



# ABERDEEN

INTERNATIONAL

## **FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED**

**JANUARY 31, 2011 AND 2010**



McGovern, Hurley, Cunningham, LLP  
Chartered Accountants

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Aberdeen International Inc.

We have audited the accompanying financial statements of Aberdeen International Inc., which comprise the balance sheets as at January 31, 2011 and 2010, and the statements of operations and comprehensive income, statements of cash flows and statements of shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Aberdeen International Inc. as at January 31, 2011 and 2010, and its financial performance and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

McGOVERN, HURLEY, CUNNINGHAM, LLP

Chartered Accountants  
Licensed Public Accountants

TORONTO, Canada  
April 11, 2011

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**ABERDEEN INTERNATIONAL INC.****BALANCE SHEET**

As at,

	January 31, 2011	January 31, 2010
	\$	\$
<b>ASSETS</b>		
Current		
Cash	14,049,856	3,266,356
Investments, at fair value (Notes 3(a to d) and 12)	105,827,444	56,227,559
Equity accounted investments (Note 3(e))	-	800,000
Amounts receivable (Notes 5 and 12)	2,695,725	2,206,775
Income taxes recoverable	-	1,727,615
Loan - Simmer & Jack (Note 5)	10,015,000	10,693,000
Loans receivable (Notes 4 and 12)	7,023,452	8,246,565
Prepaid expenses	461,931	14,508
	<b>140,073,408</b>	83,182,378
Long-term		
Royalty interests on mineral properties, net (Note 6)	28,183,500	35,045,928
Equipment, net	37,794	54,000
	<b>168,294,702</b>	118,282,306
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities (Note 12)	6,445,771	1,716,233
Securities sold short (Note 3(b))	1,017,704	-
Income taxes payable	1,815,618	-
Deferred revenue (Note 4)	-	414,400
Future income taxes (Note 14)	16,198,000	4,468,000
	<b>25,477,093</b>	6,598,633
Long-term		
Future income taxes (Note 14)	6,503,000	8,516,000
	<b>31,980,093</b>	15,114,633
<b>SHAREHOLDERS' EQUITY</b>		
Common shares (Note 7)	43,600,623	44,174,159
Warrants (Note 8)	15,750,000	15,750,000
Contributed surplus (Note 10)	12,668,256	12,016,560
	<b>72,018,879</b>	71,940,719
Retained earnings	70,293,150	35,501,715
Accumulated other comprehensive loss (Note 6)	(5,997,420)	(4,274,761)
	<b>136,314,609</b>	103,167,673
	<b>168,294,702</b>	118,282,306

COMMITMENTS AND CONTINGENCIES (Notes 5 and 13)

SUBSEQUENT EVENTS (Notes 4, 11, and 17)

Approved on Behalf of the Board of Directors:

"Bernard Wilson" (signed)

Bernard Wilson, Director

"George Faught" (signed)

George Faught, Director

The accompanying notes are an integral part of the financial statements

**ABERDEEN INTERNATIONAL INC.**  
**STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**  
For the years ended January 31,

	2011	2010
	\$	\$
Net investment gains (losses)		
Realized gain (loss) on investments, net	17,498,258	(4,587,750)
Unrealized gain on investments, net	43,746,429	39,523,022
Loss from equity accounted investments (Note 3(e))	(353,189)	(972,268)
	<b>60,891,498</b>	<b>33,963,004</b>
Other revenue		
Royalties	2,009,725	1,846,701
Unrealized gain on Simmer & Jack convertible royalty loan (Note 5)	-	300,987
Write-down of royalty interests on mineral properties (Note 6)	(3,904,772)	-
Provision for loan receivable (Note 4)	(1,758,018)	(1,317,676)
Interest income (Note 12)	764,177	784,196
Advisory service fees (Note 12)	539,344	142,000
Other (Note 12)	20,000	-
	<b>(2,329,544)</b>	<b>1,756,208</b>
Expenses		
General and administration (Note 12)	8,598,677	4,246,940
Stock-based compensation (Note 9)	644,683	120,305
Transaction costs	273,404	179,927
Interest expenses	217,043	16,481
Depletion on royalty interests on mineral properties (Note 6)	753,995	863,099
Amortization	16,206	13,255
	<b>10,504,008</b>	<b>5,440,007</b>
Income before the undernoted	48,057,946	30,279,205
Foreign exchange loss	(884,071)	(2,008,103)
Income before income taxes	47,173,875	28,271,102
Income taxes (Note 14)		
Current income tax (provision) recovery	(2,135,673)	1,347,891
Future income tax provision	(10,198,000)	(8,004,000)
<b>Net income for the year</b>	<b>34,840,202</b>	<b>21,614,993</b>
<b>Other comprehensive loss items</b>		
Currency translation adjustment, net of taxes (Note 6)	(1,722,659)	(4,274,761)
<b>Comprehensive income for the year</b>	<b>33,117,543</b>	<b>17,340,232</b>
Basic net income per share	0.40	0.24
Diluted income per share	0.37	0.23
Weighted average number of common shares outstanding		
- basic	87,238,597	89,757,283
- diluted	92,961,542	92,146,032

The accompanying notes are an integral part of the financial statements

**ABERDEEN INTERNATIONAL INC.****STATEMENTS OF CASH FLOWS**

For the years ended January 31,

	2011	2010
	\$	\$
<b>CASH (USED IN) PROVIDED BY</b>		
<b>OPERATING ACTIVITIES:</b>		
Net income for the year	34,840,202	21,614,993
Adjustments to reconcile net income to cash provided from operating activities:		
Realized (gain) loss on investments, net	(17,498,258)	4,587,750
Unrealized (gain) on investments, net	(43,746,429)	(39,523,022)
Loss from equity accounted investments	353,189	972,268
Unrealized (gain) on Simmer & Jack convertible royalty loan	-	(300,987)
Write-down of royalty interests on mineral properties	3,904,772	
Provision for loan receivable	1,758,018	1,317,676
Depletion on royalty interests on mineral properties	753,995	863,099
Arrangement fee income	(502,665)	(28,098)
Stock-based compensation (Note 9)	644,683	120,305
Amortization	16,206	13,255
Unrealized foreign exchange	735,001	1,691,526
Future income taxes	10,198,000	8,004,000
	<b>(8,543,286)</b>	<b>(667,235)</b>
Change in non-cash working capital balances related to operations		
Prepaid and other amounts receivable	(1,272,429)	832,734
Income taxes recoverable	1,727,615	(1,394,478)
Accounts payable and accrued liabilities	5,165,594	973,866
Income taxes payable	1,815,618	-
	<b>(1,106,888)</b>	<b>(255,113)</b>
<b>FINANCING ACTIVITIES:</b>		
Shares repurchased and cancelled (Note 11)	(674,090)	(1,782,057)
Shares issued through options exercised	58,800	-
	<b>(615,290)</b>	<b>(1,782,057)</b>
<b>INVESTING ACTIVITIES:</b>		
Purchase of investments	(22,911,789)	(22,870,540)
Disposal of investments	38,184,338	32,374,687
Advanced for investment	(442,371)	-
Short-term loans provided	(5,713,500)	(7,095,825)
Short-term loans repaid	3,389,000	1,550,000
Purchase of equipment	-	(11,232)
	<b>12,505,678</b>	<b>3,947,090</b>
<b>CHANGE IN CASH</b>	<b>10,783,500</b>	<b>1,909,920</b>
CASH, beginning of year	3,266,356	1,356,436
CASH, end of year	<b>14,049,856</b>	<b>3,266,356</b>
<b>SUPPLEMENTAL INFORMATION</b>		
Special warrants / shares received in conversion of debenture receivable (Note 4)	2,160,000	-
Shares received for extension and settlement of loan receivable (Note 4)	2,173,736	-
Shares received in conversion of special warrants (Note 3)	1,694,549	-
Warrants received on debt financing (Note 4)	49,210	7,550
Income taxes (recovery) paid	(77,684)	221,241
Interest paid	215,548	16,481

The accompanying notes are an integral part of the financial statements

**ABERDEEN INTERNATIONAL INC.**  
**STATEMENTS OF SHAREHOLDERS' EQUITY**

	Common shares		Share purchase warrants	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Shareholders' equity
	#	\$	\$	\$	\$	\$	\$
<b>Balance - January 31, 2009</b>	<b>94,874,339</b>	<b>47,894,974</b>	<b>17,203,500</b>	<b>8,503,997</b>	<b>13,886,722</b>	-	<b>87,489,193</b>
Cancellation of repurchased common shares	(7,370,500)	(3,720,815)	-	1,938,758	-	-	(1,782,057)
Warrants expired unexercised	-	-	(1,453,500)	1,453,500	-	-	-
Stock-based compensation expense	-	-	-	120,305	-	-	120,305
Net income for the year	-	-	-	-	21,614,993	-	21,614,993
Currency translation adjustment (Note 6)	-	-	-	-	-	(4,274,761)	(4,274,761)
<b>Balance - January 31, 2010</b>	<b>87,503,839</b>	<b>44,174,159</b>	<b>15,750,000</b>	<b>12,016,560</b>	<b>35,501,715</b>	<b>(4,274,761)</b>	<b>103,167,673</b>
Option exercised	490,000	90,257	-	(31,457)	-	-	58,800
Cancellation of repurchased common shares	(1,316,500)	(663,793)	-	38,470	(48,767)	-	(674,090)
Stock-based compensation expense	-	-	-	644,683	-	-	644,683
Net income for the year	-	-	-	-	34,840,202	-	34,840,202
Currency translation adjustment (Note 6)	-	-	-	-	-	(1,722,659)	(1,722,659)
<b>Balance - January 31, 2011</b>	<b>86,677,339</b>	<b>43,600,623</b>	<b>15,750,000</b>	<b>12,668,256</b>	<b>70,293,150</b>	<b>(5,997,420)</b>	<b>136,314,609</b>

The accompanying notes are an integral part of the financial statements

**ABERDEEN INTERNATIONAL INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
For the years ended January 31, 2011 and 2010

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**1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION**

Aberdeen International Inc. ("Aberdeen", or the "Company") operates as a publicly traded global investment and merchant banking company focused on small capitalization companies in the resource sector. Aberdeen seeks to acquire equity participation in pre-IPO and early stage public resource companies with undeveloped or undervalued high-quality resources. Aberdeen focuses on companies that: (i) are in need of managerial, technical and financial resources to realize their full potential; (ii) are undervalued in foreign capital markets; or, (iii) operate in jurisdictions with low to moderate local political risk.

