

ACADIAN MINING CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE QUARTER ENDED JUNE 30, 2008

INTRODUCTION

The following discussion and analysis of the financial position and results of operations for Acadian Mining Corporation (“the Company” or “Acadian”) should be read in conjunction with the audited financial statements and the notes thereto for the year ended December 31, 2007 and the unaudited financial statements and the notes thereto for the quarter ended June 30, 2008. The information contained herein is stated as of August 11, 2008 and is subject to change after that date.

This discussion includes certain statements that may be deemed “forward-looking statements”. 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 condition.

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. Forward looking statements utilize per pound price estimates of US\$0.90 for zinc and US\$0.95 for lead with a par Canada / United States dollar.

The common shares of the Company are listed and posted for trading on the TSX 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 F1 and has been approved by the Board of Directors prior to release. The financial statements have been prepared by management and are not audited by the Company’s auditors, Wasserman Ramsay, Chartered Accountants.

OVERVIEW

Acadian is a Canadian mining, exploration and development company based in Halifax, Nova Scotia. The Company operates a zinc-lead mine, Scotia Mine, located at Gays River, Nova Scotia where ore is mined by open pit and processed in a mill facility, producing zinc and lead sulphide concentrates for the international base metal markets. The Company has claims on approximately 47,000 hectares of land where exploration programs, including diamond drilling, are underway with the objective of identifying additional zinc-lead mineralization to supply the mill at Scotia Mine.

The Company is also focused on exploring and developing a large portfolio of gold properties in Nova Scotia totaling approximately 34,000 hectares. Five of these are advanced properties with National Instrument 43-101 compliant gold resources, two of which are being explored/developed as a potential bulk tonnage-open pit deposit.

The Company controls mineral claims hosting barite-fluorite deposits at Lake Ainslie, Cape Breton Island as well as a land position in the area. The Company is actively exploring the mineral claims and also investigating possible markets for the potential sale of the products.

The Company announced on April 18, 2008 a proposed spinout transaction ("Arrangement") involving its gold exploration properties ("Spinout Assets"). The Arrangement was intended to create a new public company, Annapolis Gold Corporation ("Annapolis"), which would own the Spinout Assets and initially be owned by the shareholders of Acadian. At the annual and special meeting of shareholders ("Meeting") June 9, 2008, the Arrangement was approved by shareholders. On July 9, 2008 the Company decided to halt the Arrangement plans due to unfavourable capital market conditions. The merits of proceeding with the plan will be reviewed at a future date.

At June 30, 2008 Acadian held a 44.4% interest in Royal Roads Corp. ("Royal Roads") which in turn held a 26.4% interest in Buchans River Ltd. ("Buchans River"). Both of these companies control, and are exploring, large land positions in the Buchans base metal region in Newfoundland, Canada and are publicly traded on the TSX-Venture Exchange. The Companies agreed to exchange all the outstanding common shares of Buchans River for common shares of Royal Roads, the Arrangement was approved and became effective July 25, 2008. A result to Acadian on the Arrangement is a dilution of Acadian's interest in the companies to 29.2% of the outstanding capital of the combined company.

RESULTS OF OPERATIONS

The loss for the quarter was \$5,762,413 compared to a loss of \$2,098,610 in 2007. The Company had sales of \$3,688,127 with production costs of \$7,189,056. During the quarter revenue was negatively impacted by price adjustments to previously shipped products in the amount of \$1,330,415 and also a negative impact of \$1,246,998 on the mark to market of unsettled shipments in accordance with the Company's revenue recognition policy. Production costs were \$7,189,056 on revenues of \$3,688,127 as compared to first quarter costs of \$7,124,843 on gross revenue of \$9,832,088. There were no sales or production costs in the comparable period in 2007.

Operating expenses increased from \$2,116,240 in 2007 to \$2,158,056 in 2008. Quarter over quarter increases in salaries, supplies, insurance and interest created with the move to a producer were offset by the reduction of \$1,387,410 in stock based compensation expense.

