binding memorandum of understanding entered into between Khan and MonAtom, which sought to establish the principal elements of a joint venture transaction which could finalize the ownership structure surrounding the Dornod Uranium Project and create a framework for developing the project and bringing it into operation.

“**MPRP**” means the Mongolian People’s Revolutionary Party.

“**MRPAM**” means the Mineral Resources and Petroleum Authority of Mongolia.

“**MRAM**” means Mineral Resources Authority of Mongolia (formerly MRPAM).

“**NDRC**” means the Chinese National Development Reform Commission.

“**NEA**” means the Mongolian Nuclear Energy Agency.

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

“**NPV**” means net present value.

“**October 8 Notices**” means the notices received by CAUC and KRL on October 8, 2009, which stated that in connection with the implementation of the Nuclear Energy Law, the existing mining license and exploration license should be considered invalidated, and that CAUC and KRL should not undertake any activities under the licenses until they obtain new licenses from the NEA under the new law.

“**OBCA**” means the *Business Corporations Act* (Ontario).

“**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.

“**PFS**” or “**pre-feasibility study**” means the NI 43-101 compliant technical report dated September 27, 2007 in respect of the PFS and filed on SEDAR at [www.sedar.com](http://www.sedar.com) on October 17, 2007.

“**Priargunsky**” means JSC Priargunsky Industrial Mining and Chemical Union, a subsidiary of ARMZ.

“**Public Float**” constitutes the total issued and outstanding shares held by any shareholder other than a Related Person, an employee of a Related Person of a CSE Issuer or any person or group of persons acting jointly or in concert holding: (a) more than 5% of the issued and outstanding securities; or (b) securities convertible or exchangeable into the listed equity security and would, on conversion or exchange, hold more than 5% of the issued and outstanding securities.

“**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.

“**Related Person**” means in respect of a CSE Issuer (a) a Related Entity to the CSE Issuer; (b) a partner, director or officer of the CSE Issuer or Related Entity; (c) a promoter of or person who performs Investor Relations Activities for the CSE Issuer or Related Entity; (d) any person that beneficially owns, either directly or indirectly, or exercises voting control or direction over at least 10% of the total voting rights attached to all voting securities of the CSE Issuer or Related Entity; and (e) such other person as may be designated from time to time by CSE.

“**Scott Wilson RPA**” means Scott Wilson Roscoe Postle Associated Inc.

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval.

**“Share Exchange Agreement”** means the share exchange agreement dated July 31, 2003 between Wallace Mays, as vendor, Khan, as purchaser, and Khan Bermuda.

**“Shareholder Rights Plan”** means the amended and restated shareholder rights plan agreement dated as of November 14, 2006 between Khan and Equity Transfer & Trust Company adopted by the holders of Common Shares on February 15, 2007, as amended, supplemented or replaced from time to time.

**“Southern Andes”** means Southern Andes Energy Inc.

**“SPC”** means the State Property Committee of Mongolia.

**“SSIA”** means the Mongolian State Specialized Inspection Agency.

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

**“Tradeable Float”** consists of the total outstanding Common Shares less the number of outstanding securities that are subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders.

**“TSX”** means the Toronto Stock Exchange.

**“TSX-V”** means the TSX Venture Exchange.

**“U<sub>3</sub>O<sub>8</sub>”** or **“uranium oxide”** 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 U<sub>3</sub>O<sub>8</sub>. It is radioactive, forming a coarse powder which is insoluble in water and contains about 80% uranium oxide (U<sub>3</sub>O<sub>8</sub>), 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 (UF<sub>6</sub>) as the next step in the manufacture of nuclear fuel.

**“Western Prospector”** means Western Prospector Group Ltd.

**“Western Prospector Agreement”** means the agreement dated January 25, 2005 between Western Prospector and Khan.



## **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 Listing Statement, including any information as to Khan’s future financial or operating performance, the future price of uranium, the estimation of mineral reserves and mineral resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital and operating expenditures, requirements for additional capital, government regulation of mining operations, environmental risks, reclamation expenses, title disputes or claims, limitations of insurance coverage and the timing and possible outcome of pending and potential litigation, other legal proceedings and regulatory matters, constitutes “forward-looking information” under applicable Canadian securities laws. All statements, other than statements of historical fact, contain forward-looking information. In this Listing Statement, the words “believe”, “plan”, “expected”, “scheduled”, “estimate”, “intend”, “anticipate”, “may”, “could”, “would”, 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 information can also be identified by use of statements that certain actions, events, performance or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Statements containing forward-looking information are necessarily based upon a number of estimates and assumptions that, while considered reasonable by Khan, are inherently subject to significant business, economic, political, regulatory, social and competitive uncertainties and contingencies and involve known and unknown risks and other factors which may cause the actual results, performance, events or achievements of the Corporation to be materially different from any future results, performance, events or achievements expressed or implied by the forward-looking information. Such risks, uncertainties and factors include, but are not limited to: the impact of international, Mongolian and Canadian laws, trade agreements, treaties and regulatory requirements on the Corporation’s business, operations and capital structure; regulatory uncertainty and obtaining governmental and regulatory approvals; legislative, political, social, regulatory and economic developments or changes in jurisdictions in which the Corporation and Macusani Yellowcake Inc. (“Macusani”) carry on business; the nature and outcome of the international arbitration proceedings (the “International Arbitration”) against the Government of Mongolia, any future litigation, arbitration and other legal or regulatory proceedings; possible variations in ore grades or recovery rates; changes in market conditions; changes or disruptions in the securities markets and market fluctuations in prices for the Corporation’s securities; the lack of any strategic transactions or the terms and conditions of any such strategic transactions not being acceptable; the existence of third parties interested in purchasing some or all of the Common Shares or Khan’s assets; the method of funding and availability of potential strategic transactions involving the Corporation, including those transactions that may produce strategic value for shareholders; conclusions of economic evaluations; fluctuations in currency exchange rates and interest rates, including fluctuations in the value of the United States dollar and the Canadian dollar relative to the Mongolian tögrög (the “MNT”); fluctuations in the price of uranium; changes in national and local government legislation, taxation, controls, regulations and political or economic developments in Canada, Bermuda, the Netherlands, Mongolia or the British Virgin Islands and any other jurisdiction in which the Corporation or Macusani carries on business; political instability, insurrection, war or terrorism, hostilities and the occurrence of natural disasters; requirements for additional capital; environmental risks; reclamation expenses; contests over title to properties; limitations of insurance coverage; employee relations and shortages of skilled

personnel and contractors; as well as those risk factors discussed in the section entitled “*Risk Factors*” in this Listing Statement. Many of these risks, uncertainties and contingencies can affect the Corporation’s actual results, performance, events or achievements and could cause actual performance, actions, events or results to differ materially from those expressed or implied in any forward-looking information. All of the forward-looking information in this Listing Statement is qualified by these cautionary statements. Forward-looking statements contained herein are made as of the date of this Listing Statement. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements containing forward-looking information. Accordingly, readers should not place undue reliance on forward-looking information.

The Corporation may, from time to time, provide oral forward-looking information or statements. The Corporation advises that the above paragraph and the risk factors described in this Listing Statement and in the Corporation’s other documents filed with the Canadian securities commissions should be read for a description of certain risks, uncertainties and factors that could cause the actual results, performance, events or achievements of the Corporation to materially differ from those in the oral forward-looking information and statements. The Corporation disclaims any intention or obligation to update or revise any oral or written forward-looking information and statements whether as a result of new information, future events or otherwise, except as required by applicable law.

## **CORPORATE STRUCTURE**

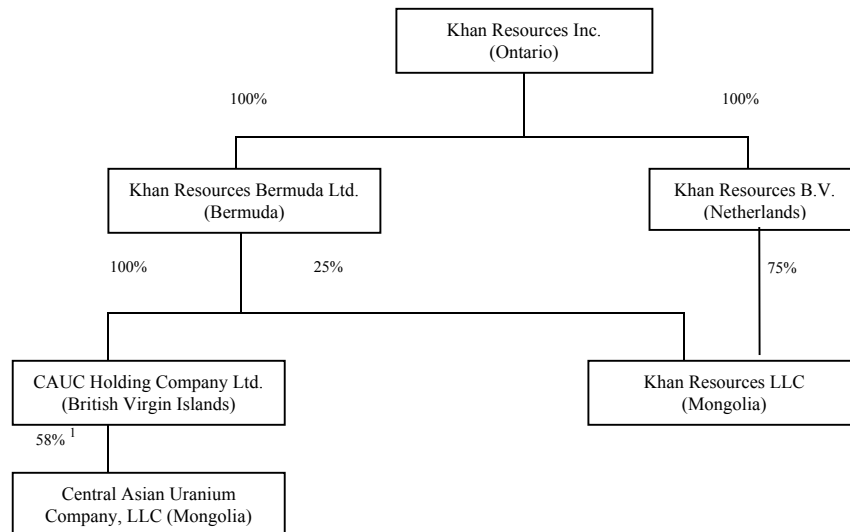
### **Name and Incorporation**

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 and registered office is located at Suite 1007, 141 Adelaide Street West, Toronto, Ontario M5H 3L5. Khan’s Mongolian office is located at Ochir House Building, Room 204, Peace Avenue 15A/5, Ulaan Baatar 211213, 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.



Note:

- (1) The remaining 42% of Central Asian Uranium Company, LLC is owned as to 21% by each of MonAtom LLC ("MonAtom"), a Mongolian state owned company, and JSC Priargunsky Industrial Mining and Chemical Union ("Priargunsky"), a subsidiary of Atomredmetzoloto ("ARMZ"), a Russian state owned company.

## **GENERAL DEVELOPMENT OF THE BUSINESS**

### Overview

The Corporation is a Canadian-based company that had interests in certain uranium properties that are located in the Dornod district of north eastern Mongolia, a district that contains a number of known uranium deposits. These interests consisted of a 58% interest in the "Main Dornod Property" (defined below) and a 100% interest in the "Additional Dornod Property" (defined below).

The Corporation commenced, in January 2011, the International Arbitration process against the Government of Mongolia and certain of its agencies for actions taken by the Government in 2009 to effectively expropriate Khan's licenses.

Khan also holds 15,523,330 common shares of Macusani, a Canadian exploration company listed on the TSX Venture Exchange ("TSX-V") under the symbol YEL. Macusani holds properties and explores for uranium in the Macusani Plateau district in southern Peru.

As at September 30, 2013, the Corporation had a total of six (6) employees: three (3) in Canada and three (3) in Mongolia.

## **Stock Exchange Listings**

### Toronto Stock Exchange

Khan listed its common shares (the “Common Shares”) as well as class E warrants on the Toronto Stock Exchange (the “TSX”) effective August 2, 2006 when it also became a reporting issuer in Ontario, British Columbia, Alberta, Saskatchewan and Manitoba. The class E warrants expired on August 2, 2008.

On April 12, 2012, Khan announced that it received a notice from the TSX that the TSX had decided to delist the Corporation’s securities effective at the close of market on May 11, 2012. The TSX determined that the Corporation failed to meet the continued listing requirements of the TSX, on the basis of its determination that the Corporation: (1) has ceased to be actively engaged in ongoing business, (2) discontinued or divested a substantial portion of operations, (3) did not spend at least \$350,000 on exploration and/or development work in the most recent year, and (4) has discontinued or materially changed the nature of its business. These determinates are as a result of the Corporation putting its Dornod Uranium Project in Mongolia on a care and maintenance status and initiating the International Arbitration action in January 2011 against the Government of Mongolia.

### Canadian Securities Exchange

On April 12, 2012, Khan also announced that its Common Shares have been conditionally approved for trading on the Canadian Securities Exchange (formerly the Canadian National Stock Exchange) (“CSE”) subject to fulfilling certain conditions and on May 14, 2012 Khan’s common shares commenced trading through the facilities of the CSE under the symbol “KRI”.