The Company's management has prepared these financial statements for the year ended January 31, 2011 in accordance with generally accepted accounting principles in Canada ("GAAP") on a basis consistent with the prior year. These financial statements have incorporated new accounting standards, the impact of which is summarized in Note 2.

**2. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and their basis of application is consistent with that in the previous year except as disclosed. Outlined below are those policies considered particularly significant.

**a) Use of estimates**

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions about future events that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates and assumptions affect the carrying value of assets, such as the valuation of the Company's investment portfolio, royalties and loans. Other significant estimates made by the Company include factors affecting, among other items, the valuation of stock-based compensation, warrants and broker compensation options and income tax accounts. The Company regularly reviews its estimates and assumptions; however, actual results could differ from these estimates and these differences could be material.

**b) Cash and cash equivalents**

Cash and cash equivalents are comprised of cash on hand and deposits that generally mature within 90 days from the date of acquisition. Deposits are held in Canadian chartered banks or in a financial institution controlled by a Canadian chartered bank. As of January 31, 2011 and 2010, the Company did not have any cash equivalents.

**c) 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, management estimates the fair value of investments based on the criteria below and reflects such valuations in the financial statements and any changes in fair value are reflected in operations. The Company is also required to present its investments (and other financial assets and liabilities reported at fair value) into three hierarchy levels (Levels 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 Note 16, "Fair value of financial instruments").

**ABERDEEN INTERNATIONAL INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
For the years ended January 31, 2011 and 2010

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**c) Investments (Continued)**

(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 in Note 16.
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 in Note 16.
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 in Note 16.
4. Performance Shares are convertible into common shares when the investee companies meet certain milestones. These Performance Shares are recorded at fair value when the certainty of meeting these milestones is probable. These are included in Level 3 in Note 16.

(ii) Privately-held investments:

1. Securities in privately-held companies (other than options and warrants) 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 in Note 16. Options and warrants of private companies are carried at nil.

(iii) Other investment instruments:

1. Secured debentures are carried at cost. The recoverability of the secured debentures is assessed when events occur indicating impairment. Recoverability is based on factors such as failure to pay interest on time and failure to pay the principal. An impairment loss is recognized in the period when it is determined that the carrying amount of the assets will not be recoverable. At that time the carrying amount is written down to fair value. Secured debentures are financial instruments classified as loans and receivables.
2. Convertible debentures and convertible notes issued to publicly traded companies are carried at the higher of the value of the loan or the fair value of the common shares or units receivable from the conversion assuming the conversion can be done at the Company's option. The conversion feature of convertible debentures and convertible notes issued to private companies are carried at nominal value. Convertible debentures and convertible notes are financial instruments classified as held for trading.



**ABERDEEN INTERNATIONAL INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
For the years ended January 31, 2011 and 2010

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**c) Investments (Continued)**

(iv) 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 is included in the statements of operations and comprehensive income.

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. Such differences could be material.

**d) 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.

**e) Equipment**

Amortization of equipment is calculated on an annual basis over the estimated useful lives of the equipment using the following rates and methods:

Computer equipment - 30% declining balance  
Leasehold improvement – 20% straight line

**ABERDEEN INTERNATIONAL INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
For the years ended January 31, 2011 and 2010

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**f) 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.

**g) Foreign currency translation**

The Company's reporting currency is the Canadian dollar. The functional currency of Aberdeen's operations is the Canadian dollar with the exception of the Company's royalty division, which has a United States dollar ("US dollar") functional currency. Monetary assets and liabilities denominated in other than the functional currency are translated at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities are translated using historical rates. Revenues and expenses denominated in other than the functional currency are translated at rates of exchange in effect during the fiscal year. Gains and losses on translation are included in results from operations for the period.

The functional currency of the Company's royalty division, which has been determined to be a self-sustaining division, is the US dollar. All assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Revenues and expenses are translated at rates of exchange in effect during the period. Gains and losses on translation are included in equity as a separate component of other comprehensive income or loss.

**h) Earnings per share**

Basic earnings per share is calculated by dividing the net earnings by the weighted-average number of the Company's common shares outstanding during the period. Diluted earnings per share is calculated by dividing the applicable net earnings by the sum of the weighted-average number of common shares outstanding if dilutive common shares had been issued during the period. The treasury stock method is used to compute the dilutive effect of common share purchase warrants and stock options. The treasury stock method assumes that outstanding stock options and warrants with an average exercise price below market price of the underlying shares are exercised and the assumed proceeds are used to repurchase common shares of the Company at the average market price for the period. If the Company has a net loss, diluted loss per share is calculated using the basic weighted average shares outstanding because to do otherwise would be anti-dilutive. For fiscal year 2011, the diluted weighted average number of common shares outstanding excluded 950,000 options and 37,500,000 warrants as they were anti-dilutive. For fiscal 2010, the diluted weighted average number of common shares outstanding excluded 1,750,000 options and 42,000,000 warrants as they were anti-dilutive.

**i) Revenue recognition**

Realized gains and losses on the disposal of investments and unrealized gains and losses in the value of investments are reflected in the statement of operations and comprehensive income on a trade date basis 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.

**ABERDEEN INTERNATIONAL INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
For the years ended January 31, 2011 and 2010

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**i) Revenue recognition (continued)**

The Company earns royalty income as well as interest income. Such revenue is recognized based on contractual obligations and when collection is reasonably assured. The period change in the estimated fair value of the convertible royalty loan agreement described in Note 2(d), 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.

**j) 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.

**k) Comparative figures**

Certain comparative amounts have been reclassified to conform to the current year's presentation.

**l) Future accounting pronouncements**

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

This new standard is applicable to business combinations realized during fiscal years beginning on or after January 1, 2011. The Company expects to implement this standard in its first quarter of fiscal year 2012. This new section requires that most identifiable assets, liabilities, non-controlling interests and goodwill acquired in a business combination be recorded at "full fair value" and that liabilities associated with restructuring or exit activities be recognized only if they meet the definition of a liability as of the acquisition date. In addition, direct acquisition costs must be expensed when incurred.

At January 31, 2011, the Company does not believe the adoption of this standard will have a material impact on its financial statements.

- (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, 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.

**ABERDEEN INTERNATIONAL INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended January 31, 2011 and 2010

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I) Future accounting pronouncements (Continued)**

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. The Company is currently assessing the impact of these standards on any future acquisitions.

- (c) On February 13, 2008, the Accounting Standards Board confirmed January 1, 2011 as the official changeover date for publicly listed Canadian companies to begin using International Financial Reporting Standards ("IFRS") in place of GAAP as the basis for preparation of financial statements. The Company will implement these standards in its first quarter of fiscal year 2012 (April 30, 2011), with comparatives in the prior year. The Company will adopt IFRS for its fiscal year beginning February 1, 2011. The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company's reported financial position and results of operations. Management is currently assessing the impact of adopting IFRS and it has not yet determined its effect on the Company's financial statements.

**3. INVESTMENTS**

The Company's investment portfolio consists of 14 privately-traded investments and 26 publicly-traded investments for a total fair value of \$104,809,740 as of January 31, 2011.

The Company's investment portfolio consisted of 6 privately-traded investments and 23 publicly-traded investments for a total fair value of \$56,227,559 as of January 31, 2010.

