ABERDEEN INTERNATIONAL INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended January 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, 2009, under the profile of the Company at 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 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.

ABERDEEN INTERNATIONAL INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended January 31, 2010
(All amounts stated in Canadian dollars, unless otherwise indicated)

Management's Discussion and Analysis of financial condition and results of operations for the year ended January 31, 2010

This discussion and analysis of the operations, results and financial condition of Aberdeen International Inc. ("Aberdeen", or the "Company") for the year ended January 31, 2010 should be read in conjunction with the related annual audited financial statements, 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. The annual audited financial statements for the year ended January 31, 2010 have incorporated several new accounting standards, the impact of which is summarized in Note 2 of the annual audited financial statements. Additional information regarding Aberdeen, including our AIF dated April 30, 2009 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. This MD&A reports on the Company's activities through April 15, 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 January 31, 2010, the portfolio had investments in 28 companies with an estimated fair market value of $56,227,559 (cost – $40,414,041).

ABERDEEN INTERNATIONAL INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended January 31, 2010
(All amounts stated in Canadian dollars, unless otherwise indicated)

SIGNIFICANT DEVELOPMENTS

Investments

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
Temujin Mining Corp.*	(ii,iii)	7,364,545 common shares			
		7,364,545 warrants expire Nov 26, 2011			
		600,000 warrants expire Jan 14, 2012	$ 3,667,200	$ 3,758,400	6.7%
Allana Resources Inc.	(i,ii)	6,750,000 common shares			
		2,000,000 warrants expire June 16, 2011			
		2,375,000 warrants expire May 22, 2011	1,220,000	3,348,300	6.0%
Apogee Minerals Ltd.	(i,ii,iii)	9,850,000 common shares			
		5,000,000 warrants expire May 23, 2010			
		1,175,000 warrants expire April 30, 2011			
		1,250,000 warrants expire Nov 22, 2011	2,391,000	1,226,528	2.2%
Auger Resources Ltd.*	(ii,iii)	2,000,000 common shares			
		1,000,000 warrants expire Sept 16, 2010	1,000,000	500,000	0.9%
Avion Gold Corp.	(iii)	8,774,400 common shares			
		2,500,000 warrants expire May 8, 2011	3,631,919	6,002,634	10.7%
Brazil Potash Corp.*	(iii)	1,650,062 common shares	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.	(iii)	6,319,478 common shares			
		2,500,000 warrants expire June 15, 2012			
		317,460 warrants expire Feb 9, 2010			
		1,017,429 warrants expire Feb 9, 2010	3,546,424	16,929,174	30.1%
Crowflight Minerals Inc.	(iii)	3,379,724 common shares			
		1,470,612 warrants expire April 30, 2011	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			
		1,000,000 warrants expire June 9, 2010			
		50,000 warrants 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 warrants expire February 28, 2010			
		1,000,000 warrants expire June 5, 2011	1,941,090	1,207,170	2.1%
Scandinavian Metals Inc.*	(ii,iii)	2,000,000 common shares			
		1,000,000 warrants expire Sept 12, 2010	1,000,000	500,000	0.9%
Stetson Oil & Gas Ltd.	(iii)	10,000,000 preferred shares			
		10,000,000 warrants expire Sept 17, 2010	740,290	177,000	0.3%
Sulliden Gold Corporation Ltd.	(iii)	10,404,303 common shares			
		769,231 warrants expire April 23, 2011			
		625,000 warrants expire October 6, 2012	4,920,283	7,621,216	13.6%
Vast Exploration Inc.	(iii)	1,350,000 common shares			
		2,050,000 warrants expire June 12, 2010			
		1,000,000 warrants expire June 5, 2011	1,062,686	1,518,170	2.7%
Total of 11 other investments	(iv)		8,942,128	9,830,874	17.5%
Total investments			$ 40,414,041	$ 56,227,559	100.0%

* Private company

(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 January 31, 2010.
(iii) A director and/or officer or 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. Directors and officers may also hold investments in these companies.

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

As at January 31, 2009, the Company held portfolio investments with an estimated fair market value of $30,556,121 and a cost base of $54,265,625 for a cumulative unrealized loss of $23,709,504. Investments, as at January 31, 2009, consisted of the following:

Issuer	Note	Security description	Cost	Estimated Fair value	% of FV
Allana Resources Inc.	(i,ii,iii)	4,750,000 common shares			
		2,375,000 warrants expire June 16, 2010	$ 950,000	$ 541,738	1.8%
Amazon Potash Corp.**	(iii)	2,500,000 common shares	2,500,000	1,250,000	4.1%
Apogee Minerals Ltd.	(iii)	5,000,000 common shares			
		5,000,000 warrants expire May 23, 2010	2,000,000	294,500	1.0%
Auger Resources Ltd.**	(iii)	2,000,000 common shares			
		1,000,000 warrants expire Sept 16, 2010	1,000,000	500,000	1.6%
Avion Gold Corp.	(i,ii,iii)	7,818,700 common shares			
(Formerly Avion Resources Corp)		2,818,700 warrants expire October 12, 2009			
		1,500,000 warrants expire July 31, 2010			
		2,500,000 warrants expire May 5, 2010			
		2,000,000 warrants expire Sept 30, 2009	3,432,114	2,062,575	6.8%
Cash Minerals Ltd.	(iii)	3,600,000 common shares			
		3,600,000 warrants expire July 2, 2010	900,000	228,600	0.7%
Castillian Resources Corp.	(iii)	2,500,000 common shares	1,075,000	125,000	0.4%
Central Sun Mining Inc.*	(i,ii,iii)	6,619,000 common shares			
		3,309,500 warrants expire October 22, 2010	6,949,950	7,341,464	24.0%
Consolidated Thompson	(iii)	692,200 common shares			
Iron Mines Ltd.		500,000 warrants expire January 10, 2010	6,343,413	1,074,796	3.5%
Crowflight Minerals Inc.	(iii)	5,000,000 common shares	3,068,200	1,000,000	3.3%
Franc-Or Resources Corp.	(i,ii,iii)	8,750,000 common shares			
		2,000,000 warrants expire June 6, 2011			
		6,750,000 warrants expire July 9, 2011	875,000	489,775	1.6%
Kria Resources Inc.**	(iii)	2,750,000 common shares			
		375,000 warrants expire November 19, 2009			
		1,000,000 warrants expire June 9, 2010	2,750,000	1,375,000	4.5%
Largo Resources Inc.	(iii)	650,000 common shares	351,000	42,250	0.1%
Longford Energy Inc.	(i,ii,iii)	5,250,896 common shares			
		3,296,296 warrants expire February 28, 2010			
		1,000,000 warrants expire July 10, 2010	2,482,502	1,336,506	4.4%
Russo-Forest Corporation**	(ii,iii)	6,625,000 common shares			
		4,000,000 warrants expire January 25, 2013	2,274,565	1,137,283	3.7%
Scandinavian Metals Inc**	(ii,iii)	2,000,000 common shares			
		1,000,000 warrants expire Sept 12, 2010	1,000,000	500,000	1.6%
Stetson Oil & Gas Ltd.	(iii)	10,000,000 common shares			
		10,000,000 preferred shares			
		10,000,000 warrants expire Sept 17, 2010	2,000,000	1,136,000	3.7%
Sulliden Exploration Inc.	(iii)	9,526,072 common shares	3,910,060	6,477,729	21.2%
U-308 Corp.	(i,ii)	2,644,600 common shares	4,032,592	885,941	2.9%
Vast Exploration Inc.	(iii)	4,100,000 common shares			
		2,050,000 warrants expire June 12, 2010	2,460,000	626,480	2.1%
Total of 7 other investments	(iv)		3,911,229	2,130,484	7.0%
Total investments			$ 54,265,625	$ 30,556,121	100.0%

* Formerly named Glencairn Gold Corporation.
** Private company

(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 January 31, 2009.
(iii) A director and/or officer or 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, 2009. Directors and officers may also hold investments in these companies.

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

During the year, the Company invested approximately $22,000,000 on portfolio acquisitions. Some of the investments included:

- Crocodile Gold Corp., a publicly traded exploration company with gold operations in Australia (investment was made while Crocodile Gold was private and it has since completed a public listing);
- Temujin Mining Corp., a private company with gold-copper exploration properties in Mongolia;
- Vast Exploration Inc., a publicly traded oil and gas company whose principal asset is in the Kurdistan Region of Iraq;
- Dacha Capital Inc., a publicly traded company that invests in strategic minerals;
- additional investments in Sulliden Gold Corporation Ltd., a publicly traded exploration company with a silver-gold project in Peru; and,
- additional investments, through the exercise of warrants, in Avion Gold Corporation, a publicly traded gold company with operations in Mali.

