AstonHill FINANCIAL

# Management Discussion and Analysis

For the year ended December 31, 2012

This management discussion and analysis ("MD&A") dated March 26, 2012 for Aston Hill Financial Inc. ("Aston Hill" or the "Company") presents an analysis of the financial position of Aston Hill as at December 31, 2012, compared with December 31, 2011, and the results of operations for the year ended and quarter ended December 31, 2012, compared with the year ended and quarter ended December 31, 2011 and the quarter ended September 30, 2012. This MD&A should be read in conjunction with the audited Consolidated Financial Statements ("Consolidated Financial Statements") for the year ended December 31, 2012. The historical financial information of the Company can be found on SEDAR under Aston Hill Financial Inc.

This MD&A and the Consolidated Financial Statements and comparative information have been prepared in Canadian dollars, except where another currency has been indicated, and in accordance with International Financial Reporting Standards ("IFRS"), which are also generally accepted accounting principles ("GAAP") for publicly accountable enterprises in Canada.

This MD&A contains forward-looking statements concerning anticipated future events, results, circumstances, performance or expectations with respect to Aston Hill and its products and services, including its business operations, strategy and financial performance and condition. When used in this MD&A, such statements use such words as "may", "will", "expect", "believe", and other similar terms. These statements are not historical facts but instead represent management beliefs regarding future events, many of which, by their nature are inherently uncertain and beyond management control. Although management believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, such statements involve risks and uncertainties. Factors that could cause actual results to differ materially from expectations include, among other things, general economic and market conditions, including interest rates, global financial markets, changes in government regulations, industry competition, technological developments and other factors described under "Risk Management" or discussed in other materials filed with applicable securities regulatory authorities from time to time. The material factors and assumptions applied in reaching the conclusions contained in these forward-looking statements include that the investment fund industry will remain stable and that interest rates will remain relatively stable. The reader is cautioned against undue reliance on these forward-looking statements. For a more complete discussion of the risk factors that may impact actual results, please refer to the "Risk Factors" section of the Company's most recent Annual Information Form ("AIF") which is available at www.sedar.com.

This MD&A includes several non-IFRS financial measures that do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. However, management believes that most shareholders, creditors, other stakeholders and investment analysts prefer to include the use of these financial measures in analyzing Aston Hill's results. These non-IFRS measures and reconciliations to IFRS, where necessary, are shown as *italicized* footnotes to the discussion throughout the document.

## Selected Annual Information

**(in thousands of Canadian dollars, except per share amounts)**

| *Twelve months ended December 31,* | | **2012** | | 2011 | | 2010 |
|---|---|---|---|---|---|---|
| Total revenues | **$** | **24,571** | $ | 18,179 | $ | 9,346 |
| Total expenses excluding finance expense | | **20,343** | | 13,756 | | 7,541 |
| Total finance expense | | **4,106** | | 1,842 | | 19 |
| Income before income taxes | | **122** | | 2,581 | | 1,786 |
| Income taxes expense | | **705** | | 1,255 | | 714 |
| Net income (loss) | **$** | **(583)** | $ | 1,326 | $ | 1,072 |
| Per share - Basic | **$** | **(0.008)** | $ | 0.019 | $ | 0.016 |
| Per share - Diluted | **$** | **(0.008)** | $ | 0.018 | $ | 0.015 |
| Cash dividends recorded per share | **$** | **0.04** | $ | 0.02 | $ | 0.020 |
| EBITDA | **$** | **5,131** | $ | 4,934 | $ | 2,123 |
| Total assets | **$** | **65,241** | $ | 65,805 | $ | 20,129 |
| Gross debt | **$** | **37,266** | $ | 37,059 | $ | 250 |
| Net debt (gross debt less cash and cash equivalents) | **$** | **35,539** | $ | 29,644 | $ | (3,764) |
| Average shares outstanding | | **72,393** | | 71,452 | | 67,432 |
| Shares outstanding | | **72,400** | | 72,626 | | 70,264 |
| Share price | **$** | **1.34** | $ | 1.48 | $ | 1.70 |
| Market capitalization | **$** | **97,016** | $ | 107,486 | $ | 119,449 |

## Overview

Aston Hill Financial Inc. ("Aston Hill" or the "Company") is a corporation listed on the Toronto Stock Exchange (the "TSX") under the symbol AHF. Previously, Aston Hill was listed on TSX Venture Exchange until November 7, 2011. The Company is incorporated under the Business Corporations Act (Alberta). The principal business of Aston Hill is the management, marketing, distribution and administration of mutual 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 Company's expertise is in income products, resource investments, and the oil and gas industry. Aston Hill operates through two distinct divisions, Financial Portfolio Management and Advisory, and Oil & Gas Property Management. The Financial Portfolio Management division provides the majority of Aston Hill's income which derives its revenue principally from the fees earned on the management and sub-advisory fees of several families of mutual, pooled and closed-end funds, structured products and discretionary accounts. The Oil & Gas Property Management division earns its revenues principally from the management and administration of oil and gas entities.

