

ACADIAN MINING CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED JUNE 30, 2010

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 August 13, 2010 and should be read in conjunction with the audited financial statements and the notes thereto for the year ended December 31, 2009 and the unaudited financial statements prepared by management for the quarter ended June 30, 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 subsidiary - ScoZinc Limited, 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.

The financial statements of the Company have been prepared in accordance with accounting principles generally accepted in Canada (“Canadian GAAP”). The Company’s financial statements are expressed in Canadian (CDN) dollars. All amounts in this report 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 Halifax, Nova Scotia, Canada.

This MD&A is prepared in conformity with National Instrument 51-102 and Form 51-102 F1 and has been approved by the Company’s board of directors prior to release. The financial statements have been prepared by management and have not been audited by the Company’s auditor, Smithe Ratcliff, Chartered Accountants.

OVERVIEW

Acadian is a Canadian mining, exploration and development company based in Halifax, Nova Scotia. The Company’s wholly owned subsidiary, ScoZinc Limited (“ScoZinc”), owns a zinc-lead mine, Scotia Mine, located at Gays River, Nova Scotia where ore was mined by open pit and processed in a mill facility, producing zinc and lead sulphide concentrates for the international base metal markets. As a result of losses caused by the rapid and deep decline in world base metal prices in Q4 2008 and the inability to secure additional capital, ScoZinc requested and was granted protection from its creditors under the Companies’ Creditors Arrangement Act (“CCAA”) on December 22, 2008. ScoZinc ceased production operations on March 24, 2009 and put the Scotia Mine facility on care and maintenance. On May 28, 2009, following the creditor’s endorsement of ScoZinc’s proposed statutory plan of arrangement (the “Plan” or the “Plan of Arrangement”), the Supreme Court of Nova Scotia ratified the Plan of Arrangement. The Company completed the Plan pursuant to its terms on July 9, 2009.

The Company is now focused on exploring and developing its large portfolio of gold properties in Nova Scotia totaling approximately 66,000 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 38,000 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.

The Company held a 29.2% interest in Royal Roads Corp. ("Royal Roads") which in turn held a 100% interest in Buchans River Ltd. ("Buchans River"). On April 30, 2010, the Company closed the sale of its 29.2% interest in Royal Roads for a consideration of \$1.96 million. Concurrent with the closing, members of Acadian's management who were officers or directors of Royal Roads, namely Peter Lee, Menachem Vorchheimer and Stacey Stone, tendered their resignations as officers and/or directors of Royal Roads. In conjunction with the closing, Acadian agreed to continue to provide management and administrative services to Royal Roads for up to 90 days in order to assist with an orderly transition to the new management of Royal Roads.

In February, 2010, the Company announced changes in the Board of Directors which included the resignations of Mr. Joseph Gutnick as Executive Chairman and Director, Mr. Will Felderhof as President, CEO and Director and Mr. Terry Coughlan as Vice-President, and the appointment of Dr. Allan Trench as Chairman and Mr. Peter Lee as interim President and CEO.

On June 24, 2010, Grant Ewing was appointed to the position of President and CEO and assumed his duties effective immediately. Peter Lee who had been acting President and CEO will remain as a director. On June 25, 2010 Grant Ewing was also added to the Board of Directors.

RESULTS OF OPERATIONS

The consolidated loss for the period was \$1,029,808 compared to a loss of \$2,563,202 in 2009. Revenue and cost comparisons quarter over quarter are not relevant as the Company was in two different stages of operation. Near the end of the first quarter of 2009 the Company ceased production at Scotia Mine and was working on a pit rehabilitation project into the second quarter whereas in the current quarter the Company is focused on exploration.

