

AREHADA MINING LIMITED



ANNUAL INFORMATION FORM

For Fiscal Year Ended December 31, 2008

March 31, 2009

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CURRENCY

All dollar amounts set forth in this Annual Information Form are expressed in Canadian dollars and referred to as "\$" unless otherwise specifically indicated. There are also references in this Annual Information Form to Chinese Renminbi ("**RMB**"). As at March 25, 2009, the closing rate for one Canadian dollar in RMB was C\$1.00 =5.58 RMB as reported by the Bank of Canada.

FORWARD LOOKING INFORMATION

This Annual Information Form contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Such forward-looking information may include financial and other projections as well as statements regarding the Company's future plans, objectives, performance, revenues, growth, profits or operating expenses. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects", or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "does not anticipate", or "believes" or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", or "will be taken", "occur", or "be achieved". Forward-looking information in this Annual Information Form includes, but is not limited to, statements or information concerning the Company's future operation plans, plans to meet continuous listing criteria, plans to reduce costs, plans to adopt new technology, as well as financing options and plans. The forward-looking information reflects management's current expectations regarding future events and operating performance and is based on certain assumptions which are more particularly set out in this Annual Information Form. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including commodity price fluctuations, risks inherent in the nature of mineral exploration and development, uncertainty of resource and resource estimates, uncertainty due to foreign legal, economic and environmental factors, lack of cash flow and requirements for additional capital, foreign currency fluctuations, as well as those factors discussed in the section entitled "Risk Factors" of this Annual Information Form. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

CORPORATE STRUCTURE

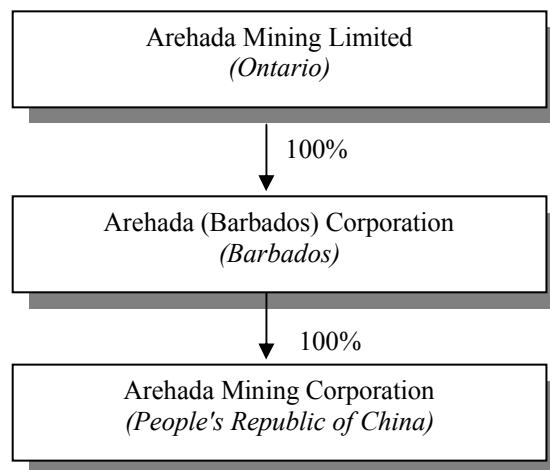
Name, Address and Incorporation

Arehada Mining Limited (the "**Company**" or "**Arehada**") was incorporated pursuant to the *Business Corporations Act* (Ontario) on June 7, 2005 under the name "Dragon Capital Corporation". The Company amended its articles on December 21, 2005 to remove the transfer restriction on the common shares of the Company. The Company completed its initial public offering as a capital pool company ("**CPC**") on May 25, 2006 and the common shares of the Company became listed on the TSX Venture Exchange (the "**TSXV**") under the symbol "DGN.P" on May 29, 2006. On March 14, 2007, the Company completed its qualifying transaction under TSXV Policy 2.4 – *Capital Pool Companies* (the "**CPC Policy**") by indirectly acquiring all of the issued and outstanding securities of Arehada Mining Corporation ("**Arehada China**"), and shortly thereafter, on March 19, 2007, the common shares of the Company were listed on the Toronto Stock Exchange (the "**TSX**") under the symbol "AHD". On June 27, 2007, the Company amended its articles of incorporation by changing its name to "Arehada Mining Limited".

The registered office and head office of the Company is located at 36 Toronto Street, Suite 1000, Toronto, Ontario, M5C 2C5

Intercorporate Relationships

The following chart sets out the Company's corporate structure including its subsidiaries and their respective jurisdictions of incorporation:



GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

Developments in Fiscal Year ended December 31, 2006

On May 25, 2006, the Company completed its initial public offering as a CPC pursuant to the CPC Policy by issuing 5,860,000 common shares at a price of \$0.25 per share, for gross proceeds of \$1,465,000. The common shares of the Company were listed for trading on the TSXV on May 29, 2006 under the symbol "DGM.P".

On July 4, 2006, the Company and Arehada China entered into a letter agreement (the "**Letter Agreement**") in respect of a proposed qualifying transaction under the CPC Policy. The proposed transaction called for the Corporation to indirectly acquire all of the issued and outstanding securities of Arehada China in exchange for the issue of common shares of the Company to the shareholders of Arehada China (the "**Qualifying Transaction**").

Developments in Fiscal Year ended December 31, 2007

On March 14, 2007, the Company completed the Qualifying Transaction pursuant to which the Company acquired from Arehada (Barbados) Holding Corporation ("**Arehada Barbados**"), the holding company for Arehada China, all of the issued and outstanding common shares of Arehada China, and issued to Arehada Barbados a total of 141,832,308 common shares of the Company. Contemporaneous with the closing of the Qualifying Transaction, the Company completed a private placement financing. The Company issued and sold, through Standard Securities Capital Corporation and PowerOne Capital Markets Limited, as agents, 10,000,000 units at a price of \$0.50 per unit for aggregate gross proceeds to the Company of \$5,000,000. Each unit was comprised of one common share and one common share purchase warrant with each common share purchase warrant entitling the holder thereof to acquire one additional common share at a price of \$1.00 for a period of 24 months following the closing of the private placement. The private placement financing also included penalty units of 10% of the units placed in the offering, with each penalty unit entitling the holder to receive one additional unit (common share and common share purchase warrant) if the aggregate after tax earnings of the Company for the fiscal year 2007 and the first six months of 2008 is less than \$20,000,000. Additionally, upon the completion of the Qualifying Transaction, the board of directors of the Company (the "**Board**") was reconstituted with Messrs. Barry Polisuk and Lawrence Cyna resigning and being replaced by Messrs. Steve Fan Wang and Tom Zhen Wang. Mr. Steve Fan Wang was also appointed the Chairman and Chief Executive Officer of the Company.

On March 19, 2007, the common shares of the Company commenced trading on the TSX under the symbol "AHD" and were delisted from the TSXV.

On May 16, 2007, the Company announced that it would be late in filing its interim financial statements and accompanying management discussion & analysis for the fiscal quarter ended March 31, 2007. The filing was subsequently completed on May 29, 2007.

On May 18, 2007, the Company appointed Mr. Christopher J.F. Harrop, CFA, ICD.D., as non-executive chairman of the Board and as a director of the Company.

On May 28, 2007 the Company filed its National Instrument 43-101 compliant preliminary assessment technical report for the Arehada Mine (as such term is defined herein) titled "Preliminary Assessment Technical Report on Arehada Lead-Zinc Mine, inner Mongolia, China" (the "**Arehada Mine Technical Report**").

On May 29, 2007, Arehada China amended the terms of a loan owing to Arehada China by Baiyinhanshan Mining Group Limited ("**Baiyinhanshan**"), a company based in Inner Mongolia, China controlled by the Messrs. Steve Fan Wang and Tom Zhen Wang, directors, officers and principal shareholders of the Company. Arehada China and Baiyinhanshan are related parties and the loan constituted a related party transaction. Prior to the amendment, the Baiyinhanshan loan was unsecured, non-interest bearing and has no fixed repayment term. Under the amended terms, effective as of March 14, 2007, the loan would bear interest at a rate of 7% per annum, would be repaid by March 14, 2008 and would be guaranteed by Arehada Barbados, company controlled by Messrs. Steve Fan Wang and Tom Zhen Wang. Arehada Barbados agreed to pledge a total of 40,000,000 common shares of the Company held by Arehada Barbados in favour of Arehada China as security.

On May 29, 2007, the Company announced the completion of the a 50,000 tonne per annum smelter plant (the "**Zinc Smelter Plant**") to produce zinc oxide and sulphuric acid from zinc concentrate.

On May 31, 2007, the Company appointed Mr. Graham C. Warren, CMA, as chief financial officer, replacing Mr. Oliver Xing.

In August 2007, the Company completed a private placement of a total of 10,381,249 units raising aggregate gross proceeds of \$4,152,500. 7,874,999 units were issued on August 22, 2007 and 2,506,250 units were issued on August 28, 2007. Each unit was priced at \$0.40 and consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitled to the holder to purchase one additional common share at \$0.75 per share for a period of 24 months following the applicable closing date, subject to an acceleration of the warrant expiry date in case the Company's shares have traded on the TSX at or above \$1.50 for 20 consecutive

trading days in any period after four months of the applicable closing date and provided that the Company has given at least 10 business day notice of the acceleration. A finder's fee of 7% was paid to certain arms length finders and the finders also received finders' options to purchase 10% of the units issued in the offering at \$0.50 per unit at any time prior to the time the warrants expire. Net proceeds of the offering were to be combined with an anticipated bank loan to purchase sufficient quantities of zinc concentrate feedstock to commence production at the Company's zinc processing plant to produce zinc oxide and sulphuric acid.

In November 2007, the Company refiled its financial statements and accompanying management discussion and analysis for the three months ended March 31, 2007 and the six months ended June 30, 2007 to reflect the adoption of certain new accounting standards.

Developments in Fiscal Year ended December 31, 2008

On March 11, 2008, the terms of the loan owing by Baiyinhanshan to Arehada China were further amended whereby Arehada China extended the maturity date of the loan to December 31, 2008 and Arehada Barbados agreed to increase the number of pledged shares to 80,000,000 common shares of the Company.

