

This MD&A provides analysis of the financial results of Arehada Mining Limited ("Arehada" or the "Company") for three months ended September 30, 2008. The following information should be read in conjunction with the unaudited consolidated financial statements of the Company for the period ended September 30, 2008 and the audited consolidated financial statements of the Company for the year ended December 31, 2007 and the notes thereto. The financial statements of the Company are presented in Canadian dollars and in accordance with generally accepted accounting principles in Canada. The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The Company bases its estimates on historical experience, current trends and various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. All dollar amounts are expressed in Canadian dollars unless otherwise specified. The following discussion of the financial condition is dated November 11, 2008.

CAUTION REGARDING FORWARD LOOKING STATEMENTS

Certain statements in this MD&A may constitute “forward-looking” statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and its subsidiary, or the industry in which they operate, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this report, the words “estimate”, “believe”, “anticipate”, “intend”, “expect”, “plan”, “may”, “should”, “will”, the negative thereof or other variations thereon or comparable terminology are intended to identify forward-looking statements. Such forward-looking statements reflect the current expectations of the management of the Company with respect to future events based on currently available information and are subject to risks and uncertainties that could cause actual results, performance or achievements to differ materially from those expressed or implied by those forward-looking statements, such as significant changes in market conditions, the inability of the Company to close sales and the inability of the Company to attract sufficient financing and including the risk factors summarized below under the heading “Risk Factors”. New risk factors may arise from time to time and it is not possible for management of the Company to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual results, performance or achievements of the Company to be materially different from those expressed or implied in such forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements contained in this MD&A speak only as of the date hereof. The Company does not undertake or assume any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as required by law.

.ADDITIONAL INFORMATION

Additional information, including the above mentioned financial statements, the Company's Filing Statement dated November 20, 2006, and the Company's technical report titled "Preliminary Assessment Technical Report on Arehada Lead/Zinc Mine, Inner Mongolia, China" dated September 14, 2006 prepared by Scott Wilson Roscoe Postle Associates Inc. (the "RPA Report"), is available on SEDAR at www.sedar.com.

FOREIGN EXCHANGE RATES

The Company undertakes many transactions in Chinese RMB and U.S. dollars. Information covering exchange rates between these currencies and the Canadian dollar is summarized below.

	RMB	US\$
2007 Average	7.09	0.93
December 31, 2007	7.39	1.01
2008 Average	6.86	0.98
September 30, 2008	6.46	0.94

As the Company’s subsidiaries in China are considered self-sustaining, any impact on financial instruments due to the foreign exchange fluctuations have been recognized as other comprehensive income, not as net income, unless the Company decides to liquidate its investment in China.

COMPANY OVERVIEW

The Company was incorporated as a capital pool company on June 7, 2005 and did not have any active operations until it completed the qualifying transaction by indirectly acquiring all the outstanding shares of Arehada Mining Corporation effective March 14, 2007.

The Company is engaged in the exploration, development and extraction of base metals in Dongwuzhumuqinqi, located in Inner Mongolia, China.

Currently, Arehada is mining approximately 1,510 tonnes per day of zinc, lead and silver ore. Arehada then processes the ore through its mill to produce zinc concentrate and lead concentrate, which is then sold to smelters in China.

Arehada has constructed a zinc plant with a designed processing capacity of 50,000 tonnes of zinc calcine and 90,000 tonnes of sulphuric acid per annum. The zinc plant has been completed and startup commenced at the end of the second quarter.

RESULTS OF OPERATIONS

Key Financial Data and Comparative Figures	Unaudited	Audited
(\$ 000's)	30-Sept	31-Dec
	2008	2007
Balance Sheet		
Cash	1,895	649
Working capital	8,646	8,943
Capital assets	39,125	31,261
Total assets	66,665	51,896
Shareholders' equity	37,633	30,764
Weighted average number of shares		
outstanding - basic (000's)	172,145	135,427

Quarterly data	2008			2007			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	7,565	4,587	5,259	6,431	3,852	4,990	4,611
Gross profit	1,150	2,497	3,217	3,253	1,829	2,599	3,039
Net income (loss)	(1,363)	933	1,958	658	1,119	421	2,356

The above financial information has been prepared in accordance with Canadian generally accepted accounting principles and is stated in Canadian dollars.