The most significant factors affecting the loss for the current period is due to exploration expenses of \$442,831. During the previous quarter the Corporation changed its accounting policy to write off exploration expenditure as it is incurred. The investment in Royal Roads was sold on April 30, 2010 for \$1.96 million. Due to an impairment charge of \$1.86 million in the previous quarter, the sale did not result in any further gain or loss. Overall quarter over quarter general and administrative expenses in total did not differ materially however the components of the expenses did fluctuate. Finance costs decreased significantly as a result of the Company's paying interest on capital debt and the cost of having the debtor in possession financing in place during 2009. Professional fees also decreased by \$353,497. In 2009 significant costs were incurred for professional advice during the creditor protection process. A majority of the financing and professional fees related to the ScoZinc CCAA and there were no comparable costs in the current quarter.

The Company's working capital position went from a deficiency of \$4,108,954 as at December 31, 2009 to a deficiency of \$4,288,778 as at quarter end June 30, 2010. This change is primarily due to the operating loss for the period.

Selected Financial Data (Quarterly)

Quarter	Revenue \$	Net Income (Loss) \$	Income (Loss) Per Share* \$	Total Assets \$	Capital Lease Obligation \$	Shareholder Equity \$
Q2/10	-	(1,029,808)	(0.002)	14,326,374	2,098,795	6,479,823
Q1/10	-	(3,345,083)	(0.007)	15,538,108	2,526,941	7,418,770
Q4/09	-	(1,984,874)	(0.004)	18,027,608	2,526,941	10,763,853
Q3/09	20,858	174,354	-	29,580,881	3,916,295	18,699,429
Q2/09	412,241	(2,505,414)	(0.013)	29,555,592	4,753,821	13,509,369
Q1/09	1,968,786	(2,395,859)	(0.015)	31,552,089	4,753,821	15,014,782
Q4/08	4,099,810	(32,465,328)	(0.210)	33,660,707	4,753,821	17,866,544
Q3/08	8,697,156	(158,729)	(0.001)	66,372,976	5,002,459	50,166,074

* 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**

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, the Company had 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.

ScoZinc Limited – Companies’ Creditors Arrangement Act Proceedings

On December 22, 2008 the Company’s wholly owned subsidiary ScoZinc requested and was granted protection by the Nova Scotia Supreme Court (the “Court”) under the Companies’ Creditors Arrangement Act (“CCAA”) for an initial period of 30 days. This was subsequently extended by the Court until May 22, 2009. The purpose of the protection and the extension was to enable ScoZinc to conclude all operations and complete all 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 (the “Plan”) for submission to its creditors and to the Court. ScoZinc mining and milling operations ceased on March 24, 2009, the pit rehabilitation project was concluded on April 28, 2009 and the creditors meeting where the Plan was approved was held on May 21, 2009.

Under the terms of the initial order, Grant Thornton Limited was named court appointed monitor under the CCAA Proceedings. The Monitor reported to the Court from time to time on the financial and operational position of ScoZinc as well as other matters deemed relevant to 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 Financing.

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 22,

2009. On May 21, 2009 the creditors meeting was held and the Plan was approved. The Court approved the Plan on May 29, 2009 giving ScoZinc until July 8, 2009 to meet its obligations. On July 8, 2009, the CCAA Proceedings were settled, in which the expenses and professional fees incurred for advice on creditor protection were paid in full along with the settlement for the secured and unsecured creditors governed by the Plan. ScoZinc financed the settlement with funds that were received from Golden River in the second tranche of the Golden River private placement.

As a result of the CCAA proceedings in December 2008 the Company's long term debt, including capital lease obligations and equipment financing with Komatsu, was in default and was therefore reclassified as a current liability. This obligation along with an operating loan with Royal Roads was secured by Acadian. Acadian repaid the loan from Royal Roads in full in the fourth quarter of 2009 and as yet has not finalized its obligations to Komatsu. The estimated amounts owing under the lease contracts have been fully accrued in the financial statements although the final amounts that will be payable have not yet been finally determined.

Financing Update

On March 17, 2009 the Company announced it had entered into an agreement with 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 owns 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 \$1.96 million.

