



Condensed Interim Consolidated Financial
Statements for the period ended
June 30, 2013

Contents

Consolidated Financial Statements (Unaudited)	
Consolidated Statements of Financial Position	2
Consolidated Statements of Net and Comprehensive Income	3
Consolidated Statements of Changes in Equity	4
Consolidated Statements of Cash Flows	5
Notes to the Consolidated Financial Statements	6-20

NOTIFICATION OF CONDENSED UNAUDITED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the condensed unaudited interim Consolidated Financial Statements for the three and six months ended June 30, 2013.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars, except share information)
(unaudited)

As at,	Note	June 30, 2013	December 31, 2012
Assets			
Current assets			
Cash and cash equivalents		\$ 580	\$ 1,727
Investments at fair value through profit or loss	17(e)	2,188	2,272
Trade and other receivables	17(a,f)	4,499	4,161
Current income tax receivable		574	689
Short term portion of Argent restricted trust units receivable	17(b)	704	254
Prepaid expenses		149	217
Notes receivable	17(d)	-	342
		8,694	9,662
Argent restricted trust units receivable	17(b)	135	92
Prepaid deposits		554	546
Investments at fair value through other comprehensive income	4	7,154	6,597
Intangible assets		45,539	45,539
Property and equipment		1,556	1,684
Deferred sales commissions	9	1,657	1,121
Total assets		\$ 65,289	\$ 65,241
Liabilities			
Current Liabilities			
Trade and other payables	17(a,f)	\$ 1,427	\$ 1,862
Provisions	13	1,400	2,706
Revolving line of credit	12	1,914	1,000
Term credit facility	12	487	1,396
		5,228	6,964
Convertible debentures	14	35,553	34,870
Deferred tax liabilities		4,370	4,028
		45,151	45,862
Shareholders' equity			
Share capital		24,873	24,121
Non-controlling interest		98	102
Treasury stock		(641)	(641)
Convertible debentures equity component		5,838	5,838
Contributed surplus		5,662	5,057
Retained deficit		(11,271)	(10,203)
Accumulated other comprehensive loss		(4,421)	(4,895)
		20,138	19,379
Total liabilities & shareholders' equity		\$ 65,289	\$ 65,241

The notes are an integral part of these unaudited consolidated financial statements.

UNAUDITED CONSOLIDATED STATEMENTS OF NET AND COMPREHENSIVE INCOME

(in thousands of Canadian dollars)
(unaudited)

		For the three month periods ended,		For the six month periods ended,	
	Note	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Revenue					
Management fees	17(a)	\$ 6,962	\$ 5,779	\$ 13,469	\$ 11,936
Administration charges	17(b)	724	-	1,493	-
		\$ 7,686	\$ 5,779	\$ 14,962	\$ 11,936
Expenses					
General and administrative		4,440	3,883	8,987	7,656
Product development		339	132	440	253
Share based compensation	15	483	631	936	1,264
Depreciation of property and equipment		117	94	195	147
Amortization of deferred sales commissions	9	244	111	425	204
Trailer fees		621	204	1,075	375
Commissions		39	35	79	74
Total operating expenses		6,283	5,090	12,137	9,973
Net (gains) losses on investments	6	(55)	8	(360)	(69)
Finance expense	7	1,052	1,055	2,091	2,105
Net income (loss) before tax for the period		406	(374)	1,094	(73)
Income tax expense (recovery)					
Current taxes		(36)	550	87	943
Deferred taxes		117	(716)	250	(384)
Net income (loss) for the period		\$ 325	\$ (208)	\$ 757	\$ (632)
Net income (loss) to non-controlling interest		(4)	-	(4)	-
Net income (loss) to controlling interest		\$ 329	\$ (208)	\$ 761	\$ (632)
Other comprehensive (loss) income:					
Net change in fair value of investments					
through other comprehensive income		557	-	557	(882)
Deferred tax on net change in fair value of investments through other comprehensive income					
		(61)	-	(83)	(16)
Other comprehensive (loss) income for the period, net of tax					
		496	-	474	(898)
Total comprehensive income (loss) for the period		\$ 825	\$ (208)	\$ 1,235	\$ (1,530)
Net income per share					
Basic	10	\$ 0.004	\$ (0.003)	\$ 0.010	\$ (0.009)
Diluted	10	\$ 0.004	\$ (0.003)	\$ 0.010	\$ (0.009)

The notes are an integral part of these unaudited consolidated financial statements.