## **Acquisition of the Main Dornod 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 indirect acquisition of a 58% interest in Central Asian Uranium Company, LLC (“CAUC”), a Mongolian company and the owner of the Main Dornod Property, and a 100% interest in Ikh Tokhoirol LLC, the owner of the Big Bend gold property (the “Big Bend Gold Property”). The Big Bend Gold Property was sold on October 11, 2007.

The Main Dornod Property consists of an open pit mine (“Dornod Deposit No. 2”) and approximately two-thirds of an underground deposit (“Dornod Deposit No. 7”).

The acquisition of the Main Dornod Property was effected in two stages. In the first stage of the acquisition, by agreement dated July 30, 2003, Khan Bermuda acquired 100% of the issued shares of CAUC Holding Company Limited (“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 related mining license.

In the second stage of the acquisition, following the acquisition of CAUC Holding 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.

## **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 Canadian corporation with uranium properties in Mongolia (“Western Prospector”), the Corporation acquired the “Additional Dornod Property” consisting of approximately 243 hectares of land contiguous with the Main Dornod Property. In addition to the remainder of Dornod Deposit No. 7, the Additional Dornod Property contains part of another underground deposit (“Dornod Deposit No. 5”). 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 extracted from the Additional Dornod Property.

## **Mining and Exploration Licenses**

The mining license held by CAUC in respect of the Main Dornod Property was submitted to the Mineral Resources and Petroleum Authority of Mongolia (“MRPAM”) Department of Geology and Mining Cadastre for re-registration and was re-registered on January 23, 2007 with a term of 30 years commencing September 30, 1997 in accordance with the Minerals Law (defined below). The mining license previously had a term of 15 years commencing September 30, 1997. All other terms and conditions of the mining license were unaltered. See “*Narrative Description of the Business – Mongolia – Mining Legislation*”.

On July 15, 2009, the Corporation reported that it had received notice from the Mineral Resources Authority of Mongolia (“MRAM”) (formerly MRPAM) that the mining license for the Main Dornod Property, held by CAUC, had been suspended. Subsequently, following communications with MRAM and the State Specialized Inspection Agency of the Government of Mongolia, the Corporation was informed that the mining license was suspended based on the conclusions of the State Inspector who determined that CAUC was allegedly in violation of applicable laws by reason of it not having registered its deposit reserves with the State Integrated Registry for approval by the Minerals Council, however, CAUC had submitted its reserve calculations to MRAM for registration in accordance with Mongolian law initially in 2007 and again in 2008. On January 14, 2010, the Corporation announced that a settlement had been reached with MRAM whereby the suspension of the mining license for the Main Dornod Property, held by CAUC, had been terminated. The Corporation viewed this settlement as having finally resolved the July 2009 suspension of the mining license, despite subsequent reports circulated by the Mongolian Nuclear Energy Agency (the “NEA”) that the settlement was not valid. The MRAM formal report on such reserve and resource calculations was never rendered. Notwithstanding continued efforts to register its reserves, CAUC never received approval or registration of its reserves in respect of the Main Dornod Property.

The exploration license was renewed for an additional three-year period in February 2008 with expiry on February 11, 2011. The Corporation had previously taken steps to convert the exploration license for the Additional Dornod Property into a mining license in accordance with the Minerals Law. To this end, the Corporation had submitted the reserve and resource calculation for the Additional Dornod Property, prepared in accordance with Mongolian standards and requirements, to MRAM which was a necessary precondition in the process of converting an exploration license to a mining license in accordance with the Minerals Law. The MRAM formal report on such reserve and resource calculations was never rendered. See also “*Narrative Description of the Business – Mongolia – Mining Legislation*”.

As discussed further below under “*Narrative Description of the Business – Mongolia – Nuclear Energy Legislation*”, on July 16, 2009, the Mongolian Parliament passed a Nuclear Energy Law that classifies all radioactive mineral deposits, regardless of size, as strategically important mineral deposits and regulates the nuclear energy industry in Mongolia, including the exploration, exploitation, development, mining and sale of uranium. The new law became effective on August 15, 2009. In connection with the passing of the Nuclear Energy Law, the Mongolian Parliament enacted certain procedures relating to the re-registration of existing exploration and mining licenses held prior to the Nuclear Energy Law becoming effective. Existing license holders were required to submit an application to the State Administrative Authority and renew and re-register their existing licenses by November 15, 2009. In order to have licenses re-registered, applicants were required to agree to abide by all of the conditions and requirements set out in the Nuclear Energy Law, including acceptance of the State’s 51% or 34% share participation in the license holder, as applicable. Any licenses not re-registered under the Nuclear Energy Law, as required, were considered to automatically be suspended. The Corporation submitted the applications for the renewal and re-registration of the mining license and exploration license in respect of the Dornod Uranium Project on November 10, 2009. On October 8, 2009, CAUC and KRL received notices (the “October 8 Notices”) which stated that in connection with the implementation of the Nuclear Energy Law, the existing mining license and exploration license should be considered invalidated, and that CAUC and KRL should not undertake any activities under the licenses until they obtain new licenses from the NEA under the new law. The Corporation inquired as to the grounds and consequences of such invalidations, and was informed by the NEA that all licenses held by all uranium license holders in Mongolia had been temporarily suspended in October 2009, pending re-registration of such licenses under the Nuclear Energy Law. Accordingly, the Corporation interpreted the October 8 Notices as an administrative matter which meant only that its licenses, like those of all other license-holders in Mongolia, were temporarily suspended pending re-registration under the new law. As discussed above, the Corporation submitted the applications for the renewal and re-registration of the mining license and exploration license for the Dornod Uranium Project on November 10, 2009. The applications were in compliance with the requirements of the new legislation, including the requirement to state that the license holder accepted the ability of the Mongolian State to take an ownership interest in the license-holder.

Subsequently, CAUC received a formal notice from the State Property Committee (the “SPC”) of Mongolia requiring CAUC to propose to its shareholders a resolution to approve an increase of the Mongolian State ownership in CAUC to 51%. The notice provided that if a favourable resolution was not provided to SPC by January 31, 2010, CAUC’s mining license would be in danger of revocation. In response to the SPC notice, effective January 25, 2010, each of MonAtom and CAUC Holding, the subsidiary through which Khan holds its interest in CAUC, on the basis of their collective 79% holding of the outstanding capital of CAUC, authorized and approved an increase in MonAtom’s ownership interest in CAUC from 21% to 51%, with a corresponding dilution of ownership interests of CAUC Holding and Priargunsky. Priargunsky, a 21% shareholder and voting member of CAUC, abstained from voting. The CAUC shareholders’ resolution was subsequently submitted to the SPC by the January 31, 2010 deadline. KRL did not receive a similar notice from the SPC in respect of its exploration licence.

Subsequently, Khan announced on April 13, 2010 that CAUC and KRL had received notices from the NEA stating that the mining license for the Main Dornod Property and the exploration license for the Additional Dornod Property had been invalidated. The invalidations purported to be effective as of October 8, 2009 and purported to be based on a failure by CAUC and KRL to address violations of Mongolian law stemming from a July 2009 report issued by an inspection team appointed by the Mongolian State Specialized Inspection Agency in respect of the mining license. In response, CAUC and KRL filed separate formal claims in, and received favourable rulings from, the Capital City

Administrative Court in Mongolia challenging the legal basis for the notices received from the NEA purporting to invalidate CAUC's mining license and KRL's exploration license.

However, the NEA did not reinstate and re-register the Corporation's licenses pursuant to the Nuclear Energy Law. On November 12, 2010, the NEA published what it called an official notification in certain Mongolian newspapers stating that it did not intend to reissue the CAUC and KRL licenses. The notices broadly accused KRL and CAUC, among other things, of disrespecting state laws and legislation and failing to fulfill conditions and requirements set out by law. The newspaper notice did not constitute an official decision which, under Mongolian law, must include the legal reasons for making such a decision. The Corporation continues to believe that there existed no legal basis for the NEA to have refused to reinstate and re-register its licenses and that it had always acted in conformance with Mongolian laws. The Corporation has formally demanded to receive the official decision of the NEA in respect of its licenses, but never received a formal response.

In January, 2011, Khan initiated an International Arbitration action against the Government of Mongolia for causing substantial loss and damage to Khan through expropriatory, unlawful, unfair and discriminatory treatment in relation to Khan's licenses for the Dornod Project. The action, as at December 7, 2012, was for \$326 million in compensation for the losses sustained by Khan. Interest on this amount continues to accumulate until the International Arbitration tribunal renders its decision and the award, if any, is paid.

See *"Legal Proceedings – Invalidation of Mining and Exploration Licenses"* and *"Legal Proceedings – International Arbitration"* for further details.

### **Pre-Feasibility Study**

On August 15, 2007, the Corporation announced that it had completed a pre-feasibility study ("PFS" or "pre-feasibility study") in respect of the Dornod Uranium Project. The PFS assumed a uranium price of \$55 per pound  $U_3O_8$ , and a through-put of 3,500 tonnes per day over a 15.5 year mine life, which gave an average annual production rate of 2.9 million pounds of  $U_3O_8$ , at a cost of \$19.99 per pound  $U_3O_8$  or \$49.21 per tonne of ore. This yielded an internal rate of return ("IRR") of 37.1%, and a Net Present Value ("NPV") of \$288 million using a 10% discount rate. The capital cost of the project was projected to be approximately \$283 million. The Technical Report dated September 27, 2007 in respect of the PFS was filed on SEDAR at [www.sedar.com](http://www.sedar.com) on October 17, 2007.

### **Definitive Feasibility Study**

On March 11, 2009, the Corporation announced the results of its Definitive Feasibility Study ("DFS" or "Definitive Feasibility Study") for the Dornod Uranium Project. The study was jointly completed by engineering consultants, Aker Metals, a division of Aker Solutions Canada Inc. ("Aker Solutions"), and resource consultants, Scott Wilson Roscoe Postle Associates Inc. ("Scott Wilson RPA"), and resulted in a study confirming the previous economic robustness of the Dornod Uranium Project.

The DFS assumed a long-term uranium price of \$65 per lb  $U_3O_8$ , and a through-put of 3,500 tonnes per day over a 15 year mine life, and generated an average annual production rate of 3.0 million lbs  $U_3O_8$ , at a cost of \$23.22 per lb  $U_3O_8$  or \$58.26 per tonne of ore. Almost half of the total uranium production was in the first five years. The initial capital cost of the project was projected to be approximately \$333 million. The above parameters yielded a project IRR after tax of 29.1%, a NPV at a 10% discount rate of \$276 million and a payback period of 2.3 years. The after tax NPV at 10% using a uranium price of \$70 per lb  $U_3O_8$  was \$339 million and the after tax IRR was 32.5%.

On April 24, 2009, the complete Technical Report (NI 43-101) on the Definitive Feasibility Study for the Dornod Uranium Project, Mongolia, dated April 22, 2009, was posted and is available on SEDAR at [www.sedar.com](http://www.sedar.com).

Hrayr Agnerian, P.Geo., Associate Consulting Geologist at Scott Wilson RPA, E.J. (Gene) Puritch, P.Eng. and Malcolm Buck, P.Eng., P&E Mining Consultants Inc., and Les Heymann, P.Eng., Senior Process Consultant, Aker Solutions, were the qualified persons (as defined under NI 43-101) on the Dornod Uranium Project and supervised the preparation of the scientific and technical information contained in the Technical Report (NI 43-101) on the Definitive Feasibility Study for the Dornod Uranium Project, Mongolia, dated April 22, 2009 and the related prior news release issued by Khan on March 11, 2009 in respect of the results of the DFS, which form the basis for the written scientific and technical information reproduced in this Listing Statement, and copies of which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Activities at the Dornod Uranium Project**

In September 2008, the Corporation announced that it had entered into contracts for the construction of a power line and sedimentation pond for the Dornod Uranium Project. The electric power line would be constructed from the Xin Xin Mine, a zinc mine owned by a Chinese company, to the Dornod Uranium Project, a distance of about 26 kilometres and an electrical substation would be constructed at the site. The Xin Xin Mine is connected to an electric power line from the Choibalsan generating plant, approximately 120 kilometres to the south. In conjunction with the contract for the power line, an agreement for the supply of up to 15 megawatts of electricity had been entered into with the Choibalsan generating plant. The availability of electrical power from this plant would eliminate the use of diesel powered generators at the site and provide sufficient electricity for the future dewatering and rehabilitation of the underground mine workings. Water from the future dewatering of the underground mine workings would be pumped to the lined sedimentation pond to allow for the settlement and retention of sediments and particulate matter before the water was released into the environment. The sedimentation pond was substantially completed in June 2009. In April 2010, the contractor stopped work on the power line project. After several meetings with the contractor, it became apparent that the project would not be completed. A notice of default under the terms of the contract was sent to the contractor in November 2010, and the power line project has not progressed any further. The Dornod site was on a care and maintenance basis until June, 2012 at which time the decision was made to close and vacate the site.