Cash Requirements

The Company's principal requirements for cash in 2010 will relate to the care and maintenance costs of Scotia Mine, exploration expenditures to keep in good standing and continue development of its principal mineral properties and administrative expenditures. Management of the Company continues to pursue funding to resolve its current financial position, and to investigate possible asset sales and seek potential partners to advance its gold mineralized properties to the development and mining stage. As at June 30, 2010 the Company had \$948,587 in cash and a working capital deficiency of \$4,288,778. The Company's budgeted expenditures for renewals and programs on its gold and other property holdings are being reviewed and kept at a minimum at this time. The Company has reduced its capital expenditures budget and exploration programs planned for the 2010 year until funding or cash flows permit a re-evaluation of this decision. On July 8, 2010 the Company completed a private placement for aggregate proceeds of \$1.47 million.

Outstanding Share Data

	August 13 , 2010	June 30, 2010	December 31, 2009
Common Shares Outstanding	541,572,541	492,338,675	153,402,907
Fully Diluted Common Shares Outstanding	549,502,541	500,268,675	160,482,907
Capital Stock	\$68,046,625	\$66,608,432	\$57,116,962

During the prior year there were 338,111,334 common shares issued for aggregate proceeds of \$10,000,000 in the private placement with Golden River. 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 now owns 387,345,200 common shares or approximately 71.5% of the issued and outstanding common shares of the Company. There are no warrants and 7,930,000 options outstanding and the average exercise prices are in excess of the current market price of the Company's common shares.

OUTLOOK

The Company concluded its restructuring effort during 2009 and with the injection of new capital from the 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 return its full attention to exploring and developing its extensive mineral holdings in Atlantic Canada. The level of exploration and development in 2010 will be dependent upon available funds. In the event of a sale of assets in Q-3, the level of gold exploration activities will escalate for the balance 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 commence evaluation of the FMS Trend, a 130 km 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 should 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 – early April, 2010 and was the first high resolution airborne magnetic survey to be flown in the Nova Scotia goldfields since the mid-1980s. The 1980s survey was much smaller in scope and sophistication.

Exploration programs for zinc and lead are expected to continue on a reduced basis with the principal focus on prospective areas close to Scotia Mine. 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 (the "Study") has been completed to examine various financial and operational parameters under three different re-start scenarios.

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 quarter were \$507,934 (2009 - \$83,109). A summary of exploration expenditures for key mineral properties is presented in the table below.

	Cumulative To Date (\$)			
	Acquisition Cost	Exploration & Development	Balance June 30, 2010	Balance December 31, 2009
Forest Hill	1,351,276	2,211,789	3,563,065	3,548,687
Beaver Dam	577,406	5,236,798	5,814,204	5,766,425
Tangier	293,306	550,308	843,614	785,290
Goldenville	189,067	598,275	787,342	786,194
15 Mile Stream	2,402,029	484,185	2,886,214	2,536,257
Other	569,330	1,575,796	2,145,126	1,647,101

GOLD PROPERTIES

The Company's principal efforts with respect to gold are focused on exploring and developing its five advanced properties: Beaver Dam, Forest Hill, Goldenville, Tangier and Fifteen Mile Stream, and to a lesser extent on its other gold properties. The five 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).

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

* 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 compositing

Gold Resources – Tonnage And Grade (Cut)				
Property	Category	Threshold	Tonnes	Grade g/t
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
15 Mile Stream	Inferred	0.7 g/t	3,800,000	1.66

The technical information disclosed 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, and are filed on www.sedar.com.

Additional information pertaining to the gold properties can be found on the Company's website, www.acadianmining.com and in material filed on the regulatory filing site, 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 the advanced gold properties and process gold mineralized ore in a central processing facility. Realization of this objective is subject to, but not limited 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% nsr. 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 Q3 2010. 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 planned for Q3 and Q4 of 2010.

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 should 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 are in the planning stage and may 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.

