

**ACADIAN MINING CORPORATION**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE QUARTER ENDED JUNE 30, 2010**

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 June 30, 2010 have been prepared in accordance with Canadian generally accepted accounting principles and are the responsibility of the Company's management. The Company's independent auditors have not performed an audit or a review of these interim financial statements.

Date : August 13, 2010

**ACADIAN MINING CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**

	<b>JUNE 30 2010</b>	<b>Restated December 31 2009 (Note 3)</b>
<b>ASSETS</b>		
Current		
Cash and cash equivalents	\$ 948,587	\$ 421,652
Receivables	68,718	83,408
Receivable from Royal Roads	-	60,979
Investment in Royal Roads Corp. (Note 14)	-	3,920,284
Prepaid expenses and deposits	140,469	188,762
	<b>1,157,774</b>	<b>4,675,085</b>
Cash held for site remediation	924,485	924,485
Property, plant and equipment (Note 4)	6,903,098	7,308,267
Mineral resource properties (Note 5)	5,341,017	5,119,771
	<b>\$ 14,326,374</b>	<b>\$ 18,027,608</b>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities (Note 8)	\$ 3,347,756	\$ 2,336,814
Capital lease obligation due within one year (Note 10)	2,098,795	2,526,941
	<b>5,446,551</b>	<b>4,863,755</b>
Accrued site remediation (Note 9)	2,400,000	2,400,000
	<b>7,846,551</b>	<b>7,263,755</b>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (Note 6)	66,608,432	66,569,609
Contributed surplus (Note 7)	5,904,910	5,852,872
Deficit	(66,033,519)	(61,658,628)
	<b>6,479,823</b>	<b>10,763,853</b>
	<b>\$ 14,326,374</b>	<b>\$ 18,027,608</b>

**ACADIAN MINING CORPORATION**  
**CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS AND DEFICIT**

For the quarters ended June 30	2010		Restated (Note 3) 2009	
	3 Months	6 Months	3 Months	6 Months
			\$	\$
Revenue			412,241	2,381,027
Cost of sales				
Production costs			830,027	3,285,359
Depreciation, depletion and amortization			611,161	1,196,834
Accretion			6,556	13,390
Pit reclamation			303,218	786,888
			<u>1,750,962</u>	<u>5,282,471</u>
Gross profit (loss)			<u>(1,338,721)</u>	<u>(2,901,444)</u>
Operating expenses				
Amortization	174,968	334,658	63,747	154,001
Filing fees	6,118	32,246	12,298	22,510
Insurance	33,838	70,160	68,427	141,572
Interest and bank charges	1,710	4,017	158,568	425,507
Investor relations and information	69	11,554	27,530	39,408
Office and general	82,912	155,558	26,938	104,784
Professional fees	120,319	183,493	473,816	781,794
Rent	25,170	55,772	30,961	53,480
Royalties	-	-	7,832	138,693
Salaries and benefits	196,695	696,848	188,341	452,261
Stock based compensation	52,038	52,038	-	-
Environmental Monitoring	41,063	70,218	25,795	49,597
Exploration expenditures (Note 3)	422,831	863,125	57,788	124,975
Transfer agent fees	23,450	24,921	15,430	17,676
Travel	67,088	91,335	13,742	31,923
	<u>1,248,269</u>	<u>2,645,943</u>	<u>1,171,213</u>	<u>2,538,181</u>
Operating loss	(1,248,269)	(2,645,943)	(2,509,934)	(5,439,625)
Interest and other income (Note 13)	218,461	228,498	-	39,000
Loss from investee accounted for using the equity method and impairment charge (Note 14)	-	(1,957,446)	-	(84,314)
Future income taxes recovered	-	-	(53,268)	541,800
Net loss and comprehensive loss	(1,029,808)	(4,374,891)	(2,563,202)	(4,943,139)
Deficit, beginning of year as previously stated	(65,003,711)	(51,708,445)	(47,392,511)	(45,079,761)
Change in accounting policy for the write off of exploration expenses (Note 3)	-	(9,950,183)	(7,667,170)	(7,599,983)
Deficit, end of period	<u>\$ (66,033,519)</u>	<u>\$ (66,033,519)</u>	<u>\$ (57,622,883)</u>	<u>\$ (57,622,883)</u>
Income (loss) per share - basic and diluted	\$ (0.002)	\$ (0.009)	\$ (0.013)	\$ (0.025)

