Consolidated Financial Statements for the year ended December 31, 2012

Contents

Consolidated Financial Statements

Management's Report to Shareholders	2
Auditor's Report	3
Consolidated Statements of Financial Position	4
Consolidated Statements of Net and Comprehensive Income	5
Consolidated Statements of Changes in Equity	6
Consolidated Statements of Cash Flows	7
Notes to the Consolidated Financial Statements	8-43

MANAGEMENT'S REPORT TO SHAREHOLDERS

Management of Aston Hill Financial Inc. ("Aston Hill") is responsible for the integrity and objectivity of the consolidated financial statements and all other information contained in this document. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are based on management's best information and judgment.

Aston Hill's accounting procedures and related systems of internal controls are designed to provide reasonable assurance that its assets are safeguarded, that transactions are executed in accordance with appropriate authorization, and that accounting records may be relied upon to appropriately reflect Aston Hill's business transactions.

The Audit Committee of the Board of Directors is composed of outside directors who meet periodically and independently with management and the external auditors to discuss Aston Hill's financial reporting and internal control. The Audit Committee reviews the financial information prepared by management and the results of the audit by the external auditors prior to recommending the consolidated financial statements to the Board of Directors for approval. The external auditors have unrestricted access to the Audit Committee.

Management acknowledges its responsibility to conduct Aston Hill's affairs in the best interests of its shareholders.

"Signed"

Eric Tremblay
Chief Executive Officer

"Signed"

Larry Titley
Chief Financial Officer

March 26, 2013

Independent Auditor's Report

To the Shareholders of Aston Hill Financial Inc.

We have audited the accompanying consolidated financial statements of Aston Hill Financial Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2012, and December 31, 2011, and the consolidated statements of net and comprehensive income , changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Aston Hill Financial Inc. and its subsidiaries as at December 31, 2012, and December 31, 2011, and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Accountants

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Consolidated Statements of Financial position

(in thousands of Canadian dollars, except share information)

As at,	Note	**December 31, 2012**	December 31, 2011
Assets			
Current assets			
Cash and cash equivalents	10	**$ 1,727**	$ 7,415
Investments at fair value through profit or loss	4, 27(f)	**2,272**	1,773
Trade and other receivables	5, 27(b)	**4,161**	3,745
Current income tax receivable		**689**	-
Short term portion of Argent restricted trust units receivable	27(b)	**254**	-
Prepaid expenses		**217**	156
Notes receivable	27(d)	**342**	342
		9,662	13,431
Argent restricted trust units receivable	27(b)	**92**	-
Prepaid deposits		**546**	149
Investments at fair value through other comprehensive income	4	**6,597**	5,880
Intangible assets	14	**45,539**	45,310
Property and equipment	13	**1,684**	727
Deferred sales commissions	12	**1,121**	308
Total assets		**$ 65,241**	$ 65,805
Liabilities			
Current Liabilities			
Trade and other payables	5	**$ 1,862**	$ 1,084
Current income tax payable		**-**	551
Provisions	19	**2,706**	1,750
Juno debenture	20	**-**	250
Obligation to redeem Lawrence Partners Fund ("LPF") Shares	21	**-**	406
Revolving line of credit	18	**1,000**	-
Short term portion of term credit facility	18	**1,396**	2,500
		6,964	6,541
Term credit facility	18	**-**	735
Convertible debentures	22	**34,870**	33,574
Deferred tax liabilities	11	**4,028**	3,503
		45,862	44,353
Shareholders' equity			
Share capital	15	**24,121**	23,702
Non-controlling interest	15	**102**	-
Treasury stock	15	**(641)**	(869)
Convertible debentures equity component	22	**5,838**	5,856
Contributed surplus		**5,057**	3,345
Retained deficit		**(10,203)**	(5,983)
Accumulated other comprehensive loss		**(4,895)**	(4,599)
		19,379	21,452
Total liabilities & shareholders' equity		**$ 65,241**	$ 65,805

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

Approved on behalf of the board of directors

"Signed"
Director - Eric Tremblay

"Signed"
Director - Eldon Smith

Consolidated Statements of Net and Comprehensive Income

(in thousands of Canadian dollars)

For the year ended,	Note		**December 31, 2012**		December 31, 2011
Revenue					
Management fees		**$**	**23,826**	$	18,179
Administration fees	27(b)		**745**		-
Total revenue			**24,571**		18,179
Expenses					
General and administrative			**15,983**		11,207
Product development			**921**		662
Share based compensation	23		**2,212**		1,495
Depreciation of property and equipment	13		**472**		253
Amortization of deferred sales commissions	12		**431**		258
Trailer fees			**1,026**		281
Commissions			**156**		-
Total operating expenses			**21,201**		14,156
Gain on settlement of note payable			**-**		(233)
Net gains on investments	7		**(858)**		(167)
Finance expense	8		**4,106**		1,842
Net income before tax for the year			**122**		2,581
Income tax expense					
Current taxes			**278**		738
Deferred taxes	11		**427**		517
Net income (loss) for the year		**$**	**(583)**	$	1,326
Other comprehensive (loss) income:					
Net change in fair value of investments	4	**$**	**(295)**	$	(2,404)
Deferred tax on net change in fair value of investments			**(1)**		464
Other comprehensive (loss) income for the year, net of tax			**(296)**		(1,940)
Total comprehensive (loss) income for the year, net of tax		**$**	**(879)**	$	(614)
Net income per share					
Basic	16	**$**	**(0.008)**	$	0.019
Diluted	16	**$**	**(0.008)**	$	0.018

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

For the year ended,	Note		**December 31, 2012**		December 31, 2011
Number of common shares outstanding					
Outstanding at the beginning of year			**72,079**		70,264
Stock options exercised	23		**751**		1,402
Warrants exercised			**-**		959
Shares repurchased & cancelled during the year	15		**(563)**		-
Treasury transactions	15		**133**		(546)
Outstanding at end of year			**72,400**		72,079
Share capital					
Balance at beginning of year		**$**	**23,702**	$	22,402
Options exercised	23		**610**		740
Warrants exercised			**-**		568
Normal course issuer bid repurchases			**(188)**		-
Other			**(3)**		(8)
Balance at end of year		**$**	**24,121**	$	23,702
Non-controlling interest					
Balance at beginning of year		**$**	**-**	$	-
Shares issued to non-controlling interest	15		**98**		-
Income allocated to non-controlling interest			**4**		-
Balance at end of year		**$**	**102**	$	-
Treasury stock					
Balance at beginning of year		**$**	**(869)**	$	-
Treasury stock granted			**242**	$	-
Shares repurchased and held in treasury			**(14)**		(869)
Balance at end of year		**$**	**(641)**	$	(869)
Convertible debentures equity component					
Balance at beginning of year		**$**	**5,856**	$	-
Equity portion allocated from issuance during the year			**-**		5,856
Normal course issuer bid repurchases			**(2)**		-
Change in deferred income tax			**(16)**		-
Balance at end of year		**$**	**5,838**	$	5,856
Contributed surplus					
Balance at beginning of year		**$**	**3,345**	$	2,148
Share based compensation expensed	23		**2,212**		1,495
Share based compensation exercised	23		**(500)**		(298)
Balance at end of year		**$**	**5,057**	$	3,345
Retained deficit					
Balance at beginning of year		**$**	**(5,983)**	$	(5,874)
Dividends paid	17		**(3,073)**		(1,435)
Normal course issuer bid repurchases			**(557)**		-
Net income (loss) for year			**(583)**		1,326
Other			**(7)**		-
Balance at end of year		**$**	**(10,203)**	$	(5,983)
Accumulated other comprehensive loss					
Balance at beginning of year		**$**	**(4,599)**	$	(2,659)
Other comprehensive income (loss)			**(296)**		(1,940)
Balance at end of year		**$**	**(4,895)**	$	(4,599)
Total equity		**$**	**19,379**	$	21,452