On December 20, 2012, Aston Hill acquired the business of Citadel Securities Inc. ("Citadel") for cash consideration of $250,000 net of working capital reimbursement of $583,000. Citadel is a full service investment dealer with its head office located in Halifax, Nova Scotia. It is a member of the Investment Industry Regulatory Organization of Canada and the Canadian Investor Protection Fund. Citadel was subsequently renamed Aston Hill Securities Inc. ("Aston Hill Securities").

Aston Hill's Assets under Management and Advisory ("AUM") increased 14% year over year from $5.7 billion at December 31, 2011 to $6.5 billion at December 31, 2012. The increase in AUM is attributable to an AUM increase in assets under administration through the addition of an administration contract with Argent Energy Trust ("Argent") as well as organic growth of the Company's assets under management and advisory. These increases in AUM offset the reduction of AUM caused by the termination of the management contract the Company had with Journey Energy Inc. (formerly Sword Energy Inc.) ("Journey"). For the three and twelve months ended December 31, 2012, the Company generated gross subscriptions within its proprietary mutual funds of $105.8 million and $297.4 million, respectively. Aston Hill's revenues for 2012 increased 35% to $24,571,000 from $18,179,000 one year ago. The increase in revenue from 2011 is the result of incremental revenue from the acquisitions completed in 2011 and organic growth of existing mutual funds and sub-advisory products under management.

Total expenses increased $8,851,000 from the prior year as a result of incremental finance expense from the issuance of the Convertible Debentures and credit facilities in Q3 of 2011, increases in salaries and benefits from the inclusion of the employees of Morrison Williams in Q3 2011, the addition of other investment professionals, and additional provisions to provide short term incentive payments to retain our employees.

In 2012 Aston Hill repaid $2 million on the Non-Revolving Facility leaving the balance drawn at $1.5 million as of December 31, 2012. In 2012 Aston Hill also drew $1 million on its revolving credit facility, leaving a balance drawn at $1 million as at December 31, 2012.

### Financial Portfolio Management and Advisory

Aston Hill Asset Management Inc. ("AHAM"), is a Toronto-based registered Investment Fund Manager ("IFM") specializing in the development, sales, and management of closed-end mutual funds, open-end mutual funds and hedge funds.

On December 30, 2011, five subsidiary companies wholly-owned by Aston Hill amalgamated with AHAM. The significant companies amalgamated were:

- Aston Hill Investments Inc. (“AHI”), formerly Catapult Financial Management Inc. (“Catapult Financial”), an Alberta company and IFM that provided management and advisory services to private energy and flow-through share limited partnerships. As well, AHI was the portfolio advisor for IA Clarington, Redwood Funds, First Asset, and BMO.
- Aston Hill Management Limited was the IFM for the seven (formerly Brompton) TSX-listed funds that were acquired on July 27, 2011.
- On December 29, 2011, AHAM acquired the net assets of Morrison Williams Investment Management LP, an IFM led by its former managing partners, Barry A. Morrison and K. Leslie Williams. Morrison Williams was founded in 1992 and is the sub-advisor of the Renaissance Millennium High Income Fund. Morrison Williams specializes in offering a specialized, disciplined and service-oriented approach to the discretionary management of investment funds, in particular, to pooled pension and high net-worth funds.

AHAM manages the Aston Hill Group of Funds and has sub-advisory relationships with IA Clarington Investments Inc. (“IA Clarington”), Redwood Asset Management Inc. (“Redwood Funds”), First Asset Management Inc. (“First Asset”), and BMO Nesbitt Burns (“BMO”). Ten licensed portfolio managers including Ben Cheng, Barry A. Morrison, K. Leslie Williams, Alexander (Sandy) Liang, Jeffrey Burchell, Andrew Hamlin, Vivian Lo, and Robert Gill in the Toronto office, and Joanne Hruska and Carol Pretty in the Calgary office, are responsible for the Financial Portfolio Management and Advisory division of Aston Hill.

### Oil & Gas Property Management

Aston Hill identifies potential oil and natural gas exploration and development opportunities in both the private and public sectors within its oil and gas management division. The mandate is to identify, acquire and manage oil and gas properties on behalf of both institutional and retail investors.

The Company acted as the promoter for Argent, a Canadian energy trust that is not a specified investment flow-through (“SIFT”) trust, during its initial public offering process. Argent’s final prospectus was filed on August 1, 2012 and the initial public offering closed for gross proceeds of $212 million on August 10, 2012. The Trust holds oil and gas assets in the United States and provides its unitholders with a monthly distribution targeting approximately 10.5% in annual yield. On December 31, 2012, Argent represented $448 million in assets under administration which relates to an annual overhead recovery to Aston Hill of $1.2 million. Argent also reimburses Aston Hill for direct costs associated with the administration of Argent.