On March 19, 2008, Mr. Steve Fan Wang, President and Chief Executive Officer and a director of the Company, took a leave of absence as Chief Executive Officer for health reasons. He remains a director of the Company. The Board appointed Mr. Tom Zhen Wang as interim chief executive officer of the Corporation. Mr. Tom Zhen Wang is a director of the Company and the managing director and chief executive officer of Arehada China. Mr. Tom Zhen Wang is also a co-founder and the second largest shareholder of the Company.

On May 23, 2008, Arehada announced that Arehada China had obtained a new bank term loan for RMB¥16 million (Cdn\$2.3 million) from the Agricultural Bank of China. The loan bore interest at 11.205% per annum, calculated and payable monthly. The loan was scheduled to mature on February 21, 2009. On August 6, 2008, Arehada China received a second bank loan for RMB¥14 million (Cdn\$2million) from the Agricultural Bank of China. The loan bore interest at 11.205% per annum, calculated and payable monthly. The loan was scheduled to mature on February 26, 2009. The proceeds of both loans were used primarily to purchase inventory of zinc ore feedstock to start up Arehada's zinc plant.

On June 26, 2008, the Company announced that the Zinc Smelter Plant in Dong Qi, Inner Mongolia, PRC had commenced production at a reduced rate.

On August 6, 2008, Arehada announced that Arehada China had shut down its operations temporarily due to measures by different levels of Chinese government for the Beijing Olympic games to promote security and improve air quality for the games. The operation was to be resumed in September 2008 after the restrictions were lifted.

On September 5, 2008, Christopher J.F. Harrop resigned as a director and chairman of the board. Mr. Kak Fung Wong assumed Mr. Harrop's role on the audit committee.

On September 29, 2008, Messrs. Jack Duffy and Peter Dimmell resigned as directors of the Company. The Company appointed Messrs. Peter J.M. Hooper and Samuel R. Baker as new independent directors. Mr. Steve Fan Wang was appointed as chairman of the board.

On October 1, 2008, the Company announced the appointment of Mr. Zhengquan Philip Chen as the sixth board member as well as the independent lead director. Mr. Steve Fan Wang resumed his role as Chief Executive Officer of the Company after his return from a leave of absence.

In November 2008, the Company announced that it had initiated a temporary shut down of its operations at its mine and zinc plant due to decline in base metal prices.

On December 16, 2008, Arehada China obtained a three-month extension from the Agricultural Bank of China for the loan repayment of approximately \$3 million from the original scheduled repayment date in November 2008 to February 20, 2009.

On December 31, 2008, the terms of the loan owing by Baiyinhanshan to Arehada China were extended to March 31, 2009.

Recent Developments

On January 9, 2009, the Company announced that Arehada China had extended the maturity date for a loan owing by Baiyinhanshan Mining Corporation by three months from December 31, 2008 to March 31, 2009.

On January 29, 2009, the TSX initiated a delisting review on the Company's common shares. The delisting review was based on concerns on the Company's ability to meet the continuous listing criteria regarding financial condition, share price and amount of public float. The Company was asked to respond to the TSX by March 23, 2009. The Company submitted its response on March 23, 2009 seeking an extension to August 2009 to demonstrate that it meets continuous listing criteria. On March 27, 2009, the TSX granted an extension to August 26, 2009.

On February 27, 2009, Arehada announced that Arehada China had obtained a further extension for its bank loans from the Agricultural Bank of China, being two short term bank loans in the amount of RMB 16,000,000 and RMB 14,000,000 due on February 21, 2009 and February 26, 2009 respectively, and a RMB 20,000,000 principal repayment due on February 20, 2009 on the five-year term loan. After discussions with Arehada China, the Agricultural Bank had agreed to extend all three loans. The Agricultural Bank had agreed that when Arehada China re-started its mining operation and generated cash flow from operation (after covering its operational needs), Arehada China would start to repay the interest on the loans, and when Arehada China had generated surplus cash flow after covering its operational and day-to-day business needs, the Company would start to repay the principal.

On February 27, 2009, Arehada announced that Arehada China had re-assembled its management team on site to prepare for resumption of mining operations.

On March 20, 2009, the Company announced that its personnel had return to the mine and were preparing for mining operation by pumping water out of wells and expected to commence operation by the end of March and produce products in April of 2009. The Company also announced that Arehada China had entered into two supply contracts for 3,000 tons of lead concentrates and 8,000 tons of zinc concentrates.

On March 20, 2009, the Company further extended the loan owing to Arehada China by Baiyinhanshan by three months from March 31, 2009 to June 30, 2009 and amended the interest rate of the loan from 7% to 5%. Arehada Barbados agreed to increase the pledged shares for the loan from 80 million shares to 90 million shares in Arehada.

DESCRIPTION OF BUSINESS

General

Arehada is a mineral exploration company and zinc lead silver producer. The Company has three areas of operations, carried out through Arehada China: mining operation, refinery operation and exploration. The Company is dedicated to developing a lead-zinc mine located near the town of Manduhubaoigesumu, in the Dongwuzhumuqinqi region of Inner Mongolia Autonomous Region of China (the "**Arehada Mine**"). The mining operation is fully constructed and the Arehada Mine operates with a daily processing throughput capacity of 1,500 tonnes. The ore being mined at the Arehada Mine is predominately zinc, lead and silver. The Company then processes the ore through its processing plant to produce zinc concentrate and lead concentrate. The concentrate is then sold to smelters in China.

In the refinery operation, Arehada has constructed and completed its Zinc Smelter Plant in the same region as the Arehada Mine mining operation. The Zinc Smelter Plant has a rated capacity of 50,000 tonne per annum, to produce zinc oxide and sulphuric acid. The refinery operation is designed to process its zinc concentrate produced internally and to also source third party zinc concentrate in the region and from Mongolia. The Zinc Smelter Plant is currently not in operation.

In addition to the Arehada Mine, the Company also owns an interest in three mines located in the vicinity of the Arehada Mine. The Company also plans to expand its reserves and resources by continuing to explore the Arehada Mine and other mining properties.

Competitive Conditions

The mineral exploration and mining industry is extremely competitive and the Company competes with other mining companies for mineral properties, for joint venture partners and opportunities and for the acquisition of investments in other mining companies.

Environmental Protection

The current and future operations of the Company, including development activities on its properties, are subject to laws and regulations and best practice principles governing exploration, development, waste disposal, greenhouse gas emissions, protection and remediation of environment, reclamation, hazardous substances and other matters. Compliance with such laws and regulations increases the costs of and delays planning, designing, drilling and developing the Company's properties.

The Company plans to diligently attempt to apply technically proven and economically feasible measures to advance protection of the environment throughout the exploration and development process. Current costs associated with compliance are considered normal.

Employees

As at March 27, 2009, the Company had 420 full-time employees in the mining and processing division, 15 employees in the refinery division and 5 employees in the exploration division, all of whom are based out of the Company's operations in China. The Company had nil employees in its head office in Toronto, Ontario; administrative services are provided under contract. As operations require, the Company also retains geologists, engineers, geophysicists and other consultants on a negotiated basis.

Risk Factors

An investment in the securities of the Company should be considered speculative due, generally, to the nature of the business in which the Company is engaged, the limited extent of the Company's assets, the Company's state of development and the degree of its reliance upon the expertise of management. Specifically, in evaluating an investment in any of the Company's securities, the following risk factors should be given special consideration

Fluctuations in the Market Price of Mineral Commodities

The profitability of the Company's operations is dependent in part upon the market price of mineral commodities. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The level of interest rates, the rate of inflation, the world supply of and demand for mineral commodities, and exchange rate stability can all cause significant price fluctuations. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The price of mineral commodities has fluctuated widely in recent years and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on the Company's business, financial condition and results of operations. The Company's operational results were significantly affected by the decline in metal prices during 2008 and was forced to shut down its mining operation from November 2008 until March 2009.

Mining Industry Risks

The Company is engaged in exploration, mine development and the mining and production of minerals, primarily lead, zinc and silver, and is exposed to a number of risks and uncertainties that are common to other companies in the same business. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, cave-ins, landslides and the inability to obtain suitable adequate machinery, equipment or labour are risks

involved in the operation of mines and the conduct of exploration programs. The Company has relied on and may continue to rely upon consultants and others for mine operating and exploration expertise. Few properties that are explored are ultimately developed into producing mines. Substantial expenditures are required to establish ore reserves through drilling, to develop metallurgical processes to extract the metal from the ore and in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineral deposit, the Company may not be able to raise sufficient funds for development. The economics of developing mineral properties is affected by many factors including the cost of operations, variations in the grade of ore mined, fluctuations in metal markets, costs of mining and processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Where expenditures on a property have not led to the discovery of mineral reserves, spent costs will usually not be recoverable.

Risk of Being Delisted from the TSX

The Company's common shares became subject to a delisting review by the TSX on January 29, 2009 for failure to meet the TSX continuous listing criteria in financial conditions, share price and public float. The Company submitted its response to the TSX on March 23, 2009 seeking an extension to August 2009 to demonstrate that it has met the continuous listing criteria. The Company believes that the primary reason for the Company's failure to meet the continuous listing criteria is the decline in metal prices which forced the Company to shut down its operations in November 2008. The company believes that with the metal prices recovering and its planned resumption of operations, the Company will be able to meet the continuous listing criteria by August 2009. However, as there is no assurance that the metal prices will not decline again, there is no assurance that the Company will regain profitability, that the continuous listing criteria will be met or that the Company's common shares will continue to be listed on the TSX.