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands of Canadian dollars. Share information in thousands)

(unaudited)

For the six months ended,	Note	June 30, 2013	June 30, 2012
Number of common shares outstanding			
Outstanding at the beginning of period		72,400	72,079
Stock options exercised	15	881	606
Shares repurchased & cancelled		-	(298)
Shares repurchased & held in treasury		-	(11)
Outstanding at end of period		73,281	72,376
Share capital			
Balance at beginning of period	\$	24,121	\$ 23,702
Options exercised		761	457
Normal course issuer bid repurchases		-	(99)
Other		(9)	(9)
Balance at end of period	\$	24,873	\$ 24,051
Non-controlling interest			
Balance at beginning of period	\$	102	\$ -
Shares issued to non-controlling interest		-	98
Income allocated to non-controlling interest		(4)	-
Balance at end of period	\$	98	\$ 98
Treasury stock			
Balance at beginning of period	\$	(641)	\$ (869)
Shares repurchased and held in treasury		-	(15)
Balance at end of period	\$	(641)	\$ (884)
Convertible debentures equity component			
Balance at beginning of period	\$	5,838	\$ 5,856
Normal course issuer bid repurchases		-	(3)
Change in future income tax		-	23
Balance at end of period	\$	5,838	\$ 5,876
Contributed surplus			
Balance at beginning of period	\$	5,057	\$ 3,345
Share based compensation expensed	15	936	1,264
Share based compensation exercised		(331)	(194)
Balance at end of period	\$	5,662	\$ 4,415
Retained deficit			
Balance at beginning of period	\$	(10,203)	\$ (5,983)
Restatement of prior period retained earnings		-	(4)
Dividends paid	11	(1,829)	(1,442)
Normal course issuer bid repurchases		-	(308)
Net income (loss) for period		761	(632)
Balance at end of period	\$	(11,271)	\$ (8,369)
Accumulated other comprehensive loss			
Balance at beginning of period	\$	(4,895)	\$ (4,599)
Other comprehensive income (loss)		474	(898)
Balance at end of period	\$	(4,421)	\$ (5,497)
Total equity	\$	20,138	\$ 19,690

The notes are an integral part of these unaudited consolidated financial statements.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars)

(unaudited)

<i>For the six months ended,</i>	Note	June 30, 2013	June 30, 2012
Operating Activities			
Net income (loss) for the period	\$	757	\$ (632)
Adjustments for non-cash items:			
Deferred income taxes		250	(384)
Interest expense	7	1,175	1,157
Depreciation of property and equipment		195	147
Amortization of deferred sales commissions		425	204
Accretion	7	917	949
Share based compensation	15	935	1,264
Gain (loss) on financial instruments		(170)	(21)
Other non-cash gains/losses		-	(1)
Income tax expense		87	943
		4,571	3,626
Change in non-cash working capital	8	(2,049)	(843)
		2,522	2,783
Income taxes paid (received)		28	(1,121)
Net cash from operating activities		2,550	1,662
Investing Activities			
Property and equipment expenditures		(68)	(556)
Acquisition of financial assets		(407)	(1,960)
Return of capital		-	100
Proceeds from sale of financial assets		662	773
Deferred sales commissions paid	9	(961)	(548)
Change in non-cash working capital		(121)	-
Net cash used in investing activities		(895)	(2,191)
Financing Activities			
Proceeds from exercise of share options	15	431	263
Settlement of debenture		-	(250)
Normal course issuer bid repurchases		-	(428)
Subscriptions receivable for subsidiary		-	98
Shares repurchased and held in treasury		-	(15)
Proceeds from revolving line of credit	12	2,964	-
Repayment of term credit facility	12	(1,000)	(1,000)
Repayment of revolving line of credit	12	(2,050)	-
Interest paid		(1,318)	(1,362)
Dividends paid	11	(1,829)	(1,442)
Net cash from (used in) financing activities		(2,802)	(4,136)
Change in cash and cash equivalents		(1,147)	(4,665)
Cash and cash equivalents, beginning of period		1,727	7,415
Cash and cash equivalents, end of period	\$	580	\$ 2,750

The notes are an integral part of these unaudited consolidated financial statements.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended June 30, 2013 and 2012

(tabular amounts are in thousands of Canadian dollars except share and per share information)

(unaudited)

1. Reporting Entity

Aston Hill Financial Inc. (the “Company” or “Aston Hill”) is incorporated under the laws of the Province of Alberta, Canada and is a company domiciled in Canada. The unaudited condensed interim consolidated financial statements (“interim consolidated financial statements”) of the Company as at June 30, 2013 and December 31, 2012, and for the periods ended June 30, 2013 and 2012 comprise the Company and its wholly-owned and majority-owned subsidiaries. The principal business of Aston Hill is the management, marketing, distribution and administration of mutual funds, closed-end funds, private equity funds, hedge funds, segregated institutional funds, as well as oil and gas property management and other fee-based investment products for Canadian investors.