The Company’s management agreement with Journey was terminated on April 20, 2012. The termination resulted in a reduction in assets under management of approximately $182 million in the second quarter of 2012. Until April 20, 2012 Aston Hill received management fees for providing Journey with management consulting services. Journey was subsequently reorganized into two entities: Journey Energy Corp (natural gas properties) and Journey Energy Inc.(oil properties). As part of the reorganization, Aston Hill provided a further $1.0 million investment in the new entities along with its pension fund partners to provide Journey with capital to drill oil prospects. Aston Hill’s ownership interest in each of these companies after the reorganization is currently 2.70%.

## Business Outlook

The Company's primary focus for of 2013 will be on its operations in the Financial Portfolio Management division. Aston Hill is focused on two primary objectives in this space. The first is to continue to make key strides in the performance, management, and marketing of the Aston Hill branded investment funds, in conjunction with delivering results to our IA Clarington and other sub-advisory mandates. The second objective is to continue to provide pension and high net-worth clients with superior yields and investment returns through the Company's disciplined, service-oriented approach. Aston Hill is actively pursuing other institutional and private equity investors as opportunities arise in both the Oil and Gas Property Management and the Financial Portfolio Management divisions. Further, the Company plans to expand its Aston Hill Securities business by recruiting quality investment brokers as employees, initially in Toronto, and eventually across Canada.

## Assets under Management, Advisory and Administration

Total AUM, which includes closed-end and open-ended mutual funds, hedge funds, separately managed accounts, structured products, pooled assets, and oil and gas properties, was $6.5 billion as at December 31, 2012, an increase of 7.3% from the prior quarter and 14% from the prior year. The following tables summarizes the AUM and various investment profiles managed by Aston Hill:

### Assets Under Management, Advisory, and Administration

**(in millions of Canadian dollars)**

| | **December 31 2012** | September 30 2012 | December 31 2011 |
|---|---|---|---|
| Financial Portfolio Management | **$ 2,040** | $ 1,989 | $ 2,002 |
| Oil and natural gas properties | **-** | - | 214 |
| Assets Under Management | **2,040** | 1,989 | 2,216 |
| Financial Portfolio Advisory | **3,971** | 3,771 | 3,451 |
| Assets Under Administration | **448** | 260 | - |
| Total Assets under Management and Advisory | **$ 6,459** | $ 6,020 | $ 5,667 |

### Breakdown of Managed and Advised Reporting Issuers:

**Financial Portfolio Management:**

**Closed-end funds:**
- Aston Hill Advantage VIP Income Fund
- Aston Hill VIP Income Fund
- Aston Hill Advantage Oil & Gas Income Fund
- Aston Hill Oil & Gas Income Fund
- Aston Hill Global Uranium Fund
- Aston Hill Senior Gold Producers Income Corp.
- Aston Hill Advantage Bond Fund
- Aston Hill Global Agribusiness Fund

**Mutual funds:**
- Aston Hill Growth & Income Fund & Corporate Class
- Aston Hill Capital Growth Fund & Corporate Class
- Aston Hill Opportunities Fund
- Aston Hill Strategic Yield Fund & Corporate Class
- Aston Hill Shareholder Yield Fund & Corporate Class
- Aston Hill Money Market Fund & Corporate Class

**Financial Portfolio Advisory:**

**Closed-end funds:**
- BMO Star Yield Managers Class
- First Asset Preferred Share Investment Trust
- Strategic Income Allocation Fund

**Mutual funds:**
- IA Clarington Tactical Income Fund & Class
- IA Clarington Global Tactical Income Fund & Class
- IA Clarington Tactical Bond Fund & Class
- IA Clarington Energy Class
- Renaissance Millennium High Income Fund
- Redwood Income Strategies Fund
- Redwood Energy Growth Fund
- Redwood Energy Income Fund