Replacement of Depleted Reserves

The Company must continually replace reserves depleted by production to maintain production levels over the long term. Reserves can be replaced by expanding known orebodies, locating new deposits or making acquisitions. Exploration is highly speculative in nature. The Company's exploration projects involve many risks and are frequently unsuccessful. Once a site with mineralization is discovered, it may take several years from the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable reserves and to construct mining and processing facilities. As a result, there is no assurance that current or future exploration programs will be successful. There is a risk that depletion of reserves will not be offset by discoveries or acquisitions. The mineral base of the Company may decline if reserves are mined without adequate replacement and the Company may not be able to sustain production beyond the current mine lives, based on current production rates.

Uncertainty as to Calculations of Mineral Deposit Estimates

There is a significant degree of uncertainty attributable to the calculation of mineral deposit estimates and corresponding mineralization grades. Until the mineralized material is actually mined and processed, mineral deposit estimates, mineralization grades and recovery rates must be considered as estimates only. Consequently, there can be no assurance that any mineral deposit estimates or ore-grade information contained herein (including in the documents incorporated herein by reference) will prove accurate. In addition, the value of mineral deposits may vary depending on mineral prices and other factors. Any material change in ore grades, stripping ratios or other mining and processing factors may affect the economic viability of the Company's projects. Furthermore, mineral deposit estimate information should not be interpreted as any assurance of mine life or of the potential profitability of existing or future projects.

Risks relating to China

Various matters that are specific to doing business in China may create additional risks or increase the degree of such risks associated with the Company's activities. These risks are discussed below.

Chinese Political and Economic Considerations

The business operations of the Company are located in and the revenues of the Company are derived from activities in China. Likewise, the Company's operations in China are currently conducted through and with the assistance of Arehada China, a Chinese company. Accordingly, the business, financial condition and results of operations of the Company could be significantly and adversely affected by economic, political and social changes in China. The Chinese economy has traditionally been a planned economy, subject to five-year and annual plans adopted by the state, which set down national economic development goals. Since 1978, China has been moving the economy from a planned economy to a more open, market-oriented system. The economic development of China is following a model of market economy under socialism. Under this direction, it is expected that China will continue to strengthen its economic and trading relationships with foreign countries and that business development in China will follow market forces and the rules of market economics.

However, the Chinese government continues to play a significant role in regulating industry by imposing industrial policies. In addition, there is no guarantee that a major turnover of senior political decision makers will not occur, or that the existing economic policy of China will not be changed. A change in policies by the Chinese government could adversely affect the Company's interests in China through changes in laws, regulations or the interpretation thereof, taxation, restrictions on currency conversion, imports and sources of supplies, or the expropriation of private enterprises.

Parties engaged in mining operations in China may be required to compensate those suffering loss or damage by reason of mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of companies engaged in mineral resource exploration and development, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

Additionally, companies (such as Arehada China) with a foreign ownership component operating in China may be required to work within a framework which is different to that imposed on domestic Chinese companies. The Chinese government is opening up opportunities for foreign investment in mining projects and this process is expected to continue. However, if the Chinese government should reverse this trend and impose greater restrictions on foreign companies, the Company's business and future earnings could be negatively affected.

Chinese Legal System and Enforcement

The Company's sole business operations are carried out in China and as such are subject to Chinese law. The legal system in China embodies uncertainties that could limit the legal protection available to the Company and its shareholders. The outcome of any litigation may be more uncertain than usual because: (i) the experience of the Chinese judiciary is relatively limited, and (ii) the interpretation of Chinese laws may be subject to policy changes reflecting domestic political changes. The laws that do exist are relatively recent and their interpretation and enforcement involve uncertainties, which could limit the available legal protections. Even where an adequate legal framework is in place, it may be impossible to obtain swift and equitable enforcement of such laws or to obtain enforcement of judgments by a court of another jurisdiction. The inability to enforce or obtain a remedy under such agreements may have a material adverse impact on the Company.

Many Chinese tax rules are not published, and those that are published can be ambiguous, leaving a considerable amount of discretion to local tax authorities. China currently offers tax and other preferential incentives to encourage foreign investment. However, the Chinese tax regime is undergoing review and there is no assurance that such tax and other incentives will continue to be available.

There is also no guarantee that the pursuit of economic reforms by the Chinese government will be consistent or effective and as a result, changes in the rate or method of taxation, reduction in tariff protection and other import restrictions, and changes in state policies affecting the mining industry may have a negative effect on the Company's operating results and financial condition.

Environmental Considerations

Although the Chinese government has enacted environmental protection legislation to regulate the mining industry, due to the very short history of this legislation, national and local environmental protection standards are still in the process of being formulated and implemented. The legislation provides for penalties and other liabilities for the violation of such standards and establishes, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are being or have been conducted.

The Company believes that it is not subject to any outstanding notices, orders or directives from central or local environmental protection agencies or local government authorities alleging any breach of national or local environmental quality standards. Although the Company intends to fully comply with all environmental regulations, there is a risk that permission to conduct exploration and development activities could be withdrawn temporarily or permanently where there is evidence of serious breaches of such standards.

Ownership and Regulation of Mineral Resources is subject to extensive government regulation

Ownership of land in China remains with the Chinese State. The Chinese State is extensively involved in the regulation and exploration of mining activities at the national, regional and local levels. Transfers of exploration and mining rights are also subject to governmental approval. Failure or delays in obtaining necessary approvals could have a materially adverse affect on the financial condition and results of operations of the Company. Nearly all mining projects carried out in China require government approval. There can be no certainty that any such approvals will be granted to Arehada China in a timely manner, or at all, or if granted, will be sustained or renewed.

Repatriation of Local Currency

Mechanisms are currently in place to allow for repatriation of profits and capital from Chinese-based foreign operated mining companies, such as Arehada. Foreign mining companies can currently repatriate their dividends in foreign currency. While the Chinese government is generally relaxing restrictions on foreign trade and investments, there is not certainty that all future local currency can be repatriated.

Requirement of Additional Financing

The exploration and development of the Company's properties, including continuing exploration and development projects, and the construction of mining facilities and the commencement, continuation and expansion of mining operations, may require substantial additional financing. Failure to obtain sufficient financing will result in a delay or indefinite postponement of exploration development or production on any or all of the Company's properties or even a loss of a property interest. Sources of funds now available to the Company are limited and may include cash flow from the Arehada Mine, the sale of equity capital, properties, royalty interests, the entering into of future joint ventures and the exercise of outstanding options and warrants. Additional financing may not be available when needed or, if available, the terms of such financing might not be favourable to the Company and might involve substantial dilution to existing shareholders. Failure to raise capital when needed would have a material adverse effect on the Company's business, financial condition and results of operations.

Uninsured Risks

The Company does not carry insurance to protect against certain risks. Risks not insured against in each case include unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes or other hazards against which mining exploration corporations cannot insure or against which the Company may elect not to insure because of high premium costs or other reasons. Failure to have insurance coverage for any one or more of such risks or hazards could have a material adverse effect on the Company's business, financial condition and results of operations.

Competition

The mining industry is intensely competitive in all of its phases and the Company will compete with many companies possessing greater financial and technical resources than itself. Competition in the base and precious metals mining industry is primarily for: mineral rich properties which can be developed and produced economically; the technical expertise to find, develop, and operate such properties; the labour to operate such properties; and the capital for the purpose of funding such properties. Many competitors not only explore for and mine base and precious metals, but conduct refining and marketing operations on a world-wide basis. Such competition may result in the Company being unable to acquire desired properties (due to the auction process involved in property acquisition), to recruit or retain qualified employees or to acquire the capital necessary to fund its operations and develop its properties. Existing or future competition in the mining industry could materially adversely affect the Company's prospects for mineral exploration and success in the future.

Dependence Upon Key Management Personnel and Executives

The Company is dependent upon the continued support and involvement of a number of key management personnel. The loss of the services of one or more of such personnel could have a material adverse effect on the Company. The Company's ability to manage its exploration and development activities and, hence, its success, will depend in large part on the efforts of these individuals. The Company faces intense competition for qualified personnel and there can be no assurance that the Company will be able to attract and retain such personnel.

Residency of Directors, Officers and Others

A number of the directors of the Company reside outside of Canada. Substantially all of the assets of these persons and of the Company are located outside of Canada. Accordingly, it may not be possible for investors to effect service of process within Canada upon the directors, officers and experts who do not reside in Canada. In addition, it may also not be possible to enforce judgments obtained in Canadian courts against the Company and certain of its directors and officers and certain experts who reside outside of Canada,

Potential Volatility of Market Price of Common Shares

The TSX has, from time to time, experienced significant price and volume fluctuations unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the market price of the common shares of the Company. In addition, the market price of the common shares is likely to be highly volatile. Factors such as the price of minerals, announcements by competitors, changes in stock market analyst recommendations regarding the Company, and general market conditions and attitudes affecting other exploration and mining companies may have a significant effect on the market price of the common shares. Moreover, it is likely that during future quarterly periods, the Company's results and exploration activities may fluctuate significantly or may fail to meet the expectations of stock market analysts and investors and, in such event, the market price of the common shares could be materially adversely affected. In the past, securities class action litigation has often been initiated following periods of volatility in the market price of a company's securities. Such litigation, if brought against the Company, could result in substantial costs and a diversion of management's attention and resources, which could have a material adverse effect on the Company's business, financial condition and results of operations.

