

ACADIAN MINING CORPORATION

FINANCIAL STATEMENTS

(Unaudited)

JUNE 30, 2008

Notice of disclosure of non-auditor review of interim financial statements pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators.

The accompanying financial statements of the Company for the period ended June 30, 2008 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, Wasserman Ramsay & Associates, have not performed an audit or a review of these interim financial statements.

Dated: August 11, 2008

ACADIAN MINING CORPORATION

BALANCE SHEET

(Unaudited)

	<u>June 30 2008</u>	<u>December 31 2007</u>
ASSETS		
Current		
Cash	\$ 137,683	\$ 3,022,868
Receivables	217,083	4,957,044
Inventories (Note 12)	5,131,447	4,274,202
Prepaid expenses and deposits	<u>517,000</u>	<u>325,404</u>
	6,003,213	12,579,518
Cash held for site remediation	1,612,500	1,562,500
Property, plant and equipment (Note 3)	26,963,206	24,463,613
Deferred development costs (Note 2c)	1,193,271	1,245,455
Investment and advances to Royal Roads Corp. (Note 2a)	7,516,934	7,741,767
Mineral resource properties (Note 4)	<u>18,688,575</u>	<u>15,450,583</u>
	<u>\$ 61,977,699</u>	<u>\$ 63,043,436</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 8,102,587	\$ 4,446,692
Capital lease obligation due within one year	<u>1,726,892</u>	<u>1,247,506</u>
	9,829,479	5,694,198
Accrued site remediation (Note 7)	1,003,892	990,777
Obligation under capital leases (Note 11)	<u>3,619,716</u>	<u>4,169,661</u>
	<u>14,453,087</u>	<u>10,854,636</u>
SHAREHOLDERS' EQUITY		
Capital stock (Note 5)	57,504,181	57,449,188
Contributed surplus (Note 10)	2,476,134	2,345,076
Deficit	<u>(12,455,703)</u>	<u>(7,605,464)</u>
	<u>47,524,612</u>	<u>52,188,800</u>
	<u>\$ 61,977,699</u>	<u>\$ 63,043,436</u>

ACADIAN MINING CORPORATION

INTERIM STATEMENT OF OPERATIONS AND DEFICIT
(Unaudited)

For the period ended June 30	2008		2007	
	3 Months	6 Months	3 Months	6 Months
Revenue	\$ 3,688,127	\$ 13,520,215		
Cost of sales				
Production costs	6,414,682	12,756,907		
Depreciation, depletion and amortization	767,641	1,543,879		
Accretion	6,733	13,113		
	<u>7,189,056</u>	<u>14,313,899</u>		
Gross loss	<u>(3,500,929)</u>	<u>(793,684)</u>		
Operating expenses				
Amortization	43,690	81,294	14,000	26,519
Filing fees	17,011	48,897	11,239	30,239
Insurance	65,329	164,707	7,693	11,943
Interest on capital leases	81,177	162,354		
Investor relations and information	108,807	166,724	174,550	238,514
Office and general	264,674	456,846	37,671	66,957
Professional fees	438,648	661,755	124,135	340,942
Rent	22,013	43,674	21,115	41,618
Royalties	71,900	267,771		
Salaries and benefits	636,282	1,310,282	120,927	360,034
Stock based compensation expense	160,980	160,980	1,548,390	1,548,390
Supplies	167,312	243,226		
Transfer agent fees	38,428	40,871	17,622	22,839
Travel	41,805	104,923	38,898	71,760
	<u>2,158,056</u>	<u>3,914,304</u>	<u>2,116,240</u>	<u>2,759,755</u>
Operating loss	<u>(5,658,985)</u>	<u>(4,707,988)</u>	<u>(2,116,240)</u>	<u>(2,759,755)</u>
Interest and other income (Note 13)	8,679	30,249	138,190	174,343
Future income taxes recovered		-		1,029,240
Loss from investee accounted using the equity method	<u>(112,107)</u>	<u>(172,501)</u>	<u>(120,560)</u>	<u>54,507</u>
Net loss	<u>(5,762,413)</u>	<u>(4,850,240)</u>	<u>(2,098,610)</u>	<u>(1,501,665)</u>
Deficit, beginning of period	<u>(6,693,290)</u>	<u>(7,605,463)</u>	<u>(1,561,241)</u>	<u>(2,158,216)</u>
Deficit, end of period	<u>\$ (12,455,703)</u>	<u>\$ (12,455,703)</u>	<u>\$ (3,659,851)</u>	<u>\$ (3,659,881)</u>
Income per share	\$ (0.040)	\$ (0.034)	\$ (0.015)	\$ (0.011)