### **Purchase of interest in Macusani Yellowcake Inc.**

On November 30, 2009, Khan acquired, by way of private placement, 10,000,000 common shares of Macusani, a Canadian TSX Venture Exchange company which holds uranium properties in the Macusani Plateau district of Peru, at a subscription price of CAD\$0.20 per share resulting in the Corporation holding approximately 17.9% of the then-outstanding common shares of Macusani immediately following the acquisition. Under separate agreement, Khan has a right to maintain its pro rata ownership of Macusani in certain subsequent treasury issuances for a period of two and a half years from the date of the private placement.



On November 4, 2010, Khan acquired by way of private placement 2,540,000 Macusani units at a subscription price of CAD\$0.25 per unit, each unit consisting of one Macusani common share and one Macusani share purchase warrant entitling the holder to purchase one Macusani common share at an exercise price of CAD\$0.35 per share for a period of 24 months after the acquisition. The warrants expired on November 4, 2012.

On March 23, 2011, Macusani completed a public offering of units. The Corporation purchased 2,983,330 of these units at a price of CAD\$0.60 per unit, each unit consisting of one Macusani common share and one half Macusani purchase warrant entitling the holder to purchase one Macusani common share at an exercise price of CAD\$0.85 per share for a period of 24 months. The warrants expired on March 23, 2013.

On April 20, 2012, Macusani announced that it completed a merger with Southern Andes Energy Inc. (“Southern Andes”) by issuing 0.8 of a common share of Macusani for each Southern Andes share held. The merged company now controls approximately 900 km<sup>2</sup> of uranium exploration ground in the Macusani Plateau uranium district in south-eastern Peru.

The Corporation currently holds 15,523,330 Macusani common shares representing approximately 9.73% of the outstanding common shares of Macusani.

#### **ARMZ Offer for Khan**

On November 27, 2009, Khan announced that it was informed that ARMZ, a Russian state-owned nuclear energy corporation and the owner of Priargunsky (a 21% joint venture partner in CAUC), intended to make an unsolicited offer to purchase all of the outstanding common shares of Khan for CAD\$0.65 per share (the “ARMZ Offer”). On November 30, 2009, ARMZ filed a copy of its offer to purchase and related take-over bid circular on SEDAR and published an advertisement formally commencing its ARMZ Offer. On December 15, 2009, Khan announced that its board of directors (the “Board” or “Board of Directors”) had unanimously recommended that shareholders reject the unsolicited ARMZ Offer. The Board of Directors unanimously believed that the ARMZ Offer was inadequate, failed to recognize the full value of Khan and contained objectionable terms and conditions. Subsequently, on February 1, 2010, ARMZ issued a press release and filed a notice of extension, extending the ARMZ Offer until March 1, 2010. On March 1, 2010, ARMZ announced that it was allowing the unsolicited ARMZ Offer to expire.

#### **Memorandum of Understanding**

After ARMZ launched its unsolicited offer to acquire all of the outstanding common shares of Khan, an independent Special Committee of the Khan Board of Directors was established and spent considerable amounts of time exploring and discussing possible strategic alternatives that would be in the best interests of Khan and would maximize value for its shareholders. A particular focus was on transactions that involved MonAtom, a Mongolian state owned company and a 21% joint venture partner in CAUC, and the Mongolian Government, in an attempt to find a mutually satisfactory transaction that would satisfy the state-ownership requirements set out in the Nuclear Energy Law while also providing Khan with a stable ownership and regulatory framework within which it could proceed to develop the Dornod Uranium Project. These efforts initially culminated in the entering into of a non-binding memorandum of understanding (the “MOU”) with MonAtom, announced by Khan on January 25, 2010, which sought to establish the principal elements of a joint venture transaction which could finalize the ownership structure surrounding the Dornod Uranium Project and create a framework for developing the project and bringing it into operation. Khan’s objective in entering into the MOU was to protect and preserve value for Khan’s

shareholders in light of the Nuclear Energy Law, the uncertain status of the Corporation's mining license and exploration license and the hostile bid by ARMZ.

The MOU contemplated that Khan and MonAtom would enter into a new joint venture arrangement whereby Khan and MonAtom would each hold shares of a joint venture company which would have ownership in both CAUC and KRL. Generally, the proposed structure contemplated MonAtom acquiring a 51% interest in each of CAUC and KRL in accordance with the Nuclear Energy Law. MonAtom would then transfer to Khan part of its interest in the joint venture in exchange for newly issued shares of Khan representing approximately 17% of Khan's outstanding common shares, and a warrant to purchase an additional approximate 2.9% of the common shares of Khan at an exercise price equal to the market price on the date that the definitive agreement was signed. This transfer was anticipated to result in Khan owning 65% of the joint venture company and the joint venture company owning 74% of CAUC and 100% of KRL.

The transaction contemplated under the non-binding MOU was subject to a number of conditions including negotiating and signing a formal joint venture agreement, operator agreements and related definitive documentation, as well as obtaining required approvals, including by the Khan and MonAtom boards and, accordingly, there was no assurance that the transactions contemplated by the MOU would be concluded or that the terms and conditions or proposed final structure would not change.

The MOU was carefully prepared in close consultation with MonAtom so as to satisfy the requirements of the Nuclear Energy Law. Khan also understood that the MOU had the approval of senior members of the Mongolian Government. A key condition to the MOU was that the licenses would be re-registered under the Nuclear Energy Law by no later than January 29, 2010. The license re-registrations, however, did not occur and towards the end of January, reports began circulating that the NEA had publicly stated that the MOU was invalid and contrary to the laws of Mongolia and therefore unenforceable. When it became apparent that the NEA was not able or willing to honour the MOU, and in the face of the threat of a then-still-outstanding hostile take-over bid by ARMZ, Khan's only remaining alternative was to negotiate a friendly transaction with CNNC (described below), whereby CNNC agreed to make an offer to acquire all of the outstanding shares of Khan at a price superior to the ARMZ Offer.

### **CNNC Offer**

On February 1, 2010, Khan announced that it had entered into a definitive support agreement with CNNC Overseas Uranium Holding Ltd. ("CNNC"), a subsidiary of China National Nuclear Corporation, pursuant to which CNNC agreed to make an offer to acquire all of Khan's outstanding common shares for CAD\$0.96 per share in cash (the "CNNC Offer"), upon and subject to the terms and conditions of the definitive agreement. The CNNC Offer represented a premium of approximately 118% to the closing share price prior to the ARMZ unsolicited bid, and a 48% premium to ARMZ's unsolicited CAD\$0.65 per share bid.

Khan announced on February 26, 2010 that the CNNC Offer had formally commenced. Khan's Board of Directors supported the CNNC Offer and recommended that shareholders tender their shares to the CNNC Offer. The CNNC Offer was initially open for acceptance until April 6, 2010 and was subsequently extended until May 25, 2010. On May 21, 2010, Khan announced that it had been informed by CNNC that it had failed to obtain the requisite Chinese regulatory approval for the CNNC Offer and, accordingly, would allow the CNNC Offer to expire at the scheduled expiry time on May 25, 2010.

According to information provided by CNNC, on May 21, 2010, CNNC was notified by the National Energy Administration, an arm of the Chinese National Development Reform Commission (“NDRC”), that the CNNC Offer was not approved. No reasons were given in the notice, nor have any reasons been provided by CNNC or otherwise since been made known to Khan as to why the NDRC refused to approve the transaction. The CNNC Offer was conditional upon CNNC receiving all necessary Chinese government and regulatory approvals, including NDRC approval.

## **Private Placements**

### 2012

On April 18, 2012, the Corporation completed a private placement of 13,600,000 Common Shares at a price of CAD\$0.17 per Common Share for gross proceeds of CAD\$2,312,000. No fees or commissions were paid as part of the private placement.

### 2013

On September 23, 2013, the Corporation completed a private placement of 7,237,703 Common Shares at a price of CAD\$0.17 per Common Share for gross proceeds of CAD\$1,230,409.70. No fees or commissions were paid as part of the private placement.

## **NARRATIVE DESCRIPTION OF THE BUSINESS**

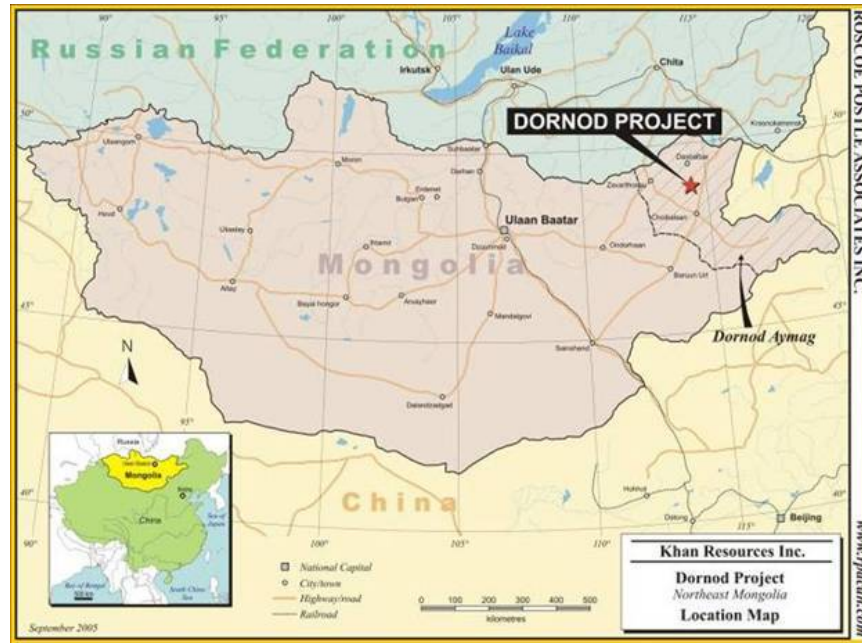
### **Business Objectives and Strategy**

The Corporation’s primary business objective is to obtain value for its historical interests in the Dornod Uranium Project through the pursuit of the International Arbitration and for its investment in Macusani. See “*Legal Proceedings – International Arbitration*”.

### **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 km<sup>2</sup> 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 Ulaan Baatar, 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 Dornod Uranium Project is located in the north-eastern portion of Mongolia some 650 km to the east of the capital city of Ulaan Baatar.

The descriptions below of certain mining, nuclear energy, tax, permitting and environmental laws and regulations potentially relevant to the Corporation, and the descriptions elsewhere in this Listing Statement concerning other laws relevant to the Corporation and its business, assets and operations, are of a general nature only and are not intended to be, nor should they be considered to be, legal or tax advice and no representation is made with respect thereto. Readers who are seeking legal or tax advice should consult their own advisors concerning the application and effect of such laws.

### *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, fluorspar, 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 and Russia.

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 was replaced in 2006 as described below), and the general rise in prices of commodities in subsequent years, many other companies have initiated exploration programs in Mongolia.

