

**ACADIAN MINING CORPORATION**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FOR THE PERIOD ENDED MARCH 31, 2011**

**INTRODUCTION**

*The following management discussion and analysis ("MD&A") of the financial position and results of operations for Acadian Mining Corporation (the "Company" or "Acadian") has been prepared as of May 19, 2011 and should be read in conjunction with the condensed consolidated financial statements and the notes thereto for the periods ended March 31, 2011 and December 31, 2010.*

*This discussion includes certain statements that may be deemed "forward-looking statements". Although this MD&A has been prepared using the assumption that the Company and its subsidiaries ScoZinc Limited ("ScoZinc"), Annapolis Properties Corp., 6927629 Canada Inc. and 6179053 Canada Inc. will continue as a going concern, certain events described herein may or may not occur and could change this assumption. All statements in this discussion, other than statements of historical fact, that address reserve potential, exploration drilling, mining activities and events or developments that the Company expects, are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, mining and exploration results, continued availability of capital and financing and general economic, market or business conditions.*

These consolidated financial statements, including comparatives, have been prepared using accounting policies in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company's financial statements are expressed in Canadian (CDN) dollars. All amounts in this MD&A are in CDN dollars unless otherwise noted.

The common shares of the Company are listed and posted for trading on the Toronto Stock Exchange under the symbol "ADA" and the Frankfurt Exchange under the symbol "C2Z". The Company's head office is in Cooks Brook, Nova Scotia, Canada.

The financial statements have been prepared by management and have not been audited by the Company's auditor, Smythe Ratcliffe LLP, Chartered Accountants.

**OVERVIEW**

Acadian is a Canadian mining, exploration and development company based in Nova Scotia. The Company is focused on exploring and developing its large portfolio of gold properties in Nova Scotia totaling approximately 70,000 hectares. Five of these are advanced properties with National Instrument 43-101 compliant gold resources, two of which, namely Beaver Dam and Fifteen Mile Stream, are being explored as potential bulk tonnage-open pit deposits.

The Company has mineral claims totaling approximately 12,000 hectares believed to be prospective for zinc and lead mineralization.

The Company controls mineral claims hosting barite-fluorite deposits at Lake Ainslie, Cape Breton Island, Nova Scotia as well as a land position in the area.

## **RESULTS OF OPERATIONS**

The consolidated loss for the period was \$771,191 compared to a loss of \$3,345,083 in 2010. Due to financial constraints the Company has had limited activities during the current quarter, and focused primarily on exploration work necessary to maintain all important mineral licenses. The most significant factor affecting the difference on consolidated losses is the impairment loss of \$1.86 million on the investment in Royal Roads Corp., currently known as Buchans Minerals Corporation (Royal Roads) in 2010.

Quarter over quarter operating expenses decreased by \$828,301. During the current quarter the Scotia Mine assets have been designated as held for sale and the operations have been designated as discontinued operations resulting in a loss of \$201,818. The comparable expenses for the previous quarter are included in operating expenses as previously stated. While the majority of operating expenses were relatively similar in 2011 as compared to 2010 there were a few specific factors affecting the difference. Exploration expenses have decreased by \$259,368 mainly due to completion of phase one of a large magnetic survey during the first quarter of 2010. Salaries and staff levels have remained consistent; the decrease in salaries this quarter was primarily due to a contract payout to the former President and CEO of the Company in February 2010.

The Company's working capital position went from a deficiency of \$4,473,456 as at December 31, 2010 to a deficiency of \$719,906 as at period end March 31, 2011. This change is primarily due to the operating loss for the year and a reclassification of the ScoZinc assets as held for sale.

### **Selected Financial Data (Quarterly)**

Quarter	Revenue \$	Net Income (Loss) \$	Income (Loss) Per Share* \$	Total Assets \$	Capital Lease Obligation \$	Shareholder Equity \$
Q1/11	-	(771,191)	(0.15)	13,367,028	1,498,796	5,436,083
Q4/10	-	(280,258)	(0.06)	13,844,208	1,898,796	6,170,245
Q3/10	-	(1,560,556)	(0.03)	14,727,780	2,098,795	6,445,329
Q2/10	-	(1,029,808)	(0.02)	14,326,374	2,098,795	6,479,823
Q1/10	-	(3,345,083)	(0.07)	15,538,108	2,526,941	7,418,770
Q4/09(re stated)	-	(2,527,388)	(0.04)	18,027,608	2,526,941	10,763,853
Q3/09	20,858	(249,990)	-	29,580,881	3,916,295	18,699,429
Q2/09	412,241	(2,505,414)	(0.01)	29,555,592	4,753,821	13,509,369

\* The income (loss) per share does not differ materially on a fully diluted basis.