The head office, principal address and registered and records office of the Company are located at Suite 500, 321 - 6th Avenue SW, Calgary, Alberta, T2P 3H3.

These interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on August 13, 2013.

2. Basis of Preparation

Statement of compliance

These interim consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) and in accordance with International Accounting Standards (“IAS”) 34, *Interim Financial Reporting*.

The accounting policies applied in these interim consolidated financial statements are the same as those applied in the Company’s annual consolidated financial statements for the year ended December 31, 2012, except as described in the notes to the interim financial statements.

The interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2012.

3. Significant accounting policies

New standards adopted:

The following standards and amendments have been adopted as of January 1, 2013.

IFRS 10 – Consolidation

IFRS 10, *Consolidated Financial Statements* (“IFRS 10”), requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, *Consolidation - Special Purpose Entities*, and parts of IAS 27, *Consolidated and Separate Financial Statements*.

No restatement of financial statement line items was required as a result of the adoption of this policy.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended June 30, 2013 and 2012

(tabular amounts are in thousands of Canadian dollars except share and per share information)

(unaudited)

3. Significant accounting policies (continued)

IFRS 13 - Fair Value Measurement

IFRS 13, *Fair Value Measurement*, is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures.

No restatement of financial statement line items was required as a result of the adoption of this policy. Additional disclosures were required in the interim financial statements as a result of this adoption.

Amendments

The Company has adopted the amendments to IAS 1. These amendments require the Company to separately group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified.

The Company has reclassified comprehensive income items of the comparative period as a result of this adoption. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

4. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Regular way purchases and sales of financial assets are accounted for on a trade-date basis. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

a) Financial assets and liabilities at fair value through profit or loss:

Non-derivative financial assets and liabilities at fair value through profit or loss are classified as, and reported at, fair value through profit or loss. The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

b) Financial assets at fair value through other comprehensive income:

The Company's investment in Journey Energy Inc. (formerly Sword Energy Inc.) is a financial asset reported at fair value through other comprehensive income. The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Estimated fair value is determined on the basis of the expected realizable value of the investments if they were disposed of in an orderly fashion over a reasonable period of time. The Company uses estimation techniques to determine fair value which include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another financial instrument that is substantially the same, discounted cash flow analysis, multiple earnings analysis, and reserve based valuations.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended June 30, 2013 and 2012

(tabular amounts are in thousands of Canadian dollars except share and per share information)

(unaudited)

4. Determination of fair values (continued)

c) Convertible debentures:

The Company has convertible debenture obligations outstanding, of which a liability component has been classified as a financial liability at amortized cost. The convertible debentures have fixed interest rates which differ from the market interest rate available to the Company which resulted in an adjustment to fair value being required at initial recognition. The fair value of the convertible debentures at initial recognition was determined based on discounted cash flows assuming no future conversions and continuation of current interest and principal payments as well as taking into consideration the current public trading activity of such debentures. The Company applied a discount rate of 10% considering current available market information, assumed credit adjustments, and various terms to maturity.

The fair value at recognition of the equity component of the convertible debenture was determined using the residual method in which the difference between the face value of the instrument and the fair value of the debt is allocated as the fair value of the equity component.

d) Share based compensation:

The fair value of employee share based compensation is measured using a Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on government bonds).

e) Restricted Trust Units receivable:

Argent RTUs granted to the Company have been issued in accordance with the Company's administrative services contract with Argent Energy Trust ("Argent") (note 17b). The units issued pursuant to Argent's RTU plan are not considered equity based payments as the IAS 32 "Puttable Instrument" exemption does not extend to unit based payments made by a Trust. The grant date fair value of Argent RTUs are determined by fair value models as deemed appropriate by the Company. The Company is required to re-determine the fair value of the balance receivable relating to the Argent RTUs at the end of each reporting period and record any changes in fair value through the income statement.

f) Summary of fair values:

The following tables provide fair value measurement information for financial assets and liabilities recorded at fair value as of June 30, 2013 and December 31, 2012.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended June 30, 2013 and 2012

(tabular amounts are in thousands of Canadian dollars except share and per share information)

