

**ABERDEEN INTERNATIONAL INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Six Months Ended July 31, 2010**

*(All amounts stated in Canadian dollars, unless otherwise indicated)*

*The annual report, including this Management's Discussion & Analysis ("MD&A"), may contain certain "Forward-Looking Information" within the meaning of applicable securities law, which are prospective and reflect management's expectations regarding Aberdeen's future growth, results of operations, performance and business prospects and opportunities. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. All statements, other than statements of historical fact, included herein, including without limitation, statements regarding the Company's plan of business operations; projections regarding future success based on past success; availability of financing on acceptable terms; ability to identify and execute investments; investment philosophy and business purposes; projected costs and expenditures; potential benefits of the business; anticipated returns; potential mineralization; projection of future revenue; targets for cash operating costs; and future plans and objectives of Aberdeen are forward-looking information that involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from Aberdeen's expectations include, but are not limited to, in particular, past success or achievement does not guarantee future success; risks related to investment performance, market fluctuations, fluctuations in commodity prices, uncertainties relating to the availability and costs of financing needed in the future, the strength of the Canadian and US economies and financial markets, foreign exchange fluctuations, competition, political and economic risks in the countries and financial markets in which the Company's investments' interests are located and other risks included elsewhere in this MD&A under the heading "Risks and Uncertainties" as well as those factors discussed in or referred to in the Annual Information Form ("AIF") of the Company filed on April 30, 2010, under the profile of the Company at [www.sedar.com](http://www.sedar.com). Estimates and assumptions that have been considered when formulating forward-looking information include, with respect to the valuation of the Simmer & Jack and First Uranium royalties, the dispute with Simmer & Jack over the interpretation of the Convertible Royalty and Loan Agreement, information disclosed by Simmer & Jack and First Uranium regarding their properties and expected production schedule and timeline, projections regarding mineral prices; and with respect to the investments and investment philosophy of Aberdeen, management expertise and knowledge of the resources industry and the continued involvement of the current management team with Aberdeen. With regard to all information included herein relating to investee companies, Aberdeen has relied exclusively on publicly available information disclosed by the respective companies.*

*Shareholders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking information. Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. Aberdeen undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors that affect this information, except as required by law.*

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**Management's Discussion and Analysis of financial condition and results of operations for the six months ended July 31, 2010**

This discussion and analysis of the operations, results and financial condition of Aberdeen International Inc. ("Aberdeen", or the "Company") for the six months ended July 31, 2010 should be read in conjunction with the related unaudited interim financial statements as at July 31, 2010, including the notes thereto. A detailed summary of the Company's significant accounting policies is included in Note 2 of the Company's audited annual financial statements for the year ended January 31, 2010, which have been consistently applied. Additional information regarding Aberdeen, including our AIF dated April 30, 2010 and press releases, has been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") and is available online under the Company's profile at [www.sedar.com](http://www.sedar.com). This MD&A reports on the Company's activities through September 10, 2010.

Aberdeen's common shares, and the share purchase warrants issued in June 2007, trade on the Toronto Stock Exchange ("TSX") under the symbols AAB and AAB.WT, respectively.

**OVERVIEW**

Aberdeen is a publicly traded global investment and merchant banking company focused on small capitalization companies in the resource sector. In general, the Company's investment philosophy is to acquire equity participation in:

- pre-IPO and/or early stage public resource companies with undeveloped or undervalued high-quality resources;
- companies in need of managerial, technical and financial resources to realize their full potential; and
- companies undervalued in foreign capital markets.

Aberdeen provides valued-added managerial and board advisory services to these companies. The Company's strategy is to optimize the return on its investments over an 18 to 24 month investment time frame. Aberdeen also has access to key experts in the mining and financial sector who can provide further assistance in evaluating and monitoring companies and their progress. As part of its business model, Aberdeen's officers and directors take active management, director and ownership roles in a significant percentage of companies in which Aberdeen invests.

The Company began operating as a global investment and merchant banking company in July 2007. As at July 31, 2010, the portfolio had investments in 33 companies with an estimated fair market value of \$48,685,063 (cost – \$45,231,995).

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**SIGNIFICANT DEVELOPMENTS**

**Investments**

As at July 31, 2010, the Company held portfolio investments with an estimated fair market value of \$48,685,063 and a cost base of \$45,231,995 for a cumulative unrealized gain of \$3,453,069. Investments consisted of the following:

Issuer	Note	Security description	Cost	Estimated Fair value	% of FV
Alderon Resources Corp.	(iii)	500,000 common shares	500,000	700,000	1.4%
Allana Resources Inc.	(i,iii)	3,796,414 common shares	831,731	1,999,820	4.1%
		2,000,000 w warrants expire May 22, 2011			
		2,375,000 w warrants expire June 16, 2011			
Apogee Minerals Ltd.	(i,iii)	9,850,000 common shares	1,851,977	837,903	1.7%
		1,175,000 w warrants expire April 30, 2011			
		1,250,000 w warrants expire Dec 22, 2011			
Auger Resources Ltd.*	(iii)	2,000,000 common shares	1,000,000	200,000	0.4%
		1,000,000 w warrants expire Sept 16, 2010			
Avion Gold Corporation	(iii)	6,524,400 common shares	2,861,062	2,992,236	6.1%
		2,500,000 w warrants expire May 8, 2011			
Belo Sun Mining **	(iii)	4,000,000 common shares	1,126,875	2,111,500	4.3%
		3,000,000 w warrants expire March 3, 2012			
Brazil Potash Corp.*	(iii)	1,650,062 common shares	2,500,000	1,696,759	3.5%
Castillian Resources Corp.	(iii)	11,660,000 common shares	2,051,620	646,800	1.3%
		500,000 w warrants expire June 30, 2011			
Crocodile Gold Inc.	(iii)	3,700,366 common shares	2,529,717	6,665,203	13.8%
		2,500,000 w warrants expire June 15, 2012			
Dacha Capital Inc.***	(i,ii,iii)	6,453,500 common shares	2,811,568	2,614,461	5.4%
		2,501,551 w warrants expire June 16, 2012			
Forbes & Manhattan (Coal) Inc.*	(iii)	1,100,000 common shares	2,641,360	4,774,549	9.8%
		1,100,000 performance shares			
		605,196 special w arrants			
Kria Resources Ltd.	(iii)	2,599,000 common shares	2,599,000	311,880	0.6%
Largo Resources Inc.	(iii)	3,983,333 common shares	551,000	717,000	1.5%
Longford Energy Inc.	(iii)	3,659,869 common shares	1,245,449	878,375	1.8%
Rodinia Lithium Inc.	(iii)	3,000,000 common shares	1,500,000	900,000	1.8%
Scandinavian Metals Inc.*	(ii,iii)	2,000,000 common shares	1,000,000	500,000	1.0%
		1,000,000 w arrants expire Sept 12, 2010			
Stetson Oil & Gas Ltd.	(iii)	10,000,000 preferred shares	740,290	100,000	0.2%
		10,000,000 w arrants expire Sept 17, 2010			
Sulliden Gold Corporation Ltd.	(iii)	11,877,195 common shares	5,878,313	7,996,242	16.6%
		769,231 w arrants expire April 23, 2011			
		1,361,946 w arrants expire October 6, 2012			
Temujin Mining Corp*	(ii,iii)	11,000,909 common shares	5,657,000	6,157,000	12.6%
		1,910,000 w arrants expire Nov 26, 2011			
		600,000 w arrants expire Jan 14, 2012			
		4,545,455 w arrants expire Jan 29, 2012			
Vast Exploration Inc.	(iii)	1,350,000 common shares	600,402	1,132,500	2.3%
		1,000,000 w arrants expire June 5, 2011			
Total of 13 other investments	(iv)		4,754,631	4,752,835	9.8%
<b>Total investments</b>			<b>\$ 45,231,995</b>	<b>\$ 48,685,063</b>	<b>100.0%</b>

\* Private company

\*\* Formerly Verena Minerals Corp.

\*\*\* Exercise price at \$0.42 until June 16, 2012, \$0.50 after June 16, 2012

- (i) The Company has issued a Section 101 report under the Securities Act (Ontario) for these investments.
- (ii) The Company owns, on a partially diluted basis, at least a 10% interest in the company as at July 31, 2010.
- (iii) A director and/or officer of the Company is a director and/or officer of the investee corporation.
- (iv) Total other investments held by the Company, which are not individually listed as at July 31, 2010.