During the year ended January 31, 2010, the Company also disposed of investments receiving proceeds of $32,374,687 for a realized loss of $4,587,750. During the year, the Company sold its investments in companies such as Cash Minerals Ltd., Kansai Mining Corp., Russo-Forest Corporation, Stetson Oil & Gas Ltd. and U308 Corp., and reduced its holdings in companies such as Crowflight Minerals Inc., Longford Energy Inc., Magma Metals Limited and Vast Exploration Inc.

Along with the broader market in general, the resource sector experienced a sharp downturn during the prior fiscal year. The Company's portfolio investments recorded an unrealized loss of $32,628,522 for the year ended January 31, 2009, leaving an aggregate unrealized loss, as at January 31, 2009, of $23,709,504. During the current year, the fair market value of the Company's investment portfolio experienced a net unrealized gain of $39,523,022, leaving an aggregate unrealized gain of $15,813,518.

Equity Accounted Investments

As at January 31, 2010, the Company held an equity accounted investment in Forbes and Manhattan Coal Ltd. During the fourth quarter of fiscal 2010, the Company made an investment of $800,000 in Forbes and Manhattan Coal Ltd. for a 38.5% interest.

The Company also equity accounted for its investment in Tucano Exploration Inc. ("Tucano") prior to Tucano's combination with Castillian Resources Corp. ("Castillian"). 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.

The following is a schedule of the equity accounted investments as at January 31, 2010 and January 31, 2009:

	January 31, 2010	January 31, 2009
Equity accounted investment – carrying value – beginning of year	**$ 1,924,387**	$ 2,000,000
Acquisition of equity accounted investment	**800,000**	-
Loss on equity investment	**(972,268)**	(75,613)
Reclassification of equity accounted investment to portfolio investment	**(952,119)**	-
Equity accounted investment – carrying value – end of year	**$ 800,000**	$ 1,924,387

Loans Receivable

Russo-Forest Corporation

On August 19, 2008, the Company entered into a short-term loan agreement with Russo-Forest Corporation ("Russo-Forest"), a privately held company with timber operations in the Russian northwest. The Company loaned Russo-Forest $500,000 which was repayable on or before August 18, 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 November 10, 2008, the Company entered into a second short-term loan agreement whereby the Company loaned US$100,000 ($122,470) to Russo-Forest. The loan was repayable on or before June 30, 2009 with interest payable on maturity at an annual rate of 15%. The agreement also provides Aberdeen with the right to convert the loan into shares of Russo-Forest at a rate of $0.12 per share. The loan is secured against all of the assets of Russo-Forest and its subsidiaries.

In April and June 2009, the Company advanced a further US$250,000 ($308,955) and US$100,000 ($111,460), respectively, to Russo-Forest under similar terms as the second short-term loan agreement described above with a maturity date of June 30, 2009.

The loans outstanding were not repaid at their respective due dates. On August 18, 2009, the Company advanced an additional US$213,710 ($232,410) to Russo and agreed to extend the maturity date of the loans initially to September 30, 2009 and subsequently to December 31, 2009. Interest charged on the outstanding US dollar short-term loan initially outstanding to June 30, 2009 was increased from 15% to 17% per annum as provided for in the loan agreement.

On February 2, 2009, it was announced that Russo-Forest had entered into a share exchange agreement with Nyah Resources Corp. ("Nyah"), a junior resource company traded on the TSX Venture Exchange. Following the proposed acquisition, the current shareholders of Russo-Forest would have held approximately 80% of the combined company and the current Nyah shareholders would have held approximately 20%. 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 Russo-Forest's inability to finalize the share exchange agreement with Nyah and its difficulties securing financing and executing its business plans, the Company has recorded a provision against loans and interest outstanding from Russo-Forest of $1,317,676.

A director of Aberdeen also indirectly holds a position as director in Russo-Forest. Two directors and an officer of Aberdeen also hold director and officer positions in Nyah. Aberdeen officers and directors hold investments personally in Russo-Forest and Nyah.

Avion Gold 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 estimated grant date fair value was calculated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 98.5%; risk-free interest rate of 2.73%; and an expected life of five months. The 250,000 common share purchase warrants expired unexercised. The loan agreement provided for a general security agreement in Aberdeen's favour against the loan.

Avion did not repay the loan by September 30, 2008. Following discussions between Aberdeen and Avion, Aberdeen agreed to extend the term of the loan to September 30, 2009. In conjunction with the extension of the loan, it was agreed that the principal owing upon maturity shall increase by 30% for each US$100 incremental increase in the price of gold above US$900, based on the twelve month average of the London PM fix, to be calculated on a monthly, pro-rated basis, beginning on October 1, 2008. The value to this embedded derivative was estimated to be a nominal amount at the date of issue and subsequent period ends and therefore no value was attached to this derivative in the financial statements. Interest at a rate of 10% per year accrued.

As additional consideration for the extension of the loan, Avion issued 2,000,000 common share purchase warrants to Aberdeen, with each share purchase warrant entitling Aberdeen to purchase one common share at a price of $0.20 per share for a period of one year from September 30, 2008. 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. The fair value was calculated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 93.7%; risk-free interest rate of 2.93%; and an expected life of one year. In September 2009, the Company exercised its options to acquire 2,000,000 Avion common shares at a cost of $400,000.

Avion also agreed to pay Aberdeen an extension fee in the amount of US$50,000 ($62,285) of which US$25,000 ($30,413) was paid on October 31, 2008 and US$25,000 ($31,872) was paid on March 6, 2009. The loan was secured against the assets of Avion and in a senior position.

As part of the sale of Ethiopian property rights to Avion, completed during the year ended January 31, 2008, deferred payments were payable to the Company by Avion, as outlined below under "Receivable on Sale of Mineral Property". The payment of $750,000, due on June 30, 2008, was not received by the Company. Following discussions between Aberdeen and Avion, the $750,000 was added to the existing US$1,000,000 loan. In addition, the payment of $1,000,000 due on December 31, 2008 was also not received by the Company. At January 31, 2009, Avion had aggregate loans outstanding payable to Aberdeen of $1,750,000 and US$1,000,000, plus accrued interest.

In May 2009, following discussions between Avion and the Company, 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. 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 from Amazon Potash. 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 June 30, 2009. The Company and Amazon Potash agreed to three separate quarterly extensions to the secured note receivable to March 31, 2010. As consideration for extending the note receivable, the Company received an aggregate of US$75,000 ($80,198) and 150,000 Amazon Potash shares. Subsequent to January 31, 2010, the loan was extended to June 2010 and as consideration Aberdeen received US$25,000 ($26,733) and 50,000 Amazon Potash shares. At January 31, 2010, the carrying value of the secured note receivable was US$1,712,115 ($1,830,765), excluding accrued interest.

The note receivable is secured by Amazon Potash's assets. 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 1,650,025 shares of Brazil Potash. Subsequent to the distribution of the shares, Brazil Potash completed a private placement equity financing for gross proceeds of approximately US$25,000,000 at a price of US$1.00 per common share.

On May 6, 2009, Avion completed a previously announced acquisition of Dynamite Resources Ltd. ("Dynamite") whereby Avion acquired all of the issued and outstanding Dynamite common shares at an exchange ratio of 0.75 Avion common shares for each Dynamite common share.

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.

Kria Resources Ltd.
In June 2009, the Company entered into a secured debenture agreement with Kria Resources Ltd. ("Kria Resources") to loan up to $600,000, with any amounts drawn being due and payable 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") 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. As at January 31, 2010, Kria Resources had not drawn down funds under the secured debenture agreement. The $25,000 fee was recorded as deferred revenue and is being recognized as income over the term of the agreement. Directors of Aberdeen serve as a director and officer in Kria Resources. Also, a director of Aberdeen served as a director of Beartooth.

Castillian Resources Corporation

In January 2010, the Company entered into a secured debenture agreement with Castillian Resources Corporation ("Castillian Resources") to loan up to $500,000, with any amounts drawn being due and payable on June 30, 2010 and shall be subject to interest at a rate of 10% per annum. The debenture is secured against Castillian's interest in the Kagera property in Tanzania. Castillian paid Aberdeen a facility 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 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. As at January 31, 2010, Castillian Resources drew down the $500,000 under the secured debenture agreement subsequent to January 31, 2010. The $25,000 fee was recorded as deferred revenue and is being recognized as income over the term of the agreement. Directors of Aberdeen serve as directors of Castillian Resources.

Largo Resources Inc.