**ACADIAN MINING CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the quarters ended June 30	2010		Restated (Note 3) 2009	
	3 Months	6 Months	3 Months	6 Months
Cash provided by (used in) the following activities				
Operations				
Net loss	\$(1,029,808)	\$(4,374,891)	\$ (2,563,202)	\$ (4,943,139)
Future income taxes	-	-	-	(541,800)
Amortization	174,968	334,658	675,623	1,351,550
Accrued site remediation	-	-	6,556	13,390
Issue of share options	52,038	52,038	-	-
Loss from investee accounted for using the equity method and Impairment charge	-	1,957,446	53,268	84,314
Gain on sale of capital assets	(202,647)	(202,647)	-	-
Net change in non-cash working capital items (Note 12)	(154,578)	813,399	512,889	2,368,350
	(1,160,027)	(1,419,997)	(1,314,866)	(1,667,335)
Investing				
Acquisition of mineral resource properties	(114,783)	(182,422)	(22,332)	(38,253)
Acquisition of capital assets	(154,993)	(154,993)	(10,000)	(10,000)
Proceeds from sale of capital assets	321,509	321,509	-	-
Investment and advances investee	-	-	(6,051)	-
	51,733	(15,906)	(38,383)	(48,253)
Financing				
Issue of share capital - net of costs and flow through funds	-	-	1,002,790	1,002,790
Sale of investment in Royal Roads	1,962,838	1,962,838	-	-
Decrease (increase) in cash held for site remediation	-	-	353,965	687,745
	1,962,838	1,962,838	1,356,755	1,690,535
Net change in cash and cash equivalents for the year	854,544	526,935	3,506	(25,053)
Cash and cash equivalents, beginning of the year	94,043	421,652	181,651	210,211
Cash and cash equivalents, end of the year	\$ 948,587	\$ 948,587	\$ 185,157	\$ 185,158

**ACADIAN MINING CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE QUARTER ENDED JUNE 30, 2010**

**1. Basis of presentation and going concern issues and description of operations**

**Basis of presentation and going concern issues**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis, which presumes the Company will continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the ordinary course of business.

As at June 30, 2010, Acadian Mining Corporation (the "Company") has cash of \$948,587, negative working capital in the amount of \$4,288,778 and shareholders equity in the amount of \$6,479,823. 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 June 30, 2010.

**ScoZinc Limited Companies' Creditor Arrangement Act Proceedings**

In the previous year, the Company's wholly owned subsidiary ScoZinc Limited ("Scozinc") requested and was granted protection under the CCAA that was subsequently extended by the Nova Scotia Supreme Court ("Court") until May 28, 2009. The purpose of the protection and extension was to enable ScoZinc to conclude all operations and complete necessary mine site remediation efforts in order to put the mine site on care and maintenance. It also enabled ScoZinc to prepare a plan of arrangement or compromise for submission to its creditors and to the Court. ScoZinc is mining and milling operations ceased March 24, 2009, the pit rehabilitation project was concluded April 28, 2009. The creditors meeting for consideration of the proposal was held on May 28, 2009.

Under the terms of the initial order, Grant Thornton Limited was named court appointed monitor under the CCAA proceedings.

As part of the CCAA proceedings, ScoZinc obtained an order granting it access to Debtor in Possession financing ("DIP" financing) of up to \$1.0 million. The DIP order granted TCE Capital Corporation (the DIP provider) a priority charge and security interest in all of the property of ScoZinc as security for repayment of amounts advanced pursuant to the DIP Facility. The Company estimated that ScoZinc would be cash flow negative in the amount of approximately \$1,100,000 during the CCAA proceedings and that the DIP lender will be repaid with funds that Acadian loans to ScoZinc, subject to the investment of \$10.0 million by Golden River Resources in the Company.

As a consequence of the CCAA proceedings, all actions to enforce or otherwise effect payment or repayment of any liabilities preceding the petition date (December 22, 2008) were stayed until May 28, 2009. At the meeting of creditors on May 26, 2009, ScoZinc's proposal was accepted and subsequently approved by the Court on July 8, 2009. On July 8, 2009 the CCAA proceedings were settled. The DIP lender and professional fees incurred for advice on creditor protection were paid in full and all their security was released along with all the settlement for the secured and unsecured creditors governed by the plan. The Company financed the settlement with funds that were received from Golden River Resources Corporation ("Golden River") in the second tranche of the private placement. See "Financing Update" below. The Company recorded a gain on the settlement of these liabilities under the CCAA protection of \$2,793,074 (net of loss on sale of equipment of \$311,096) in 2009.

As a result of this filing the Company's long term debt, including capital lease obligations and equipment financing with Komatsu Finance, was in default and was therefore classified as a current liability. See Note 10 for further details on the capital lease obligation.

**Financing Update**

On March 17, 2009 the Company announced it had entered into an agreement with Golden River Resource Corporation ("Golden River") to complete a private placement of up to 338,111,334 common shares for aggregate proceeds of up to \$10,000,000. The placement occurred in several tranches throughout 2009, representing approximately 69% of the total issued and outstanding common shares of Acadian. Subsequent to quarter end on July 8, 2010 the Company announced it had issued Golden River in a private placement 49,233,866 common shares at a price of \$0.03 for aggregate proceeds of \$1,477,016. Following the completion Golden River will own 387,345,200 common shares or approximately 71.5% of the issued and outstanding common shares of the Company.

During the year the Company has received funds from the controlling shareholder, Golden River in the aggregate amount of \$850,182. This is a non interest bearing loan with no set terms of repayment.

On April 30, 2010, the Company closed the sale of its interest in Royal Roads for proceeds of CDN\$1.96 million.