Gold, copper and thermal coal are important minerals currently being produced in Mongolia. Deposits of coking coal, used in making iron and steel, are expected to be exploited. Resources at the Tavan-Tolgoi deposits, about 530 km from the capital, Ulaan Baatar, 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, was actively encouraged. However, Mongolia's national policies concerning its mineral sector are continuously under review, and on July 8, 2006, the Great Khural (the "Mongolian Parliament") adopted a new Minerals Law that contains provisions relating to, among other things, state ownership that are inconsistent with the policy of actively encouraging foreign investment in the mining industry. (See *"Narrative Description of the Business – Mongolia – Political Landscape"* and *"Narrative Description of the Business – Mongolia – Mining Legislation"*.) With respect to uranium resources, the Mongolian Parliament passed a new Nuclear Energy Law on July 16, 2009 that classifies all radioactive mineral deposits, regardless of size, as strategically important mineral deposits and regulates the nuclear energy industry in Mongolia, including the exploration, exploitation, development, mining and sale of uranium. The new law became effective on August 15, 2009 and is discussed in greater detail below.

### *Political Landscape*

Mongolia has a democratic form of government based on a unicameral (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 Mongolian Parliament, which is the parliament of Mongolia. 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 in the elections of 1996. The MPRP regained power in 2000.

In 2004, MPRP and the Democratic Party each gained control of roughly one-half of the parliamentary seats. In order to form a government, the groups entered into a power sharing agreement that caused it to be difficult for the Government of Mongolia to maintain consistent policies and administrative practices, most notably within the minerals sector.

Following the general election held on June 29, 2008, where the MPRP won the majority of seats in the Mongolian Parliament, a new Ministry of Mineral Resources and Energy was established. Previously, the Ministry of Industry and Trade was responsible for mining and energy matters.

On June 28, 2012, another general election was held in Mongolia where the Democratic Party won most, but not a majority of seats in the Parliament. The Democratic Party has subsequently formed a coalition government with certain smaller parties and the coalition now constitutes the majority of seats in the Parliament.

On June 26, 2013, Tsakhia Elbegdorj, was re-elected as Mongolia's President.

### *Mining Legislation*

On July 8, 2006, the Mongolian Parliament revised the existing minerals legislation substantially changing the legal regime that governed the exploration and exploitation of mineral resources in Mongolia. The Minerals Law allowed the State to participate in a mining license-holder's company where a mineral deposit is defined by the State as being "strategically important". By definition, a strategically important minerals deposit is any deposit whose "scope may have a potential impact on national security, national or regional economic and social development, or that is producing or has the potential to produce more than 5% of total annual Gross Domestic Product". Additionally, the Minerals Law generally provided for increased reporting requirements, environmental bonds, new permitting requirements, consents and approvals from a broader range of government authorities prior to the commencement of commercial mining and changes to yearly exploration expenditures and fees payable to the State by mineral license-holders. Beginning in 2007, the Dornod Uranium Project was designated as a deposit of "strategic importance" under the Minerals Law. The activities of the Corporation were primarily regulated by the Minerals Law until the passage of the Nuclear Energy Law on July 16, 2009.

While the Minerals Law no longer directly regulates the exploration and exploitation of radioactive minerals (as uranium is defined in and governed by the Nuclear Energy Law), it remains an integral part of the Nuclear Energy Law in that many of the definitions, procedures and requirements of the Minerals Law have been incorporated and remain requirements for minerals license-holders under the Nuclear Energy Law.

To a lesser extent, the Subsoil Law of Mongolia, in addition to the Minerals Law and the Nuclear Energy Law, also regulates mineral license-holders.

### *Nuclear Energy Legislation*

On July 16, 2009, the Mongolian Parliament passed a new Nuclear Energy Law that classifies all radioactive mineral deposits, regardless of size, as strategically important mineral deposits and regulates the nuclear energy industry in Mongolia, including the exploration, exploitation, development, mining and sale of uranium. The law became effective on August 15, 2009.

The Nuclear Energy Law gives the Mongolian Government the right to take ownership without payment of not less than 51% (if uranium resources were determined with State funding), or not less than 34% (if uranium resources were determined without State funding) of the shares of a license holder, and the further right to revoke outstanding licenses if the license holders did not agree to abide by these provisions and submit applications in the required form to re-register their existing licenses in accordance with the Nuclear Energy Law by November 15, 2009.

Generally, the law gives the State Administrative Authority, being the Mongolian Nuclear Energy Agency (the "NEA"), the responsibility over the implementation and enforcement of State policy on the exploitation of radioactive minerals and nuclear energy, including the power to grant, suspend or revoke any licenses granted pursuant to the Nuclear Energy Law. The Nuclear Energy Law requires licenses to be obtained to conduct a variety of activities relating to radioactive minerals and nuclear energy, including an exploration license to prospect and explore for radioactive minerals, and a mining license to exploit radioactive minerals.

To obtain an exploration license, the law provides that the applicant must, among other things, conduct its activities in a transparent and stable manner, be financially capable to conduct exploration activity of radioactive minerals and reclamation, conduct responsible mining, and have sufficient experience in the field of mining. Exploration licenses are to be issued to persons who best meet the conditions set out in the Nuclear Energy Law, and agree to accept the state ownership of the required percentage of shares of the license holder, discussed above.

The Nuclear Energy Law also requires that a holder of a mining license conclude a mining agreement with the State Administrative Authority within 60 days from issuance of the mining license, setting out, among other things, the reasons for mining radioactive minerals, the term of exploitation, the type and grade of deposit and deposit reserves, the technology, production capacity and quantity of products to be mined as reflected in the feasibility study, conditions of sale, an environmental protection and reclamation plan including the associated implementation costs, a mine closure plan, and the other rights, obligations and responsibilities of the parties. The State Administrative Authority can revoke the license if a mining agreement is not concluded within the 60-day period.

The Nuclear Energy Law also provides that an Investment Agreement may be concluded between the State and an exploration and/or mining license holder for up to a 10-year term. The law further provides that an Investment Agreement may be extended for a further term of up to 10 years. There is no minimum investment threshold and investors of exploration or mining license are given the same protections as provided in the Minerals Law.

In connection with the passing of the Nuclear Energy Law, the Mongolian Parliament also passed certain procedures relating to the re-registration of existing exploration and mining licenses held prior to the Nuclear Energy Law becoming effective. As noted above, existing license holders were required to submit an application to the State Administrative Authority for the renewal and re-registration of their existing licenses by November 15, 2009. In order to have licenses re-registered, applicants were required to abide by all of the conditions and requirements set out in the Nuclear Energy Law, including acceptance of the State's 51% or 34% share participation in the license holder, as applicable. Any licenses that are not re-registered as required are considered to automatically be suspended. As noted elsewhere in this Listing Statement, robust applications to re-register both the mining and the exploration licenses for the Dornod Uranium Project were submitted prior to the November 15, 2009 deadline. However, as discussed elsewhere in this Listing Statement, to-date, the NEA has refused to reinstate and register the Corporation's licenses. The Corporation continues to believe that there exists no legal basis for the NEA to have refused to reinstate and re-register its licenses and that it has always acted in conformance with Mongolian laws. The Corporation has formally demanded to receive the official decision of the NEA in respect of its licenses, but never received a formal response. For further details, see "*General Development of the Business – Mining and Exploration Licenses*" and "*Legal Proceedings – Invalidity of Mining and Exploration Licenses*".

### *Environmental Legislation*

The Environmental Protection Law of Mongolia together with the Environmental Impact Assessment Law and the Minerals Law generally regulate how mineral resource companies must comply with environmental legislation related to their mining and development activities. All minerals resource companies have a duty to use the natural environment (which includes land and soil, water, underground and mineral wealth, flora, fauna and air) in a safe and healthy manner so as to prevent ecological imbalance. This duty includes the obligations to (i) conduct environmental impact assessments defining how the mining companies' exploitation of mineral resources will impact the environment, and the measures taken by the mining companies to minimize and/or mitigate the adverse effects of such

activities, (ii) prepare environmental protection plans and conduct ongoing environmental monitoring related to those plans, (iii) report yearly on the mining companies' compliance with the environmental protection plans and monitoring requirements, (iv) maintain records on toxic substance disposal and waste discharges as well as the operation of any monitoring equipment, and (v) properly fund State-held reclamation accounts in accordance with the level of mining companies' mining and related activities for each given year.

### **Available Funds and Principal Purposes**

The Corporation intends to use its available funds to pay for the International Arbitration and for working capital purposes. However, there may be circumstances where, for sound business reasons, a reallocation of the funds may be necessary.

## **SELECTED FINANCIAL INFORMATION**

### **Selected Annual Information**

The following table provides a brief summary of Khan's financial operations for the three (3) most recently completed financial years ended September 30, 2013, 2012 and 2011. For more detailed information, refer to Khan's consolidated financial statements available for review on SEDAR at [www.sedar.com](http://www.sedar.com) under Khan's corporate profile:

<b>Year ended</b>	<b>September 30, 2013 CAD\$000's</b>	<b>September 30, 2012 CAD\$000's</b>	<b>September 30, 2011 CAD\$000's</b>
<b>Revenue</b>	26	94	350
<b>Expenses</b>	(5,328)	(21,707)	(3,973)
<b>Loss before taxes</b>	(5,302)	(21,613)	(3,623)
<b>Income tax</b>	23	(10)	(201)
<b>Net loss</b>	(5,279)	(21,623)	(3,824)
<b>Net loss per share – basic and diluted</b>	(0.08)	(0.36)	(0.07)
<b>As at</b>			
<b>Cash</b>	2,231	4,680	5,927
<b>Working capital</b>	3,060	6,689	5,494
<b>Total assets</b>	3,518	7,001	24,996



## Summary of Quarterly Results

The following provides a brief summary of Khan's financial operations for the eight (8) most recently completed interim periods ended September 30, 2013, June 30, 2013, March 31, 2013, December 31, 2012, September 30, 2012, June 30, 2012, March 31, 2012 and December 31, 2011. For more detailed information refer to Khan's consolidated financial statements available for review on SEDAR at [www.sedar.com](http://www.sedar.com) under Khan's corporate profile:

<b>Interim Period Ended</b>	<b>September 30, 2013</b>	<b>June 30, 2013</b>	<b>March 31, 2013</b>	<b>December 31, 2012</b>
<b>Revenue</b>	3	4	7	11
<b>Expenses</b>	(1,968)	(1,151)	(971)	(1,214)
<b>Net income (loss)</b>	(1,965)	(1,147)	(964)	(1,203)
<b>Net (loss) per share – basic and diluted</b>	(0.03)	(0.02)	(0.01)	(0.02)
<b>As at</b>				
<b>Cash</b>	2,231	1,813	2,705	4,021
<b>Working capital</b>	3,060	2,314	4,193	5,593
<b>Total assets</b>	3,518	2,898	4,546	6,393
<b>Interim Period Ended</b>	<b>September 30, 2012</b>	<b>June 30, 2012</b>	<b>March 31, 2012</b>	<b>December 31, 2011</b>
<b>Revenue</b>	19	32	19	24
<b>Expenses</b>	(2,563)	(16,920)	1,278	(956)
<b>Net income (loss)</b>	(2,544)	(16,888)	(1,259)	(932)
<b>Net (loss) per share – basic and diluted</b>	(0.04)	(0.32)	(0.02)	(0.02)
<b>As at</b>				
<b>Cash</b>	4,680	5,237	3,911	5,005
<b>Working capital</b>	4,511	4,997	3,548	4,661
<b>Total assets</b>	7,001	7,595	21,810	22,428

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Annual MD&A

Khan's annual MD&A for the most recently completed financial year ended September 30, 2013 is available on SEDAR at [www.sedar.com](http://www.sedar.com) under Khan's corporate profile and is hereby incorporated by reference.

### Interim MD&A

Khan's interim MD&A's for the most recently completed interim periods ended June 30, 2013, March 31, 2013 and December 31, 2012 are available on SEDAR at [www.sedar.com](http://www.sedar.com) under Khan's corporate profile and is hereby incorporated by reference.