On April 30, 2008, the Company entered into a short-term loan agreement with Largo Resources Inc. ("Largo"). The Company loaned Largo US$4,500,000 ($4,535,100), repayable on or before June 30, 2008 with interest payable monthly at a rate of 1% per month. This loan was extendible to November 1, 2008 with the payment of a US$100,000 extension fee. In addition, Largo provided US$250,000 ($254,650) cash and 650,000 common shares in Largo as consideration to the Company. The fair value of these shares at the date of issue was estimated to be $351,000 based on the closing price of Largo's common shares on April 30, 2008. The cash payment along with the issue date fair value of the shares was applied against the carrying value of the loan receivable and was recognized as income over the term of the loan. The principal of the loan plus interest, totalling US$4,566,575 ($4,603,583), was fully repaid on June 20, 2008. Directors of Aberdeen also hold director positions in Largo and Aberdeen officers and directors may hold investments in Largo personally.

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 ($6,415,800), repayable on or before January 14, 2011 with interest payable at 10% per annum. As consideration for arranging the loan, Temujin agreed to pay the Company debt arrangement fees of US$360,000 ($384,948) and issued 600,000 warrants to purchase the common shares of Temujin at an exercise price of $0.55 until January 14, 2012. Subsequent to January 31, 2010, US$3,000,000 of the loan was repaid. The loan balance of US$3,000,000 and debt arrangement fees of US$360,000 remained outstanding.

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 January 31, 2010, reflects Aberdeen's interpretation of the agreement. As a result, the US$10,000,000 ($10,693,000) loan is recorded as still outstanding at January 31, 2010 and continues to be outstanding subsequent to the end of the year.

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) 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 January 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.

In connection with the Agreement, Aberdeen holds a notarial special covering bond in the amount of US$10,000,000 plus ZAR5,000,000 ($702,500) over the assets of the North Plant on Simmers' greater Buffels property.

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

Aberdeen's balance sheet, as at January 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 January 31, 2010, the Simmers loan was carried at US$10,000,000 ($10,693,000), excluding accrued interest, based on a US/Cdn dollar foreign exchange rate of 1.0693 (January 31, 2009 – 1.2364).

Prior to the vote by Simmers shareholders to deny the conversion of the loan into shares the Company carried the convertible royalty loan at its estimated fair value. The estimated fair value was recorded on the balance sheet as follows:

	January 31, 2009
Loan – Simmer & Jack Mines, Limited	$12,364,000
Royalty	
Current	
Simmers	1,253,710
First Uranium	1,410,732
Long-term	
Simmers	27,024,799
First Uranium	11,784,561
Royalty total	41,473,802
Total	$53,837,802

The key assumptions used in determining the fair value of the royalty component of the Convertible Royalty Loan Agreement as of January 31, 2009 were: 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.

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. 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 January 31, 2010:

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

Simmers' Buffels Mine

Simmers produced 116,082 ounces of gold from its South African Buffels mine in the 2009 calendar year, compared with 117,199 ounces of gold in the previous calendar year. Production from the Simmers' Buffels mine provided the Company with gold royalty revenue of $1,225,236 for the year ended January 31, 2010. During the year ended January 31, 2009, royalty revenue from the Buffels mine was $4,922,247. Production from the Buffels mine during the current year was subject to the 1% NSR, versus a 4.75% rate on the graduated royalty during most of the prior year. The royalty revenue in the 2009 fiscal year includes $928,084 relating to ounces produced between October 16, 2008 and December 31, 2008, which Simmers contends is not due. Effective October 16, 2008, the Company began receiving payments from its 1% life of mine NSR from the Buffels mine.

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 calendar year ended December 31, 2009, First Uranium produced 53,944 ounces of gold from treating the MWS Tailings Dumps, compared with 38,960 ounces in the previous calendar year. Production from the MWS Tailings Dumps during the current year was subject to the 1% NSR, versus the graduated royalty rate of 4.75% during most of the previous year. As a result, the Company recorded royalty revenue of $621,465 from the MWS Tailings Dumps for the current year, versus $1,765,770 for the prior year. The royalty revenue during the 2009 fiscal year includes $378,969 relating to ounces produced between October 16, 2008 and December 31, 2008, which Simmers contends is not due. Effective October 16, 2008, the Company also began receiving its 1% life of mine NSR from the MWS Tailings Dumps.

Sale of Mineral Property - Ethiopia

During the year ended January 31, 2008, the Company completed the sale of the Ethiopian property rights it held to Avion. The Company obtained these Ethiopian property rights through an earn-in agreement with Ethio-Gibe Mining PLC (Ethio-Gibe). Aberdeen had earned 100% of the exclusive rights granted by the Ethiopian Government to Ethio-Gibe for consideration consisting of cash and shares payable over a five-year period. The terms of the agreement with Avion were as follows:

(i) $250,000 upon receipt of regulatory approval for the transaction (paid);
(ii) $750,000 on or before June 30, 2008 (not paid);
(iii) $1,000,000 on or before December 31, 2008 (not paid);
(iv) 1.5% net smelter royalty in respect of the exploration licences;
(v) 1,500,000 common share purchase warrants of Avion exercisable at $0.48 for 18 months; and
(vi) Avion will assume Aberdeen's obligations to Ethio-Gibe for cash and share payments.

At January 31, 2008, the cash payments to be received from Avion, including the initial $250,000, were recorded as a receivable at a discounted value of $1,837,477 and the 1,500,000 common share purchase warrants were estimated to have a fair value of $216,000, for total consideration of $2,053,477. The initial payment of $250,000 under the agreement was received by the Company on February 14, 2008.

The agreement outlines that payments to be made by Avion subsequent to the initial $250,000 shall be made in cash or common shares of Avion, upon the mutual agreement of both parties, with any common shares to be issued at a price equal to the volume weighted average trading price for the 30 days prior to the payment due date for Avion common shares. The payment of $750,000 due on June 30, 2008 was not received by the Company. In December 2008, as outlined above under "Loans Receivable – Avion Gold Corp.", following discussions between Aberdeen and Avion, the $750,000 was added to the existing US$1,000,000 loan from Aberdeen to Avion that is due October 31, 2009.

The remaining $1,000,000 payment due on December 31, 2008 was also not received by the Company. Subsequent to January 31, 2009, following discussions between Avion and the Company, Avion repaid all of its outstanding loans payable to Aberdeen through a cash payment and the assignment of a note receivable. Further details are provided above under the section entitled "Loans Receivable – Avion Gold Corp."

The 1,500,000 common share purchase warrants expired unexercised on July 31, 2009.

Normal Course Issuer Bid

On February 3, 2009, the Company announced its intention to make a new Normal Course Issuer Bid ("NCIB") to buy back its common shares through the facilities of the TSX. During the year ended January 31, 2009, under a previous NCIB, the Company purchased and cancelled 8,056,334 shares at an average price of approximately $0.32 per share. The stated value of these shares in the Company's shareholders' equity was $4,067,042, or approximately $0.50 per share. The difference between the cost to repurchase and the stated value of $1,477,314 was allocated as an increase to contributed surplus ($1,580,796) and a decrease to retained earnings ($103,482).

The maximum number of common shares that were available to be purchased for cancellation pursuant to the NCIB was that number of common shares representing 10% of the common shares in the public float on the date that the Exchange approved the NCIB. Based on the 73,707,006 common shares in the public float as at February 2, 2009, the maximum number of shares available for purchase and cancellation was 7,370,700.

Purchases under the NCIB were permitted to commence on February 5, 2009 and during the year ended January 31, 2010, Aberdeen used $1,782,057 to acquire 7,370,500 securities with a weighted average price of $0.24 per share. The stated value of these shares in the Company's shareholders' equity was $3,720,815, or approximately $0.50 per share. The difference between the cost to repurchase and the stated value of $1,938,758 was allocated as an increase to contributed surplus.

All purchases made pursuant to the NCIB were made in accordance with the rules of the TSX and at the market price of the common shares at the time of the acquisition. Aberdeen made no purchases of common shares other than open market purchases.

On February 4, 2010, subsequent to the fiscal yearend, the Company announced its intention to make a Normal Course Issuer Bid, 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 most recently announced NCIB, based on the public float as at January 29, 2010, was 7,535,000 common shares. 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. As at the date of this MD&A, no purchases had been made.

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 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. 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.

LIQUIDITY AND CAPITAL RESOURCES

As at January 31, 2010, the Company had working capital of $76,583,745 and used cash of $255,113 from its operating activities during the year. The working capital consisted largely of the estimated fair value of its portfolio investments and equity investment of $57,027,559, loans receivable of $18,939,565, amounts and income taxes receivables of $1,727,615 and cash of $3,266,356. This was partially offset by current liabilities of $6,598,633 which included accounts payable and accrued liabilities of $1,716,233, deferred revenue of $414,400 and current portion of future income taxes of $4,468,000. At January 31, 2010, Aberdeen had a long term portion of future income taxes of $8,516,000.