## **FINANCIAL CONDITIONS, LIQUIDITY AND CAPITAL RESOURCES**

### **Basis of Presentation and Going Concern Issues**

#### **Statement of Compliance**

The condensed consolidated interim financial statements of the Company to which this MD&A relates were 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.

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 to the March 31, 2011 interim statements. 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 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) to the interim financial statements.

As at March 31, 2011, the Company had 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 scheduled to close on or about May 31, 2011 and June 17, 2011, respectively, if all pre-conditions are met. If the two transactions described do not close, 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 to which this MD&A relates do not reflect any adjustments related to conditions that occurred subsequent to March 31, 2011.

### Assets held for sale

Acadian signed a letter of intent with Selwyn Resources Ltd. ("Selwyn") on February 8, 2011, and a binding letter agreement on February 22, 2011, whereby Selwyn would acquire the zinc and lead assets of the Company for a cash consideration of \$10 million. This cash consideration will be used to settle the total 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.

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	915,892
Accrued site remediation*	2,600,000
<b>Total liabilities relating 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 to a revised amount for the remediation costs of \$2.6 million and as a result the Company 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, December 31, 2009	2,400,000
Change in estimate	(200,000)
Accrued site remediation costs capitalized to building	400,000
Balance, December 31, 2010 and March 31, 2011	\$ 2,600,000

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>

### Cash Requirements

The Company's principal requirements for cash in 2011 will relate to the exploration expenditures required to keep its mineral properties in good standing and continued development of its principal mineral properties, care and maintenance costs of Scotia Mine and administrative expenditures and settling of accounts payable.

As at March 31, 2011, the Company had 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 and warrants, for \$10 million and \$8.1 million, respectively, which are scheduled to close on May 31, 2011 and June 17, 2011, respectively, if all pre-conditions are met. If the two transactions described do not close, 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 to which this MD&A relates do not reflect any adjustments related to conditions that occurred subsequent to March 31, 2011.

## Contractual Obligations

Contractual Obligations	Payments Due by Period				
	Total \$	Less than 1 Year \$	1-3 Years \$	4-5 Years \$	After 5 Years \$
Operating Lease Obligations <sup>1</sup>	259,017	103,607	155,410		
Capital Lease Obligations <sup>2</sup>	1,498,796	1,498,796			
Notes Payable <sup>3</sup>	900,000	900,000			
Accounts Payable and Accrued Liabilities <sup>4</sup>	1,979,267	1,979,267			
Liabilities relating to assets held for sale	3,552,882	3,552,882			
<b>Total</b>	<b>8,189,962</b>	<b>8,034,552</b>	<b>155,410</b>		

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

(2) Acadian has guaranteed equipment leases with Komatsu that were undertaken originally by ScoZinc. The equipment has been 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.

(3) Note Payable in connection with the acquisition of the remaining 50% of the Fifteen Mile Stream property.

(4) Normal trade payables and accruals all due within one year.

## OUTSTANDING SHARE DATA

	May 19, 2011	March 31, 2011	December 31, 2010
Common Shares Outstanding	54,186,662	54,186,662	54,157,251
Fully Diluted Common Shares Outstanding	55,204,662	55,204,662	55,175,251
Capital Stock	\$68,071,830	\$68,071,830	\$68,062,712

The Company issued 29,411 (2010 - 64,706) common shares at a deemed price of \$0.31 (2010 - \$0.60) as consideration for land access rights at the Fifteen Mile Stream property. During the prior year the Company announced it had issued Golden River Resources Corporation (Golden River) in a private placement 4,923,387 common shares at a price of \$0.30 for aggregate proceeds of \$1,477,016 pursuant to a private placement transaction. Golden River owns 38,734,520 common shares or approximately 71.5% of the issued and outstanding common shares of the Company. There are no warrants outstanding. There are 1,018,000 options outstanding and the average exercise prices are in excess of the current market price of the Company's common shares.

## **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 was \$5,436,083.

There are no externally imposed capital requirements. The Company manages its 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, 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 and accounts 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 had cash at March 31, 2011 in the amount of \$77,947 which was not sufficient to meet its short-term business requirement. 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 on July 8, 2011. The remaining liability 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.