Operating and Production Data	Q3 2008	Q3 2007
Milled tones	109,586	102,941
Operating days	73	69
Milled tonnes per day	1,510	1,492

Head grades	Zinc	1.23%	1.31%
	Lead	1.04%	1.04%
	Silver g/t	40	40
Metallurgical recovery	Zinc	84%	82%
	Lead	87%	87%
	Silver	75%	71%
Production	Zinc(t)	1,142	1,062
	Lead(t)	990	891
	Silver(kg)	3,265	2,814

Overall Performance

Total revenue for the quarter was \$7,565,106 with a loss after tax of \$1,363,432 or \$0.008 per share, compared to revenue of \$3,852,301, net income of \$1,119,682 and \$0.007 per share for the quarter ended September 30, 2007. The loss incurred in this quarter was a result of the significant drop of the metal prices and a 20 day shutdown due to the Beijing Olympics. The total ore milled during the quarter was 109,586 tonnes compared with 102,941 tonnes in the same quarter in 2007. The Company’s mining operations commenced in July 2006.

During the quarter, Arehada conducted mining operations at approximately 1,510 tonnes per day and operated 73 days. The mining rate is higher than the 1,492 tonnes per day and 69 operating days in the same period in 2007.

During the quarter, head grades of approximately 1.23% zinc and 1.04% lead resulted in an 84% and 87% recovery factor respectively, while silver head grades of 40 grammes per tonne showed a 75% recovery factor.

These grades are below the overall head grades for the resource cited in RPA Report which estimated head grades of approximately 1.79% zinc and 2.63% lead and a 90% recovery factor, while silver head grades of 53.5 grammes per tonne were estimated with a 75% recovery factor, are in line with our expectations for the third quarter.

Revenue

The quarter’s revenue resulted from the sale of 332 tonnes of zinc concentrate, 833 tonnes of lead concentrate and 2,760 kg of silver, compared to 897 tonnes of zinc concentrate, 513 tonnes of lead concentrate and 1,595 kg of silver in the same quarter last year. 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 quarter.

During the quarter realized prices averaged US\$.42 per lb for zinc, US\$.84 per lb for lead and US\$11.36 per ounce for silver. For the same period last year the realized prices averaged US \$1.08 per lb for zinc, US\$1.09 per pound for lead and US\$9.90 per ounce of silver.

Operating Costs

Mine operating costs for the quarter ended September 30, 2008 were \$1,008,888 or US\$19.65 per tonne, which are slightly above the US\$18.65 per tonne cost projected in the RPA Report. The operating costs of zinc plant were \$5,027,338 for the quarter ended September 30, 2008.

Amortization

Amortization for the quarter ended September 30, 2008 was \$379,024. The amortization of the mine was US\$2.97 per tonne, which is in line with our expectations of the US\$2.96 per tonne projected in the RPA Report.

General and Administrative

Total general and administrative costs for the quarter were \$1,679,768, compared to \$473,726 reported for the same period in 2007. The increase is primarily attributable to the Company becoming a public entity and the cost associated therewith and the opening of a Beijing office and the zinc plant.

Interest Expense

Interest relating to construction costs, in the amount of \$890,964, was capitalized during the nine months periods ended on September 30, 2008, compared to \$1,162,126 for the same period in 2007.

Tax Expenses

On August 28, 2006, the Company became a foreign owned company operating in China and in accordance enjoyed more favourable Chinese national and local income tax rates. For the year 2006, the Company paid income tax at a normal rate of 33%. For the years 2007 to 2010, the Company is subject to a 15% income tax rate on mining operations.

For the quarter ended September 30, 2008, the Company incurred no income tax expenses compared with \$195,505 for Q3 2007.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

The Company had working capital of \$8,645,583 as at September 30, 2008. As at September 30, 2008, the Company had cash and cash equivalents of \$1,895,363. Cash equivalents are highly

liquid investments, such as term deposits with major financial institutions and are readily convertible to contracted amounts of cash.