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

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

For the year ended,	Note	**December 31, 2012**	December 31, 2011
Operating Activities			
Net income (loss) for the year		**$ (583)**	$ 1,326
Adjustments for non-cash items:			
Deferred income taxes	11	**427**	517
Finance expense	8	**2,287**	1,055
Depreciation of property and equipment	13	**472**	253
Amortization of deferred sales commission	12	**431**	258
Accretion	8	**1,813**	791
Share based compensation	23	**2,212**	1,495
Non-cash investment income		**-**	(156)
Gain (loss) on financial instruments		**(626)**	(263)
Other non-cash gains/losses		**2**	-
		6,435	5,276
Change in non-cash working capital	9	**(437)**	(1,098)
Net cash from operating activities		**5,998**	4,178
Investing Activities			
Property and equipment expenditures		**(1,434)**	(243)
Acquisition of intangible assets	14	**-**	(28,450)
Acquisition of financial assets		**(2,260)**	(1,442)
Settlement of obligation to redeem LPF shares	21	**-**	(658)
Proceeds from sale of intangible assets	14	**100**	-
Proceeds from sale of financial assets		**970**	1,075
Deferred sales commissions paid	12	**(1,244)**	(255)
Corporate acquisition, net of cash acquired	6	**(655)**	(10,202)
Change in non-cash working capital		**121**	-
Net cash used in investing activities		**(4,402)**	(40,175)
Financing Activities			
Proceeds from exercise of warrants		**-**	432
Proceeds from exercise of share options	23	**352**	442
Proceeds on incorporation of subsidiary		**98**	-
Net proceeds from issuance of convertible debentures		**-**	37,852
Net proceeds from term credit facility		**-**	5,633
Net proceeds from revolving credit facility	18	**1,000**	-
Settlement of Juno debenture	20	**(250)**	-
Normal course issuer bid repurchases	15	**(769)**	-
Shares repurchased and held in treasury	15	**(15)**	(869)
Repayment of term credit facility	18	**(2,000)**	(2,500)
Interest paid		**(2,627)**	(157)
Dividends paid	17	**(3,073)**	(1,435)
Net cash from (used in) financing activities		**(7,284)**	39,398
Change in cash and cash equivalents		**(5,688)**	3,401
Cash and cash equivalents, beginning of period		**7,415**	4,014
Cash and cash equivalents, end of year		**$ 1,727**	$ 7,415

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012 and 2011
(tabular amounts are in thousands of Canadian dollars except share and per share information)

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 consolidated financial statements of the Company as at and for the year ended December 31, 2012 and 2011 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 consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 26, 2013.

2. Basis of Preparation

a) Statement of compliance

These consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"). The accounting policies applied in these consolidated financial statements are based on IFRS effective for the year ending December 31, 2012, as issued and outstanding as of March 26, 2013.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

I. Financial instruments are initially measured at fair value;

II. Financial assets and liabilities at fair value through profit or loss are measured at fair value with changes in fair value recorded in net income;

III. Financial assets and liabilities at fair value through other comprehensive income are measured at fair value with changes in fair value recorded in other comprehensive income;

IV. Financial assets and liabilities at amortized cost are discounted to fair value at initial recognition;

V. Share based compensation is initially recorded at fair value and subsequently recorded at amortized cost; and

VI. Argent Restricted Trust Units ("Argent RTUs") receivable are measured at fair value through profit or loss.

The methods used to measure fair values are discussed in note 4.

c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

2. Basis of Preparation (continued)

d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

The significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are summarized as follows:

i. Acquisition and business combinations:

   The Company has made significant estimates and assumptions in determining the fair value of consideration received through business combinations. These estimates require judgement to assess credit risk of financial assets and the implicit value of intangible assets. Further details of business combinations completed are included in note 6.

ii. Cash Generating Unit (“CGU”) valuation:

   The Company’s CGU is reviewed for impairment annually or more frequently if changes in circumstances indicate that the carrying value may be impaired. The values associated with the valuation of the Company’s CGU involve significant estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates, and asset lives. These significant estimates require considerable judgement regarding market growth rates, fund flow assumptions, expected margins and costs which could affect the Company’s future results if current estimates of future performance and fair values change. Further details are provided in note 14.

iii. Measurement of share based compensation:

   The cost of employee services received (share based compensation expense) in exchange for awards of equity instruments recognized is estimated using a Black-Scholes option valuation model which requires the use of assumptions. Further details regarding the assumptions used in the option pricing model are provided in note 23.

iv. Valuation of financial instruments:

   The values associated with financial instruments involve significant estimates and assumptions based on the level of fair value method employed in determining its fair value. These estimates require judgements in determination of inputs to valuation models utilized in the assessment of fair value. Further details regarding the assumptions used in the valuation of financial instruments is provided in note 4.

v. Argent RTUs receivable:

   Argent RTUs receivable are adjusted to fair value at each reporting date. The actual value realized will depend on the accumulated distributions actually paid and the actual year over year price appreciation of units. Refer to note 4 for further details.

3. Significant accounting policies

a) Basis of consolidation:

i. Subsidiaries:

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

ii. Business combinations:

All business combinations, including acquisitions of subsidiaries and assets that meet the definition of a business under IFRS are accounted for using the acquisition method of accounting.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Contingent consideration is included in the cost of acquisition at fair value. Directly attributable transaction costs are expensed in the current period and reported within general and administration expenses.

iii. Transactions eliminated on consolidation:

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

b) Foreign currency:

Transactions in foreign currencies are translated to Canadian dollars at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the period end exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognized in net income as a component of finance expense.

c) Cash and cash equivalents:

Cash and cash equivalents are initially measured at fair value and are subsequently recorded at amortized cost. Cash and cash equivalents comprise of cash on hand, term deposits held with banks, and other short-term liquid investments with original maturities of three months or less.

d) Financial instruments:

The Company applies IFRS 9 to the recognition and measurement of financial assets and liabilities.

Initial Recognition

Regular purchases and sales of financial assets are recognized on the trade-date, the date on which the Company commits to purchase or sell the asset.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value though profit or loss are expensed in the income statement.

3. Significant accounting policies (continued)

A gain or loss on a debt investment that is subsequently measured at fair value and is not part of a hedging relationship is recognized in profit or loss and presented in the income statement within profit or loss in the period in which they arise. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the financial asset is derecognized or impaired and through the amortization process using the effective interest rate method.

Subsequent Measurement of Financial Assets

Non-Equity Instruments

IFRS 9 includes a single model that has only two classification categories for financial instruments other than equity instruments: amortized cost and fair value. To qualify for amortized cost accounting, the instrument must meet two criteria:

I. The objective of the business model is to hold the financial asset for the collection of the cash flows; and

II. All contractual cash flows represent only principal and interest on that principal.

All other instruments are mandatorily measured at fair value. Classification under IFRS 9 is determined at inception based on the two criteria previously described.

The Company is required to reclassify all affected debt investments when and only when its business model for managing those assets changes.

Equity Instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present unrealized and realized fair value gains and losses on equity investments in other comprehensive income, there is no subsequent recycling of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognized in profit or loss as long as they represent a return on investment.

Impairment of financial assets carried at amortized cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets measured at amortized cost is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Subsequent Measurement of Financial Liabilities

Financial liabilities designated at fair value through profit or loss are subsequently measured at fair value with gains and losses recognized in income.

Financial liabilities not designated at fair value through profit or loss are subsequently measured at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method. These financial instruments are classified as current liabilities if payment is due within twelve months or if the obligation is expected to be settled in the Company's normal operating cycle. Otherwise, they are presented as non-current liabilities.

Embedded derivatives that are not closely related to such host financial liability contracts and meet the definition of a derivative are separated and fair valued through profit or loss.

3. Significant accounting policies (continued)

Fees paid on the establishment of loan facilities are recognized as transaction cost of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

The fair value of the liability portion of the convertible debentures is determined using a market interest rate for an equivalent non-convertible debenture. This amount is recorded as a liability on an amortized cost basis until extinguished on conversion, maturity, or normal course issuer bid of the convertible debentures. The remainder of the proceeds is allocated to the conversion option. This is recognized and included in shareholders' equity, net of income tax effects.

Derecognition of Financial Assets and Financial Liabilities

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognized when they are extinguished – that is, when the obligation specified in the contract is discharged or cancelled or expires.

e) Impairment of non-financial assets:

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, an impairment test is completed each year.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3. Significant accounting policies (continued)

f) Convertible Debentures

The Company's convertible debentures are derivative financial instruments consisting of a liability with an embedded conversion feature. The fair value of the liability portion of the convertible debentures is determined using a market interest rate for an equivalent non-convertible debenture. This amount is recorded as a liability on an amortized cost basis until extinguished on conversion, maturity, or normal course issuer bid of the convertible debentures. The remainder of the proceeds is allocated to the conversion option. This is recognized and included in shareholders' equity, net of income tax effects.

g) Share capital:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

h) Property and equipment:

i. Recognition and measurement:

Items of property and equipment are measured at cost less accumulated amortization and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized within other income in profit or loss.

ii. Amortization:

For property and equipment, amortization is recognized in profit or loss on a declining balance basis over the estimated useful lives of each part of an item of property and equipment.