Possible Conflicts of Interest of Directors and Officers of Arehada

Certain of the directors and officers of the Company also serve as directors, officers and/ or advisors of and to other companies involved in natural resource exploration and development. Consequently, there exists the possibility for such directors and officers to be in a position of conflict. The Company expects that any decision made by any of such directors and officers involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders, but there can be no assurance in this regard. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest with or which are governed by the procedures set forth in the *Business Corporation Act* (Ontario) and any other applicable law.

Risk of Dilution

Under applicable Canadian law, shareholder approval may not be required for the Company to issue common shares. Moreover, the Company has commitments that could require the issuance of a substantial number of additional common shares, in particular warrants exercisable into common shares and options to acquire common shares under the stock option plan of the Company. The future business of the Company will require substantial additional financing which will likely involve the sale of equity capital. The Company can also be expected to issue additional options, warrants and other financial instruments, which may include debt. Future issuances of equity capital may have a substantial dilutive effect on existing shareholders. The Company is not able at this time to predict the future amount of such issuances or dilution.

Title Matters

The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral concessions may be disputed. Although the Company believes it has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to any of its properties will not be challenged or impaired. Third parties may have valid claims underlying portions of the Company's interests.

Licenses and Permits

The operations of the Company may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration and development on its properties.

Disclosure for companies with Mineral Projects

Arehada is a mineral exploration and zinc lead silver producer. The Company, through its subsidiary, Arehada China, is currently dedicated to exploring and developing the Arehada Mine. The Arehada Mine is comprised of the following key elements:

- a zinc lead silver deposit;
- an underground mine accessed by three vertical shafts and one inclined shaft;
- associated mine facilities including a hoist room, compressor house, explosives magazine, and ore transportation system on narrow gauge rail track;
- a 1,500 tonne per day processing plant to produce lead and zinc concentrates;
- a tailings pond facility with water reclaim system;
- site service facilities including a heating plant, coal and fuel storage, maintenance shop and assay laboratory;
- site personnel facilities including offices, dormitory, dining hall, clinic and change house; and
- site infrastructure including a site access road, water supply system with eight wells, and electrical power transmission line with substation.

On May 28, 2007, Arehada filed the Arehada Mine Technical Report, which was prepared in accordance with National Instrument 43-101. The Arehada Mine Technical Report was prepared by Scott Wilson Roscoe Rostle Associates Inc. and authored by Graham G. Clow, P.Eng., D. George Cargill, Ph.D., P.Eng., and Kevin Scott, P.Eng. The Arehada Mine Technical Report can be viewed and is available for download on the SEDAR website at www.sedar.com.

For the purposes of the disclosure required under section 5.4 of Form 51-102F2 – Annual Information Form, the Summary from the Arehada Mine Technical Report is reproduced on Schedule "A" attached hereto, and the Company incorporates by reference into this Annual Information Form the disclosure contained in the Arehada Mine Technical Report.

Mining Operations

Mining Method

The Company currently employs three mining methods at the Arehada Mine to extract ore, depending on the thickness and depth of a particular deposit:

- Scraper Open Stopping - used in areas where a deposit dips at less than 30° and is less than four metres thick. The method employs the use of handheld drills and electric scrapers. Broken ore is scrapped to drawpoints. The maximum opening size of the stopes is approximately 18 m by 15 m, with seven metre abutment pillars and a three metre sill pillar. This method is used for approximately 15% of the deposits currently being mined.
- Room and Pillar - this method is based on leaving four metre pillars on a 10 m by 25 m pattern. Ore is broken using handheld drills and scraped to drawpoints. The method is used in areas where the deposit dips at less than 30° and is greater than four metres thick. This method is used for approximately 10% of the deposits currently being mined.
- Longhole – this method is used where the deposit dips at greater than 30° and is greater than four metres thick. It is a fairly standard top-down longhole open stopping method. Stopes are nominally 50 m high, with sublevels driven at 12.5 m intervals. Holes are 60 mm diameter, with rings spaced 1.0 m to 1.5 m apart. Ore is extracted through drawpoints. This method is used for approximately 75% of the deposits currently being mined.

Mineral Processing

The Company has a 1,500 tonne per day mineral processing plant that operates in the vicinity of the site of the Arehada Mine and is responsible for processing all of the ore extracted from the Arehada Mine mining operations. The mineral processing plant became operational in July 2006. The processing plant consists of five primary facilities:

- crushing and fine ore storage;
- grinding and classification;
- flotation;
- concentrate dewatering and load out; and
- tailings facility.

In addition, the processing plant includes the following ancillary facilities:

- assay laboratory;
- metallurgical testing laboratory;
- reagent preparation; and
- mechanical services.

Arehada conducted small scale metallurgical test work in 2005 and 2006 for the purposes of predicting and optimizing metal recoveries and concentrate grades, selecting operating parameters and conditions, and equipment optimization.

Mining Operation Results

In the fiscal year ended December 31, 2008, Arehada conducted mining operations at approximately 1,516 tonnes per day and operated 250 days. Head grades during the year were approximately 1.29% zinc and 1.09% lead resulted in an 85% and 88% recovery factor respectively, while silver head grades of 44.68 grammes per tonne showed a 74% recovery factor. These grades are substantially below the overall head grades for the resource cited in Arehada Mine Technical Report but reflect the mining of development ore. This ore, which contains above normal amounts of waste ore as the mine is developed, was also used to tune the mill.

In addition, the sale of 4,226 tonnes of zinc calcine and 3,075 tonnes of sulphuric acid from newly operational zinc plant also contributed to the revenue in the year.

In the fiscal year ended December 31, 2008, realized prices averaged US\$0.42 per lb for zinc, US\$0.84 per lb for lead and US\$11.36 per ounce for silver.

Production Forecast

After a few months of care and maintenance, Arehada China is now gearing up to re-start its mining operations, thanks to the recent increase in zinc and lead prices. Arehada China currently does not have immediate plan to re-start the zinc processing plant. Currently, all personnel have returned to work and Arehada China is in the process of pumping water out of the mining wells. Arehada China expects to start mining and processing ore by the end of March 2009 and to produce products in April of 2009. Arehada China plans to further reduce costs and increase head grade of lead and zinc by targeting higher grade ore bodies and by adopting more efficient measures and technology.

Markets

The principal commodities from the Arehada Mine are zinc and lead concentrates, which can be freely traded within China at domestic market prices. The domestic market prices often lag the price cycle of the London Metals Exchange ("**LME**"), however, the ability to sell on the Chinese market is impacted by international metal prices. When LME prices are escalating, the domestic concentrates are cheaper and more likely to be readily sold to the domestic smelters. When LME prices are falling, the domestic concentrates can appear to be more expensive and then foreign concentrates are more likely to be sold into China replacing domestic concentrates.

Contracts for Sale of Products

The Company sells all the ore extracted from the Arehada Mine to refineries throughout China. Arehada China entered into two major supply contracts for its products in March 2009. One contract is for 3,000 tons of Arehada China's lead concentrates with 60% grade and priced based on market lead price. The lead supply contract is expected to cover Arehada China's lead concentrate output for eight months. The second contract is for 8,000 tons of Arehada China's zinc concentrates with 50% grade and priced based on market zinc price. The zinc supply contract is expected to cover Arehada China's zinc concentrate output for eight months.

Environmental Conditions

The Arehada Mine operating facilities have been designed to mitigate environmental impacts. The operations have processes, procedures and facilities in place to manage substances that have the potential to be harmful to the environment. In order to prevent and control spills and protect water quality, the mine utilizes multiple levels of spill containment procedures and routine inspection and monitoring of its facilities. The Arehada Mine also has various programs to reuse and conserve water at its operations. In order to mitigate the impact of dust produced by its operations, the Arehada Mine uses several different dust suppression techniques. In 2008, all activities at the Arehada Mine were, and continue to be, in compliance in all material respects with applicable corporate standards and environmental regulations.

Mine Life

The Arehada Mine has an estimated mine life of 15 years.

Exploration

Since the completion of the Arehada Mine Technical Report, the Company has been conducting extensive development drilling to outline further mineral resources with a view to increasing the underground mining capacity. The Company expects to file an updated NI 43-101 compliant technical report for the Arehada Mine in the second quarter of 2009.

Refinery Operations

On May 29, 2007 the Company announced the completion of Zinc Smelter Plant located in an industrial park on the outskirts of the city of Dongwuzhumuqinqi. The rated capacity of the Zinc Smelter Plant is 50,000 tonnes per annum. The Zinc Smelter Plant started operation on June 10, 2008 and operated for approximately two months until August 6, 2008. The Zinc Smelter Plant employs roaster – acid leach – electrowinning technology to process zinc concentrates and sulphuric acid from the Arehada Mine and other relatively nearby zinc mines. If the Zinc Smelter Plant is in operation, production from the Arehada Mine will represent approximately 12% of the Zinc Smelter Plant's operating capacity with the balance to come from a number of other zinc mines being developed in the region.

DIVIDENDS

To date, the Company has not declared or paid any dividends. The payment of dividends in the future will depend on earnings and the financial condition of the Company and on such other factors as the board of directors of the Company may consider appropriate.

DESCRIPTION OF CAPITAL STRUCTURE

The Company is authorized to issue an unlimited number of common shares without par value, of which 173,073,557 were outstanding as at March 27, 2009.

Each common share carries the right for the holder thereof to receive notice of, attend and vote at any general meeting of shareholders of the Company. Each common share carries one vote. Holders of common shares are entitled to such dividends as may be declared by the Board from time to time and are entitled to participate in the liquidation, dissolution or winding up of the Company, or other distribution of its assets, pro rata based on the number of common shares held by them.

