

## **ACADIAN MINING CORPORATION**

**Consolidated Financial Statements  
March 31, 2011 and 2010**

**Unaudited – Prepared by Management**

Notice of disclosure of non-auditor review of consolidated interim financial statements pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators.

The accompanying consolidated financial statements of the Company for the period ended March 31, 2011 have been prepared in accordance with International financial reporting standards and are the responsibility of the Company's management. The Company's independent auditors have not performed an audit or a review of these condensed interim financial statements.

**ACADIAN MINING CORPORATION**  
**Condensed Consolidated Interim Statements of Financial Position**  
**(Unaudited)**  
**(Expressed in Canadian dollars)**

	<b>March 31 2011</b>	<b>December 31 2010</b> (note 17)	<b>January 1 2010</b> (note 17)
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents	\$ 74,347	\$ 477,751	\$ 421,652
Accounts receivable (note 5)	26,161	68,968	83,408
Prepaid expenses and deposits	41,757	53,788	79,934
Assets Held for Sale (note 8)	7,068,774	-	-
Receivable from Royal Roads	-	-	60,979
Investment in Royal Roads (note 4)	-	-	3,920,284
	7,211,039	600,507	4,566,257
<b>Cash Held for Site Remediation</b>	108,827	1,033,313	1,033,313
<b>Property, Plant and Equipment</b> (note 6)	794,476	6,966,177	7,308,267
<b>Mineral Resource Properties</b> (note 7)	5,252,686	5,244,211	5,119,771
	\$ 13,367,028	\$ 13,844,208	\$ 18,027,608
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	\$ 1,979,267	\$ 2,275,167	\$ 1,436,814
Notes payable (note 11)	900,000	900,000	900,000
Guarantee obligation (note 12)	1,498,796	1,898,796	2,526,941
Liabilities related to assets held for sale	3,552,882	-	-
	7,930,945	5,073,963	4,863,755
<b>Accrued site remediation (note 8)</b>	-	2,600,000	2,400,000
	7,930,945	7,673,963	7,263,755
<b>Shareholders' Equity</b>			
<b>Share Capital</b> (note 10)	68,071,830	68,062,712	66,569,609
<b>Share-based payments reserve</b>	6,009,778	5,981,867	5,852,872
<b>Deficit</b>	(68,645,525)	(67,874,334)	(61,658,628)
	5,436,083	6,170,245	10,763,853
	\$ 13,367,028	\$ 13,844,208	\$ 18,027,608

Commitment (note 15)

**ACADIAN MINING CORPORATION**  
**Condensed Consolidated Interim Statements of Operations and Comprehensive Loss**  
**Period Ended March 31**  
**(Unaudited)**  
**(Expressed in Canadian dollars)**

	<b>2011</b>	<b>2010</b>
<b>Operating Expenses</b>		
Exploration	\$ 180,924	\$ 440,294
Salaries and benefits	189,131	500,153
Professional fees	52,515	63,174
Office and general	1,617	72,646
Insurance	11,379	36,322
Travel	46,288	24,247
Share-based payments	27,911	-
Rent	-	30,602
Filing fees	40,355	26,128
Transfer agent fees	2,078	1,471
Investor relations and information	-	11,485
Environmental monitoring	-	29,155
Financing charges	1,587	2,307
Amortization	15,588	159,690
	<b>569,373</b>	<b>1,397,674</b>
<b>Operating Loss from continuing operations</b>	<b>(569,373)</b>	<b>(1,397,674)</b>
Interest and other income (note 13)	-	10,037
Loss from investee accounted for using the equity method and impairment charge (note 14)	-	(1,957,446)
<b>Loss for the period from continuing operations</b>	<b>(569,373)</b>	<b>(3,345,083)</b>
Discontinued operations (note 8)	(201,818)	-
<b>Net Loss and Comprehensive Loss for Period</b>	<b>\$ (771,191)</b>	<b>\$ (3,345,083)</b>
<b>Loss Per Share – Basic and Diluted</b>	<b>\$ (0.15)</b>	<b>\$ (0.07)</b>
<b>Weighted Average Number of Common Shares Outstanding</b>	<b>51,477,992</b>	<b>49,169,158</b>

**ACADIAN MINING CORPORATION**  
**Condensed Consolidated Interim Statements of Cash Flows**  
**Period Ended March 31**  
**(Unaudited)**  
**(Expressed in Canadian dollars)**

	<b>2011</b>	<b>2010</b>
<b>Operating Activities</b>		
Net loss	\$ (771,191)	\$ (3,345,083)
Amortization	15,588	159,690
Loss from investee accounted for using the equity method and impairment charge	-	1,957,446
Share-based payments	27,911	-
Net changes in non-cash working capital items		
Accounts receivable	42,807	42,764
Prepaid expenses and deposits	12,031	8,646
Receivable from Royal Roads	-	60,979
Accounts payable and accrued liabilities	295,900	855,588
<b>Cash Used in Operating Activities</b>	<b>(376,954)</b>	<b>(259,970)</b>
<b>Investing Activities</b>		
Acquisition of mineral resource properties	(8,475)	(67,639)
Net change in assets (liabilities) held for sale	382,025	-
<b>Cash Provided by Investing Activities</b>	<b>373,550</b>	<b>(67,639)</b>
<b>Financing Activities</b>		
Repayment of guarantee obligation	(400,000)	-
<b>Cash Provided by Financing Activities</b>	<b>(400,000)</b>	<b>-</b>
<b>Net Change in Cash and Cash Equivalents for the Period</b>	<b>(403,404)</b>	<b>(327,609)</b>
<b>Cash and Cash Equivalents, Beginning of Period</b>	<b>477,751</b>	<b>421,652</b>
<b>Cash and Cash Equivalents, End of Period</b>	<b>\$ 74,347</b>	<b>\$ 94,043</b>
<b>Non-cash financing and investing activities:</b>		
Cash paid for interest	\$ 1,587	\$ 2,307
Cash paid for income taxes	\$ -	\$ -