Tangier, Goldenville and Forest Hill Properties

Minimal exploration and development work was undertaken on the Company's other advanced gold properties during the first half of 2010 due to the Company's financial position. Future programs are in the planning stage but will likely be at a low priority level due to funding constraints. Improvements in the capital markets may facilitate an increased level of activity on these properties.

A significant step forward was achieved on the development of the Tangier gold property with the acquisition by the Company from Tangier Limited Partnership of an Environmental Approval issued by Nova Scotia Environment to operate a 400 tpd mine, as announced in a news release dated December 21, 2009.

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 during the past quarter. Limited programs will continue in 2010, the scope of which will be in part dependent upon the level of funding available. These programs may be significantly expanded in the event funds are realized from the potential disposition of the Company's base metal assets.

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 mid May, 2010, and is expected to help identify targets for ground follow-up and/or diamond drilling.

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 has moved to a 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 proposed work programs are designed to potentially 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.

An updated 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 (news release No 20-8 September 12, 2008).

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. The Company is presently reviewing its options with respect to future plans for Scotia Mine.

Other Zinc Properties

The Company controls additional mineral properties with potential zinc-lead mineralization totalling approximately 38,000 hectares. These are being evaluated on an ongoing basis to determine their degree of prospectivity to host zinc-lead deposits. Of particular interest to the Company are those properties within a reasonable trucking distance to the Scotia Mine and in a similar geological environment - i.e. carbonate hosted deposits. 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 2009 and the first two quarters of 2010.

Exploration programs for zinc and lead are expected to continue on a reduced basis with the principal focus on prospective areas close to Scotia Mine.

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.

RELATED PARTY TRANSACTIONS

During the quarter 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.

As part of the conditions of the 2009 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 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 completion of this placement Golden River now owns 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 equal the exchange amount.

QUALIFIED PERSONS

Peter Webster, P.Geo., President of Mercator Geological Services Limited, a geological consulting firm based in Dartmouth, Nova Scotia, is the qualified person under National Instrument 43-101 who, with the exception of the feasibility study on the Scotia Mine, supervised work associated with the Company's exploration and development programs in Nova Scotia.

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.

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 2 of the Financial Statements for the quarter ended June 30, 2010. Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management reviews its estimates on a regular basis.

Estimates deemed critical by management in the financial statements include the estimated impairment charges to long lived assets referred to in Notes 4 and 5 to the Financial Statements and the estimated reclamation costs. In calculating each of these estimates management has used historical data and opinions from staff and independent third parties. The analysis and discussions form the basis of the estimates. The emergence of new information and changed circumstances may result in actual results or changes to estimate amounts that differ materially from current estimates.

CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

All changes in accounting policies are disclosed in Notes 2 and 3 to the Company's Financial Statements for the period ended June 30, 2010.

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.

International Financial Reporting Standards

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 June 30, 2010 the Company has completed Phase 1 and 2

Phase 1 had identified some areas where there is the most potential for a significant impact. These areas do not represent a complete list of expected changes and may be subject to change as the Company progresses through the second phase. These areas are:

- IFRS 1 – First Time Adoption of International Financial Standards requires that an entity apply all standards effective at the end of its first reporting period retrospectively, and provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions in certain areas. The Company is currently analyzing the various exemptions available and will elect those determined to be most appropriate. The IFRS 1 exemptions that are the most significant to the Company are noted against each specific area that we have identified to date.
- Property, Plant & Equipment – the Company will need to analyze and componentized specific assets, which are largely made up of assets at our mine site. The Company is in the process of reviewing its fixed asset ledger to ensure compliance with IFRS accounting but does not expect this difference to have a material impact upon the transition to IFRS. Under IFRS 1 exemptions, adoption of IAS 16 "*Property, Plant and Equipment*" would require the Company to restate all property, plant and equipment balances from the date of acquisition until the transition date to IFRS of January 1, 2010. The applicable IFRS 1 election allows the Company to report property, plant and equipment in its opening balance sheet on the transition date at a deemed cost instead of actual cost. This deemed cost will most likely be determined by a fair value measure at the date of transition. The exemption can be applied on an asset-by-asset basis. The Company is currently evaluating this exemption.
- Stock based compensation - is largely consistent with Canadian GAAP and requires estimates of the fair value of stock options to be made at the date of the grant and recognition of the related expense in income as the options vest. For stock options that vest in instalments, IFRS 2 requires