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As at January 31, 2010, the Company held portfolio investments with an estimated fair market value of \$56,227,559 and a cost base of \$40,414,041 for a cumulative unrealized gain of \$15,813,518. Investments consisted of the following:

Issuer	Note	Security description	Cost	Estimated Fair value	% of FV
<b>Allana Resources Inc.</b>	(iii)	<b>6,750,000 common shares</b> <b>2,000,000 warrants expire May 22, 2011</b> <b>2,375,000 warrants expire June 16, 2011</b>	1,220,000	3,348,300	6.0%
<b>Apogee Minerals Ltd.</b>	(i,ii,iii)	9,850,000 common shares 5,000,000 w arrants expire May 23, 2010 1,175,000 w arrants expire April 30, 2011 1,250,000 w arrants expire Dec 22, 2011	2,391,000	1,226,528	2.2%
Auger Resources Ltd.*	(i,ii)	2,000,000 common shares 1,000,000 w arrants expire Sept 16, 2010	1,000,000	500,000	0.9%
Avion Gold Corporation	(iii)	8,774,400 common shares 2,500,000 w arrants expire May 8, 2011	3,631,919	6,002,634	10.7%
Brazil Potash Corp.*	(iii)	<b>1,650,062 common shares</b>	2,500,000	1,776,127	3.2%
Castillian Resources Corp.	(iii)	11,660,000 common shares 500,000 warrants expire June 30, 2010	2,034,670	1,179,350	2.1%
Crocodile Gold Inc.	(ii,iii)	6,319,478 common shares 2,500,000 w arrants expire June 15, 2012 317,460 warrants expire Feb 9, 2010 1,017,429 w arrants expire Feb 9, 2010	3,546,424	16,929,174	30.1%
Crow flight Minerals Inc.	(iii)	3,379,724 common shares <b>1,470,612 warrants expire April 30, 2011</b>	1,508,039	607,682	1.1%
Dacha Capital Inc.**	(i,ii,iii)	2,501,551 common shares 2,501,551 common shares expire June 16, 2014	825,512	2,345,204	4.2%
Kria Resources Inc.	(iii)	2,599,000 common shares 375,000 w arrants expire November 19, 2009 1,000,000 w arrants expire June 9, 2010 50,000 w arrants expire June 16, 2010	2,599,000	561,880	1.0%
Largo Resources Inc.	(iii)	3,983,333 common shares	551,000	896,250	1.6%
Longford Energy Inc.	(iii)	3,659,869 common shares 3,296,296 w arrants expire February 28, 2010 1,000,000 w arrants expire June 5, 2011	1,941,090	1,207,170	2.2%
Scandinavian Metals Inc*	(ii,iii)	2,000,000 common shares 1,000,000 w arrants expire Sept 12, 2010	1,000,000	500,000	0.9%
Stetson Oil & Gas Ltd.	(i,ii,iii)	10,000,000 preferred shares 10,000,000 w arrants expire Sept 17, 2010	740,290	177,000	0.3%
Sulliden Gold Corporation Ltd.	(iii)	10,403,303 common shares 769,231 w arrants expire April 23, 2011 625,000 warrants expire October 6, 2012	4,920,283	7,621,216	13.6%
<b>Temujin Mining Corp*</b>	(i,ii)	7,364,545 common shares 7,364,545 w arrants expire Nov 26, 2011 600,000 w arrants expire Jan 14, 2012	3,667,200	3,758,400	6.7%
Vast Exploration Inc.	(iii)	1,350,000 common shares 2,050,000 w arrants expire June 12, 2010 1,000,000 w arrants expire June 5, 2011	1,062,686	1,518,170	2.7%
Total of 11 other investments	(iv)		5,274,928	6,072,471	10.8%
<b>Total investments</b>			<b>\$ 40,414,041</b>	<b>\$ 56,227,556</b>	<b>100.0%</b>

\* Private company

\*\* Exercise price at \$0.42 until June 16, 2012, **\$0.50 after June 16, 2012**

- (i) The Company has issued a Section 101 report under the Ontario Securities Act for this investment.
- (ii) The Company owns, on a partially diluted basis, at least a 10% interest in the investee as at January 31, 2010.
- (iii) A director and/or officer of the Company is a director and/or officer of the investee corporation.
- (iv) Total other investments held by the Company, which are not individually listed as at January 31, 2010.

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During the quarter ended July 31, 2010, the Company invested approximately \$2.4 million portfolio acquisitions and disposed of investments receiving proceeds of \$6,084,292 for a realized gain of \$778,005. During the quarter, the Company acquired special warrants of Forbes & Manhattan (Coal) Ltd.; shares of Alder Resources Ltd. and Crocodile Gold Corp., and shares of Dacha Capital Inc. through the conversion of special warrants previously purchased. The Company also sold its investments in Crowlight Minerals Inc. and reduced its holdings in companies such as Allana Resources Corporation, Avion Gold Corporation, Crocodile Gold Corp. and Dacha Capital Inc.

During the current quarter, the fair market value of the Company's investment portfolio experienced a net unrealized loss of \$10,528,148 leaving an aggregate unrealized gain of \$3,453,069.

**Equity Accounted Investments**

Through the fourth quarter of fiscal 2010 and first quarter of fiscal 2011, the Company made an investment of \$800,000 and \$500,000 respectively in Forbes & Manhattan (Coal) Inc. ("Forbes Coal") for a 40.7% interest. Following the acquisition of 100% of Slater Coal (Pty) Ltd., a South African coal company on July 30, 2010 by Forbes Coal by issuing of shares, the Company's ownership was reduced to 16.57%. The Company also purchased 605,196 special warrants of Forbes Coal in July 2010 for \$1,694,549, which will further reduce the Company's ownership to 8.3% upon conversion. As of July 31, 2010, the investment in Forbes Coal was no longer accounted for using the equity method. Directors and officers of Aberdeen also serve as directors and an officer of Forbes Coal.

The Company also equity accounted for its investment in Tucano Exploration Inc. ("Tucano") prior to Tucano's combination with Castillian Resources Corp. ("Castillian"), whereby Castillian acquired all of the issued and outstanding common shares of Tucano. Prior to the combination, Aberdeen held 4,000,000 shares of Tucano which represented an equity interest of approximately 36.7%. Following the completion of the combination on January 29, 2010, in which shareholders of Tucano received 2.29 Castillian common shares for each Tucano common share, the Company's ownership was reduced below 20% and the investment was no longer accounted for using the equity method. Directors of Aberdeen are also directors of Castillian.

The following is a schedule of the equity accounted investments as at July 31, 2010 and January 31, 2010:

	<b>Six months ended July 31, 2010</b>	<b>Twelve months ended January 31, 2010</b>
Equity accounted investment – carrying value – beginning of period	\$ 800,000	\$ 1,924,387
Acquisition of equity accounted investment	500,000	800,000
Loss on equity investment	(353,189)	(972,268)
Reclassification of equity accounted investment to portfolio investment	(946,811)	(952,119)
Equity accounted investment – carrying value – end of period	\$ -	\$ 800,000

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**Loans Receivable**

Kria Resources Ltd.

In June 2009, the Company entered into a secured debenture agreement with Kria Resources Inc. ("Kria Resources") to loan up to \$600,000, with any amounts drawn being due and repayable on December 31, 2010 and shall be subject to interest at a rate of 10% per annum. Kria Resources is a base metals exploration and development company whose properties are located in Manitoba and in New Brunswick. In July 2009, Kria Resources completed the acquisition of Beartooth Platinum Corporation ("Beartooth") by way of reverse take-over and began trading on the TSX Venture Exchange under the name Kria Resources Ltd. Consideration provided to the Company by Kria Resources for entering into the secured debenture agreement included a \$25,000 fee plus up to 250,000 share purchase warrants, of which 50,000 have been issued, with each share purchase warrant entitling Aberdeen to purchase one common share for a period of one year from the date of grant. The grant date fair value of the warrants issued was determined to be nominal and no value was recorded. These warrants expired unexercised on June 16, 2010. Kria Resources paid the \$25,000 fee in April 2010 and drew down \$500,000 under the secured debenture agreement subsequent to July 31, 2010. The \$25,000 fee was recorded as deferred revenue and is being recognized as income over the term of the agreement. An additional 200,000 warrants were issued to the Company upon the drawn-down to acquire Kria's common shares for a period of one year from the date of grant. The grant date fair value of the warrants issued was estimated to be \$9,280, which was discounted to the loan and will be recognized as income over the term of the agreement. Directors of Aberdeen serve as directors and as an officer of Kria Resources. Also, a director of Aberdeen served as a director of Beartooth.

Castillian Resources Corp.