(unaudited)

4. Determination of fair values (continued)

June 30, 2013	Carrying	Fair	Fair value measurements using		
	Amount	Value	Level 1	Level 2	Level 3
Financial assets:					
Financial assets at fair value through profit or loss	\$ 2,188	\$ 2,188	\$ 1,735	\$ 453	\$ -
Argent RTUs receivable	839	839	-	839	-
Financial assets at fair value through OCI	7,154	7,154	-	-	7,154
	\$ 10,181	\$ 10,181	\$ 1,735	\$ 1,292	\$ 7,154

December 31, 2012	Carrying	Fair	Fair value measurements using		
	Amount	Value	Level 1	Level 2	Level 3
Financial assets:					
Financial assets at fair value through profit or loss	\$ 2,272	\$ 2,272	\$ 1,669	\$ 603	\$ -
Argent RTUs receivable	346	346	-	346	-
Financial assets at fair value through OCI	6,597	6,597	-	-	6,597
	\$ 9,215	\$ 9,215	\$ 1,669	\$ 949	\$ 6,597

Level 1 Fair Value Measurements

Level 1 fair value measurements are based on unadjusted quoted bid prices in active markets for identical assets or liabilities.

Level 2 Fair Value Measurements

Level 2 fair value measurements are based on inputs other than quoted prices within level 1 that are observable for the asset or liability either directly or indirectly.

Level 3 Fair Value Measurements

Level 3 fair value measurements are based on unobservable market information. The level 3 fair value measurements pertain to the Company's valuation of its equity instruments at fair value through other comprehensive income. Details of Level 3 fair measurements are as follows:

- Fair value is calculated using recent arm's length transactions, or prevailing market rates for instruments with similar characteristics, or internal and external valuation models, such as discounted cash flow analysis, net asset value, or the multiple earnings valuation approach.

Level 3 investments consist of shares in Journey Energy Inc. The following table reconciles the Company's Level 3 fair value measurements for the period ended June 30, 2013:

Balance at December 31, 2012	\$ 6,597
Increase in fair value during the period	557
Balance at June 30, 2013	\$ 7,154

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended June 30, 2013 and 2012

(tabular amounts are in thousands of Canadian dollars except share and per share information)

(unaudited)

5. Capital management

The Company's capital management objective is to maximize shareholder returns while ensuring that the Company is capitalized in a manner which appropriately supports regulatory requirements, financial obligations, debt covenants, working capital needs and business expansion. The Company's capital management practices are focused on preserving the quality of its financial position by maintaining a solid capital base.

Capital of the Company is comprised of shareholders' equity, its revolving line of credit, term credit facility and convertible debentures. The Company's capital is primarily utilized in its ongoing business operations to support working capital requirements and long-term investments made by the Company, business expansion and other strategic objectives. There were no changes in the Company's approach to capital management during the period. The Company's capital consists of the following:

	June 30, 2013	December 31, 2012
Revolving line of credit	\$ 1,914	\$ 1,000
Term credit facility	487	1,396
Convertible debentures	35,553	34,870
Shareholders' equity	20,138	19,379
	\$ 58,092	\$ 56,645

Three of the Company's subsidiaries are subject to externally imposed capital requirements. Aston Hill Asset Management ("AHAM") and AHF Capital Partners Inc. ("AHFCP") are registered with the Canadian Securities Administrators as Investment Fund Managers. Aston Hill Securities Inc. ("Aston Hill Securities"), is a broker dealer registered with the Investment Industry Regulatory Organization of Canada ("IIROC"). AHAM and AHFCP are currently required to maintain minimum working capital of \$100,000, plus \$100,000 deductible under their bonding insurance policy. Aston Hill Securities is required to maintain a prescribed minimum level of Risk-Adjusted Capital of \$250,000 in accordance with such requirements as IIROC may from time to time prescribe. In the event of non-compliance, these subsidiaries are required to file additional financial information and to review their policies and procedures for compliance with securities law and to file a compliance report.

