

## **ACADIAN MINING CORPORATION**

**Condensed Consolidated Interim Financial Statements  
Six Months Ended June 30, 2011 and 2010**

**Unaudited – Prepared by Management**

Notice of disclosure of non-auditor review of condensed 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 condensed consolidated interim financial statements of the Company for the period ended June 30, 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 consolidated interim financial statements.

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

	<b>June 30, 2011</b>	<b>December 31, 2010</b>
		(note 17)
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 3,781,457	\$ 477,751
Accounts receivable (note 5)	135,626	68,968
Prepaid expenses and deposits	39,576	53,788
	3,956,659	600,507
<b>Cash Held for Site Remediation</b>	108,830	1,033,313
<b>Property, Plant and Equipment</b> (note 7)	884,491	6,966,177
<b>Mineral Resource Properties</b> (note 6)	5,290,865	5,244,211
	\$ 10,240,845	\$ 13,844,208
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (note 9)	\$ 359,419	\$ 2,275,167
Notes payable (note 11)	900,000	900,000
Guarantee obligation (note 12)	-	1,898,796
	1,259,419	5,073,963
<b>Accrued site remediation (note 8)</b>	-	2,600,000
	1,259,419	7,673,963
<b>Shareholders' Equity</b>		
<b>Share Capital</b> (note 10)	68,071,829	68,062,712
<b>Share-based payments reserve</b>	6,041,802	5,981,867
<b>Deficit</b>	(65,132,205)	(67,874,334)
	8,981,426	6,170,245
	\$ 10,240,845	\$ 13,844,208

Commitment (note 16)

**ACADIAN MINING CORPORATION**  
**Condensed Consolidated Interim Statements of Operations and Comprehensive**  
**Gain (Loss)**  
**Periods Ended June 30**  
**(Unaudited)**  
**(Expressed in Canadian dollars)**

	<b>2011</b>		<b>2010</b>	
	<b>3 Months</b>	<b>6 Months</b>	<b>3 Months</b>	<b>6 Months</b>
<b>Operating Expenses</b>			(note 17)	(note 17)
Exploration	\$ 437,891	\$ 618,815	\$ 422,831	\$ 863,125
Salaries and benefits	317,885	507,017	127,004	558,373
Professional fees	45,841	98,356	120,089	173,429
Office and general	22,825	24,442	38,560	63,274
Insurance	12,380	23,759	23,728	44,886
Travel	16,501	62,790	67,002	88,070
Share-based payments	32,024	59,935	52,037	52,037
Rent	-	-	23,670	52,772
Filing Fees	4,512	44,867	6,118	32,246
Transfer agent fees	3,103	5,181	23,450	24,921
Financing charges (note 13)	2,588	4,175	29,794	29,794
Amortization	15,587	31,175	31,568	47,858
<b>Operating Loss from continuing operations</b>	(911,137)	(1,480,512)	(965,851)	(2,030,785)
Interest and other income (note 13)	4,400	4,400	597	170
Loss from investee accounted for using the equity method and impairment charge (note 4)	-	-	-	(1,957,446)
<b>Gain (Loss) for the period from continuing operations</b>	(906,737)	(1,476,112)	(965,254)	(3,988,061)
Gain on settlement of guarantee obligation (note 12)	1,198,796	1,198,796	-	-
Discontinued operations (note 8)	(247,531)	(449,346)	(64,554)	(386,830)
Gain on sale of Mining Assets (note 8)	3,468,791	3,468,791	-	-
<b>Net Profit (Loss) and Comprehensive Profit (Loss) for Period</b>	\$ 3,513,319	\$ 2,742,129	\$ (1,029,808)	\$ (4,374,891)
<b>Earnings (Loss) Per Share – Basic and Diluted</b>	\$ 0.07	\$ 0.05	\$ (0.02)	\$ (0.09)
<b>Weighted Average Number of Common Shares Outstanding</b>	51,477,992	51,477,992	49,169,158	49,169,158

**ACADIAN MINING CORPORATION**  
**Condensed Consolidated Interim Statements of Cash Flows**  
**Six Month Period Ended June 30**  
**(Unaudited)**  
**(Expressed in Canadian dollars)**