Selected Financial Data (Quarterly)

Quarter	Revenue \$	Net Income (Loss) \$	Income (Loss) Per Share* \$	Total Assets \$	Capital Lease Obligation \$	Shareholder Equity \$
Q2/08	3,688,127	(5,762,413)	(.040)	61,977,699	5,346,608	47,524,612
Q1/08	9,832,088	912,173	.006	64,223,241	6,391,082	53,133,314
Q4/07	8,275,301	(3,173,446)	(.035)	63,043,436	6,167,734	52,188,800
Q3/07	1,642,391	(699,746)	(.005)	61,431,634	6,537,646	52,664,634
Q2/07	138,190	(2,098,610)	(.015)	56,124,877	6,800,521	52,761,596
Q1/07	56,504	600,061	.005	60,390,896		50,494,045
Q4/06	0	(226,588)	(.001)	39,158,604		29,205,446
Q3/06	9,279	(254,581)	(.002)	29,848,805		27,756,298
Q2/06	190,964	(209,961)	(.002)	22,787,505		21,029,218

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

FINANCIAL CONDITIONS, LIQUIDITY AND CAPITAL RESOURCES

The Company generated cash of \$3,240,518 (2007 – used \$3,922,841) from operations. The Company also used \$2,299,253 (2007-\$2,180,072) to fund exploration and development activities, this amount is capitalized as a deferred exploration expense. The significant change in the use of funds for operations this quarter is a result of the collection of receivables and an increase in accounts payable.

The Company invested \$1,845,740 (2007 - \$4,551,420) in capital assets during the quarter, primarily for the Scotia Mine project. The Company's total assets were \$61,977,699 (2007- \$63,043,436) on June 30, 2008.

During the period the Company's working capital position changed from \$5,448,883 to a deficiency of \$3,826,266. This is a result of a cash loss from operations of \$4,832,242, expenditures on mineral properties of \$2,299,253, acquisitions of capital assets of \$1,845,740 and financing and related activities of \$297,914.

The Company faced three significant challenges in the quarter which resulted in a significant operating loss and left the Company in a weakened financial position. World market metal prices, mining operating issues and the equity capital market deterioration are identified as the key factors causing the current financial condition of the Company.

World Metal Prices

World base metal prices dipped from the 2007 average of \$1.47 and \$1.17 to a quarterly average of \$0.95 and \$1.05 for zinc and lead respectively. This price decline had a twofold impact on the Company in that it impacted the price for shipments made in the quarter and resulted in price adjustments to orders previously shipped. Concentrate sales in previous periods were subject to final settlement at average prices in Q2. In accordance with the Company's revenue recognition policy the resultant negative adjustment of \$1,330,415 was recorded against revenue in the second quarter. Contracts that had not settled by quarter end were marked down to their estimated market realization resulting in an additional charge against revenue of \$1,246,988. The Company has now adopted a policy to review the pricing selection by our buyers on each shipment and to fix 85% of the final settlement price based on the world market price at the time of shipment as opposed to waiting for the quotation period chosen by the buyer to finalize the price. This policy will alleviate the bulk of the negative adjustments from falling metal prices and eliminate the uncertainty associated with possible revenue adjustments. The Company is also reviewing proposals respecting hedging alternatives and will assess their merits when market conditions and our financial position warrant entering into an arrangement for a portion of our production.

Mining Operating Issues

Weather related issues in Q1 continued to impact Scotia Mine operations in Q2. The rain which exceeded the ten year maximum by three times, coupled with snow melt caused a significant rise in the levels of our polishing pond. This necessitated the shutting down of our pit pumps to maintain freeboard on our pond dams thereby reducing the mining activity at the lower levels of our pit. A decision was made to widen the base of the pit to provide additional mineral surface to work with in the future. The additional over-burden strip and the mining of low grade ore in the cap rock on the excavation down to mine grade material resulted in lower grade material being stockpiled and supplied to the mill as feed. The impact on Q2 was reduced output as a result of processing lower grade material, additional costs and manpower diversion to strip over-burden and the costs associated with water pumping and diversion. The Company has installed additional discharge capability in both ponds to increase capacity from 25,000 gallons per minute ("gpm") to 75,000 gpm as well as reducing the level of the polishing pond discharge to below that of the tailings pond discharge. An increase in the freeboard on the polishing pond dam by one meter is planned for Q3 at a nominal cost. During the quarter six eighteen inch wells were drilled to depths below the planned pit level into old mine workings with permanent pumps in place to pump 8,000 gpm, this is an addition to our submersible pump capacity of 9,000 gpm. These steps will ensure future rain events will not impact the Company's mine production. A dyke to reduce the inflow from 2,500 gpm to 300 gpm of the nearby Gays River is under consideration for fall construction at an estimated cost of \$350,000. The result leaves Scotia Mine with a much larger pit floor, additional ore faces exposed to work and a more reliable supply of mine grade material available on a day to day basis at the mill.