## **OUTLOOK**

The Company concluded its restructuring effort during 2009 and with the injection of new capital from a private placement to Golden River, which totalled \$10 million, and the closing of the sale of its interest in Royal Roads for proceeds of \$1.96 million on April 30, 2010, management is now in a position to focus efforts on exploring and developing its extensive mineral holdings in Atlantic Canada. In February 2011, the Company announced it had signed agreements to sell ScoZinc and to undertake a private placement of shares and warrants, 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. Following the closing of the transactions noted above, the level of gold exploration activities is expected to escalate for the remainder of the year.

Current and forecast prices for gold are quite favourable, and as such the Company's principal exploration focus will be on advancing its key bulk tonnage gold projects, principally Fifteen Mile Stream and Beaver Dam. Activity levels on these two projects will be dependent on available funds which as well, may be modified from time to time reflecting potential increases/decreases in activities on other projects.

In addition, the Company will continue to evaluate the FMS Trend, a 130 kilometre long geological corridor identified as being prospective for bulk tonnage style gold deposits. The FMS Trend is host to three bulk tonnage gold deposits, two of which, Beaver Dam and Fifteen Mile Stream, are owned by Acadian. The FMS Trend is

extensively covered with overburden and has been minimally explored, and as such has potential for new discoveries. The Company controls approximately 100 km of the FMS Trend covering an area of approximately 38,800 hectares. A high resolution airborne magnetic survey was commissioned to provide potentially key geophysical information on the Company's FMS Trend holdings as well as the Lake Catcha, Oldham, Tangier, Goldenville and Forest Hill properties. It is anticipated that the geophysical results will assist in identifying targets for ground follow-up for potential bulk tonnage gold deposits obscured by overburden cover. This survey was conducted in late March and early April, 2010 and was the first high resolution airborne magnetic survey flown in the Nova Scotia goldfields since the mid-1980s. The 1980s survey was much smaller in scope and sophistication.

Subject to available funds, expenditures may also be made in the course of reviewing new mineral properties or opportunities of merit which may be of interest to the Company. This may result in increased capital expenditures and attendant increased administrative and professional expenses.

### **PROPERTY INFORMATION**

The Company's expenditures on property acquisitions and exploration for the period were \$189,398 (2010 - \$1,670,019). A summary of exploration expenditures for key mineral properties is presented in the table below.

	Cumulative To Date (\$)			
	Acquisition Cost	Exploration & Development	Balance March 31, 2011	Balance December 31, 2010
Forest Hill	1,352,978	2,217,751	3,570,729	3,570,729
Beaver Dam	585,627	5,313,677	5,899,304	5,896,466
Tangier	294,077	563,455	857,532	853,047
Goldenville	192,651	598,275	790,926	790,926
Fifteen Mile Stream	2,303,340	1,081,147	3,384,487	3,349,684
Other	524,013	1,902,380	2,426,393	2,279,121

### **GOLD PROPERTIES**

The Company's principal efforts with respect to gold are focused on exploring and developing its two most advanced potential bulk tonnage-open pit deposits: Fifteen Mile Stream and Beaver Dam, and to a lesser extent on its other gold properties. The Company's five most advanced properties collectively host measured and indicated resources of 626,000 ounces of gold plus inferred resources of 1,111,000 ounces of gold (see tables below for resource details).

<b>Gold Resources – Gold Ounces (Cut)</b>		
	<b>Indicated</b>	<b>Inferred</b>
Beaver Dam**	446,000	504,000
Forest Hill*	108,000	147,000
Goldenville*	30,000	153,000
Tangier*	42,000	105,000
Fifteen Mile Stream	---	202,000
<b>Total</b>	<b>626,000</b>	<b>1,111,000</b>

\* 3.5 g/t/1.2 metres gold grade threshold; block top cut – 50 g/t

\*\* 0.30 g/t cutoff; 2 metre assay composites; top cut 14 g/t and 25 g/t after compositin

<b>Gold Resources – Tonnage And Grade (Cut)</b>				
<b>Property</b>	<b>Category</b>	<b>Threshold</b>	<b>Tonnes</b>	<b>Grade g/t</b>
Beaver Dam	Indicated	0.3 g/t/2m	9,080,000	1.53
	Inferred		10,400,000	1.51
Forest Hill	Indicated	3.5 g/t/1.2m	225,000	14.91
	Inferred		383,000	11.93
Goldenville	Indicated	3.5 g/t/1.2m	63,000	14.72
	Inferred		385,000	12.38
Tangier	Indicated	3.5 g/t/1.2m	134,000	9.67
	Inferred		271,000	12.08
Fifteen Mile Stream	Inferred	0.7 g/t	3,800,000	1.66