## MARKET FOR SECURITIES

Khan's Common Shares are listed and posted for trading on the CSE under the trading symbol "KRI".

## CONSOLIDATED CAPITALIZATION

The following table sets forth the share capital of Khan as at the date hereof based on the audited annual consolidated financial statements as at September 30, 2013 and as of the date of this Listing Statement:

Designation of Security	Amount Authorized	Amount Outstanding as at September 30, 2013	Amount Outstanding as of the date hereof
Common Shares	Unlimited	\$77,142,439 (75,363,148 shares)	\$77,149,449 (75,383,148 shares)

Note:

- (1) On December 12, 2013, 20,000 stock options with an exercise price of \$0.20 per Common Share and an expiry date of December 17, 2013 were exercised by employees of a subsidiary of the Corporation.

## OPTIONS TO PURCHASE SECURITIES

As of the date hereof, the following options to purchase Common Shares are held by:

Category of Optionee	Number of Optionees	Date of Grant	Number of Common Shares	Market Value of Common Shares on the Date of Grant	Market Value of the Common Shares as of the close of business on January 8, 2013	Exercise Price	Expiry Date
Executive officers and past executive officers of the Corporation	1	Dec 17, 2008	<b>100,000</b>	\$0.20	\$0.25	\$0.20	Dec 17, 2013 <sup>(1)</sup>
	1	Aug 17, 2010	<b>250,000</b>	\$0.285	\$0.25	\$0.29	Aug 16, 2015
	2	Feb 16, 2011	<b>250,000</b>	\$0.55	\$0.25	\$0.55	Feb 16, 2016
	3	Feb 16, 2012	<b>400,000</b>	\$0.165	\$0.25	\$0.20	Feb 16, 2015
	3	Feb 14, 2013	<b>500,000</b>	\$0.16	\$0.25	\$0.20	Feb 14, 2016
Directors and past directors of the Corporation who are not also executive officers of the Corporation	3	Dec 17, 2008	<b>333,334</b>	\$0.20	\$0.25	\$0.20	Dec 17, 2013 <sup>(1)</sup>
	7	Aug 17, 2010	<b>850,000</b>	\$0.285	\$0.25	\$0.29	Aug 16, 2015
	7	Feb 16, 2011	<b>750,000</b>	\$0.55	\$0.25	\$0.55	Feb 16, 2016
	6	Feb 16, 2012	<b>900,000</b>	\$0.165	\$0.25	\$0.20	Feb 16, 2015
	5	Feb 14, 2013	<b>1,050,000</b>	\$0.16	\$0.25	\$0.20	Feb 14, 2016

Category of Optionee	Number of Optionees	Date of Grant	Number of Common Shares	Market Value of Common Shares on the Date of Grant	Market Value of the Common Shares as of the close of business on January 8, 2013	Exercise Price	Expiry Date
Executive officers and past executive officers of all subsidiaries of the Corporation, who are not also executive officers, past executive officers, directors or past directors of the Corporation	Nil	N/A	Nil	N/A	N/A	N/A	N/A
Directors and past directors of all subsidiaries of the Corporation who are not also executive officers of the subsidiary of the Corporation, who are not also executive officers, past executive officers, directors or past directors of the Corporation	Nil	N/A	Nil	N/A	N/A	N/A	N/A
All other employees and past employees of the Corporation	2	Aug 17, 2010	100,000	\$0.285	\$0.25	\$0.29	Aug 16, 2015
	2	Feb 16, 2011	100,000	\$0.55	\$0.25	\$0.55	Feb 16, 2016
	2	Feb 16, 2012	100,000	\$0.165	\$0.25	\$0.20	Feb 16, 2015
	2	Feb 14, 2013	125,000	\$0.16	\$0.25	\$0.20	Feb 14, 2016
All other employees and past employees of the subsidiaries of the Corporation	Nil	N/A	Nil	N/A	N/A	N/A	N/A
All consultants of the Corporation	Nil	N/A	Nil	N/A	N/A	N/A	N/A
<b>Total</b>			<b>5,808,334</b>				

Note:

- (1) The options with an expiry date of December 17, 2013 for those optionees that are executive officers directors who are not also executive officers of the Corporation have been extended pursuant to the Corporation's stock option plan which states that if an option expires during or within ten (10) business days of the expiration of a black-out period, then the period in which an option may be exercised shall be extended by ten (10) business days following the expiry of such a black-out period. The Corporation imposed a black-out period as of November 22, 2013 that will expire two (2) full trading days from the date hereof.

### **DESCRIPTION OF THE SECURITIES**

Khan's share capital consists of an unlimited number of Common Shares, of which there were 75,383,148 issued and outstanding, as of the date hereof.

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. For a full description of the characteristics of the Common Shares of the Corporation, reference should be made to the articles of amendment and by-laws of Khan and the relevant provisions of the OBCA.

The following table sets forth particulars of the fully-diluted share capitalization of Khan as of the date hereof:

<b><u>Securities</u></b>	<b><u>Number of Common Shares</u></b>
Issued and Outstanding Common Shares	75,383,148
Shares Issuable Upon Exercise of Stock Options	5,808,334
<b>Total</b>	<b><u>81,191,482</u></b>

### **Stock Exchange Price**

Khan's Common Shares are listed and posted for trading on the TSX until the close of business on May 11, 2012. On May 14, 2012, Khan's common shares commenced trading on the CSE under the trading symbol "KRI". The following table outlines the high and low share price trading range for Common Shares and volume of Common Shares traded according to the periods set out below:

<b>Common Share Price per share Volumes Traded (in Canadian dollars)</b>				
<b>Market</b>	<b>Period</b>	<b>High</b>	<b>Low</b>	<b>Volume</b>
TSX	October 2011 – December 2011	\$0.27	\$0.18	1,854,315
TSX	January 2012 – March 2012	\$0.23	\$0.15	2,963,772
TSX	April 2012 – May 11, 2012	\$0.18	\$0.15	2,011,091
CSE	May 14, 2012 – June 30, 2012	\$0.16	\$0.13	1,377,448
CSE	July 2012 – September 2012	\$0.21	\$0.14	1,439,870
CSE	October 2012 – December 2012	\$0.20	\$0.09	3,637,436
CSE	January 2013 – March 2013	\$0.19	\$0.10	5,230,350
CSE	April 2013 – June 2013	\$0.15	\$0.10	450,078
CSE	July 2013	\$0.18	\$0.12	100,400
CSE	August 2013	\$0.30	\$0.14	166,661
CSE	September 2013	\$0.21	\$0.15	342,245
CSE	October 2013	\$0.26	\$0.17	1,336,300
CSE	November 2013	\$0.27	\$0.18	401,700
CSE	December 2013	\$0.30	\$0.18	316,115
CSE	January 1, 2014 – January 13, 2014	\$0.25	\$0.20	27,800

## **ESCROWED SECURITIES**

To the knowledge of the Corporation, there are no securities held or to be held in escrow.

## **PRINCIPAL SHAREHOLDERS**

As of the date hereof, to the knowledge of the directors and senior officers of Khan, no person beneficially owns, directly or indirectly, or exercises control or direction over, directly or indirectly, voting securities carrying ten (10%) percent or more of the voting rights attached to any class of voting securities of the Corporation, except as disclosed below:

<b>Name of Shareholder</b>	<b>Number of Common Shares beneficially owned, controlled or directed, directly or indirectly</b>	<b>Percentage of Common Shares beneficially owned, controlled or directed, directly or indirectly</b>
VR Global Partners, L.P.	10,573,500 <sup>(1)</sup>	14.03% <sup>(2)</sup>
West Face Long Term Opportunities Global Master L.P.	12,243,000 <sup>(3)</sup>	16.24% <sup>(4)</sup>

Notes:

- (1) Based on insider reports publicly filed on the System for Electronic Disclosure by Insiders (SEDI) as at January 6, 2014.
- (2) VR Global Partners, L.P. holds 13.02% of the Common Shares on a fully diluted basis.
- (3) Based on the Alternative Monthly Report filed on SEDAR at [www.sedar.com](http://www.sedar.com), under Khan's corporate profile by West Face Capital Inc., as portfolio manager of West Face Long Term Opportunities Global Master L.P.
- (4) West Face Long Term Opportunities Global Master L.P. holds 15.08% of the Common Shares on a fully diluted basis.

## **DIRECTORS AND OFFICERS**

### **Name, Occupation and Security Holding**

The following table sets forth the names and municipalities of residence, offices or positions with Khan, principal occupations of the current directors and officers of Khan. The term of each director of Khan expires as of the next annual general meeting of Khan:

<b>Name and Address of Director or Officer</b>	<b>Position Presently Held</b>	<b>Principal Occupation</b>	<b>Director Since</b>
James B. C. Doak <sup>(1)</sup> Toronto, Ontario, Canada	Director, Chairman	President and Managing Partner of Megantic Asset Management Inc., an investment management company	2005
Raffi Babikian <sup>(1) (3)</sup> Montreal, Québec, Canada	Director	Corporate finance and marketing consultant to uranium mining companies	2010

<b>Name and Address of Director or Officer</b>	<b>Position Presently Held</b>	<b>Principal Occupation</b>	<b>Director Since</b>
Grant A. Edey Mississauga, Ontario, Canada	Director, President & Chief Executive Officer	Officer of Khan	2007
Marc C. Henderson <sup>(1)(2)</sup> Toronto, Ontario, Canada	Director	President and Chief Executive Officer of Laramide Resources Ltd., a resource company and holder of 9.69% of Khan's outstanding common shares	2010
David L. McAusland <sup>(2)(3)</sup> Montreal, Quebec, Canada	Director	Corporate Director, consultant, and lawyer	2008
Martin Quick <sup>(2)(3)</sup> Niagara on the Lake, Ontario, Canada	Director	Corporate Director	2006
K. Bruce Gooding Toronto, Ontario, Canada	Chief Financial Officer	Certified Management Accountant	-
Jeremy Budd Toronto, Ontario, Canada	Corporate Secretary	Lawyer	-

Notes:

- (1) Member of the Audit and Finance Committee.
- (2) Member of the Compensation Committee.
- (3) Member of the Corporate Governance and Nominating Committee.

As of the date hereof, as a group, all directors and executive officers listed above beneficially owned, or controlled or directed, directly or indirectly, 4,200,499 Common Shares, representing approximately 5.57% of the total issued and outstanding Common Shares. In addition, as of that date, Khan's directors and executive officers, as a group, held 4,833,334 options exercisable to acquire an aggregate of held 4,833,334 Common Shares.

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

***James B. C. Doak, 58***

James B. C. Doak is the Chairman and Director of Khan and devotes approximately 5% of his time towards the Corporation. Mr. Doak sits on the Corporation's audit and finance committee.

Mr. Doak has over 25 years' experience as a Chartered Financial Analyst. Mr. Doak has served as the President and Managing Partner of Megantic Asset Management Inc., a Toronto-based investment company, since 2002. James Doak is also a Director of Cascades Inc., Purepoint Uranium Group Inc. and of Eurocopter Canada Ltd. Mr. Doak serves as Chair, Audit Committee for both Eurocopter and Purepoint and as Chair, Corporate Governance Committee for Cascades. As well, he is a former Director of PetroKazakhstan Inc., Superior Propane Inc. and Spar Aerospace Inc. Mr. Doak 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 and a past Chair and Director of l'Alliance Française de Toronto. Mr. Doak has published a number of columns in two Canadian financial publications as well as a submission to the House of Commons Special Committee on Energy. Mr. Doak was educated at McGill University and the University of Toronto and holds his CFA designation.

Mr. Doak has not entered into a non-disclosure or a non-competition agreement with the Corporation.

***Raffi Babikian, 37***

Raffi Babikian is a Director of Khan and devotes approximately 5% of his time towards the Corporation. Mr. Babikian sits on the Corporation's audit and finance committee and corporate governance and nominating committee.