In January 2010, the Company entered into a secured debenture agreement with Castillian Resources Corp. ("Castillian Resources") to loan up to \$500,000, with any amounts drawn being due and repayable on June 30, 2010 and shall be subject to interest at a rate of 10% per annum. The debenture was previously secured against Castillian's interest in the Kagera property in Tanzania. Castillian paid Aberdeen a advisory service fee in the amount of \$25,000 and issued 500,000 share purchase warrants to Aberdeen, which entitle the Company to acquire one Castillian Resources common share at a price of \$0.10 at any time prior to June 30, 2010. Castillian shall also issue 100,000 of the same share purchase warrants per \$100,000 subsequent drawn against the line of credit. The warrants are subject to a statutory four month hold period. The grant date fair value of the warrants issued was estimated to be \$7,550. The \$25,000 advisory service fee and the \$7,550 fair value of the warrants was discounted to the loan and recognized as income over the term of the agreement. During the three months ended April 30, 2010, Castillian Resources drew down the \$500,000 under the secured debenture agreement with an additional 375,000 share purchase warrants to be issued.

Castillian Resources did not repay the loan on June 30, 2010. The Company entered into an amending agreement with Castillian Resources whereby the term of the loan was extended to December 31, 2012 with a conversion right granted to the Company to convert the loan into units consisting of one common share and one-half of one common share purchase warrants of Castillian Resources at a conversion price of \$0.06 per unit at anytime on or before the maturity date. Each of the warrants will entitle the Company to acquire one common share of Castillian at \$0.10 until December 31, 2012. In addition, the security interest with respect to the loan was amended to Castillian's Mangabal property, located in Brazil. At July 31, 2010, the Company adjusted the fair value of the 500,000 share purchase warrants issued based on the extended term. An additional \$16,950 fair value of the warrants was discounted to the loan and is being recognized as income over the term of the amended agreement. Directors of Aberdeen serve as directors of Castillian Resources. The terms of the amended loan remain subject to receipt of all regulatory approvals.

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Temujin Mining Corp.

On January 14, 2010, the Company entered into a loan agreement with Temujin Mining Corp. ("Temujin"). The Company loaned Temujin US\$6,000,000 (\$6,169,800), repayable on or before January 14, 2011 with 10% interest per annum calculated monthly and payable on maturity. As consideration for arranging the loan, Temujin agreed to pay the Company advisory service fees of US\$360,000 (\$370,188), repayable on demand, and issued 600,000 warrants to purchase the common shares of Temujin at an exercise price of \$0.55 per share until January 14, 2012. On February 11, US\$3,000,000 (\$3,084,900) of the loan was repaid. At July 31, 2010, the balance of the loan of US\$3,000,000 (\$3,084,900) and the advisory service fees of US\$360,000 (\$370,188) remained outstanding. A director and an officer of Aberdeen serve as directors of Temujin.

Pitchblack Resources Ltd. (Formerly Cash Minerals Ltd.)

On February 2, 2010, the Company entered into a secured debenture subscription agreement with Pitchblack Resources Ltd. ("Pitchblack"), a Canadian based energy company focussed on uranium and coal exploration and development, which owns the Division Mountain Coal Deposit and other prospective coal properties in the Yukon, and owns a 100% interest in the Mike Lake Gold Project, also in the Yukon. The Company loaned Pitchblack \$500,000, which will mature and become due and repayable on February 2, 2013. The debenture bears interest at a rate of 10% calculated and payable semi-annually on the last day of June and December commencing June 30, 2010 until full and complete payment of this debenture. This debenture is secured against all of the assets of Pitchblack and shall rank senior in priority to any and all other debts of the Cash Minerals subsequently incurred subject to applicable laws. At July 31, 2010, interest of \$20,411 due on June 30, 2010 remained outstanding. A director of Aberdeen serves as a director of Pitchblack.

Dacha Capital Inc.

On February 8, 2010, the Company entered into a secured convertible debenture agreement with Dacha Capital Inc. ("Dacha"), a global investment company focused on the purchase, storage and trading of certain strategic metals. The Company loaned to Dacha \$2,156,830, which matured and was repayable on March 31, 2010. Dacha agreed to pay a 5% advisory service fee in consideration of the debenture and 10% interest per annum calculated monthly and payable on maturity. The Company had the option to convert the principal and interest outstanding, in whole or in part, into funds to be used for a participation in Dacha's private placement announced on March 1, 2010.

On March 24, 2010, the Company exercised its conversion right in the participation of Dacha's private placement. The Company converted the debenture plus interest totaling \$2,160,000 in exchange of 4,800,000 units of special warrants of Dacha at \$0.45 per unit. The advisory service fees plus the remaining balance of accrued interest totaling \$132,593 were repaid to the Company. A director and an officer of Aberdeen serve as a director and an officer of Dacha.

Rodinia Lithium Inc.

On July 20, 2010, the Company entered into a short term bridge loan agreement with Rodinia Lithium Inc. ("Rodinia"), a Canadian mineral exploration company with a primary focus on lithium exploration and development in North and South America. The Company loaned Rodinia \$200,000, which is due and repayable on September 30, 2010. Rodinia agreed to a 10% interest per annum calculated monthly and payable on maturity. Subsequent to July 31, 2010 the \$200,000 loan plus accrued interest totalling \$202,904 was repaid to the Company. A director and an officer of Aberdeen also serve as directors of Rodinia. The loan remains subject to receipt of all necessary regulatory approvals.

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Avion Gold Corporation (formerly Avion Resources Corp.)

On March 20, 2008, the Company entered into a short-term loan agreement with Avion Gold Corporation ("Avion"). The Company loaned Avion US\$1,000,000 (\$1,009,500) which was repayable on or before September 30, 2008 with interest payable monthly commencing April 30, 2008 at an annual rate of 10%. In addition, Avion provided, as consideration, 250,000 common share purchase warrants with an exercise price of \$0.38 per common share and an expiry date of September 30, 2008. The grant date fair value of the warrants was estimated to be \$36,100 which was applied against the carrying value of the loan receivable and was recognized as income over the term of the loan. The 250,000 common share purchase warrants expired unexercised.

Avion did not repay the loan by September 30, 2008. The Company and Avion agreed to an extension of the loan receivable to September 30, 2009. As consideration for extending the note receivable the Company received US\$50,000 (C\$62,285) cash and 2,000,000 common share purchase warrants entitling Aberdeen to purchase one common share of Avion at a price of \$0.20 per share until September 30, 2009. The grant date fair value of the warrants was estimated to be \$96,000, which was applied against the carrying value of the loan receivable to be recognized as income over the remaining term of the loan. In September 2009, the Company exercised its options to acquire 2,000,000 Avion common shares at a cost of \$400,000.

Pursuant to the sale of Ethiopian property rights to Avion, completed during the year ended January 31, 2008 for \$2,000,000, the instalment payment of \$750,000 and \$1,000,000 due on June 30 and December 31, 2008 respectively were not received by the Company. Following discussions between Aberdeen and Avion, the \$1,750,000 owed was added to the US\$1,000,000 loan. At January 31, 2009, Avion had aggregate loans outstanding payable to Aberdeen of \$1,750,000 and US\$1,000,000, plus accrued interest.

Avion Gold Corporation (Assignment of Amazon Potash Loan)

On May 6, 2009, Avion acquired all of the issued and outstanding common shares of Dynamite Resources Ltd. ("Dynamite") at an exchange ratio of 0.75 Avion common shares for each Dynamite common share. Following the acquisition, Avion repaid all of its outstanding loans to Aberdeen through a cash payment of \$1,550,000, plus accrued interest of \$38,004, and the assignment of the rights to a secured note receivable from Amazon Potash Corp. ("Amazon Potash") for US\$1,250,000. Amazon Potash is a private company with potash properties in Brazil. The note receivable was due June 30, 2009 with an annual interest rate of 12%, calculated monthly and payable upon maturity and was secured by Amazon Potash's assets. In addition, the note agreement also provided Aberdeen with the option to convert the principal, in whole or in part, into common shares of Amazon Potash on or before June 30, 2009 at \$1.00 per share. The secured note receivable was recorded on Aberdeen's books at a discounted value of US\$1,170,488 (\$1,373,100) against a face value of US\$1,250,000 and no gain or loss was recorded on the retirement of loans outstanding from Avion to the Company in exchange for cash and the Amazon Potash secured note receivable.

Amazon Potash Corp.

On May 27, 2009, the Company loaned an additional US\$250,000 that was added to the existing secured note receivable balance from Amazon Potash of US\$1,250,000. As consideration, the Company received a US\$25,000 advisory service fee and 100,000 shares of Amazon Potash. Interest receivable accrued between assuming the secured note receivable on May 6, 2009 and May 27, 2009, totalling US\$8,630, was capitalized as part of the loan. Amazon Potash did not repay the loan on the June 30, 2009. The Company and Amazon Potash agreed to four separate quarterly extensions to the secured note receivable to June 30, 2010. As consideration for extending the note receivable the Company received an aggregate of US\$100,000 and 200,000 Amazon Potash shares.