**ACADIAN MINING CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE QUARTER ENDED JUNE 30, 2010**

**2. Accounting policies**

The consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

*(a) Basis of Consolidation*

The Company accounts have been consolidated with its subsidiaries, ScoZinc Limited, Annapolis Properties Corp, 6927629 Canada Inc and 6179053 Canada Inc. The Company accounts were consolidated with Royal Roads Corp. until March 31, 2007. Subsequent to March 31, 2007 Royal Roads Corp issued shares sufficient to drop the Company's holdings to less than fifty percent. The financial statements now include Royal Roads Corp. activities on an equity accounted basis. On April 30, 2010 the Company sold its full investment in Royal Roads and therefore equity accounting ceased at this point.

In accordance with the Company's stated accounting policy, long lived assets are reviewed and evaluated for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Management reviewed the recoverability based on the decline in world base metal prices and the lack of credit facilities which have negatively impacted base metals mines.

*(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) Revenue recognition and receivables*

Revenue is recognized at the time that the crushed ore is shipped, which is also the time that title transfers. The crushed ore is sold under contracts that provide for the final prices to be determined by the quoted market prices in a period subsequent to the date of sale. Revenue is recorded using a provisional pricing based on the market prices in the month of shipment and the assayed amount of minerals contained in the crushed ore.

Variations between the price recorded at shipment and the final prices are caused by changes in the market and result in an embedded derivative in accounts receivable. The embedded derivative is recorded at fair value each period until the final settlement occurs, with changes in the fair value classified as a component of revenue.

*(d) Inventories*

Inventory is recorded at the lower of cost and net realizable value. The classifications include stockpiled ore, in-process inventory, finished goods inventory and materials. The costs of production inventory include direct production costs and attributable overheads including amortization and accretion expenses.

Stockpiles are comprised of coarse ore that has been extracted from the mine and is awaiting further processing. Mining production costs are added to the stockpiles as incurred and removed from the stockpile based on an average cost per tonne as the material is moved to a further phase of production.

In process and concentrate inventories include costs of the ore removed from the stockpile as well as mill production costs incurred to convert the ore into a saleable product. Costs are determined on an average basis.

Mine and mill supplies include equipment parts, fuel and reagents consumed in ore processing. Materials and supplies are valued at the lower of average cost or replacement cost.

In June 2007, the CICA issued Section 3031, "Inventories", to harmonize accounting for inventories under Canadian GAAP with IFRS. This standard requires the measurement of inventories at the lower of cost and net realizable value and includes guidance on the determination of cost, including allocation of overheads and other costs to inventory. The standard also requires the consistent use of either first-in, first-out (FIFO) or weighted average cost formula to measure the cost of inventories and requires the reversal of previous write downs to net realizable value when there is a subsequent increase in the value of inventories. The new standard applies to fiscal years beginning on or after January 1, 2008. The Company adopted this standard on January 1, 2008.

*(e) Sections 3064 and 1000 – Goodwill and Intangible Assets*

In February 2008, the CICA issued new Section 3064, "Goodwill and intangible assets", replacing Section 3062, "Goodwill and Other intangible assets", and Section 3450, "Research and development costs". Section 3064 addresses when an internally developed intangible asset meets the criteria for recognition as an asset. The Section also issued amendments to Section 1000, "Financial Statement Concepts". These changes are effective for fiscal years beginning on or after October 1, 2008, with earlier adoption permitted, and was adopted by the Company effective January 1, 2009. The objectives of the changes are to reinforce a principles-based approach to the recognition of costs as assets and to clarify the application of the concept of matching revenues and expenses in Section 1000. Collectively, these changes bring Canadian practice closer to International Financial Reporting Standards and U.S. GAAP by eliminating the practice of recognizing as assets a variety of startup, preproduction and similar costs that do not meet the definition and recognition criteria of an asset. The Company has determined that adoption of the new standards did not have a significant effect on financial statements.

**ACADIAN MINING CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE QUARTER ENDED JUNE 30, 2010**

**2. Accounting policies (continued)**

**(f) Stripping Costs**

The Company accounts for stripping costs according to CICA EIC-160, "Stripping Costs Incurred in the Production Phase of a Mining Operation". EIC-160 clarifies the treatment of costs associated with activity of removing overburden and other mine waste materials in the production stage and requires that these costs be charged to income in the period in which they are incurred, except when the stripping activity provides a betterment to the property. Costs represent a betterment when the stripping provides access to reserves that will be produced in future periods that would not have otherwise been accessible in the absence of the activity.

**(g) Property, plant and equipment**

Property, plant and equipment are recorded at cost. Depreciation 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 depreciation is recognized):

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

Assets from the ScoZinc acquisition were depreciated on a straight line balance method over the expected life of the mine at thirteen and one half years, assets under capital lease were depreciated on a straight line basis over the four year term of the lease.

**(h) Leases**

Leases meeting certain criteria are accounted for as a capital lease. Imputed interest is charged against income. The capitalized value of the assets is depreciated over the term of the lease. The Company has entered into leasing agreements of four year terms for mining equipment. Obligations under capital leases are reduced by the rental payments net of imputed interest. All other leases are treated as operating lease.