Capital Markets

The Company has historically financed its exploration and development activities by raising capital in the equity markets. The availability of capital from the world equity markets has diminished significantly as a result of concerns with the United States economy and world credit market issues. Credit facilities available to start up producers and mineral explorers have been sharply reduced affecting the Company negatively. The proposed spinout of the gold assets to Annapolis Gold was planned in conjunction with a new equity issue by Annapolis to raise capital to acquire the 15 Mile Stream property and expand gold exploration activities. Halting the transaction has required the balance of the acquisition and activities now be reliant on the cash flow from Scotia Mine. The Company invested one million dollars on the initial acquisition of 15 Mile Stream from working capital resources with the agreement to recover this amount from the spinout company, Annapolis Gold Corporation. To date Annapolis, a wholly owned subsidiary, has no cash resources as the proposed equity issue was halted.

Cash Requirements

The Company's principal requirements for cash for its existing programs during the remainder of 2008 will be costs to operate Scotia Mine, deferred exploration expenditures and capital expenditures at Scotia Mine. It is anticipated that these costs will be funded by cash flows from the Scotia Mine operations and either a debt financing or an equity issue. As at June 30, 2008 the Company has \$137,683 in cash and a working capital deficiency of \$3,826,266. The Company's budgeted expenditures for current programs are \$100,000 on its gold property holdings, \$75,000 on its zinc property holdings and \$25,000 on its barite property in the balance of 2008. The Company's budgeted capital expenditures for the Scotia Mine mill and upgrades are approximately \$1,700,000. These amounts will be sourced from cash flow from operations from Scotia Mine production and project financing on the capital additions. In addition, planned programs may be further escalated or modified according to results achieved and recommendations from the Company's consultants. The Company has reduced its capital expenditures budget and exploration programs planned for the balance of 2008 until funding or cash flows permit a re-evaluation of this decision.

The Company is focused on significantly improving its operating results and currently exploring several alternatives in the debt and equity markets with a view to securing funds for working capital, exploration and capital expenditures.

Outstanding Share Data

	August 11, 2008	June 30, 2008	December 31, 2007
Shares Outstanding	142,357,907	142,357,907	142,087,907
Fully Diluted Shares Outstanding	159,579,907	161,187,251	161,267,251
Capital Stock	\$57,504,181	\$57,504,181	\$57,449,188

In the quarter there were 200,000 common shares issued on the exercise of options raising \$40,000 and 80,000 shares were purchased in the market for cancellation. This brings the total issued capital to 142,357,907 common shares at quarter end. If all warrants and options outstanding at the quarter end were exercised, the Company would realize approximately \$19,905,100 in additional capital.

OUTLOOK

Despite the challenges experienced in reaching the desired benches in the open pit, the Company is largely on schedule with the Scotia Mine and anticipates operating parameters such as ore grade, daily throughput, mill recoveries and concentrate grades to continue at the levels attained in the last month of Q2. Production for the third and fourth quarter is planned at 420,000 tonnes milled at a feed grade of 3.3 % Zn and 1.38 %

Pb realizing 22.5 million pounds of payable zinc and 10.8 million pounds of payable lead in concentrates. Payable metals to the mine are reduced by transportation costs, smelter charges and government royalties.

Planned 2008 production is 780,000 tonnes milled at 2.73% Zn and 1.23% Pb equating to approximately 33.5 million pounds of payable zinc and 17.7 million pounds of payable lead in concentrates resulting in shipments of 30,000 tonnes of zinc concentrate and 12,000 tonnes of lead concentrate during the year.