The technical information disclosed in this MD&A is referenced to the "Technical Report on the Mineral Resource at Fifteen Mile Stream, Nova Scotia" dated May 27, 2008, the "Updated Mineral Resource Estimate Beaver Dam Property, Halifax County, Nova Scotia" dated July 16, 2007, the "Technical Report on the Mineral Resource Estimate Forest Hill Property, Guysborough County, Nova Scotia" dated September 28, 2005, the "Technical Report on the Mineral Resource Estimate Goldenville Property, Guysborough County, Nova Scotia" dated March 1, 2005 and the "Technical Report On The Mineral Resource Tangier Property, Halifax County, Nova Scotia" dated September 29, 2004, all of which reports are available on [www.sedar.com](http://www.sedar.com).

Additional information pertaining to the gold properties can be found on the Company's website, [www.acadianmining.com](http://www.acadianmining.com) and in material filed on the regulatory filing site, [www.sedar.com](http://www.sedar.com).

On December 10, 2009 the Company acquired from Tangier Limited Partnership an Environmental Approval for a 400 tpd gold mine on its Tangier property. As a result, the Company has the option to process material from the Tangier gold deposit on site, rather than at an off-site mill.

The Company's objective is to develop mines on its advanced gold properties. Realization of this objective is subject to: continued exploration success, completing favourable feasibility studies on the properties, and obtaining the necessary funding and governmental permits.

## **Fifteen Mile Stream Property**

During Q3 of 2009, the Company acquired the remaining 50% interest in the Fifteen Mile Stream gold property and now holds a 100% interest subject to a 1% net smelter return royalty on mineral licenses SL 11/90 and 06134. This property has potential for delineation of multiple gold deposits over a large strike length. Historic exploration programs in the 1980s by previous operators have identified the Egerton-McLean deposit in the central portion of the property, which is characterized by disseminated gold over significant widths. Similar style gold mineralization has also been identified in the Hudson and 149 East areas, located west and east respectively of the Egerton-McLean deposit.

Current work underway by Acadian includes construction of computer digitized working plans to support a planned diamond drilling program, and sampling and assaying of historic drill core. A first phase diamond drilling program on the Egerton-McLean and Hudson areas is anticipated to commence in 2011. The diamond drilling program will be designed to expand the Egerton-McLean deposit which currently has an inferred resource of 201,000 ounces gold (3.8 million tonnes grading 1.66 g/t gold), and to build on favourable initial drill results in the Hudson area.

The success of the phase one sampling and assaying program on historic drill core from the Egerton-McLean area archived with the Nova Scotia Department of Natural Resources supported the expansion of this program for archived core from the Hudson area. Incomplete sampling of drill core in the mid-1980s resulted in the understatement of widths and grades for these drill holes. The additional sampling by Acadian during 2009 and 2010 resulted in increased gold mineralized widths and grades. Typically, grades increased by 20% to 50%. These results are considered encouraging and support the Company's confidence in identifying more gold resources at Fifteen Mile Stream. A program to complete sampling of the remaining archived core from the Hudson area as well as core from the Plenty Zone is ongoing.

## **Beaver Dam Property**

A final report was received during the fourth quarter of 2009 from SGS Lakefield Research Limited on "An Investigation of the Recovery of Gold from Beaver Dam Deposit Samples". Results of the program were excellent, showing that a gold recovery process comprising gravity separation plus cyanidation or flotation of gravity tails could achieve in excess of 97% gold recovery. In addition, column tests showed that Beaver Dam gold mineralization may be amenable to heap leaching.

A limited diamond drilling program comprised of 14 drill holes totalling 2,360.5 metres was completed during Q4 of 2009. Results were announced in news releases issued on November 4, 2009, December 15, 2009 and February 25, 2010. The results of the drill program support continued development of the Beaver Dam deposit.

Future work programs at Beaver Dam will include additional diamond drilling both to provide further definition on the currently delineated Main Deposit and potential expansion of gold mineralization identified at the Mill Shaft and Beaver Dam North areas, to the west and north respectively. Commencement of this program is subject to funding, and is anticipated to occur in 2011.

## **Tangier, Goldenville and Forest Hill Properties**

Minimal exploration and development work was undertaken on the Company's other advanced gold properties in 2010 due to the Company's financial position, and due to the prioritization of resources on the Fifteen Mile Stream and Beaver Dam projects. Future programs are in the planning stage but will likely be at a low priority level for the next several months. Improvements in the capital markets may facilitate an increased level of activity on these properties.