**Assets Under Administration:**
- Argent Energy Trust

## Results of Operations

### Summary of Quarterly Results

**(in thousands of Canadian dollars, except per share amounts)**

| *Three months ended,* | | **December 31 2012** | | September 30 2012 | | June 30 2012 | | March 31 2012 |
|---|---|---|---|---|---|---|---|---|
| Revenues | **$** | **6,438** | $ | 6,195 | $ | 5,779 | $ | 6,159 |
| Expenses | | | | | | | | |
| General and administrative | | **4,729** | | 3,597 | | 3,883 | | 3,774 |
| Product Development | | **399** | | 269 | | 132 | | 121 |
| Share based compensation | | **384** | | 564 | | 631 | | 633 |
| Depreciation of property & equipment | | **155** | | 171 | | 94 | | 52 |
| Amortization of deferred sales commissions | | **123** | | 104 | | 111 | | 93 |
| Trailer fees | | **356** | | 296 | | 204 | | 170 |
| Commissions | | **47** | | 35 | | 35 | | 39 |
| Net losses (profits) on investments | | **152** | | (942) | | 8 | | (76) |
| Finance expense | | **949** | | 1,052 | | 1,055 | | 1,050 |
| Total expenses | | **7,294** | | 5,146 | | 6,153 | | 5,856 |
| Income (loss) before income taxes | | **(856)** | | 1,049 | | (374) | | 303 |
| Income taxes (recovery) | | **(109)** | | 254 | | (166) | | 726 |
| Net income (loss) for the period | **$** | **(747)** | $ | 795 | $ | (208) | $ | (423) |
| Net income (loss) - per share - basic | **$** | **(0.010)** | $ | 0.011 | $ | (0.003) | $ | (0.006) |
| Net income (loss) - per share - diluted | **$** | **(0.010)** | $ | 0.011 | $ | (0.003) | $ | (0.006) |

| | | December 31 2011 | | September 30 2011 | | June 30 2011 | | March 31 2011 |
|---|---|---|---|---|---|---|---|---|
| Revenue | $ | 6,086 | $ | 5,366 | $ | 3,538 | $ | 3,189 |
| Expenses | | | | | | | | |
| General and administrative | | 3,982 | | 2,317 | | 1,927 | | 2,981 |
| Product Development | | 397 | | 6 | | 259 | | - |
| Share based compensation | | 535 | | 414 | | 290 | | 256 |
| Depreciation of property & equipment | | 69 | | 67 | | 67 | | 50 |
| Amortization of deferred sales commissions | | 101 | | 52 | | 53 | | 52 |
| Trailer fees | | 67 | | 118 | | 73 | | 23 |
| Commissions | | - | | - | | - | | - |
| Net losses (profits) on investments | | (546) | | 40 | | 72 | | 34 |
| Finance expense | | 1,074 | | 724 | | 32 | | 12 |
| Total expenses | | 5,679 | | 3,738 | | 2,773 | | 3,408 |
| Income (loss) before income taxes | | 407 | | 1,628 | | 765 | | (219) |
| Income taxes | | 476 | | 564 | | 178 | | 37 |
| Net income (loss) for the period | $ | (69) | $ | 1,064 | $ | 587 | $ | (256) |
| Net income (loss) - per share | $ | (0.001) | $ | 0.015 | $ | 0.008 | $ | (0.004) |
| Net income (loss) - per share diluted | $ | (0.001) | $ | 0.015 | $ | 0.008 | $ | (0.004) |

**For the year ended December 31, 2012**

For the year ended December 31, 2012, Aston Hill reported a net loss of $583,000 ($0.008 per share) versus net income of $1,326,000 ($0.02 per share) for the year ended December 31, 2011. The decrease was primarily due to increases in financing costs resulting from the financing of acquisitions made in 2011 as well as increases in general administrative expenses resulting from the 2011 acquisitions which was offset in part by the revenues generated from the 2011 acquisitions.

**Revenues**

In 2012, Aston Hill generated total revenues of $24,571,000, an increase of 35% from 2011. The increase in average assets under management due to the 2011 acquisitions was the main contributor to this change.

**Expenses**

Share based compensation expense was $2,212,000 for the year ended December 31, 2012 compared with an expense of $1,495,000 in the prior year. The increase in share based compensation is the result of new employees being granted unit based compensation, the introduction of a long term incentive plan for key employees in 2012, and share based compensation offered as retention incentives to employees of companies acquired in 2011.

General and administrative ("G&A") expenses increased 43% year-over-year from $11,207,000 in 2011 to $15,983,000 in 2012. This change is a result an increased number of employees leading to increased salary and office expenses.

Finance expense of $4,106,000 was recorded for the year ended December 31, 2012 compared with finance expense of $1,842,000 for the year ended December 31, 2011. The increase in finance expense from the prior year is the result of the interest and accretion expense on the Convertible Debentures and Non-Revolving Facility being for a full year in 2012 instead of a part year in 2011. These debt facilities were utilized for corporate acquisitions completed in July of 2011. Aston Hill's average debt and borrowing costs are further discussed under "Liquidity and Capital Resources."

**For the quarter ended December 31, 2012**

For the quarter ended December 31, 2012, Aston Hill reported a net loss of $747,000 compared to a net loss of $69,000 in the quarter ended December 31, 2011 and a net income of $795,000 in the quarter end September 30, 2012. The decrease in net income from the prior-year period is due to increases in G&A, and decreases in income from investments. The decrease in net income over prior quarter was due to increases in G&A, sub-advising, trailer fees and a reduction in valuation gains on investments.

Revenues

Revenues from management fees were $6,438,000 for the quarter ended December 31, 2012, an increase of 6% from the $6,086,000 earned during the quarter ended December 31, 2011 and 4% from $6,195,000 for the quarter ended September 30, 2012. The changes were mainly attributable to increases in AUM due to new subscriptions of the Company's proprietary mutual funds, the addition of AUM under administration for Argent which was offset by the termination of the management contract with Journey.