**(i) Stock based compensation**

The Company has a stock-based compensation plan that is described in Note 5. The CICA Handbook, Section 3870, establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments for goods and or services. The Section requires that awards of stock be measured at fair value.

**(j) Earnings per share**

The Company has adopted the new recommendations of the CICA Handbook section 3500, Earning per Share ("EPS"). The revised section requires the presentation of both basic and diluted EPS on the face of the income statement regardless of the materiality of the difference between them. In addition, the new recommendations require the use of the treasury stock method to compute the dilutive effects of options, warrants and similar instruments as opposed to the previous method used which was the imputed earnings approach. The section also requires the disclosure of a reconciliation of the calculation of basic and diluted EPS.

**(k) Flow-through shares**

The Company accounts for the future income tax effect of flow-through share offerings as laid out in EIC - 146. As required under EIC 146 any future income tax effect of the flow-through offering is recognized as a share issue expense in the period in which the expenditures are renounced under the provision of the Income Tax Act.

**(l) Reclamation and Closure Costs**

Effective January 1, 2004, the Company adopted CICA 3110, "Asset Retirement Obligations" which requires that the estimated fair value of liabilities for asset retirement obligations be recognized in the period in which they are incurred. A corresponding increase to the carrying amount of the related asset is recorded and depreciated over the life of the asset. The estimates used in the valuations are based primarily on legal and regulatory requirements. It is possible that the Company's estimates of its ultimate reclamation and closure liabilities could change as a result of changes in regulations, the extent of environmental remediation required, the means of reclamation or cost estimates. Changes in estimates are accounted for prospectively from the period the estimate is revised.

**(m) Long-lived assets**

The Company monitors the recoverability of long-lived assets, based on factors such as current market value, future asset utilization, business climate and future undiscounted cash flows expected to result from the use of the related assets. The Company's policy is to record an impairment loss in the period when it is determined that the carrying amount of the asset may not be recoverable. The impairment loss is calculated as the amount by which the carrying amount of the asset exceeds the undiscounted estimate of future cash flows from the asset. EIC - 174 - Mining Exploration Costs gives further guidance on the capitalization of mining costs and impairment of those costs.

**ACADIAN MINING CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE QUARTER ENDED JUNE 30, 2010**

**2. Accounting policies (continued)**

*(n) Financial instruments*

The Canadian Institute of Chartered Accountants ("CICA") issued the following new Handbook Sections, which were effective for interim periods beginning on or after October 1, 2007 and were adopted in the prior fiscal year:

Section 3862, "Financial Instruments – Disclosures", describes the required disclosure for the assessment of the significance of financial instruments for an entity's financial position and performance and of the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. This section and Section 3863, "Financial Instruments – Presentation" replaced Section 3861, "Financial Instruments – Disclosure and Presentation".

Section 3863, "Financial Instruments – Presentation", establishes standards for presentation of financial instruments and non-financial derivatives.

Section 3865 of the CICA Handbook specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company currently does not hold any financial instruments designated for hedge accounting.

All financial assets and liabilities are classified into one of the following five categories: held for trading, held to maturity, loans and receivables, available for sale financial assets, or other financial liabilities. Held for trading financial assets are measured at fair value and changes are recognized in net income; available for sale financial assets are measured at fair value with changes recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net income. Loans and receivables, held to maturity investments and other financial liabilities are measured at amortized cost.

Under the new standards, policies followed for periods prior to the effective date generally are not reversed and therefore, the comparative figures have not been restated. The adoption of these Handbook sections had no impact on the opening retained earnings.

The Company has designated its cash and cash equivalents as held for trading, which are measured at fair value. Accounts receivable are classified as loans and receivables which are measured at amortized cost. As mentioned in Note 2(c) the Company's accounts receivable from mineral sales have an embedded derivative due to the price fluctuations in the quoted market prices. Under the new standards, embedded derivatives are treated as separate derivatives if their economic characteristics and risks are not clearly or closely related to that of the host instrument, the terms of the embedded derivative are the same as those of a stand alone derivative, and the combined contract is not held for trading or designated at fair value. These embedded derivatives are measured at fair value at each balance sheet date with subsequent changes recognized in net earnings (loss) in the period the changes arise. Accounts payable and accrued liabilities are classified as other financial liabilities. The Company has neither available for sale or held to maturity instruments.

As at June 30, 2010 the fair values of the Company's assets and liabilities approximate their carrying value due to the relatively short maturity or current market rate associated with these instruments.

Section 1530 of the CICA Handbook introduces the term Comprehensive income, which consists of net earnings and other comprehensive income (OCI). Comprehensive income represents changes in Shareholders equity during the period arising from transactions and other events with non-owner sources. OCI includes gains and losses unrealized from available for sale assets, that are excluded from net earnings in accordance with GAAP. The Company currently has not designated any instruments as available for sale and therefore does not currently have any OCI.

The additional disclosures, required as a result of the adoption of (i) Sec 3862 and 3863, have been included in Note 15, Financial Instruments and (ii).