During the quarter ended September 30, 2008, cash used by operating activities was \$201,661, cash used in investing activities was \$883,072 and cash provided from financing activities was \$1,957,430 resulting in a net increase in cash and cash equivalents of \$872,697.

Capital Expenditures

During the quarter ended September 30, 2008, the Company invested a total of \$1,784,775 in capital assets. These expenditures were for plant and equipment additions and mine development. The Company is financing its mine expansion mainly from working capital.

With respect to the zinc plant and refinery, the Company has invested approximately \$19 million to date and this has been primarily funded through a five year term loan from The Agricultural Bank of China, a major Chinese bank.

OFF BALANCE SHEET ARRANGEMENTS

As at September 30, 2008, the Company had no off balance sheet arrangements such as guaranteed contracts, contingent interests in assets transferred to an entity, derivative instrument obligations or any instruments that could trigger financing, market or credit risk to the Company.

Transactions with Related Parties

(a) Related party sales

The Company produces zinc 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, which is controlled by the principal shareholders of the Company. These sales were recorded at the exchange amount which is the amount agreed to between the parties. No sales were made to this company during the three month period ended September 30, 2008. (2007 - \$2,860,280 RMB 18,942,254).

The amount due from the related party, as described above, that is included in accounts receivable as at September 30, 2008 is \$981,682 (RMB 6,341,614) (December 31, 2007 - \$1,246,113 RMB 9,210,000).

(b) Due to related parties

All the amounts due to related parties have been repaid during the nine month periods ended September 30, 2008 (December 31, 2007- \$534,837 RMB 3,952,971).

(c) Other payables

Other payable consists of employee loans to the Company. These employee loans bear interest at 18% per annum, are unsecured and are repayable in five years. The Company has the option to pay off these advances at any time. Accrued interest included in accounts payables and accrued liabilities as at September 30, 2008 is \$ 436,633 (RMB 2,820,625) (December 31, 2007- \$265,521 RMB 1,178,437).

(d) Due from related parties

An amount of \$10,850,632 (RMB 70,094,523) (December 31, 2007 - \$10,747,865, RMB 79,437,289) is mainly due from the principal shareholder, and Baiyinhanshan Mining Corporation (“Baiyinhanshan”) and Arehada Exploration Co., companies controlled by the principal shareholders.

As at May 29, 2007, Arehada entered into an agreement with Baiyinhanshan, to amend the original terms of Baiyinhanshan Loan (“the Loan”). The agreement took effect as of March 14, 2007. Under the agreement, the terms of the Baiyinhanshan Loan were amended so that (i) the Baiyinhanshan Loan would bear interest at 7% per annum (previously 0%) 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) Corporation (“**Arehada Barbados**”), a company controlled by the principal shareholders of Baiyinhanshan and also the parent company of the Company, would provide a guarantee for the Baiyinhanshan Loan. As security for the guarantee, Arehada Barbados agreed to pledge a total of 40,000,000 Arehada common shares held by Arehada Barbados in favour of the Company. The balance includes accrued interest for the period ended September 30, 2008 of \$ 1,228,338, of which \$530,347 is included in the interest income for the nine month periods ended September 30, 2008. During the three month period ended on March 31, 2008, the Company agreed to extend the repayment date of the Baiyinhanshan loan. In addition, the security for the guarantee of the loan has been increased to 80,000,000 Arehada common shares.

(e) During the nine months period, the Company incurred director and consulting fees of \$175,770 (2007 – \$ Nil) charged by the directors and an officer of the Company. There was no amount (December 31, 2007 - \$ 51,500) owing to these individuals.

The transactions with related parties are conducted in the normal course of business and are measured at the exchange amount.

Disclosure of Outstanding Share Data

As at the report date there were 173,173,557 common shares of the Company issued and outstanding as well as 18,316,249 share purchase warrants and 8,518,250 stock options outstanding. The warrants are exercisable at a weighted average price of \$0.92 and the options are exercisable at a weighted average prices \$0.92.