## **Other Gold Properties**

The Company has numerous other gold properties in Nova Scotia which include several grass roots properties as well as previous producing mines, including the Oldham and Lake Catcha properties. Minimal exploration work was undertaken on these properties in 2010, but programs may be undertaken in 2011 dependent upon the level of funding available.

The Company has completed a high resolution airborne magnetic survey over a large portion of its gold holdings, including the FMS Trend, a geological corridor which is believed to be highly prospective for bulk tonnage gold deposits. This program was completed in May 2010, and is expected to help identify targets for ground follow-up and/or diamond drilling. A regional till sampling program is underway to aid in delineating target areas along the FMS Gold Trend. The till sampling data will be assessed in conjunction with data from the regional airborne survey to assist the gold target selection process.

## **ZINC-LEAD PROPERTIES**

### **Scotia Mine**

The Scotia Mine mineral property comprises a mining lease covering 1,517 acres and 91 contiguous mineral claims totalling 3,637 acres located at Gays River, Nova Scotia, Canada. The project is strategically located with respect to infrastructure and tidewater, and is located 65 kilometres from Halifax, the capital city of Nova Scotia. In addition to the mineral holdings, the Scotia Mine assets include approximately 1,800 acres of land (surface ownership), three discrete zinc-lead deposits, and a processing plant capable of treating up to 2,700 tonnes of zinc-lead ore per day, ancillary support buildings and a fully permitted tailings facility. All of the Scotia Mine assets are held through ScoZinc, a 100% owned subsidiary of Acadian. Scotia Mine suspended production activities on March 24, 2009 and is currently in care and maintenance status.

The Scotia Mine has a current resource sufficient for approximately three and one half years of open pit production (approximately 2,000 tpd), and two and one half years of underground production (approximately 1,450 tpd) from the Main Deposit and the Northeast Deposit respectively. Future work programs could extend the life of the mine by determining the development potential of the additional 1.6 million tonnes of inferred resource (2.85% zinc and 1.15% lead) in the Main and Northeast Deposits and to drill test high priority exploration targets in proximity to the mill.

A resource estimate on the nearby Getty Deposit based on historic and recent Acadian drilling indicates measured and indicated resources of 2,750,000 tonnes grading 2.21% zinc and 1.76 lead at a 2.5% equivalent (zinc plus lead) cut-off.

The recent rebound in zinc and lead prices from the lows experienced in December, 2008, provides renewed optimism for the future of Scotia Mine. An internal Re-Start Study has been completed to examine financial and operational parameters under three different re-start scenarios.

Acadian signed a letter agreement with Selwyn on February 18, 2011 whereby Selwyn would acquire the zinc and lead assets of the Company for a cash consideration of \$10 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. On May 9, 2011 Acadian announced that Selwyn has 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.

### **Other Zinc Properties**

The Company controls additional mineral properties with potential zinc-lead mineralization. Properties of particular interest include Smithfield, Carroll's Farm, Carroll's Corner and Eastville where favourable drill results point to enhanced discovery potential. No significant exploration work was conducted on these properties in 2010 or in the first quarter of 2011.

### **LAKE AINSLIE BARITE-FLUORITE PROPERTY**

Work programs including compilation and evaluation of historical information, investigation of potential markets, and initial field investigations have been completed on the property. The surface rights necessary to develop the Upper Johnson and MacDougall deposits were acquired in early 2008. A trenching program conducted in late 2009 on the Upper Johnson vein area was successful in demonstrating the continuity of the Upper Johnson North Vein, which was previously believed to be discontinuous. Widths of the Upper Johnson North Vein in the trenches ranged between 0.60 and 2.05 metres. Vein grades ranged between 76% and 92% barite and 4.6% and 11.2% fluorite. The gangue mineral in the veins is predominantly calcite.

Further drilling is required to determine vein continuity and composition with depth. Future programs at Lake Ainslie may include metallurgical testing and market studies.

### **QUALIFIED PERSON**

Richard Horne, M.Sc., P.Geo., Chief Geologist of Acadian Mining, is a Qualified Person in compliance with National Instrument 43-101 and has reviewed the technical information in this document.

## **RELATED PARTY TRANSACTIONS**

As part of the conditions of the private placement with Golden River, the Company acquired the remaining 50% of the Fifteen Mile Stream mineral claims for 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 for general operating purposes. In 2010 the Company had received funds of \$835,858 from Golden River 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 2010, the Company charged fees for common costs and salaries of \$90,000 (2009 - \$122,180) 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.