The estimated useful lives for property and equipment for the current and comparative years are as follows:

Computer equipment	30% declining balance
Computer software	100% declining balance
Furniture, fixtures and others	20% declining balance
Leasehold Improvements	straight line over the term of the lease

Amortization methods, useful lives and residual values are reviewed annually.

i) Intangible assets:

The Company's intangible assets are related to contractual agreements to which no dates of expiration or contractual life have been specified in the provisions therein. As such, the Company's intangibles have indefinite useful lives and are not subject to amortization.

j) Leased assets:

All of the Company's leases are operating leases, which are not recognized on the Company's balance sheet.

Payments made under operating leases are recognized in net income on a straight-line basis over the term of the lease.

3. Significant accounting policies (continued)

k) Share based compensation:

i. Employee share purchase plan:

   Employee share purchase plan benefit obligations are measured on an undiscounted basis on the date the shares are purchased in the open market and are expensed as the related service is provided.

ii. Employee stock options and deferred share plans:

   The grant date fair value of options and deferred shares granted to employees is recognized as share based compensation expense, with a corresponding increase in contributed surplus over the vesting period. The grant date fair value of options and deferred share granted are determined using the Black-Scholes option valuation model which requires the use of assumptions. Further detail regarding the assumptions used in the option pricing model is provided in Note 23.

l) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a risk-free rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on associated assets.

m) Deferred sales commissions:

Commissions paid to registered investment dealers on the sale of ownership units of mutual funds and closed end funds managed by the Company are recorded as deferred on the trade date of the sale. Deferred sales commissions are amortized over the expected investment period of 36 to 96 months on a straight line basis from the date recorded. When redemptions on ownership units occur before the end of the amortization period, the actual investment period is shorter than expected, and the unamortized deferred sales commission related to the original investment in the mutual fund is charged to net income and included in the amortization of deferred sales commissions.

n) Revenue:

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. In addition to these general principles, the Company applies the following specific revenue recognition policies:

Management fees are based on the net asset value of the funds managed and are recognized on an accrual basis as the service is being performed.

Administrative fees are based on the enterprise value of the underlying company and are recognized on an accrual basis as the service is being performed.

Interest income is recognized as it accrues in net income, using the effective interest method. Dividend income is recognized on the ex-dividend date.

Revenue on Argent RTUs are accrued on a straight line basis over the service period of the underlying contract.

3. Significant accounting policies (continued)

o) Finance expense:

Finance expense comprises interest and accretion expense on the Juno debenture, the convertible debentures, credit facility, and the note payable. Foreign currency gains and losses, reported under finance expenses, are reported on a net basis.

p) Income tax:

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Tax on income is accrued using the tax rate that would be applicable to expected total annual earnings.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

q) Earnings per share:

Basic earnings per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such warrants and stock options granted to employees.

r) New standards and interpretations not yet adopted:

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2013. These standards will result in further disclosures for the Company. No restatement of financial statement line items will be required as a result of the adoption of the following policies. The Company has decided not to early adopt any of the following IFRSs.

3. Significant accounting policies (continued)

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*.

IFRS 11 - Joint Arrangements

IFRS 11, *Joint Arrangements* ("IFRS 11"), requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities—Non-monetary Contributions by Venturers*.

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.

Amendments to Other Standards

There have been amendments to existing standards, including IAS 27, *Separate Financial Statements* ("IAS 27"), and IAS 28, *Investments in Associates and Joint Ventures* ("IAS 28"). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to 13.

IAS 1, *Presentation of Financial Statements*, has been amended to require entities to separate items presented in OCI into two groups, based on whether or not items may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The amendment is effective for annual periods beginning on or after July 1, 2012 with earlier application permitted.

IFRS 7, *Financial Instruments: Disclosures,* has been amended to include additional disclosure requirements in the reporting of transfer transactions and risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets. The amendment is applicable for annual periods beginning on or after July 1, 2011, with earlier application permitted.

IAS 12, *Income Taxes* ("IAS 12"), was amended to introduce an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendment, there is a rebuttable presumption that the carrying amount of the investment property will be recovered through sale when considering the expected manner of recovery or settlement. SIC 21, *Income Taxes - Recovery of Revalued Non-Depreciable Assets*, will no longer apply to investment properties carried at fair value. The amendment also incorporates into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. The amendment is effective for annual periods beginning on or after July 1, 2012 with earlier application permitted.

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 instrument that is substantially the same, discounted cash flow analysis, multiple earnings analysis, and reserve based valuations.

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 of 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).

4. Determination of fair values (continued)

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"). 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 Agent 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 December 31, 2012 and December 31, 2011.

	Carrying	Fair	**Fair value measurements using**		
December 31, 2012	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

	Carrying	Fair	**Fair value measurements using**		
December 31, 2011	Amount	Value	Level 1	Level 2	Level 3
Financial assets:					
Financial assets at fair value through profit or loss	$ 1,773	$ 1,773	$ 601	$ 1,172	$ -
Financial assets at fair value through OCI	5,880	5,880	-	-	5,880
	$ 7,653	$ 7,653	$ 601	$ 1,172	$ 5,880

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:

4. Determination of fair values (continued)

- 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.

The following tables reconcile the Company's Level 3 fair value measurements for the year ended December 31, 2012 and the comparative period:

Balance at January 1, 2011	$	7,834
Decrease in fair value during the year		(2,404)
Purchase of additional interest in Journey Energy Inc.		450
Balance at December 31, 2011	**$**	**5,880**
Decrease in fair value during the year		(295)
Purchase of additional interest in Journey Energy Inc.		1,012
Balance at December 31, 2012	**$**	**6,597**

The level 3 fair value determination for the investment in Journey Energy Inc. (formerly Sword Energy Inc.) was performed through analysis of 2012 market transactions, net asset value, and discounted cash flows. For the year ended December 31, 2012, the potential effect of using reasonably possible alternative fair value methods in Level 3 investments would range from a decrease in the value of level 3 investments of $974,000 (December 31, 2011 – $930,000) with a corresponding decrease unrealized change in fair value of investments through other comprehensive income, to an increase in the value of level 3 investments of $432,000 (December 31, 2011 – $445,000) with a corresponding increase in unrealized change in fair value of investments through other comprehensive income. The unrealized loss on the investment in Journey Energy Inc. was $295,000 (December 31, 2011 - $2,404,000).

5. Financial Risk Management

Overview:

The Company's activities expose it to a variety of financial risks that arise as a result of its operating, investing, and financing activities such as:

- Credit risk;
- Liquidity risk;
- Price risk; and
- Interest rate risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors oversees managements' establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

5. Financial Risk Management (continued)

a) Credit risk:

Credit risk is the potential for financial loss to the Company if a counterparty in a transaction fails to meet its obligations. The Company's cash and cash equivalents, trade and other receivables, notes receivable, prepaid deposits and Argent RTUs receivable are exposed to credit risk. The Company monitors its credit risk management policies continuously to evaluate their effectiveness and feels that the creditworthiness of its counterparties is satisfactory at this time. Cash and cash equivalents primarily consist of highly liquid temporary deposits with Canadian chartered banks, and from time to time, guaranteed investment certificates. The Company mitigates credit risk on these financial instruments by adhering to its Investment Policy that outlines credit risk parameters and concentration limits.

The maximum exposure to credit risk at the year-end is as follows:

	Carrying Amount	
	December 31 2012	December 31 2011
Cash and cash equivalents	**$ 1,727**	$ 7,415
Trade and other receivables	**4,161**	3,745
Notes receivables	**342**	342
Prepaid deposits	**546**	149
Argent RTUs receivable	**346**	-
Total credit risk exposure	**$ 7,122**	$ 11,651

Trade and other receivables:

All of the Company's operations are conducted in Canada. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Receivables are normally collected on the 15th day of the month following the month or quarter in which the management fee was earned. The Company mitigates credit risk associated with these balances by establishing marketing relationships with its customers. Credit risk is further mitigated through dealing with related parties for a significant portion of its receivables. These related parties primarily consist of funds under management for which the Company can readily monitor their ability to pay, and related companies for which long standing relationships exist. The Company historically has not experienced any significant collection issues with its customers.