Exploration programs for zinc and lead are expected to continue on a reduced basis with emphasis on the Getty Deposit, the Smithfield deposit and on prospective targets in proximity to Scotia Mine including the Carroll's Farm and Carroll's Corner properties. It is anticipated that a new resource estimate on the Getty Deposit will be completed late in Q3-2008.

Expenditures will also be made in the course of reviewing new mineral properties of merit which may be of interest to the Company. An increase in exploration expenditures will 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 \$2,252,211, net (2007 - \$2,180,072). A summary of exploration expenditures for key mineral properties is presented in the table below.

Property	Q2		Cumulative Costs to Date		
	Exploration and Development Expenditures	Acquisition Cost	Acquisition Cost	Exploration and Development Expenditures	Total
Forest Hill	\$5,556	\$414	\$1,345,696	\$2,097,287	\$3,442,983
Beaver Dam	108,312	234	564,762	4,397,611	4,962,373
Tangier	30,142	1,056	283,945	406,352	690,297
Goldenville	5,888	283	179,246	581,517	760,763
Scotia Mine *	110,681	(56,543)	2,594,122	670,463	3,264,585
Other Nova Scotia	926,213	1,118,965	1,695,340	3,872,235	5,567,575
Total	\$1,186,802	\$1,065,409	\$6,663,111	\$12,025,465	\$18,688,576

* Net of amortization

ZINC-LEAD PROPERTIES

Scotia Mine

The Scotia Mine mineral property comprises a mining lease covering 1517 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

1,400 acres of land (surface ownership), three discrete zinc-lead deposits, a processing plant designed to treat 2,000 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 Limited, a 100% owned subsidiary of Acadian.

The Scotia Mine has a current reserve sufficient for four and one half years of open pit production (2,000 tpd), and two and one half years of underground production (1,450 tpd) from the Main Deposit and the Northeast Deposit respectively. Work programs are designed to extend the life of the mine by determining the development potential of the additional 1.8 million tonnes of inferred resource (3.1% zinc and 1.1% lead) in the Main and Northeast Deposits and the nearby Getty Deposit, with an inferred resource of 2,860,000 tonnes of 2.06% zinc and 1.6% lead at a 2.5% equivalent zinc (zinc and lead) cut-off and to drill test high priority exploration targets in proximity to the mill.

The tonnes of ore processed for the quarter were 189,200 or 106% of plan. The grades of ore processed during the quarter averaged 2.13% zinc and 1.03% lead, these were 75% and 79% of plan respectively. Production levels for the month of March and April, 2008 were negatively impacted due to an unanticipated interruption of operations in the open pit. Extreme volumes of run-off rain water overwhelmed the polishing pond discharge weir which necessitated shutting down the pit pumps. This was due to a series of heavy rainfall events, 3 times the 10 year average, compounded with spring thaw conditions. Corrective measures have been implemented to avoid future problems of this nature. Mining activities were re-focused on widening the pit profile which necessitated working down through a large quantity of lower grade cap rock to access the desired target grade materials.

During the quarter, the mill ran continuously with the exception of scheduled downtimes, with mill feed sourced from low grade stockpiles and the low grade cap rock which had zinc and lead values 75% and 79% of the Plan. Concentrate production, grade and recoveries, for the second quarter, were adversely affected by the below plan ore milled. Zinc concentrate production for the quarter was 74% of plan with concentrate grades at 100% of plan and recovery at 101% of plan. Lead concentrate production was 77% of plan with concentrate grades at 98% of plan and recovery at 96% of plan.

Agreements are in place with two buyers, headquartered in Switzerland, for the sale of the planned zinc and lead concentrate production from Scotia Mine. The contracts specify the principal commercial terms for Scotia Mine production from start-up to December 31, 2008, and provide for extensions for a further two years provided the parties agree to the principal terms governing production for this period. No production has been sold forward at this time although the Company is evaluating various hedging programs.