### Expenses

G&A expense was $4,729,000 for the quarter ended December 31, 2012 compared with an expense of $3,982,000 for the quarter ended December 31, 2011 and $3,597,000 for the quarter ended September 30, 2012. The increase in G&A over prior year quarter was due to an increased number of employees over prior year which led to higher salary and office costs. The increase in G&A over prior quarter was due to one-time expense reimbursements related to overhead recoveries charged to Argent upon successful completion of their IPO in the prior quarter, increase in office expenses, as well as a year-end accrual for sales commissions to sales staff for a full years' worth of sales.

As a percentage of assets under management, G&A expenses were 0.073% for the quarter ended December 31, 2012, up from 0.070% for the quarter ended December 31, 2011 and 0.060% for the quarter ended September 30, 2012. The increase from the fourth quarter of 2011 is a result of the increases in the number of employees leading to higher salary and office costs. The increase in G&A as a percentage of AUM from the previous quarter is the result of one-time expense recoveries experienced in Q3 of 2012 and year-end commissions accrued to sales staff that were recorded in Q4.

Share based compensation expense was $384,000 for the quarter ended December 31, 2012 compared with an expense of $535,000 for the quarter ended December 31, 2011 and an expense of $564,000 in the quarter ended September 30, 2012. The decrease over prior year period and prior quarter in share based payments is the result of natural decreases due to accounting recognition of amortization of stock based compensation expenses, year-end accounting adjustments, forfeits, expiration and exercising of previously granted options as well as new grants this year being at a lower exercise price than the previous year due to lower average market performance of the Company's stock than in the prior year.

Finance expense of $949,000 was recorded for the quarter ended December 31, 2012 compared with $1,074,000 for the quarter ended December 31, 2011 and $1,052,000 for the quarter ended September 30, 2012. The decrease in finance expense from the prior-year period and prior quarter is the result of reduced interest resulting from payments on the Company's Non-Revolving Facility. Aston Hill's debt and borrowing costs are further discussed under "Liquidity and Capital Resources."

## Pre-Tax Operating Earnings

**(in thousands of Canadian dollars, except per share amounts)**

| | **Quarter ended Dec 31, 2012** | Quarter ended Sept 30, 2012 | Quarter ended Dec 31, 2011 | **12 months ended Dec 31, 2012** | 12 months ended Dec 31, 2011 |
|---|---|---|---|---|---|
| Income (loss) before income taxes | **$ (856)** | $ 1,049 | $ 407 | **$ 122** | $ 2,581 |
| Less: | | | | | |
| Service fee revenue | **-** | (83) | (48) | **(83)** | (205) |
| Non-cash management fees | **-** | - | (17) | **-** | (89) |
| Add: | | | | | |
| Net losses (profits) on investments | **152** | (942) | (546) | **(858)** | (400) |
| Amortization of deferred sales commissions | **123** | 104 | 101 | **431** | 258 |
| Share based payments expense | **384** | 564 | 535 | **2,212** | 1,495 |
| Pre-tax operating earnings (loss) | **$ (197)** | $ 692 | $ 432 | **$ 1,824** | $ 3,640 |
| Per share | **$ (0.003)** | $ 0.009 | $ 0.006 | **$ 0.025** | $ 0.051 |

*Aston Hill uses pre-tax operating earnings to assess its underlying profitability. Aston Hill defines pre-tax operating earnings as income before income taxes less service fee revenue, non-cash management fees, performance fees and investment gains, plus investment losses, amortization of deferred sales commissions, depreciation of property and equipment and share-based payments expense.*

**For the year ended December 31, 2012**

Aston Hill's pre-tax operating earnings, is as set out in the table above. Pre-tax operating earnings are adjusted for the impact of share-based payments, gains and losses on investments, and other non-recurring items.

Pre-tax operating earnings were $1,824,000 in 2012, a decrease of 50% from 2011. This decrease is primarily due to increased finance fees due to the acquisitions completed in 2011.

**For the quarter ended December 31, 2012**

Pre-tax operating earnings, as set out in the table above, was a loss of $197,000 in the fourth quarter of 2012, compared to $432,000 for the quarter ended December 31, 2011 and $692,000 for the quarter ended September 30, 2012. The decrease in pre-tax operating earnings from the prior year quarter and the prior quarter is the result of higher costs associated with product development, commissions and office expenses.