5. Financial Risk Management (continued)

The Company does not anticipate any default as it transacts with creditworthy customers and management does not expect any losses from non-performance by these customers. As such a provision for doubtful accounts has not been recorded at December 31, 2012 and December 31, 2011. The maximum exposure to credit risk for receivables at the reporting date by type of customer was:

	Carrying Amount			
		December 31 2012		December 31 2011
Sub advisory fee receivables	**$**	**1,244**	$	1,403
Management fee receivables		**898**		1,300
Administration fee receivables		**300**		-
Other receivables		**1,719**		1,042
Trade and other receivables	**$**	**4,161**	$	3,745

A significant amount of the Company's accounts receivable is due from related parties. As at December 31, 2012, 45% (December 31, 2011 - 40%) of the Company's trade and other receivables is due from related parties (see note 27).

The Company has one other significant customer, a Canadian wealth management firm, which accounts for $806,000 of the trade receivables at December 31, 2012 (December 31, 2011 - $858,000).

As at December 31, 2012 and December 31, 2011, the Company's trade and other receivables are aged as follows:

		December 31, 2012		December 31, 2011
Current	**$**	**4,077**	$	3,631
Past due		**84**		114
	$	**4,161**	$	3,745

b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days, including the servicing of financial obligations, which excludes the potential impact of extreme circumstances that cannot reasonably be predicted. To achieve this objective, the Company prepares annual operational expenditure budgets which are regularly monitored and updated as considered necessary. The Company also attempts to match its payment cycle with collection of its revenue on the 15th of each month.

The following are the contractual maturities of financial liabilities including estimated interest payments at December 31, 2012 and December 31, 2011:

5. Financial Risk Management (continued)

As at December 31, 2012		Carrying amount	Contractual cash flows	Less than one year	One - two years	Two - five years	More than five years
Financial liabilities:							
Trade and other payables		$ 1,862	$ 1,862	$ 1,862	$ -	$ -	$ -
Term credit facility	-principal	1,396	1,396	1,396	-	-	-
	-interest	32	32	32	-	-	-
Revolving line of credit	-principal	1,000	1,000	1,000	-	-	-
Convertible debentures	-principal	34,870	40,232	-	-	40,232	-
	-interest	8,929	8,929	2,198	5,318	1,598	-
		$ 48,089	**$ 53,451**	**$ 6,488**	**$ 5,318**	**$ 41,830**	**$ -**

As at December 31, 2011		Carrying amount	Contractual cash flows	Less than one year	One - two years	Two - five years	More than five years
Trade and other payables		$ 1,084	$ 1,084	$ 1,084	$ -	$ -	$ -
Current income tax payable		551	551	551	-	-	-
Obligation to redeem LPF shares [(1)]		406	406	406	-	-	-
Term credit facility	-principal	3,235	3,500	2,500	1,000	-	-
	-interest	-	102	98	4	-	-
Juno debenture	-principal	250	250	250	-	-	-
	-interest	-	8	8	-	-	-
Convertible debentures	-principal	33,574	40,250	-	-	40,250	-
	-interest	-	12,111	2,451	4,830	4,830	-
		$ 39,100	**$ 58,262**	**$ 7,348**	**$ 5,834**	**$ 45,080**	**$ -**

[(1)] The Company's obligation to redeem LPF shares to the previous shareholders of Aston Hill Asset Management Inc. (formerly Navina Asset Management Inc.) were settled from the cash proceeds upon dissolution of LPF.

c) Market risk:

Market risk is the potential for loss to the Company from changes in the values of its financial instruments due to changes in interest rates, foreign exchange rates or equity prices. The Company's financial instruments are generally denominated in Canadian dollars and do not have significant exposure to changes in foreign exchange rates.

The Company's securities holdings are classified at fair value through profit or loss and at fair value through other comprehensive income, therefore changes in fair market value on securities are recorded in income or other comprehensive income as changes in fair value.

5. Financial Risk Management (continued)

Further risks related to market risks that are present in the Company are as follows:

i. Price risk:

The Company is exposed to equity securities price risk resulting from investments held by the Company.

As at December 31, 2012, had the fair values of the investments increased or decreased by 5%, with all other variables held constant, net income would have increased or decreased by approximately $114,000 (December 31, 2011 - $89,000), and other comprehensive income would have increased or decreased by approximately $330,000 (December 31, 2011 – $294,000).

ii. Interest rate risk:

The Company's interest rate risk arises from short and long-term borrowings. The interest rates on the Company's credit facilities are variable, based on prime-rate loans or bankers acceptances.

For the year ended December 31, 2012, had the interest rate increased or decreased by 25 basis points, the Company's net income would have increased or decreased net income by approximately $6,000 (December 31, 2011 - $9,000).

The Company has established a control environment that ensures market risks are reviewed regularly and that risk controls throughout the Company are operating in accordance with regulatory requirements. Exposure to interest rate risk, price risk and other market risks are monitored.

d) 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 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:

	December 31, 2012	December 31, 2011
Revolving credit facility	**$ 1,000**	$ 3,235
Term credit facility	**1,396**	3,235
Convertible debentures	**34,870**	33,574
Shareholders' equity	**19,379**	21,452
	$ 56,645	$ 61,496

5. Financial Risk Management (continued)

Two of the Company's subsidiaries are subject to externally imposed capital requirements. Aston Hill Asset Management ("AHAM") is registered with the Canadian Securities Administrators as an Investment Fund Manager ("IFM"). Citadel Securities Inc., subsequently renamed Aston Hill Securities Inc. ("Aston Hill Securities"), is registered with the Investment Industry Regulatory Organization of Canada ("IIROC"). AHAM is 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 December 31, 2012, and December 31, 2011, the Company is in compliance with all externally imposed restrictions on capital.

6. Acquisition and Business Combinations

a) Citadel Acquisition:

On November 14, 2012, the Company entered into a purchase and sale agreement to acquire a 100% ownership of Citadel Securities Inc. ("Citadel"). Citadel is a full service, employee owned investment dealer who provides investment advice to private and institutional investors.

On December 20, 2012, the Company closed this acquisition and acquired all of the issued and outstanding equity of Citadel for cash consideration of $250,000 net of working capital reimbursement of $583,000.

The fair values of Citadel's assets acquired and liabilities assumed are as follows:

Net Assets Acquired		
Working capital, net of cash acquired	$	405
Intangible assets		330
Deferred income tax liability		(80)
Total net assets acquired	**$**	**655**

Intangible assets acquired represent Citadel's registration with the Investment Industry Regulatory Organization of Canada ("IIROC"), and their investment dealer infrastructure. These intangible assets allow the Company to act as an investment dealer and create a new line of business for the Company. IIROC registration and an investment dealer infrastructure therefore represents an expected future economic benefit that will flow to Aston Hill as a result of this business combination. The value of this intangible asset has been calculated as the excess of the value paid to purchase Citadel less the fair value of the other assets acquired.

6. Acquisition and Business Combinations (continued)

The Income Statement includes the results of operations of Citadel for the period following the close of the transaction on December 20, 2012. Revenue for the year ended December 31, 2012 includes $2,000 of revenue generated from the assets acquired since the closing date. Net loss before income taxes for the year ended December 31, 2012 from this acquisition is approximately $12,000. If the assets had been acquired on January 1, 2012, approximately $547,000 of additional revenue and $125,000 of additional net loss before income taxes would have been included in the income statement for the year ended December 31, 2012. This pro-forma financial information is not necessarily indicative of the financial position or results of operations that would have resulted had the relevant transaction taken place at the beginning of the year. The Company incurred approximately $28,000 in legal and advisory fees, filing and consulting fees related to this transaction which have been recorded in general and administrative expenses the income statement for the year ended December 31, 2012.

b) Investment Funds Asset Acquisition:

Pursuant to an asset purchase agreement dated July 5, 2011, Aston Hill acquired the management agreements in relation to seven TSX-listed closed-end investment funds from Brompton Corp. (“Brompton”). The Company effected the acquisition by purchasing all of the issued and outstanding shares of BFML Management Limited (“BFML”), which concurrently was renamed Aston Hill Management Limited (“AHML”). AHML held all of the management agreements acquired. The purchase closed on July 27, 2011 for cash consideration of $28,000,000. The $28,000,000 in assets acquired is recorded as intangible assets on the statement of financial position. On December 30, 2011, AHML was amalgamated into Aston Hill Asset Management Inc. (“AHAM”).

The Company incurred approximately $327,000 in legal and advisory fees related to this transaction which have been recorded in general and administrative expenses in the income statement for the year ended December 31, 2011.

c) Morrison Williams Business Combination:

On July 5, 2011, the Company entered into two purchase and sale agreements to acquire a 100% ownership interest of Morrison Williams Investment Management LP and its wholly owned subsidiary Morrison Williams Capital Advisors Inc. (together referred to as “Morrison Williams”). Morrison Williams is a portfolio management firm focused primarily on managing money for non-taxable institutional investors, high net worth individuals, and other taxable investors.