MARKET FOR SECURITIES**Trading Price and Volume**

Since March 19, 2007, the common shares of the Company have been listed for trading on TSX under the trading symbol "AHD", and prior thereto were listed for trading on the TSXV under the trading symbol "DGN.P" since May 25, 2006.

The following chart sets out the high and low trading prices, and volume of shares traded, for the period from January 1, 2008 to December 31, 2008:

Month	High	Low	Volume
2008/12	\$ 0.030	\$ 0.015	511,700
2008/11	\$ 0.050	\$ 0.005	1,742,740
2008/10	\$ 0.130	\$ 0.025	977,400

Month	High	Low	Volume
2008/09	\$ 0.200	\$ 0.150	43,100
2008/08	\$ 0.270	\$ 0.150	109,947
2008/07	\$ 0.300	\$ 0.185	138,800
2008/06	\$ 0.450	\$ 0.340	218,538
2008/05	\$ 0.500	\$ 0.255	825,900
2008/04	\$ 0.290	\$ 0.200	1,757,064
2008/03	\$ 0.230	\$ 0.200	255,000
2008/02	\$ 0.300	\$ 0.230	273,340
2008/01	\$ 0.350	\$ 0.240	136,600

ESCROWED SECURITIES

The Company, the Company's transfer agent, Equity Transfer & Trust Company and certain securityholders of the Company entered into an escrow agreement (the "**CPC Escrow Agreement**") dated January 25, 2006, pursuant to the Company's completion of its initial public offering and the listing of the common shares of the Company on the TSXV.

The Company, the Company's transfer agent, Equity Transfer & Trust Company and certain securityholders of the Company entered into an escrow agreement (the "**QT Escrow Agreement**") dated March 14, 2007, pursuant to the Company's completion of the Qualifying Transaction.

The below table describes the class of securities subject to the CPC Escrow Agreement and the QT Escrow Agreement, the number of securities held in escrow and the percentage of escrowed securities of the total class of such securities that is issued and outstanding as at March 31, 2009.

<u>Escrow Agreement</u>	<u>Designation of Class</u>	<u>Number of securities held in escrow</u>	<u>Percentage of class</u>
CPC Escrow Agreement	Common shares of the Company	1,200,012 ⁽¹⁾	0.7%
QT Escrow Agreement	Common shares of the Company	42,551,820 ⁽²⁾	24.6%

Notes:

- (1) 1,200,012 common shares are currently deposited with Company's transfer agent, Equity Transfer & Trust Company, pursuant to the terms of the CPC Escrow Agreement. Pursuant to the CPC Escrow Agreement 600,006 common shares will be released from escrow on September 14, 2009; and 600,006 common shares will be released from escrow on March 14, 2010.
- (2) 42,551,820 common shares are currently deposited with the Company's transfer agent, Equity Transfer & Trust Company, pursuant to the terms of the QT Escrow Agreement. Pursuant to the QT Escrow Agreement 21,275,910 common shares will be released from escrow on September 14, 2009; and 21,275,910 common shares will be released from escrow on March 14, 2010.

DIRECTORS AND OFFICERS

The following table and the notes thereto set out the name, municipality and country of residence of each current director and executive officer of the Company, their current position and office with the Company, the date on which they were first elected or appointed as a director or officer of the Company, the approximate number of common shares and options to acquire common shares of the Company beneficially owned, directly or indirectly, or over which they exercise control or direction as at the date of this Annual Information Form:

Name and Municipality of Residence	Position with the Corporation	Appointment Date	Common Shares Beneficially Owned, Directly or Indirectly, or Over Which Control or Direction is Exercised	No. of Options Held
Steve Fan Wang ^{(4), (5)} Beijing, China	Chairman, Chief Executive Officer, Director	March 2007	73,043,639	680,000
Tom Zhen Wang ^{(4), (6)} Beijing, China	Director, Chief Executive Officer and Managing Director of Arehada China	March 2007	61,697,054	585,000
Zhengquan Philip Chen ^{(1), (2), (3)} Toronto, Ontario	Director	October 2008	Nil	600,000
Peter Hooper ^{(1), (3), (4)} Toronto, Ontario	Director	September 2008	Nil	300,000
Samuel Baker ^{(1), (2)} Toronto, Ontario	Director	September 2008	Nil	300,000
Kak Fung Wong ^{(2), (3)} Richmond, British Columbia	Director	June, 2005	2,400,000	385,100
Graham C. Warren Toronto, Ontario	Chief Financial Officer	May 2007	32,000	150,000
Judith Hong Wilkin Toronto, Ontario	Secretary	May 2007	Nil	50,000
Betty Sige Wang Beijing, China	Assistant Secretary	May 2007	Nil	80,000

Notes:

- (1) Member of the Audit Committee.
(2) Member of the Compensation Committee.
(3) Member of the Corporate Governance and Nominating Committee.
(4) Member of the Environmental and Safety Committee.
(5) Mr. Steve Fan Wang resumed his role as the Chief Executive Officer after his return from a leave of absence for health reasons on October 1, 2008.
(6) Mr. Tom Zhen Wang was appointed on March 19, 2008 as the interim Chief Executive Officer of the Company until the return of Mr. Steve Fan Wang on October 1, 2008.
* Denotes committee chair.

The directors and officers of the Company, in the aggregate, beneficially owned, directly or indirectly, or exercised control or direction over approximately 137,172,693 common shares or approximately 79.3% of the common shares of the Company issued and outstanding as at March 27, 2009.

The principal occupation for the past five years for the foregoing individuals are set out below.

Steve Fan Wang – Chief Executive Officer, Director and Chairman

Mr. Steve Fan Wang is the President, Chief Executive Officer and a director of the Company since March 14, 2007 and the chairman of the board since September 29, 2008. Mr. Steve Fan Wang has served as Chairman, director and Chief Executive Officer of Baiyinhanshan Mining Group Limited based in Inner Mongolia, China ("**Baiyinhanshan**") since 1998. Mr. Wang is also the chairman of the supervisory board of Arehada China. Since

March 14, 2007, Mr. Steve Fan Wang has been the Chief Executive Officer of the Corporation. In 2003, Mr. Wang received an M.B.A. from Beijing University.

Zhengquan Philip Chen – Lead Director

Mr. Zhengquan Philip Chen is president of Shanghai Songrui Forestry Products Inc. He is also co-founder of Macrovista Capital Inc. and Dynaco Capital Inc. based in Toronto, since they found in September 2005 and 2007 respectively. He was founding president, CEO and director of Vendome Capital Corp., a TSX Venture listed CPC that completed the qualifying transaction in August, 2008. Prior to that, Mr. Chen has been a senior associate of Zeuspac Capital Bancorp Ltd., an international private investment bank, from February 1998 to June 2005, where he has been directly involved in numerous financial advisory assignments in a variety of sectors which include the acquisitions of two hydroelectricity power companies in China worth US\$120 million in 1998 and 1999, through a New York Stock Exchange listed company. Prior to joining Zeuspac Capital Bancorp Ltd., Mr. Chen served as the Executive Vice President at Sturdy International Group Inc. (SIG) in New York from March 1996 to September 1997. Mr. Chen also worked for a government agency in Shanghai, China in public policy making and public facilities planning from 1992 to 1996. He began his career as a biochemist at a general hospital in Shanghai, China in 1982. Mr. Chen obtained his Bachelor of Science degree from East China Normal University in Shanghai, China (1982) and his Master of Business Administration degree from The University of Hawaii in Honolulu, USA (1995). In 1998, he obtained his LL.M degree from East China Polytechnic University in Shanghai. Mr. Chen is a Canadian citizen and a resident in Toronto, Ontario.

Tom Zhen Wang – Director, Chairman and Chief Executive Officer of Arehada China

Mr. Tom Zhen Wang is a director of the Company and has served as Chairman, director and Chief Executive Officer of Arehada China since 2005. He has also acted as the chairman of the supervisory board of Baiyinhanshan since 1998. In 2002, Mr. Wang received his M.B.A. from Peking University in Beijing.

Samuel Baker – Director

Mr. Samuel R. Baker Q.C. is an international corporate/commercial lawyer with broad experience providing legal and business advice to multi-national corporations and ventures from a wide range of jurisdictions including China. As such, he has served on the boards of directors of the Canadian subsidiaries and affiliates of many such corporations; for instance, Canada Minmetals Ltd., a wholly owned subsidiary of China National Metals and Minerals Import & Export Corporation. A partner of the international law firm Baker & McKenzie for more than twenty years, he continues to practice law independently under the name Baker Law Firm.

Peter Hooper – Director

Mr. Peter Hooper (B.Sc. Mining Engineering) is a senior mining executive with 40 years of broad-based experience in production, engineering, re-organization and training, contracting, exploration and corporate affairs. From 2006 to present, Mr. Hooper has acted as CEO & President of Macusani Yellowcake Inc., a uranium exploration company in Peru (TSX-V: YEL) and CEO & President of Kilo Goldmines Ltd., a gold exploration company in the Democratic Republic of the Congo (TSX-V: KGL). Since 2003, Mr. Hooper has been a non-executive director of Khan Resources Inc., a uranium exploration company in Mongolia. From 2003 to 2005, Mr. Hooper acted as chief operating officer for Afcan Mining Corporation which had a prime focus in building a 140,000 oz per annum mine in China, a project completed on schedule and on budget.