## EBITDA

**(in thousands of Canadian dollars, except per share amounts)**

| | **Quarter ended Dec 31, 2012** | Quarter ended Sept 30, 2012 | Quarter ended Dec 31, 2011 | **Year ended Dec 31, 2012** | Year ended Dec 31, 2011 |
|---|---|---|---|---|---|
| Net Income (loss) for the period | **$ (747)** | $ 795 | $ (69) | **$ (583)** | $ 1,326 |
| Add (deduct): | | | | | |
| Finance expense | **949** | 1,052 | 1,074 | **4,106** | 1,842 |
| Current Income tax expense (recovery) | **(794)** | 128 | (119) | **278** | 738 |
| Future income tax expense (recovery) | **685** | 126 | 595 | **427** | 517 |
| Amortization of deferred sales commissions | **123** | 104 | 101 | **431** | 258 |
| Depreciation of property and equipment | **155** | 171 | 69 | **472** | 253 |
| EBITDA | **$ 371** | $ 2,376 | 1,651 | **$ 5,131** | $ 4,934 |
| Per diluted share | **$ 0.005** | $ 0.032 | $ 0.022 | **$ 0.071** | $ 0.067 |
| EBITDA margin (as a % of revenue) | **6%** | 38% | 27% | **21%** | 27% |

*Aston Hill uses EBITDA (earnings before interest, taxes, depreciation and amortization) to assess its underlying profitability prior to the impact of financing expenses, income taxes the amortization of deferred sales commissions, and property and equipment. EBITDA permits comparisons of companies within the industry, before any distortion caused by different financing methods and levels of taxation. EBITDA is used as a measure of operating performance, facilitates valuation and is a substitute for cash flow.*

**For the year ended December 31, 2012:**

As illustrated in the table above, EBITDA for the year ended December 31, 2012 was $5,131,000 ($0.0071 per diluted share) compared with $4,934,000 ($0.067 per diluted share) for the year ended December 31, 2011. The 4% year-over-year increase in annual EBITDA was primarily due to the income generated from the acquisitions in 2011 and the addition of Argent administration fees which was offset by the termination of management fees from Journey.

EBITDA as a percentage of total revenues (EBITDA margin) for 2012 was 21%, down from 27% the prior year. The decrease in EBITDA margin from the prior year is primarily the result of increases in G&A expense, product development and trailer fees exceeding the increase in revenues during the year. The Company expensed $921,000 (2011 - $662,000) in product development during 2012. Based on the early stage of development of some of the Company’s investment funds, the Company feels it is in its best interest to bear the burden of some of these fund expenses to maintain the management expense ratio (“MER”) of each of its primary funds at an acceptable level.

**For the quarter ended December 31, 2012**

EBITDA for the quarter ended December 31, 2012 was $0.371 million ($0.005 per share) compared with EBITDA of $1.651 million ($0.022 per share) for the year ended December 31, 2011 and $2.376 million ($0.032 per share) for the quarter ended September 30, 2012. The $2 million decrease from the prior quarter is primarily the result of increased G&A and a decrease in net gains on investments of $1.1 million. In Q3 of 2012, there was a one-time gain on investments in Argent units that lead to the majority of the $942,000 gain on net investments which was the result of Argent’s IPO. The $1.3 million year-over-year decrease in quarterly EBITDA was due to increases in marketing staff and office costs associated with growing the proprietary mutual fund business.

EBITDA margin for the fourth quarter of 2012 was 6%, compared to 27% in the prior year quarter and 38% in the prior quarter. The decrease in EBITDA as a percentage of revenues year-over-year is the result of the increases in G&A. The decrease in EBITDA margin from the prior quarter is due to higher G&A and a one-time gain on valuation of investment in Argent units.

## Liquidity and Capital Resources

Aston Hill generated $6,435,000 of operating cash flow in the year ended December 31, 2012 up $1,159,000 compared with $5,276,000 for 2011. Aston Hill measures its operating cash flow before the change in working capital and the actual cash amount paid for interest and income taxes, as these items can distort cash flow generated during the year. Working capital is affected by seasonality as interest on the Convertible Debentures is paid semi-annually, and tax installments paid can differ materially from the current tax expense accrual. Aston Hill's main uses of capital are the repayment of principal owing on its Term Credit Facility, interest payments on its Convertible Debenture, investments in marketable securities, funding of sales commissions, payment of dividends on its shares, funding capital expenditures, and the repurchase of shares through its normal course issuer bid program. At current levels of cash flow, Aston Hill produces sufficient cash to meet its obligations and pay down debt.

Aston Hill paid deferred sales commissions of $1,244,000 in the year-ended December 31, 2011 compared to $256,000 in 2011. This is a result of incremental sales of approximately $49,760,000 on the Aston Hill mutual funds under the low-load, deferred sales charge option. This option was created in 2011 as a sales incentive on specified series of units or shares in specified funds.

The fair value of marketable securities at December 31, 2012 was $2,272,000. Marketable securities are comprised of seed capital investments in its funds, investment in Argent as well as other strategic investments. In the year Aston Hill invested $300,000 as seed capital in its newly created Aston Hill Shareholder Yield Fund and Class, and sold $450,000 of seed capital invested in the seed capital of funds and classes of the Company's proprietary funds. In the year, the Company also purchased $850,000 of trust units in Argent which experienced gains upon the company's IPO. As at December 31, 2012, the Company's investment in Argent has a fair value of $1,571,000. During 2012, the Company recorded net realized and unrealized gains on its marketable securities of $858,000 compared to $167,000 in 2011.