Mr. Babikian is a corporate finance and marketing advisor to global uranium mining companies. He was previously Vice-President, Investment Banking at Dundee Securities, where he was responsible for the firm's uranium mining practice. Raffi began his professional career at AREVA SA, the world's leading nuclear fuel cycle company, at the company's headquarters in Paris, France. His first responsibilities there involved evaluating growth opportunities for the company's reprocessing/recycling business. He subsequently joined Areva's Uranium Mining Business unit, working to identify, evaluate and implement merger and acquisition opportunities and associated marketing strategies. Mr. Babikian has a Bachelor of Engineering from McGill University, a MSc. from MIT, and an MBA from the Collège des Ingénieurs in Paris.

Mr. Babikian has not entered into a non-disclosure or a non-competition agreement with the Corporation.

***Grant A. Edey, 64***

Grant A. Edey is the President, Chief Executive Officer and a director of the Corporation and devotes approximately 50% of his time towards the Corporation. His responsibilities include leadership of the Corporation, including but not limited to oversight of the international arbitration.

Mr. Edey has over 40 years of experience in the mining industry. Mr. Edey was Chief Financial Officer at IAMGOLD Corporation from 2003 to 2007. From 1996 to 2002, he was Vice-President, Finance, Chief Financial Officer and Corporate Secretary of Repadre Capital Corporation. Prior to 1996, he held senior positions with Strathcona Mineral Services Limited, TransCanada Pipelines Limited, Eldorado Nuclear Limited, Rio Algom Limited and INCO Limited. Mr. Edey is also a director of Primero Mining Corp. Mr. Edey holds a B.Sc. in Mining Engineering from Queen's University and an M.B.A. from the University of Western Ontario.

Mr. Edey has not entered into a non-disclosure or a non-competition agreement with the Corporation.

***Marc C. Henderson, 54***

Marc C. Henderson is a Director of Khan and devotes approximately 5% of his time towards the Corporation. Mr. Henderson sits on the Corporation's audit and finance committee and compensation committee.

Mr. Henderson is the President and CEO and a director of Laramide Resources Ltd. ("Laramide"), a Toronto-based resource company specializing in the acquisition, discovery and development of uranium projects and a large shareholder of Khan holding approximately 9.69% of Khan's outstanding shares. Mr. Henderson has more than 20 years of experience running junior mining companies and has served as president of a number of public companies, including Aquiline Resources Inc. from 1998 until its sale to Pan American Silver in 2009.

Mr. Henderson has not entered into a non-disclosure or a non-competition agreement with the Corporation.

***David L. McAusland, 59***

David L. McAusland is a Director of Khan and devotes approximately 5% of his time towards the Corporation. Mr. McAusland sits on the Corporation's compensation committee and corporate governance and nominating committee.

Mr. McAusland is a senior lawyer and corporate director. A graduate of the Faculty of Law of McGill University, he practiced law for over 20 years at a prominent Montreal law firm. In 1999, he became a senior executive with Alcan Inc., a major Canadian industrial and resource company, retiring as Executive Vice President, Corporate Development and Chief Legal Officer in 2008 when the company was acquired. In 2009, Mr. McAusland joined McCarthy Tétrault LLP as a partner.

Mr. McAusland currently acts as director of Cogeco Inc. and Cogeco Cable Inc., Cascades Inc., and ATS Automation Tooling Systems Inc. He serves as a member of the Corporate Governance Committee for all the above companies, as Chairman of the Human Resource Committee of Cascades Inc., and Chairman of the Board of Directors of ATS Automation Tooling Systems Inc.

He is the Chairman of the Foundation of the National Circus School and director of the Montreal General Hospital Foundation.

Mr. McAusland has not entered into a non-disclosure or a non-competition agreement with the Corporation.



***Martin Quick, 70***

Martin Quick is a Director of Khan and devotes approximately 5% of his time towards the Corporation. Mr. Quick sits on the Corporation's compensation committee and corporate governance and nominating committee.

Mr. Quick has over 47 years of worldwide experience in the mining industry, including engineering, operations, and senior corporate fields. He has held senior mining production and engineering positions in Africa, Australia, Fiji, the United States and Canada.

He retired as President and CEO of Khan Resources Inc. in June 2010 having served in that position for 4 ½ years. From August 2004 until December 2005, Mr. Quick was President and Chief Operating Officer of Power Resources Inc., a wholly-owned subsidiary of Cameco Corporation, a global producer of uranium for the nuclear power industry. Prior to this appointment, from March 2001 to July 2004, Mr. Quick was Vice President - Mining with Cameco Corporation, based in Saskatoon, where he was responsible for Cameco's Northern Saskatchewan operations including the world's largest uranium mine at McArthur River/Key Lake, and the planning and development of the Cigar Lake project. Prior to joining Cameco, Mr. Quick held senior operating positions with Areva and Rio Algom.

He is a Professional Engineer (P.Eng.) in the province of Saskatchewan and a graduate of the Camborne School of Metalliferous Mining (ACSM), in the United Kingdom.

Mr. Quick has not entered into a non-disclosure or a non-competition agreement with the Corporation.

***K. Bruce Gooding, 60***

K. Bruce Gooding is the Chief Financial Officer of Khan and devotes approximately 25% of his time towards the Corporation. Mr. Gooding's responsibilities will include all financial and accounting matters including preparation of interim and annual financial statements, continuous disclosure filing requirements and filing corporate tax returns.

Mr. Gooding is a Certified Management Accountant with over 30 years of experience in senior management positions. Most recently he has managed his own practice providing financial project and management services to smaller public companies in the mining and other industries. Prior to establishing his own practice, Bruce held various senior finance roles at McDonald's Restaurants of Canada Limited, Consumers Distributing Inc. and Foot Locker Canada Inc. He has acted as Treasurer of Ronald McDonald House Charities of Canada and other not-for-profit corporations.

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

***Jeremy Budd, 35***

Jeremy Budd is the Corporate Secretary of the Corporation and devotes approximately 5-10% of his time towards the Corporation. His responsibilities include giving notice of meetings of the Board, a committee thereof and a shareholder's meeting when directed to do so.

Mr. Budd, of Budd Law, has been practising corporate and securities law, in Toronto, Ontario, since 2007 representing issuers and underwriters in a wide variety of capital market transactions. Mr. Budd obtained his LL.B./M.B.A. from Osgoode Hall, Law School and the Schulich School of Business at York University in 2005 and holds a Bachelor of Arts in philosophy from Huron University College at the University of Western Ontario.

Mr. Budd has not entered into a non-disclosure or a non-competition agreement with the Corporation.

### **Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

No director or executive officer of Khan is, as at the date hereof, or was within ten (10) years before the date of this Listing Statement, a director, chief executive officer or chief financial officer of any company (including Khan), that:

- (a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or
- (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

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

- (a) is, as at the date hereof, or has been within the ten (10) years before the date of this Listing Statement, a director or executive officer of any company (including Khan) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or
- (b) has, within the ten (10) years before the date of this Listing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

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

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

## Conflicts of Interest

The directors or officers of Khan are, or may become, directors or officers of other companies with businesses which may conflict with the business of Khan. In accordance with the OBCA, directors are required to act honestly and in good faith with a view to the best interests of Khan. In addition, directors in a conflict of interest position are required to disclose certain conflicts to Khan and to abstain from voting in connection with the matter. To the best of Khan's knowledge, there are no known existing or potential conflicts of interest between Khan or a subsidiary of Khan and a director or officer of Khan or a subsidiary of Khan as a result of their outside business interests at the date hereof.

## CAPITALIZATION

### Issued Capital

To the best knowledge of the Corporation, the following table sets out the number of Common Shares available in Khan's Public Float and Freely-Tradeable Float on a diluted and non-diluted basis, as of November 29, 2013, pursuant to the size of the shareholder's holding:

	Number of Securities		Percentage of Issued	
	Non-Diluted	Fully Diluted	Non-Diluted	Fully Diluted
<b><u>PUBLIC FLOAT</u></b>				
(A) Total outstanding	75,383,148	81,191,482	100%	100%
(B) Held by Related Persons or employees of the Corporation or Related Persons of the Corporation, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Corporation (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Corporation upon exercise or conversion of other securities held)	34,330,699	39,589,033	45.54%	48.76%
(A-B) Total Public Float	41,052,449	41,602,449	54.46%	51.24%

	Number of Securities		Percentage of Issued	
	Non-Diluted	Fully Diluted	Non-Diluted	Fully Diluted
<b><u>FREELY-TRADEABLE FLOAT</u></b>				
(C) Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders	7,237,703	7,237,703	9.6%	8.91%
(A-C) Total Tradeable Float	68,145,445	73,953,779	90.4%	91.09%

### Public Securityholders (Registered)

To the best knowledge of the Corporation, the following table sets out the breakdown of the registered shareholders of the Corporation as of November 29, 2013, pursuant to the size of the shareholder's holding. For the purposes of this table, registered holders are persons other than persons enumerated in section (B) of the Issued Capital table above:

<b>Class of Security: Common Shares</b>		
<b><u>Size of Holding</u></b>	<b><u>Number of holders</u></b>	<b><u>Total number of securities</u></b>
1 – 99	Nil	Nil
100 – 499	Nil	Nil
500 – 999	1	500
1,000 – 1,999	1	1,000
2,000 – 2,999	Nil	Nil
3,000 – 3,999	1	3,000
4,000 – 4,999	Nil	Nil
5,000 or more	<u>17</u>	<u>75,378,648</u> <sup>(1)</sup>
<b>Total</b>	<b>20</b>	<b>75,383,148</b>

Note:

- (1) Includes the 20,000 stock options exercised by employees of a subsidiary of the Corporation on December 12, 2013.

## Public Securityholders (Beneficial)

To the best knowledge of the Corporation, the following table sets out the number of holders and securities of (i) beneficial holders holding securities in their own name as registered shareholders; and (ii) beneficial holders holding securities through an intermediary where the Corporation has been given written confirmation of shareholdings, as of November 29, 2013, pursuant to the size of the shareholder's holding:

<b>Class of Security: Common Shares</b>		
<b><u>Size of Holding</u></b>	<b><u>Number of holders</u></b>	<b><u>Total number of securities</u></b>
1 – 99	35	1,145
100 – 499	321	81,055
500 – 999	295	179,722
1,000 – 1,999	513	587,593
2,000 – 2,999	299	630,965
3,000 – 3,999	137	431,864
4,000 – 4,999	95	395,152
5,000 or more	620	67,045,606 <sup>(1)</sup>
Unable to confirm	<u>Nil</u>	<u>Nil</u>
<b>Total</b>	<b>2,315</b>	<b>69,353,102</b>

Note:

- (1) Includes the 20,000 stock options exercised by employees of a subsidiary of the Corporation on December 12, 2013.

### Non-Public Securityholders (Registered)

To the best knowledge of the Corporation, the following table sets out the number of holders and securities of non-public security holders of the Corporation as of November 29, 2013, pursuant to the size of the shareholders holding. For the purposes of this table, non-public security holders are persons enumerated in section (B) of the Issued Capital table:

Class of Security: Common Shares		
<u>Size of Holding</u>	<u>Number of holders</u>	<u>Total number of securities</u>
1 – 99	Nil	Nil
100 – 499	Nil	Nil
500 – 999	Nil	Nil
1,000 – 1,999	Nil	Nil
2,000 – 2,999	Nil	Nil
3,000 – 3,999	Nil	Nil
4,000 – 4,999	Nil	Nil
5,000 or more	<u>9</u>	<u>34,330,699</u>
<b>Total</b>	<b>9</b>	<b>34,330,699</b>

## Stock Options

The following table sets out a description of securities that are convertible or exchangeable into listed securities of the Corporation as of the date hereof:

Description of Security	Number of Stock Options Outstanding	Number of Common Shares issuable upon exercise
Granted on December 17, 2008 at an exercise price of \$0.20 and expiring on December 17, 2013 <sup>(1)</sup>	433,334	433,334
Granted on August 17, 2010 at an exercise price of \$0.29 and expiring on August 16, 2015	1,200,000	1,200,000
Granted on February 16, 2011 at an exercise price of \$0.55 and expiring on February 16, 2016	1,100,000	1,100,000
Granted on February 16, 2012 at an exercise price of \$0.20 and expiring on February 16, 2015	1,400,000	1,400,000
Granted on February 14, 2013 at an exercise price of \$0.20 and expiring on February 14, 2016	<u>1,675,000</u>	<u>1,675,000</u>
<b>Total:</b>	<b>5,808,334</b>	<b>5,808,334</b>

Note:

- (1) The 433,334 options with an expiry date of December 17, 2013 for those optionees that are executive officers directors who are not also executive officers of the Corporation have been extended pursuant to the Corporation's stock option plan which states that if an option expires during or within ten (10) business days of the expiration of a black-out period, then the period in which an option may be exercised shall be extended by ten (10) business days following the expiry of such a black-out period. The Corporation imposed a black-out period as of November 22, 2013 that will expire two (2) full trading days from the date hereof.