At June 30, 2013, and December 31, 2012, the Company is in compliance with all externally imposed restrictions on capital.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended June 30, 2013 and 2012

(tabular amounts are in thousands of Canadian dollars except share and per share information)

(unaudited)

6. Net losses (gains) on investments

	<i>For the three month periods ended,</i>		<i>For the six month periods ended,</i>	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Loss (gain) on sale of				
financial assets through profit and loss	\$ 3	\$ 21	\$ (3)	\$ (13)
Decrease (increase) in fair value of				
financial assets through profit and loss	42	38	(167)	(6)
Oil & gas property investment (income) loss	-	-	2	(1)
Interest and dividend income	(80)	(9)	(166)	(25)
Revaluation of the obligation to redeem LPF shares	-	(33)	-	-
Other gains	(20)	(9)	(26)	(24)
Total net (gains) losses on investments	\$ (55)	\$ 8	\$ (360)	\$ (69)

7. Finance expense

	<i>For the three month periods ended,</i>		<i>For the six month periods ended,</i>	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Interest on convertible debentures	\$ 541	\$ 535	\$ 1,064	\$ 1,037
Interest on term credit facility	7	34	20	75
Interest on revolving line of credit	16	-	39	-
Other interest expense	29	17	52	45
Total interest expense	593	586	1,175	1,157
Accretion of convertible debenture discount	413	414	826	827
Accretion of debt issuance costs	46	61	91	122
Foreign exchange gain	-	(6)	(1)	(1)
Net finance expense	\$ 1,052	\$ 1,055	\$ 2,091	\$ 2,105

- (i) Accretion of convertible debentures includes accretion of debt issuance costs and accretion of the equity component of the convertible debentures into debt.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended June 30, 2013 and 2012

(tabular amounts are in thousands of Canadian dollars except share and per share information)

(unaudited)

8. Supplemental cash flow information

Changes in non-cash working capital from operating activities is comprised of:

	June 30, 2013	June 30, 2012
Source/(use) of cash:		
Trade and other receivables	\$ (338)	\$ 166
Argent restricted trust units receivable	(493)	-
Prepaid expenses	68	(55)
Notes receivable	342	-
Prepaid deposits	(8)	-
Trade and other payables	(314)	63
Provisions	(1,306)	(1,017)
	\$ (2,049)	\$ (843)

Changes in non-cash working capital from investing activities is comprised of:

	June 30, 2013	June 30, 2012
Source/(use) of cash:		
Trade and other payables ⁽ⁱ⁾	\$ (121)	\$ -

- (i) Relates to amounts payable on acquisition of Citadel Securities Inc. (subsequently renamed Aston Hill Securities).

9. Deferred sales commissions

	Aston Hill mutual fund commissions
Gross balance at December 31, 2012	1,500
Sales commissions paid	961
Balance at June 30, 2013	\$ 2,461
Amortization:	
Balance at December 31, 2012	379
Amortization	425
Balance at June 30, 2013	\$ 804
Carrying amounts:	
December 31, 2012	\$ 1,121
June 30, 2013	\$ 1,657

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended June 30, 2013 and 2012

(tabular amounts are in thousands of Canadian dollars except share and per share information)

(unaudited)

10. Earnings per share

Basic earnings per share are calculated as follows:

	<i>For the three month periods ended,</i>		<i>For the six month periods ended,</i>	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Net income (loss) for the period	\$ 329	\$ (208)	\$ 761	\$ (632)
Issued common shares at beginning of the period	73,211	72,949	72,400	72,626
Effect of share options exercised	63	110	710	326
Effect of normal course issuer bid transactions	-	(104)	-	(79)
Weighted average number of common shares - basic	73,274	72,955	73,110	72,873
Basic earnings per share	\$ 0.004	\$ (0.003)	\$ 0.010	\$ (0.009)

Diluted earnings per share are calculated as follows:

	<i>For the three month periods ended,</i>		<i>For the six month periods ended,</i>	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Net income (loss) for the period	\$ 329	\$ (208)	\$ 761	\$ (632)
Weighted average number of common shares - basic	73,274	72,955	73,110	72,873
Effect of outstanding options	1,728	-	1,794	-
Weighted average number of common shares - diluted	75,002	72,955	74,904	72,873
Diluted earnings per share	\$ 0.004	\$ (0.003)	\$ 0.010	\$ (0.009)

For the three and six months ended June 30, 2013, the effect of 29,678,000 (June 30, 2012 – 29,324,000) and 29,625,000 (June 30, 2012 – 31,009,000) shares issuable resulting from the Company's convertible debenture is excluded from diluted earnings per share as the effect is anti-dilutive.

For the three and six months ended June 30, 2013, the effect of nil (June 30, 2012 – 1,479,000) and nil (June 30, 2012 – 1,596,000) shares issuable resulting from the Company's share option plan is excluded from diluted earnings per share as the effect is anti-dilutive.