	<b>2011</b>	<b>2010</b>
		(note 17)
<b>Operating Activities</b>		
Net Profit (Loss)	\$ 2,742,129	\$ (4,374,891)
Amortization	31,175	334,658
Loss from investee accounted for using the equity method and impairment charge	-	1,957,446
Share based payments	59,935	52,037
Gain on disposal of assets	-	(202,647)
Net changes in non-cash working capital items (note 14)	(1,046,750)	813,400
<b>Cash Used in Operating Activities</b>	<b>1,786,489</b>	<b>(1,419,997)</b>
<b>Investing Activities</b>		
Acquisition of capital assets	(105,602)	(154,993)
Proceeds from sale of capital assets	-	321,509
Acquisition of mineral resource properties	(37,537)	(221,246)
Net change in assets (liabilities) held for sale	(2,972,057)	-
<b>Cash Provided by Financing Activities</b>	<b>(3,115,196)</b>	<b>(54,730)</b>
<b>Financing Activities</b>		
Issue of Share Capital	-	38,823
Proceeds of Sale of investment in Royal Roads	-	1,962,838
Gain on settlement of guarantee obligation	(1,198,796)	-
Repayment of guarantee obligation	(700,000)	-
Gain on disposal of mining assets	(3,468,791)	-
Proceeds from sale of mining assets	10,000,000	-
<b>Cash Provided by Financing Activities</b>	<b>4,632,413</b>	<b>2,001,661</b>
<b>Net Change in Cash and Cash Equivalents for the Period</b>	<b>3,303,706</b>	<b>526,935</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>\$ 3,781,457</b>	<b>\$ 948,587</b>
<b>Non-cash financing and investing activities:</b>		
Cash paid for interest	\$ 3,448	\$ 2,307
Cash paid for income taxes	-	-

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

	Number of shares	Share \$	Share-based payments reserve \$	Deficit \$	Total \$
<b>January 1, 2010</b>	49,169,158	66,569,609	5,852,872	(61,658,628)	10,763,853
Issued for mineral resource properties	64,706	38,823	-	-	38,823
Share-based payments			52,037		52,037
Loss for six months	-	-	-	(4,374,891)	(4,374,891)
<b>June 30, 2010</b>	49,233,864	66,608,432	5,904,909	(66,033,519)	6,479,822
Private placement	4,923,387	1,477,016	-	-	1,477,016
Share issue costs		(22,736)	-	-	(22,736)
Share-based payments	-	-	76,958	-	76,958
Loss for the six months	-	-	-	(1,840,815)	(1,840,815)
<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	9,117	-	-	9,117
Share-based payments	-	-	59,935	-	59,935
Profit for six months				2,742,129	2,742,129
<b>June 30, 2011</b>	54,186,662	68,071,829	6,041,802	(65,132,205)	8,981,426

**ACADIAN MINING CORPORATION**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**Unaudited**  
**(Expressed in Canadian dollars)**  
**Periods Ended June 30, 2011 and 2010**

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**1. NATURE OF OPERATIONS**

Acadian Mining Corporation (the "Company" or "Acadian") is an, exploration and development company based in Nova Scotia. The Company's head office is on 10 Morris Drive, Suite 6, Dartmouth, Nova Scotia, Canada, B3B 1K8.

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 trade on the Toronto Stock Exchange ("TSX").

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

**Statement of Compliance:**

These condensed consolidated interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"), and in accordance with International Accounting Standards (IAS) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (IASB).

The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2010, and the Company's unaudited condensed consolidated interim financial statements for the three months ended March 31, 2011, which were the Company's first financial statements prepared in accordance with IFRS. These financial statements were approved and authorized for issue by the Audit Committee and Board of Directors of the Company on August 10, 2011.

The Company's consolidated 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 financial statements of the Company is provided in note 17.

**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.

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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(k) and 3(l) for the period ended March 31, 2011.

As at June 30, 2011, the Company has cash of \$3,781,457, working capital in the amount of \$2,697,240 and shareholders' equity in the amount of \$8,981,426. 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 condensed consolidated interim financial statements do not reflect any adjustments related to conditions that occurred subsequent to June 30, 2011.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The preparation of the financial data is based on accounting principles and practices consistent with those used in the preparation of the audited annual financial statements as at December 31, 2011. The accompanying unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated statements for the year ended December 31, 2010 and the Company's unaudited condensed consolidated interim financial statements for the three months ended March 31, 2011, which were the Company's first financial statements prepared in accordance with IFRS.

