Khan Resources Inc.
Interim Consolidated Financial Statements
June 30, 2011
(Unaudited)

Management's Responsibility for Financial Reporting

The accompanying unaudited interim consolidated financial statements of Khan Resources Inc. at June 30, 2011 are the responsibility of management and have been approved by the Board of Directors.

The interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The most significant of these principles have been set out in the Companyøs audited consolidated financial statements as at and for the year ended September 30, 2010. Only changes in accounting policies have been disclosed in these interim consolidated financial statements. The consolidated financial statements include estimates based on the experience and judgement of management in order to ensure that the financial statements are presented fairly, in all material respects.

The management of the Company and its subsidiaries developed and continues to maintain systems of internal accounting controls and management practices designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Companyøs assets are appropriately accounted for and adequately safeguarded.

The Board of Directors exercises its responsibilities for ensuring that management fulfills its responsibilities for financial reporting with the assistance of the Audit Committee.

The Audit Committee is appointed by the Board of Directors and all its members are independent. The Committee meets periodically to review the interim consolidated financial statements and to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee reviews the Companyøs interim and annual consolidated financial statements and recommends their approval to the Board of Directors.

(Signed)

Grant A. Edey
President and Chief Executive Officer

(Signed)

K. Bruce Gooding
Chief Financial Officer

Toronto, Ontario
August 11, 2011

Khan Resources Inc.
Interim Consolidated Balance Sheets
(Expressed in United States dollars)
(All dollar amounts are in thousands)
(Unaudited)

	As at June 30, 2011	As at September 30, 2010
Assets		
Current		
Cash	$ 6,497	$ 10,554
Accounts receivable	69	59
Prepaid expenses and other assets	131	191
Restricted cash (note 5)	55	51
Total current assets	6,752	10,855
Investments (note 6)	3,028	3,401
Capital assets, net (note 7)	3,701	3,828
Mineral interests (notes 1 and 8)	12,155	12,012
	$ 25,636	$ 30,096
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 346	$ 409
Commitments and contingencies		
Shareholders' Equity		
Capital stock (note 9)	71,662	71,247
Deficit	(45,225)	(42,881)
Accumulated other comprehensive income (loss)	(1,147)	1,321
	25,290	29,687
	$ 25,636	$ 30,096

The accompanying notes form an integral part of these interim consolidated financial statements

On behalf of the Board:

Signed ñJames B.C. Doakò
Director

Signed ñGrant A. Edeyò
President and Chief Executive Officer

Khan Resources Inc.
Interim Consolidated Statements of Operations and Deficit
(Expressed in United States dollars)
(All dollar amounts are in thousands, except for per share amounts)
(Unaudited)

	Three months ended June 30, 2011	Three months ended June 30, 2010	Nine months ended June 30, 2011	Nine months ended June 30, 2010	Cumulative from inception on October 1, 2002 to June 30
Revenue					
Rent	$ 13		13		13
Interest	16	$ 17	$ 60	$ 37	$ 2,222
	29	17	73	37	2,235
Expenses					
General corporate	601	956	1,774	3,280	19,723
Mongolian operations	67	139	326	422	2,995
Amortization	33	37	102	111	647
Stock-based compensation (note 10)	93	11	353	66	11,735
Foreign exchange (gain) loss	(26)	459	(498)	(160)	(456)
(Gain) loss on sale of assets	-	-	-	-	782
Write-off of assets	-	2	3	2	9,748
	768	1,604	2,060	3,721	45,174
Loss before income taxes	(739)	(1,587)	(1,987)	(3,684)	(42,939)
Recovery of (provision for) income taxes	(635)	-	(357)	-	3,195
Net loss for the period	(1,374)	(1,587)	(2,344)	(3,684)	(39,744)
Deficit, beginning of period	(43,851)	(40,848)	(42,881)	(38,751)	-
Equity financing costs	-	-	-	-	(5,481)
Deficit, end of period	$ (45,225)	$ (42,435)	$ (45,225)	$ (42,435)	$ (45,225)
Weighted average number of common shares outstanding (thousands) - basic and diluted (note 11)	54,225	53,914	54,102	53,933	
Net loss per common share - basic and diluted (note 11)	$ (0.02)	$ (0.03)	$ (0.04)	$ (0.07)	

The accompanying notes form an integral part of these interim consolidated financial statements.