As at December 31, 2012, the Company's long-term investment in Journey had an estimated fair value of $6,597,000 (December 31, 2011 - $5,880,000). The Company recorded a decrease in the fair value through other comprehensive income of long-term investments for the year ended December 31, 2012 of $296,000 after tax. The fair value of the investment in Journey is recalculated quarterly based on internal and external reserve evaluations and estimates as well as conventional valuation methods for valuing privately held interests in accordance with generally accepted accounting principles. The fair value is affected significantly by a volatile oil and natural gas pricing environment; therefore, changes in the fair value from the Journey investment may fluctuate materially from quarter to quarter.

During 2012, the Company invested additional cash of $1,011,000 in Journey. The Company's ownership interest in Journey was 2.70% as at December 31, 2012.

## Summary Balance Sheet Data as at December 31, 2012 and December 31, 2011

**(in thousands of Canadian dollars)**

| | | **December 31 2012** | | December 31 2011 |
|---|---|---|---|---|
| Current Assets | **$** | **9,523** | $ | 13,431 |
| Non current assets | | **55,718** | | 52,374 |
| **Total Assets** | **$** | **65,241** | $ | 65,805 |
| Current liabilities | **$** | **6,964** | $ | 6,541 |
| Non current liabilities | | **38,898** | | 37,812 |
| **Total Liabilities** | **$** | **45,862** | $ | 44,353 |
| Shareholders' Equity | | **19,379** | | 21,452 |
| **Total Liabilities & Shareholders' Equity** | **$** | **65,241** | $ | 65,805 |

The balance sheet for Aston Hill at December 31, 2012 reflects total assets of $65,241,000, a decrease of $564,000 from $65,805,000 at December 31, 2011. This change can be attributed to a decrease in cash and cash equivalents which was offset by increases in trade and receivables, investments, property and equipment, and deferred sales commissions. Aston Hill's cash and cash equivalents decreased by $5,688,000 in 2012 due to the Company servicing debt, purchasing stock under the Company's NCIB, purchasing investments in Journey and Argent, leasehold improvements on a new office in Toronto, and deferred sales commissions in relation incremental sales on the Company's low load deferred sales options on the Company's proprietary funds.

Trade and other receivables increased to $4,161,000 at December 31, 2012 from $3,745,000 at December 31, 2011. The increase relates to increase in revenues which are the result of increases to AUM.

The increase in long-term assets from the prior year is the result of property and equipment increasing due to leasehold improvements in the new Toronto office, as well as increases in deferred sales commissions which are the result of incremental sales on the Company's low load deferred sales options on the Company's proprietary funds.

Total liabilities increased to $45,862,000 at December 31, 2012 from $44,353,000 at December 31, 2011. The primary contributors to this change were a draw on Aston Hill's Revolving Credit Facility, an increase in trade and other payables, an increase in provisions, and increases in the debt component of convertible debentures which were offset by payments on the Term Credit Facility. At December 31, 2012 the liability component of the Convertible Debentures has a carrying value of $34,870,000, the Term Credit Facility has a carrying value of $1,396,000, and the Revolving Credit Facility had a carrying value of $1,000,000.

At December 31, 2012, Aston Hill had $40,232,000 in outstanding principal on its Convertible Debentures carrying an interest rate of 6% with a total carrying value of $34,870,000 in debt and $5,838,000 in equity, respectively. At December 31, 2011, Aston Hill had $40,250,000 Convertible Debentures outstanding. As at December 31, 2012, the Company had debt of $35,539,000 net of cash and cash equivalents which is an increase in net debt from December 31, 2011, in which the Company had $29,644,000 debt net of cash and cash equivalents.

As at December 31, 2012, the Company had $1,500,000 in debt outstanding under its Term Credit Facility. This is required to be paid in three $500,000 quarterly installments in 2013.

In the year, Aston Hill drew $1,000,000, on its Revolving Credit Facility to further finance deferred sales commissions and the Citadel acquisition.

Aston Hill’s ratio of debt-to-EBITDA excluding the Convertible Debentures as at December 31, 2012 was 0.37 to 1. Aston Hill expects that the amount of excess cash flow generated will pay down debt and the ratio of debt to EBITDA will trend lower. Aston Hill is within its financial covenants with respect to its credit facility, which requires that the debt-to-EBITDA ratio remain below 1.2 to 1, and assets under management not fall below $4.6 billion.

Shareholders’ equity decreased by $2,073,000 in the year ended December 31, 2012 from $21,452,000 at December 31, 2011 to $19,379,000 at December 31, 2012. This decrease is a result of dividends, NCIB purchases and net loss in income which was offset by increases in share capital due to options being exercised, and an increase in contributed surplus due to stock option and other share based payment issuances.