RESULTS OF OPERATIONS

The net earnings for the year under review were $21,614,993, compared to a net loss of $9,051,379 for the comparative year. The earnings were largely from an unrealized gain on investments of $39,523,022, royalty revenue of $1,846,701, an unrealized gain on the Simmer & Jack convertible royalty loan of $300,987 and interest revenue of $767,715. This was partially offset by realized losses on investments of $4,587,750, a provision for the Russo-Forest loan receivable of $1,317,676, losses from equity accounted investments of $972,268, general and administrative expense of $4,246,940 and a foreign exchange loss of $2,008,103.

During the comparative year, the net loss of $9,051,379 was largely the result of a net loss on investments, partially offset by an unrealized gain on the Simmers and First Uranium royalty and loan, royalty and interest income and advisory service fees.

The unrealized gain on investments of $39,523,022 during the year ended January 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. Share prices of junior resource companies, the sector in which the Company holds most of its investments, experienced a sharp downturn last year. 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. At January 31, 2009, the Company's investment portfolio had an estimated fair market value of $30,556,121 and a cost base of $54,265,625.

During the calendar year ended December 31, 2009, the gold price averaged US$973 per ounce and production from Simmers and First Uranium was approximately 170,000 ounces of gold, resulting in royalty revenue of $1,846,701. The average US/Cdn dollar exchange rate during the calendar year was 1.1419. During the prior calendar year, the gold price averaged US$872 per ounce, resulting in an average royalty rate of 4.75% under the previous graduated royalty. Based on approximately 156,000 ounces produced and an average US/Cdn dollar exchange rate of 1.0660, the Company recorded royalty revenue of $7,168,009.

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 it 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. Between February 17, 2009 and January 31, 2010, the Company recorded depletion expense on its royalty interests of $863,099.

During fiscal 2010, the Company recorded interest revenue of $767,715, compared with $1,610,644 in the 2009 fiscal year. Interest was earned on the Company's loans outstanding along with interest earned on cash. Loans receivable at January 31, 2010 totaled $8,246,565. The Company did not record interest income on the disputed loan to Simmers during the year.

During the year, the Company recorded revenue for advisory service fees of $142,000 (2009 - $1,272,500) relating to services provided to pre-IPO or early stage public companies.

During the year ended January 31, 2010, the Company recorded a provision against loans of $1,317,676 relating to outstanding loans and accrued interest from Russo-Forest. The decision to record the provision was based on Russo-Forest's inability to finalize its share exchange agreement with Nyah, and its difficulties securing financing and executing its business plans.

The increase in general and administrative expense, from $541,660 during previous fiscal year to $4,246,940 in the current fiscal year is largely due to the reversal of a management bonus accrual of $936,806 during the prior fiscal year and the recording of $2,055,500 in management bonuses during the current fiscal year. Also, during the year ended January 31, 2010, general and administrative expenses included consulting and administrative expense of $1,056,830 (2009 - $730,111), professional fees of $367,306 (2009 - $184,638), and travel expense of $453,096 (2009 - $129,245). Consulting, professional fees and travel expenses increased in the most recent fiscal year as a result of increased activity evaluating investment opportunities.

Transaction costs on the purchase and sale of portfolio investments are expensed as incurred. During the year ended January 31, 2010, the Company incurred transaction costs of $179,927 (2009 - $59,196).

The Company recorded a foreign exchange loss of $2,008,103 during fiscal 2010, compared with a gain of $373,150 in fiscal 2009. The loss was largely the result of a weakening US dollar vis-à-vis the Canadian dollar. As at January 31, 2010, the US/Cdn dollar exchange rate was 1.0693, compared with 1.2364 at January 31, 2009.

During the year ended January 31, 2010, the Company recorded a current income tax recovery of $1,347,891 and a future tax provision of $8,004,000. The current income tax recovery was the result of general and administrative expenses, realized losses on investments and the provision against loans receivable, partially offset by royalty and interest income. The future income tax provision resulted from the unrealized gain on the portfolio investments, partially offset by the unrealized loss on the Simmers and First Uranium royalty and loan.

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 year ended January 31, 2010, a translation adjustment loss of $5,792,761 (net of taxes - $4,274,761) was recorded as part of other comprehensive income.

Selected Annual Information

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

	2010	**2009**	**2008**
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)

Summary Financial Information for the Eight Quarters Ended January 31, 2010

Period	Investment gains (losses) & revenues	Total assets	Net income (loss)	Basic and diluted income (loss) per share	Long-term liabilities
2010					
4th Qtr	12,655	118,282	8,663	0.09	8,516
3rd Qtr (*restated)*	8,746	106,644	5,253	0.06	9,874
2nd Qtr (*restated)*	6,820	100,984	3,305	0.04	9,924
1st Qtr (*restated)*	7,482	102,494	4,394	0.05	11,644
2009					
4th Qtr	30,411	100,099	22,166	0.23	12,191
3rd Qtr	(66,234)	72,609	(44,639)	(0.46)	-
2nd Qtr	2,284	132,455	1,420	0.01	10,324
1st Qtr	20,045	131,459	12,002	0.12	9,712

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. In the third quarter of fiscal 2009, the global economic crisis and financial market downturn negatively impacted the Company's portfolio investments and a net loss of $49,413,164 was recorded on the portfolio investments. The Company also adjusts the fair value of its royalty through the statements of operations and comprehensive income. With a stronger US dollar against the Canadian dollar during the 2009 fiscal year, Aberdeen recorded an unrealized gain on the fair value of the convertible royalty loan. The US dollar subsequently weakened against the Canadian dollar during fiscal 2010 and, as a result, the Company has recorded an unrealized loss on the fair value of the royalty.

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 an increase to 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 year was $255,113, compared with cash provided of $4,236,226 in the prior year. The difference between the operating cash flow and net earnings for both the current and 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 and advisory service fees, offset by general and administrative expenses and net changes in non-cash working capital.

Financing activities used $1,782,057 during the year which related to the Company's NCIB. This compared with cash used of $2,589,728, in the prior year under the previous year's NCIB.

Cash provided by investing activities during the year was $3,947,090, compared to $29,226,470 used in the prior year. During the current year, $22,870,540 was used in the purchase of portfolio investments, while proceeds on the disposal of portfolio investments were $32,374,687. Short-term loans totaling $7,095,825 were provided and $1,550,000 was repaid. In the prior year, $31,673,476 was used to purchase portfolio investments, while proceeds on the disposal of portfolio investments were $4,088,556, and short-term loans of $6,167,070 were provided and $4,535,100 was repaid.

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 nine months ended January 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 January 31, 2010 include the Simmers loan valued at $10,693,000 and a receivable for $1,548,287. 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. Additional details are provided above under the section entitled, "Loans Receivable".

In January 2010, the Company entered into a secured debenture agreement to loan up to $500,000 to Castillian Resources with any amounts drawn being due and payable on June 30, 2010. Castillian drew down on the facility subsequent to January 31, 2010. 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, income taxes receivable, 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.

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

The following table illustrates the classification of the Company's financial instruments, measured at fair value on the balance sheet as at January 31, 2010, categorized into levels of the fair value hierarchy in accordance with Section 3862 of the CICA Handbook and as described in Notes 2, "Accounting changes":

		Level 1 *(Quoted Market price)*		**Level 2** *(Valuation technique-observable market Inputs)*		**Level 3** *(Valuation technique-non-observable market inputs)*
Cash	$	3,266,356	$	-	$	-
Investments						
Publicly traded investments	$	38,427,497	$	-	$	-
Non-trading warrants on public investments	$	-	$	10,865,535	$	-
Private investments	$	-	$	-	$	6,934,527

During the year ended January 31, 2010 transfers between Level 2 and Level 1 resulted from the Company exercising non-trading warrants on public investments to hold the public investments. Transfers between Level 3 and Level 1 resulted from the conversion of private investments into public investments through acquisition of the privately held investments by publicly-listed companies. The following table presents the changes in fair value measurements of financial instruments classified as Level 3 for the year ended January 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, February 1, 2009	$	5,262,283
Net purchases		4,067,200
Realized losses, net		(2,274,564)
Unrealized gains, net		1,754,608
Net transfer out of Level 3		(1,875,000)
Ending balance, January 31, 2010	$	6,934,527

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

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 January 31, 2010, and the nature of the relationship of the Company's officers or directors with the investment (estimated fair value as of January 31, 2010):

Investment	Nature of relationship		Estimated Fair value
Temujin Mining Corp.*	Directors and shareholders	$	3,758,400
Allana Resources Inc.	Shareholders		3,348,300
Apogee Minerals Ltd.	Directors and shareholders		1,226,528
Auger Resources Ltd.*	Directors and shareholders		500,000
Avion Gold Corp.	Directors and shareholders		6,002,634
Brazil Potash Corp.*	Directors and shareholders		1,776,127
Castillian Resources Corp.	Directors and shareholders		1,179,350
Crocodile Gold Inc.	Directors, officers and shareholders		16,929,174
Crow flight Minerals Inc.	Directors and shareholders		607,682
Dacha Capital Inc.	Directors, officers and shareholders		2,345,204
Kria Resources Inc.	Directors, officers and shareholders		561,880
Largo Resources Inc.	Directors and shareholders		896,250
Longford Energy Inc.	Directors and shareholders		1,207,170
Scandinavian Metals Inc.*	Directors and shareholders		500,000
Stetson Oil & Gas Ltd.	Directors and shareholders		177,000
Sulliden Gold Corporation Ltd.	Directors and shareholders		7,621,216
Vast Exploration Inc.	Directors and shareholders		1,518,170
Total of 11 other investments	Shareholders/w arrant holders		9,830,874
Total Investments		$	56,227,559

* Private company

In addition to the investments listed above, at January 31, 2010, Aberdeen had an equity investment in Forbes and Manhattan Coal Ltd., loans receivable from Amazon Potash Corp. and Temujin Mining Corp. and undrawn loan facilities with Kria Resources and Castillian Resources. Directors and officers of Aberdeen hold director and officer positions in these companies and may hold investments.