**ACADIAN MINING CORPORATION**  
**Condensed Consolidated Interim Statements of Changes in Shareholders' Equity**  
**Period Ended March 31**  
**(Unaudited)**  
**(Expressed in Canadian dollars)**

	Number of shares	Share \$	Share- based payments \$	Deficit \$	Total \$
<b>January 1, 2010</b>	49,169,158	66,569,609	5,852,872	(61,658,628)	10,763,853
Loss for the three months	-			(3,345,083)	(3,345,083)
<b>March 31, 2010</b>	49,169,158	66,569,609	5,852,872	(65,003,711)	7,418,770
Issued for mineral resource properties	64,706	38,823	-	-	38,823
Private placement	4,923,387	1,477,016	-	-	1,477,016
Share issue costs		(22,736)	-	-	(22,736)
Value of options granted	-	-	128,995	-	128,995
Loss for the nine months	-	-		(2,870,623)	(2,870,623)
<b>December 31, 2010</b>	54,157,251	68,062,712	5,981,867	(67,874,334)	6,170,245
Issued for mineral resource properties	29,411	9,118	-	-	9,118
Value of options granted	-	-	27,911	-	27,911
Loss for three months	-	-		(771,191)	(771,191)
<b>March 31, 2011</b>	54,186,662	68,071,830	6,009,778	(68,645,525)	5,436,083

**ACADIAN MINING CORPORATION**  
**Notes to the Condensed Consolidated Financial Statements**  
**Unaudited**  
**(Expressed in Canadian dollars)**  
**Periods Ended March 31, 2011 and 2010**

---

**1. NATURE OF OPERATIONS**

Acadian Mining Corporation (the "Company" or "Acadian") is a mining, exploration and development company based in Nova Scotia. The Company's head office is in Halifax County, Nova Scotia.

Acadian is a publicly listed company continued under the Canada Business Companies Act with limited liability under the laws of Canada. The Company's shares are listed on the Toronto Stock Exchange.

**2. BASIS OF PRESENTATION AND GOING CONCERN**

**Statement of Compliance:**

These condensed consolidated interim financial statements are prepared in accordance with International Accounting Standards (IAS) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (IASB). These are the Company's first International Financial Reporting Standards (IFRS) condensed consolidated interim financial statements and IFRS 1, *First Time Adoption of IFRS* has been applied, as they are part of the period covered by the Company's first IFRS consolidated financial statements for the year ending December 31, 2011. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and were approved and authorized for issue by the Audit Committee and Board of Directors of the Company on May 19, 2011.

The Company's condensed consolidated interim financial statements were prepared in accordance with accounting principles generally accepted in Canada (Canadian GAAP) until December 31, 2010. Canadian GAAP differs from IFRS in some areas and accordingly, the significant accounting policies applied in the preparation of these condensed consolidated interim financial statements are set out below and have been consistently applied to all periods presented except in instances where IFRS 1 either requires or permits an exemption. An explanation of how the transition from Canadian GAAP to IFRS has affected the reported consolidated statements of income, comprehensive income, financial position, and cash flows of the Company is provided in note 17. This note includes information on the provisions of IFRS 1 and the exemptions that the Company elected to apply, reconciliations of equity, net income and comprehensive income for comparative periods and equity at the date of transition, January 1, 2010.

**Basis of presentation**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the

**ACADIAN MINING CORPORATION**  
**Notes to the Condensed Consolidated Financial Statements**  
**Unaudited**  
**(Expressed in Canadian dollars)**  
**Periods Ended March 31, 2011 and 2010**

---

review affects both current and future periods.

Judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the current and following fiscal years are discussed in Notes 3(l) and 3(m).

As at March 31, 2011, the Company has cash of \$74,347, working capital deficiency in the amount of \$719,906 and shareholders' equity in the amount of \$5,436,083. In February 2011, the Company announced it had signed letters of intent to sell the ScoZinc mine and to undertake a private placement of shares, for \$10 million and \$8.1 million, respectively, which are due to close on or about May 31, 2011 and June 17, 2011, respectively, if all pre-conditions are met. If the two transactions described are not closed, continuation of the Company as a going concern is dependent upon the continued financial support of the controlling shareholder, other equity or debt financing or proceeds from the sale of assets. Should the going concern assumption prove not to be appropriate further adjustments will be required to the carrying amounts and/or classification of the Company's assets and liabilities and the adjustments are likely to be material. The consolidated financial statements do not reflect any adjustments related to conditions that occurred subsequent to March 31, 2011.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in preparing the opening balance sheet at January 1, 2010 for purposes of transition to IFRS. The accounting policies have been applied consistently by the Company and its subsidiaries.

(a) Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

Non-controlling interest in the net assets of consolidated subsidiaries are identified separately from the Company's equity. Non-controlling interest consists of the non-controlling interest at the date of the original business combination plus the non-controlling interest's share of changes in equity since the date of acquisition.