**4. SUBSIDIARIES AND ASSOCIATES**

Name of subsidiary	Principal activity	Place of Incorporation and Operation	Proportion of ownership interest and voting power held	
			June 30, 2011	June 30, 2010
ScoZinc Limited <sup>1</sup>	Mining	Nova Scotia	0%	100%
Annapolis Properties Corp.	Exploration	Canada	100%	100%
6179053 Canada Inc.	Exploration	Canada	100%	100%
6927629 Canada Corp	Holding company	Canada	100%	100%
Royal Roads Corp <sup>2</sup>	Exploration	Canada	0%	0%

1. The Company sold 100% of the shares of its wholly owned subsidiary ScoZinc Limited on May 31, 2011. The accounts were fully consolidated to the date of sale but reclassified as held for sale as of January 1, 2011. The Company recorded a loss from discontinued operations of \$449,346 for the six period ended June 30, 2011 and a gain on sale of \$3,468,791, which are reflected in the consolidated statements of operations.
2. 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

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result of selling this investment for proceeds of \$1.96 million, a loss on disposal of investment of \$1,865,750 was recorded. The equity loss and loss on disposal of \$1,957,446 has been reflected in the consolidated statements of operations.

**5. ACCOUNTS RECEIVABLE**

	<b>June 30, 2011</b>		<b>December 31, 2010</b>	
Current HST receivable	\$	55,980	\$	28,760
Other receivable		79,646		40,208
	\$	135,626	\$	68,968

**6. MINERAL RESOURCE PROPERTIES**

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

	<b>Fifteen Mile Stream*</b>	<b>Beaver Dam</b>	<b>Forrest Hill</b>	<b>Tangier</b>	<b>Other</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$
<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	20,348	-	411	-	25,895	46,654
Disposals	-	-	-	-	-	-
<b>Balance as at June 30, 2011</b>	2,323,688	585,627	1,353,389	294,077	734,084	5,290,865

\* 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.

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**7. 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	574,270
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	8,566,153
Additions	-	-	75,347	30,255	-	105,602
Disposals	-	-	-	-	7,520,147	7,520,147
<b>Balance as at June 30, 2011</b>	405,617	262,970	101,555	381,466	-	1,151,608
<b>Accumulated depreciation and impairment losses</b>						
<b>Balance 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	-	-	70,026	-	2,527,018	2,597,045
<b>Balance as at December 31, 2010</b>	-	24,405	15,295	196,242	1,364,036	1,599,978
Depreciation for the period	-	5,964	1,637	23,574	-	31,175
Disposals	-	-	-	-	1,364,036	1,364,036
<b>Balance as at June 30, 2011</b>	-	30,369	16,932	219,816	-	267,117
<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 June 30, 2011</b>	405,617	232,601	84,623	161,647	-	884,491

- Mining assets were classified as assets held for sale as of January 1, 2011 and sold as of May 31, 2011 (note 8)

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**8. SALE OF MINING ASSETS**

Acadian signed a letter agreement with Selwyn Resources Ltd (Selwyn) on February 18, 2011 whereby Selwyn agreed to acquire the zinc and lead assets of the Company. As of January 1, 2011, the Company classified these assets as held for sale. On May 31, 2011, the Company closed the transaction and sold 100% of the shares of ScoZinc Limited, a wholly owned subsidiary, which held the Company's lead and zinc assets including Scotia Mine, for cash consideration of \$10 million. The following table presents summarized financial information of the asset and liabilities related to those assets held for sale:

	May 31, 2011	
<b>Assets</b>		
Current assets	\$	120,796
Cash held for remediation		2,812,500
Mineral resource properties		56,587
Property, Plant and Equipment		6,096,696
<b>Total assets held for sale</b>	<b>\$</b>	<b>9,086,579</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$	152,623
Accrued site remediation		2,600,000
<b>Total liabilities related to assets held for sale</b>	<b>\$</b>	<b>2,752,623</b>
<b>Net assets held for sale</b>	<b>\$</b>	<b>6,333,956</b>
<b>Gain on sale of Mining Assets</b>		
Proceeds	\$	10,000,000
Net assets held for sale		(6,333,956)
Direct selling costs		(197,253)
	<b>\$</b>	<b>3,468,791</b>

The following table presents summarized financial information of the operating loss of the discontinued operation for the periods ended June 30, 2011:

		2011		2010	
		3 Months	6 Months	3 Months	6 Months
Amortization	\$	23,766	59,415	143,400	286,800
Insurance		8,720	34,880	10,110	25,274
Office and general		45,549	66,971	18,645	78,062
Professional fees		16,600	26,600	230	10,064
Rent		1,000	2,500	1,500	3,000
Salaries and benefits		54,458	111,217	69,691	138,475
Environmental monitoring		96,949	146,627	41,063	70,218
Travel		489	1,136	86	3,265
<b>Total operating expenses</b>	<b>\$</b>	<b>247,531</b>	<b>449,346</b>	<b>284,725</b>	<b>615,158</b>
Interest and other income				220,171	228,328
<b>Operating loss from discontinued operations</b>	<b>\$</b>	<b>(247,531)</b>	<b>(449,346)</b>	<b>(64,554)</b>	<b>(386,830)</b>

**ACADIAN MINING CORPORATION**  
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**9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	June 30, 2011	December 31, 2010
Trade payables	\$ 309,932	\$ 151,070
Accrued liabilities	49,487	1,288,239
Related party payable (note 11)	-	835,858
	<b>\$ 359,419</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. There were no further changes for the quarter ended June 30, 2011.

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 \$0.30 per share for aggregate gross proceeds of \$1,477,016 and incurred share issue costs of \$22,736. As of June 30, 2011 Golden River owned 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. Share options outstanding prior to November 17,

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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 June 30, 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	1,018,000	\$2.19
Expired	(100,000)	\$8.20
Issued	100,000	\$0.45
Balance, June 30, 2011	1,018,000	

During the quarter ended June 30, 2011, the Company granted 100,000 options to the chief financial officer of the Company with an exercise price of \$0.45 per share, expiring June 23, 2016, to be vested one third on grant date, one third 12 months from the grant date and one third 24 months from the grant date.

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 12 months from the grant date and one-third 24 months from the 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 12 months from the grant date and one-third 24 months from the grant date.

The following table summarizes information about the options outstanding and exercisable at June 30, 2011:

Expiry date	Exercise Price	Options Outstanding	Options Exercisable
April 27, 2012	\$ 11.20	20,000	20,000
June 15, 2012	\$ 10.00	40,000	40,000
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	333,334
August 18, 2015	\$ 0.45	300,000	100,000
June 23, 2016	\$ 0.45	100,000	33,333
		1,018,000	584,667
Weighted average remaining contractual life in years		3.85	3.00

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The following table summarizes information about the options outstanding and exercisable at 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

The total calculated fair value of stock-based compensation for the period ended June 30, 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 June 30, 2011 \$26,388 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:

	2011	2010
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. Subsequent to quarter end on July 8, 2011, the Company issued a \$900,000 payment for full settlement of this note payable.

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During the year, the Company received funds from the controlling shareholder, Golden River, in the aggregate amount of \$1,664,000. In the previous year the Company had received funds of \$835,858 bringing the balance due to \$2,499,858. This was a non-interest-bearing loan with no set terms of repayment. This loan was repaid in full during the current quarter.

During the previous year, the Company charged fees for common costs and salaries of \$60,000 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.

The remuneration of directors and other members of key management personnel during the periods ended June 30, 2011 and 2010 were as follows:

	2011		2010	
	3 Months	6 Months	3 Months	6 Months
Salaries and directors fees	\$ 102,500	258,750	350,370	34,711
Share-based payments	27,912	32,024	-	-
	\$ 130,412	290,774	350,370	34,711

- (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.

**12. GUARANTEE OBLIGATION**

ScoZinc Limited, a wholly owned subsidiary of the Company ("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 Companies' Creditors Arrangement Act. 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.

Acadian 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 had commenced making monthly principal payments and settled the liability in full during May 2011, with a gain of \$1,198,796.