the Company to determine the fair value of each instalment as a separate share option grant. Currently the Company records forfeitures as they occur, however under IFRS, the Company is required to make an estimate of the forfeiture rates for the use in determination of the total share based compensation expense. The Company is assessing the impact of this difference on its financial statements. The use of the Black- Scholes model is an acceptable method to estimate the fair value of the options at the date of grant, and is consistent with the Company's current practice.

- Financial Statement Disclosure -there are generally more extensive presentation and disclosure requirements under IFRS compared to Canadian GAAP.
- Extractive Activities Project – the IASB currently has an Extractive Activities project underway to develop accounting standards for extractive activities. A working draft of the discussion paper has been released with the official discussion paper scheduled for release in the first quarter of 2010. Any changes to IFRS as a result of the project will not be effective until after the Company implements IFRS in 2011. Therefore the Company's accounting policies specific to mining and related activities may be impacted once final IFRS are released on this topic, subsequent to IFRS adoption. The Company will monitor any developments in this project.

During the first quarter the Company moved into the second phase which involved a detailed impact assessment and gap analysis, drafting IFRS policies, planning and tracking a conversion approach and application of IFRS 1 "First Time Adoption of International Financial Reporting Standards". By the end of the second quarter the Company had completed Phase 2 and made decisions on policies or elections on the key accounting areas.

The third phase will be implementation where we will finalize our IFRS policies while revising accounting and business processes, create financial statement templates, consider tax implications, revise internal controls over financial reporting and calculate an opening balance sheet for January 1, 2010. The Company moved into phase 3 during the later part of the fiscal year. The fourth phase will be post implementation when we will be fully IFRS compliant reporting and will involve ongoing education and training planning with continuous monitoring of changes in IFRS.

Other areas that have had an impact on the Company relating to IFRS include:

- **Information systems** - the Company is evaluating the potential impact of IFRS on its information systems and business processes and does not anticipate any changes or material impacts with our current systems being capable of collecting financial information necessary for IFRS compliance.
- **Internal controls over financial reporting** - as part of the assessment of IFRS in phase two of the Company's project, internal controls over financial reporting and disclosure controls and procedures were considered. For example, any changes in accounting policies could result in additional controls or procedures being required to address the reporting of the Company's first time adoption and on-going reporting requirements. The certifying officers plan to complete the design, and initially evaluate the effectiveness of any key controls implemented as a result of IFRS in the fourth quarter of 2010, to prepare for certification under IFRS in 2011.
- **Financial reporting expertise** – given the current size of the Company the IFRS project team is comprised only of senior management with the CFO being the lead on the project reporting to the President and Audit Committee. The CFO has attended various external IFRS training sessions that covered overall general IFRS standards as well mining industry specific training. The Company has also purchased software specific to the mining industry IFRS compliance to facilitate this project. Any required training for finance and operational staff will be delivered in the second half of 2010, and will be specific to the impact of IFRS on daily responsibilities of these individuals. The CFO has held an IFRS information session with the Company's Audit Committee of the Board of Directors. During this session the members were provided with the

Company's project plan, and presented the expected areas of significance. The Audit Committee receives quarterly updates on the status of the project.

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 June 30, 2010 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, 2009. 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 June 30, 2010. 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 has materially affected, or is 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 year ended December 31, 2009 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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 now owns 387,345,200 common shares or approximately 71.5% of the issued and outstanding common shares of Acadian.

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 and on the Company's website at www.acadianmining.com