On July 27, 2011 the Company acquired all of the issued and outstanding equity of Morrison Williams for cash consideration of $11,500,000.

Transactions recognized separately from the acquisition include the grant of stock options for 500,000 common shares of Aston Hill (under its pre-existing stock option plan) and issuance of $500,000 worth of common shares of Aston Hill in trust for the purposes of an employee benefit plan to specified officers and employees of Morrison Williams. These two transactions were made as a retention incentive to Morrison Williams’ employees. For additional details regarding these share based compensation, refer to note 23.

In addition to the stock options and common shares issued at closing, Aston Hill agreed to provide a subsequent issuance of 500,000 stock options (under the Company’s pre-existing stock option plan) to employees of Morrison Williams at the one year anniversary of closing.

6. Acquisition and Business Combinations (continued)

The fair values of the Morrison Williams assets acquired and liabilities assumed are as follows:

Net Assets Acquired		
Working capital, net of cash acquired of $1,298	$	1,368
Property & equipment		21
Intangible assets		13,481
Deferred income tax liability		(3,370)
Total net assets acquired	**$**	**11,500**

100% of the recorded receivables of $574,000 have been collected since acquisition.

Intangible assets acquired represent the investment contracts managed by Morrison Williams. These contracts grant Aston Hill the ability (and legal rights) to market, sell and manage these accounts. These contracts represent an expected future economic benefit that will flow to Aston Hill as a result of this business combination. The value of this intangible asset has been calculated as the excess of the value paid to purchase Morrison Williams less the fair value of the other assets acquired.

The Income Statement for the year ended December 31, 2011, includes the results of operations of Morrison Williams for the period following the close of the transaction on July 27, 2011. Revenue for the year ended December 31, 2011 includes $2,110,000 of management fee revenue generated from the assets acquired since the closing date. Net income before income taxes for the year ended December 31, 2011 from this acquisition is approximately $997,000. If the assets had been acquired on January 1, 2011, approximately an additional $2,997,000 of management fee revenue and $1,081,000 of net income before income taxes would have been included in the income statement for the year ended December 31, 2011. This pro-forma financial information is not necessarily indicative of the financial position or results of operations that would have resulted had the relevant transaction taken place at the beginning of the year. The Company incurred approximately $395,000 in legal and advisory fees related to this transaction which have been recorded in general and administrative expenses the income statement for the year ended December 31, 2011.

As a provision of sale, the sellers have agreed to indemnify Aston Hill of obligations specifically defined in the purchase and sale agreement. The sellers have agreed to indemnify Aston Hill from any expenses, liabilities or professional fees relating to any taxes incurred after the closing date of the business combination that relate to any period preceding the closing date of the business combination. In addition, the seller has agreed to indemnify Aston Hill from any expenses, liabilities, tax provisions or professional fees incurred in respect to the assumption of any rights or obligations as are required to establish Aston Hill as the sponsor and administrator of any Morrison Williams' pension plans that were previously established in favor of the sellers.

Any obligation arising from the indemnifications granted in the purchase and sale agreement of Morrison Williams is not probable.

7. Net losses (gains) on investments

	December 31, 2012	December 31, 2011
(Gain) loss on sale of		
financial assets through profit and loss	$ (66)	$ 3,646
Increase in fair value of financial assets		
through profit and loss	(563)	(3,676)
Oil & gas property investment (income) loss	-	(5)
Interest and dividend income	(96)	(65)
Return of capital	(100)	-
Other gains	(33)	(67)
Total net (gains) losses on investments	$ (858)	$ (167)

8. Finance expense

	December 31, 2012	December 31, 2011
Interest on convertible debentures	$ 2,108	$ 897
Interest on term credit facility	103	103
Other interest expense	76	55
Total interest expense	2,287	1,055
Accretion of convertible debentures [(i)]	1,652	689
Accretion of debt issuance costs	161	102
Foreign exchange gain	6	(4)
Net finance expense	$ 4,106	$ 1,842

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

For the year ended December 31, 2012 and 2011
(tabular amounts are in thousands of Canadian dollars except share and per share information)

9. Supplemental cash flow information

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

	December 31, 2012	December 31, 2011
Source/(use) of cash:		
Trade and other receivables	$ (375)	$ (1,992)
Argent restricted trust units receivable	(346)	-
Current income tax receivable (i)	(1,220)	-
Prepaid expenses and deposits	(73)	29
Notes receivable	-	(39)
Trade and other payables	621	(191)
Current income tax payable (i)	-	748
Provisions	956	347
	$ (437)	$ (1,098)

(i) For the year ended December 31, 2012, income taxes paid totaled $1,498,000 (2011 - $10,000 received).

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

	December 31, 2012	December 31, 2011
Source/(use) of cash:		
Trade and other payables (i)	$ 121	$ -

(i) Relates to amounts payable on Citadel acquisition.

10. Cash and cash equivalents

Cash and cash equivalents consist of:

	December 31, 2012	December 31, 2011
Bank balances	$ 1,727	$ 5,406
Short term deposits	-	2,009
Cash and cash equivalents	$ 1,727	$ 7,415

11. Deferred income taxes

a) The income tax provision on the statement of net income differs from the expected income provision as follows:

	December 31, 2012	December 31, 2011
Expected expense (recovery) at a statutory rate of 25.75% (2011 - 26.5%)	$ 32	$ 684
Add (deduct) effects of:		
Impact of permanent differences	879	450
Future income tax recognized through OCI	-	300
Revision of opening tax pool balances	(426)	(222)
Effect of change in future tax rate	224	43
Other	(4)	-
	$ 705	$ 1,255

11. Deferred income taxes (continued)

The Company's applicable tax rate is the Canadian combined rates applicable in the jurisdictions in which the Company operates. The decrease in statutory tax rate from 26.5% in 2011 to 25.75% in 2012 is primarily due to reduction of the federal income tax rate in 2012 from 16.5% to 15%.

Total tax expense consists of the following:

	December 31, 2012	December 31, 2011
Current taxes	**$ 278**	$ 738
Deferred taxes	**427**	517
	$ 705	$ 1,255

b) The components of the Company's deferred tax asset (liability) are a result of the origination and reversal of temporary differences and are comprised of the following:

	December 31, 2012	December 31 2011
Deferred tax assets:		
Obligation to redeem LPF shares	**$ -**	$ 57
Financial assets at fair value through OCI	**659**	661
Property and equipment	**75**	65
Oil and gas properties	**7**	7
Transaction costs	**18**	18
Share issue costs	**20**	37
Financing costs	**-**	69
Capital loss carryforwards	**537**	10
Non-capital losses	**3**	101
	1,319	1,025
Less deferred tax liabilities:		
Financial asset at fair value through profit or loss	**(90)**	(9)
Intangible asset	**(4,932)**	(4,442)
Deferred sales commissions	**(297)**	(77)
Financing costs	**(28)**	-
Net deferred tax assets (liabilities)	**$ (4,028)**	$ (3,503)

The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have been recognized in respect of these items because it is probable that future taxable profit will be available against which the Company can utilize the benefits.

The recognition of the tax assets related to financial assets through OCI and capital loss carryforwards are supported by the value of internally generated and externally purchased segments of business for which the Company could segment and partition in sale in order to create gains for which the tax pool losses could be utilized.

12. Deferred sales commissions

		Aston Hill mutual fund commissions		Lawrence Enterprise Fund commissions		Total
Gross balance at December 31, 2010	$	-	$	452	$	452
Sales commissions paid		256		-		256
Gross balance at December 31, 2011		256		452		708
Sales commissions paid		1,244		-	$	1,244
Balance at December 31, 2012	**$**	**1,500**	**$**	**452**	**$**	**1,952**
Amortization:						
Balance at December 31, 2010	$	-	$	142	$	142
Amortization		53		205		258
Balance at December 31, 2011		53		347		400
Amortization		326		105		431
Balance at December 31, 2012	**$**	**379**	**$**	**452**	**$**	**831**
Carrying amounts:						
December 31, 2011	$	203	$	105	$	308
December 31, 2012	**$**	**1,121**	**$**	**-**	**$**	**1,121**

Unitholders of units that were redeemed before the investment period are charged a redemption fee which is collected by the Company as a penalty of early redemption. Redemption fees collected by the Company for the year ended December 31, 2012 amounted to $9,000 (December 31, 2011 - $nil).