- (a) At January 31, 2011, the Company's privately-traded investments consisted of the following:

Private Issuer	Note	Security description	Cost	Estimated Fair value	% of FV
Black Iron Inc.*	(iii)	4,000,000 common shares	\$ 1,100,000	\$ 2,000,000	1.9%
Auger Resources Ltd.	(iii)	2,000,000 common shares	1,000,000	200,000	0.2%
Brazil Potash Corp.	(iii)	1,650,062 common shares	2,500,000	1,652,537	1.6%
Potash Atlantico Corp.	(ii,iii)	3,186,612 common shares	1,653,183	3,191,392	3.0%
Raven Minerals Corp.	(ii)	1,600,000 common shares	400,000	1,440,000	1.4%
		800,000 warrants expire July 30, 2011			
Scandinavian Metals Inc.	(ii,iii)	2,000,000 common shares	1,000,000	100,000	0.1%
Temujin Mining Corp.**	(ii,iii)	12,819,091 common shares	5,657,000	5,657,000	5.4%
		9,090,909 penalty shares B			
		1,410,000 warrants expire Nov 26, 2011			
		600,000 warrants expire Jan 14, 2012			
		4,545,455 warrants expire Jan 29, 2012			
Total of 7 other investments	(iv)		4,406,981	4,338,679	4.1%
Total private investments			\$ 17,717,164	\$ 18,579,608	17.7%

\* publicly listed on March 29, 2011

\*\* Penalty share B will convert to common shares if future IPO or RTO issuance price is below the subscription price of \$0.55 per share

**ABERDEEN INTERNATIONAL INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended January 31, 2011 and 2010

**3. INVESTMENTS (Continued)**

(b) At January 31, 2011, the Company's publicly-traded investments consisted of the following:

Public Issuer	Note	Security description	Cost	Estimated Fair value	% of FV
Aguia Resources Ltd.*	(ii)	1,521,583 common shares 4,145,556 performance shares A (Note 4) 3,318,763 performance shares B (Note 4)	\$ 614,793	\$ 3,682,904	3.5%
Alderon Resources Corp.	(iii)	500,000 common shares	500,000	1,775,000	1.7%
Alder Resources Ltd.	(iii)	1,000,000 common shares	250,000	175,000	0.2%
Apogee Minerals Ltd.	(iii)	5,350,000 common shares 1,175,000 warrants expire April 30, 2011 1,250,000 warrants expire Dec 22, 2011	1,039,945	2,766,735	2.6%
Avion Gold Corporation	(iii)	1,591,800 common shares 2,500,000 warrants expire May 8, 2011	1,171,137	5,013,216	4.8%
Belo Sun Mining Corp.**	(iii)	3,708,667 common shares 3,000,000 warrants expire March 3, 2012	2,297,428	4,407,980	4.2%
Castillian Resources Corp.	(iii)	11,410,000 common shares 1,000,000 warrants expire June 30, 2011	2,032,656	1,766,400	1.7%
Crocodile Gold Corp.	(iii)	1,245,866 common shares	1,053,914	1,669,460	1.6%
Dacha Strategic Metals Inc.***	(iii)	3,680,362 common shares 2,501,551 warrants expire June 16, 2014	1,755,913	2,061,699	2.0%
Eurocontrol Technics Inc.	(iii)	1,333,333 common shares 1,333,333 warrants expire Sep 27, 2012	200,000	314,267	0.3%
Forbes & Manhattan (Coal) Corp.	(iii)	1,705,196 common shares 1,100,000 performance shares	2,641,360	7,758,642	7.4%
Kria Resources Ltd.	(iii)	2,299,000 common shares	2,163,278	977,075	0.9%
Largo Resources Ltd.	(iii)	3,983,333 common shares	551,000	2,111,166	2.0%
Longford Energy Inc.	(iii)	3,259,869 common shares	1,109,331	1,287,659	1.2%
Pitchblack Resources Ltd.****	(ii,iii)	3,030,303 common shares 3,030,303 warrants expire Oct 29, 2012	500,000	2,301,818	2.2%
Rodinia Lithium Inc.	(iii)	3,833,333 common shares 416,667 warrants expire Sep 10, 2012	1,750,000	2,360,000	2.3%
Stetson Oil & Gas Ltd.	(ii,iii)	10,000,000 preferred shares	-	200,000	0.2%
Sulliden Gold Corporation Ltd.	(iii)	13,239,141 common shares 769,231 warrants expire April 23, 2011	7,240,259	31,185,004	29.8%
Vast Exploration Inc.	(iii)	1,350,000 common shares 1,000,000 warrants expire June 5, 2011	600,402	1,100,000	1.0%
Total of 7 other investments	(iv)		1,217,596	13,316,107	12.7%
<b>Total public investments</b>			<b>\$ 28,689,012</b>	<b>\$ 86,230,132</b>	<b>82.3%</b>
<b>Total investments</b>			<b>\$ 46,406,176</b>	<b>\$ 104,809,740</b>	<b>100.0%</b>
Reconciliation:					
		Investments held as financial assets	\$ 47,401,879	\$ 105,827,445	
		Investments held as financial liabilities	(995,703)	(1,017,705)	
		<b>Total investments</b>	<b>\$ 46,406,176</b>	<b>\$ 104,809,740</b>	

\* Formerly New port Mining Ltd.,

\*\* Formerly Verena Minerals Corp.

\*\*\* Formerly Dacha Capital Inc., exercise price at \$0.42 until June 16, 2012, \$0.50 after June 16, 2012

\*\*\*\* Formerly Cash Minerals Ltd.

- (i) The Company has issued a Section 102 report under the Ontario Securities Act for this investment.
- (ii) The Company owns, on a partially diluted basis, at least a 10% interest in the investee as at January 31, 2011.
- (iii) A director and/or officer of the Company is a director and/or officer of the investee corporation.
- (iv) Total other investments held by the Company, which are not individually listed as at January 31, 2011. Directors and officers may hold investments personally.

**ABERDEEN INTERNATIONAL INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended January 31, 2011 and 2010

**3. INVESTMENTS (Continued)**

(c) At January 31, 2010, the Company's privately-traded investments consisted of the following:

Private Issuer	Note	Security description	Cost	Estimated Fair value	% of FV
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%
Brazil Potash Corp.	(iii)	1,650,062 common shares	2,500,000	1,776,127	3.2%
Raven Minerals Corp.	(ii)	1,600,000 common shares 800,000 warrants expire July 30, 2011	400,000	400,000	0.7%
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%
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	6.6%
Amazon Potash Corp.	(iii)	2,800,000 common shares	-	-	-
<b>Total private investments</b>			<b>\$ 8,567,200</b>	<b>\$ 6,934,527</b>	<b>12.3%</b>

(d) At January 31, 2010, the Company's publicly-traded investments consisted of the following:

Public Issuer	Note	Security description	Cost	Estimated Fair value	% of FV
Allana Resources Inc.	(iii)	6,750,000 common shares 2,000,000 warrants expire May 22, 2011 2,375,000 warrants expire June 16, 2011	\$ 1,220,000	\$ 3,348,300	6.0%
Apogee Minerals Ltd.	(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 Dec 22, 2011	2,391,000	1,226,528	2.2%
Avion Gold Corporation	(iii)	8,774,400 common shares 2,500,000 warrants expire May 8, 2011	3,631,919	6,002,634	10.7%
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.	(i,ii,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	30.0%
Crow flight 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 warrants expire June 16, 2014	825,512	2,345,204	4.2%
Kria Resources Ltd.	(iii)	2,599,000 common shares 375,000 warrants expire November 19, 2009 1,000,000 warrants expire June 9, 2010 50,000 warrants expire June 16, 2010	2,599,000	561,880	1.0%
Largo Resources Ltd.	(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%
Stetson Oil & Gas Ltd.	(ii,iii)	10,000,000 preferred shares 10,000,000 warrants expire Sept 17, 2010	740,290	177,000	0.3%
Sulliden Gold Corporation Ltd.	(i,iii)	10,403,303 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%
<b>Total of 10 other investments</b>	(iv)		<b>4,874,928</b>	<b>5,672,474</b>	<b>10.1%</b>
<b>Total public investments</b>			<b>\$ 31,846,841</b>	<b>\$ 49,293,032</b>	<b>87.7%</b>
<b>Total investments</b>			<b>\$ 40,414,041</b>	<b>\$ 56,227,559</b>	<b>100.0%</b>

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

- (i) The Company has issued a Section 102 report under the Ontario Securities Act for this investment.
- (ii) The Company owns, on a partially diluted basis, at least a 10% interest in the investee as at January 31, 2010.
- (iii) A director and/or officer of the Company is a director and/or officer of the investee corporation.
- (iv) Total other investments held by the Company, which are not individually listed as at January 31, 2010. Directors and officers may hold investments personally.

**ABERDEEN INTERNATIONAL INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended January 31, 2011 and 2010

**3. INVESTMENTS (Continued)**

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

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

The following is a schedule of the Company's equity accounted investments as at January 31, 2011 and 2010:

	January 31, 2011	January 31, 2010
Equity accounted investment – carrying value – beginning of year	\$ 800,000	\$ 1,924,387
Acquisition of equity accounted investment	500,000	800,000
Loss on equity investment	(353,189)	(972,268)
Reclassification of equity accounted investment to portfolio investment	(946,811)	(952,119)
Equity accounted investment – carrying value – end of year	\$ -	\$ 800,000

Directors of Aberdeen, Stan Bharti and Michael Hoffman, are also directors of Castillian.

A director, officer and former officer of Aberdeen, Stan Bharti, David Stein and Stephan Theron, also serve as directors and an officer of Forbes Coal.