The Company accounts have been consolidated with its subsidiaries, ScoZinc Limited, Annapolis Properties Corp, 6927629 Canada Inc. and 6179053 Canada Inc. The financial statements included Royal Roads Corp, now Buchans Minerals Corporation (Royal Roads) activities on an equity accounted basis up to the date of sale (note 4) on April 30, 2010.

**ACADIAN MINING CORPORATION**  
**Notes to the Condensed Consolidated Financial Statements**  
**Unaudited**  
**(Expressed in Canadian dollars)**  
**Periods Ended March 31, 2011 and 2010**

---

(b) Cash and cash equivalents

Cash and cash equivalents consists of cash, demand deposits and highly-liquid short-term investments with an initial term of 90 days or less.

(c) Property, plant and equipment

Property, plant and equipment are recorded at cost. Amortization is provided for on head office assets using the declining balance method at the following annual rates (in the year of acquisition one-half of the calculated amortization is recognized):

Vehicles	30%
Building	5%
Office fixtures and computer equipment	20%

Assets from the ScoZinc Limited (ScoZinc) acquisition were amortized on a straight-line balance method over the expected life of the mine at 13.5 years, assets under capital lease were amortized on a straight-line basis over the four-year term of the lease.

All direct costs related to the acquisition of mineral properties are capitalized until the properties to which they relate are ready for their intended use, sold, abandoned or management has determined there to be impairment. These mineral resource assets are not being depleted. All expenditures relating to the exploration and development of these properties are expensed as incurred.

i. *Subsequent Costs*

The cost of replacing part of an item within property, plant and equipment is recognized when the cost is incurred if it is probable that the future economic benefits will flow to the group and the cost of the item can be measured reliably. The carrying amount of the part that has been replaced is expensed. All other costs are recognized as an expense as incurred.

ii. *Impairment*

The Company's tangible and intangible assets are reviewed for indications of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss for the period.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

**ACADIAN MINING CORPORATION**  
**Notes to the Condensed Consolidated Financial Statements**  
**Unaudited**  
**(Expressed in Canadian dollars)**  
**Periods Ended March 31, 2011 and 2010**

---

iii. *Reversal of impairment*

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

(d) Shared-based payments

The Company has a stock option plan that is described in note 10. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is to share-based payments reserve. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve is transferred to share capital. Upon expiry, the recorded value is transferred to deficit.

(e) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed using the treasury stock method. In accordance with the treasury stock method, the weighted average number of shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

(f) Comprehensive income (loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in net profit such as unrealized gains or losses on available-for-sale investments, gains or losses on certain derivative instruments and foreign currency gains or losses related to self-sustaining operations. The Company's comprehensive income (loss), components of other comprehensive income and cumulative translation adjustments are presented in the consolidated statements of comprehensive income (loss) and the consolidated statements of changes in equity.

**ACADIAN MINING CORPORATION**  
**Notes to the Condensed Consolidated Financial Statements**  
**Unaudited**  
**(Expressed in Canadian dollars)**  
**Periods Ended March 31, 2011 and 2010**

---

(g) Environmental rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mining assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to the income statement in the period incurred.

The costs of rehabilitation projects that were included in the rehabilitation provision are recorded against the provision as incurred. The cost of ongoing current programs to prevent and control pollution is charged against profit and loss as incurred.

(h) Financial instruments

i. *Financial assets*

The Company classifies its financial assets in the following categories: fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

Financial assets at fair value through profit or loss are initially recognized at fair value with changes in fair value recorded through income. Cash and cash equivalents are included in this category of financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are

**ACADIAN MINING CORPORATION**  
**Notes to the Condensed Consolidated Financial Statements**  
**Unaudited**  
**(Expressed in Canadian dollars)**  
**Periods Ended March 31, 2011 and 2010**

---

carried at amortized cost less any impairment. Loans and receivables comprise trade and other receivables.

Available-for-sale financial assets

Available-for-sale (AFS) financial assets are non-derivatives that are either designated as available-for sale or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets are recognized as other comprehensive income and classified as a component of equity. AFS assets include investments in equities of other entities.

Management assesses the carrying value of AFS financial assets at least annually and any impairment charges are also recognized in profit or loss. When financial assets classified as available-for-sale are sold, the accumulated fair value adjustments recognized in other comprehensive income are included in profit and loss.

ii. *Financial liabilities*

The Company classifies its financial liabilities in the following categories: borrowings and other financial liabilities and derivative financial liabilities

Borrowings and other financial liabilities

Borrowings and other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the income statement over the period to maturity using the effective interest method.

Borrowings and other financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include trade accounts payable, note payables, other payables, and loans.

Derivative financial liabilities

Derivative financial liabilities are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at each reporting date with changes in fair value recognized in profit and loss. Derivative financial liabilities include warrants issued by the Company denominated in a currency other than the Company's functional currency.

(i) Income taxes

Income tax expense represents current tax and deferred tax. The Company records current tax based on the taxable profits for the period which is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred income taxes are accounted for using the liability method. The liability method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their

**ACADIAN MINING CORPORATION**  
**Notes to the Condensed Consolidated Financial Statements**  
**Unaudited**  
**(Expressed in Canadian dollars)**  
**Periods Ended March 31, 2011 and 2010**

---

tax bases. Deferred income tax assets and liabilities are determined for each temporary difference based on currently enacted or substantially enacted tax rates that are expected to be in effect when the underlying items of income or expense are expected to be realized. The effect of a change in tax rates or tax legislation is recognized in the period of substantive enactment. Deferred tax assets, such as non-capital loss carryforwards, are recognized to the extent it is probable that taxable profit will be available against which the asset can be utilized.