## **EXECUTIVE COMPENSATION**

Please see Schedule “A” for Khan’s Statement of Executive Compensation included in the Corporation’s management information circular dated January 11, 2013. Khan does not intend to make any material changes to its executive compensation.

## **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

As at the hereof, there is not any indebtedness owing to the Corporation or any of its subsidiaries by any officers, directors or employees of the Corporation or any of its subsidiaries or any former officers, directors or employees of the Corporation or any of its subsidiaries.

## **RISK FACTORS**

### **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 raise adequate financing in the future. In addition, any material delays, or failure of the Corporation to raise adequate financing could have a material adverse impact on the continuance of the International Arbitration and the Corporation's business, assets and financial condition.

### **Legal Proceedings**

In the course of its business, the Corporation may from time to time become involved in various claims, arbitration and other legal proceedings, with and without merit. The nature and results of any such proceedings cannot be predicted with certainty. As discussed in further detail below under “*Legal Proceedings*”, the Corporation initiated, in January 2011, an International Arbitration action against the Government of Mongolia in connection with the ongoing issues surrounding the Corporation’s licenses, including the Government’s expropriatory, unlawful, unfair and discriminatory treatment in respect of the Dornod Uranium Project and the related licenses. Such proceedings, and any potential future claims and proceedings, are likely to be of a material nature. In addition, such claims, arbitration and other legal proceedings can be lengthy and involve the incurrence of substantial costs and resources by the Corporation, and the outcome, and the Corporation’s ability to enforce any ruling(s) obtained pursuant to such proceedings, are subject to inherent risks and uncertainty. The initiation, pursuit and/or outcome of any particular claim, arbitration or legal proceeding could have a material adverse affect on the Corporation’s financial position and results of operations, and on the Corporation’s business, assets and prospects. In addition, if the Corporation is unable to resolve any existing or future potential disputes and proceedings favourably, or obtain enforcement of any favourable ruling, if any, that may be obtained pursuant to such proceedings, it is likely to have a material adverse impact on the Corporation’s business, financial condition and results of operations and the Corporation’s assets and prospects.

### **Foreign Operations**

The Corporation currently has operations in Mongolia, the Netherlands, Bermuda and the British Virgin Islands. Economic and other factors in the countries in which Khan operates, including inflation, fluctuations in currency and interest rates, civil unrest and labour problems, could affect its business activities and results of operations. Khan’s operations could also be adversely affected by government actions such as controls on imports, exports and prices, new forms of taxation, expropriation and increased government regulation in the countries in which Khan operates.



In addition, through its investment in Macusani, the Corporation is exposed to risks of political instability and changes in government policies, laws and regulations in Peru. Macusani holds mineral interests in the Republic of Peru 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 Peru. Any changes in regulations or shifts in political conditions are beyond the Corporation's control and may adversely affect the Corporation's and/or Macusani's business.

### **Political Stability and Government Regulation**

Khan is exposed to risks of political instability and changes in government policies, laws and regulations in countries in which it has interests. 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 adversely affected in varying degrees by government regulations, including those with respect to restrictions on foreign ownership, state ownership of strategic resources, production, price controls, export controls, income taxes, expropriation of property, employment, environmental legislation and mine safety. Regulatory environments 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 adversely affected in varying degrees by economic instability, economic or other sanctions imposed by other nations, terrorism, military repression, crime, risk of corruption including violations under U.S. and Canadian foreign corrupt practices statutes, fluctuations in currency exchange rates and high inflation.

### **Inability to Enforce the Corporation's Legal Rights in Certain Circumstances**

In the event of a dispute arising in respect of the Corporation's foreign operations, the Corporation 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 or elsewhere. The Corporation may also be hindered or prevented from enforcing its rights with respect to a government entity or instrumentality because of, among other things, the doctrine of sovereign immunity. Any adverse or arbitrary decision of a court, arbitrator or other governmental or regulatory body may have a material adverse impact on the Corporation's business, assets, prospects, financial condition and results of operations. See also "*Risks Factors – Legal Proceedings*" above.

Pursuant to the dispute resolution provisions of the CAUC founding agreements stipulate that any dispute between the parties thereto is to be submitted to international arbitration, such as the International Arbitration that was commenced in January 2011 against the Government of Mongolia. There can be no assurances as to the outcome of the International Arbitration nor any other such arbitration proceeding, if pursued.

The Corporation's inability to enforce its contractual rights could have a material adverse effect on its future cash flows, earnings, results of operations and financial condition, as well as its business, assets and prospects.

### **Additional Capital Requirements**

The Corporation has limited financial resources to fund its operations, including the International Arbitration, and has no assurance that additional funding will be available to it. The ability of the Corporation to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions as well as the business performance of the Corporation. Failure to obtain sufficient financing may result in delaying or the indefinite postponement of its operations, including the International Arbitration.

There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Corporation.

If the Corporation raises additional funds through the sale of equity securities, shareholders may have their investment diluted.

### **Possible Strategic Opportunities and Transactions**

The Corporation evaluates from time to time strategic opportunities to acquire or invest in uranium mining assets and businesses, such as its investment in Macusani. These acquisitions or investments may be significant in size, may change the scale of the Corporation's business and may expose it to new geographic, political, operating, financial and geological risks. In addition, the Corporation evaluates from time to time possible strategic opportunities that may be in the best interests of the Corporation and accretive to its shareholders. The Corporation's success in pursuing any such strategic opportunities depends on, among other things, its ability to identify suitable candidates and enter into arrangements with such candidates on acceptable terms. Any strategic opportunity that the Corporation may pursue would be accompanied by risks, such as the difficulty of completing a strategic transaction and, if completed, the difficulty of integrating operations, if appropriate; the potential disruption to the Corporation's ongoing business; the inability of management to maximize the financial and strategic position of the Corporation; additional expenses and resources associated with pursuing and/or completing such opportunities; possible dilution of the Corporation's shareholders or its interest in its subsidiaries, joint ventures and/or assets; and potential unknown risks and liabilities associated with assets and businesses in whom the Corporation invests or enters into some other strategic transaction, among other things. There can be no assurance that the Corporation will be successful in identifying, pursuing or completing any proposed or future strategic opportunity or that the Corporation will be successful in overcoming any risks associated with any proposed, completed or future strategic opportunity pursued by the Corporation. Accordingly, such strategic opportunities and transactions may have a material adverse effect on the Corporation's business, results of operations, financial condition, assets, cash flows and liquidity. In addition, there may be no right for shareholders to evaluate the merits or risks of any future strategic transaction undertaken by the Corporation except as required by applicable laws and regulations.

### **Fluctuations in Currency Exchange Rates and Commodity Prices**

Fluctuations in currency exchange rates may adversely affect the Corporation's financial position. Fluctuations in currency exchange rates 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.

The estimates of commodity prices and currency exchange rates used in the Corporation's technical reports and/or feasibility studies are based on conditions prevailing at the time of writing of such reports. These conditions can change significantly over relatively short periods of time and, as such, there can be no assurance that the estimates of uranium prices or currency exchange rates used in such reports will remain accurate.

### **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 after taking into account many factors, including the financial condition and current and anticipated cash needs of the Corporation.

### **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 existing environmental regulation or future changes in environmental regulation, if any, will not adversely affect the Corporation's business. Environmental hazards may exist on the properties in which Khan held an interest which are presently unknown to it and which have been caused by previous or existing owners or operators of the properties, such as Khan or Priargunsky.

### **Difficulty in Recruiting and Retaining Management and Key Personnel**

Khan is dependent on a relatively small number of key directors, officers and employees. Loss of any one of those persons could have an adverse effect on it. Recruiting and retaining qualified personnel is critical to the Corporation's success. However, competition for personnel in the industry in which the Corporation operates is intense, and the Corporation may not be successful in attracting and retaining qualified personnel. If the Corporation's business activity grows, it may also require additional key financial, administrative and mining personnel, which will also be subject to intense competition. There can be no assurance that the Corporation will be successful in attracting and/or retaining qualified personnel.

### **Market Price and Volatility of Common Shares**

Securities have experienced an extreme level of price and volume volatility over the past few of years and the market price of securities of many companies has experienced wide fluctuations which, in many cases, have not necessarily been related to the performance, underlying asset values or prospects of such companies. The trading price of the Common Shares has been, and may continue to be, subject to large fluctuations and, therefore, may result in losses to investors. In addition, following periods of volatility in the market price of a company's securities, shareholders have instituted class action securities litigation against those companies. Such litigation, if instituted, could result in substantial costs and diversion of management attention and resources, which could significantly harm the Corporation's business, condition, prospects and reputation.

### **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. Any failure in the Corporation's internal controls over financial reporting may have a material adverse impact on the Corporation, its financial condition or its results of operations.

## **Insurance Coverage**

While the Corporation maintains insurance against certain risks, the nature of these risks is such that liability could exceed policy limits or could be excluded from coverage. There are also risks against which the Corporation cannot insure or against which it may elect not to insure for various reasons. The potential costs associated with any liabilities not covered by insurance, or in excess of insurance coverage, or compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting the future business, assets, prospects, financial condition and results of operations of the Corporation.

## **PROMOTERS**

The Corporation does not currently use the services of a Promoter for the purpose of performing investor relation activities on behalf of the Corporation.

## **LEGAL PROCEEDINGS**

### **Mining License Suspension**

On July 15, 2009, the Corporation reported that it had received notice from MRAM (formerly MRPAM) that the mining license for the Main Dornod Property, held by CAUC, had been suspended. On January 14, 2010, the Corporation announced that a settlement had been reached with MRAM whereby the suspension of the mining license for the Main Dornod Property, held by CAUC, had been terminated (See *“General Development of the Business – Mining and Exploration Licenses”*).

### **Invalidation of Mining and Exploration Licenses**

Khan announced on April 13, 2010 that CAUC and KRL had received notices from the NEA that the mining license for the Main Dornod Property and the exploration license for the Additional Dornod Property had been invalidated. The invalidations purported to be effective as of October 8, 2009 and purported to be based on a failure by CAUC and KRL to address violations of Mongolian law stemming from a July 2009 report issued by an inspection team appointed by the Mongolian State Specialized Inspection Agency (the “SSIA”) in respect of the mining license.

Subsequently, CAUC and KRL filed separate formal claims in the Capital City Administrative Court in Mongolia challenging the legal basis for the notices received from the NEA purporting to invalidate CAUC’s mining license and KRL’s exploration license.

On July 19, 2010, the Capital City Administrative court ruled in favour of CAUC and declared that the notice by the NEA purporting to invalidate CAUC’s mining license was itself illegal and invalid. On August 2, 2010, the Court ruled in favour of KRL, also declaring the notice by the NEA purporting to invalidate KRL’s exploration license was illegal and invalid. The NEA appealed the CAUC decision but not the KRL decision. On October 27, 2010, the Corporation received a favourable written decision from the Mongolian Appellate Court in respect of the CAUC appeal which, effectively, re-confirmed that the notice to CAUC was illegal and invalid.