Kak Fung Wong – Director

Mr. Kak Fung Wong has been Vice Chairman and Director of China Youth Travel Group Investment Corporation since 1998. The corporation has investment interests in gold mines, hotels and new technology companies. From 1996 to 1998, Mr. Wong was Chairman and CEO of China's Shenzhen Securities Corporation, a fully licensed investment dealer in China. Under Mr. Wong's leadership, the dealer successfully led a number of high profile IPO underwritings. From 1992 to 1998, Mr. Wong was President of Huaneng Finance Corporation, a subsidiary of Huaneng Power International (New York Stock Exchange listed). Mr. Wong has served on the boards of numerous public companies that are listed on China's Shanghai and Shenzhen stock exchanges. Mr. Wong received a Masters

Degree in International Finance from the Graduate School of Money and Banking, People's Bank of China in Beijing.

Graham C. Warren – Chief Financial Officer

Mr. Graham Warren is currently President of Graham Warren Consulting, a private consulting firm (1993 to present) and has served as Chief Financial Officer of Exile Resources Inc. (TSXV: ERI) (2006 to present), Changfeng Energy Inc. (TSXV: CFY) (2006 to present); Umedik Inc. (2001 to 2002) and Medtech Environmental Ltd. (1995 to 2001). Mr. Warren also serves as the Chief Financial Officer and a director of Active Control Technologies Inc. (TSXV:ACT) (2006 to present). Mr. Warren is the former chief financial officer of and previously served as a director of Hanfeng Evergreen Inc. (TSX: HF) (2003 to 2008) and Exile Resources Inc. (2005 to 2006). Mr. Warren holds a B.Comm. degree from Concordia University and a C.M.A. designation from the Society of Management Accountants.

Judith Hong Wilkin – Secretary

Ms. Judith Hong Wilkin is a lawyer at the law firm of Fogler, Rubinoff LLP since 2000, except during January to May 2006 when she was a lawyer at the law firm of Freshfields Bruckhaus Deringer at its Hong Kong office.

Betty Sige Wang – Assistant Secretary

Ms. Betty Sige Wang is an industry analyst and international business engineer. Ms. Wang currently serves as the secretary and manager of the financial operations department of Arehada China and is the director of the Arehada China office in Beijing. Ms. Wang has had ten years experience working in the financial industry prior to joining Arehada. From 1996 to 2006, Ms. Wang served as department manager and corporate secretary for various companies, including a securities firm, a trust company and a financial leasing company. From 1994 to 1996, Ms. Wang worked for the Ministry of Forestry of the People's Republic of China and prior thereto was a university instructor from 1986 to 1994. Ms. Wang obtained her M.B.A. degree from Peking University in 2001.

Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the Company, no director or executive officer of the Company:

- (a) is, as at the date of this Annual Information Form, or was within 10 years before the date of this Annual Information Form, a director, chief officer or chief financial officer of any company (including Arehada), that:
 - (i) 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
 - (ii) 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.

that was in effect for a period of more than 30 consecutive days.

For the purposes of subsection (a), "order" means

- (i) a cease trade order;
- (ii) an order similar to a cease trade order; or
- (iii) an order that denied the relevant company access to any exemption under securities legislation,

To the knowledge of the Company, no director or executive officer or a shareholder holding a sufficient number of securities of Arehada to affect materially the control of Arehada:

- (b) is, as at the date of this Annual Information Form, or has been within the 10 years before the date of this Annual Information Form, a director or executive officer of any company (including Arehada) that:
 - (i) while that person was acting in the 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
 - (ii) 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.

To the knowledge of the Company, no director or executive officer or a shareholder holding a sufficient number of securities of your company to affect materially the control of the Company:

- (c) 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.

Board Committees

The Board has four standing committees: the audit committee (the "**Audit Committee**"), the compensation committee (the "**Compensation Committee**"), the corporate governance and nominating committee (the "**Corporate Governance and Nominating Committee**") and the environmental and safety committee (the "**Environmental and Safety Committee**"). Information with respect to the Audit Committee can be found under the heading "Audit Committee" of this Annual Information Form.

The Compensation Committee is comprised of Messrs. Zhengquan Philip Chen, Kak Fung Wong and Sam Baker, with Mr. Chen as the chair. The Compensation Committee is responsible for: establishing, administering and evaluating the compensation philosophy, policies and plans for non-employee directors and executive officers; and making recommendations to the Board regarding director and executive compensation and to review the performance and determine the compensation of the Chairman and Chief Executive Officer of the Company, based on criteria including the Company's performance and accomplishment of long-term strategic objectives.

The Corporate Governance and Nominating Committee is comprised of Messrs. Kak Fung Wong, Peter Hooper and Zhengquan Philip Chen, with Mr. Wong as the chair. The Corporate Governance and Nominating Committee is responsible for: (1) identifying individuals qualified to become Board members, (2) recommending to the Board proposed nominees for Board membership, and (3) recommending to the Board directors to serve on each standing committee.

The Environmental and Safety Committee is comprised of Messrs. Peter Hooper, Steve Fan Wang and Tom Zhen Wang, with Mr. Hooper as the chair. The Environmental and Safety Committee is responsible for: (1) the review environmental and health and safety policies and programs, (2) to oversee the Company's environmental and health and safety performance and (3) to monitor current and future regulatory issues and to make recommendations, where appropriate, on significant matters in respect of environmental and health and safety matters to the Board.

Conflicts of Interest

Certain of the directors of the Company also serve as directors of other companies involved in natural resource exploration and development and consequently there exists the possibility for such directors to be in a position of conflict. Any decision made by such directors involving the Company will be made in accordance with the duties and obligations of directors to deal fairly and in good faith with the Company and such other companies. In addition, such directors declare, and refrain from voting on, any matter in which such directors may have a conflict of interest.

LEGAL PROCEEDINGS

The Company is not a party to any material legal proceedings and is not aware of any such proceedings known to be contemplated.

The Company is not a party to (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority during the fiscal year ended December 31, 2008, (b) any penalties or sanctions imposed by a court or regulatory body; or (c) any settlement agreements entered into before a court relating to securities legislation or with a securities regulatory authority during the fiscal year ended December 31, 2008.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

In the three most recently completed financial years or the current financial year, no director, officer, insider or associate or affiliate of any director, officer or insider of the Company had or is expected to have any material direct or indirect transactions with the Company that materially affected or would materially affect the Company, except as disclosed below.

- On March 14, 2007, the Company completed the Qualifying Transaction pursuant to which the Company acquired all of the issued and outstanding common shares of Arehada Barbados and issued to Arehada Barbados a total of 141,832,308 common shares of the Company, or approximately 90.29% of the issued and outstanding common shares of the Company. Messrs. Steve Fan Wang and Tom Zhen Wang together control 95% of issued and outstanding shares of Arehada Barbados. Following the Qualifying Transaction, Mr. Steve Fan Wang became a director and officer of Company and Mr. Tom Zhen Wang became a director of the Company.
- As at March 31, 2007, the amount of \$15,548,751 (approximately RMB¥102,966,887) was owed by Baiyinhanshan, a company based in Inner Mongolia, China controlled by the Messrs. Steve Fan Wang and Tom Zhen Wang to Arehada China (collectively, the "**Baiyinhanshan Loan**"). Arehada China and Baiyinhanshan are related parties and the Loan constituted a related party transaction. The Baiyinhanshan Loan was unsecured, non-interest bearing and has no fixed repayment term.
 - On May 29, 2007, Arehada China entered into an amending agreement (the "**First Amending Agreement**") with Baiyinhanshan, to amend the terms of Baiyinhanshan Loan effective as of March 14, 2007. Pursuant to the First Amending Agreement, the Baiyinhanshan Loan was amended so that (i) the Baiyinhanshan Loan would bear interest at a rate of 7% per annum with the interest accruing on and from March 15, 2007, (ii) the Baiyinhanshan Loan would be repaid in full by March 14, 2008, and (iii) Arehada Barbados, a company controlled by the principal shareholders of Baiyinhanshan, provided a guarantee for the Baiyinhanshan Loan. As security for the guarantee, Arehada Barbados pledged a total of 40,000,000 common shares of the Company held by Arehada Barbados in favour of Arehada China. As at December 31, 2007, the principal outstanding under the Baiyinhanshan Loan was \$9,972,066 (RMB 73,703,373).
 - On March 11, 2008, the terms of the Baiyinhanshan Loan were further amended whereby Arehada China extended the maturity date of the loan to December 31, 2008 and Arehada Barbados agreed to increase the number of pledged shares to 80,000,000 common shares of the Company.

- On December 31, 2008, the terms of the loan were extended to March 31, 2009.
- During the fiscal year ended December 31, 2008, Arehada China purchased zinc and lead concentrates from Baiyinhanshan and the principal amount owing by Baiyinhanshan to Arehada China was reduced by RMB7,961,652, being the amount payables due from Arehada China to Baiyinhanshan for the concentrates purchased. On March 20, 2009, the terms of the loan was again amended whereby the term of the loan was extended to June 30, 2009 and the interest rate was amended to 5% per annum. The number of shares pledged by Arehada Barbados was increased from 80,000,000 to 90,000,000 common shares of the Company.
- The Company produces zinc concentrate and lead concentrate. Zinc concentrate is sold to arm's length parties in China. A portion of the lead concentrate was sold to a lead smelter company controlled by Messrs. Steve Fan Wang and Tom Zhen Wang in 2007. During the fiscal year ending December 31, 2008, no lead concentrate was sold to the related lead smelter company.
- The Company was charged \$87,754.32 in 2008 for legal counsel rendered by Fogler, Rubinoff LLP, a law firm. Payables to the law firm were \$15,782.82 at 2008 year end. Judith Hong Wilkin, the Secretary of the Company, is a partner of that firm.