*(o) Future income taxes*

The Company accounts for income taxes under the asset and liability method. The difference between the tax basis of assets and liabilities and their carrying value on the balance sheet is used to calculate future tax assets and liabilities. The future tax assets and liabilities have been measured using substantively enacted tax rates that will be in effect when the differences are expected to reverse.

*(p) Foreign Currency Translation*

Revenues and expenses denominated in foreign currencies are translated into Canadian dollars at the average exchange rate for the period.

*(q) Investment in Company Subject to Significant Influence*

Investments in companies subject to significant influence are carried using the equity method of accounting under which the investment is originally recorded at costs and is adjusted for the investors share of the investees income or loss. The investment in companies subject to significant influence will be written down when there is a decline in value that is other than temporary.

*(r) Use of estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results may differ from those estimates.

**ACADIAN MINING CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE QUARTER ENDED JUNE 30, 2010**

**2. Accounting policies (continued)**

*(s) Capital disclosures*

Section 1535, "Capital Disclosures", establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure requirements of the entity's objectives, policies and processes for managing capital, the quantitative data relating to what the entity regards as capital, whether the entity has complied with capital requirements, and, if it has not complied, the consequences of such non-compliance. Sec 1535, have been included in Note 16, Capital Management.

*(t) Accounting pronouncements applicable to future periods*

*(i) International Financial Reporting Standards ("IFRS")*

In February 2008, the CICA announced that Canadian 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 has 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, 2010 the Company has completed Phase 1 which included putting together an initial project plan with Board oversight, education, scoping relevant IFRS and identification of policy differences between IFRS and Canadian GAAP and now is moved into Phase 2.

*(ii) Business Combinations*

In January 2009, the CICA issued Handbook Section 1582, "Business combinations," which replaces the existing standards. This section establishes the standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This standard is equivalent to the International Financial Reporting Standards on business combinations. This standard is applied prospectively to business combinations with acquisition dates on or after January 1, 2011. Earlier adoption is permitted.

*(iii) Non-controlling interests*

In January 2009, the CICA issued Handbook Section 1602, "Non-controlling interests," which establishes standards for the accounting of non-controlling interests of a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. This standard is equivalent to the International Financial Reporting Standards on consolidated and separate financial statements. This standard is effective for 2011. Earlier adoption is permitted.

*(iv) Consolidated financial statements*

In January 2009, the CICA issued Handbook Section 1601, "Consolidated financial statements," which replaces the existing standards. This section establishes the standards for preparing consolidated financial statements and is effective for 2011. standards. Earlier adoption is permitted.

**3 Changes in Accounting policies**

*Mining interests and deferred development and exploration expenditures*

On January 1, 2010 the Company changed its accounting policy so as to expense all expenditures relating to the exploration and development of its mineral properties. The impact on the current quarter was exploration expenses of \$422,831 (2009 - \$57,788).

The retrospective application has reduced the mineral resource properties as of January 1, 2010 by \$9,950,183 (Jan 1, 2009 - \$7,599,983) and increased the opening deficit at January 1, 2010 by \$9,950,183 (Jan. 1, 2009 - \$7,599,983).

The Company's previous policy was to defer expenditures related to the exploration and development of its mining properties, including direct administrative expenditures, until such time as they are brought into production or are deemed economically unfeasible. Upon commencement of commercial production, the cost of acquiring the mining property and all related deferred exploration and development expenditures will be amortized on a unit of production basis. Should the properties be abandoned or be determined to be economically unfeasible they will be written off in their entirety. CICA Emerging Issues Committee ("EIC") - 174 - Mining Exploration Costs gives further guidance on the capitalization of mining costs and impairment of those costs.

**ACADIAN MINING CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE QUARTER ENDED JUNE 30, 2010**

**4 Property, plant and equipment:**

	Cost	Accumulated Depreciation	Net
<b>Office:</b>			
Building	\$ 262,970	\$ 24,404	\$ 238,566
Automotive equipment	122,748	78,874	43,874
Equipment	165,000	165,000	-
Office fixtures and computer equipment	527,786	165,567	362,219
	<u>1,078,504</u>	<u>433,845</u>	<u>644,659</u>
<b>Mine site</b>			
Land	566,950		566,950
Building	2,370,491	528,288	1,842,203
Automotive equipment	392,547	179,863	212,684
Mobile equipment under capital lease*			-
Equipment	5,789,255	2,152,653	3,636,602
	<u>9,119,243</u>	<u>2,860,804</u>	<u>6,258,439</u>
<b>Balance June 30, 2010</b>	<b>\$ 10,197,747</b>	<b>\$ 3,294,649</b>	<b>\$ 6,903,098</b>
<b>Office:</b>			
Building	\$ 120,840	\$ 15,589	\$ 105,251
Automotive equipment	122,748	69,281	53,467
Equipment	165,000	165,000	-
Office fixtures and computer equipment	514,923	121,062	393,861
	<u>923,511</u>	<u>370,932</u>	<u>552,579</u>
<b>Mine site</b>			
Land	566,950		566,950
Building	2,370,491	436,972	1,933,519
Automotive equipment	392,547	156,232	236,315
Mobile equipment under capital lease* /	1,467,845	1,238,845	229,000
Equipment	5,789,255	1,999,351	3,789,904
	<u>10,587,088</u>	<u>3,831,400</u>	<u>6,755,688</u>
<b>Balance December 31, 2009</b>	<b>\$ 11,510,599</b>	<b>\$ 4,202,332</b>	<b>\$ 7,308,267</b>

\* See Note 8 for further details on the capital lease.