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In September 2009, Amazon Potash spun out some of its potash claims in Brazil to a wholly-owned subsidiary named Brazil Potash Corp. ("Brazil Potash"). The shares in Brazil Potash were distributed to its Amazon Potash shareholders. Aberdeen, as a shareholder of Amazon Potash, received 1,650,062 shares of Brazil Potash. Subsequent to the distribution of the shares, Brazil Potash completed a private placement equity financing for gross proceeds of US\$25,000,000 at a price of US\$1.00 per common share.

In June 2010, Falcon Metais Ltda., a 100% owned subsidiary of Amazon Potash, sold its 100% ownership in Agua Metais Ltda. to Newport Mining Corp. ("Newport"), an Australian mining company. The transaction included the conversion of 50% of the Amazon Potash loan to be paid in common shares, Performance A Shares and Performance B Shares of Newport. Through this transaction, the Company received 477,845 common shares, 666,426 Performance A Shares and 883,375 Performance B Shares of Newport. As for the conversion of 50% of the Amazon Potash loan outstanding (US\$902,468 or AUD\$1,043,739), Newport issued 1,043,739 common shares at a price of AUD\$0.15 per share, and 3,479,130 Performance A Shares and 2,435,388 Performance B Shares of Newport. Consequently, the value of the 1,043,738 shares in the amount of US\$135,974 (AUD\$156,561) was applied as reduction to the Amazon Potash loan. The remaining balance of the loan (US\$766,493 or AUD\$887,178) will be carried by the Company interest free and redeemed upon the conversion of the Performance A and B Shares at any time prior to June 22, 2013. All the Newport shares are to be held in escrow until June 22, 2011. The Performance A Shares will convert to common shares upon the completion of a technical report evidencing a combined Mineral Resource Estimate (including all categories of resources) of not less than 30,000,000 tonnes with a grade of not less than 10% P<sub>2</sub>O<sub>5</sub> at the Mata da Corda or Lucena Project within 3 years of being issued. The Performance B Shares will convert to common shares upon the completion of a technical report evidencing a combined Mineral Resource Estimate (including all categories of resources) of not less than 70,000,000 tonnes with a grade of not less than 10% P<sub>2</sub>O<sub>5</sub> at the Mata da Corda or Lucena Project within 3 years of being issued.

In June 2010, Amazon Potash sold the 100% ownership of its subsidiary Potassio do Atlantico Ltda. to Potash Atlantico Corp. in exchange for shares that were issued to the shareholders of Amazon Potash (including Aberdeen), assumption of certain obligations and the issuance of an additional 1,005,965 shares of Potash Atlantico Corp. to the Company. This represents 50% of the Amazon Potash loan (US\$902,468) owed to the Company. The proposed financing for Potash Atlantico Corp. is being done at a valuation that would represent US\$1.00 per share minimum. Consequently, the 50% of the Amazon Potash loan outstanding and due June 30, 2010 was extended to September 30, 2010 with an annual interest rate of 12%. Pursuant to this transaction, the 50% of Amazon Potash loan outstanding will be converted into shares of Potash Atlantico Corp. upon the completion of its proposed financing.

At July 31, 2010, the carrying value of the secured note receivable was US\$1,668,961 (\$1,716,193), excluding accrued interest.

Avion Directors of Aberdeen hold director positions in Avion, and Aberdeen officers and directors may hold investments personally in Avion. Directors of Aberdeen hold a director and officer position in Amazon Potash and Brazil Potash and held director positions in Dynamite. Aberdeen officers and directors also may hold, or have held, investments personally in Amazon Potash, Brazil Potash and Dynamite.

Russo-Forest Corporation

Through August 2008 to August 2009, the Company loaned an aggregate total of US\$663,710 (\$682,493) and CND\$500,000 to Russo-Forest Corporation ("Russo-Forest"), a privately held company with timber operations in the Russian northwest. These loans were repayable on or before August 18,

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2009 with interest payable on maturity at an annual rate of 15%. The loan is secured against all of the assets of Russo-Forest and its subsidiaries.

On February 2, 2009, Russo-Forest entered into a share exchange agreement with Nyah Resources Corp. ("Nyah"), a junior resource company traded on the TSX Venture Exchange. On October 13, 2009, Nyah's shareholders voted in favour of the share exchange agreement; however, the finalization of the acquisition was delayed past October 31, 2009 which triggered a required payment from Russo-Forest to Nyah for \$500,000, as outlined in the agreement. In December 2009, Nyah exercised its right to terminate the share exchange agreement.

As a result of the Russo-Forest's inability to finalize its share exchange agreement with Nyah and its difficulties executing its business plans and securing financing, the Company has recorded a provision against loans of \$1,209,705 and accrued interest of \$107,971 outstanding from Russo-Forest.

In May 2010, the Company issued a legal letter to Russo-Forest demanding a repayment of the loan and interest owed to the Company by Russo-Forest by May 31, 2010. Russo-Forest has not responded and the Company is examining its options with respect to the receivable.

A director of Aberdeen is also a director of Russo-Forest. A director and an officer of Aberdeen also hold a director and an officer position in Nyah. Aberdeen officers and directors may hold investments personally in Russo-Forest and Nyah.

**Simmer & Jack/First Uranium Royalty and Loan**

During the fourth quarter of fiscal year 2006, the Company loaned US\$10,000,000 to Simmer & Jack Mines, Limited ("Simmers"). The loan had a three-year term maturing December 31, 2008, a 3% coupon at gold prices up to US\$400 per ounce (2.5% at gold prices above US\$400 per ounce) and a net smelter royalty ("NSR"), tied to the price of gold, ranging from a 0.5% NSR at US\$300 per ounce to a 4.75% NSR at gold prices of US\$750 per ounce or higher, on a graduated scale. The NSR was payable against gold produced from Simmers' northwest assets and included First Uranium Corporation's (First Uranium") Mine Waste Solutions tailings recovery operation.

**Valuation Following Simmers Shareholder Vote to Deny Equity Conversion Request**

The loan also had an option that allowed Aberdeen to call for its conversion into equity of Simmers at ZAR 0.80 per share at any time from January 1, 2007 to December 31, 2008, subject to Simmers shareholders' approval. On October 16, 2008, the Company called for conversion to equity and a shareholder vote was held on February 16, 2009, where Simmers' shareholders, as unanimously recommended by Simmers' board of directors, voted against the conversion. As a result, it is Aberdeen's position that the US\$10,000,000 loan was due, as of its maturity date of December 31, 2008, and Aberdeen was entitled to a 1% life of mine NSR on the gold produced on the underlying assets, beginning October 16, 2008. In addition, it is the Company's position that a payment of \$1,623,586 is due from Simmers which is the graduated royalty calculated at a rate of 4.75% on the gold produced between October 16, 2008 and December 31, 2008, the maturity date of the loan, in addition to the 1% life of mine NSR royalty on gold produced starting October 16, 2008.

However, it is Simmers' position that the request for conversion into equity has caused the loan facility to terminate, ending the remaining graduated royalty payment and forfeiting repayment on the US\$10,000,000 principal and remaining interest payments. Accordingly, Simmers' management contends that the shareholder vote to deny the conversion request has resulted in Aberdeen receiving only the 1% NSR, but not the US\$10,000,000 principal.

Aberdeen's balance sheet, as at July 31, 2010, reflects Aberdeen's interpretation of the agreement. As a result, the US\$10,000,000 (\$10,283,000) loan is recorded as still outstanding at July 31, 2010 and continues to be outstanding subsequent to the quarter.

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Management's interpretation is that, pursuant to section 2.6 of the Convertible Royalty Loan Agreement (the "Agreement"), the graduated royalty was calculated on production until December 31, 2008, notwithstanding Aberdeen's request for conversion. In addition, pursuant to section 2.10 of the Agreement, if the Simmers shareholders do not approve the loan conversion the 1% NSR would be in addition to the repayment of the US\$10,000,000 principal and, pursuant to section 2.4 of the Agreement, the principal is repayable in cash until shareholders approve the equity conversion. Aberdeen intends to aggressively contest any alternative interpretation of the Agreement. The Company provided Simmers' management and directors with a demand letter and a letter from Aberdeen's legal counsel outlining Aberdeen's interpretation of the Agreement in advance of the February 16, 2009 Simmers shareholder meeting. Aberdeen also filed the Agreement between the Company and Simmers on SEDAR ([www.sedar.com](http://www.sedar.com)) under the Company's profile. Following the vote by Simmers' shareholder not to allow for the conversion, the Company provided Simmers' board and management with a letter reiterating Aberdeen's understanding of Simmers' obligations under the Agreement. Aberdeen was told by Simmers' board and management that their position regarding the agreement, as described above, had not changed. As a result, the Company has engaged a leading South African law firm and in July 2009 filed a claim against Simmers and First Uranium to recover the outstanding US\$10,000,000 principal and balance payable on the graduated gold royalty from the fourth quarter of calendar 2008. The aggregate amount of damages claimed by the Company is approximately US\$11,400,000. Aberdeen firmly believes that its interpretation of the Agreement is correct and expects to realize the values attached to the loan on the balance sheet as of July 31, 2010. In November 2009, Simmers filed their statement of defense. The description of the Agreement herein is subject to, and qualified in all respects by, the provisions of the Agreement. The case moves forward and the trial date has been set for November 18, 2010.

