



CSE: KRI

Khan Provides Update to Legal Proceedings in France

TORONTO, ONTARIO, Canada, August 19, 2015 – Khan Resources Inc. (“**Khan**” or the “**Company**”) (CSE: KRI) reports on legal developments in France in relation to the March 2, 2015 US\$105 million arbitral award (“the Award”) rendered against the Government of Mongolia in favour of Khan.

On July 9, 2015, the Government of Mongolia filed a notice for annulment of the Award in the French Court of Appeal in Paris. France is recognized as one of the most arbitration-friendly jurisdictions in the world. French courts do not review international arbitration awards on the merits and very rarely set them aside. In fact, under French law, an international arbitral award rendered in France can only be set aside on five grounds, restrictively interpreted and applied by French courts, which are:

(1) The arbitral tribunal wrongly upheld or declined jurisdiction

This ground is invoked to claim that the arbitrators have improperly extended their jurisdiction by deciding upon a matter which was not within the scope of the arbitration agreement.

(2) The arbitral tribunal was not properly constituted

This ground is invoked by claiming that the arbitral tribunal was improperly constituted because one or more of the arbitrators were not independent and impartial, which is a requirement under French law.

(3) The arbitral tribunal ruled without complying with the mandate conferred upon it

This ground is invoked when the arbitral tribunal has acted in contradiction with the terms of its mission, for example by deciding *ex aequo et bono* (in equity) when it was supposed to decide in law.

(4) Due process was violated

This ground is invoked when some element of the arbitral process was not followed by the arbitral tribunal, for example when the arbitral tribunal has made a decision without hearing both parties, in breach of their right to be heard.

(5) Recognition or enforcement of the award is contrary to international public policy

The French courts control whether the outcome of the dispute contradicts the international public policy principles recognized in France.

As such, the Company is of the opinion that the annulment proceeding has a limited chance of success and constitutes a frivolous attempt to delay the inevitable payment of the Award. The annulment action in France does not restrict the Company from seeking recognition of the Award in France or any other

jurisdiction (such as the US where recognition proceedings are in place). Once recognized as a valid award, the Company can seek to seize non-immune sovereign assets in the jurisdiction where the award is recognized.

The Government of Mongolia and MonAtom have five months from the date of the filing to submit their detailed written brief to the Court, i.e. before December 8, 2015. Once the Government of Mongolia and MonAtom have filed their brief, the Company will have four months to submit its Defense, i.e. before April 8, 2016.

The Paris Court of Appeal almost always grants the Parties a chance to submit a Reply and a Rejoinder in a shorter timeframe, usually within two months. The Court will then schedule a short oral hearing, possibly in late spring or summer of 2016. The Court's decision could be handed down as early as three months after the oral hearing.

Khan has retained Christophe Seraglini of the well respected firm of Betto Seraglini to represent the Company in defending the annulment action. Betto Seraglini is a boutique law firm in Paris specializing in international dispute resolution.

Mr. Grant Edey, President and CEO of Khan, commented "The Mongolian Government is now trying to use the French legal system to get out of their final and binding obligations under the now complete international arbitration. This shows a fundamental lack of respect for international arbitration as a dispute resolution mechanism. Investors holding financial positions in Mongolia, underpinned by international arbitration as the dispute resolution process, should be very concerned with the Government of Mongolia's actions."

Forward-Looking Statements and Information

This press release may contain forward-looking statements and forward-looking information, which are subject to certain risks, uncertainties and assumptions. Forward-looking statements and information are characterized by words such as "will", "plan", "expect", "project", "intend", "believe", "anticipate", "forecast", "schedule", "estimate" and similar expressions, or statements that certain events or conditions "may" or "will" occur. Forward-looking statements and information are not historical facts and are based upon a number of estimates and assumptions and are inherently subject to significant business, social, economic, political, regulatory, competitive and other risks and uncertainties, contingencies and other factors, including the impact of international, Mongolian and Canadian laws, trade agreements, treaties and regulatory requirements on Khan'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 Khan carries on business, the nature and outcome of the international arbitration proceedings (the "International Arbitration") against the Government of Mongolia or the collection of all or part of the award rendered by the tribunal for the International Arbitration proceedings against the Government of Mongolia or any future litigation, arbitration and other legal or regulatory proceedings, changes in market conditions, changes or disruptions in the securities markets and market fluctuations in prices for Khan securities, 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 any potential alternative strategic transactions involving Khan or its assets, including those transactions that may produce strategic value to shareholders, 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, 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 Company carries on business, political instability, insurrection, war or terrorism, hostilities and the occurrence of natural disasters; requirements for additional capital; environmental risks, the need to comply with national and international laws, regulations, treaties or other similar requirements. In addition, a number of other factors could cause actual results to differ materially from the results discussed in such statements and information, and there is no assurance that actual results will be consistent with them. Many of these risks, uncertainties and contingencies can affect the Company'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 press release is qualified by these cautionary statements. 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. For further details, reference is made to the risk factors discussed or referred to in Khan's annual and interim management's discussion and analyses and Annual Information Form on file with the Canadian securities regulatory authorities and available on SEDAR at www.sedar.com. Such forward-looking statements and information are made or given as at the date of this news release, and Khan assumes no obligation to update or revise them, either publicly or otherwise, to reflect new events, information or circumstances, except as may be required under applicable securities law.

Investor Relations Contacts:

Grant Edey
Khan Resources Inc.
President & CEO
Office: 416.360.3405
gedey@rogers.com

Marilyn Barton
Khan Resources Inc.
Manager, Administration
Office: 416.360.3405
mbarton@khanresources.com