Change in Accounting Policies

Effective January 1, 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (“CICA”). The new standards and accounting policy changes are as follows:

a) Financial Instruments – Recognition and Measurement

This standard prescribes when a financial asset, financial liability, or non-financial derivative is to be recognized on the balance sheet and whether fair value or cost-based methods are used to measure the recorded amounts. It also specifies how financial instrument gains and losses are to be presented. All derivatives are recorded on the balance sheet at fair value. Mark-to-market adjustments on these instruments are included in net income, unless the instruments are designated as part of a cash flow hedge relationship.

Section 3855 requires all financial assets and financial liabilities to be classified as one of five categories. Financial assets are to be classified as either held for trading, available for sale, held to maturity or loans and receivables. Financial liabilities are to be classified as either held for trading or other financial liabilities. All financial assets and financial liabilities are to be carried at fair value in the consolidated balance sheet, except held to maturity, loans and receivables and other financial liabilities which are carried at amortized cost. Subsequent accounting for changes in fair value will depend on initial classification. Realized and unrealized gains and losses on financial assets and liabilities that are held for trading will continue to be recorded in the consolidated statement of earnings. Unrealized gains and losses on financial assets that are held as available for sale are to be recorded in other comprehensive income until realized, at which time they will be recorded in the consolidated statement of operations.

All other financial instruments will be recorded at cost or amortized cost, subject to impairment reviews. The criteria for assessing other than temporary impairment remain unchanged. Transaction costs incurred to acquire financial instruments are included in the underlying balance. Regular-way purchases and sales of financial assets are accounted for on the trade date.

a) Comprehensive Income

Section 1530 requires the presentation of a statement of comprehensive income and its components. Comprehensive income includes both net earnings and other comprehensive income. Other comprehensive income includes holding gains and losses on available for sale investments, gains and losses on certain derivative instruments and foreign currency gains and losses relating to translating financial statements of self-sustaining foreign operations.

Movement in the accumulated other comprehensive loss during the year results primarily from changes of the translation rate in foreign currency denominated net assets.

c) Hedges

Section 3865 is applicable when a company chooses to designate a hedging relationship for accounting purposes. It builds on the previous AcG-13 "Hedging Relationships" and Section 1650 "Foreign Currency Translation", by specifying how hedge accounting is applied and what disclosures are necessary when it is applied. The Company currently does not have any instruments that are covered under this standard.

Upon adoption of these new standards, the Company designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Accounts receivable, other receivables, due from related parties and loan receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable, accrued liabilities, other payable, short-term loans, due to related parties and bank loan are classified as other financial liabilities, which are measured at amortized cost. The company adopted the above standards retroactively without restatement, with the exception of the presentation of foreign currency translation of self-sustaining foreign operations.

d) Accounting Changes

Effective January 1, 2007, the Company adopted revised CICA Section 1506 "Accounting Changes", which requires that: a) a voluntary change in accounting policies can be made if, and only if, the changes result in more reliable and relevant information; b) changes in accounting policies are accompanied with disclosures of prior period amounts and justification for the change; and c) for changes in estimates, the nature and amount of the change should be disclosed. The Company has not made any voluntary change in accounting policies since the adoption of the revised standard.

Future accounting standards:

In February 2008, the CICA released Section 3064, Goodwill and Other Intangible Assets, which is required to be adopted for fiscal years beginning on or after October 1, 2008. The Company is currently evaluating the impact of this new section on the consolidated financial statements and will adopt the section commencing fiscal 2009.

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of the plan, accounting standards in Canada for public companies will converge with International Financial Reporting Standards ("IFRS") effective for fiscal periods beginning on or after January 1, 2011. The Company continues to monitor the convergence of Canadian GAAP and IFRS and has not yet assessed the impact of these prospective changes on the financial statements of the Company.

Critical Accounting Estimates

For information regarding critical accounting estimates used by the Company, please see Note 3 of the audited consolidated financial statements of the Company for the year ended December 31, 2007.

Financial Instruments and Other Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts and other receivables, accounts payable, mortgages and convertible debentures payable.