**4. LOANS RECEIVABLE**

At January 31, 2011 and 2010, the Company's loans receivable consisted of the following:

	January 31, 2011	January 31, 2010
Temujin Mining Corp. convertible debenture	\$ 3,629,960	\$ 6,415,800
Castillian Resources Corp. convertible debenture	1,641,617	-
China Railway Mining Corp. convertible debenture	1,251,875	-
Kria Resources Ltd. secured debenture	500,000	-
Amazon Potash Corp. secured debenture	-	1,830,765
	\$ 7,023,452	\$ 8,246,565

**ABERDEEN INTERNATIONAL INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
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**4. LOANS RECEIVABLE (Continued)**

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 repayable on December 31, 2010 and subject to interest at a rate of 10% per annum. 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 of Kria Resources at any time prior to June 16, 2010. The grant date fair value of the warrants issued was determined to be nominal and no value was recorded. These warrants expired unexercised. Kria Resources paid the \$25,000 fee in April 2010 and drew down \$500,000 under the secured debenture agreement in August, 2010. The \$25,000 fee was recorded as deferred revenue and is being recognized as income over the term of the agreement. An additional 200,000 warrants were issued to the Company upon the draw-down to acquire Kria Resources' common shares for a period of one year from the date of grant. The grant date fair value of the warrants issued was estimated to be \$7,760, which was discounted to the loan and recognized as income over the term of the agreement. These warrants were exercised by the Company on December 31, 2010 for 200,000 common shares of Kria Resources at a price of \$0.135.

On December 31, 2010, Kria Resources did not repay the loan. As a result, an amendment agreement was made whereby Kria Resources agreed to pay the Company an annualized penalty fee at the rate of 10% per annum due and payable on the debenture redemption date. At January 31, 2011, the balance of the loan facility in the amount of \$100,000 remained available to Kria Resources.

Directors of Aberdeen, Stan Bharti, and Michael Hoffman, serve as directors and an officer of Kria Resources. Also, a director of Aberdeen, Stan Bharti, served as a director of Beartooth.

Castillian Resources Corp.

In January 2010, the Company entered into a secured debenture agreement with Castillian to loan up to \$500,000, with any amounts drawn being due and repayable on June 30, 2010 and subject to interest at a rate of 10% per annum. The debenture was previously secured against Castillian's interest in the Kagera property in Tanzania. Castillian paid Aberdeen an advisory service fee in the amount of \$25,000 and issued 500,000 share purchase warrants to Aberdeen, which entitled the Company to acquire one Castillian 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 subsequently drawn against the line of credit. The warrants are subject to a statutory four month hold period. The grant date fair value of the warrants issued was estimated to be \$7,550. The \$25,000 advisory service fee and the \$7,550 fair value of the warrants was discounted to the loan and recognized as income over the term of the agreement. During the three months ended April 30, 2010, Castillian drew down the \$500,000 under the secured debenture agreement with an additional 500,000 share purchase warrants issued to acquire Castillian common shares at a price of \$0.10 each at any time prior to June 30, 2011. The estimated grant date fair value of the warrants issued of \$24,500 was discounted to the loan and recognized as income over the term of the loan.

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



**ABERDEEN INTERNATIONAL INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
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**4. LOANS RECEIVABLE (Continued)**

Castillian Resources Corp. (Continued)

As of January 31, 2011, Castillian's share price was at \$0.15 per common share. As such, the Company realized a gain of \$1,156,383 from writing the loan up to the fair value from the convertible option. The loan agreement is still subject to TSX Venture Exchange approval but management feels confident of its approval.

Directors of Aberdeen, Stan Bharti and Michael Hoffman, are also directors of Castillian.

Temujin Mining Corp.

On January 14, 2010, the Company entered into a loan agreement with Temujin Mining Corp. ("Temujin"), a privately held company. The Company loaned Temujin US\$6,000,000 (\$6,009,000), repayable on or before January 14, 2011 with 10% interest per annum calculated monthly and payable on maturity. The debenture is secured against all of the assets of Temujin and shall rank senior in priority and preference to any other indebtedness or other encumbrance of Temujin. As consideration for arranging the loan, Temujin agreed to pay the Company advisory service fees of US\$360,000 (\$360,540), repayable on demand, and issued 600,000 warrants to purchase common shares of Temujin at an exercise price of \$0.55 per share until January 14, 2012. On February 11, 2010, US\$3,000,000 (\$3,004,500) of the loan was repaid.

On October 1, 2010, the Company entered into a secured debenture agreement with Temujin, where by the term of the previous loan was extended to July 14, 2011 with a conversion right granted to the Company to convert the loan into common shares of Temujin at a conversion price of US\$0.50 per share at anytime on or before the maturity date. The debenture is secured against all of the assets of Temujin and ranks senior in priority and preference to any other indebtedness or other encumbrance of Temujin. Furthermore, the advisory service fees along with accrued interest totalling US\$624,523 (\$625,460) were discounted to the loan and recognized as income over the term of the agreement. This brings the total outstanding principal to US\$3,624,523 (\$3,629,960). At January 31, 2011, the value of the conversion was assessed as nominal. As such, the Company did not recognize any gain or loss on the convertible debenture.

A director and an officer of Aberdeen, Stan Bharti and David Stein, serve as directors of Temujin.

Pitchblack Resources Ltd. (formerly Cash Minerals Ltd.)

On February 2, 2010, the Company entered into a secured debenture subscription agreement with Pitchblack Resources Ltd. ("Pitchblack"). The Company loaned Pitchblack \$500,000, which will mature and become due and repayable on February 2, 2013. The debenture bears interest at a rate of 10% calculated and payable semi-annually on the last day of June and December, commencing June 30, 2010, and continuing until the debenture is repaid in full. This debenture was secured against all of the assets of Pitchblack and ranked senior in priority to any and all other debts of Pitchblack subsequently incurred subject to applicable laws. On January 31, 2011, the Company acquired 3,030,303 units of Pitchblack through a private placement financing at a price of \$0.165 per unit. The \$500,000 loan outstanding was applied against the settlement of the Pitchblack units. Accrued interest totaling \$36,986 was subsequently repaid to the Company.

A director of Aberdeen, Stan Bharti, serves as a director of Pitchblack.

**ABERDEEN INTERNATIONAL INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
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**4. LOANS RECEIVABLE (Continued)**

Dacha Strategic Metals Inc. (Formerly Dacha Capital Inc.)

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

On March 24, 2010, the Company exercised its conversion right in the participation of Dacha's private placement. The Company converted the debenture plus interest totaling \$2,160,000 in exchange for 4,800,000 special warrants of Dacha at \$0.45 per special warrant. The advisory service fees plus the remaining balance of accrued interest totaling \$132,593 were repaid to the Company. The special warrants were converted to common shares of Dacha on July 23, 2010.

A director and former officer of Aberdeen, Stan Bharti, Scott Moore and Brad Boland, also serve as a director and officers of Dacha.

Garrison International Ltd.

On February 22, 2010, the Company entered into a secured debenture subscription agreement with Garrison International Ltd. ("Garrison"). The Company loaned Garrison \$600,000, which will mature and become due and repayable on February 22, 2013. The debenture bears interest at a rate of 10% calculated and payable semi-annually on the last day of June and December, commencing June 30, 2010 and continuing until the debenture is repaid in full. This debenture is secured against all of the assets of Garrison and ranks senior in priority to any and all other debts of Garrison subsequently incurred subject to applicable laws. On December 31, 2010, Garrison did not make its semi-annual interest payment. The Company notified Garrison of default in writing. As a result of failing to receive a rectification of default from Garrison, the Company made a provision on the principal amount of \$600,000 and interest of \$27,509.

China Railway Mining Corp.

On April 12, 2010, the Company entered into an agreement with Forbes & Manhattan, Inc. ("Forbes") to acquire 50% of the convertible debenture issued by China Railway Mining Corp ("China Railway") on March 9, 2009 to Forbes in return for a cash payment to Forbes in the amount of US\$1,250,000. In addition as return for the consideration, the Company received (a) 40,000 common shares of China Railway which represent 40% of the common shares that were issued and outstanding; and (b) 80,000 warrants of China Railway that were issued, which expired unexercised on December 15, 2010. The loan was convertible at the option of the lender on or before November 30, 2010 for common shares of Crystallex International Corporation ("Crystallex") at a price equal to the greater of C\$0.20 per share or 95% of the 5 day volume weighted average trading price of the common shares ending on the date of conversion. Subsequent to January 31, 2011, the Crystallex shares were trading below the conversion price.

The principal of the debenture plus interest of 6% per annum were repayable on December 31, 2010. On December 31, 2010, China Railway did not repay the loan and interest owed. At January 31, 2011, the value of the conversion was assessed as nominal. As such, the Company did not recognize any gain or loss on the convertible debenture. The Company expects the debenture plus interest to be repaid in the next few months in full.

**ABERDEEN INTERNATIONAL INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
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**4. LOANS RECEIVABLE (Continued)**

Rodinia Lithium Inc.

On July 20, 2010, the Company entered into a short term bridge loan agreement with Rodinia Lithium Inc. ("Rodinia"). The Company loaned Rodinia \$200,000, which was due and repayable on September 30, 2010. Rodinia agreed to 10% interest per annum calculated monthly and payable on maturity. The loan plus accrued interest totalling \$202,904 was repaid to the Company on September 10, 2010.

A director and officers of Aberdeen, Stan Bharti, David Stein and Ryan Ptolemy, also serve as directors and an officer of Rodinia.

Avion Gold Corporation (formerly Avion Resources Corp.)