In connection with the Agreement, Aberdeen holds a notarial special covering bond in the amount of US\$10,000,000 plus ZAR5,000,000 (\$705,500) over the assets of the North Plant on Simmers' greater Buffels property.

Aberdeen's balance sheet, as at July 31, 2010, reflects the Simmers shareholders' February 16, 2009 vote to deny the conversion requested by Aberdeen, along with the Company's interpretation of the Agreement. At July 31, 2010, the Simmers loan was carried at US\$10,000,000 (\$10,283,000), excluding accrued interest, based on a US/Cdn dollar foreign exchange rate of 1.0283 (January 31, 2010 – 1.0693).

Following the vote to deny the Company the conversion of the loan into shares Aberdeen became entitled to a 1% NSR on the underlying assets of Simmers and First Uranium. The royalty interests were capitalized at the estimated fair value on date of the vote and recorded on the balance sheet as a tangible asset with the carrying value being the estimated fair market value of the royalty portion on February 16, 2009. The fair value was estimated using the following assumptions: 1) life of mines and gold production estimates as per Simmers and First Uranium; 2) US\$850 gold price through fiscal 2010, and US\$700 thereafter; and, 3) 5% discount rate. The carrying value of royalty interests are depleted using the units-of-production method over the life of the property to which the royalty interest relates. The following table summarizes the carrying values of the Company's royalty interests as at July 31, 2010 and January 31, 2010:

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	<b>July 31, 2010</b>		
	<b>Cost</b>	<b>Accumulated Depletion</b>	<b>Net</b>
Royalty interests			
Simmer and Jack Mines, Limited	\$ 23,508,621	\$ (649,403)	\$ 22,859,218
First Uranium Corporation	10,970,714	(509,759)	10,460,955
<b>Total</b>	<b>\$ 34,479,335</b>	<b>\$ (1,159,162)</b>	<b>\$ 33,320,173</b>

	<b>January 31, 2010</b>		
	<b>Cost</b>	<b>Accumulated Depletion</b>	<b>Net</b>
Royalty interests			
Simmer & Jack Mines, Limited	\$ 24,445,948	\$ (501,983)	\$ 23,943,965
First Uranium Corporation	11,408,134	(306,171)	11,101,963
<b>Total</b>	<b>\$ 35,854,082</b>	<b>\$ (808,154)</b>	<b>\$ 35,045,928</b>

Simmers' Buffels Mine

Simmers produced 15,328 ounces of gold from its South African Buffels mine in the second quarter of fiscal 2011, compared with 30,167 ounces of gold in the comparative period. Production from the Simmers' Buffels mine provided the Company with gold royalty revenue of \$193,000 for the three months ended July 31, 2010. During the three months ended July 31, 2009, royalty revenue from the Buffels mine was \$305,281. Production from the Buffels mine since the prior year was subject to the 1% NSR, versus a 4.75% rate on the graduated royalty during 2008.

First Uranium Mine Waste Solutions Tailings Recovery Operation

In December 2007, in addition to the royalty on Simmers' Buffels mine production, Aberdeen began receiving a gold royalty from the Mine Waste Solutions Tailings Recovery Operation ("MWS Tailings Dumps") owned by First Uranium. The MWS Tailings Dumps provide a gold and uranium resource of previously treated material. The MWS Tailings Dumps are 100%-owned and operated by First Uranium and are being mined using high-pressure water cannons to produce a slurry, that is pumped to the processing plants and separated into gold and uranium using a leaching process. First Uranium purchased a 600,000 tonne per month gold recovery plant adjacent to the MWS Tailings Dumps to help facilitate the acceleration of gold production.

During the second quarter of fiscal 2011, First Uranium produced 19,671 ounces of gold from treating the MWS Tailings Dumps, compared with 9,299 ounces in the comparative period. Production from the MWS Tailings Dumps was subject to the 1% NSR since the prior year, versus the graduated royalty rate of 4.75% during most of 2008. As a result, the Company recorded royalty revenue of \$246,715 from the MWS Tailings Dumps for the second quarter of fiscal 2011 versus \$104,554 for the second quarter of fiscal 2010.

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**Normal Course Issuer Bid**

On February 4, 2010, the Company announced its intention to make a Normal Course Issuer Bid ("NCIB"), subject to TSX approval, to buy back its common shares through the facilities of the Exchange.

The maximum number of common shares that may be purchased for cancellation pursuant to the NCIB is that number of common shares that represents 10% of the common shares in the public float on the date that the Exchange approves the NCIB. Based on the 75,350,006 common shares in the public float as at January 29, 2010, the maximum number of shares would be 7,535,000. The number of shares in the Company's public float is less than the 87,503,839 issued and outstanding Aberdeen common shares as of January 29, 2010, because the public float number does not include common shares held by Aberdeen insiders. Daily purchases will be limited to 70,144 common shares other than block purchase exceptions. The actual number of common shares that would be purchased, if any, and the timing of such purchases will be determined by Aberdeen considering market conditions, stock prices, its cash position, and other factors.

Purchases under the NCIB were permitted to commence on February 5, 2010 and will terminate on February 4, 2011 or the date upon which the maximum number of common shares have been purchased by Aberdeen pursuant to the NCIB. Aberdeen intends that any shares acquired pursuant to the NCIB will be cancelled.

Any purchases made pursuant to the NCIB will be made in accordance with the rules of the TSX and will be made at the market price of the common shares at the time of the acquisition. Aberdeen will make no purchases of common shares other than open market purchases that may be made during the period that the NCIB is outstanding.

Subsequent to July 31, 2010, the Company purchased and cancelled 558,000 common shares available under the NCIB at an average price of \$0.38 per share.

**OUTLOOK**

With no debt on its balance sheet, the Company believes that it has weathered the economic downturn and is well positioned with its investment portfolio as growth returns to the global economy. Aberdeen has strategically rebalanced its investment portfolio, to allow for a greater exposure to both strategic metals and energy, however, the majority of the portfolio is still focused on gold assets. Aberdeen will continue to actively investigate potential investment opportunities and will also continue to actively monitor its existing investments and assess opportunities to dispose of certain holdings and redeploy any proceeds. As part of our advisory service, we actively manage our private investments and our management team is instrumental in assisting startup companies with business strategy planning and financing structuring. With respect to the Convertible Royalty Loan Agreement, the Company has engaged a leading South African law firm to enforce its rights under the loan agreement. Aberdeen firmly believes that its interpretation of the loan agreement is correct and expects to realize the values attached to the loan as was outlined above.

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**LIQUIDITY AND CAPITAL RESOURCES**

As at July 31 2010, the Company had working capital of \$71,712,685 and used cash of \$849,417 from its operating activities during the three months ended July 31, 2010. The working capital consisted largely of the estimated fair value of its portfolio investments of \$48,685,063, loans receivable of \$18,153,934, amounts receivables of \$2,534,344 taxes recoverable of \$443,730 and cash of \$3,618,403. This was partially offset by current liabilities of \$783,401 which included accounts payable and accrued liabilities of \$233,607, deferred revenue of \$6,794, and current portion of future income taxes of \$543,000. At July 31, 2010, Aberdeen had a long term portion of future income taxes of \$8,144,000.

**RESULTS OF OPERATIONS**

The net loss for the quarter under review was \$6,474,337, compared to earnings of \$3,304,569 for the comparative period. The was largely as a result of unrealized losses on investments of \$10,528,148, losses from equity accounted investments of \$ 195,194 and general and administrative expense of \$970,971. This was partially offset by realized gain on investments of \$778,005, royalty revenue of \$439,715, advisory service fees of \$129,572, interest revenue of \$184,149, foreign exchange gain of \$272,443 and income tax recovery of \$3,416,092.

During the comparative quarter of fiscal 2010, the net income of \$3,304,569 was largely the result of an unrealized gain on investment of \$7,897,304, royalties of \$409,835, interest income of \$287,924 and advisory service fees of \$144,500, partially offset by an realized loss on investment of \$757,523, an unrealized loss on the Simmers and First Uranium royalty and loan of \$1,155,002, administrative expenses of \$1,486,218 and a foreign exchange loss of \$365,209.

The realized gain on investments of \$778,005 and unrealized loss of \$10,528,148 during the three months ended July 31, 2010 reflects a recovery of the investment portfolio following the poor performance of the portfolio, and equity markets in general, during the previous fiscal year, while experiencing another market downturn impacted by global economic uncertainty in the current quarter. Share prices of junior resource companies, the sector in which the Company holds most of its investments, experienced a sharp downturn last year. At July 31, 2010, the Company's investment portfolio had an estimated fair market value of \$48,685,063 and a cost base of \$45,231,995. At January 31, 2010, the Company's investment portfolio had an estimated fair market value of \$56,227,559 and a cost base of \$40,414,041.