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**13. INTEREST AND OTHER INCOME**

	<b>2011</b>		<b>2010</b>	
	3 Months	6 Months	3 Months	6 Months
Interest Income	\$ -	\$ -	\$ 597	\$ 170
Miscellaneous revenue	4,400	4,400	-	-
Gain on sale of assets	-	-	-	-
	\$ 4,400	\$ 4,400	\$ 597	\$ 170
Financing charges				
Interest expense and bank charges	\$ 2,588	\$ 4,175	\$ 29,794	\$ 29,794
	\$ 2,588	\$ 4,175	\$ 29,794	\$ 29,794

**14. SUPPLEMENTAL CASH FLOW INFORMATION**

	<b>2011</b>	<b>2010</b>
Accounts Receivable	\$ (110,143)	\$ 14,690
Prepaid Expenses	14,212	48,293
Accounts Payable and Accrued Liabilities	(950,819)	1,010,948
Advances (repayments) from/to Royal Roads	-	60,979
Capital lease obligation due within one year	-	(321,510)
	\$ (1,046,750)	\$ 813,400

**15. 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) 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.

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In the management of capital the Company only includes shareholders' equity, which at June 30, 2011 is \$ 8,981,426.

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 \$55,981 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 June 30, 2011 in the amount of \$3,781,457 which is not sufficient to meet its short-term business requirements. At June 30, 2011, the Company had accounts payable and accrued liabilities of \$359,419 with contractual maturities of 90 days or less and a note payable of \$900,000 due before July 8, 2011.

*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

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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.

**16. COMMITMENT**

Subsequent to quarter end in July, 2011, the company entered into lease for an office premises with minimum annual lease payments of \$112,682. The lease begins on July, 2011, and ends on June 30, 2016, with a right to terminate after June 30, 2013 for a penalty equal to four months base rent.

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

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

As stated in note 2, these unaudited condensed consolidated interim financial statements, including comparatives provided, have been prepared in accordance with IAS 34 and accounting policies consistent with IFRS as described in note 3. An explanation of IFRS 1, first-time adoption of IFRS exemptions and the required reconciliations between IFRS and Canadian GAAP are described in the Company's unaudited condensed consolidated financial statements for the three months ended March 31, 2011, and below:

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***Reconciliation of Assets, Liabilities and Equity***

The below table provides a summary of the adjustments to the Company's consolidated statements of financial position at December 31, 2010 and June 30, 2010:

	<b>December 31, 2010</b>	<b>June 30, 2010</b>
<b>Total assets per Canadian GAAP</b>	\$ 13,844,208	\$ 14,326,374
Adjustments required on adoption of IFRS	-	-
<b>Total assets per IFRS</b>	<b>13,844,208</b>	<b>14,326,374</b>
<b>Total Liabilities under Canadian GAAP</b>	\$ 7,673,963	\$ 7,846,551
Adjustments required on adoption of IFRS	-	-
<b>Total Liabilities under IFRS</b>	<b>7,673,963</b>	<b>7,846,551</b>
<b>Shareholders' Equity</b>		
<b>Total Equity under Canadian GAAP</b>	6,170,245	6,479,823
Adjustments required on adoption of IFRS	-	-
Total Equity under IFRS	6,170,245	6,479,823
Total liabilities and Equity under IFRS	\$ 13,844,208	\$ 14,326,374

***Reconciliation of Net Income***

The below table provides a summary of the adjustments to net loss for the three and six months ended June 30, 2010:

	<b>Three Months</b>	<b>Six Months</b>
Net Loss and comprehensive loss per Canadian	\$ (1,029,808)	\$ (4,374,891)
Adjustments required on adoption of IFRS	-	-
<b>Net Loss and comprehensive loss per IFRS</b>	<b>\$ (1,029,808)</b>	<b>\$ (4,374,891)</b>

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***Reconciliation of Cash-flows***

The below table provides a summary of the adjustments to cash-flows for the three and six months ended June 30, 2010:

	<b>Three Months</b>	<b>Six Months</b>
<b>Operating Activities</b>		
<b>Operating Activities per Canadian GAAP</b>	\$ (1,212,064)	\$ (1,472,034)
Adjustments required on adoption of IFRS	-	-
<b>Operating Activities per IFRS</b>	<b>(1,212,064)</b>	<b>(1,472,034)</b>
<b>Investing Activities per Canadian GAAP</b>	12,909	(54,730)
Adjustments required on adoption of IFRS	-	-
<b>Investing Activities per IFRS</b>	<b>12,909</b>	<b>(54,730)</b>
<b>Financing Activities per Canadian GAAP</b>	2,053,269	2,053,269
Adjustments required on adoption of IFRS	-	-
<b>Financing Activities per IFRS</b>	<b>2,053,269</b>	<b>2,053,269</b>