The Company was charged $90,000 during the year ended January 31, 2010 (2009 - $90,000) by a corporation controlled by a director of the Company for administration services.

During the year ended January 31, 2010, the Company earned advisory service fees of $142,000 (2009 – $1,272,500) from corporations with common directors and officers. Of the $142,000 advisory service fees, $12,500 (January 31, 2009 - $44,500) was receivable at January 31, 2010. In addition, the Company earned or accrued interest income and debt arrangement fees totaling $705,537 during the year ended January 31, 2010 from Temujin Mining Corp., Avion, Amazon Potash, Kria Resources and Russo-Forest (2009 – $872,076 from Largo Resources Inc., Avion and Russo-Forest), all of which have certain common directors with Aberdeen. Of the total interest earned or accrued, $584,921 was receivable at January 31, 2010 (January 31, 2009 - $76,072).

During the quarter ended January 31, 2010, the Company recorded a provision of $1,317,676 against the outstanding loans and interest receivable from Russo-Forest.

The Company paid or accrued $2,610,417 during the year ended January 31, 2010 (2009 – $590,917) to directors and officers of the Company for consulting services and fees for acting as directors and officers. Of the amounts paid, $1,905,000 was paid by way of bonus (2009 –$nil).

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 January 31, 2010 is $44,282 (January 31, 2009 - $20,258) owing to, $2,320 (January 31, 2009 - $nil) owing from, and $2,862 (January 31, 2009 - $Nil) advanced to such corporations. Such amounts are unsecured, non-interest bearing, with no fixed terms of repayment.

MANAGEMENT APPOINTMENTS

On September 1, 2009, the Company announced that David Stein had joined Aberdeen in the role of President and Chief Operating Officer. Mr. Stein comes to Aberdeen from Cormark Securities Inc., where he was most recently a mining equities analyst (gold mining), director and member of the executive committee. Mr. Stein joined Cormark's predecessor Sprott Securities Inc. in 2001 and has been a publishing analyst for nine years. Mr. Stein holds a Master of Science degree (Economic Geology) and Bachelor of Applied Science (Geological Engineering) from Queen's University, and is a CFA charter holder.

Subsequent to January 31, 2010, the Company announced the appointment of Stephan Theron as its new Chief Financial Officer ("CFO") and Senior Analyst effective February 1, 2010. 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 International, 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 amounts reported in the financial statements and accompanying notes. The following is a list of the accounting policies that the Company believes are critical, due to the degree of uncertainty regarding the estimates and assumptions involved and the magnitude of the asset, liability, revenue or expense being reported:

- Investments
- Royalty interests in mineral properties
- Revenue recognition
- Income taxes
- Stock-based compensation

Investments
At each financial reporting period, the Company's management estimates the fair value of investments based on the criteria below and reflects such valuations in the financial statements.

Investments which are designated, based on management's intentions, as held-for-trading using the fair value option are reported at fair value. The determination of fair value requires judgment and is based on market information where available and appropriate. At the end of each financial reporting period, the Company's management estimates the fair value of investments based on the criteria below and reflects such valuations in the financial statements. The Company is also required to present its investments (and other financial assets and liabilities reported at fair value) into three hierarchy levels (Level 1, 2, or 3) based on the transparency of inputs used in measuring the fair value, and to provide additional disclosure in connection therewith (see the section above entitled, "Financial Instruments").

(i) Publicly-traded investments:

1. Securities, including shares, options, and warrants which are traded on a recognized securities exchange and for which no sales restrictions apply are recorded at fair values based on quoted closing prices at the balance sheet date or the closing price on the last day the security traded if there were no trades at the balance sheet date. These are included in Level 1.
2. Securities which are traded on a recognized securities exchange but which are escrowed or otherwise restricted as to sale or transfer are recorded at amounts discounted from market value. Shares that are received as part of a private placement that are subject to a standard four-month hold period are not discounted. In determining the discount for such investments, the Company considers the nature and length of the restriction, business risk of the investee corporation, relative trading volume and price volatility and any other factors that may be relevant to the ongoing and realizable value of the investments. These are included in Level 2.
3. Warrants or options of publicly-traded securities which do not have a quoted price are carried at an estimated fair value calculated using the Black-Scholes option pricing model based on the underlying security. These are included in Level 2.

(ii) Privately-held investments:

1. Securities in privately-held companies are recorded at cost unless an upward adjustment is considered appropriate and supported by pervasive and objective evidence such as a significant subsequent equity financing by an unrelated, professional investor at a transaction price higher than the Company's carrying value. Downward adjustments to carrying values are made when there is evidence of a decline in value as indicated by the assessment of the financial condition of the investment based on third party financing, operational results, forecasts, and other developments since acquisition. These are included in Level 3.
2. Warrants or options of privately-held securities are carried at cost unless there is an upward or downward adjustment supported by pervasive and objective evidence such as significant subsequent equity financing by an unrelated, professional investor at a transaction price higher or lower than the Company's carrying value. These are included in Level 3.

(iii) Equity accounted investments:

Investments in which the Company has significant influence, but does not control, are accounted for using the equity method. Under the equity method, the investment is initially recorded at cost and the carrying value is adjusted thereafter, to reflect the Company's prorated share of income or losses of the equity accounted investment and any dividends received from the investment. The Company's share of net income and losses of such investments are included in the statements of operations and comprehensive income (loss).

The resulting values may differ from values that would be realized had a ready market existed. The amounts at which the Company's publicly-traded investments could be disposed of may differ from carrying values based on market quotes, as the value at which significant ownership positions are sold is often different than the quoted market price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity. The amounts at which the Company's privately-held investments could be disposed of may differ from the carrying value assigned.

Royalty Interests on Mineral Properties

The Company holds royalty interests in production stage mineral properties. Royalty interests are recorded at cost and capitalized as tangible assets. The carrying value of royalty interests are depleted using the unit-of-production method over the life of the property to which the royalty interest relates, which is estimated using available estimates of proven and probable reserves specifically associated with the mineral properties.

The Company evaluates its royalty interests on mineral properties for impairment whenever events or changes in circumstances, which may include significant changes in commodity prices and publicly available information from operators of the producing assets, indicate that the related carrying value of the royalty interests may not be recoverable. The recoverability of royalty interests is evaluated based upon estimated future undiscounted net cash flows from each royalty interest property using estimates of proven and probable reserves. Impairments in the carrying value of each property are measured and recorded to the extent that the carrying value of each property exceeds its estimated fair value, which is generally calculated using estimated discounted future cash flows.

Estimates of gold prices, operator's estimates of proven and probable reserves related to the royalty properties, and the operator's production profile are subject to certain risks and uncertainties which may affect the recoverability of the Company's investment in these royalty interests in mineral properties. Although the Company has made its best assessment of these factors based on current conditions, it is possible that changes could occur, which could adversely affect the net cash flows expected to be generated from these royalty interests.

Revenue Recognition

Security transactions are recorded on a trade basis. Previously, security transactions were recorded on a settlement basis. Additional detail on this change in accounting policy is provided below in this note under "Accounting changes". Realized gains and losses on the disposal of investments and unrealized gains and losses in the value of investments are reflected in the statements of operations and comprehensive income and are calculated on an average cost basis. Upon disposal of an investment, previously recognized unrealized gains or losses are reversed, so as to recognize the full realized gain or loss in the period of disposition. All transaction costs are expensed as incurred. Dividend income is recorded on the ex-dividend date. Interest income and other income are recorded on an accrual basis. Deferred revenue is recognized over the period for which the revenue is earned.