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

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

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

Avion Gold Corporation (Assignment of Amazon Potash loan)

On May 6, 2009, Avion acquired all of the issued and outstanding common shares of Dynamite Resources Ltd. ("Dynamite") at an exchange ratio of 0.75 Avion common shares for each Dynamite common share. Following the acquisition, Avion repaid all of its outstanding loans to Aberdeen through a cash payment of \$1,550,000, plus accrued interest of \$38,004, and the assignment of the rights to a secured note receivable from Amazon Potash Corp. ("Amazon Potash") for US\$1,250,000. Amazon Potash is a private company with potash properties in Brazil. The note receivable was due June 30, 2009 with an annual interest rate of 12%, calculated monthly and payable upon maturity and was secured by Amazon Potash's assets. In addition, the note agreement also provided Aberdeen with the option to convert the principal, in whole or in part, into common shares of Amazon Potash on or before June 30, 2009 at US\$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 (\$1,466,365) 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.

**ABERDEEN INTERNATIONAL INC.**  
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**4. LOANS RECEIVABLE (Continued)**

Amazon Potash Corp.

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

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

In June 2010, Falcon Metais Ltda., a 100% owned subsidiary of Amazon Potash, sold its 100% ownership in Agua Metais Ltda. to Agua Resources Limited ("Agua") (formerly Newport Mining Corp.), an Australian publicly traded mining company. The transaction included the conversion of 50% of the Amazon Potash loan into common shares, Performance A Shares and Performance B Shares of Agua. Through this transaction, the Company received 477,845 common shares, 666,426 Performance A Shares and 883,375 Performance B Shares of Agua given its holding of 2,800,000 shares of Amazon Potash. As for the conversion of the balance of 50% of the Amazon Potash loan plus interest outstanding (US\$927,390), Agua issued 1,043,738 common shares at a price of AUD\$0.15 per share, and 3,479,130 Performance A Shares and 2,435,388 Performance B Shares of Agua. Consequently, the value of the 1,043,738 shares in the amount of US\$135,974 (AUD\$156,561) and the value of the 3,479,130 Performance A shares in the amount of US\$453,247 (AUD\$521,870) was applied as a reduction to the Amazon Potash loan. A provision on the remaining balance of the loan US\$338,169 (AUD\$365,307) was taken on January 31, 2011. All the Agua shares are to be held in escrow until June 22, 2011. The Performance A Shares will convert to common shares upon the completion of a technical report evidencing a combined Mineral Resource Estimate (including all categories of resources) of not less than 30,000,000 tonnes with a grade of not less than 10% P<sub>2</sub>O<sub>5</sub> at the Mata da Corda or Lucena Project within 3 years of being issued. The Performance B Shares will convert to common shares upon the completion of a technical report evidencing a combined Mineral Resource Estimate (including all categories of resources) of not less than 70,000,000 tonnes with a grade of not less than 10% P<sub>2</sub>O<sub>5</sub> at the Mata da Corda or Lucena Project within 3 years of being issued.

In June 2010, Amazon Potash sold its 100% owned subsidiary Potassio do Atlantico Ltda. to Potash Atlantico Corp. in exchange for shares that were issued to the shareholders of Amazon Potash (including Aberdeen), assumption of certain obligations and the issuance of an additional 1,005,965 shares of Potash Atlantico Corp. ("Potash Atlantico") to the Company. This represented 50% of the Amazon Potash loan (US\$926,797) owed to the Company. The proposed financing for Potash Atlantico was being done at a valuation that would represent US\$1.00 per share minimum. Consequently, the 50% of the Amazon Potash loan outstanding and due June 30, 2010 was extended to September 30, 2010 with an annual interest rate of 12%. Pursuant to the financing, the Company received 1,580,647 shares of Potash Atlantico given its holding of 2,800,000 shares of Amazon Potash. The Company also received 1,005,965 shares of Potash Atlantico from the conversion of 50% of the Amazon Potash loan and interest outstanding.

**ABERDEEN INTERNATIONAL INC.**  
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**4. LOANS RECEIVABLE (Continued)**

Amazon Potash Corp. (Continued)

Directors and an officer of Aberdeen, Stan Bharti, Pierre Pettigrew and George Faught hold director positions in Avion. Directors and an officer of Aberdeen, Stan Bharti, Michael Hoffman and George Faught, hold directors and an officer position in Amazon Potash and held director positions in Dynamite. A director of Aberdeen, Stan Bharti holds a director position in Brazil Potash. An officer of Aberdeen, Ryan Ptolemy holds an officer position in Potash Atlantico. Aberdeen officers and directors also may hold, or have held, investments personally in Amazon Potash, Avion, Brazil Potash, Potash Atlantico and Dynamite.

Russo-Forest Corporation

Through August 2008 to August 2009, the Company loaned an aggregate total of US\$663,710 (\$709,705) and \$500,000 to Russo-Forest Corporation ("Russo-Forest"), a privately held company with timber operations in the Russian northwest. These loans were repayable on or before August 18, 2009 with interest payable on maturity at an annual rate of 15%. The loan is secured against all of the assets of Russo-Forest and its subsidiaries.

On February 2, 2009, Russo-Forest entered into a share exchange agreement with Nyah Resources Corp. ("Nyah"), a junior resource company traded on the TSX Venture Exchange (the "Exchange"). On October 13, 2009, Nyah's shareholders voted in favour of the share exchange agreement; however; the finalization of the acquisition was delayed past October 31, 2009 which triggered a required payment from Russo-Forest to Nyah of \$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 its share exchange agreement with Nyah and its difficulties executing its business plans and securing financing, the Company has recorded a provision against loans of \$1,209,705 and accrued interest of \$107,971 outstanding from Russo-Forest.

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

A director of Aberdeen, Stan Bharti was also a director of Russo-Forest. A director and an officer of Aberdeen, Stan Bharti and George Faught, also hold a director and an officer position in Nyah. Aberdeen officers and directors may hold investments personally in Russo-Forest and Nyah.

**5. SIMMER & JACK LOAN**

During the fourth quarter of fiscal 2006, the Company loaned US\$10,000,000 to Simmer and 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.

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NOTES TO THE FINANCIAL STATEMENTS  
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**5. SIMMER & JACK LOAN (Continued)**

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, whereby the Simmers' shareholders voted against the conversion as unanimously recommended by Simmers' board of directors. 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% NSR on the gold produced on the underlying assets starting October 16, 2008. In addition, it is the Company's position that a payment of approximately US\$1,363,000 is due from Simmers which is the interest and 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 a 1% NSR royalty on gold production 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 of 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 loan principal.

Aberdeen's balance sheet, as at January 31, 2011, reflects Aberdeen's interpretation of the agreement. As a result, the US\$10,000,000 (\$10,015,000) loan was still outstanding at January 31, 2011 (2010 – US\$10,000,000 (\$10,693,000)) and is recorded on the balance sheet. In addition, as at January 31, 2011, the Company had recorded receivables from Simmers and First Uranium totaling US\$1,623,666 (\$1,626,102) (2010 - US\$1,579,992 (\$1,689,486)). This includes the amount related to the interest and graduated royalty for the period between October 16, 2008 and December 31, 2008. It is Simmers' contention that these amounts are not due.

Management's interpretation is that, pursuant to section 2.6 of the Convertible Royalty Loan Agreement (the "Agreement"), the graduated royalty is 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 has also filed the Agreement between the Company and Simmers on SEDAR ([www.sedar.com](http://www.sedar.com)) under the Company's profile. Following the vote by Simmers' shareholders 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 informed by Simmers' board and management that their position regarding the Agreement, as described above, had not changed. As a result, the Company 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 royalty and loan on the balance sheet as of January 31, 2011. In November 2009, Simmers filed a statement of defense. The description of the Agreement herein is subject to, and qualified in all respects by, the provisions of the Agreement. The case moves forward and the trial date was originally set for November 18, 2010 but has been postponed until October 22, 2011.

In connection with the Agreement, Aberdeen holds a notarial special covering bond in the amount of US\$10,000,000 plus ZAR5,000,000 (\$698,000) over the assets of the North Plant on Simmers' greater Buffels property.

**ABERDEEN INTERNATIONAL INC.**  
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**6. ROYALTY INTERESTS ON MINERAL PROPERTIES**

The following tables summarize the Company's royalty interests as at January 31, 2011 and 2010:

<b>Simmer and Jack Mines, Ltd.</b>	<b>Cost</b>	<b>Accumulated Depletion</b>	<b>Impairment</b>	<b>Net</b>
Balance, February 16, 2009	\$ 28,433,018	\$ -	\$ -	\$ 28,433,018
Depletion / impairment	-	(536,112)	-	(536,112)
CTA adjustment	(3,987,070)	34,129	-	(3,952,941)
Balance, January 31, 2010	24,445,948	(501,983)	-	23,943,965
Depletion / impairment	-	(329,040)	(3,904,772)	(4,233,812)
CTA adjustment	(1,550,019)	39,834	-	(1,510,185)
Balance, January 31, 2011	\$ 22,895,929	\$ (791,189)	\$ (3,904,772)	\$ 18,199,968

<b>First Uranium Corporation</b>	<b>Cost</b>	<b>Accumulated Depletion</b>	<b>Impairment</b>	<b>Net</b>
Balance, February 16, 2009	\$ 13,268,770	\$ -	\$ -	\$ 13,268,770
Depletion / impairment	-	(326,987)	-	(326,987)
CTA adjustment	(1,860,636)	20,816	-	(1,839,820)
Balance, January 31, 2010	11,408,134	(306,171)	-	11,101,963
Depletion / impairment	-	(424,955)	-	(424,955)
CTA adjustment	(723,344)	29,868	-	(693,476)
Balance, January 31, 2011	\$ 10,684,790	\$ (701,258)	\$ -	\$ 9,983,532