ACADIAN MINING CORPORATION

INTERIM STATEMENT OF CASH FLOWS

(Unaudited)

For the period ended June 30	2008		2007	
	3 Months	6 Months	3 Months	6 Months
Cash provided by (used in) the following activities				
Operations				
Net loss for the period	\$ (5,762,413)	\$ (4,850,240)	\$ (2,098,610)	\$ (1,501,635)
Future income taxes	-	-		(251,834)
Amortization	756,924	1,625,173	14,000	26,519
Accretion	6,733	13,113		
Interest in loss of equity accounted investee	112,107	172,501		
Net change in non-cash working capital items (Note 9)	8,127,167	7,347,015	(1,838,231)	(2,050,709)
	<u>3,240,518</u>	<u>4,307,562</u>	<u>(3,922,841)</u>	<u>(3,777,659)</u>
Investing				
Expenditures on mineral resource properties	(2,299,253)	(3,348,844)	(2,180,072)	(2,878,576)
Increase in development costs			(662,904)	(965,135)
Deposits on operating leases			(906,511)	(1,164,511)
Net change due to change in control of subsidiaries (Note 2)				(107,421)
Investment and advances to Royal Roads Corp.	(3,072)	52,332	(1,010,833)	(1,055,335)
Acquisition of capital assets	(1,845,740)	(3,961,727)	(4,551,420)	(6,831,829)
	<u>(4,148,065)</u>	<u>(7,258,239)</u>	<u>(9,311,740)</u>	<u>(13,002,807)</u>
Financing				
Issue of share capital - net of costs and flow through funds	9,536	54,993	2,804,310	23,492,850
Increase in contributed surplus	144,175	131,058	1,486,484	1,486,485
Increase in cash held for site remediation	(50,000)	(50,000)	(926,739)	(926,739)
Capital lease obligation		585,600		
Capital lease obligation payments	(344,148)	(656,159)		
Flow-through funds utilized				128,145
	<u>(240,437)</u>	<u>65,492</u>	<u>3,364,055</u>	<u>24,180,741</u>
Net change in cash for the period	(1,147,984)	(2,885,185)	(9,870,526)	7,400,275
Cash, beginning of the period	1,285,667	3,022,868	20,326,385	3,055,584
Cash, end of the period	<u>\$ 137,683</u>	<u>\$ 137,683</u>	<u>\$ 10,455,859</u>	<u>\$ 10,455,859</u>

ACADIAN MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
FOR THE QUARTER ENDED JUNE 30, 2008

1. Incorporation and nature of business:

Acadian Mining Corporation (the "Company") was incorporated under The Corporations Act (Manitoba) and was continued under the provisions of the Canada Business Corporations Act. The Company is engaged in the exploration and development of mineral resource properties in eastern Canada and the operation of a zinc-lead mine in Nova Scotia.

The Company is in production at the Scotia Mine open pit mine and processing facility, commissioning a feasibility study on the Beaver Dam gold property and exploring various other mineral properties.

The recoverability of amounts shown for mineral properties and related deferred costs is dependent upon the confirmation of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

2. Accounting policies:

The 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 subsidiary ScoZinc Limited. The Company accounts were consolidated with Royal Roads Corp. as at March 31, 2007 and December 31, 2006. Subsequent to March 31, 2007 Royal Roads Corp. issued shares sufficient to drop the Company's holdings to less than fifty percent. The year to date figures now include Royal Roads Corp. activities on an equity accounted basis.

(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 concentrates are shipped, which is also the time that title transfers. The crushed ore is sold under contracts that provide for the final prices that are 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 metals contained in the concentrates.

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, concentrate 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

ACADIAN MINING CORPORATION
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2. Accounting policies (continued):

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.

(e) *Mining interests and deferred development and exploration expenditures*

It is the Company's policy 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.

(f) *Stripping Costs*

The Company accounts for stripping costs according to CICA Emerging Issues Committee (EIC) No. 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%

Plant and equipment are depreciated on a straight line balance method over their expected useful life at thirteen and one half years, assets under capital lease are 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.