During the second quarter of fiscal 2011, the gold price averaged US\$1,210 per ounce and production from Simmers and First Uranium was approximately 35,000 ounces of gold, resulting in royalty revenue of \$439,715. The average US/Cdn dollar exchange rate during the quarter was 1.0493. During the second quarter of fiscal 2010, the gold price averaged US\$936 per ounce. Based on approximately 39,500 ounces produced and an average US/Cdn dollar exchange rate of 1.1329, the Company recorded royalty revenue of \$409,835.

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The accounting treatment of the royalty changed following the vote to deny the Company the conversion of the loan into shares. Aberdeen became entitled to a 1% NSR on the underlying assets of Simmers and First Uranium. Prior to the vote, the combined convertible royalty loan was carried at the estimated fair market value. Following the vote, the royalty interests are accounted for as tangible assets separate from the loan. The carrying value of royalty interests are depleted using the units-of-production method over the life of the property to which the royalty interest relates. During the three months ended July 31, 2010, the Company recorded depletion expense on its royalty interest of \$171,298 compared to \$194,418 in the comparative period.

During the second quarter of fiscal 2011, the Company recorded interest revenue of \$184,149 compared with \$287,924 in the same quarter of fiscal 2010. Interest was earned on the Company's loans outstanding. Loans receivable at July 31, 2010 totaled \$7,870,934 excluding Simmers loan. The Company did not record interest income on the disputed loan to Simmers during the period.

During the quarter, the Company recorded revenue for advisory service fees of \$129,572 compared with \$144,500 in the second quarter of fiscal 2010 relating to services provided to pre-IPO or early stage public companies.

General and administrative expense decreased from \$1,486,218 in the second quarter of the previous year to \$970,971 in the current fiscal year mainly due to \$1 million of management bonus that was accrued in the prior year. This is partially offset by increased consulting, professional fees and travel expenses increased in the most recent fiscal year as a result of increased activity evaluating investment opportunities. General and administrative expenses included consulting and administrative expense of \$429,308 (2009 - \$185,521), stock-based compensation \$27,116 (2010 - \$nil), professional fees of \$126,708 (2009 - \$36,376), shareholder communication related expenses of \$47,796 (2009 - \$27,678) and travel expense of \$79,140 (2009 - \$15,996).

The Company recorded a foreign exchange gain of \$272,443 during the second quarter of fiscal 2011, compared with a loss of \$365,209 in the comparative period. The loss was largely the result of a weakening US dollar vis-à-vis the Canadian dollar. As at July 31, 2010, the US/Cdn dollar exchange rate was 1.0283, compared with 1.0693, at January 31, 2010.

During the three months ended July 31, 2010, the Company recorded a current income tax recovery of \$372,092 and a future tax recovery of \$3,044,000. The current income tax recovery was the result of general and administrative expenses partially offset by gain realized from disposal of investments, royalty and interest income. The future income tax recovery resulted from the unrealized loss on the portfolio investments.

The functional currency of the Company's royalty division is the US dollar. As a result, all gains and losses on translation are included in equity as a separate component of other comprehensive income or loss. During the six months ended July 31, 2010, a translation adjustment loss of \$1,343,803 (net of taxes - \$991,803), (2009 - \$6,273,515 (net of taxes - \$4,203,255)) was recorded as part of other comprehensive income.

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**Selected Annual Information**

The following are highlights of audited financial data on the Company for the most recently completed three financial years ended 31 January 2010:

	<b>2010</b>	<b>2009</b>	<b>2008</b>
Net income (loss) for the year	\$21,614,993	\$(9,051,379)	\$2,584,409
Basic income (loss) per share	\$0.24	\$(0.09)	\$0.04
Diluted income (loss) per share	\$0.23	\$(0.09)	\$0.04
Total assets	\$118,282,306	\$100,099,467	\$113,842,465
Total liabilities	\$15,114,633	\$12,610,274	\$15,040,315
Working capital	\$76,583,745	\$60,814,810	\$81,244,913

**Quarterly Information**

The following is a summary of unaudited financial data for the most recently completed eight quarters:

*(Tabular amounts in \$000, except for per share amounts)*

<b>Summary Financial Information for the Eight Quarters Ended July 31, 2010</b>					
<u>Period</u>	<u>Investment gains (losses) &amp; revenues</u>	<u>Total assets</u>	<u>Net income (loss)</u>	<u>Basic and diluted income (loss) per share</u>	<u>Long-term liabilities</u>
<u>2011</u>					
2nd Qtr	(9,945)	106,961	(6,474)	(0.07)	8,144
1st Qtr	4,270	116,171	2,000	0.02	8,005
<u>2010</u>					
4 <sup>th</sup> Qtr	12,655	118,282	8,663	0.09	8,516
3 <sup>rd</sup> Qtr (restated)	8,746	106,644	5,253	0.06	9,874
2 <sup>nd</sup> Qtr (restated)	6,820	100,984	3,305	0.04	9,924
1 <sup>st</sup> Qtr (restated)	7,482	102,494	4,394	0.05	11,644
<u>2009</u>					
4th Qtr	30,411	100,099	22,166	0.23	12,191
3rd Qtr	(66,234)	72,609	(44,639)	(0.46)	-

During the eight quarters listed above, the Company generated royalty and interest revenue from its Simmers and First Uranium royalty and Simmers loan which is tied to the price of gold, as previously discussed. The Company began making investments in pre-IPO and early stage public resource companies in the third quarter of 2008. These investments are fair valued with an unrealized gain or loss going through the statements of operations and comprehensive income. For the past four financial quarters, the investment portfolio has strongly recovered and the Company realized gains from investments in Consolidated Thompson Iron Mines Ltd., Crocodile Gold Corp., Allana Resources Inc., Avion Gold Corp., Magma Metals Ltd., and Pinetree Capital Ltd. The Company has also been affected by another market downturn which resulted in a significant decline in the fair value of the portfolio investments in the current quarter.



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**Restatement Resulting from Change in Accounting for Royalty Interest in Mineral Properties**

The statements of operations and comprehensive income for the periods ended April 30, 2009, July 31, 2009 and October 31, 2009 have been restated as a result of changes to the accounting for the Company's royalty interest in mineral properties. The 1% NSR royalties that were received following the Simmers' shareholders' vote to deny Aberdeen its conversion request have been capitalized as tangible assets. The carrying value of these royalty interests are depleted using the unit-of-production method over the life of the property to which the royalty interest relates. In addition, the functional currency of the royalty division has been determined to be the US dollar with any gain or loss on translation included in equity as a separate component of other comprehensive income or loss. The April 30, 2009, July 31, 2009 and October 31, 2009 financial statements as filed continued to account for the royalties as financial instruments that were marked-to-market on a quarterly basis with any unrealized gain or loss included in results from operations for the period.

The net effect of the restatements was to increase net income by \$1,379,000, \$2,825,000 and \$155,000 for the three month periods ending April 30, 2009, July 31, 2009 and October 31, 2009, respectively. For each of these periods there was an offsetting cumulative translation adjustment loss recorded as part of other comprehensive income. The net comprehensive income for each of the three periods remained unchanged.

**CASH FLOWS**

Cash used by operating activities during the second quarter was \$849,417, compared with \$89,793 in the comparative period. The difference between the operating cash flow and net loss for the current and the net income in the comparative periods reflects the unrealized nature of many of the gains and losses recorded on the investments and the royalty loan. Operating cash flow was largely generated by royalty and interest income, offset by general and administrative expenses and net changes in non-cash working capital.

There were no financing activities during the second quarter of the fiscal year compared with cash used of \$1,710,000 in the prior year under the previous year's NCIB. The Company repurchased 75,000 at the end of July, 2010. These shares were cancelled subsequent to July 31, 2010.

Cash provided by investing activities during the current quarter was \$3,509,074, compared to \$924,259 used in the prior year. During the current quarter, \$2,375,218 was used in the purchase of portfolio investments, while proceeds on the disposal of portfolio investments were \$6,084,292 and short-term loans totaling \$200,000 were provided. In the same quarter of the prior year, \$5,868,562 was used to purchase portfolio investments, while proceeds on the disposal of portfolio investments were \$5,637,801 and short-term loans of \$392,460 were provided, a short-term loan of \$1,550,000 was repaid and \$2,520 was used in the purchase of equipment.

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**COMMITMENT AND CONTINGENCIES**

The Company is party to certain management contracts. These contracts contain minimum commitments of approximately \$785,000 and additional contingent payments of approximately \$4,699,000 upon the occurrence of a change of control. As the likelihood of a change of control is not determinable, the contingent payments have not been reflected on the financial statements for the three and six months ended July 31, 2010.