In conjunction with the acquisition of Navina Asset Management Inc. in 2010, the Company acquired deferred sales commissions that were incurred on the issue and sale of Series III and IV shares of Lawrence Enterprise Fund Inc, a fund under management. The commissions are deferred and amortized on a straight-line basis over 96 months. These deferred sales commissions were fully amortized during fiscal 2012.

13. Property and equipment

		Computer equipment & software		Leasehold Improvements		Furniture fixtures & others		Total
Balance at December 31, 2010	$	280	$	663	$	447	$	1,390
Additions		101		131		11		243
Acquired in business combination		2		-		19		21
Balance at December 31, 2011		383		794		477		1,654
Additions		126		919		389		1,434
Acquired in business combination		-		-		1		1
Disposals		(3)		(3)		-		(6)
Balance at December 31, 2012	**$**	**506**	**$**	**1,710**	**$**	**867**	**$**	**3,083**
Depreciation:								
Balance at December 31, 2010	$	219	$	298	$	157	$	674
Depreciation for the year		61		134		58		253
Balance at December 31, 2011		280		432		215		927
Depreciation for the year		78		264		130		472
Balance at December 31, 2012	**$**	**358**	**$**	**696**	**$**	**345**	**$**	**1,399**
Carrying amounts:								
December 31, 2011	$	103	$	362	$	262	$	727
December 31, 2012	**$**	**148**	**$**	**1,014**	**$**	**522**	**$**	**1,684**

14. Intangible assets

	Internally generated	**Externally acquired**		**Total intangible assets**
Carrying amounts:				
At January 1, 2011	192	3,637	$	3,829
Acquired in asset acquisition	-	28,000		28,000
Acuired in business combination	-	13,481		13,481
At December 31, 2011	192	45,118		45,310
Acquired in business combination	-	329		329
Disposition of intangible assets	-	(100)		(100)
At December 31, 2012	**192**	**45,347**	**$**	**45,539**

Intangible assets consist of fund management contracts acquired through a purchase of management contracts from Brompton, the assumption of management contracts in acquiring the businesses of Navina and Morrison Williams, the IIROC registration and investment dealer network acquired in the Citadel acquisition, and internally generated management contracts which include an extended sub-advisory agreement to facilitate a long-term business arrangement with another Canadian wealth management company.

14. Intangible assets (continued)

The Company has one CGU for the purpose of assessing the recoverable amount of the intangible assets. The recoverable amount has been estimated on the basis of the expected net future cash flows generated from the value in use of the Company's assets grouped in this CGU. The intangible assets will be tested for impairment on an annual basis or more often if events or circumstances indicate there may be impairment. The impairment of intangible assets, and any eventual reversal thereof, is recognized as additional amortization expense in the income statement. As at December 31, 2012, no amortization or impairment has been recognized on these intangible assets.

The recoverable amount of indefinite life intangibles as at December 31, 2012 and 2011 has been determined from a value in use calculation, using five-year forecasts and a terminal value for the period thereafter. The key assumptions used in the forecast calculation include assumptions on market appreciation, net sales of funds and operating margins. The terminal value has been calculated using a capitalization factor that includes the Company's weighted average cost of capital, future growth rate, market competition, the Company's management capabilities, profitability and stability, and overall financial strength of Aston Hill. A discount rate of 5.40% per annum (December 31, 2011 – 8.01%) has been applied to the recoverable amount calculation.

The calculation of the recoverable amount exceeds the carrying amount of the intangible assets as at December 31, 2012 and 2011. Recent equity market performance provides additional evidence that the recoverable amount of indefinite life intangibles is in excess of the carrying amount.

On December 14, 2012, the Company sold its management contract relating to the management of the Lawrence Enterprise Fund for $100,000 cash and a recurring payment based on the gross fees to their new manager for the life of the fund.

15. Share capital, treasury stock, warrants and non-controlling interest

At December 31, 2012 and December 31, 2011, the Company was authorized to issue an unlimited number of common shares. All common shares issued and outstanding are fully paid and have no par value.

The holders of common shares are entitled to receive dividends as declared by the Company and are entitled to one vote per share.

During the year ended December 31, 2012, the Company through its Deferred Share Unit Plan ("DSUP") for Outside Directors purchased 11,000 common shares for consideration of $15,000. These shares are reserved for re-distribution to members of the plan in accordance with the vesting terms disclosed in Note 23. These shares are considered treasury stock as at December 31, 2012.

On July 27, 2012, 144,000 shares were released from treasury as exercised compensation under the Company's MW Employee Share Purchase Plan. The fair value of these shares of $242,000 was recognized as a reduction of contributed surplus and a reduction of shares held in treasury.

During the year ended December 31, 2012, 563,000 common shares have been purchased under the Company's Normal Course Issuer Bid ("NCIB") for a total of $745,000. The weighted average cost of capital of these shares of $188,000 was recorded as a reduction of share capital, and the remaining difference of $557,000 was recorded as a direct reduction to retained earnings.

15. Share capital, treasury stock, warrants and non-controlling interest (continued)

During the year ended December 31, 2012, $18,000 par value of convertible debentures has been repurchased under the NCIB for a total of $19,000. Out of the amount paid, $16,000 was recorded as a reduction to the liability component of the convertible debentures, $2,000 was recorded as a reduction to the equity component of the convertible debentures, and the remaining $1,000 was recorded as a direct reduction of retained earnings.

During the year ended December 31, 2012, the Company issued 980 shares in a subsidiary company for $98,000 par value. This represents a non-controlling interest of 48% over this subsidiary.

During the year ended December 31, 2011, the Company, through its MW Employee Share Purchase Plan, and through the Aston Hill Key Employee Purchase Plan, purchased 547,000 common shares for consideration of $869,000. These shares are reserved for re-distribution to members of the plans in accordance with the vesting terms disclosed in note 23. These shares are considered treasury stock at the end of the year.

On December 20, 2011, the Company announced its intention to conduct an NCIB through the facilities of the Toronto Stock Exchange (the “TSX”). Under the terms of the NCIB, the Company is authorized to acquire an aggregate of 3,700,000 of its common shares and $3,900,000 principal amount of convertible debentures which represents 9.5% of common shares, and 9.8% of convertible debentures outstanding at December 31, 2011. The NCIB commenced on December 22, 2011 and terminated on December 21, 2012, or on the date all common shares and convertible debentures subject to the NCIB are purchased. Any common shares or convertible debentures purchased under the NCIB will be cancelled upon their purchase.

When common shares are repurchased, the amount of consideration paid, net of the excess of the purchase price of the common shares over their average carrying value, is recognized as a reduction of share capital. The excess of the average carrying value over the purchase price is recorded as contributed surplus. Common share transactions are recognized on a trade date basis.

When convertible debentures are repurchased, the fair value of the obligation settled is recorded as a reduction of convertible debentures and convertible debentures equity component. Any difference between the principal value and fair value of the liability portion of the obligation settled on repurchase is recorded to net income, and any difference between the principal value and fair value of the equity portion of the obligation settled on repurchase is recorded to contributed surplus.

16. Earnings per share

Basic earnings per share are calculated as follows:

		December 31, 2012		December 31, 2011
Net income (loss) for the year	**$**	**(583)**	$	1,326
Issued common shares at beginning of the year		**72,079**		70,264
Effect of share options exercised		**483**		470
Effect of warrants exercised		**-**		891
Effect of treasury stock transactions		**62**		(173)
Effect of NCIB transactions		**(231)**		-
Weighted average number of common shares - basic		**72,393**		71,452
Basic earnings (loss) per share	**$**	**(0.008)**	$	0.019

Diluted earnings per share are calculated as follows:

		December 31, 2012		December 31, 2011
Net income (loss) for the year	**$**	**(583)**	$	1,326
Weighted average number of common shares				
Weighted average number of common shares - basic		**72,393**		71,452
Effect of outstanding options		**-**		2,447
Weighted average number of common shares - diluted		**72,393**		73,899
Diluted earnings (loss) per share	**$**	**(0.008)**	$	0.018

As at December 31, 2012, the effect of 31,117,000 (December 31, 2011 – 25,884,000) shares issuable resulting from the Company's convertible debentures, 642,000 (December 31, 2011 – nil) shares issuable resulting from the Company's Deferred Equity Plan, 11,000 shares issuable resulting from the Company's Deferred Share Unit Plan to Outside Directors, and 1,543,000 (December 31, 2011 – nil) shares issuable resulting from the Company's Share Option Plan are 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.