<b>Royalty Interests</b>	<b>Cost</b>	<b>Accumulated Depletion</b>	<b>Impairment</b>	<b>Net</b>
Simmer and Jack Mines, Limited	\$ 22,895,929	\$ (791,189)	\$ (3,904,772)	\$ 18,199,968
First Uranium Corporation	10,684,790	(701,258)	-	9,983,532
Total as of January 31, 2011	\$ 33,580,719	\$ (1,492,447)	\$ (3,904,772)	\$ 28,183,500

The Company owns a 1% NSR royalty interest on gold production from Simmers' producing Northwest assets and on First Uranium's Mine Waste Solutions tailings recovery operation. The Company received both the Simmers and First Uranium royalties as a result of the Simmers' shareholder February 16, 2009 vote against the conversion of the US\$10,000,000 loan outstanding as more fully described above in Note 5, "Simmer & Jack Loan". Prior to the vote to deny the conversion of the loan into shares of Simmers, the Company had carried the convertible loan on its balance sheet at its estimated fair market value based on a discounted cash flow analysis. Following the vote to deny conversion, the Company began accounting for the resulting 1% NSR royalties as tangible assets with the carrying value being the estimated fair market value of the royalty portion on February 16, 2009. The fair value was estimated using the following assumptions: 1) life of mines and gold production estimates as per Simmers and First Uranium; 2) US\$850 gold price through fiscal 2010, and US\$700 thereafter; and, 3) 5% discount rate. The carrying value of royalty interests are depleted using the units-of-production method over the life of the property to which the royalty interest relates.

At January 31, 2011, the Company impaired the carrying value of the Simmer and Jack Mines royalty as production was slower than originally estimated. As a result, the Company wrote-down the carrying value on the Simmers royalty interests by \$3,904,772.

The functional currency of the Company's royalty interests on mineral properties is the US dollar. During the year ended January 31, 2011, a translation adjustment loss of \$2,203,661 (net of taxes - \$1,722,659), (2010 - \$5,792,761 (net of taxes - \$4,274,761)) was recorded.

**ABERDEEN INTERNATIONAL INC.**  
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**7. COMMON SHARES**

**Authorized:** Unlimited common shares with no par value

**Issued and outstanding:**

	Number of shares	Amount
<b>Balance, January 31, 2009</b>	<b>94,874,339</b>	<b>\$ 47,894,974</b>
Shares repurchased and cancelled (NCIB) <sup>(1)</sup>	(7,370,500)	(3,720,815)
<b>Balance, January 31, 2010</b>	<b>87,503,839</b>	<b>\$ 44,174,159</b>
Shares issued on exercise of options	490,000	58,800
Option valuation on options exercised	-	31,457
Shares repurchased and cancelled (NCIB) <sup>(1)</sup>	(1,316,500)	(663,793)
<b>Balance, January 31, 2011</b>	<b>86,677,339</b>	<b>\$ 43,600,623</b>

<sup>(1)</sup> See Note 11.

**8. WARRANTS AND COMPENSATION OPTIONS**

The following are the warrant and compensation option transactions during the years ended January 31, 2011 and 2010.

	January 31, 2011		January 31, 2010	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance, beginning of year	37,500,000	\$1.00	42,000,000	\$0.98
Expired *	-	-	(4,500,000)	\$0.80
<b>Balance, end of year</b>	<b>37,500,000</b>	<b>\$1.00</b>	<b>37,500,000</b>	<b>\$1.00</b>

\* Compensation Options were exercisable into Units at a price of \$0.80 per Unit consisting of one common share of the Company and one-half of one common share purchase warrant. Compensation Options expired unexercised June 6, 2009.

The following is a summary of the outstanding warrants as of January 31, 2011 and 2010:

Estimated grant date fair value	Number of Warrants	Exercise price	Expiry date
\$ 15,750,000	37,500,000	\$1.00	June 6, 2012

**9. STOCK-BASED COMPENSATION**

The following are the stock option transactions during the years ended January 31, 2011 and 2010:

	January 31, 2011		January 31, 2010	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
Balance, beginning of year	6,900,000	\$0.31	5,850,000	\$0.34
Granted	2,085,000	0.46	1,300,000	0.27
Exercised	(490,000)	0.12	-	-
Expired	(650,000)	0.72	-	-
Forfeited	(50,000)	0.43	(250,000)	0.71
<b>Balance, end of year</b>	<b>7,795,000</b>	<b>\$0.33</b>	<b>6,900,000</b>	<b>\$0.31</b>



**ABERDEEN INTERNATIONAL INC.**  
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**9. STOCK-BASED COMPENSATION (Continued)**

As of January 31, 2011, the following stock options were outstanding:

Estimated grant date fair value	Number of options outstanding	Number of options exercisable	Exercise price	Expiry date	Weighted Average Remaining Contractual Life (Years)
\$ 32,100	50,000	50,000	\$ 0.82	February 28, 2011	0.08
437,400	900,000	900,000	0.80	October 4, 2012	1.68
30,640	100,000	100,000	0.48	August 11, 2013	2.53
11,890	50,000	50,000	0.35	September 5, 2013	2.60
39,400	200,000	200,000	0.29	October 1, 2013	2.67
202,872	3,160,000	3,160,000	0.12	January 14, 2014	2.96
200,125	1,250,000	937,500	0.27	September 1, 2014	3.59
76,000	250,000	250,000	0.47	February 1, 2015	4.01
13,320	50,000	25,000	0.45	February 23, 2015	4.07
390,407	1,485,000	1,485,000	0.43	February 25, 2015	4.07
25,650	100,000	25,000	0.48	October 5, 2015	4.68
70,880	200,000	200,000	0.64	November 30, 2015	4.83
<b>\$ 1,530,684</b>	<b>7,795,000</b>	<b>7,382,500</b>	<b>\$ 0.33</b>		<b>3.20</b>

During the year ended January 31, 2011, 2,085,000 stock options (2010 – 1,300,000) were granted to certain directors, officers and consultants of the Company with a weighted-average grant date fair value of \$295,521 (2010 - \$192,946) and weighted average exercise price of \$0.46 per option (2010 - \$0.30). Of the total options granted, 150,000 vest quarterly in eight equal tranches with the first tranche vesting on the date of grant (2010 – 1,300,000), while the remainder vested immediately (2010 – nil). Stock-based compensation expense of \$644,683 (2010 - \$120,305) relating to these options and others that vested during the year was expensed to operations.

The fair value of these options was estimated on the date of grant using the Black-Scholes option pricing model, with the following assumptions, quoted at their weighted averages:

	<u>2011</u>	<u>2010</u>
Expected dividend yield	0%	0%
Expected volatility	70.19%	71.60%
Risk-free interest rate	2.45%	2.57%
Expected life	5 years	5 years

The grant date fair value for each option at January 31, 2011 was \$0.28 (2010 - \$0.16). The weighted average exercise price of stock options exercisable as at January 31, 2011 was \$0.46 (2010 - \$0.27).

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**10. CONTRIBUTED SURPLUS**

	<b>January 31, 2011</b>	January 31, 2010
Balance, beginning of year	<b>\$ 12,016,560</b>	\$ 8,503,997
Stock options granted and/or vested during the period:		
Consultant	<b>79,304</b>	2,978
Officers and directors	<b>565,379</b>	117,327
Options exercised, reallocation of valuation	<b>(31,457)</b>	-
Warrants expired, reallocation of valuation	-	1,453,500
Cancellation of repurchased common shares (Note 11)	<b>38,470</b>	1,938,758
Balance, end of year	<b>\$ 12,668,256</b>	\$ 12,016,560

**11. NORMAL COURSE ISSUER BID**

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

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

Purchases under the NCIB were permitted to commence on February 5, 2010 and terminated on February 4, 2011. Aberdeen canceled all the shares acquired pursuant to the NCIB.

Purchases made pursuant to the NCIB were made in accordance with the rules of the TSX made 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 during the period that the NCIB was outstanding.

During the year ended January 31, 2011, the Company purchased and cancelled 1,316,500 common shares (2010 – 7,370,500) available under the NCIB at an average price of \$0.51 (2010 - \$0.24) per share.

In February 2011, subsequent to the year end, the Company announced its intention to make another NCIB. Under the new NCIB, the Company purchased and cancelled 712,700 additional shares at an average price of \$0.90 per share. Details of this NCIB are described in Note 17, Subsequent Events.

**ABERDEEN INTERNATIONAL INC.**  
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**12. RELATED PARTY TRANSACTIONS**

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.