Khan Resources Inc.
Interim Consolidated Statements of Comprehensive Loss
(Expressed in United States dollars)
(All dollar amounts are in thousands)
(Unaudited)

	Three months ended June 30, 2011	Three months ended June 30, 2010	Nine months ended June 30, 2011	Nine months ended June 30, 2010	Cumulative from inception on October 1, 2002 to June 30 2011
Net loss for the period	$ (1,374)	$ (1,587)	$ (2,344)	$ (3,684)	$ (39,744)
Other comprehensive income (loss)					
Unrealized holding (loss) gain on available-for-sale securities arising during the period	(5,073)	(1,115)	(2,821)	(201)	(1,311)
Income tax recovery (provision)	635	-	353	-	164
Total other comprehensive (loss) income	(4,438)	(1,115)	(2,468)	(201)	(1,147)
Comprehensive (loss) income for the period	$ (5,812)	$ (2,702)	$ (4,812)	$ (3,885)	$ (40,891)

The accompanying notes form an integral part of these interim consolidated financial statements.

Khan Resources Inc.
Interim Consolidated Statements of Cash Flows
(Expressed in United States dollars)
(All dollar amounts are in thousands)
(Unaudited)

	Three months ended June 30, 2011	Three months ended June 30, 2010	Nine months ended June 30, 2011	Nine months ended June 30, 2010	Cumulative from inception on October 1, 2002 to June 30 2011
Operating Activities					
Net loss for the period	$ (1,374)	$ (1,587)	$ (2,344)	$ (3,684)	$ (39,744)
Items not affecting cash:					
Amortization	33	37	102	111	647
Stock-based compensation	93	11	353	66	11,735
Loss on sale of assets	-	-	-	-	810
Future tax provision (recovery)	636	-	356	-	(3,227)
Unrealized foreign exchange (gain) loss	(35)	455	(499)	(163)	984
Write-off of assets	-	2	3	2	9,768
	(647)	(1,082)	(2,029)	(3,668)	(19,027)
Changes in non-cash working capital balances related to operations (note 12)	25	(28)	8	200	(360)
Cash used in operating activities	(622)	(1,110)	(2,021)	(3,468)	(19,387)
Investing Activities					
Proceeds from sale of investments	-	-	-	-	36
Proceeds from sale of mineral interests	-	-	-	-	2,500
Purchase of investments	-	-	(2,448)	(1,891)	(4,360)
Restricted cash	-	-	-	-	(49)
Purchase of capital assets	-	-	-	(68)	(4,362)
Mineral interests	(15)	(82)	(144)	(338)	(12,542)
Payment of property acquisition liability	-	-	-	-	(1,667)
Cash used in investing activities	(15)	(82)	(2,592)	(2,297)	(20,444)
Financing Activities					
Capital stock issued for cash	-	-	62	-	52,041
Capital stock purchased for cash	-	-	-	-	(67)
Equity financing costs	-	-	-	-	(4,619)
Cash provided by financing activities	-	-	62	-	47,355
Foreign exchange gain (loss) on cash	30	(453)	494	162	(1,027)
Net (decrease) increase in cash and cash equivalents during the period	(607)	(1,645)	(4,057)	(5,603)	6,497
Cash, beginning of period	7,104	12,836	10,554	16,794	-
Cash, end of period	$ 6,497	$ 11,191	$ 6,497	$ 11,191	$ 6,497

The accompanying notes form an integral part of these interim consolidated financial statements.

Khan Resources Inc.
Notes to Interim Consolidated Financial Statements
June 30, 2011
(Expressed in United States dollars)
(All dollar amounts are in thousands, except for per share amounts)
(Unaudited)

1. Nature of Operations

Khan Resources Inc. (ñKhanò or the ñCompanyò) is in the process of acquiring, exploring and developing mineral properties and is thus considered to be a development stage company. The recoverability of the amounts shown for mineral properties is dependent upon the tenure of mineral licenses, the existence of economically recoverable reserves, and the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production and/or the proceeds from the disposition thereof. To date, the Company has not earned any revenues from its properties.

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 new law became effective on August 15, 2009. 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. 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. Khan submitted the applications for the renewal and re-registration of its mining license and exploration license on November 10, 2009.

To date, the mining and exploration licenses have not been reissued to Khan and the Company has initiated an International Arbitration action against the Government of Mongolia for its failure to do so.