TRANSFER AGENT AND REGISTRAR

The Company's transfer agent and registrar is:

Equity Transfer & Trust Company
Suite 420, 120 Adelaide Street West
Toronto, Ontario M5H 4C3

Tel: 416-361-0152
Fax: 416-361-0470

Transfers may be effected in the City of Toronto, Ontario and registration facilities are maintained in the City of Toronto, Ontario.

MATERIAL CONTRACTS

Other than as set forth below, the Company is not a party to any material contracts entered into within the most recently completed financial year, or before the most recently completed financial year, but that are still in effect, other than those contracts entered into in the ordinary course of business*

- the CPC Escrow Agreement; and
- the QT Escrow Agreement.

* material contracts entered into in the ordinary course of business exclude material contracts entered into in the ordinary course of business that are any of the following:

- (a) a contract to which directors, officers, or promoters are parties other than a contract of employment;
- (b) a continuing contract to sell the majority of the reporting issuer's products or services or to purchase the majority of the reporting issuer's requirements of goods, services, or raw materials;
- (c) a franchise or licence or other agreement to use a patent, formula, trade secret, process or trade name;
- (d) a financing or credit agreement with terms that have a direct correlation with anticipated cash distributions;
- (e) an external management or external administration agreement; or
- (f) a contract on which the reporting issuer's business is substantially dependent.

INTERESTS OF EXPERTS

Name of Experts

The audited financial statements of each of the two years ended December 31 2007 and 2008 have been audited by Mintz & Partners LLP (now Deloitte Touche LLP), Chartered Accountants.

The Arehada Mine Technical Report was prepared by Scott Wilson Roscoe Postle Associates Inc., geological and mining consultants and authored by Graham G. Clow, P.Eng., D. George Cargill, Ph.D., P.Eng. and Kevin Scott, P.Eng.

Interests of Experts

As at March 30, 2009, Mintz & Partners LLP (now Deloitte Touche LLP) did not own, beneficially, directly or indirectly, any securities of the Company.

As at March 30, 2009, Scott Wilson Roscoe Postle Associates Inc., Graham G. Clow, D. George Cargill and Kevin Scott did not own, beneficially, directly or indirectly, any securities of the Company.

AUDIT COMMITTEE

The Audit Committee is comprised of Messrs. Samuel Baker, Peter Hooper and Zhengquan Philip Chen, with Mr. Baker as the chair. The Audit Committee is responsible for the Company's financial reporting process and the quality of its financial reporting. The Audit Committee is charged with the mandate of providing independent review and oversight of the Company's financial reporting process, the system of internal control and management of financial risks, and the audit process, including the selection, oversight and compensation of the Company's external auditors. The Audit Committee also assists the Board in fulfilling its responsibilities in reviewing the Company's process for monitoring compliance with laws and regulations and its own code of business conduct. In performing its duties, the Audit Committee maintains effective working relationships with the Board, management, and the external auditors and monitors the independence of those auditors. The Audit Committee is also responsible for reviewing the Company's financial strategies, its financing plans and its use of the equity and debt markets.

The full text of the Charter of the Audit Committee is included as Schedule "B" to this Annual Information Form.

Composition of the Audit Committee

The Audit Committee of Arehada is comprised of the following members of the board of directors of the Company:

<u>Name</u>	<u>Corporate Position</u>	<u>Independent</u>	<u>Financial Literacy</u>
Samuel R. Baker	Director	Yes	Yes
Peter Hooper	Director	Yes	Yes
Zhengquan Philip Chen	Director	Yes	Yes

The following table describes the education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member:

Name of Audit Committee Member	Relevant Experience and Qualifications
Samuel R. Baker	Mr. Samuel R. Baker Q.C. is an international corporate/commercial lawyer with broad experience providing legal and business advice to multi-national corporations and ventures from a wide range of jurisdictions including China. As such, he has served on the boards of directors of the Canadian subsidiaries and affiliates of many such corporations; for instance, Canada Minmetals Ltd., a wholly owned subsidiary of China

Name of Audit Committee Member	Relevant Experience and Qualifications
	National Metals and Minerals Import & Export Corporation. A partner of the international law firm Baker & McKenzie for more than twenty years, he continues to practice law independently under the name Baker Law Firm.
Peter Hooper	Mr. Peter Hooper (B.Sc. Mining Engineering) is a senior mining executive with 40 years of broad-based experience in production, engineering, re-organization and training, contracting, exploration and corporate affairs. From 2006 to present, Mr. Hooper has acted as CEO & President of Macusani Yellowcake Inc., a uranium exploration company in Peru (TSX-V: YEL) and CEO & President of Kilo Goldmines Ltd., a gold exploration company in the Democratic Republic of the Congo (TSX-V: KGL). Since 2003, Mr. Hooper has been a non-executive director of Khan Resources Inc., a uranium exploration company in Mongolia. From 2003 to 2005, Mr. Hooper acted as chief operating officer for Afcan Mining Corporation which had a prime focus in building a 140,000 oz per annum mine in China, a project completed on schedule and on budget.
Zhengquan Philip Chen	Mr. Zhengquan Philip Chen is president of Shanghai Songrui Forestry Products Inc. He is also co-founder of Macrovista Capital Inc. and Dynaco Capital Inc. based in Toronto, since they found in September 2005 and 2007 respectively. He was founding president, CEO and director of Vendome Capital Corp., a TSX Venture listed CPC that completed the qualifying transaction in August, 2008. Prior to that, Mr. Chen has been a senior associate of Zeuspac Capital Bancorp Ltd., an international private investment bank, from February 1998 to June 2005, where he has been directly involved in numerous financial advisory assignments in a variety of sectors which include the acquisitions of two hydroelectricity power companies in China worth US\$120 million in 1998 and 1999, through a New York Stock Exchange listed company. Prior to joining Zeuspac Capital Bancorp Ltd., Mr. Chen served as the Executive Vice President at Sturdy International Group Inc. (SIG) in New York from March 1996 to September 1997. Mr. Chen also worked for a government agency in Shanghai, China in public policy making and public facilities planning from 1992 to 1996. He began his career as a biochemist at a general hospital in Shanghai, China in 1982. Mr. Chen obtained his Bachelor of Science degree from East China Normal University in Shanghai, China (1982) and his Master of Business Administration degree from The University of Hawaii in Honolulu, USA (1995). In 1998, he obtained his LL.M degree from East China Polytechnic University in Shanghai. Mr. Chen is a Canadian citizen and a resident in Toronto, Ontario.

External Auditor Service Fees

	2008 Fee Amount	2007 Fee Amount
Audit Fees	\$70,000	\$100,000
Audit-Related Fees	Nil	Nil
Tax Fees	\$5,000	Nil
All Other Fees	Nil	Nil
Total:	\$75,000	\$100,000

ADDITIONAL INFORMATION

Financial information about the Company is contained in its consolidated comparative financial statements and Management's Discussion and Analysis for fiscal years ended December 31, 2007 and 2008, and additional information relating to the Company is on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness and the principal holders of the Company's securities authorized for issuance under equity compensation plans, where applicable, is contained in the Company's Information Circular expected to be filed on SEDAR in April 2009 in connection with its annual meeting of shareholders to be held on May 28, 2009.

SCHEDULE "A"

Summary of the Arehada Mine Technical Report

EXECUTIVE SUMMARY

Scott Wilson Roscoe Postle Associates Inc. (Scott Wilson RPA) was retained by Arehada Mining Corporation (AMC) to prepare an independent NI 43-101 Technical Report on the Arehada Lead-Zinc Mine (Arehada, or the Project), located near the town of Manduhubaoligesumu, in the Dongwuzhumuqinqi region of Inner Mongolian Autonomous Region of China.

The Project comprises:

- A silver/ lead/ zinc deposit.
- An underground mine accessed by three vertical shafts and one inclined shaft.
- Associated mine facilities including a hoist room, compressor house, explosives magazine, and ore transportation system on narrow-gauge rail track.
- A 1,500 tpd processing plant to produce lead and zinc concentrates.
- A tailings pond facility with water reclaim system.
- Site service facilities including a heating plant, coal and fuel storage, maintenance shop and assay laboratory.
- Site personnel facilities including offices, dormitory, dining hall, clinic and change house.
- Site infrastructure including a site access road, water supply system with eight wells, and electrical power transmission line with substation.

Scott Wilson RPA conducted a site visit on June 12-17, 2006. This report is considered by Scott Wilson RPA to meet the requirements of a Preliminary Assessment as defined in Canadian NI 43-101 regulations. The economic analysis contained in this report is based, in part, on inferred resources, and is preliminary in nature. Inferred resources are considered too geologically speculative to have mining and economic considerations applied to them and to be categorized as Mineral Reserves. There is no certainty that the economic forecasts on which this preliminary assessment is based will be realized.

CONCLUSIONS

The Preliminary Assessment (as defined under NI 43-101) completed by Scott Wilson RPA has shown that the Arehada Lead-Zinc Mine Project should be viable at forecast long term metal prices. In Scott Wilson RPA's opinion, the planning and execution of the Project has been carried out at a high standard and in an efficient manner. The operation is sensitive to head grades and clearly benefits from the low Chinese labour costs. Scott Wilson RPA has reviewed the Project on the basis of lead and zinc concentrates being sold according to western terms, however, AMC is presently constructing a zinc smelter in the area of the mine and the Project should be able to benefit from vertical integration of the metal production. In addition, there could be further benefits from the recovery of minor metals such as indium.