The determination of income taxes requires the use of judgment and estimates. If certain judgments or estimates prove to be inaccurate, or if certain tax rates or laws change, the Company's results of operations and financial position could be materially impacted.

(j) Foreign currency translation

The functional and reporting currency of the Company is the Canadian dollar. Amounts recorded in foreign currency are translated into Canadian dollars as follows:

- (i) Monetary assets and liabilities, at the rate of exchange in effect as at the balance sheet date;
- (ii) Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and
- (iii) Income and expenses (excluding amortization, which is translated at the same rate as the related asset), at the rate of exchange on the date of the transaction.

(k) Critical accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to determining the recoverability of mineral property interests and property, plant and equipment, the determination of accrued liabilities and accrued site remediation, rates of amortization for property and equipment, the variables used in the determination of the fair value of stock options granted and warrants issued, and the determination of the valuation allowance for future tax assets. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

(l) Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

**ACADIAN MINING CORPORATION**  
**Notes to the Condensed Consolidated Financial Statements**  
**Unaudited**  
**(Expressed in Canadian dollars)**  
**Periods Ended March 31, 2011 and 2010**

(m) Segmented information

The Company's operation consists of a single segment and all operations are located in Canada

**4. SUBSIDIARIES AND ASSOCIATES**

Name of subsidiary	Principal activity	Place of Incorporation and Operation	Proportion of ownership interest and voting power held	
			March 31, 2011	March 31, 2010
Scozinc Limited	Mining	Nova Scotia	100%	100%
Annapolis Properties	Exploration	Canada	100%	100%
6179053 Canada Corp	Exploration	Canada	100%	100%
6927629 Canada Corp	Holding company	Canada	100%	100%
Royal Roads Corp*	Exploration	Canada	0%	29%

- The Company previously owned approximately 32.7 million shares of Royal Roads representing 29.18% of the issued and outstanding shares of Royal Roads. The investment was accounted for using the equity method of accounting up to the date of sale on April 30, 2010. The Company recorded an equity loss of \$91,696 for that period. During 2010, as a result of selling this investment for proceeds of \$1.96 million, a loss on disposal of investment of \$1,865,750 has been reflected in the statements of operations and deficit.

**5. ACCOUNTS RECEIVABLE**

	March 31, 2011	December 31, 2010
Current HST receivable	\$ 9,652	\$ 28,760
Other receivable	16,509	40,208
	\$ 26,161	\$ 68,968

**ACADIAN MINING CORPORATION**  
**Notes to the Condensed Consolidated Financial Statements**  
**Unaudited**  
**(Expressed in Canadian dollars)**  
**Periods Ended March 31, 2011 and 2010**

**6. PROPERTY, PLANT AND EQUIPMENT**

	Land	Buildings	Auto motive Equipment	Office fixtures and computer equipment	Mining Assets	Total
	\$	\$	\$	\$	\$	\$
<b>Cost</b>						
<b>Balance as at January 1, 2010</b>	405,617	120,840	122,748	514,923	10,181,471	11,345,599
Additions		142,130		32,140	400,000	174,270
Disposals			96,540	195,852	3,061,324	3,353,716
<b>Balance as at December 31, 2010</b>	405,617	262,970	26,208	351,211	7,520,147	10,418,489
Additions						
Disposals						
<b>Balance as at March 31, 2011</b>	405,617	262,970	26,208	351,211	-	8,566,153
<b>Accumulated depreciation and impairment losses</b>						
<b>Balance as at January 1, 2010</b>		15,589	69,281	121,062	3,831,400	4,037,332
Depreciation for the year		8,816	16,040	75,180	59,654	159,690
Disposals		-	70,027		2,527,018	2,597,045
<b>Balance as at December 31, 2010</b>		24,404	15,294	196,242	1,364,036	1,599,977
Depreciation for the year		2,982	819	11,787		15,588
Impairment loss		-				
<b>Balance as at March 31, 2011</b>		27,386	16,113	208,029	-	251,528
<b>Carrying amounts</b>						
At January 1, 2010	405,617	105,251	53,467	393,861	6,350,071	7,308,267
At December 31, 2010	405,617	238,566	10,914	154,969	6,156,111	6,966,177
<b>At March 31, 2011</b>	405,617	235,584	10,095	143,182	-	794,476

- Mining assets were classified as assets held for sale as of January 1, 2011 (note 8)

**ACADIAN MINING CORPORATION**  
**Notes to the Condensed Consolidated Financial Statements**  
**Unaudited**  
**(Expressed in Canadian dollars)**  
**Periods Ended March 31, 2011 and 2010**

**7. MINERAL RESOURCE PROPERTIES**

Mineral resource properties owned 100% by the Company, except as describe below, consist of the following:

	Fifteen Mile Stream*	Beaver	Forrest	Tangier	Other	Total
	\$	\$	\$	\$	\$	\$
<b>Cost</b>						
<b>Balance as at January 1, 2010</b>	2,271,388	570,622	1,351,220	291,249	635,292	5,119,771
Additions	31,952	15,005	1,758	2,828	93,019	144,562
Disposals					20,122	20,122
<b>Balance as at December 31, 2010</b>	2,303,340	585,627	1,352,978	294,077	708,189	5,244,211
Additions					8,475	8,475
Disposals						
<b>Balance as at March 31, 2011</b>	2,303,340	585,627	1,352,978	294,077	716,664	5,252,686

\* In April 2010, the Company signed an access agreement to obtain exclusive rights to conduct mineral exploration activities in certain real property in Fifteen Mile Stream, Nova Scotia by making payments ranging from \$60,000 to \$100,000 per annum to 2019 and issuing shares ranging from 29,412 to 64,706 common shares per annum to 2013.