**5 Mineral resource properties:**

Mineral resource properties consists of the following:

	2009 Claim Cost	2010 Claim Cost
<b>Nova Scotia:</b>		
Forest Hill	\$ 1,351,220	\$ 1,351,130
Beaver Dam	570,622	577,406
Tangier	291,249	293,305
Goldenville	187,919	188,571
15 Mile Stream	2,271,388	2,402,029
Other *	447,373	528,576
<b>Balance June 30, 2010</b>	<b>\$ 5,119,771</b>	<b>\$ 5,341,017</b>

\*Other is net of an impairment charge on base metal claims and deferred exploration costs of \$1,075,133 in 2009.

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**6 Capital stock**

Authorized:  
 Unlimited number of common shares  
 Unlimited number of preference shares

Capital stock is made up as follows:

	2009	2010
Warrants (i)	\$ -	\$ -
Common shares (ii)	66,569,609	66,608,432
	\$ 66,569,609	\$ 66,608,432

(i) Warrants issued:

Balance December 31, 2007		\$ 3,330,829
Broker warrants issued		53,900
Value of expired warrants allocated to contributed surplus		(3,330,829)
Balance December 31, 2008		53,900
Value of expired warrants allocated to contributed surplus		(53,900)
<b>Balance December 31, 2009 and June 30, 2010</b>		<b>\$ -</b>

(ii) Common shares issued:

	# of shares	\$ Value
Balance December 31, 2007	142,087,907	\$ 54,118,358
Issued for mining properties	120,000	42,000
Options exercised	350,000	208,000
Purchased and cancelled	(155,000)	(51,589)
Private placement	11,000,000	3,000,000
Less: Share issue costs		(253,707)
Balance December 31, 2008	153,402,907	57,063,062
Issued for mining properties	93,000	2,790
Private placement	338,111,334	10,000,000
Options exercised	84,375	45,557
Less: Share issue costs		(541,800)
Balance December 31, 2009	491,691,616	\$ 66,569,609
Issued for mining properties	647,059	38,823
<b>Balance June 30, 2010</b>	<b>492,338,675</b>	<b>\$ 66,608,432</b>

(a) During the current quarter the Company issued 647,059 common shares at a deemed price of \$0.06 as consideration for land access rights at the 15 Mile Steam property.

(b) During the previous year the Company issued 93,000 common shares at a deemed price of \$0.03 as consideration for the extension of the option terms on the Oldham claims.

The Company renounced \$1,500,000 in eligible expenditures relating to the flow-through shares common shares issued during 2008 and recognized \$541,800 in future taxes as a cost of issuing the shares.

During 2009 the Company completed a private placement for 338,111,334 common shares at a price of approximately \$0.03 per share for aggregate gross proceeds of \$10,000,000.

(c) During 2008 year the Company completed a private placement for 6,000,000 common shares at a price of \$0.25 per share and 5,000,000 flow-through common shares at a price of \$0.30 for aggregate gross proceeds of \$3,000,000.

The Company paid the underwriters a work fee and a cash commission equal to 6% of the proceeds of the private placement and issued Broker warrants to acquire 220,000 common shares at \$0.30 per common share exercisable anytime until September 2, 2009. The warrants expired unexercised during the previous year.

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**6 Capital stock (continued)**

**Stock-based compensation plan:**

The Company has a common share purchase option plan (the "Plan") for directors, officers, employees and consultants. 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.

A summary of the Company's options at December 31, 2009 and June 30, 2010 is presented below:

	<u>Options Outstanding</u>	<u>Weighted-Average Exercise price</u>
At December 31, 2008	8,860,000	\$0.80
Cancelled	(1,005,825)	\$0.65
Expired	(675,000)	\$0.25
Exercised	<u>(84,375)</u>	\$0.18
At December 31, 2009	5,095,000	\$0.82
Expired	(2,165,000)	
Issued	<u>5,000,000</u>	\$0.04
At June 30, 2010	<u><u>7,930,000</u></u>	

The following table summarizes information about the options outstanding at June 30, 2010

<u>Exercise Price</u>	<u>Options outstanding and exercisable</u>	<u>Remaining contractual life</u>
\$0.71	600,000	1.1 years
\$0.53	750,000	1.6 years
\$1.12	200,000	2.1 years
\$1.00	800,000	2.2 years
\$1.01	150,000	2.5 years
\$0.71	130,000	2.9 years
\$0.58	300,000	3.2 years
\$0.04	<u>5,000,000</u>	5.0 years
	<u><u>7,930,000</u></u>	