The Company earns royalty income as well as interest income. Such revenue is recognized based on contractual obligations and when ultimate collection is reasonably assured. The change in the estimated fair value of the convertible royalty loan agreement, prior to its conversion to separate loan and royalty agreements in February 2010, was recorded as revenue on the statement of operations and comprehensive income.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and the income tax bases of assets and liabilities, and are measured using the enacted or substantively enacted income tax rates and laws that are expected to be in effect when the temporary differences are expected to reverse. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of enactment or substantive enactment of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

Stock-Based Compensation

The Company records compensation cost based on the fair value method of accounting for stock-based compensation. The fair value of stock options is determined using the Black-Scholes option pricing model. The fair value of the options is recognized over the vesting period as compensation expense and contributed surplus. When options are exercised, the proceeds received, together with any related amount in contributed surplus, will be credited to common shares.

CHANGES IN ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS

Effective February 1, 2009, the Company adopted prospectively the following new CICA Handbook accounting and reporting standards for annual and interim financial statements:

(a) In January 2009, the CICA's Emerging Issues Committee concluded that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The application of incorporating credit risk into the fair value should result in entities re-measuring the financial assets and financial liabilities as at the beginning of the period of adoption. This abstract should be applied retrospectively without restatement of prior periods to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009. Retrospective application with restatement of prior periods is also permitted. The adoption of this standard did not impact the position or earnings of the Company.

(b) The CICA Handbook Section 3064, Goodwill and Intangible Assets, which clarifies that costs can be deferred only when they relate to an item that meets the definition of an asset. CICA Handbook Section 1000, Financial Statement Concepts, was also amended to provide consistency with this new standard. The adoption of this standard did not impact the financial position or earnings of the Company.

(c) In June 2009, the Canadian Accounting Standards Board ("AcSB") issued the amendments to CICA Handbook Section 3862, Financial Instruments - Disclosures, which reflect the corresponding amendments made by the International Accounting Standards Board to IFRS 7, Financial Instruments: Disclosures, in March 2009. The amendments require that all financial instruments measured at fair value be presented into one of the three hierarchy levels set forth below for disclosure purposes (see Note 16). Each level is based on the transparency of the inputs used to measure the fair value of assets and liabilities.

    (i) Level 1: Inputs are unadjusted quoted prices of identical instruments in active markets.

    (ii) Level 2: Valuation models which utilize predominately observable market inputs.

    (iii) Level 3: Valuation models which utilize predominately non-observable market inputs.

The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. The amendments to Section 3862 also require additional disclosure relating to the liquidity risk associated with financial instruments (see Note 16, "Fair value of financial instruments"). The amendments improve disclosure of financial instruments specifically as it relates to fair value measurements and liquidity risk. The adoption of the amendments did not impact the Company's financial position or results of operations.

(d) *Change in accounting policy* - Previously, security transactions were recorded on a settlement basis. Beginning the year ended January 31, 2010, the Company has recorded security transactions on a trade basis. As at January 31, 2010, the Company had recorded the purchase of investments with a market value of $464,078 that had not settled, resulting in an accrued liability of an equal and offsetting amount. This change in accounting policy did not result in any changes to the comparative figures at January 31, 2009 or for the periods then ended.

New 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 January 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. 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 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

RISKS AND UNCERTAINTIES

The investment in pre-IPO and early stage public resource companies involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. Certain risk factors listed below are related to investing in the resource industry in general while others are specific to Aberdeen. For an additional discussion of risk factors and other information please refer to the Company's Annual Information Form filed on April 30, 2009, under the profile of the Company at www.sedar.com.

Portfolio Exposure

Given the nature of Aberdeen's activities, the results of operations and financial condition of the Company are dependent upon the market value of the securities that comprise the Company's investment portfolio. Market value can be reflective of the actual or anticipated operating results of companies in the portfolio and/or the general market conditions that affect the resource sector. Various factors affecting the resource sector could have a negative impact on Aberdeen's portfolio of investments and thereby have an adverse effect on its business. Additionally, the Company's investments are mostly in small-cap businesses that may never mature or generate adequate returns or may require a number of years to do so. Junior exploration companies may never achieve commercial discoveries and production. This may create an irregular pattern in Aberdeen's investment gains and revenues (if any) and an investment in the Company's securities may only be suitable for investors who are prepared to hold their investment for a long period of time. Macro factors such as fluctuations in commodity prices and global political and economical conditions could have an adverse effect on the resource industry, thereby negatively affecting the Company's portfolio of investments. Company-specific risks, such as the risks associated with mining operations generally, could have an adverse effect on one or more of the investments in the portfolio at any point in time. Company-specific and industry-specific risks that materially adversely affect the Company's investment portfolio may have a materially adverse impact on operating results.

Dependence on Management, Directors and Investment Committee

Aberdeen is dependent upon the efforts, skill and business contacts of key members of management, for among other things, the information and deal flow they generate during the normal course of their activities and the synergies that exist amongst their various fields of expertise and knowledge. Accordingly, the Company's success may depend upon the continued service of these individuals who are not obligated to remain employed with Aberdeen. The loss of the services of any of these individuals could have a material adverse effect on the Company's revenues, net income and cash flows and could harm its ability to maintain or grow existing assets and raise additional funds in the future.

Cash Flow and Revenue

Aberdeen's revenue and cash flow is generated primarily from financing activities and proceeds from the disposition of investments, in addition to royalty income earned from the Simmers and First Uranium royalties. The availability of these sources of income and the amounts generated from these sources are dependent upon various factors, many of which are outside of the Company's direct control. The Company's liquidity and operating results may be adversely affected if its access to the capital markets is hindered, whether as a result of a downturn in the market conditions generally or to matters specific to the Company, or if the value of its investments decline, resulting in losses upon disposition.

Private Issuers and Illiquid Securities

Aberdeen invests in securities of private issuers. Securities of private issuers may be subject to trading restrictions, including hold periods, and there may not be any market for such securities. These limitations may impair the Company's ability to react quickly to market conditions or negotiate the most favourable terms for exiting such investments. Investments in private issuers are subject to a relatively high degree of risk. There can be no assurance that a public market will develop for any of Aberdeen's private company investments, or that the Company will otherwise be able to realize a return on such investments.

The value attributed to securities of private issuers will be the cost thereof, subject to adjustment in limited circumstances, and therefore may not reflect the amount for which they can actually be sold. Because valuations, and in particular valuations of investments for which market quotations are not readily available, are inherently uncertain, may fluctuate within short periods of time and may be based on estimates, determinations of fair value may differ materially from the values that would have resulted if a ready market had existed for the investments.

Aberdeen also invests in illiquid securities of public issuers. A considerable period of time may elapse between the time a decision is made to sell such securities and the time the Company is able to do so, and the value of such securities could decline during such period. Illiquid investments are subject to various risks, particularly the risk that the Company will be unable to realize its investment objectives by sale or other disposition at attractive prices or otherwise be unable to complete any exit strategy. In some cases, the Company may be prohibited by contract or by law from selling such securities for a period of time or otherwise be restricted from disposing of such securities. Furthermore, the types of investments made may require a substantial length of time to liquidate.

The Company may also make direct investments in publicly-traded securities that have low trading volumes. Accordingly, it may be difficult to make trades in these securities without adversely affecting the price of such securities.

Possible Volatility of Stock Price

The market prices of the Company's common shares and warrants have been and may continue to be subject to wide fluctuations in response to factors such as actual or anticipated variations in its results of operations, changes in financial estimates by securities analysts, general market conditions and other factors. Market fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations may adversely affect the market price of the common shares and warrants. The purchase of common shares and warrants involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Securities of the Company should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in the Company should not constitute a major portion of an investor's portfolio.

Trading Price of Common Shares Relative to Net Asset Value

Aberdeen is neither a mutual fund nor an investment fund and due to the nature of its business and investment strategy and the composition of its investment portfolio, the market price of its common shares, at any time, may vary significantly from the Company's net asset value per common share. This risk is separate and distinct from the risk that the market price of the Company's common shares may decrease.

Available Opportunities and Competition for Investments

The success of the Company's operations will depend upon: (i) the availability of appropriate investment opportunities; (ii) the Company's ability to identify, select, acquire, grow and exit those investments; and (iii) the Company's ability to generate funds for future investments. Aberdeen can expect to encounter competition from other entities having similar investment objectives, including institutional investors and strategic investors. These groups may compete for the same investments as Aberdeen, may be better capitalized, have more personnel, have a longer operating history and have different return targets. As a result, the Company may not be able to compete successfully for investments. In addition, competition for investments may lead to the price of such investments increasing that may further limit the Company's ability to generate desired returns. There can be no assurance that there will be a sufficient number of suitable investment opportunities available to invest in or that such investments can be made within a reasonable period of time. There can be no assurance that the Company will be able to identify suitable investment opportunities, acquire them at a reasonable cost or achieve an appropriate rate of return. Identifying attractive opportunities is difficult, highly competitive and involves a high degree of uncertainty. Potential returns from investments will be diminished to the extent that the Company is unable to find and make a sufficient number of investments.