**8. ASSETS HELD FOR SALE**

Acadian signed a letter agreement with Selwyn Resources Ltd (Selwyn) on February 18, 2011 whereby Selwyn would acquire the zinc and lead assets of the Company for a cash consideration of \$10 million. This cash consideration will settle the liabilities relating to the assets held for sale of approximately \$3.5 million. The transaction is subject to completion of formal documentation, regulatory approval and the achievement of certain conditions prior to closing, including completion of due diligence activities to the satisfaction of Selwyn.

**ACADIAN MINING CORPORATION**  
**Notes to the Condensed Consolidated Financial Statements**  
**Unaudited**  
**(Expressed in Canadian dollars)**  
**Periods Ended March 31, 2011 and 2010**

The following table presents summarized financial information of the asset and liabilities related to those assets held for sale:

	March 31, 2011
<b>Assets</b>	
Current assets	\$ 23,827
Cash held for remediation	924,485
Property, Plant and Equipment	6,120,462
<b>Total assets held for sale</b>	<b>\$ 7,068,774</b>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 952,882
Accrued site remediation*	2,600,000
<b>Total liabilities related to assets held for sale</b>	<b>\$ 3,552,882</b>

\* The Company has agreed with the Province of Nova Scotia to remediate the Scotia Mine facility to an agreed status at the end of mining operations at the site. The Company and the Province have agreed a revised amount for the remediation costs of \$2.6 million and as such has accrued the full amount in these financial statements. Included in cash held for site remediation, the Company currently has \$612,652 in principal cash on deposit and has agreed to deposit the remaining \$1,987,348 at settlement of the sale of ScoZinc or prior to re-commencement of operations, whichever is earlier.

Balance, January 1, 2010	\$ 2,400,000
Change in estimate	(200,000)
Accrued site remediation costs capitalized to building	400,000
<b>Balance, December 31, 2010 and March 31, 2011</b>	<b>\$ 2,600,000</b>

The following table presents summarized financial information of the operating loss of the discontinued operation:

Amortization	\$ 35,649
Insurance	26,160
Office and general	21,425
Professional fees	10,000
Rent	1,500
Salaries and benefits	56,759
Environmental monitoring	49,678
Travel	647
	\$ 201,818
<b>Operating loss from discontinued operations</b>	<b>\$ (201,818)</b>

**ACADIAN MINING CORPORATION**  
**Notes to the Condensed Consolidated Financial Statements**  
**Unaudited**  
**(Expressed in Canadian dollars)**  
**Periods Ended March 31, 2011 and 2010**

**9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	March 31, 2011	December 31, 2010
Trade payables	\$ 113,286	\$ 151,070
Accrued liabilities	66,153	1,288,239
Related party payable	1,799,828	835,858
	<b>\$ 1,979,267</b>	<b>\$ 2,275,167</b>

**10. SHARE CAPITAL**

During the quarter ended March 31, 2011 the Company issued 29,411 common shares at a deemed price of \$0.31 as consideration for land access rights at the Fifteen Mile Stream property.

During the year ended December 31, 2010:

- (a) In November 2010, the Company consolidated its outstanding common shares on a basis of one post-consolidation share for every ten pre-consolidation shares as approved by the shareholders of the Company. The Company's common shares commenced trading on a consolidated basis on November 17, 2010. All comparative figures have been retrospectively adjusted as if this share consolidation occurred on January 1, 2010.
- (b) The Company completed a private placement of 4,923,387 common shares to Golden River Resources Corp (Golden River) at a price of approximately \$0.30 per share for aggregate gross proceeds of \$1,477,016 and incurred share issue costs of \$22,736. Golden River currently owns 38,734,520 common shares, or approximately 71.5%, of the issued and outstanding common shares of the Company.
- (c) The Company issued 64,706 common shares at a deemed price of \$0.60 as consideration for land access rights at the Fifteen Mile Stream property.

*Share-based compensation plan*

At the annual and special meeting of shareholders held on June 14, 2007, the shareholders adopted a 10% "rolling" incentive stock option plan (the "Plan"). The purpose of the Plan is to attract and retain directors, officers, employees and service providers to the Company and to motivate them to advance the interests of the Company by affording them with the opportunity to acquire an equity interest in the Company through options. Options granted under the Plan have a five-year term. Options are granted at a price no lower than the market price of the common shares at the time of the grant.

The rules of the Toronto Stock Exchange ("TSX") provide that all unallocated options issuable under a "rolling" stock option plan must be approved by shareholders every three years after institution of the stock option plan. The plan was approved at the annual and special Shareholders Meeting held June 24, 2010.

**ACADIAN MINING CORPORATION**  
**Notes to the Condensed Consolidated Financial Statements**  
**Unaudited**  
**(Expressed in Canadian dollars)**  
**Periods Ended March 31, 2011 and 2010**

Share options outstanding prior to November 17, 2010 have been retrospectively adjusted for the share consolidation on the basis of 10 for 1 as discussed above.