The Appellate Court's ruling, while containing some variations, stated that an official decision by the authorized authority has not been made in respect of CAUC's mining license in accordance with procedures stated in Mongolian law. Following these decisions, CAUC and KRL again requested the NEA to re-register the licenses as applied for in November 2009.

On November 12, 2010, the NEA published what it called an official notification in certain Mongolian newspapers stating that it did not intend to reissue the CAUC and KRL licenses. The notices broadly accused KRL and CAUC, amongst other things, of disrespecting state laws and legislation and failing to fulfill conditions and requirements set out by law. The newspaper notice does not constitute an official decision pursuant to Mongolian law, which must include the legal reasons for making such a decision. The Corporation continues to believe that there exists no legal basis for the NEA to refuse to reinstate and re-register its licenses and that it has always acted in conformance with Mongolian laws. The Corporation has formally demanded to receive the official decision of the NEA but has yet to receive a response.

### **International Arbitration**

In July 2010, Khan retained the Washington, D.C. law firm of Crowell & Moring LLP to study the possibility of initiating International Arbitration proceedings against the Government of Mongolia. Following the failure of the NEA to reissue the Dornod licenses to Khan, the Corporation announced on January 10, 2011 that it had formally commenced an international arbitration action against the Government of Mongolia for its expropriatory and unlawful treatment of Khan in relation to the Dornod Uranium Project. The claim seeks over US\$326 million in compensation for losses and damages.

The arbitration, which is brought by Khan and several of its subsidiaries, is governed by the Arbitration Rules of the United Nations Commission on International Trade Law, and asserts claims under the Energy Charter Treaty, the Foreign Investment Law of Mongolia, and the Founding Agreement between Khan and the Mongolian Government. The claim was served on various officials of the Government of Mongolia on January 10, 2011.

The presiding Tribunal for the International Arbitration action was constituted on May 9, 2011 and consists of three well-known and highly respected international arbitrators: Mr. Yves Fortier of Canada (appointed by Khan); Mr. Bernard Hanotiau of Belgium (appointed by Mongolia) and Mr. David A.R. Williams of New Zealand (appointed as the presiding arbitrator by Messrs. Fortier and Hanotiau).

The Tribunal held its first hearing on June 21, 2011 to discuss scheduling and procedural matters. Prior to this hearing, Mongolian counsel for the action had brought a motion seeking "bifurcation" of the hearings into two separate phases: the first phase to hear various jurisdictional objections made by Mongolia (asserting, for example, that the Tribunal does not have jurisdiction over certain of the claims and parties included in the arbitration, or, alternatively, that the Tribunal may not consider all of the claims together in a single case), and then a second phase to hear the merits of the case. The Tribunal held a hearing on September 19, 2011 to address the issue. Following the hearing, the Corporation and the Government of Mongolia agreed to a two phase process. As part of the agreement, the Government of Mongolia has explicitly consented that all of the claims will be heard in this single action rather than in multiple arbitrations.

Following a hearing on May 14, 2012, the Tribunal ruled entirely in Khan's favour on matters of jurisdiction and dismissed all of the Government of Mongolia's objections to the continuance of the suit. The action has now progressed to the quantum and damages phase. On December 7, 2012, Khan submitted to the Tribunal seven volumes of documentation in support of its claim. Khan's claim for

damages totals \$326 million, including interest from the July, 2009 date of the expropriation of the Dornod deposit by the Government of Mongolia.

The Government of Mongolia filed their Statement of Defense and Counterclaim on April 5, 2013. The Corporation submitted its response to the Statement of Defense and Counterclaim on June 28, 2013. Additional information was provided to the participants by Khan on July 28, 2013. The Government of Mongolia filed its response on time by October 4, 2013.

The formal hearing by an International Arbitration tribunal (the “Tribunal”) slated for November 11 through November 15, 2013 was completed as scheduled. The first post-hearing brief is scheduled for the end of January 2014 and the second for the end of March 2014. After receipt of the two briefs, it is expected that the Tribunal will then formulate and render their decision.

## **ARMZ**

On August 20, 2010, the Corporation announced that it and certain of its subsidiaries had filed a statement of claim against ARMZ and its affiliate Priargunsky with the Ontario Superior Court of Justice. The claim has been brought by the Corporation and seeks damages from ARMZ and its affiliate in the total amount of CAD\$300,000,000, including equitable compensation resulting from their breach of fiduciary duties as one of Khan’s joint venture partners and a shareholder of CAUC, general damages resulting from their unlawful interference with the plaintiffs’ economic relations, general damages resulting from their deliberately causing damage to Khan’s and its subsidiaries’ rights, business reputation and property and aggravated, exemplary and punitive damages.

The statement of claim alleges, among other things, that the harmful conduct of ARMZ and its affiliates, namely in seeking to establish a joint venture with the Government of Mongolia over the Dornod uranium region without regard to Khan’s rights and interests, impugning the legitimacy of Khan’s interests in Mongolia, interfering with its economic relations with MonAtom (Khan’s other joint venture partner in CAUC and the Mongolian state-owned entity with which Khan sought to pursue a strategic transaction), and interfering with the competing and superior take-over bid by CNNC, all with the goal of eliminating Khan’s interests in Mongolia, has caused Khan, its subsidiaries and its shareholders substantial damage.

Subsequent to filing the statement of claim against ARMZ, various reports have circulated concerning the advancement of a proposed Dornod uranium joint venture between the Russian and Mongolian Governments to develop the Dornod region to the exclusion of Khan and its subsidiaries. These reports culminated in an announcement on December 14, 2010 that Russia and Mongolia signed an agreement on the principles of creating a joint venture to develop the Dornod resource. According to media reports, the agreement was signed in Moscow on December 14, 2010 by Rosatom Corp. (Russia’s nuclear power company), ARMZ, and Mongolia’s state-owned MonAtom and the NEA.

The statement of claim against ARMZ and Priargunsky was filed with the Russian Department of Justice in October 2010 to be legally served in accordance with the applicable laws and protocols. The Russian Department of Justice informed the Corporation in February 2011 that it had refused to serve ARMZ and Priargunsky with the Corporation’s statement of claim based on Article 13 of the Hague Convention. Article 13 states that service can be denied only if the State deems that compliance would infringe its sovereignty or security. The Ministry of Justice provided no reason or explanation for why service would infringe Russian Sovereignty or security.

Following the refusal by the Russian Department of Justice to serve ARMZ and Priargunsky with the Corporation's statement of claim, the Corporation filed a motion with the Ontario Superior Court of Justice seeking an order dispensing with or substituting service of the statement of claim on ARMZ and Priargunsky. The motion was scheduled to be heard on April 18, 2011. Prior to the scheduled date of the motion, at the request of ARMZ, the parties agreed to adjourn the hearing so as to allow the parties to have settlement discussions. The settlement discussions were not successful and Khan reinitiated its motion which was then re-scheduled to be heard on June 29, 2011.

ARMZ then successfully petitioned the Court to allow ARMZ to cross-examine both Khan and its Russian counsel on Khan's request to dispense with the need for service. The cross-examination took place in July. A new Court hearing on Khan's original motion to dispense with or substitute service took place on September 7, 2011. On October 31, 2011, the Court released its decision on the matter and ruled in favour of Khan. ARMZ appealed the decision and on March 9, 2012, the Court released its decision on the matter and ruled in favour of ARMZ. The effect of the decision, unless overturned on appeal, is that Khan and its affiliates will not be able to proceed in Ontario with their lawsuit commenced against ARMZ and JSC PIMCU.

On April 20, 2012, Khan announced that it filed an appeal with the Court of Appeal of Ontario in relation to the March 9, 2012 decision of the Ontario Superior Court of Justice. As set out in its Notice of Appeal, Khan seeks to, among other things, restore a prior order of the Superior Court of Justice that validated service of the Statement of Claim on ARMZ. The Court of Appeal heard the appeal on September 11, 2012.

On April 2, 2013, the Corporation received the decision of the Court of Appeal of Ontario which dismissed the Corporation's appeal and its attempts to validate, substitute or dispense with service of the Statement of Claim.

Khan decided not to appeal the decision of the Court of Appeal of Ontario.

#### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

No person who has been a director or an executive officer of the Corporation, no person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over, more than ten percent (10%) of the Common Shares, or any associates or affiliates thereof, have had any material interest, direct or indirect, in any transaction within the three (3) years before the date of this Listing Statement, or in any proposed transaction, that has materially affected or will materially affect the Corporation or any subsidiary of the Corporation.

#### **AUDITORS, TRANSFER AGENT AND REGISTRAR**

##### **Auditor**

Khan's auditor is Ernst & Young LLP, located at 222 Bay Street, Toronto, Ontario, M5K 1J7.

##### **Transfer Agent and Registrar**

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

## **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 Amended and Restated Shareholder Rights Plan Agreement**

On November 14, 2006, Khan implemented an amended and restated shareholder rights plan (the “Shareholder Rights Plan”) which was approved by the shareholders at Khan’s Annual and Special Meeting of Shareholders held on February 15, 2007. The continuation of the shareholder rights plan was subsequently ratified and approved at Annual and Special Meetings of Shareholders held on March 24, 2010 and February 14, 2013. The terms are contained in the Shareholder Rights Plan Agreement dated as of November 14, 2006 between Khan and Equity Financial 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. 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 on SEDAR at [www.sedar.com](http://www.sedar.com).

## **INTERESTS OF EXPERTS**

Scientific or technical information in this Listing Statement relating to the Dornod Uranium Project is based upon a Technical Report prepared by Aker Solutions. The Technical Report provides an independent technical review of the Mineral Reserves and Mineral Resources and the mining plan of the Dornod Uranium Project. The Technical Report was prepared by Hrayr Agnerian, M.Sc., Eugene Puritch, P.Eng., Malcolm Buck, P.Eng., and Leslie H. Heymann, P.Eng. Each of Messrs. Agnerian, Puritch, Buck and Heymann was a Qualified Person. To the best of Khan’s knowledge, all of the authors of the Technical Report were independent of the Corporation within the meaning of NI 43-101 and none of them held any registered or beneficial interest, directly or indirectly, in any securities or other property of Khan or its associates or affiliates.

Ernst & Young has prepared an auditor’s report on the annual financial statements of Khan for the year ended September 30, 2013. Ernst & Young has advised that it is independent with respect to Khan within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

## **OTHER MATERIAL FACTS**

To the knowledge of the Corporation, there are no other material facts about Khan and its securities that are not disclosed under the preceding items and are necessary in order for this Listing Statement to contain full, true and plain disclosure of all material facts relating to the Corporation and its securities. Additional information relating to Khan may be found on SEDAR at [www.sedar.com](http://www.sedar.com).



## **FINANCIAL STATEMENTS**

The following financial statements are available for review on SEDAR at [www.sedar.com](http://www.sedar.com) under Khan's corporate profile and are hereby incorporated by reference into this Listing Statement:

1. the consolidated financial statements of Khan for the financial years ended September 30, 2013, 2012 and 2011;
2. the interim consolidated financial statements of Khan for the three month period ended December 31, 2012;
3. the interim consolidated financial statements of Khan for the three and six month period ended March 31, 2013; and
4. the interim consolidated financial statements of Khan for the three and nine month period ended June 30, 2013.

### **CERTIFICATE OF THE CORPORATION**

The foregoing contains full, true and plain disclosure of all material information relating to Khan. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated Toronto, Ontario this 14<sup>th</sup> day of January, 2014.

Signed “Grant A. Edey”

Grant A. Edey  
President, Chief Executive Officer and  
a Director

Signed “K. Bruce Gooding”

K. Bruce Gooding  
Chief Financial Officer

Signed “James B. C. Doak”

James B. C. Doak  
Chairman and a Director

Signed “Raffi Babikian”

Raffi Babikian  
Director