The Company's officers and directors may have investments in and hold management and/or director and officer positions in some of the investments that the Company holds. The following is a list of the investments and the nature of the relationship of the Company's officers or directors with the investment:

Investment	Nature of relationship	Estimated Fair value
Black Iron Inc.*	Director (Pierre Pettigrew), officer (Stan Bharti) and shareholders	\$ 2,000,000
Alderon Resources Corp.	Director (Stan Bharti) and shareholders	1,775,000
Alder Resources Ltd.	Director (Pierre Pettigrew), officer (Ryan Ptolemy) and shareholders	175,000
Apogee Minerals Ltd.	Director (Stan Bharti) and shareholders	2,766,735
Auger Resources Ltd.*	Director (Stan Bharti) and shareholders	200,000
Avion Gold Corporation	Directors (Stan Bharti, Pierre Pettigrew, George Faught) and shareholders	5,013,216
Belo Sun Mining Corp.**	Director (Stan Bharti) officer (Ryan Ptolemy) and shareholders	4,407,980
Brazil Potash Corp.*	Director (Stan Bharti) and shareholders	1,652,537
Castillian Resources Corp.	Directors (Stan Bharti, Michael Hoffman) and shareholders	1,766,400
Crocodile Gold Corp.	Directors (Stan Bharti, George Faught, Michael Hoffman) and shareholders	1,669,460
Dacha Strategic Metals Inc.***	Directors (Stan Bharti, George Faught) and shareholders	2,061,699
Eurocontrol Technics Inc.	Directors (Stan Bharti, Pierre Pettigrew) and shareholders	314,267
Forbes & Manhattan (Coal) Corp.	Directors (Stan Bharti, David Stein) and shareholders	7,758,642
Kria Resources Ltd.	Directors (Stan Bharti, Michael Hoffman) and shareholders	977,075
Largo Resources Ltd.	Directors (Stan Bharti, Michael Hoffman) and shareholders	2,111,166
Longford Energy Inc.	Directors (Stan Bharti, Pierre Pettigrew) and shareholders	1,287,659
Pitchblack Resources Ltd.****	Director (Stan Bharti) and shareholders	2,301,818
Potash Atlantico Corp.*	Officer (Ryan Ptolemy) and shareholders	3,191,392
Rodinia Lithium Inc.	Directors (Stan Bharti, David Stein), officer (Ryan Ptolemy) and shareholders	2,360,000
Scandinavian Metals Inc.*	Director (Stan Bharti) and shareholders	100,000
Stetson Oil & Gas Ltd.	Director (Stan Bharti) and shareholders	200,000
Sulliden Gold Corporation Ltd.	Directors (Stan Bharti, George Faught) and shareholders	31,185,004
Temujin Mining Corp.*	Directors (Stan Bharti, David Stein) and shareholders	5,657,000
Vast Exploration Inc.	Director (Stan Bharti) and shareholders	1,100,000
Total of 16 other investments	Shareholders/warrant holders	22,777,690
<b>Total Investments</b>		<b>\$ 104,809,740</b>

\* Private company

\*\* Formerly Verena Minerals Corp.

\*\*\* Formerly Dacha Capital Inc.

\*\*\*\* Formerly Cash Minerals Ltd.

In addition to the investments listed above, at January 31, 2011 Aberdeen has loans receivable from Temujin Mining Corp., Castillian Resources Corp., and Kria Resources Ltd. Directors and officers of Aberdeen hold director and officer positions in these companies. (See Note 4) Directors and officers of Aberdeen may also hold investments in these companies.

The Company was charged \$90,000 during the year ended January 31, 2011 (2010 - \$90,000) by a corporation controlled by Stan Bharti, a director of the Company for administration services. This amount is included in the general and administration on the statement of operations.

During the year ended January 31, 2011, the Company earned advisory service fees and other revenue of \$559,344 (2010 - \$142,000) from corporations with common directors and officers. These companies included:

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**12. RELATED PARTY TRANSACTIONS (Continued)**

Year ended January 31, 2011

- Amazon Potash Corp. - \$43,138 in debt restructuring advisory services;
- Castillian Resources Corp. - \$25,000 in debt financing advisory services;
- Dacha Strategic Metals Inc. - \$107,842 in debt and equity financing advisory services;
- Kria Resources Ltd. - \$11,812 in debt financing advisory services;
- Rodinia Lithium Inc. - \$20,000 other revenue relating to debt financing; and
- Temujin Mining Corp. - \$351,552 in debt and equity financing advisory services.

Year ended January 31, 2010

- Allana Potash Corp. - \$13,500 in equity financing advisory services;
- Apogee Minerals Ltd. - \$12,500 in equity financing advisory services;
- Dacha Strategic Metals Inc. - \$41,000 in equity financing advisory services;
- Largo Resources Ltd. - \$10,000 in equity financing advisory services;
- Sulliden Gold Corporation Ltd. - \$25,000 in equity financing advisory services; and
- Vast Exploration Inc. - \$40,000 in equity financing advisory services.

Of the total service fees earned, \$352,961 were receivable at January 31, 2011 (2010 - \$12,500). In addition, the Company earned or accrued interest income and debt arrangement fees of \$629,565 during the year ended January 31, 2011 from Amazon Potash Corp., Castillian Resources Corp., Dacha Strategic Metals Inc., Kria Resources Ltd., Pitchblack Resources Ltd., (formerly Cash Minerals Limited), Rodinia Lithium Inc., and Temujin Mining Corp., (2010 - \$705,537 from Amazon Potash Corp., Avion Gold Corp., Kria Resources Ltd., Russo-Forest Corporation, and Temujin Mining Corp.), all of which have certain common directors and officers with Aberdeen (See Note 5). Of the total interest earned or accrued, \$383,142 was receivable at January 31, 2011 (2010 - \$584,921).

At January 31, 2011, the Company had a provision of \$445,357 against the outstanding loan receivable from Amazon Potash Corp. At January 31, 2011 and 2010, the Company had a provision of \$1,317,676 against the outstanding loan and interest receivable from Russo-Forest.

The Company shares its premises with other corporations that have common directors and/or officers. The Company reimburses and recovers from related corporations, their proportional share of expenses. Included in accounts payable at January 31, 2011 is \$7,245 (2010 - \$44,282) owing to, \$1,454 (2010 - \$2,320) owing from, and \$Nil (2010 - \$2,862) advanced to such corporations. Such amounts are unsecured, non-interest bearing, with no fixed terms of repayment.

**13. COMMITMENTS AND CONTINGENCIES**

The Company is party to certain management contracts. These contracts contain minimum commitments of approximately \$700,000 ranging from 30 days to 12 months and additional contingent payments of approximately \$3,700,000 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 in these financial statements.

As outlined in Note 5, "Simmer & Jack 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, 2011 include the Simmers' loan valued at \$10,015,000 and a receivable for \$1,626,102. 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.

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**13. COMMITMENTS AND CONTINGENCIES (Continued)**

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. During the year ended January 31, 2011, Kria Resources drew down \$500,000 and agreed to a 10% annual penalty interest on the principal as the loan was not repaid on December 31, 2010. Additional details are provided under Note 4, "Loans Receivable".

**14. INCOME TAXES**

(a) Provision for income taxes

Major items causing the Company's income tax rate to differ from the Canadian combined federal and provincial statutory rate of approximately 31% (2010 – 33%) are as follows:

	<u>2011</u>	<u>2010</u>
Income before income taxes	\$ 47,173,875	\$ 28,271,102
Expected income tax expense	14,624,000	9,329,000
Adjustments to benefit resulting from:		
Stock-based compensation	200,000	40,000
Foreign exchange	(348,000)	210,000
Change and difference in tax rates	(1,955,307)	(2,940,158)
Other	(187,020)	50,267
Change in valuation allowance	-	(33,000)
Provision for income tax expense	\$ 12,333,673	\$ 6,656,109

(b) Future income tax balances

The tax effect of temporary differences that give rise to future income tax assets and liabilities in Canada approximate the following:

	<u>2011</u>	<u>2010</u>
Future income tax assets (liabilities)		
Investments	\$ (16,746,000)	\$ (4,877,000)
Convertible royalty debenture	445,000	288,000
Royalty interests on mineral properties	(7,046,000)	(9,185,000)
Resource properties	120,000	79,000
Share issue costs	273,000	627,000
Other	253,000	84,000
Net future income taxes	\$ (22,701,000)	\$ (12,984,000)

	<u>2011</u>	<u>2010</u>
Net future income taxes consist of:		
Current	\$ (16,198,000)	\$ (4,468,000)
Long-term	(6,503,000)	(8,516,000)
Total	\$ (22,701,000)	\$(12,984,000)

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**15. CAPITAL DISCLOSURE**

The Company considers its capital to consist of its common shares, warrants and contributed surplus balances. The Company's objectives when managing capital are:

- a) to allow the Company to respond to changes in economic and/or marketplace conditions by maintaining the Company's ability to purchase new investments;
- b) to give shareholders sustained growth in value by increasing shareholders' equity; while
- c) taking a conservative approach towards financial leverage and management of financial risks.

The Company's management reviews its capital structure on an on-going basis and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying investments. The Company's current capital is composed of its shareholders' equity and, to-date, has adjusted or maintained its level of capital by:

- a) raising capital through equity financings;
- b) realizing proceeds from the disposition of its investments; and
- c) repurchasing the Company's own shares for cancellation pursuant to its normal course issuer bid.

The Company may on occasion utilize leverage in the form of broker margin or bank indebtedness. Aberdeen is not subject to any capital requirements imposed by a regulator and there were no changes to capital management during the years ended January 31, 2011 and 2010. The Company expects that its capital resources will be sufficient to discharge its liabilities as of the current balance sheet date.

