



TSX: KRI

Khan Commences International Arbitration Against the Government of Mongolia

TORONTO, ONTARIO, Canada, January 10, 2011 – Khan Resources Inc. (TSX: KRI) ("**Khan**") announced today that it has 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 deposit located in northeastern Mongolia. The Nuclear Energy Agency of Mongolia announced in November 2010 that it would not reinstate the licenses that the Company holds on the Dornod uranium property, but which the Government illegally cancelled so that it could pursue the project without Khan.

The arbitration, which is brought by Khan and several of its subsidiaries, will take place under 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 has been today served on various officials of the Government of Mongolia.

The claim seeks over US\$200 million in compensation for losses and damages.

An arbitration Tribunal of three will be appointed in the near future. Each side will appoint an arbitrator followed by the selection of president of the Tribunal by the two appointed arbitrators. Mr. L. Yves Fortier, Canada's former Ambassador to the United Nations, has agreed to be Khan's appointment to the Tribunal. Mr. Fortier is a senior and highly respected member of the international arbitration community with over 30 investor-state arbitrations to his credit. The Government of Mongolia has 30 days to appoint their arbitrator.

Crowell & Moring, a highly-experienced Washington, D.C. based law firm, will represent Khan in this matter.

Mr. Grant Edey, President and CEO of Khan, commented "We are disappointed that the Government of Mongolia has left us no alternative other than international arbitration. The Nuclear Energy Agency of Mongolia continues to falsely denounce us in Mongolia while simultaneously entering into an agreement with ARMZ of Russia for the development of the Dornod deposit, thereby excluding Khan of its rightful interests. We have a very strong case of expropriation without compensation which is illegal under the various laws governing this matter. We intend to vigorously press the process to its conclusion and ensure that Khan's rights under International Law and Mongolian Law are fully vindicated".

The Notice of Arbitration served against the Government of Mongolia is available on the Company's website www.khanresources.com.

Khan Resources Inc. (TSX:KRI) is a Canadian company engaged in the acquisition, exploration and development of uranium properties. Its current activities are focused on the Dornod area in northeastern Mongolia. Khan holds interests in the Main Dornod Property and in the Additional Dornod Property.

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 and regulatory requirements on Khan's business, properties, licenses, operations and capital structure, Khan's ability to re-instate or re-register the Dornod uranium project licenses, 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 pending and future litigation, arbitration and other legal proceedings, the speculative nature of exploration and development, risks involved in the exploration, development and mining business, 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, the need to obtain, maintain and/or re-register licenses and permits and comply with national and international laws, regulations, treaties or other similar requirements, and uncertainty in the estimation of mineral reserves and resources. 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. 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.

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