For the three and six months ended June 30, 2013, the effect of nil (June 30, 2012 – 73,000) and nil (June 30, 2012 – 83,000) shares issuable resulting from the deferred equity plan is excluded from diluted earnings per share as the effect is anti-dilutive.

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period that the options were outstanding.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended June 30, 2013 and 2012

(tabular amounts are in thousands of Canadian dollars except share and per share information)

(unaudited)

11. Dividends

The following dividends have been charged directly to retained deficit during the period ended:

	June 30, 2013	December 31, 2012
Regular dividends paid	\$ 1,829	\$ 3,073

Regular dividends were paid on May 13, 2013, March 8, 2013, December 7, 2012, August 21, 2012, May 22, 2012, and March 9, 2012.

12. Credit facilities

<i>Revolving line of credit</i>		
Balance at December 31, 2012	\$	1,000
Drawdown of facility		2,964
Repayments		(2,050)
Balance at June 30, 2013	\$	1,914

<i>Term credit facility</i>		
Balance at December 31, 2012	\$	1,396
Repayments		(1,000)
Accretion		91
Balance at June 30, 2013	\$	487

As at June 30, 2013 the Company's borrowing on the Term Credit Facility and revolving line of credit was at an effective interest rate of 4.3% (December 31, 2012 – 4.3%).

As at June 30, 2013, the Company had \$500,000 (December 31, 2012 - \$1,500,000) outstanding under its Term Credit Facility (gross of unamortized debt issuance costs) and \$1,914,000 (December 31, 2012 - \$1,000,000) outstanding on the revolving line of credit.

On July 29, 2013, the Company repaid the remaining outstanding balance of \$500,000 on the Term Credit Facility and terminated this portion of the facility on renewal of the revolving line of credit for two years. The revolving line of credit as of July 29, 2013, has a borrowing base of \$6,000,000.

13. Provisions

	Constructive Obligations
Outstanding, December 31, 2012	\$ 2,706
Provisions recorded during the period	1,400
Provisions settled during the period	(2,706)
Outstanding, June 30, 2013	\$ 1,400

The provisions for constructive obligations relate to the Company's annual obligation to award short term incentive payments to Aston Hill employees.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended June 30, 2013 and 2012

(tabular amounts are in thousands of Canadian dollars except share and per share information)

(unaudited)

14. Convertible debentures

The balance of debentures outstanding and changes in the liability component during the period ended June 30, 2013 was as follows:

Liability component:		
Balance at December 31, 2012	\$	34,870
Accretion of discount		826
Interest paid		(1,207)
Interest accrued		1,064
Balance at June 30, 2013	\$	35,553

There were no conversions of convertible debentures during the periods ended June 30, 2013, or December 31, 2012.

15. Share based compensation

Share Option Plans

During the six month period ended June 30, 2013, the Company granted 1,263,000 options with a weighted average fair value of \$1.32 per share. During the year ended December 31, 2012, the Company granted 1,965,000 options with a weighted average fair value of \$1.43 per share. The fair value of the options granted during the periods ended June 30, 2013 and December 31, 2012 were estimated at the grant date using an option pricing model with the following weighted average assumptions:

	June 30, 2013	December 31, 2012
Risk free interest rate (%)	1.31	1.18
Expected life of the options (years)	3.63	3.51
Expected share price volatility (%)	63.92	94.86
Expected forfeiture rate (%)	8.92	9.01
Expected dividend yield (%)	3.58	2.79

Volatility was determined based on historical share transaction data. Estimated forfeiture rate is adjusted to actual when forfeitures occur.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended June 30, 2013 and 2012

(tabular amounts are in thousands of Canadian dollars except share and per share information)

(unaudited)

15. Share based compensation (continued)

A summary of the status of the Company's share option plans as at June 30, 2013 and December 31, 2012 and the changes during the periods then ended, is as follows:

	June 30, 2013		December 31, 2012	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	5,965	\$ 1.16	5,484	\$ 0.90
Granted	1,263	1.32	1,965	1.43
Exercised	(882)	0.49	(894)	0.39
Forfeited	(51)	1.30	(493)	0.71
Expired	(20)	1.55	(96)	1.58
Outstanding, end of period	6,275	\$ 1.28	5,966	\$ 1.16
Exercisable, end of period	2,642	\$ 1.16	2,421	\$ 0.86