The following table summarizes information about the options outstanding at December 31, 2009

<u>Exercise Price</u>	<u>Options outstanding and exercisable</u>	<u>Remaining contractual life</u>
\$0.71	1,500,000	1.3 years
\$0.53	750,000	1.9 years
\$1.12	250,000	2.3 years
\$1.00	2,000,000	2.5 years
\$1.01	150,000	2.7 years
\$0.71	145,000	3.2 years
\$0.58	<u>300,000</u>	3.5 years
	<u><u>5,095,000</u></u>	<u>2.2 years</u>

**Share purchase warrants:**

A summary of the Company's warrants at December 31, 2009 and June 30, 2010 is presented below:

	<u>Warrants Outstanding</u>	<u>Weighted-Average Exercise price</u>
At December 31, 2007	11,132,344	\$1.32
Expired	(11,132,344)	\$1.32
Granted	<u>220,000</u>	\$0.30
At December 31, 2008	220,000	\$0.30
Expired	<u>(220,000)</u>	\$0.30
At December 31, 2009 and June 30, 2010	<u><u>-</u></u>	<u><u>-</u></u>

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**7 Contributed surplus**

Balance, December 31, 2007	\$ 2,345,076
Excess of acquisition price over capital value of cancelled shares	(29,922)
Value of unexercised expired warrants	3,330,829
Stock based compensation	317,610
Transfer to share capital on exercise of options	<u>(134,250)</u>
Balance, December 31, 2008	5,829,343
Value of unexercised expired warrants	53,900
Value of options exercised	<u>(30,371)</u>
Balance, December 31, 2009	5,852,872
Value of options issued	<u>52,038</u>
<b>Balance, June 30, 2010</b>	<b><u>\$ 5,904,910</u></b>

In determining the stock-based compensation expense, in fiscal 2010, the fair value of the options issued were estimated using a Black-Scholes option pricing model with the following weighted average assumptions used: dividend yield of 0%, expected volatility of 62%, risk free interest rate of 1.5% and expected life of 60 months.

**8 Related Party Transactions**

During the year the Company charged fees for common costs and salaries of \$90,000 (2009 - \$122,180) to Royal Roads and 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. The amount charged is estimated to be the fair value of the costs. This amount was offset against interest owing to Royal Roads on inter-company advances.

As part of the conditions of the private placement with Golden River the Company acquired the remaining 50% of the 15 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 1% Net Smelter Royalty payable to Mr. Will Felderhof, former President, Director and CEO of the Company, and members of his family. The Company has the option to extend these terms for a further 12 months for a \$100,000 principal payment. Amounts due are included in accounts payable and accrued liabilities on the balance sheet. Subsequent to quarter end on July 8, 2010 the Company exercised the option to extend the agreement and issued the \$100,000 payment.

During the previous year the Company completed a private placement with Golden River, issuing 338,111,334 common shares, representing approximately 69% of the total issued and outstanding common shares of Acadian for proceeds of \$10 million. The Company used a significant portion of the proceeds to settle its obligations under the terms of the CCAA proposal.

On July 8, 2010 the Company announced that it reached an agreement with Golden River to complete a private placement of 49,233,866 common shares at a price of \$0.03 per common share for aggregate proceeds of \$1,477,016. Following the completion Golden River will own 387,345,200 common shares or approximately 71.5% of the issued and outstanding common shares of Acadian.

During the year the Company has received funds from the controlling shareholder, Golden River in the aggregate amount of \$850,181. This is a non interest bearing loan with no set terms of repayment.

All related party transactions and balances have been recorded at amounts agreed to by the parties which equals the exchange amount.

**9 Commitments**

The Company is committed to minimum annual lease payments of \$103,607 on its office premises until October, 2013. Subsequent to quarter end, effective September 1, 2010, the Company has sublet this office premises.

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 had previously agreed to deposit \$1,400,000 with the Province to guarantee the remediation work. Currently the Company has \$612,652 on deposit and has agreed to deposit the remaining \$787,348 prior to re-commencement of operations.

**10 Capital Lease Obligation**

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

ScoZinc suspended payments under the lease obligations to Komatsu in December 2008 prior to seeking protection under the Companies' Creditor 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 (Note 3).

In December 2008, ScoZinc began paying \$7,000 per week in interest to Komatsu while the equipment was still in use. Once the equipment was returned the interest payments were stopped. As the lease payments are in default they are all considered to be current liabilities.

Acadian has guaranteed the equipment leases with Komatsu. The estimated amounts owing under the lease contracts has been fully accrued in the financial statements although the final amounts that will be payable has not yet been finally determined.

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**11 Income taxes**

The Company has available approximately \$31,847,083 (2009 - \$28,502,000) in non-capital loss carry-forwards which can be carried forward and used against future taxable income until expiry as noted below. In addition, the Company has available approximately \$1,991,000 in share issue costs for tax purposes which can be deducted from taxable income on a straight line basis over a five year period. The benefit associated with these losses has not been recognized.