A summary of the Company's options at March 31, 2011 and December 31, 2010 is presented below:

	Options Outstanding	Weighted Average Exercise Price
Balance, January 1, 2010	509,500	\$ 8.20
Expired	(291,500)	\$ 7.90
Issued	800,000	\$ 0.45
Balance, December 31, 2010 and March 31, 2011	1,018,000	\$ 2.19

There have been no changes from December 31, 2010 to March 31, 2011

During the year ended December 31, 2010:

- (a) On June 15, 2010, the Company granted 500,000 options to the president and chief executive officer of the Company with an exercise price of \$0.45 per share expiring June 15, 2015, to be vested one-third on grant date, one-third after 12 months from grant date and one-third after 24 months from grant date.
- (b) On August 18, 2010, the Company granted an aggregate of 300,000 options to three directors of the Company with an exercise price of \$0.45 per share expiring August 18, 2015, to be vested one-third on grant date, one-third after 12 months from grant date and one-third after 24 months from grant date.

The following table summarizes information about the options outstanding and exercisable at March 31, 2011 and December 31, 2010:

Expiry date	Exercise Price	Options Outstanding	Options Exercisable
April 17, 2011	\$ 7.10	60,000	60,000
April 27, 2012	\$ 11.20	20,000	20,000
June 15, 2012	\$ 10.00	80,000	80,000
September 27, 2012	\$ 10.10	15,000	15,000
February 12, 2013	\$ 7.10	13,000	13,000
June 10, 2013	\$ 5.80	30,000	30,000
June 15, 2015	\$ 0.45	500,000	166,667
August 18, 2015	\$ 0.45	300,000	100,000
		1,018,000	484,667
Weighted average remaining contractual life in years		3.85	3.09

**ACADIAN MINING CORPORATION**  
**Notes to the Condensed Consolidated Financial Statements**  
**Unaudited**  
**(Expressed in Canadian dollars)**  
**Periods Ended March 31, 2011 and 2010**

---

The total calculated fair value of stock-based compensation for the period ended March 31, 2011 would be allocated in the statements of operations as salaries and benefits.

Options granted by the Company vest over multiple periods. The Company recognized compensation expense based on vesting terms. As at March 31, 2011 \$66,422 remains to be expensed during the remainder of the year to end December 31, 2011.

In determining the stock-based compensation expense, in fiscal 2011, the fair value of the options issued were estimated using a Black-Scholes option pricing model with the following weighted average assumptions used:

	<b>2011</b>	<b>2010</b>
Risk-free interest rate	1.50%	1.50%
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	62%	62%
Expected life of options	5 years	5 years
Grant date fair value	\$0.30	\$0.30

**11. RELATED PARTY TRANSACTIONS**

As part of the conditions of a private placement with Golden River in 2009, the Company in July 2009, acquired the remaining 50% of the Fifteen Mile Stream mineral claims for a cash payment of \$79,610 and a non-interest-bearing note for \$1.0 million due one year from the date of acquisition and a 1% NSR payable to Mr. Will Felderhof, former President, Director and CEO of the Company, and members of his family. The Company had the option to extend these terms for a further 12 months for a \$100,000 principal payment. On July 8, 2010, the Company exercised this option to extend the agreement and made the \$100,000 payment.

During the quarter, the Company received funds from the controlling shareholder, Golden River, in the aggregate amount of \$963,970. In the previous year the Company had received funds of \$835,858 bringing the balance due to \$1,799,828. This is a non-interest-bearing loan with no set terms of repayment and is included in accounts payable and accrued liabilities.

During the previous year, the Company charged fees for common costs and salaries of \$90,000 to Royal Roads and its wholly owned subsidiary, Buchans River Ltd., including a proportionate share of rent, administrative supplies and services as well as services provided by the Company including those of controller, engineers and geologists. This amount was offset against interest owing to Royal Roads on inter-company advances.

**ACADIAN MINING CORPORATION**  
**Notes to the Condensed Consolidated Financial Statements**  
**Unaudited**  
**(Expressed in Canadian dollars)**  
**Periods Ended March 31, 2011 and 2010**

The remuneration of directors and other members of key management personnel during the quarters ended March 31, 2011 and 2010 were as follows:

	March 31, 2011		March 31, 2010	
Salaries and directors fees	\$	102,500	\$	350,370
Share-based payments		27,912		-
	\$	130,412	\$	350,370

- (i) Share-based payments are the fair value of options granted to key management personnel
- (ii) Key management personnel were paid \$300,000 in termination benefits during the quarter ended March 31, 2010 and \$nil in the quarter ended March 31, 2011.

**12. GUARANTEE OBLIGATION**

ScoZinc entered into lease agreements for heavy equipment with Komatsu Finance ("Komatsu"), which transferred substantially all the benefits and risks of ownership to ScoZinc. The leases bore interest at 7.2%, were for a four-year term and had an option for ScoZinc to acquire the assets for 10% of the original cost. ScoZinc placed a 20% down payment on the leases. ScoZinc's obligations under the leases were guaranteed by the Company.

ScoZinc suspended payments under the lease obligations to Komatsu in December 2008 prior to seeking protection under the CCAA. In April 2009 ScoZinc returned the leased fleet, with a book value of \$2,821,779, to Komatsu once the slope rehabilitation project was completed (note 1).

Acadian has guaranteed the equipment leases with Komatsu. The amounts owing under the agreements have been fully accrued in the financial statements as current liabilities. During the 2010 year, the last of the equipment was sold and the Company agreed on the final amounts due to Komatsu. The Company has commenced making monthly principal payments and anticipates that the liability will be settled by May 2011.