2. Summary of Significant Accounting Policies

These interim consolidated financial statements and accompanying notes have been prepared in accordance with Canadian generally accepted accounting principles (ñGAAPò) for the preparation of interim financial statements. They do not include all the information and disclosures required by GAAP for annual consolidated financial statements. These interim consolidated financial statements have been prepared in accordance with the accounting policies and methods set forth in the Companyõs audited consolidated financial statements as at and for the year ended September 30, 2010 and should be read in conjunction with those audited financial statements and notes thereto.

These interim consolidated financial statements include the accounts of the Company and its subsidiaries. All references to the Company should be treated as references to the Company and its subsidiaries. Inter-company accounts and transactions have been eliminated on consolidation.

Khan Resources Inc.
Notes to Interim Consolidated Financial Statements
June 30, 2011
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Accounting Policy Changes

Recent accounting pronouncements

a) In February 2008, the Canadian Accounting Standards Board confirmed that International Financial Reporting Standards (ñIFRSò) will replace current Canadian GAAP for publicly accountable companies. The official change over date is for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. IFRS will be required for Khanôs interim and annual consolidated financial statements for the fiscal year beginning on October 1, 2011. Khan will issue its first interim financial statements under IFRS for the three months ending December 31, 2011 and complete set of financial statements for the year ending September 31, 2012. The Company has assessed the implications of IFRS adoption and an assessment was made of the impact of the required changes to the existing accounting systems, business processes, and requirements for personnel training and development. Based on the assessment of the differences between IFRS and GAAP applicable to Khan, a conversion plan for the transition to IFRS was developed. As a part of the conversion plan, Khan is in the process of analyzing the detailed impact of these identified differences and developing solutions to address these differences. Also, an external advisor has been engaged to assist with IFRS Conversion Project. The preliminary adjustments to the opening balance sheet as at October 1, 2010 have already been identified. The Company is currently on target with its original conversion plan.

b) In January 2009, the CICA issued accounting section 1582 (Business Combinations), which will replace accounting section 1581 (Business Combinations). The CICA also issued accounting sections 1601 (Consolidated Financial Statements) and 1602 (Non-Controlling Interests), which will replace accounting section 1600 (Consolidated Financial Statements). The new sections are effective for fiscal years beginning on or after January 1, 2011, with early adoption permitted. The objective of the new sections is to harmonize Canadian GAAP for business combinations and consolidated financial statements with the International accounting standards. The new sections are to be applied to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011, with earlier application permitted. Assets and liabilities that arose from business combinations whose acquisition dates preceded the application of the new sections will not be adjusted upon application of these new sections. The adoption of this standard did not have any impact on the Companyôs consolidated financial statements.

3. Capital Management

The Companyôs objectives for managing capital are to safeguard its ability to continue as a going concern and to bring the Dornod Uranium Project (ñProjectò) in Mongolia into production. The Companyôs strategy remains unchanged from the previous year.

The capital structure of the Company currently consists of common shares and was $61,285 as at June 30, 2011 (September 30, 2010 - $61,184). The Company has issued common shares, warrants and agentsô options from time to time to advance the Project through various stages of development; however, debt may be required to bring the Project into production. In order to meet the Companyôs objectives for managing capital, common shares, warrants, agentsô options and debt may be issued in the future.

4. Financial Instruments

The Companyôs financial instruments consist of cash, accounts receivable, restricted cash, investments and accounts payable and accrued liabilities.

(a) Fair Value

Cash and restricted cash are designated as held-for-trading and therefore carried at fair value with the unrealized gains or losses recorded in the interim consolidated statements of operations and deficit. Accounts receivable are designated as loans and receivables and, therefore, carried at amortized cost with the gains and losses recognized in the interim consolidated statements of operations and deficit in the period that the asset is derecognized or impaired.

Investments are designated as available-for-sale and recorded at fair value using quoted prices in active markets, a level 1 category, with unrealized gains and losses recognized in the interim statement of comprehensive loss and realized gains and losses recognized in the interim consolidated statement of operations and deficit. Accounts payable and accrued liabilities are designated as other financial liabilities and therefore carried at amortized cost with the gains or losses recognized in the interim consolidated statements of operation and deficit when the financial liability is derecognized or impaired. The estimated fair values of accounts receivable and accounts payable and accrued liabilities approximate their respective carrying values.

(b) Financial Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Companyȏs primary exposure to credit risk is on its bank accounts and guaranteed investment certificate, whose balance at June 30, 2011 was $6,552. Bank accounts are held with major banks in Canada and Mongolia. As the majority of the Companyȏs cash is held by a Canadian bank and the guaranteed investment certificate is also held by the same Canadian bank, there is a concentration of credit risk with one bank in Canada. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. The Companyȏs secondary exposure to credit risk is on its accounts receivable. This risk is minimal as accounts receivable consist primarily of refundable government sales taxes.