Aston Hill may, at its option, elect to satisfy its obligation to pay the principal amount of the convertible debentures which are to be redeemed or the principal amount of the convertible debentures which are due on the final maturity date, as the case may be, by issuing freely tradable common shares to the holders of the convertible debentures. The number of Common Shares to be issued is determined by dividing the aggregate principal amount of the outstanding convertible debentures which are to be redeemed or which have matured by 95% of the current market price of the common shares on the redemption date or the final maturity date, as the case may be. The Company is required to presume that the principal balance of the convertible debentures will be settled in common shares, and the resulting potential common shares shall be included in diluted earnings per share if the effect is dilutive.

17. Dividends

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

	December 31, 2012	December 31, 2011
Regular dividends paid	**$ 3,073**	$ 721
Special dividends paid	**-**	714
Total dividends paid	**$ 3,073**	$ 1,435

Regular dividends were paid on December 7, 2012, August 21, 2012, May 22, 2012, March 9, 2012 and December 22, 2011. The special dividend was paid on March 31, 2011.

18. Credit facilities

Non-revolving credit facility	
Balance at January 1, 2011	$ -
Fair value of funds advanced	5,633
Repayments	(2,500)
Accretion	102
Balance at December 31, 2011	$ 3,235
Repayments	(2,000)
Accretion	161
Balance at December 31, 2012	**$ 1,396**

Revolving credit facility	
Balance at January 1, 2011 and December 31, 2011	$ -
Drawdown of facility	1,000
Ending balance	**$ 1,000**

Effective July 27, 2011, the Company entered into a new Non-Revolving Term Credit Facility ("Term Facility") with a one-time borrowing limit of $6,000,000 and a new Revolving Credit Facility ("Revolving Facility") with a borrowing limit of $4,000,000, (together referred to as the "Credit Facilities") with a Canadian chartered bank. The Credit Facilities are available by way of bankers' acceptances or prime rate loans which bear interest at the rates specified in the table below.

Total Debt/EBITDA	**Bankers acceptances**	**Prime**	Standby Fee[(1)]
Less than or equal to 1:1	+3.00%	+2.00%	0.75%
Greater than 1:1	+3.25%	+2.25%	0.8125%

[(1)] The standby fee is only applicable on the Revolving Facility.

The applicable margin is calculated based on Aston Hill's total debt ratio on a consolidated basis, excluding the convertible debentures, the Juno Debenture and any other subordinated debt. The margin is recalculated every fiscal quarter. As at December 31, 2012 the Company's borrowing on the Term Credit Facility was at an effective interest rate of 4.3% (2011 – 4.3%).

18. Credit facilities (continued)

The Term Facility matures over a two year period ending July 26, 2013. As at December 31, 2012, the Company had $1,500,000 (2011 - $3,500,000) outstanding under its Term Credit Facility and $1,000,000 (2011 - $nil) outstanding on the Revolving Facility. The Company's outstanding balance on the Term Credit Facility will be paid in three $500,000 quarterly installments.

The Credit Facilities are secured by a general security agreement of Aston Hill Asset Management Inc., an unlimited guarantee of Aston Hill Financial Inc., a limited guarantee from each of Aston Hill's material subsidiaries, an assignment of all service and management contracts, an assignment of a key executive's key man life insurance policy, a pledge of the share capital of each of Aston Hill's subsidiaries, and of all of the equity securities held by Aston Hill and its subsidiaries.

The Credit Facilities contain a number of financial covenants that require Aston Hill to meet certain financial ratios and financial condition tests. Aston Hill is within its financial covenants with respect to its Credit Facilities, which require that the funded debt to annualized earnings before interest, taxes, depreciation and amortization ratio remain below 1.2 to 1 and that Aston Hill's assets under management and advisory not fall below $4.6 billion.

On January 29, 2013, the Company drew $800,000 on its revolving line of credit. On March 5, 2013, the Company drew $450,000 on its revolving line of credit. On March 12, 2013, $650,000 of the balance withdrew was repaid.

19. Provisions

	Constructive Obligations	Onerous Contracts	Total Provisions
Outstanding, January 1, 2011	$ 1,380	$ 23	$ 1,750
Provisions recorded during the year	1,750	-	-
Provisions settled during the year	(1,380)	**(23)**	(1,750)
Outstanding, December 31, 2011	1,750	-	1,750
Provisions recorded during the year	2,706	-	2,706
Provisions settled during the year	(1,750)	-	(1,750)
Outstanding, December 31, 2012	**$ 2,706**	**$ -**	**$ 2,706**

The provisions for constructive obligations relate to the Company's annual obligation to award short term incentive payments to Aston Hill employees. Effective January 1, 2012 management estimates and provides for the obligation to award short term incentive payments to Aston Hill employees on a quarterly basis.

20. Juno Debenture

The Juno Debenture matured and was settled in full on May 11, 2012. As at December 31, 2011, the Juno Debenture had a $250,000 fair value bearing interest at 8.45% per annum.

21. Obligation to redeem LPF Shares

Pursuant to a share purchase agreement the Company completed with Navina Asset Management Inc. on August 6, 2010, the Company agreed that it would cause Navina to redeem its 31,105 "re-invest" shares in the Lawrence Partners Fund on the date they become redeemable and to pay an amount equal to the proceeds of the redemption to the previous shareholders of Navina. On December 19, 2012, Lawrence Partners Fund was dissolved and the obligation to redeem LPF shares was extinguished. During the year ended December 31, 2011 the Company redeemed 19,214 of its 31,105 shares held in Lawrence Partners Fund Inc.

22. Convertible debentures

The instrument was issued on July 27, 2011 and has a face value of $40,232,000. The instrument bears interest at an annual rate of 6.00%, payable semi-annually, in arrears, on January 31st and July 31st of each year, and is convertible at the option of the holder into shares of Aston Hill at $2.55 per common share. The instrument matures on July 31, 2016.

The convertible debentures are redeemable at the option of the Company prior to the maturity dates during a specified redemption period beginning on or after July 31, 2014 and ending on July 31, 2015 at a price equal to their principal amount of $1,000 per debenture plus accrued and unpaid interest. The Company may only exercise their right to redemption provided that the current market price for the common shares is at least 125% of the conversion price.

The balance of debentures outstanding and changes in the liability component during the year ended December 31, 2012 was as follows:

Liability component:		
Balance at January 1, 2011	$	-
Issuance of convertible debentures		34,015
Issuance costs		(2,027)
Accretion of the discount		689
Accrued interest		897
Balance at December 31, 2011		33,574
Accretion of discount		1,652
Interest accrued		2,108
Normal course issuer bid repurchases		(16)
Interest paid		(2,448)
Balance at December 31, 2012	**$**	**34,870**

There were no conversions of convertible debentures during the year ended December 31, 2012, or December 31, 2011.

23. Share based compensation

Share Option Plans

The Company has a stock option plan for employees, directors, officers and consultants. Stock options can be issued up to a maximum number of Common shares equal to 10% of the issued and outstanding Common shares of the Company. The exercise price of options granted is not less than the market price of the Common shares at the date granted and is determined by the Board of Directors. Options granted have a term of 5 years and vest over 3 years.

23. Share based compensation (continued)

On closing of the business combination with Morrison Williams, the Company set up the MW Employee Benefit Plan for the designated officers and employees of Morrison Williams Investment Management LP. At that time, $500,000 was transferred into the plan for the purposes of buying common shares in Aston Hill. Each participant in the MW Employee Benefit Plan is entitled to receive, and shall be granted, 50% of their participant entitlement if the participant remains an officer or employee of Morrison Williams Investment Management LP on the first anniversary of the closing of the Morrison Williams acquisition, and the remaining balance of 50% is granted entitlement on the second anniversary of the closing of the Morrison Williams acquisition. The shares vest to the employee immediately upon grant, and any termination of employment with Morrison Williams Investment Management LP results in the forfeiture of the participant's entitlement in the employee benefit plan.

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. During the year ended December 31, 2011, the Company granted 2,303,000 options with a weighted average fair value of $1.26 per share. The fair value of the options granted during the year ended December 31, 2012 and December 31, 2011 were estimated at the grant date using an option pricing model with the following weighted average assumptions:

	December 31, 2012	December 31, 2011
Risk free interest rate (%)	**1.18**	1.85
Expected life of the options (years)	**3.51**	3.78
Expected share price volatility (%)	**94.86**	106.05
Expected forfeiture rate (%)	**9.01**	9.70
Expected dividend yield (%)	**2.79**	0.18

Volatility was determined based on historical share transaction data.