(l) *Stock based compensation*

The Company has a stock-based compensation plan that is described in Note 6. 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.

ACADIAN MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
FOR THE QUARTER ENDED JUNE 30, 2008

2. Accounting policies (continued):

(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 Emerging Issues Committee ("EIC") 146. As required under EIC 146 the 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.

(n) *Financial instruments*

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 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.

ACADIAN MINING CORPORATION
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2. Accounting policies (continued):

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) 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 neither available for sale or held to maturity instruments.

As at March 31, 2008 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 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 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.

(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) *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
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3 Property, plant and equipment:

	Cost	Accumulated Depreciation	Net
Office:			
Building	\$ 53,932	\$ 6,569	\$ 47,363
Automotive equipment	122,748	35,394	87,354
Equipment	165,000	15,150	149,850
Office fixtures and computer equipment	495,810	114,385	381,425
	<u>837,490</u>	<u>171,498</u>	<u>665,992</u>
Mine site			
Land	459,378		459,378
Building	2,350,353	194,915	2,155,438
Automotive equipment	419,105	65,987	353,118
Mobile equipment under capital lease	8,184,000	1,569,945	6,614,055
Equipment	17,842,470	1,127,245	16,715,225
	<u>29,255,306</u>	<u>2,958,092</u>	<u>26,297,214</u>
Balance June 30, 2008	\$ 30,092,796	\$ 3,129,590	\$ 26,963,206
Office:			
Building	\$ 53,932	\$ 5,355	48,577
Automotive equipment	72,394	24,421	47,973
Equipment	165,000	14,775	150,225
Office fixtures and computer equipment	335,719	63,636	272,083
	<u>627,045</u>	<u>108,187</u>	<u>518,858</u>
Mine site			
Land	83,761		83,761
Building	2,238,454	106,224	2,132,230
Automotive equipment	321,656	32,166	289,490
Mobile equipment under capital lease	7,451,450	728,991	6,722,459
Equipment	15,235,949	519,139	14,716,810
	<u>25,331,270</u>	<u>1,386,520</u>	<u>23,944,750</u>
Balance December 31, 2007	\$ 25,958,315	\$ 1,494,707	\$ 24,463,608

4 Mineral resource properties:

Mineral resource properties consists of the following:

	Claim Cost	Deferred Exploration	Total
Nova Scotia:			
Forest Hill	\$ 1,345,696	\$ 2,097,287	\$ 3,442,983
Beaver Dam	564,762	4,397,611	4,962,373
Tangier	283,945	406,352	690,297
Goldenville	179,246	581,517	760,763
Scozinc Mine (1)	2,594,122	670,463	3,264,585
Other	1,695,340	3,872,235	5,567,575
Balance June 30, 2008	\$ 6,663,111	\$ 12,025,465	\$ 18,688,576

ACADIAN MINING CORPORATION
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4 Mineral resource properties (continued):

Nova Scotia:						
Forest Hill	\$	1,345,245	\$	2,086,774	\$	3,432,019
Beaver Dam		556,470		4,252,703		4,809,173
Tangier		282,580		362,170		644,750
Goldenville		178,892		572,807		751,699
Scozinc Mine (1)		2,452,494		664,502		3,116,996
Other		838,709		1,855,534		2,694,243
Balance December 31, 2007	\$	5,654,390	\$	9,794,490	\$	15,448,880

- (1) On July 1, 2007 the Scozinc Mine property started being amortized over the expected life of the mine, which is eight years. The costs are net of accumulated amortization of \$105,239.

5 Capital stock:

Authorized:

Unlimited number of common shares
Unlimited number of preference shares

Capital stock is made up as follows:

	2007	2008
Warrants (i)	\$ 3,330,829	\$ 3,330,829
Common shares (ii)	54,118,359	54,173,352
	<u>\$ 57,449,188</u>	<u>\$ 57,504,181</u>

(i) Warrants issued:

Balance December 31, 2006	\$ 1,190,561
Issued during the year - private placements	2,888,883
Value allocated to common shares on exercise	(748,615)
Balance December 31, 2007 and June 30, 2008	<u>\$ 3,330,829</u>

(ii) Common shares issued:

	# of shares	\$ Value
Balance December 31, 2006	106,658,941	29,708,038
Issued for mining properties	117,500	112,275
Options exercised	330,000	127,905
Warrants exercised	15,931,466	8,829,314
Warrant value allocated to common shares on exercise		748,615
Private placement	19,050,000	17,854,059
Less: Share issue costs		(3,261,847)
Balance December 31, 2007	<u>142,087,907</u>	<u>54,118,359</u>
Issued for mining properties	50,000	35,000
Purchased and cancelled	(130,000)	(50,007)
Options exercised	350,000	70,000
Balance June 30, 2008	<u>142,357,907</u>	<u>\$ 54,173,352</u>

During the prior year the Company completed a private placement for a total of 19,050,000 equity units ("Units") at a price of \$1.05 per Unit for aggregate gross proceeds of \$20,002,500 ("Offering"). Each Unit consisted of one common share and one-half of one common share purchase warrant ("Warrant"). One whole Warrant entitles the holder to subscribe for one common share for \$1.35 at any time until September 30, 2008. The Warrants were allocated a value of \$1,492,520 by the Company.

The Company paid the underwriters a work fee and a cash commission equal to 6.75% of the proceeds of the Offering and issued warrants to acquire 1,285,875 Underwriter Unit Warrants. The Underwriter Unit Warrants are exercisable at \$1.05 at any time until the date that is 15 months from closing. Each Underwriter Unit Warrant is comprised of one Common Share and one quarter of one Common Share purchase warrant, with each whole warrant entitling the holder to acquire one Common Share at \$1.35 at any time until July 21, 2008.

ACADIAN MINING CORPORATION
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5 Capital stock (continued):

Stock-based compensation plan:

The Company has a common share purchase option plan (the "Plan") for directors, officers, and employees. 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, 2007 and March 31, 2008 is presented below:

	<u>Options Outstanding</u>	<u>Weighted-Average Exercise price</u>
At December 31, 2006	5,377,000	\$0.46
Granted	3,300,000	\$1.03
Cancelled	(300,000)	\$1.10
Exercised	<u>(330,000)</u>	\$0.20
At December 31, 2007	8,047,000	\$0.68
Granted	300,000	\$0.58
Expired	(300,000)	\$1.10
Exercised	<u>(350,000)</u>	\$0.20
At June 30, 2008	<u><u>7,697,000</u></u>	\$0.68

The following table summarizes information about the options outstanding at June 30, 2008:

<u>Exercise Price</u>	<u>Options outstanding and exercisable</u>	<u>Remaining contractual life</u>
\$0.35	1,172,000	0.3 years
\$0.20	475,000	1.2 years
\$0.38	200,000	0.5 years
\$0.71	1,500,000	1.2 years
\$0.53	1,350,000	3.3 years
\$1.00	2,000,000	4.0 years
\$1.12	350,000	4.1 years
\$1.01	250,000	3.7 years
\$0.82	100,000	4.3 years
\$0.58	300,000	4.9 years

Share purchase warrants:

The following table summarizes information about the warrants outstanding at June 30, 2008:

<u>Exercise Price</u>	<u>Warrants outstanding and exercisable</u>	<u>Expiry</u>
\$1.35	9,525,000	September 30, 2008
\$1.05	1,285,875	July 21, 2008
\$1.35	321,469	July 21, 2008

6 Related Party Transactions:

The Company shares office facilities with Royal Roads Corp and Buchans River Ltd. During the quarter the company recovered \$20,000, in common costs from each these companies. The amount recovered is estimated to be the fair value of the costs.

Included in Professional Fees is \$33,000 and in Deferred Exploration costs is \$33,000 in consulting fees paid to a director of the Company.

ACADIAN MINING CORPORATION
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FOR THE QUARTER ENDED JUNE 30, 2008

7 Commitments:

The Company is committed to minimum lease payments on its premises as follows:

2008	\$	56,600
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The Company has indicated it will renew its lease on the head office premises at an annual rental of \$65,340 for five years commencing in October, 2008.

The Company is committed under various option agreements to pay cash of \$270,000 and issue 30,000 common shares on its mining properties in order to keep the options in good standing over the next two years. The Company would also be required to make further cash payments should a bankable feasibility study be completed on one of the optioned properties.

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 has deposited \$1,400,000 with the Province as a guarantee on the agreement. The rehabilitation cost has been set up in the Company accounts and will be charged to operations over the estimated life of the mine.