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

(1) Share-based payments are the fair value of options granted to key management personnel

(2) 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.

## **OFF BALANCE SHEET ARRANGEMENTS**

During the year the Company did not enter into any off balance sheet transactions or commitments as defined by National Instrument 51-102.

## **CRITICAL ACCOUNTING ESTIMATES**

Significant accounting policies used by the Company are disclosed in Note 3 of the condensed interim financial statements for the quarter ended March 31, 2011. 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.

## **INTERNATIONAL FINANCIAL REPORTING STANDARDS**

In February 2008, the CICA announced that Canadian generally accepted accounting principles ("GAAP") for publicly accountable enterprises will be replaced by International Financial Reporting Standards ("IFRS") for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The standard also requires that the comparative figures for 2010 be based on IFRS.

The Company implemented a four stage conversion process into IFRS. Phase 1 – preliminary plan and scoping, Phase 2 – detailed assessment, conversion planning and development, Phase 3 – implementation and parallel reporting and Phase 4 – ongoing monitoring and IFRS updates. As of March 31, 2011 the Company has completed the transition into IFRS and the accompanying financial statements have been prepared in compliance with IFRS.

## **TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS**

These March 31, 2011 quarterly financial statements are the Company's first condensed consolidated interim financial statements. The accounting policies described in note 2 of the condensed interim financial statements have been applied in preparing the 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 the IFRS 1, first-time adoption of IFRS exemptions and the required reconciliations between IFRS and Canadian GAAP is provided 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 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:

### **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:

	<b>December 31, 2010</b>	<b>March 31, 2010</b>	<b>January 1, 2010</b>
<b>Total assets per Canadian GAAP</b>	\$ 13,844,20	\$ 15,538,108	\$ 18,027,608
Adjustments required on adoption of IFRS	-	-	-
<b>Total assets per IFRS</b>	<b>13,844,20</b>	<b>15,538,108</b>	<b>18,027,608</b>
<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>	<b>7,673,963</b>	<b>8,119,338</b>	<b>7,263,755</b>
<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	\$ 13,367,02	\$ 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:

	<b>December 31, 2010</b>	<b>March 31, 2010</b>
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>	<b>\$ (6,215,706)</b>	<b>\$ (3,345,083)</b>

## **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>	(2,908,632)	(259,970)
<b>Investing Activities per Canadian GAAP</b>	69,123	(67,639)
Adjustments required on adoption of IFRS		-
<b>Investing Activities per IFRS</b>	69,123	(67,639)
<b>Financing Activities per Canadian GAAP</b>	2,895,608	
Adjustments required on adoption of IFRS		
<b>Financing Activities per IFRS</b>	2,895,608	

## **CONTROLS AND PROCEDURES**

### **Disclosure Controls and Procedures**

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures (as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings "National Instrument 52-109"). The Chief Executive Officer and Chief Financial Officer, after having caused an evaluation to be performed of the effectiveness of the design and operation of the Company's disclosure controls and procedures have concluded that as of March 31, 2011 the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company and its consolidated subsidiaries required to be disclosed in the Company's reports filed or submitted under the National Instrument 52-109 would have been known to them.

### **Internal Control over Financial Reporting**

National Instrument 52-109 requires Canadian public companies to submit an annual certificate relating to the design and operating effectiveness of internal control over financial reporting ("ICFR"). ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. Management is responsible for establishing and maintaining

ICFR and management, including the CEO and the CFO, has evaluated the design and caused testing of the effectiveness of the ICFR at December 31, 2010. Based on this evaluation, the management, with the participation of the CEO and CFO, has concluded that the design and operating effectiveness of ICFR was effective as of March 31, 2011. The Company has used the Guidance for Smaller Public Companies published by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") internal control framework to design ICFR.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis as such systems can only be designed to provide reasonable as opposed to absolute assurance. Also projections of any evaluation of the effectiveness of ICFR to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Changes in Internal Control over Financial Reporting**

National Instrument 52-109 also requires Canadian public companies to disclose any changes in ICFR during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting. There has been no change in the Company's internal control over financial reporting that occurred during the period ended March 31, 2011 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

### **SUBSEQUENT EVENTS**

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

On May 9, 2011 Acadian announced that Selwyn has 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.

## **OTHER INFORMATION**

The financial statements and additional information regarding the Company, including the Company's Annual Information Form and the technical reports referred to herein, are available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.acadianmining.com](http://www.acadianmining.com)