As outlined above under the section entitled, "Simmer & Jack Royalty and Loan", Simmers' management has adopted an interpretation of the Convertible Royalty Loan Agreement different to that of Aberdeen's interpretation. The amounts under dispute on the balance sheet as at July 31, 2010 include the Simmers loan valued at \$10,283,000 and a receivable for \$1,642,979. While the Company is confident that its interpretation of the agreement is correct and has filed a claim against Simmers and First Uranium to recover the outstanding US\$10,000,000 principal and balance payable on the graduated gold royalty, some uncertainty surrounds the timing and actual collectability of these amounts.

In June 2009, the Company entered into a secured debenture agreement to loan up to \$600,000 to Kria Resources with any amounts drawn being due and payable on December 31, 2010. Subsequent to July 31, 2010, \$500,000 was drawn down. Additional details are provided above under the section entitled, "Loans Receivable".

**FINANCIAL INSTRUMENTS**

**Fair value**

Canadian generally accepted accounting principles require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The Company has determined the carrying value of its financial instruments as follows:

- i. The carrying value of cash, amounts receivable, the Simmer & Jack loan, and accounts payable and accrued liabilities reflected on the balance sheet approximate fair value because of the limited terms of these instruments.
- ii. Investments are carried at amounts in accordance with the Company's accounting policy as set out in Note 2 of the annual audited financial statements for the year ended January 31, 2010.
- iii. Prior to maturity, the outstanding loans receivable are carried at their discounted value. Following their maturity, loans receivable are carried at their estimate realizable value.

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The following table illustrates the classification of the Company's financial instruments, measured at fair value on the balance sheet as at July 31, 2010, categorized into levels of the fair value hierarchy in accordance with Section 3862 of the CICA Handbook.

	<b>Level 1</b> <i>(Quoted Market price)</i>	<b>Level 2</b> <i>(Valuation technique- observable market Inputs)</i>	<b>Level 3</b> <i>(Valuation technique- non-observable market inputs)</i>
Cash	\$ 3,618,403	\$ -	\$ -
Investments			
Publicly traded investments	\$ 28,126,372	\$ -	\$ -
Non-trading warrants on public investments	\$ -	\$ 4,317,472	\$ -
Private investments	\$ -	\$ -	\$ 16,241,219

The following table presents the changes in fair value measurements of financial instruments classified as Level 3 for the year ended January 31, 2010 and six months ended July 31, 2010. These financial instruments are measured at fair value utilizing non-observable market inputs. The net realized losses and net unrealized gains are recognized in the statements of operations and comprehensive income.

**Investments, fair value**

Opening balance, January 31, 2010	\$ 6,934,527
Net purchases	7,161,992
Change in unrealized gain, net	2,144,700
Ending balance, July 31, 2010	\$ 16,241,219

**TRANSACTIONS WITH RELATED PARTIES**

All of the related party transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

In accordance with the investment strategy of Aberdeen, the Company's officers and directors have investments in and/or hold officer and director positions in certain companies in which the Company invests. The following is a list of the investments as of July 31, 2010, and the nature of the relationship of the Company's officers or directors with the investment (estimated fair value as of July 31, 2010):

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Investment	Nature of relationship	Estimated Fair value
Alderon Resources Corp.	Directors and shareholders	\$ 700,000
Allana Resources Inc.	Shareholders	1,999,820
Apogee Minerals Ltd.	Directors and shareholders	837,903
Auger Resources Ltd.*	Directors and shareholders	200,000
Avion Gold Corporation	Directors and shareholders	2,992,236
Belo Sun Mining**	Directors and shareholders	2,111,500
Brazil Potash Corp.*	Directors and shareholders	1,696,759
Castillian Resources Corp.	Directors and shareholders	646,800
Crocodile Gold Inc.	Directors, officers and shareholders	6,665,203
Dacha Capital Inc.	Directors, officers and shareholders	2,614,461
Forbes & Manhattan (Coal) Inc.*	Directors, officers and shareholders	4,774,549
Kria Resources Ltd.	Directors, officers and shareholders	311,880
Largo Resources Inc.	Directors and shareholders	717,000
Longford Energy Inc.	Directors and shareholders	878,375
Rodinia Lithium Inc.	Directors, officers and shareholders	900,000
Scandinavian Metals Inc.*	Directors and shareholders	500,000
Stetson Oil & Gas Ltd.	Directors and shareholders	100,000
Sulliden Gold Corporation Ltd.	Directors and shareholders	7,996,242
Temujin Mining Corp*	Directors and shareholders	6,157,000
Vast Exploration Inc.	Directors and shareholders	1,132,500
<b>Total of 13 other investments</b>	<b>Shareholders/warrant holders</b>	<b>4,752,835</b>
<b>Total Investments</b>		<b>\$ 48,685,063</b>

\* Private company

\*\* Formerly Verena Minerals Corp.

In addition to the investments listed above, at July 31, 2010, Aberdeen had loans receivable from Amazon Potash Corp., Temujin Mining Corp., Pitchblack Resources Ltd. (formerly Cash Minerals Limited), Castillian Resources Corp., Rodinia Lithium Inc. and undrawn loan facilities with Kria Resources Ltd. Directors and officers of Aberdeen hold director and officer positions in these companies and may hold investments in such companies.

The Company was charged \$45,000 during the six months ended July 31, 2010 (2009 - \$45,000) by a corporation controlled by a director of the Company for administration services.

During the six months ended July 31, 2010, the Company earned advisory service fees of \$375,459 from Amazon Potash Corp., Castillian Resources Corp., Dacha Capital Inc., Kria Resources Ltd., and Temujin Mining Corp., (2009 - \$179,500 from Alliance Resources Inc., Crowflight Minerals Inc., Dacha Capital Inc., Largo Resources Inc., and Sulliden Gold Corporation Ltd.). Of the total service fees earned, \$226,419 were receivable at July 31, 2010 (January 31, 2010 - \$Nil). The Company also earned or accrued interest income of \$334,299 during the six months ended July 31, 2010 from Temujin Mining Corp., Amazon Potash Corp., Dacha Capital Inc., Kria Resources Ltd., Castillian Resources Corp., Pitchblack Resources Ltd. (formerly Cash Minerals Limited) and Rodinia Lithium Inc., (2009 - \$391,175 from Avion Gold Corp., Kria Resources Ltd., and Russo-Forest Corporation), all of which have certain common directors and officers with Aberdeen. Of the total interest earned or accrued, \$289,223 was receivable at July 31, 2010 (January 31, 2010 - \$514,907).

As at July 31, 2010, the Company has provision of \$1,317,676 against the outstanding loans and interest receivable from Russo-Forest.

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The Company paid or accrued \$415,000 during the six month ended July 31, 2010 (2010 – \$1,264,750) to directors and officers of the Company for consulting services and fees for acting as directors and officers.

The Company shares its premises with other corporations that have common directors and/or officers. The Company reimburses and recovers from the related corporations for their proportional share of expenses. Included in accounts payable at July 31, 2010 is \$Nil (January 31, 2010 - \$44,282) owing to, \$Nil (January 31, 2010 - \$2,320) owing from, and \$7,228 (January 31, 2010 - \$2,862) advanced to such corporations. Such amounts are unsecured, non-interest bearing, with no fixed terms of repayment.

**MANAGEMENT APPOINTMENTS**

On February 1, 2010, the Company announced that Stephan Theron had joined Aberdeen in the role of Chief Financial Officer (“CFO”) and Senior Analyst effective. In addition to acting as Aberdeen’s CFO, Mr. Theron will also assist in the analysis and management of Aberdeen’s investment portfolio. Mr. Theron has over ten years of extensive financial management, project finance and equity analysis experience in the mining, energy and infrastructure sectors. Prior to joining Aberdeen, Mr. Theron was Sector Head, Materials and Energy at an independent investment research firm, with a focus on emerging markets. He also worked on various capital projects in Southern Africa, North America and Europe. Mr. Theron is a Certified General Accountant and has a Bachelor of Commerce degree from the University of Johannesburg.

**CRITICAL ACCOUNTING ESTIMATES**

The Company’s accounting policies are described in Note 2 to the annual audited financial statements for the year ended January 31, 2010. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses and cash flows for the periods reported. Such estimates and assumptions affect, among other items, the carrying value of its investments and other assets and valuations of stock-based compensation, warrants and tax accounts. The Company regularly reviews its estimates and assumptions; however, actual results could differ from these estimates and these differences could be material.

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**SIGNIFICANT ACCOUNTING POLICIES**

Except as disclosed below, these unaudited interim financial statements are prepared using the same accounting policies and methods of application as those disclosed in Note 2 to the Company's annual audited financial statements for the year ended January 31, 2010.