Scott Wilson RPA offers the following comments on specific areas of the Project:

GEOLOGY AND MINERAL RESOURCES

- Mineral resources have been estimated according to the requirements of CIM definitions and, in Scott Wilson RPA's opinion, are compliant with NI 43-101.
- The mineral resources cannot be classified as mineral reserves at the present time as AMC has not prepared a cash flow to demonstrate the economics of an operation based on the indicated resources only. Scott Wilson RPA considers the likelihood of converting the resources to reserves to be very good.

MINING

- The database of information used to develop the mineral resource estimate is only marginally adequate for detailed mine design, planning, and forecasting. During operation, there will need to be diligent focus on definition drilling as part of the production cycle.
- The dilution and extraction assumptions in mine planning are considered appropriate for the methods chosen, however, they will need to be closely monitored during operation as the Project is so sensitive to head grade.
- Development requirements are relatively high and proper cycle planning will be important to achieve the required 1,500 tpd of ore.
- The timely sinking of No 5 shaft and development of associated infrastructure is critical to maintaining the forecast production rate.

PROCESSING

- The plant has been constructed with somewhat less test work than is the norm in western operations. The plant has been processing ore for approximately two months and zinc concentrate grades have yet to achieve forecast. Recent concentrate grades have exceeded 45% zinc and it is expected that the results will continue to improve. AMC needs to focus on this continued improvement.
- The plant equipment and circuit configuration appears to be adequate to attain targeted metallurgical goals, however, emphasis should be placed on circuit controls and monitoring, as well as reagent additions, to ensure the circuit performance is optimized.

PLANT AND INFRASTRUCTURE

- Construction and startup of the Project infrastructure and services is progressing well and should be adequate to support production requirements.

ENVIRONMENT

- All permits are reported to be in place for operation.
- The main tailings pond was not yet complete during Scott Wilson RPA's visit, however, a starter pond was in place.

PROJECT CONSTRUCTION

- Construction of the Project is being carried out in a professional and effective manner.
- AMC reports that full startup is expected in October 2006. In Scott Wilson RPA's opinion, achieving 1,500 tpd may take somewhat longer, perhaps into the first quarter of 2007.

RECOMMENDATIONS

Scott Wilson RPA presents the following recommendations:

1. Prepare a Life of Mine Plan using only indicated resources in order to allow conversion of mineral resources to mineral reserves.
2. Prepare and implement a definition drilling program to upgrade the current inferred resources to indicated resources in order to allow subsequent conversion to mineral reserves.
3. Proceed with the design and construction of the No 5 shaft system to allow mining below the 848 level.
4. Implement a definition drilling program that will focus on better defining the development and stoping plans in the early years of the Life of Mine Plan. The objective should be to have at least two years reserves planned in detail ahead of current production.
5. Review the startup schedule in detail to ensure that there are sufficient workplaces available to support 1,500 tpd.
6. Monitor the stoping activity closely to determine whether the dilution and extraction assumptions remain valid.
7. Implement a process to ensure that mineral resource and mineral reserve reporting complies with NI 43-101 standards for year end. This will include a proper reconciliation of production against the resource/reserve model.

ECONOMIC ANALYSIS

A Life of Mine Cash Flow has been generated from the Life of Mine production schedule and capital and operating cost estimates, and is shown in Table 1-1.

The economic analysis for the Project has been evaluated using current pricing terms declining to long-term prices. An allowance has been included for payment for sulphur content. A summary of the key criteria is provided below.

PHYSICALS

Mine life:	15 years
Total mill feed:	7,167,000 tonnes at a grade of 1.79% Pb, 2.63% Zn and 53.5 g/t Ag
Operations:	330 (equivalent) days per year
Underground production:	1,500 tonnes per day
Mill throughput:	1,500 tonnes per day, or 495,000 tonnes per year
Zinc recovery:	90%
Lead recovery:	90%
Silver recovery:	75% to lead concentrate
Total zinc produced:	373,700,000 pounds

Total lead produced:	274,300,000 pounds
Total silver produced:	9,245,000 ounces in lead concentrate 1,345,000 ounces in zinc concentrate

REVENUE

Zinc price:	\$0.67 per pound average over the mine life \$1.50 per pound in Year 1 \$1.00 per pound in Year 2 \$0.70 per pound in Year 3 \$0.65 per pound in Years 4-5 \$0.55 per pound by Year 6 and long-term
Lead price:	\$0.30 per pound
Silver price:	\$7.50 per ounce
Sulphuric acid:	\$15.00 per tonne
Treatment charges:	average \$248 per tonne zinc concentrate \$175 per tonne lead concentrate
Payable:	lead 95% silver in lead 95% zinc 85% or 8 units silver in zinc deduct 3 ounces, pay 60%
Refining charges:	\$0.35 per ounce silver
Royalty and Tax:	10.8% of NSR

COSTS

Operating cost:	\$18.65 per tonne milled
Pre-production capital cost:	\$21.7 million
Sustaining capital:	\$6.6 million (includes closure)
Exchange rate:	US\$1.00 = RMB8.00

SCHEDULE "B"

Audit Committee Charter

1. Overall Purpose / Objectives

The committee will assist the Board of Directors of the Company (the "Board") in fulfilling its responsibilities. The committee will review the financial reporting process, the system of internal control and management of financial risks, the audit process, and the Company's process for monitoring compliance with laws and regulations and its own code of business conduct. In performing its duties, the committee will maintain effective working relationships with the Board, management, and the external auditors and monitor the independence of those auditors. The committee will also be responsible for reviewing the Company's financial strategies, its financing plans and its use of the equity and debt markets.

To perform his or her role effectively, each committee member will obtain an understanding of the responsibilities of committee membership as well as the Company's business, operations and risks.

2. Authority

The Board authorizes the committee, within the scope of its responsibilities, to seek any information it requires from any employee and from external parties, to obtain outside legal or professional advice and to ensure the attendance of Company officers at meetings as appropriate.

3. Organization

3.1 Membership

- (a) The committee will be comprised of at least three directors of the Company, a majority of whom are not officers or employees of the Company or any of its affiliates.
- (b) The chairman of the audit committee will be nominated by the committee from time to time.
- (c) A quorum for any meeting will be two members.
- (d) The secretary of the committee will be the company secretary, or such person as nominated by the Chairman.

3.2 Attendance at Meetings

- (a) The committee may invite such other persons (e.g. the CEO) to its meetings, as it deems appropriate.
- (b) The external auditors should be present at each quarterly audit committee meeting and be expected to comment on the financial statements in accordance with best practices.
- (c) Meetings shall be held not less than four times a year. Special meetings shall be convened as required. External auditors may convene a meeting if they consider that it is necessary.
- (d) The proceedings of all meetings will be minuted.

4. Roles and Responsibilities

The committee will:

- 4.1 Gain an understanding of whether internal control recommendations made by external auditors have been implemented by management.
- 4.2 Gain an understanding of the current areas of greatest financial risk and whether management is managing these effectively.
- 4.3 Review the Company's strategic and financing plans to assist the Board's understanding of the underlying financial risks and the financing alternatives.
- 4.4 Review management's plans to access the equity and debt markets and to provide the Board with advice and commentary.
- 4.5 Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- 4.6 Review any legal matters which could significantly impact the financial statements as reported on by the general counsel and meet with outside counsel whenever deemed appropriate.
- 4.7 Review the annual and quarterly financial statements including Management's Discussion and Analysis and determine whether they are complete and consistent with the information known to committee members; determine that the auditors are satisfied that the financial statements have been prepared in accordance with generally accepted accounting principles.
- 4.8 Pay particular attention to complex and/or unusual transactions such as those involving derivative instruments and consider the adequacy of disclosure thereof.
- 4.9 Focus on judgmental areas, for example those involving valuation of assets and liabilities and other commitments and contingencies.
- 4.10 Review audit issues related to the Company's material associated and affiliated companies that may have a significant impact on the Company's equity investment.
- 4.11 Meet with management and the external auditors to review the annual financial statements and the results of the audit.
- 4.12 Assess the fairness of the interim financial statements and disclosures, and obtain explanations from management on whether:
 - (a) actual financial results for the interim period varied significantly from budgeted or projected results;
 - (b) generally accepted accounting principles have been consistently applied;
 - (c) there are any actual or proposed changes in accounting or financial reporting practices;
 - (d) there are any significant or unusual events or transactions which require disclosure and, if so, consider the adequacy of that disclosure.
- 4.13 Review the external auditors' proposed audit scope and approach and ensure no unjustifiable restriction or limitations have been placed on the scope.
- 4.14 Review the performance of the external auditors and approve in advance provision of services other than auditing.

- 4.15 Consider the independence of the external auditors, including reviewing the range of services provided in the context of all consulting services bought by the Company.
- 4.16 Make recommendations to the Board regarding the reappointment of the external auditors.
- 4.17 Meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.
- 4.18 Endeavour to cause the receipt and discussion on a timely basis of any significant findings and recommendations made by the external auditors.
- 4.19 Obtain regular updates from management and the Company's legal counsel regarding compliance matters, as well as certificates from the Chief Financial Officer as to required statutory payments and bank covenant compliance and from senior operating personnel as to permit compliance.
- 4.20 Ensure that the Board is aware of matters which may significantly impact the financial condition or affairs of the business.
- 4.21 Perform other functions as requested by the full Board.
- 4.22 If necessary, institute special investigations and, if appropriate, hire special counsel or experts to assist.
- 4.23 Review and update the charter; receive approval of changes from the Board.