Management does not believe these financial instruments expose the Company to any significant interest, currency or credit risks arising from these financial instruments. The fair market values of cash and cash equivalents, accounts and other receivables, investments, accounts payable, mortgages, master instalment payment agreements, convertible notes payable and debentures payable approximate their carrying values. Please also see Note 4 of the audited consolidated financial statements of the Company for the year ended December 31, 2007.

Risks and Uncertainties

In conducting its business, the Company is subject to a wide variety of risks and uncertainties which are more fully described in the Company's Annual Information Form 51-102F2 dated March 31, 2008, available on SEDAR at www.sedar.com.

SAFETY AND ENVIRONMENTAL

The Board of Directors of Arehada has established a Safety and Environmental Committee, which supervises safety and environmental affairs of the Company.

The mine manager heads the internal Safety Committee of Arehada. A deputy mine manager is in direct charge of safety and environment. Arehada also has a shift schedule for production safety. Monitors of both units and sections keep complete records of production and measures for accident prevention, which are passed over to the next shifts. The mine has obtained the safety production license granted by the state government. Arehada's environmental protection system has been inspected and accepted by the local government. Tailing water is recycled within the system and no leakage has occurred since the beginning of production.

INTERNAL CONTROL

Management’s Report on Internal Control over Financial Reporting

Management is responsible for certifying the design of the Corporation’s internal control over financial reporting as required by Multilateral Instrument 52-109 – Certification of Disclosure in Issuers’ Annual and Interim Filings.

Our internal control over financial reporting is intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable GAAP, Internal Control over Financial Reporting should include those policies and procedures that establish the following:

- maintenance of records in reasonable detail, that accurately and fairly reflect the transactions and dispositions of our assets;

- reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with applicable GAAP;
- receipts and expenditures are only being made in accordance with authorizations of management and the Board of Directors; and
- reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Material Weaknesses in Internal Control Over Financial Reporting

As the Company completed its qualifying transaction in acquiring Arehada on March 14, 2007, as at September 30, 2008, management, including the CEO, CFO and Chairman of the Audit Committee, was still carrying out an assessment of the design of the Corporation’s internal controls over financial reporting. Management had concerns that certain weaknesses in internal control existed as at September 30, 2008.

Changes in Internal Control Over Financial Reporting

There was no change in the Company’s internal control over financial reporting that occurred during the period covered by this report that has materially affected or is reasonably likely to materially affect, its internal control over financial reporting.

SUBSEQUENT EVENTS

Subsequent to the period end, the People’s Bank of China reduced its prime lending rate by 0.81% for one to three years loan and by 0.72% for three to five years loan. The Company’s interest on its short-term and long-term bank loans will be adjusted accordingly commencing October 2008.

Subsequent to the quarter end the Company announced that it has initiated a temporary shutdown of its operations at its mine and zinc plant due to low commodity prices.

OUTLOOK

Mining Operations

We have seen a significant improvement of grades during 2008. We are also anticipating production levels at or slightly above the projected rate of 450,000 tonnes per annum. Based on encouraging development drilling to date, plans are being finalized to increase mining and

milling capacity to 3,000 tonnes per day pending favourable market conditions. This was originally targeted towards the end of 2008 but will be delayed as we continue to fine tune our mining plans and due to unfavourable market conditions.

Exploration

Since the completion of the RPA report we have been conducting extensive development drilling to outline further mineral resources with a view to increasing the underground mining capacity.

Zinc Processing Plant

Construction of the first phase of the zinc processing plant to produce zinc oxide and sulphuric acid from zinc concentrate has now been completed. The plant commenced operations at the end of the second quarter however was shut down due to the Beijing Olympics and has not restarted due to the low price of zinc calcine. The plant has the capacity to produce 50,000 tonnes of zinc calcine and 90,000 tonnes of sulphuric acid per annum.

Capital Spending

The Company is financing development drilling from internal cash flow and will fund the proposed gradual expansion of our underground capacity in the same manner. An acceleration of the programme would require us to raise new capital.

To date, we have invested \$19 million in building the first phase of the zinc processing facility and this has been funded primarily through a five year term loan from the Agricultural Bank of China.