***Future accounting pronouncements***

- (a) In January 2009, the CICA issued Handbook Section 1582, *Business Combinations*, replacing Section 1581, *Business Combinations*. The previous Section was removed in order to adopt the relevant extracts of the International Financial Reporting Standard, IFRS 3, *Business Combinations*. The new Section establishes standards for the recognition, measurement, presentation and disclosure of business combinations.

This new standard is applicable to business combinations realized during fiscal years beginning on or after January 1, 2011. The Company expects to implement this standard in its first quarter of fiscal year 2012. This new Section requires that most identifiable assets, liabilities, non-controlling interests and goodwill acquired in a business combination be recorded at "full fair value" and that liabilities associated with restructuring or exit activities be recognized only if they meet the definition of a liability as of the acquisition date. In addition, direct acquisition costs must be expensed when incurred. As a result, if the Company realizes significant business combinations, this new Section could have a material impact on its financial statements because the Company's current policy is to include these costs in the purchase price of the acquired business. At July 31, 2010, the Company does not believe the adoption of this standard will have a material impact on the Company.

- (b) Section 1601, *Consolidated Financial Statements*, replaces and carries forward existing guidance from Section 1600, *Consolidated Financial Statements*, on the aspects of the preparation of consolidated financial statements subsequent to a business combination other than non-controlling interests. Section 1602, *Non-controlling interests*, provides guidance on accounting for non-controlling interests subsequent to a business combination. This Section replicates the provisions of IAS 27, *Consolidated and Separate Financial Statements*, other than the disclosure requirements. Under this new Section, non-controlling interests in subsidiaries must be presented in the consolidated balance sheet with equity, but separated from the parent shareholders' equity. In the statements of operations and comprehensive income, a non-controlling interest must not be deducted in arriving at the consolidated net income, but must be allocated to the controlling interest and the non-controlling interest according to their percentage of ownership.

Sections 1601 and 1602 must be implemented concurrently with Section 1582, *Business Combinations*, discussed above. Both Sections are applicable for fiscal years beginning on or after January 1, 2011 with earlier adoption permitted as of the beginning of a fiscal year. Section 1602 is to be applied retrospectively, with certain exceptions. Entities planning business combinations for the years beginning on or after January 1, 2010 should consider adopting these new standards in or before that year to avoid restatement on transition to IFRS in 2011. The Company expects to implement this standard in its first quarter of fiscal year 2011. The Company does not believe the implementation of this new standard will have a material impact on the Company's financial statements.

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

The Canadian Accounting Standards Board has confirmed January 1, 2011 as the date that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP for publicly accountable enterprises.

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As a result, Aberdeen will report under IFRS for interim and annual periods beginning February 1, 2011, with comparative information for fiscal 2011 restated for IFRS. Adoption of IFRS will require the Company to make certain accounting policy choices that could materially impact the reported financial position and results of operations. The Company's goal is to make policy changes that are compliant with IFRS but also provide the most meaningful information to the Company's shareholders.

The Company has developed a changeover plan which includes the following three phases and sets out activities to be performed in each phase over the life of the project.

- Assessment phase: in this phase, the Company formed a working group, developed an initial project plan, and identified high level differences between Canadian GAAP and IFRS that may impact the Company. This phase was completed in fiscal 2010 in conjunction with external consulting resources.
- Design phase: This phase involves the completion of analyses of the differences between Aberdeen's accounting policies and IFRS to provide a basis for accounting policy recommendations. The working group in this phase will be comprised of the CFO, the accounting/finance team, external consultants with regular updates to the audit committee.
- Implementation phase: this phase involves the implementation of the necessary changes to the Company's information systems and business processes as identified through the assessment and design phases of the changeover plan. The implementation of the Company's fiscal 2011 dual reporting strategy, the amendment and testing of internal controls over financial reporting and disclosure controls and procedures impacted by accounting policy changes are key tasks that will allow for the preparation of a February 1, 2011 opening balance sheet and fiscal 2011 comparative data under IFRS, with reconciliations from Canadian GAAP. The final phase will result in the preparation of financial reporting under IFRS beginning in fiscal 2012.

Updates regarding the progress of the IFRS changeover plan are provided quarterly to the Company's Audit Committee.

As the Company is still in the evaluation and development phases and has not yet selected all of its accounting policy choices and IFRS 1 exemptions, the Company is unable to quantify the impact of IFRS on its financial statements. The Company has identified the areas noted below as those expected to have the most significant impact on its financial statements. The items listed below do not represent a complete list of areas impacted. As the Company progresses further into the design and implementation phases and decision are made regarding accounting policies, and as changes to Canadian GAAP and IFRS standards may occur prior to the changeover date, the areas impacted and the effect may be subject to change. The Company will disclose impacts on or financial reporting, including expected quantitative impacts, systems and processes and other areas of the Company's business in future MD&As as they are determined.

- IFRS 1 – First time adoption
- IAS 36 – Impairment of assets
- IFRS 2 – Share based payments
- IAS 28 – Investments in associates
- IFRS 37 – Provisions, contingent liabilities and contingent assets
- IAS 12 – Income taxes

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**RISKS AND UNCERTAINTIES**

As the Company's expected future revenue stream is based on gold production operations in foreign jurisdictions and gains on its portfolio investments, risks include, but are not limited to, uneconomic grades or costs of recovery, falling commodity prices, a strengthening Canadian dollar versus foreign currencies, particularly the United States dollar, increasing costs, capital market weakness, key personnel changes, changes in domestic and foreign laws, environmental legislation, labour relations, and other risks and hazards associated with mining operations. For further discussion of risk factors and other information please refer to Aberdeen's AIF filed on April 30, 2010 under the profile of the Company at [www.sedar.com](http://www.sedar.com).

The Company is required to value its investments on a periodic basis. The investment valuations, often in the absence of readily ascertainable market values will be estimated by management and approved by the Board of Directors. However, because of the inherent uncertainty of valuation, the estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

As outlined above under the section entitled, "Simmer and Jack/First Uranium Royalty and Loan", Simmers' management has adopted an interpretation of the Convertible Royalty Loan Agreement different to that of Aberdeen's interpretation. The amounts under dispute on the balance sheet as at July 31, 2010 include the Simmers loan valued at \$10,283,000 and a receivable for \$1,642,979. While the Company is confident that its interpretation of the agreement is correct and has filed a claim against Simmers and First Uranium to recover the outstanding US\$10,000,000 principal and balance payable on the graduated gold royalty, some uncertainty surrounds the timing and actual collectability of these amounts.

**SUBSEQUENT EVENTS**

Subsequent to July 31, 2010, Kria Resources Ltd. drew down \$500,000 under the secured debenture agreement and issued 200,000 share purchase warrants to the Company.

Subsequent to July 31, 2010, Rodinia Lithium Inc. repaid the bridge loan plus interest totaling \$202,904.

Subsequent to July 31, 2010, 558,000 common shares were repurchased and cancelled under the NCIB at an average price of \$0.38 per share.

**MULTILATERAL INSTRUMENT 52-109 DISCLOSURE**

Evaluation of disclosure controls and procedures

The Company maintains disclosure controls and procedures designed to ensure that information required to be disclosed in annual filings, interim filings or other reports filed or submitted under provincial and territorial securities legislation, and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

We have evaluated the effectiveness of our disclosure controls and procedures and have concluded, based on our evaluation that they are sufficiently effective to provide reasonable assurance that material information relating to the Company is made known to management and disclosed in accordance with applicable securities regulations.



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Internal controls over financial reporting

The Chief Executive Officer (CEO) and Chief Financial Officer (CFO), together with other members of Management, have designed internal controls over financial reporting based on the Internal Control–Integrated Framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). These controls are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP.

The Management, including the Chief Executive Officer and Chief Financial Officer, carried out an assessment of the design of the Company's internal controls over financial reporting and concluded that a material weakness existed during the year-ended January 31, 2010. To strengthen the internal control process over financing reporting, the Company has recruited additional accounting staff during the first quarter.

We have not identified any changes to our internal control over financial reporting which would materially affect, or is reasonably likely to materially affect, our internal control over financial reporting.

The CEO and CFO, together with other members of Management, have evaluated the effectiveness of internal controls over financial reporting as defined by National Instrument 52-109, and have concluded, based on our evaluation that they are operating effectively as at July 31, 2010.

**SUPPLEMENT TO THE FINANCIAL STATEMENTS**

As at September 10, 2010, the following common shares, common share purchase options and share purchase warrants were issued and outstanding:

- 86,945,839 common shares;
- 37,500,000 share purchase warrants with an exercise price of \$1.00, expiring June 6, 2012; and,
- 8,685,000 common share purchase options with exercise prices ranging from \$0.12 to \$0.85, expiring between September 19, 2010 and February 25, 2015.