Production for the second quarter was 6.0 million pounds of payable zinc metal in concentrate (first quarter 4.3 million), and 3.3 million pounds of payable lead metal in concentrate (first quarter 3.1 million). At quarter end the Company held 3.3 million pounds of payable metal in concentrate. Revenue from concentrate production is recognized when ships are loaded; price, quality and moisture adjustments are recorded in the period when the information becomes available. Revenue, net of smelter and freight charges, was \$3,688,127 (first quarter \$9,832,088).

The Getty Deposit, which was discovered by a subsidiary of Getty Oil in the 1970s, was recently the target of an infill diamond drilling campaign which is anticipated to raise the level of resource category from inferred to indicated and measured as well as potentially expand the deposit size. Future work during 2008 will involve completion of an updated resource estimate, collection of data towards an environmental assessment, and evaluation of the development potential. Success in this regard would extend the life of Scotia Mine.

Expenditures of \$926,213 in the quarter on other Nova Scotia properties were concentrated on the Company's zinc-lead targets, activities included drilling, sampling, environmental studies and permitting.

Other Zinc Properties

The Company controls additional mineral properties with potential zinc-lead mineralization totalling approximately 116,000 acres. 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. The current emphasis will continue to be on these properties. Properties of particular interest include Smithfield, Carroll's Farm, Carroll's Corner and Eastville where favourable drill results point to enhanced discovery potential. The Company has budgeted \$75,000 for these expenditures in 2008.

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 15 Mile stream, and to a lesser extent on its other gold properties. The four advanced properties collectively host measured and indicated resources of 626,000 ounces of gold plus inferred resources of 1,010,000 ounces of gold (see tables below for resource details).

Gold Resources – Gold Ounces (Cut)		
	Measured & 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		101,000
Total	626,000	1,010,000

* 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		Threshold	Tonnes	Grade g/t
Beaver Dam	Measured &	0.3 g/t/3m above 200m 1.0 g/t/3m below 200m	9,080,000	1.53
	Indicated		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 (50% interest)	Inferred	0.7 g/t	3,800,000	1.66

The technical information disclosed is referenced to a Technical Report on the Mineral resource at 15 Mile Stream, Nova Scotia dated July 4, 2008, The Updated Mineral Resource Estimate Beaver Dam Property, Halifax County, Nova Scotia dated July 16, 2007, a Technical Report On The Mineral Resource Estimate Forest Hill Property, Guysborough County, Nova Scotia dated September 28, 2005, a Technical Report On The Mineral Resource Estimate Goldenville Property, Guysborough County, Nova Scotia dated March 1 2005 and a Technical Report On The Mineral Resource Tangier Property, Halifax County, Nova Scotia dated September 29, 2004.

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.

The Company's objective is to develop mines on these gold properties and process gold mineralized rock 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.

Beaver Dam Property

Recent work on the Beaver Dam property included completion of an updated resource estimate, ongoing metallurgical testing and completion of a limited diamond drill program. An updated resources estimate was announced in Q2-2007 and the accompanying technical report was filed in late August. A metallurgical test program has recently been completed at Lakefield Research in Ontario to determine the optimum recovery process and to better understand the impact of the coarse gold component at Beaver Dam. A Phase 1 scoping study designed to provide a preliminary economic analysis of the Beaver Dam deposit is in its final stages and is scheduled for completion in late Q3 2008. Subject to favourable results and recommendations of the scoping study and the metallurgical test work, commencement of a pre-feasibility study is planned for Q4-2008.

During Q2 the Company spent \$108,312 on claim renewals, metallurgical testing and contracted geological services. The Company plans to continue its program in 2008, which will include metallurgical test work, completion of a scoping study, geological studies and the expected commencement of a pre-feasibility study. A total of \$50,000 has been budgeted for the balance of 2008.

Tangier, Goldenville and Forest Hill Properties

Minimal exploration and development work was undertaken on the Company's other advanced gold properties during the quarter as efforts continued to be focused on Beaver Dam. It is expected that following the completion of the scoping study on Beaver Dam, a phase two scoping study program is planned for Q4-2008 to incorporate the Tangier, Goldenville and Forest Hill properties in the central milling strategy, utilizing Beaver Dam as the location of a mill facility. In addition permitting related activities are planned for Tangier.