Currency Risk

The Company operates in Canada and Mongolia and is therefore exposed to foreign exchange risk arising from transactions denominated in a foreign currency. The majority of these transactions are in Canadian dollars. The Companyȏs cash, accounts receivable, restricted cash, investments and accounts payable and accrued liabilities that are held in Canadian dollars, Euros and Mongolian togrogs are subject to fluctuation against the United States dollar. A +/- 5% change in the exchange rates between the Canadian and United States dollars would, based on the Companyȏs interim consolidated financial statements as at June 30, 2011, have an effect on the loss before taxes of approximately +/- $295 and on the comprehensive loss before taxes of approximately +/- $447.

Interest Rate Risk

The Company is exposed to interest rate risk as bank accounts earn interest income at variable rates. The fair value of its portfolio is relatively unaffected by changes in short term interest rates. The income earned on these bank accounts is subject to the movements in interest rates. A change of 100 basis points in interest rates would have an effect on the loss before taxes for the nine months ended June 30, 2011 of approximately +/- $64.

The Company also records transaction costs related to the acquisition or issue of held-for-trading financial instruments to the interim consolidated statements of operations and deficit as incurred. Transaction costs related to financial instruments not designated as held for trading are included in the financial instrumentȏs initial recognition amount.

Liquidity Risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Companyọs objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash. As at March 31, 2011, the Company had a cash balance of $6,497.

5. Restricted Cash

Restricted cash consists of a guaranteed investment certificate pledged as security for a corporate credit card facility. This guaranteed investment certificate has a maturity date of less than one year.

6. Investments

On November 30, 2009, the Company purchased, by way of private placement, 10,000,000 common shares of Macusani Yellowcake Inc. (ñMacusaniò) at a price of Cdn$0.20 per share. The Company recorded a cost of $1,891 for the purchase.

On November 4, 2010, the Company purchased, by way of private placement, 2,540,000 Macusani units at a price of Cdn$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 Cdn$0.35 per share for a period of 24 months after acquisition. The Company recorded a cost of $615 for the purchase.

On March 23, 2011, the Company purchased, by the way of short form prospectus, 2,983,330 Macusani units at a price of Cdn$0.60 per unit, each unit consisting of one Macusani common share and one half Macusani share purchase warrant entitling the holder to purchase one Macusani common share at an exercise price of Cdn$0.85 per share for a period of 24 months after acquisition. The Company recorded a cost of $1,832 for the purchase.

June 30, 2011, the Company held 15,523,330 Macusani common shares and 4,031,665 Macusani share purchase warrants.

On June 30, 2011, the closing price for Macusani common shares was Cdn$0.18 and the closing price for Macusani share purchase warrants with the exercise price of Cdn$0.85 per share was Cdn$0.085. The value of a share purchase warrants with an exercise price of Cdn$0.35 per share was Cdn$0.00 at June 30, 2011.

The market value of Khanọs investment in Macusani at June 30, 2011 was $3,028. The unrealized holding loss on the investment during the nine months ended June 30, 2011 was $2,821 (2010 - $201). The related income tax recovery was $353 (2010 ï nil).

(Expressed in United States dollars)
(All dollar amounts are in thousands, except for per share amounts)

7. Capital Assets

Capital assets consist of the following:

	As at June 30, 2011	As at September 30, 2010
Buildings, equipment, fixtures, furniture and vehicles	$ 823	$ 835
Less: accumulated amortization	631	540
	192	295
Construction in progress	3,509	3,533
	$ 3,701	$ 3,828

8. Mineral Interests

Mineral interests consist of the following:

	As at June 30, 2011	As at September 30, 2010
Dornod Uranium Project, Mongolia		
Acquisition costs	$ 447	$ 447
Deferred development costs	11,708	11,565
	$ 12,155	$ 12,012

(Expressed in United States dollars)
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9. Capital Stock

Capital stock consists of the following:

		As at June 30, 2011		As at September 30, 2010
Common shares (a)	$	61,285	$	61,184
Contributed surplus (b)		10,377		10,063
	$	71,662	$	71,247

(a) Common shares

Authorized capital stock of the Company consists of an unlimited number of no par value common shares.