Share Prices of Investments

Investments in securities of public companies are subject to volatility in the share prices of the companies. There can be no assurance that an active trading market for any of the subject shares is sustainable. The trading prices of the subject shares could be subject to wide fluctuations in response to various factors beyond Aberdeen's control, including, quarterly variations in the subject companies' results of operations, changes in earnings, results of exploration and development activities, estimates by analysts, conditions in the resource industry and general market or economic conditions. In recent years equity markets have experienced extreme price and volume fluctuations. These fluctuations have had a substantial effect on market prices, often unrelated to the operating performance of the specific companies. Such market fluctuations could adversely affect the market price of the Company's investments.

Concentration of Investments

Other than as described herein, there are no restrictions on the proportion of the Company's funds and no limit on the amount of funds that may be allocated to any particular investment. The Company may participate in a limited number of investments and, as a consequence, its financial results may be substantially adversely affected by the unfavourable performance of a single investment. Completion of one or more investments may result in a highly concentrated investment in a particular company, commodity or geographic area, resulting in the performance of the Company depending significantly on the performance of such company, commodity or geographic area.

Additional Financing Requirements

The Company anticipates ongoing requirements for funds to support its growth and may seek to obtain additional funds for these purposes through public or private equity, or debt financing. There are no assurances that additional funding will be available at all, on acceptable terms or at an acceptable level. Any additional equity financing may cause shareholders to experience dilution, and any debt financing would result in interest expense and possible restrictions on the Company's operations or ability to incur additional debt. Any limitations on the Company's ability to access the capital markets for additional funds could have a material adverse effect on its ability grow its investment portfolio.

No Guaranteed Return

There is no guarantee that an investment in the Company's securities will earn any positive return in the short term or long term. The task of identifying investment opportunities, monitoring such investments and realizing a significant return is difficult. Many organizations operated by persons of competence and integrity have been unable to make, manage and realize a return on such investments successfully. In addition, past performance provides no assurance of future success.

Management of Aberdeen's Growth

Significant growth in the business, as a result of acquisitions or otherwise, could place a strain on the Company's managerial, operational and financial resources and information systems. Future operating results will depend on the ability of senior management to manage rapidly changing business conditions, and to implement and improve the Company's technical, administrative and financial controls and reporting systems. No assurance can be given that the Company will succeed in these efforts. The failure to effectively manage and improve these systems could increase costs, which could have a materially adverse effect the Company's operating results and overall performance.

Due Diligence

The due diligence process undertaken by the Company in connection with investments may not reveal all facts that may be relevant in connection with an investment. Before making investments, the Company conducts due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, the Company may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, the Company relies on resources available, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence investigation that is carried out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful.

Exchange Rate Fluctuations

A significant portion of the Company's investment portfolio could be invested in US dollar denominated investments or other foreign currencies. Changes in the value of the foreign currencies in which the Company's investments are denominated could have a negative impact on the ultimate return on its investments and overall financial performance.

Non-controlling Interests

The Company's investments include debt instruments and equity securities of companies that it does not control. Such instruments and securities may be acquired through trading activities or through purchases of securities from the issuer. These investments are subject to the risk that the company in which the investment is made may make business, financial or management decisions with which Aberdeen does not agree or that the majority stakeholders or the management of the investee company may take risks or otherwise act in a manner that does not serve the company's interests. If any of the foregoing were to occur, the values of the Company's investments could decrease and its financial condition, results of operations and cash flow could suffer as a result.

Gold Prices

The revenue derived by Aberdeen from the royalties that it holds will be significantly affected by changes in the market price of gold. Gold prices fluctuate substantially and are affected by numerous factors beyond the control of Aberdeen, including levels of supply and demand, inflation and the level of interest rates, the strength of the US dollar and geopolitical events. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments.

Gold, by its nature, is subject to wide price fluctuations and future material price declines will result in a decrease in revenue or, in the case of severe declines that cause a suspension or termination of production, a complete cessation of revenue from these royalties. The gold market tends to be cyclical, and a general downturn in overall commodity prices could result in a significant decrease in overall revenue. Any such price decline may result in a material and adverse effect on Aberdeen's profitability, results of operation and financial condition.

Third Party Operations

The revenue derived from the royalties that Aberdeen holds is based on production by third party property owners and operators. Aberdeen does not participate in the decision making process, as the owners and operators have the power to determine the manner in which the subject properties are exploited, including decisions to expand, continue or reduce production from a property, decisions about the marketing of products extracted from the property and decisions to advance exploration efforts and conduct development of non-producing properties. The interests of third party owners and operators and those of Aberdeen on the relevant properties may not always be aligned. As an example, it will usually be in the interest of Aberdeen to advance development and production on properties as rapidly as possible in order to maximize near-term cash flow, while third party owners and operators may take a more cautious approach to development as they are at risk on the cost of development and operations. The inability of Aberdeen to control the operations for the properties in which it has a royalty interest may result in a material and adverse effect on Aberdeen's profitability, results of operation and financial condition.

Exploration, Development and Operating Risks

The exploration for, development, mining and processing of mineral deposits involves significant risks that even a combination of careful evaluation, experience and knowledge may not eliminate. Mining operations generally involve a high degree of risk. The mining operations of Simmers and First Uranium (the "Mining Operations") are subject to most of the hazards and risks normally encountered in the exploration, development and production of ore, including unusual and unexpected geology formations, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Further, First Uranium has publically disclosed difficulties regarding maintaining certain environmental permits required for development projects and also the need for additional financing. Any inability of First Uranium to resolve these issues could adversely affect Aberdeen and the revenue generated from its royalty.

Limited Access to Operations Information

As a royalty holder, Aberdeen has limited access to data on the operations and to the actual properties themselves. This could affect its ability to enhance the royalty's performance. This could also result in delays in cash flow that are anticipated by Aberdeen based on the stage of development of the properties covered by the Aberdeen's royalties. Aberdeen's royalty payments may be calculated by the royalty payors in a manner different from Aberdeen's projections and Aberdeen only has limited rights of audit with respect to such royalty interests. The limited access to data and disclosure regarding the operations of the properties in which Aberdeen has an interest may restrict Aberdeen's ability to enhance its performance that may result in a material and adverse effect on Aberdeen's profitability, results of operation and financial condition.

In addition, the Company relies on projections of gold production from the Mining Operations that are prepared by Simmers and First Uranium and their respective advisors for royalty valuation purposes. Differences between estimated and actual future gold production could result in an adverse effect on Aberdeen's results of operations and financial condition.

Potential Delays and Failures to Make Royalty Payments
Aberdeen is dependent to a large extent upon the financial viability and operational effectiveness of owners and operators of the properties that are subject to the royalties held by Aberdeen. Payments from production flow through the operator and there is a risk of delay and additional expense in receiving such revenues. Payments may be delayed by accidents, delays in the sale or delivery of products or the insolvency of the operator. Aberdeen's rights to payment under the royalties must, in most cases, be enforced by contract without the protection of a security interest over property that Aberdeen could readily liquidate. This inhibits Aberdeen's ability to collect outstanding royalties upon a default. In the event of a bankruptcy of an operator or owner, Aberdeen will be treated as an unsecured creditor and, therefore, have a limited prospect for full recovery of royalty revenue. Failure to receive any payments from Simmers or First Uranium may result in a material and adverse effect on Aberdeen's profitability, results of operation and financial condition.

Exchange Rate Fluctuations
Revenue from the Company's royalty is generated in US dollars based on the price of gold, which is quoted in US dollars. The fair value of the Company's royalty is estimated, for financial statement purposes, using a discounted cash flow analysis of expected cash flow from the royalty revenue. As a result, changes in the value of the US dollar against the Canadian dollar could have a negative impact on the valuation and eventual cash flow from the royalty and negatively affect the operating results and financial condition of the Company.

In addition, the Mining Operations on which the royalty is based are located in South Africa and a substantial portion of the Mining Operations' operating and capital costs are denominated in the South African rand. As a result, changes in the value of the US dollar against the South African rand could have an impact on operational decisions at the Mining Operations, which could negatively affect the operating results and financial condition of the Company.