The programs are planned for Q3 and Q4 2008 at a budgeted cost of approximately \$50,000

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. Various exploration programs were undertaken on several grass roots properties during the quarter and will continue into the third and fourth quarter.

LAKE AINSLIE BARITE-FLUORITE PROPERTY

Work programs including compilation and evaluation of historical information, investigation of potential markets, and initial field investigations commenced in early Q4-2007. The surface rights necessary to develop the Upper Johnson and MacDougall deposits were acquired in early 2008.

It is anticipated that a preliminary scoping study including evaluation of potential markets for barite, diamond drilling, and preliminary mine design and permitting related activities will be undertaken in 2008. This program is budgeted at approximately \$25,000 for the balance of 2008.

RELATED PARTY TRANSACTIONS

During the quarter the Company charged fees for common costs and salaries of \$20,000 to each of Royal Roads Corp. and Buchans River Ltd., the amount recovered is estimated to be the fair value of the costs. The Company paid \$33,000 in consulting fees to a company controlled by a director for geological, investor relations and administrative services and charged the same company \$1,500 for rental of office space.

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, supervises work associated with the Company's exploration and development programs in Nova Scotia.

Doug Roy, M.A.Sc. (Mining Engineering), P.Eng. is the principal author of the Scotia Mine feasibility study and is an independent, third party mining engineer who is employed by MineTech International Limited of Halifax, Nova Scotia, Canada. Mr. Roy is a Qualified Person as defined by National Instrument 43-101. Tim Carew, M.Sc. (Geology), carried out the deposit modeling and surface resource calculations for the Scotia Mine. Using economic and geotechnical parameters that were supplied by Mr. Roy, he also calculated the surface reserves. Mr. Carew is also independent of Acadian and is a Qualified Person under Section 1.1 of National Instrument 43-101. Reg Comeau, B.Sc. (Geology), authored the property description and geological sections of the Study. Mr. Comeau is also independent of Acadian and is a Qualified Person under Section 1.1 of National Instrument 43-101.

Terry Coughlan, B.Sc., P.Geo., Vice President of Acadian, 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, 2008. 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 mine life, the estimated reclamation costs and the estimated value of the deferred development 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

Effective January 1, 2007 the Company adopted the following new CICA Handbook sections regarding financial instruments: (i) Section 3855, Financial Instruments – Recognition and Measurement; (ii) Section 3861 – Financial Instruments – Disclosure and Presentation; (iii) Section 3865, Hedges; and (iv) Section 1530 – Comprehensive Income. These sections provide standards for recognition, measurement, disclosure and presentation of financial assets, financial liabilities and non-financial derivatives. The standard requires

all financial instruments within its scope, including derivatives, to be included on the balance sheet and measured either at fair value or in certain circumstances at cost or amortized cost. Changes in fair value are recognized in either the statement of operations or the statement of comprehensive income.

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 no longer recognized 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(d) of the financial statements our 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 no available for sale or held to maturity instruments.

As at June 30, 2008 the fair values of the Company's assets and liabilities excluding concentrate receivables approximate their carrying value due to the relatively short maturity or current market rate associated with these instruments. The fair value of the embedded derivative in the accounts receivable for concentrate sales was a negative \$1,246,988 which has been netted against revenue.

Section 3865 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.

Section 1530 introduces the term Comprehensive income, which consists of net earnings and other comprehensive income (OCI). Comprehensive income represents change 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.

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 Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings). The Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the design and operation of the Company's disclosure controls and procedures as of June 30, 2008 have concluded that 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 Multilateral Instrument would have been known to them.

There has been no change in the Company's internal control over financial reporting that occurred during the quarter ended June 30, 2008 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

s/ "G. William Felderhof",
President & CEO

s/ "John C. Rawding",
CFO

Officers and directors 2008:

G. William Felderhof, President, Chief Executive Officer and Director
John C. Rawding, CA, Chief Financial Officer
William Rogers, Chief Operating Officer
Terry Coughlan, Vice President and Director
D. Suzan Frazer, Corporate Secretary
James Borland, Director
Jascha Boge, Director
Herman Felderhof, Director
Glenn R. Williams, Director