The changes in issued and outstanding common shares during the nine months ended June 30, 2011 are as follows:

	Number of common shares (000's)		Amount
Balance, September 30, 2010	53,914	$	61,184
Exercise of stock options (i)	312		101
Balance, June 30, 2011	54,226	$	61,285

(i) The Company has a stock option plan providing for the issuance of stock options to directors, officers, employees and service providers. The number of shares that may be acquired under an option granted to a participant is determined by the Board of Directors. The exercise price of the options granted shall comply with the requirements of the stock exchange or exchanges on which the Companyôs common shares are listed. The maximum term of any option may not exceed five years. Generally, options vest over 24 months. At June 30, 2011, there were 1,032,210 options available for grant under the plan.

(Expressed in United States dollars)
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The changes in stock options outstanding during the nine months ended June 30, 2011 are as follows:

	Number of outstanding options (000's)	Weighted average exercise price (Cdn$)
Balance, September 30, 2010	3,947	$ 0.56
Granted	1,225	0.55
Exercised	(312)	0.20
Cancelled	(20)	0.89
Expired	(450)	1.50
Balance, June 30, 2011	4,390	$ 0.48

The following tables summarize information about the stock options outstanding and exercisable at June 30, 2011:

Options outstanding

Exercise prices (Cdn$)	Number outstanding at June 30, 2011 (000's)	Weighted Average Remaining Contractual Life (years)	Weighted average exercise price (Cdn$)
0.20 to 0.29	2,553	3.43	$ 0.25
0.55 to 0.89	1,425	4.25	0.60
1.37 to 1.70	412	1.31	1.52
0.20 to 1.70	4,390	3.50	$ 0.48

(Expressed in United States dollars)
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Options exercisable

Exercise prices (Cdn$)	**Number exercisable at June 30, 2011 (000's)**		**Weighted average exercise price (Cdn$)**
0.20 to 0.29	1,553	$	0.23
0.55 to 0.89	608		0.66
1.37 to 1.70	412		1.52
0.20 to 1.70	2,573	$	0.54

(b) Contributed surplus

The changes in contributed surplus during the nine months ended June 30, 2011 are as follows:

		Amount
Balance, September 30, 2010	$	10,063
Vesting of stock options granted to directors, officers and employees		353
Exercise of stock options		(39)
Balance, June 30, 2011	$	10,377

10. Stock-based Compensation

The stock-based compensation expense during the nine months ended June 30, 2011 was $353 (2010 - $66) and this amount was credited to contributed surplus. In the case of options which vest immediately, the fair value of the options is expensed immediately. In the case of options which vest over time, the graded vesting method is used to expense compensation over the vesting period.

The fair value of the stock options granted during the nine months ended June 30, 2011 was estimated on the date of issue using the Black-Scholes option pricing model with the following weighted average assumptions:

Expected life in years: 3.0
Risk-free interest rate: 2.3%
Expected volatility: 120%
Dividend yield: 0%

The weighted average fair value of the 1,225,000 stock options granted during the nine months ended June 30, 2011 was Cdn$0.39.

The exercise price of the 1,225,000 stock options granted during the nine months ended June 30, 2011 was Cdn$0.55.

There were no stock options granted during the nine months ended June 30, 2010.

11. Loss per Share

Basic and diluted loss per share is computed by dividing the net loss for the period by the weighted average number of common shares outstanding during the period.

Basic and diluted loss per share has been calculated using the weighted average number of common shares outstanding of 54,225,000 and 54,102,000 respectively, during the three and nine months ended June 30, 2011 (2010 ï 53,914,000 and 53,933,000). Any potential common shares whose effect is anti-dilutive have not been reflected in the calculation of diluted loss per share.

Khan Resources Inc.
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12. Supplemental Cash Flow Information

	Three months ended June 30, 2011	Three months ended June 30, 2010	Nine months ended June 30 30, 2011	Nine months ended June 30 30, 2010	Cumulative from inception on October 1, 2002 to June 30, 2011
Changes in non-cash working capital balances related to operations:					
Accounts receivable	$ (19)	$ 35	$ (28)	$ (6)	$ (87)
Prepaid expenses and other assets	(50)	(113)	61	(66)	(130)
Accounts payable and accrued liabilities	94	50	(25)	272	(143)
	$ 25	$ (28)	$ 8	$ 200	$ (360)
Non-cash financing activities:					
Equity financing costs settled by issue of agents options	$ -	$ -	$ -	$ -	$ 604

The Company did not pay income taxes or interest during the nine months ended June 30, 2011 and 2010.