June 30, 2013				
Range of exercise prices	Number of Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Number of Options Vested
\$0.00 - \$0.28	138	\$ -	0.08	-
\$0.29 - \$0.68	315	0.32	0.73	315
\$0.69 - \$1.08	793	0.76	1.62	793
\$1.09 - \$1.45	2,464	1.31	3.97	387
\$1.46 - \$1.74	2,100	1.55	3.16	992
\$1.75 - \$1.90	465	1.90	3.07	155
	6,275	\$ 1.28	3.09	2,642

December 31, 2012				
Range of exercise prices	Number of Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Number of Options Vested
\$0.00 - \$0.28	144	\$ -	0.59	-
\$0.29 - \$0.68	956	0.36	0.90	955
\$0.69 - \$1.08	1,040	0.76	2.11	668
\$1.09 - \$1.45	1,221	1.29	3.83	337
\$1.46 - \$1.74	2,120	1.55	3.62	299
\$1.75 - \$1.90	485	1.90	3.46	162
	5,966	\$ 1.16	2.88	2,421

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended June 30, 2013 and 2012

(tabular amounts are in thousands of Canadian dollars except share and per share information)

(unaudited)

15. Share based compensation (continued)

For the three and six months ended June 30, 2013, the share option plan comprised \$355,000 (June 30, 2012 - \$543,000) and \$709,000 (June 30, 2012 - \$1,117,000), respectively, of the total share based compensation expense.

Deferred Equity Plan

During the six month period ended June 30, 2013, the Company granted 275,000 (December 31, 2012 – 670,000) deferred shares with no exercise price and a weighted average remaining contractual life of nil years (December 31, 2012 – 2.06 years).

A summary of the status of the Company's deferred equity plan as at June 30, 2013, and December 31, 2012 and the changes during the periods then ended, is as follows:

June 30, 2013			
	Number of Deferred shares	Weighted Average Exercise Price	Number of Deferred shares Vested
Outstanding, beginning and end of period	670	\$ -	-
Granted	275	\$ -	-
Outstanding, end of period	945	\$ -	-
Exercisable, end of period	-	\$ -	-
December 31, 2012			
	Number of Deferred shares	Weighted Average Exercise Price	Number of Deferred shares Vested
Outstanding, beginning of period	25	\$ -	-
Granted	670	\$ -	-
Forfeited	(25)	\$ -	-
Outstanding, end of period	670	\$ -	-
Exercisable, end of period	-	\$ -	-

A forfeiture rate of nil% was used when recording the Deferred Equity Plan portion of stock based compensation. This estimate is adjusted to the actual forfeiture rate.

For the three and six months ended June 30, 2013, the deferred equity plan comprised \$128,000 (June 30, 2012 - \$73,000) and \$227,000 (June 30, 2012 - \$132,000), respectively, of the total share based compensation expense.

As at June 30, 2013, there are 945,000 (December 31, 2012 – 670,000) deferred shares that remain unvested.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended June 30, 2013 and 2012

(tabular amounts are in thousands of Canadian dollars except share and per share information)

(unaudited)

15. Share based compensation (continued)

Deferred Share Unit Plan for Outside Directors

As units in the Deferred Share Unit Plan ("DSUP") vest on the grant date, the amount paid by the Company for units under this plan are expensed as incurred, and are held in treasury until redeemed by the plan's participant. For the period ended June 30, 2013, the DSUP made up \$nil (June 30, 2012 - \$15,000) of the total share based compensation expense.

16. Commitments

Non-cancellable operating lease rentals are payable as follows:

	June 30, 2013	December 31, 2012
Less than one year	\$ 546	\$ 603
Between one and five years	1,267	1,420
More than five years	186	278
	\$ 1,999	\$ 2,301

The Company is also required to pay its proportionate share of operating and property tax costs for the rented premises. During the three and six month periods ended June 30, 2013, the Company recorded \$215,000 (June 30, 2012 - \$253,000) and \$445,000 (June 30, 2012 - \$481,000), respectively, in office lease expenses. These amounts are included in general and administrative expenses in the income statement.

17. Related party transactions

In addition to those disclosed elsewhere in the financial statements, the Company had the following related party transactions:

- a) The Company's wholly owned subsidiaries receive management fees and sub-advisory fees and pay for expenses incurred by its various funds under management. These expenses are then charged back to the funds and are recovered under non-interest bearing, normal credit terms in accordance with terms of the funds. Management fees, sub-advisory fees and other amounts due from funds under management and included in accounts receivable at June 30, 2013 is \$1,467,000 (December 31, 2012 - \$381,000). Other amounts due to funds under management recorded in accounts payable as at June 30, 2013, was \$nil (December 31, 2012 - \$358,000). For the three and six month periods ended June 30, 2013, \$3,839,000 (June 30, 2012 - \$2,282,000) and \$7,319,000 (June 30, 2012 - \$4,774,000), respectively, was recorded as revenue in respect of these management fees. In addition, for the three and six month periods ended June 30, 2013, the Company absorbed \$338,000 (June 30, 2012 - \$132,000) and \$440,000 (June 30, 2012 - \$253,000), respectively, of expenses incurred by funds under management.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended June 30, 2013 and 2012