A summary of the status of the Company's share option plans as at December 31, 2012 and December 31, 2011 and the changes during the years then ended, is as follows:

	December 31, 2012		December 31, 2011	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	**5,484**	**$ 0.90**	4,683	$ 0.55
Granted	**1,965**	**1.43**	2,303	1.26
Exercised	**(894)**	**0.39**	(1,402)	0.32
Forfeited	**(493)**	**0.71**	(75)	0.47
Expired	**(96)**	**1.58**	(25)	1.55
Outstanding, end of year	**5,966**	**$ 1.16**	5,484	$ 0.90
Exercisable, end of year	**2,421**	**$ 0.86**	1,820	$ 0.54

23. Share based compensation (continued)

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**

December 31, 2011				
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	547	$ -	5.29	-
$0.29 - $0.68	1,559	0.37	1.56	1,275
$0.69 - $1.08	1,160	0.76	3.12	383
$1.09 - $1.45	686	1.32	4.06	162
$1.46 - $1.74	1,032	1.58	4.10	-
$1.75 - $1.90	500	1.90	4.57	-
	5,484	**$ 0.90**	**3.33**	**1,820**

As at December 31, 2012, a forfeiture rate of 9.01% (December 31, 2011 – 9.70%) was used when recording stock based compensation. This estimate is adjusted to the actual forfeiture rate. For the year ended December 31, 2012, the Share Option Plan made up $1,914,000 (December 31, 2011 - $1,495,000) of the total share based compensation expense for the year ended December 31, 2012.

Deferred Equity Plan

During the year ended December 31, 2011 the Company implemented a deferred equity plan for executives and key employees of the Company. Under this plan each participant is entitled to receive, and shall be granted, their full common share entitlement if the participant remains an officer or employee of Aston Hill for a period of three years from the date of the grant. Any termination of employment with Aston Hill results in the forfeiture of the participant's entitlement in the deferred equity plan.

During the year ended December 31, 2012, the Company granted 670,000 (December 31, 2011 – 25,000) deferred shares with no exercise price and a weighted average remaining contractual life of 2.06 years as at December 31, 2012 (December 31, 2011 – 2.89 years). The fair value of the deferred shares granted during the year ended December 31, 2012 were estimated at the grant date based on the current market price of the Company's shares.

23. Share based compensation (continued)

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

	December 31, 2012		
	Number of Deferred shares	Weighted Average Exercise Price	Number of Deferred shares Vested
Outstanding, beginning of period	**25**	**$ -**	**-**
Granted	**670**	**-**	**-**
Cancelled	**-**	**-**	**-**
Forfeited	**(25)**	**-**	**-**
Outstanding, end of period	**670**	**$ -**	**-**

The deferred equity plan was created in the year ending December 31, 2012, therefore there is no comparative data to disclose.

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 year ended December 31, 2012, the Deferred Equity Plan made up $283,000 (December 31, 2011 - $nil) of the total share based compensation expense.

During the year ended December 31, 2012, 25,000 deferred shares were forfeited. There are 670,000 deferred shares that remain unvested as at December 31, 2012.

Deferred Share Unit Plan for Outside Directors

During the year December 31, 2012, the Company implemented a Deferred Share Unit Plan ("DSUP") for specified eligible directors. Under this DSUP, eligible directors may convert their annual director's fees to units in the DSUP at a price equal to their annual director's fees divided by the current market price of common shares in the Company upon the grant date, being the date shares are purchased by the Company for this plan. These shares vest upon grant and are redeemable upon the effective termination date of the participant's term of service.

As units in the 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 year ended December 31, 2012, the DSUP made up $15,000 (December 31, 2011 - $nil) of the total share based compensation expense.

24. Commitments

Non-cancellable operating lease rentals are payable as follows:

	December 31, 2012	December 31, 2011
Less than one year	**$ 603**	$ 331
Between one and five years	**1,420**	883
More than five years	**278**	503
	$ 2,301	$ 1,717

The Company is also required to pay its proportionate share of operating and property tax costs for the rented premises. During the year ended December 31, 2012 the Company recorded $898,000 (2011 - $602,000) in office lease expenses. These amounts are included in general and administrative expenses in the income statement.

25. Contingencies

The Company has agreed to indemnify certain individuals, who have acted at the Company's request to be an officer or director of the Company, to the extent permitted by law, against any and all damages, liabilities, costs, charges or expenses suffered by or incurred by the individual as a result of their services. The nature of the indemnification agreements prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to the beneficiary of such indemnification agreement. The Company has purchased various insurance policies to reduce the risks associated with such indemnification.

In the ordinary course of business, the Company and its subsidiaries enter into contracts which contain indemnification provisions, such as letter agreements, service agreements and purchase and sale agreements. In such contracts, the Company may indemnify counterparties to the contracts if certain events occur. In some cases the Company requires indemnities from its service providers, related to the Company's indemnification obligations to customers. These indemnification provisions vary on an agreement by agreement basis. In some cases, there are no pre-determined amounts or limits included in the indemnification provisions and the occurrence of contingent events that will trigger payment under them is difficult to predict. Therefore, the maximum potential future amount that the Company could be required to pay cannot be estimated and as such no provision has been recorded for the indemnification terms.

26. Significant subsidiaries

The Company has one significant wholly owned subsidiary, which is incorporated in Canada. The name of this company is Aston Hill Asset Management Inc. ("AHAMI") (formerly Navina Asset Management Inc.).

27. 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. Management fees, sub-advisory fees and other amounts due from funds under management and included in accounts receivable at December 31, 2012 is $381,000 (December 31, 2011 - $1,480,000). Other amounts due to funds under management recorded in accounts payable as at December 31, 2012, was $358,000 (2011 - $nil). For the year ended December 31, 2012 $9,653,000 (December 31, 2011 - $6,402,000) was recorded as revenue in respect of these management fees. In addition, for the year ended December 31, 2012, the Company absorbed $921,000 (December 31, 2011 - $662,000) of expenses incurred by funds under management.

b) As at December 31, 2012, the Company had accounts receivable of $807,000 (December 31, 2011 - $nil) and Argent RTUs receivable of $346,000 (December 31, 2011 - $nil) 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 revenues for the year ended December 31, 2012 of $745,000 (December 31, 2011 - $nil) including $399,000 (December 31, 2011 - $nil) of administration fees and $346,000 of revenue related to Argent RTUs receivable. For the year ended December 31, 2012, the Company recorded $1,324,000 December 31, 2011 - $nil) 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 December 31, 2012, the closing bid price for Argent per unit on the TSX was $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. As at December 31, 2012 accounts receivable includes $nil (December 31, 2011 - $346,000) in respect of these management fees. For the year ended December 31, 2012 $365,000 (December 31, 2011 - $1,334,000) was recorded as revenue.

d) Notes receivable as at December 31, 2012 of $342,000 (December 31, 2011 - $342,000) are promissory notes due from funds under management. The notes are receivable on demand and accrue interest at a rate of prime plus 1% (2011 - 1%) annually. Interest is calculated daily on the remaining balance and is receivable on a monthly basis on the last day of each month.

e) On December 22, 2011 the Aston Hill Global High Income Bond Fund merged with the Aston Hill Strategic Yield Fund. Upon merger, the outstanding balance on a promissory note between the Company and Aston Hill Global High Income Fund was forgiven, resulting in a gain on settlement of $233,000 for the Company.

f) As at December 31, 2012, $603,000 (December 31, 2011 - $1,173,000) of the financial assets at fair value through profit or loss is related to holdings in the Company's funds under management. For the year ended December 31, 2012, $5,000 (December 31, 2011 - $143,000) of the net gains on investments recorded during the year was related to these investments in funds under the management of the Company.

27. Related party transactions (continued)

g) The aggregate compensation expense of key management[(i)] was as follows:

	December 31, 2012	December 31, 2011
Wages and salaries	**$ 3,586**	$ 2,808
Benefits and other personnel costs	**264**	205
Share based compensation [(ii)]	**960**	563
Total remuneration	**$ 4,810**	$ 3,576

i) Key management includes the Company's directors and officers.

ii) Represents the amortization of stock based compensation associated with options granted to directors and executive officers as recorded in the financial statements.

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.

28. Subsequent events

On February 12, 2013 the Company announced that a cash dividend in the amount of $0.0125 per common share was to be payable on March 8, 2013 to all shareholders of record on February 25, 2013. The resulting ex-dividend date was February 21, 2013.

On January 18, 2013 the Company granted 1,163,000 stock options to certain directors, officers, employees and consultants to acquire up to an aggregate of 1,163,000 common shares of Aston Hill. The stock options are exercisable for a period of five years at a price of $1.32 per share and vest over a three year period.