**13. INTEREST AND OTHER INCOME**

	2011		2010	
Interest income	\$	-	\$	-
Miscellaneous revenue		-		10,037
	\$	-	\$	10,037
Financing charges				
Interest (recovery) and bank charges	\$	1,587	\$	2,307
	\$	1,587	\$	2,307

**ACADIAN MINING CORPORATION**  
**Notes to the Condensed Consolidated Financial Statements**  
**Unaudited**  
**(Expressed in Canadian dollars)**  
**Periods Ended March 31, 2011 and 2010**

---

**14. FINANCIAL INSTRUMENTS**

The Company has designated its cash and cash equivalents as held-for-trading; accounts receivable are classified as loans and receivables; and accounts payable and accrued liabilities, notes payable, capital lease obligations and advances from related party as other financial liabilities.

*Management of capital risk*

The Company's objective when managing capital are: (i) to ensure sufficient liquidity to support its financial obligations and execute its operating and strategic plans; (ii) to minimize the cost of capital while taking into consideration current and future industry, market and economic risks and conditions; and (iii) to maintain an optimal capital structure that provides necessary financial flexibility while also ensuring compliance with any financial covenants.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mining properties and to maintain flexible capital structure, which optimizes the costs of capital at an acceptable rate.

In the management of capital the Company only includes shareholders' equity, which at March 31, 2011 is \$5,436,083.

There are no externally imposed capital requirements. The Company manages the capital structure and makes adjustments to it depending on economic conditions and the rate of anticipated expenditures. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets, or adjust the amount of cash and cash equivalents and investments. At the present time the only capital requirements are to satisfy the current liabilities. There were no changes in the Company's approach to capital management during the year.

*Fair value*

The carrying amount of financial assets and liabilities carried at amortized cost is a reasonable approximation of fair value.

*Credit risk*

The Company is exposed to credit risk with respect to its cash, accounts receivable and loan receivable. The credit risk associated with cash is minimal as cash has been placed with a major Canadian financial institution with strong investment-grade ratings by a primary ratings agency. The Company is not exposed to significant credit risk with respect to accounts receivable, as \$9,834 of the amount due is from a government agency.

*Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company has cash at March 31, 2011 in the amount of \$74,347 which is not sufficient to meet its short-term

**ACADIAN MINING CORPORATION**  
**Notes to the Condensed Consolidated Financial Statements**  
**Unaudited**  
**(Expressed in Canadian dollars)**  
**Periods Ended March 31, 2011 and 2010**

---

business requirements. At March 31, 2011, the Company had accounts payable and accrued liabilities of \$139,545 with contractual maturities of 90 days or less and a note payable of \$900,000 due before July 8, 2011. The remaining obligations are expected to be repaid within the next 12 months. In February 2011, the Company announced it had signed letters of intent to sell ScoZinc and to undertake a private placement of shares, for \$10 million and \$8.1 million, respectively, which are due to close in May and June 2011, respectively, if all pre-conditions are met. However, if these transactions are not completed based on the current funds held, the Company will need to rely upon continued financial support of the controlling shareholder, other equity or debt financing, or proceeds from the sale of assets to obtain sufficient working capital. There is no assurance that such financing will be available on terms and conditions acceptable to the Company.

*Market risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate, foreign currency risk and other price risk.

(a) Interest rate risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

(b) Foreign currency rate risk

The Company is not exposed to significant foreign currency risk.

(c) Other price risk

Other price risk is the risk that the fair or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to other price risk.

**15. COMMITMENT**

The Company is committed to minimum annual lease payments of \$103,607 on its office premises until October 2013. Effective September 1, 2010, the Company has sublet its office premises equal to its cost.

**16. SUBSEQUENT EVENTS**

- (a) Acadian signed a letter agreement with Selwyn on February 18, 2011 whereby Selwyn will acquire the zinc and lead assets of the Company for a cash consideration of \$10 million.

**ACADIAN MINING CORPORATION**  
**Notes to the Condensed Consolidated Financial Statements**  
**Unaudited**  
**(Expressed in Canadian dollars)**  
**Periods Ended March 31, 2011 and 2010**

---

The transaction is subject to completion of formal documentation, regulatory approval and the achievement of certain conditions prior to closing, including completion of due diligence activities to the satisfaction of Selwyn.

On May 9, 2011 Acadian announced that Selwyn had confirmed that it had completed its technical due diligence activities to its satisfaction and that parties have agreed to extend the deadline to May 31, 2011 to complete the transaction.

- (b) On February 24, 2011, Acadian announced that it has signed a letter of intent with respect to a proposed investment in Acadian by China Metallurgical Exploration Corp. ("CME"), which will raise an initial \$8.1 million with the potential to raise a further \$5.4 million if warrants are exercised.

On May 4, 2011 the Company announced that CME had confirmed that it has completed its due diligence activities to its satisfaction and have agreed to extend to June 17, 2011 the deadline to complete the remainder of the conditions. Those conditions include completion of formal documentation, regulatory approval and approval from the Government of China.