8 Income taxes:

The Company has available approximately \$14,250,000 (2007 - \$9,845,000) 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 \$2,841,000 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 been recognized to offset the future taxes that arise on the flow through of exploration expenditures to holders of flow-through shares. The loss carry-forwards expire as follows:

2014	\$	1,017,000
2015		1,140,000
2026		2,537,000
2027		4,181,000
2028		5,375,000
		\$ 14,250,000

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

	2007	2008
Non capital losses and share issue costs	\$ 3,556,000	\$ 8,581,000
Canadian exploration expenses	(1,466,000)	(1,466,000)
Property, plant and equipment and other	815,000	815,000
Valuation allowance	(2,905,000)	(7,930,000)
Liability recognized in the financial statements	\$ -	\$ -

9 Supplemental cash flow information:

	2007	2008
Change in non-cash working capital:		
Accounts receivable	\$ (911,510)	\$ 4,739,961
Prepaid expenses and deposits	208,064	(191,596)
Accounts payable and accrued liabilities	1,589,551	3,655,895
Inventory	(2,980,851)	(857,245)
	\$ (2,094,746)	\$ 7,347,015

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10 Contributed surplus:

Balance, December 31, 2006	\$	540,571
Issue of options on acquisition of claims		43,351
Stock based compensation		1,761,154
		<hr/>
Balance, December 31, 2007		2,345,076
Excess of acquisition price over capital value of cancelled shares		(29,922)
Stock based compensation		160,980
		<hr/>
Balance, June 30, 2008	\$	<u>2,476,134</u>

In determining the stock-based compensation expense, 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 76%, risk free interest rate of 3.8% and expected life of 60 months

11 Obligation Under Capital Leases

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

The principal annual lease payments due in each of the next five years are:

	2008	\$	863,445
	2009		1,726,894
	2010		1,726,894
	2011		1,593,295
	2012		91,569
			<hr/>
			6,002,097
Less: amount representing interest			(655,487)
			5,346,610
Less: amount due within one year			(1,726,894)
			<hr/>
		\$	<u>3,619,716</u>

12 Inventories

Inventories are valued at the lower of cost and net realizable value.

	<u>2007</u>	<u>2008</u>
Parts inventory	\$ 496,254	\$ 1,264,752
Ore in stock piles	2,012,524	2,925,896
Zinc and lead concentrates	1,765,425	940,799
	<hr/>	<hr/>
	\$ <u>4,274,203</u>	\$ <u>5,131,447</u>

13 Interest and Other Income

	<u>2007</u>	<u>2008</u>
Interest Income	\$ 147,884	\$ 72,808
Foreign exchange loss		(28,227)
Interest and bank charges	(3,493)	(18,506)
Miscellaneous revenue	29,982	4,174
	<hr/>	<hr/>
	\$ <u>174,373</u>	\$ <u>30,249</u>

ACADIAN MINING CORPORATION
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14 Financial Instruments

Credit Risk

There are 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, 2008.

The fair value of the embedded derivative in the accounts receivable sales contracts at June 30, 2008 was calculated as a payable of \$1,246,988 which was netted against revenue.

Interest rate risk

The Company's debt is limited to accounts payable and an obligation under capital lease therefore there is limited 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.

15 Working Capital and Liquidity

During the quarter the Company's working capital position changed from \$5,548,883 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 \$2,087,895 and net other activities of \$55,759. The Company faced three significant challenges in the quarter; world metal price declines, mining operating issues and a deterioration of capital markets. The Company is focusing on significantly improving its operating results and is currently exploring several alternatives in the debt and equity markets with a view to securing funds for working capital, exploration and capital additions.

16 Subsequent Events

On April 18, 2008 the Company announced a proposed spinout transaction involving its gold assets. The arrangement was intended to create a new public company, Annapolis Gold Corporation, which would own the spinout assets and initially be owned by shareholders of Acadian. The Company halted the spinout on July 9, 2008 and will review the merits at a future date.

On May 2, 2008 the Boards of Directors of Royal Roads Corp. and Buchans River Ltd. announced they had approved a binding agreement to combine their assets and operations. Under terms of the agreement shareholders of Buchans River Ltd. will receive 1.55 shares of Royal Roads Corp. for each common share of Buchans River Ltd. they own on the effective date of the arrangement. A result to Acadian on the arrangement will be a dilution of Acadian's interest in the companies. The 44.4% holding of Royal Roads Corp. which held 26.4% of Buchans River Ltd. would be reduced to 29.2% of the outstanding capital of the combined company. The combination was approved on July 25, 2008.