2010	\$	800,000
2014		1,070,000
2015		1,132,000
2026		2,230,000
2027		7,524,000
2028		10,151,000
2029		5,595,000
2030		4,374,891
	<u>\$</u>	<u>32,876,891</u>

The Company has the following future income tax assets and (liabilities):

	<u>2009</u>	<u>2010</u>
Non capital losses and share issue costs	\$ 8,252,000	\$ 9,739,000
Mineral resource properties	(729,000)	(729,000)
Property, plant and equipment and other	2,467,000	2,467,000
Valuation allowance	(9,990,000)	(11,477,000)
Liability recognized in the financial statements	<u>\$ -</u>	<u>\$ -</u>

The following reconciles the effective tax rate to the statutory rate on a percentage basis:

Statutory tax rate	34.67%	33.50%
Tax effect of losses not recognized	-34.67%	-33.50%
Tax effect of non-deductible expenses	0.00%	0.00%
Effective tax rates	<u>0.00%</u>	<u>0.00%</u>

**12 Supplemental cash flow information**

For the period ended March 31	<u>2009</u>	<u>2010</u>
Accounts receivable	\$ 574,029	\$ 14,690
Prepaid expenses and deposits	100,297	48,293
Inventory	1,455,355	
Accounts payable and accrued liabilities	(317,029)	1,010,947
Advances (repayments) from/to Royal Roads	(124,302)	60,979
Capital lease obligation due within one year		(321,510)
Debtor in possession financing	680,000	
	<u>\$ 2,388,350</u>	<u>\$ 813,399</u>

Non-cash financing and investing activities:

	<u>2009</u>	<u>2010</u>
Common shares issued for interest in mineral resource properties	\$ 2,789	\$ -
Future income tax recognized on renounced CEE	\$ 541,800	\$ -
Cash paid for interest	\$ 427,544	\$ 1,293
Cash received as recovery of prior interest expense	\$ -	\$ 25,182
Cash paid for income taxes	\$ -	\$ -

**13 Interest and Other Income**

	<u>2009</u>	<u>2010</u>
Interest Income	\$ 14,000	\$ 170
Gain on sale of assets	-	202,647
Miscellaneous revenue	25,000	27,988
	<u>\$ 39,000</u>	<u>\$ 230,805</u>
<b>Financing charges:</b>		
Interest on Long term debt	\$ -	\$ 28,500
Interest (recovery) and bank charges	292,781	(24,483)
Interest on Royal Roads Corp. loan	132,726	-
	<u>\$ 425,507</u>	<u>\$ 4,017</u>

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**14. Investment in Royal Roads Corp.**

The Company previously owned approximately 32.7 million shares of Royal Roads Corp. representing 29.18% of the issued and outstanding shares of Royal Roads Corp. The investment is accounted for using the equity method of accounting.

In previous years Management's intentions with its investment in Royal Roads was for a long term investment and therefore the investment had been carried at its underlying book value.

During the previous quarter as a result of Management deciding to pursue the option of selling this investment, Management felt that a better representation of the value is now the quoted market value and hence an impairment of \$1,865,750 has been reflected in the Statement of Loss and Deficit. Due to this decision the investment had also been reclassified from long term assets to current assets on the Balance Sheet.

During the current quarter the Company sold its full investment in Royal Roads for proceeds of \$1.96 million.

**15 Financial Instruments**

*Credit Risk*

There is no significant concentration on credit risk. The credit risk exposure is considered normal for the business.

*Fair value of financial instruments*

The book value of cash and cash equivalents, receivables, and accounts payable and accrued liabilities all approximate their fair values at June 30, 2010.

*Interest rate risk*

The Company's debt is limited to accounts payable and an obligation under capital leases therefore there is exposure to interest rate risk.

*Foreign currency rate risk*

The Company does not currently have any hedges in place for foreign currency risk. All revenue and expenses denominated in foreign currencies are recorded using the average exchange rate for the period. As production has ceased the Company is not currently exposed to any significant foreign currency risk.

*Sensitivity Analysis*

Financial instruments included in accounts receivable and prepaid expenses and deposits are classified as loans and receivables, which are measured at cost. Accounts payable and accrued liabilities and capital lease obligations are classified as other financial liabilities, which are measured at cost. As at June 30, 2010, the carrying and fair value amounts of the Company's financial instruments are the same.

The Company is exposed to interest rate risk primarily through its capital lease obligations. At June 30, 2010, the Company had outstanding leases of \$2,098,795. In the event that interest rates associated with these facilities were to increase 100 basis points, the impact on future cash flows would be approximately \$20,987 annually.

**16. Capital Management**

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 June 30, 2010 is \$6,479,823 (2009 - \$10,763,853).

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.

**17 Subsequent Events**

On July 8, 2010 the Company announced that it reached an agreement with Golden River to complete a private placement of 49,233,866 common shares at a price of \$0.03 per common share for aggregate proceeds of \$1,477,016. Following the completion Golden River will own 387,345,200 common shares or approximately 71.5% of the issued and outstanding common shares of Acadian.