Environmental Risks and Hazards
All phases of the Mining Operations are subject to environmental regulation in the various jurisdictions in which they operate. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Mining Operations. Environmental hazards may exist on the properties that are unknown to the Mining Operations at present that have been caused by previous or existing owners or operators of the properties. Simmers and First Uranium may become liable for such environmental hazards caused by previous owners or operators of the properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Government Regulation, Permits and Licences
The exploration and development activities related to the Mining Operations are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substance and other matters. Exploration, development and mining activities are also subject to various laws and regulations relating to the protection of the environment. These laws mandate, among other things, the maintenance of air and water quality standards and land reclamation. These laws also

place limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Although the Company is not aware that the Mining Operations are not currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail production or development, mining and milling or that more stringent implementation thereof could have a substantial adverse impact on the Mining Operations.

Government approvals, licences and permits are currently, and will in the future be, required in connection with the Mining Operations. To the extent such approvals are required and not obtained, the Mining Operations may be curtailed or prohibited from proceeding with planned operations, which could have an impact on the business and financial condition of the Company. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Mining Operations and cause reduction in levels of production or require abandonment or delays in operations at the Mining Operations. In particular, there have been calls in South Africa from the nationalization and expropriation without compensation of domestic mining assets. Any such development would have an adverse effect on Aberdeen.

Permitting
The Mining Operations are subject to receiving and maintaining permits from appropriate governmental authorities. Although the Company believes that the owners and operators of the Mining Operations currently have, or will obtain in due course, all required permits for their respective operations, there is no assurance that delays will not occur in connection with obtaining all necessary renewals of such permits for the existing operations, additional permits for any possible future changes to operations or additional permits associated with new legislation. Prior to any development on any of the properties, permits from appropriate governmental authorities may be required. There can be no assurance that the owners or operators of the Mining Operations will continue to hold all permits necessary to develop or continue operating at any particular property. In particular, First Uranium has publicly announced that it has received conflicting and ambiguous information regarding the status of the environmental authorization for a new tailings storage facility at its Mine Waste Solutions operation, which has caused First Uranium to delay construction of the tailing facility, has disrupted negotiation regarding required financing and has compromised First Uranium's financial position. Subject to a resolution of these issues, the uncertainty regarding the status of the environmental authorization could be expected to adversely affect Aberdeen and the revenue it receives under its royalties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed. Parties engaged in Mining Operations may be required to compensate those suffering loss or damage by reason of the mining activities and may be liable for civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permitting requirements, or more stringent application of existing laws, may have a material adverse impact on the owners or operators of the Mining Operations, resulting in increased capital expenditures or production costs, reduced levels of production at producing properties or abandonment or delays in development of properties.

Uncertainty of Mineral Reserve and Resource Estimates
Simmers and First Uranium, and consequently Aberdeen, have based their projection on future production and cash flows on estimates regarding mineral reserves and resources that are estimates only and no assurance can be given that the anticipated tonnage and grades will be achieved or that the expected level of recovery will be realized. The ore grade actually recovered may differ from the estimated grades of the reserves and resources. Such figures have been determined based upon assumed metal prices and operating costs.

Dependence on Good Relations with Employees
Production at the Mining Operations depends on the efforts of its employees. There is intense competition for geologists and persons with mining expertise. The ability of Simmers and First Uranium to hire and retain geologists and persons with mining expertise is key to the Mining Operations. Further, relations with employees may be affected by changes in the scheme of labour relations that may be introduced by the relevant South African governmental authorities. Changes in such legislation or otherwise in Simmers' and First Uranium's relationships with their employees may result in strikes, lockouts or other work stoppages, any of which could have a material adverse effect on the Mining Operations. To the extent these factors cause Simmers and First Uranium to decide to cease or curtail production at one or more of the properties, such decision could have a material adverse effect on the business and financial condition of the Company.

Uninsured Risks
The mining industry is subject to significant risks that could result in damage to, or destruction of, mineral properties or producing facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability. The Company believes that, where Simmers and First Uranium considers it practical to do so, they maintain insurance in amounts that it believes to be reasonable. Such insurance, however, contains exclusions and limitations on coverage. Accordingly, Simmers' and First Uranium's insurance policies may not provide coverage for all losses related to their business (and specifically do not cover environmental liabilities and losses). The occurrence of losses, liabilities or damage not covered by such insurance policies could have a material adverse effect on Simmers' and First Uranium's profitability, results of operations and financial condition. To the extent that these factors cause Simmers or First Uranium to cease or curtail production, such decision could have a material adverse effect on the business and financial condition of the Company.

Land Title
There can no assurances that there are no title defects affecting the Mining Operations. Simmers and First Uranium may not have conducted surveys of the claims in which they hold direct or indirect interests; therefore, the precise area and location of such claims may be in doubt. It is possible that the Mining Operations may be subject to prior unregistered liens, agreements, transfers or claims and title may be affected by, among other things, undetected defects. In addition, Simmers and First Uranium may be unable to operate the Mining Operations as permitted or to enforce its rights with respect to its Mining Operations. To the extent these factors cause Simmers or First Uranium to decide to cease or curtail production at one or more of the Mining Operations, such decision could have a material adverse effect on the business and financial condition of the Company.

South African Country Risks

The Mining Operations are subject to risks normally associated with the conduct of business in South Africa. Risks may include, among others, problems relating to power supply, labour disputes, delays or invalidation of governmental orders and permits, corruption, uncertain political and economic environments, civil disturbances and crime, arbitrary changes in laws or policies, foreign taxation and exchange controls, opposition to mining from environmental or other non-governmental organizations or changes in the political attitude towards mining, limitations on foreign ownership, limitations on repatriation of earnings, infrastructure limitations and increased financing costs. There have been recent calls in South Africa from the nationalization and expropriation without compensation of domestic mining assets. Any such development would have an adverse effect on Aberdeen. HIV is prevalent in Southern Africa. Employees of Simmers and First Uranium may have or could contract this potentially deadly virus. The prevalence of HIV could cause substantial lost employee man-hours and may make finding skilled labour more difficult. The above risks may limit or disrupt Simmers' and First Uranium's business activities. The Mining Operations must remain compliant with the Mining Charter and the Black Economic Empowerment ("BEE") participation requirements. However, no assurance can be given that Simmers and First Uranium will be able to meet the objectives of the Mining Charter going forward, including the 26% historically disadvantaged South Africans ownership objective. There is also no guarantee that the interests of Simmers and First Uranium will be wholly aligned with the interests of its (direct or indirect) BEE shareholders.

SUBSEQUENT EVENTS

Amazon Potash Secured Note Receivable

Subsequent to January 31, 2010, the terms to the loan agreements between Amazon Potash and Aberdeen were amended as outlined above under the section entitled "Loans Receivable".

Normal Course Issuer Bid

On February 4, 2010, subsequent to the yearend, the Company announced its intention to make a Normal Course Issuer Bid, 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 most recently announced NCIB, based on the public float as at January 29, 2010, the maximum number of shares would be 7,535,000. 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. As at the date of this MD&A, no purchases had been made.

Option issuances

In February 2010, a total of 1,785,000 options were issued with exercise prices ranging from $0.43 - $0.47, expiring 5 years from the date of grant. 50,000 options vest over a two year period in quarterly installments, with the first tranche vesting upon grant. The remainder of the options vested immediately, subject to regulatory approval.

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. In connection with the restatement of the Company's previously issued quarterly interim financial statements as of April 30, 2009, July 31, 2009 and October 31, 2009, management, with the participation of the Chief Executive Officer and the Chief Financial Officer, has determined that as of January 31, 2010, the Company's disclosure controls and procedures were not effective because of the material weakness in internal controls over financial reporting described below.

Internal controls over financial reporting
Management is responsible for certifying the design of the Company's internal control over financial reporting ("ICFR") as required by Multilateral Instrument 52-109 – "Certification of Disclosure in Issuers' Annual and Interim Filings." The Company's ICFR is intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable Canadian GAAP. ICFR should include those policies and procedures that establish the following:

- maintenance of records in reasonable detail, that accurately and fairly reflect the transactions and dispositions of our assets;
- reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with applicable Canadian GAAP;
- receipts and expenditures are only being made in accordance with authorizations of management and the Board of Directors; and
- reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, ICFR may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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, as at January 31, 2010.

A material weakness is a deficiency, or a combination of deficiencies, in internal controls over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness in internal control over financial reporting as of January 31, 2010 existed as management did not have sufficient accounting personnel to appropriately review and approve complex accounting transactions. The material weakness resulted in the restatement of the Company's previously issued quarterly interim financial statements as of April 30, 2009, July 31, 2009 and October 31, 2009 to correct reported results of operations from the Company's royalty interests on mineral properties.

Effective April 2010, the Company has remedied this weakness by the recruitment of additional accounting staff.

SUPPLEMENT TO THE FINANCIAL STATEMENTS

As at April 15, 2010, the following common shares, common share purchase options and share purchase warrants were issued and outstanding:

- 87,503,839 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.