(tabular amounts are in thousands of Canadian dollars except share and per share information)

(unaudited)

17. Related party transactions (continued)

b) As at June 30, 2013, the Company had accounts receivable of \$910,000 (December 31, 2012 - \$807,000) and Argent RTUs receivable of \$839,000 (December 31, 2012 - \$346,000) from Argent Energy Trust ("Argent"), a company under common management. The Company has an Administrative Services Contract (the "Contract") in which the Company has recorded administration charges for the three and six month periods ended June 30, 2013 of \$500,000 (June 30, 2012 - \$nil) and \$1,000,000 (June 30, 2012 - \$nil), respectively. For the three and six months ended June 30, 2013 \$224,000 (June 30, 2012 - \$nil) and \$492,000 (June 30, 2012 - \$nil), respectively, of revenue related to Argent RTUs receivable. For the three and six month periods ended June 30, 2013, the Company recorded \$399,000 (June 30, 2012 - \$128,000) and \$678,000 (June 30, 2012 - \$691,000) in overhead recoveries for shared overhead costs that have been reimbursed by Argent.

On August 10, 2012, 210,000 Argent RTUs were granted with a par value of \$10.00 per unit to the Company for services rendered under the contract. As at June 30, 2013, the closing bid price for Argent per unit on the TSX was \$10.22 (December 31, 2012 - \$9.21).

c) Until termination of a management agreement on April 20, 2012, the Company managed a private oil and gas company. In conjunction with this management agreement, the Company was paid a quarterly management fee. For the three and six month periods ended June 30, 2013 \$nil (June 30, 2012 - \$304,000) and \$nil (June 30, 2012 - \$351,000), respectively, was recorded as revenue.

d) During the six months ended June 30, 2013, \$342,000 of promissory notes due from funds under management were received in full. As at June 30, 2013, \$nil (December 31, 2012 - \$342,000) in promissory notes due from funds under management were outstanding. The notes at December 31, 2012 were receivable on demand and accrued interest at a rate of prime plus 1% annually.

e) As at June 30, 2013, \$451,000 (December 31, 2012 - \$603,000) of the financial assets at fair value through profit or loss is related to holdings in the Company's funds under management. For the three and six month periods ended June 30, 2013, \$9,000 (June 30, 2012 - \$32,000) and \$9,000 (June 30, 2012 - \$2,000) of the net gains on investments recorded during the period was related to these investments in funds under the management of the Company.

f) As at June 30, 2013, \$1,000 (December 31, 2012 - \$7,000) of trade and other receivables and \$85,000 (December 31, 2012 - \$nil) of trade and other payables related to amounts related to RJT Capital Inc., a company which owns 49% of the outstanding shares of a subsidiary of the Company.

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

18. Subsequent events

Business combination

The Company entered into a share purchase agreement with an effective date of July 15, 2013, to acquire an 80% ownership interest in Connor, Clark and Lunn Capital Markets Inc. This transaction is expected to close on August 15, 2013 for a purchase price of approximately \$16,400,000 (net of closing adjustments). The acquired assets primarily consist of intangible assets related to management contracts for closed end funds.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended June 30, 2013 and 2012

(tabular amounts are in thousands of Canadian dollars except share and per share information)

(unaudited)

18. Subsequent events (continued)

Bought deal financing

On August 7, 2013, the Company completed a bought deal financing pursuant to an agreement with a syndicate of underwriters, to which it issued 13,600,000 subscription receipts at a price of \$1.40 per share unit for gross proceeds of approximately \$19,040,000 (the "Offering"). The underwriters also partially exercised an over-allotment option, by purchasing 1,700,000 additional share units at a price of \$1.40 per share unit. After exercise of the over-allotment option, gross proceeds from the Offering were \$21,420,000.

Credit facilities

On July 29, 2013, the Company repaid the remaining outstanding balance of \$500,000 on the Term Credit Facility and terminated this portion of the facility on renewal of the revolving line of credit for two years. The revolving line of credit as of July 29, 2013, has a borrowing base of \$6,000,000.