**16. FINANCIAL INSTRUMENTS**

Aberdeen's operations involve the purchase and sale of securities and, in addition, the Company has loans receivable outstanding. Accordingly, the majority of the Company's assets are currently comprised of financial instruments which can expose it to several risks, including market, liquidity, interest rate, credit and currency risks. There have been no changes in the risks, objectives, policies and procedures from the previous year. A discussion of the Company's use of financial instruments and their associated risks is provided below:

**Market risk**

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate because of changes in market prices. The Company is exposed to market risk in trading its investments and unfavourable market conditions could result in dispositions of investments at less than favourable prices. In addition, most of the Company's investments are in the resource sector. The Company mitigates this risk by having a portfolio which is not singularly exposed to any one issuer or class of issuers. As of January 31, 2011, the portfolio had one position that made up approximately 30% of the portfolio.

For the year ended January 31, 2011, a 10% decrease in the closing prices on its portfolio investments would result in an estimated decrease in net income of \$7.3 million, or \$0.08 per share. This estimated impact on net income includes the estimated value of the non-traded warrants held, as determined using the Black-Scholes option pricing model.

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**16. FINANCIAL INSTRUMENTS (Continued)**

**Liquidity risk**

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital markets is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company, or if the value of the Company's investments declines, resulting in losses upon disposition. In addition, some of the investments the Company holds are lightly traded public corporations or not publicly traded and may not be easily liquidated. The Company generates cash flow from its royalty interests, interest on loans, financing activities and proceeds from the disposition of its investments, in addition to interest income and advisory service fees. As the Company currently has no debt, Aberdeen believes that it has sufficient marketable securities which are freely tradable and relatively liquid to fund its obligations as they become due under normal operating conditions.

**Commodity price risk**

Commodity price risk is the risk that the fair value of the Company's financial instruments will fluctuate because of changes in commodity prices. The estimated fair market value of the Company's investments are sensitive to the prevailing and expected commodity prices and changes in commodity prices could have a significant adverse effect on the value of the Company's investment.

The estimated fair value of the Company's royalty assets and related royalty income are sensitive to the prevailing and expected gold price. A 10% decrease in the average realized gold price would have decreased the royalty income by approximately \$201,000.

**Interest rate risk**

The Company's interest rate risk is primarily related to the Company's loans receivable. The loans were extended based partially on interest rates in effect at the time. Changes in market interest rates affect the fair market value of the loans receivable. However, as substantially all of the loans are short-term in nature, the impact of changes in market interest rates would likely not be significant.

**Credit risk**

Credit risk is the risk associated with the inability of a third party to fulfill its payment obligations. The Company is exposed to the risk that third parties that owe it money or securities will not perform their underlying obligations. The Company's largest credit risk is due to the loan outstanding with Simmers. Security was obtained against specific assets of the counterparty, in case of non-performance.

The Company also has credit risk in the form of other loans receivable and amount receivable. The total carrying value of these financial instruments at January 31, 2011 was \$19,734,177 (2010 - \$21,146,340).

At January 31, 2011, the Company has a total provision of \$1,758,018 against the outstanding loans and interest receivable from Garrison, Amazon Potash, and recoverable investment pool expenses.

At January 31, 2011 and 2010, the Company has a provision of \$1,317,676 against the outstanding loan and interest receivable from Russo-Forest.

At January 31, 2011, the Company has a disputable loan of US\$10,000,000 (C\$10,015,000) and amounts receivables of US\$1,623,666 (\$1,626,102) from Simmers and First Uranium. See Note 5 and 13 for detail.

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**16. FINANCIAL INSTRUMENTS (Continued)**

**Currency risk**

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's operations are exposed to foreign exchange fluctuations, which could have a significant adverse effect on its results of operations from time to time. The Company currently has financial instruments denominated in U.S. dollars, Australian dollars and South African Rand.

A change in the foreign exchange rate of the Canadian dollar versus another currency may change the value of its financial instruments.

The following assets and liabilities were denominated in foreign currencies as of January 31, 2011 and 2010.

	January 31, 2011 (CDN\$)	January 31, 2010 (CDN\$)
Denominated in U.S dollars:		
Cash	\$ 159,994	\$ 7,928
Amounts receivables	1,875,874	2,124,913
Loans receivable	4,881,835	8,246,565
Simmer & Jack loan	10,015,000	10,693,000
Accounts payable	10,894	(472)
Denominated in Australian dollars:		
Amounts receivables	-	397,794
Denominated in South African Rand:		
Amounts receivables	6,302	-
Income taxes recoverable	-	1,329,877
Accounts payable and accrued liabilities	-	(8,767)
	\$ 16,949,899	\$ 22,790,838

A 10% increase in the value of the Canadian dollar against all foreign currencies in which the Company held financial instruments as of January 31, 2011 would result in an estimated decrease in net income of approximately \$1.2 million or \$0.01 per share. The Company does not currently hedge its foreign currency exposure.

**Fair value of financial instruments**

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

- i. The carrying values of cash, amounts receivable, and accounts payable approximate their fair values due to the short-term nature of these instruments.
- ii. Loans receivable, Simmer & Jack loan, and investments are carried at amounts in accordance with the Company's accounting policy as set out in Note 2.
- iii. Prior to maturity, the outstanding loans receivable are carried at their discounted value. Following their maturity, loans receivable are carried at their estimated realizable value.



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**16. FINANCIAL INSTRUMENTS (Continued)**

The following table illustrates the classification of the Company's financial instruments, measured at fair value on the balance sheets as at January 31, 2011 and 2010, categorized into levels of the fair value hierarchy in accordance with Section 3862 of the CICA Handbook.

<b>January 31, 2011</b>			
	<b>Level 1</b> <i>(Quoted Market price)</i>	<b>Level 2</b> <i>(Valuation technique- observable market Inputs)</i>	<b>Level 3</b> <i>(Valuation technique- non-observable market inputs)</i>
<b>Investments</b>			
Publicly traded investments	\$ 68,463,448	\$ -	\$ -
Non-trading warrants on public investments	\$ -	\$ 15,072,612	\$ -
Private investments	\$ -	\$ -	\$ 21,273,680
Convertible debenture	\$ -	\$ 2,893,492	\$ 3,629,960
<b>January 31, 2010</b>			
	<b>Level 1</b> <i>(Quoted Market price)</i>	<b>Level 2</b> <i>(Valuation technique- observable market Inputs)</i>	<b>Level 3</b> <i>(Valuation technique- non-observable market inputs)</i>
<b>Investments</b>			
Publicly traded investments	\$ 38,427,497	\$ -	\$ -
Non-trading warrants on public investments	\$ -	\$ 10,865,535	\$ -
Private investments	\$ -	\$ -	\$ 6,934,527

The following table presents the changes in fair value measurements of financial instruments classified as Level 3 for the years ended January 31, 2011 and 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 statement of operations and comprehensive income and loss.

<b>Investments, fair value</b>	<b>2011</b>		<b>2010</b>	
Opening balance, January 31, 2010	\$	6,934,527	\$	5,262,283
Net purchases		11,791,324		4,067,200
Realized loss, net		4,628,306		(2,274,564)
Unrealized realized gains, net		-		1,754,608
Transfer of investment from private to public, net		(4,774,549)		(1,875,000)
Performance shares		2,694,072		-
Convertible debenture		3,629,960		-
Ending balance January 31, 2011	\$	24,903,640	\$	6,934,527

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**17. SUBSEQUENT EVENTS**

**Normal Course Issuer Bid**

On February 8, 2011, the Company announced its intention to make a NCIB, subject to TSX approval, to buy back its common shares through the facilities of the Exchange. The maximum number of common shares that may be purchased for cancellation pursuant to the NCIB is that number of common shares that represents 10% of the common shares in the public float. Based on the 74,423,505 common shares in the public float as at February 4, 2011, the maximum number of shares would be 7,442,350. Aberdeen notes that the number of its shares in the public float is less than the 86,677,339 issued and outstanding Aberdeen common shares as of February 4, 2011, because the public float number does not include common shares held by Aberdeen insiders. Daily purchases will be limited to 66,652 common shares other than block purchase exceptions. The actual number of common shares that would be purchased, if any, and the timing of such purchases will be determined by Aberdeen considering market conditions, stock prices, its cash position, and other factors.

Purchases under the NCIB are permitted to commence on February 9, 2011 and will terminate on February 8, 2012 or the date upon which the maximum number of common shares have been purchased by Aberdeen pursuant to the NCIB. There cannot be any assurance as to how many common shares, if any, will ultimately be acquired by Aberdeen under the NCIB. Aberdeen intends that any shares acquired pursuant to the NCIB will be cancelled.

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

Subsequent to January 31, 2011, the Company purchased and cancelled 712,700 additional shares at an average price of \$0.90 per share under the new NCIB.

**New Dividend Policy**

On February 16, 2011, the Company announced that Aberdeen's board of directors has approved a \$0.02 per year dividend to be paid semi-annually. It is anticipated that the payment date for the first semi-annual dividend of \$0.01 will be March 31, 2011 with the second payment being made on September 30, 2011. The record date to determine those shareholders entitled to receive the dividend payment will be set in accordance with the policies of the Exchange.

On March 15, 2011, 86,780,739 shares were recorded for the first semi-annual dividend of \$0.01. An aggregate dividend payable in the amount of \$867,807 will be made to the shareholders on March 31, 2011.

**Share Issuance**

Subsequent to the year ended January 31, 2011, 230,000 options were exercised for common shares of the Company at a weighted average price of \$0.272 per share.