**17. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS:**

As stated in note 2, these are the Company's first condensed consolidated interim financial statements. The accounting policies described in note 3 have been applied in preparing these interim financial statements for the three months ended March 31, 2011, the comparative information presented in these interim financial statements for both the three months ended March 31, 2010 and the year ended December 31, 2010 and in the preparation of an opening IFRS statement of financial position at January 1, 2010, the Company's date of transition. An explanation of IFRS 1, first-time adoption of IFRS exemptions and the required reconciliations between IFRS and Canadian GAAP are described below:

***IFRS 1 First-Time Adoption of International Financial Reporting Standards***

In preparing these condensed consolidated interim financial statements, the Company has applied IFRS 1, *First-time Adoption of International Financial Reporting Standards*, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 gives entities adopting IFRS for the first time a number of optional and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. The following are the optional exemptions available under IFRS 1 that the Company has elected to apply:

***Business combinations***

The Company has elected to apply IFRS 3, *Business Combinations*, prospectively to business combinations that occur after the date of transition. The Company has elected this exemption under IFRS 1, which removes the requirement to retrospectively restate all business combinations prior to the date of transition to IFRS.

***Fair value or revaluation as deemed cost***

The Company has used the amount determined under a previous GAAP revaluation as the deemed cost for certain assets. The Company elected the exemption for certain assets which were written down under Canadian GAAP, as the revaluation was broadly comparable to fair

**ACADIAN MINING CORPORATION**  
**Notes to the Condensed Consolidated Financial Statements**  
**Unaudited**  
**(Expressed in Canadian dollars)**  
**Periods Ended March 31, 2011 and 2010**

---

value under IFRS. The carrying value of those assets on transition to IFRS is therefore, consistent with the Canadian GAAP carrying value on the transition date.

*Share-based payments*

The Company elected to not apply IFRS 2, *Share-based Payments*, to equity instruments granted before November 7, 2002 and those granted but fully vested before the date of transition to IFRS. As a result, the Company has applied IFRS 2 for stock options granted after November 7, 2002 that are not fully vested at January 1, 2010.

*Site restoration costs*

The Company has elected to apply the IFRS 1 exemption whereby it has measured the site restoration costs at January 1, 2010 in accordance with the requirements in IAS 37, *Provisions*, estimated the amount that would have been in property, plant and equipment when the liabilities first arose, and discounted the transition date liability to that date using the best estimate of the historical risk-free discount rate.

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flow for comparative periods. The Company's adoption of IFRS did not have a significant impact on equity, loss and comprehensive loss and operating, investing or financing cash flows in the prior periods. As a result there were no adjustments to the statement of financial position, operations and cash flows. In preparing these condensed consolidated interim financial statements, the Company reflected the result of transition in the tables below:

**ACADIAN MINING CORPORATION**  
**Notes to the Condensed Consolidated Financial Statements**  
**Unaudited**  
**(Expressed in Canadian dollars)**  
**Periods Ended March 31, 2011 and 2010**

**Reconciliation of Assets, Liabilities and Equity**

The below table provides a summary of the adjustments to the Company's statement of financial position at December 31, 2010, March 31, 2010 and January 1, 2010:

	December 31, 2010	March 31, 2010	January 1, 2010
<b>Total assets per Canadian GAAP</b>	\$ 13,844,208	\$ 15,538,108	\$ 18,027,608
Adjustments required on adoption of IFRS	-	-	-
<b>Total assets per IFRS</b>	13,844,208	15,538,108	18,027,608
<b>Total Liabilities under Canadian GAAP</b>	\$ 7,673,963	\$ 8,119,338	\$ 7,263,755
Adjustments required on adoption of IFRS	-	-	-
<b>Total Liabilities under IFRS</b>	7,673,963	8,119,338	7,263,755
<b>Shareholders' Equity</b>			
<b>Total Equity under Canadian GAAP</b>	6,170,245	7,418,770	10,763,853
Adjustments required on adoption of IFRS	-	-	-
Total Equity under IFRS	6,170,245	7,418,770	10,763,853
Total liabilities and Equity under IFRS	\$ 13,844,208	\$ 15,538,108	\$ 18,027,608

**Reconciliation of Net Income**

The below table provides a summary of the adjustments to net income for the year ended December 31, 2010 and for the three months ended March 31, 2010:

	December 31, 2010	March 31, 2010
Net Loss and comprehensive loss per Canadian GAAP	\$ (6,215,706)	\$ (3,345,083)
Adjustments required on adoption of IFRS	-	-
<b>Net Loss and comprehensive loss per IFRS</b>	\$ (6,215,706)	\$ (3,345,083)

**ACADIAN MINING CORPORATION**  
**Notes to the Condensed Consolidated Financial Statements**  
**Unaudited**  
**(Expressed in Canadian dollars)**  
**Periods Ended March 31, 2011 and 2010**

---

***Reconciliation of Cash-flows***

The below table provides a summary of the adjustments to cash-flows for the year ended December 31, 2010 and for the three months ended March 31, 2010:

	<b>December 31, 2010</b>	<b>March 31, 2010</b>
<b>Operating Activities</b>		
<b>Operating Activities per Canadian GAAP</b>	\$ (2,908,632)	\$ (259,970)
Adjustments required on adoption of IFRS	-	-
<b>Operating Activities per IFRS</b>	<b>(2,908,632)</b>	<b>(259,970)</b>
<b>Investing Activities per Canadian GAAP</b>	69,123	(67,639)
Adjustments required on adoption of IFRS	-	-
<b>Investing Activities per IFRS</b>	<b>69,123</b>	<b>(67,639)</b>
<b>Financing Activities per Canadian GAAP</b>	2,895,608	
Adjustments required on adoption of IFRS		-
<b>Financing Activities per IFRS</b>	<b>2,895,608</b>	<b>-</b>