## Risk Management

The disclosures below provide an analysis of the risk factors affecting Aston Hill’s business operations.

### Market Risk

Market risk is the risk for financial loss to the Company from changes in the values of its financial instruments due to changes in interest rates, foreign exchange rates, and equity or commodity prices.

- Interest rate risk is the risk of gain or loss due to the volatility of interest rates.
- Foreign exchange rate risk is the risk of gain or loss due to volatility of foreign exchange rates.
- Equity risk is the risk of gain or loss due to the changes in prices and volatility of individual equity instruments and equity indexes.

The Company’s financial instruments are generally denominated in Canadian dollars and do not have significant exposure to changes in foreign exchange rates.

Aston Hill’s financial performance is indirectly exposed to market risk. Any decline in financial markets or lack of sustained growth in such markets may result in a corresponding decline in performance and may adversely affect Aston Hill’s assets under management and management fee revenue, which would reduce cash flow to the Company and ultimately impact its ability to manage its capital. Management of market risk within Aston Hill’s assets under management is the responsibility of the Chief Investment Officer. The Investment Officer has established a control environment that ensures risks are reviewed regularly and that risk controls throughout Aston Hill are operating in accordance with regulatory requirements. Exposure to interest rate risk, foreign currency risk and equity risk is monitored by the Chief Investment Officer. When a particular market risk is identified, portfolio managers of the funds are directed to mitigate the risk by reducing their exposure.

The Company's financial assets and liabilities are comprised of cash and cash equivalents, trade and other receivables, marketable securities, notes receivable, long term equity investments, trade and other payables, credit facilities, debentures, and other financial liabilities held for trading.

The fair values of cash and cash equivalents, trade and other receivables, notes receivable, and trade and other payables approximate their carrying amount due to the short-term maturity of those instruments.

The Company's securities holdings are classified at fair value through profit or loss and at fair value through other comprehensive income, therefore unrealized gains and losses on securities are recorded in income or other comprehensive income as changes in fair value. 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). Due to the current financial market conditions, there is additional market risk that may affect the short term and long term value of these financial assets and liabilities.

### Credit Risk

Credit risk is the potential for financial loss to the Company if a third party to a transaction fails to meet its obligations. Aston Hill is exposed to the risk that third parties that owe it money, securities or other assets will not perform their obligations. These parties include trading counterparties, customers, exchanges, and other financial intermediaries, as well as issuers whose securities are held by Aston Hill. These parties may default on their obligations due to liquidity issues, bankruptcy, operational failure or other reasons. Any individual counterparty credit risk is mitigated by regularly monitoring credit performance.

The Company's cash and cash equivalents, trade and other receivables, notes receivable, and prepaid deposits, are subject to credit risk.

Cash and cash equivalents primarily consist of highly liquid short term deposits with a Canadian chartered bank, debt securities issued by the Canadian and provincial governments and bankers' acceptances. The Company mitigates credit risk on these financial instruments by adhering to its Investment Policy that outlines credit risk parameters and concentration limits. The Company's maximum credit exposure is $7,122,000, which is the sum of its cash and cash equivalents, trade and other receivables, notes receivable, Argent RTUs receivable and prepaid deposits as reported on the statement of financial position as at December 31, 2012. The Company's maximum credit risk exposure at December 31, 2011 was $11,651,000.

### Concentration risk

Significant amounts of the Company's accounts receivable are due from related parties. As at December 31, 2012, 45% of accounts receivable are due from related parties. The Company believes that the entire accounts receivable balance is collectible. Accordingly, management has not provided for an allowance for doubtful accounts as at December 31, 2012.

Despite the Company's mitigation of credit risk, there is additional risk due to the current state of the financial market.

### Investment Performance of the Funds

If the funds managed by Aston Hill are unable to achieve investment returns that are competitive with or superior to those achieved by other comparable investment products offered by Aston Hill's competitors, such funds may not attract assets through gross sales or may experience redemptions, which may have a negative impact on Aston Hill's assets under management. This would have a negative impact on Aston Hill's revenue and profitability.

### Dependence on Senior Management

The success of Aston Hill and its strategic focus is dependent to a significant degree upon the contributions of senior management. The loss of any of these individuals, or an inability to attract, retain and motivate sufficient numbers of qualified senior management personnel on the part of Aston Hill, could adversely affect Aston Hill's business. To partially mitigate this risk, Aston Hill has purchased "key man" insurance with respect to two of its directors and officers and will continue to do so for the indefinite future. Further mitigation has been attained through implementation of key employee compensation packages composed of monetary short-term compensation and long-term stock based compensation designed for the retention of key employees.

### Competition

Aston Hill competes with a large number of mutual fund companies and other providers of investment products, investment management firms, and other financial institutions. Many of these competitors have greater capital and other resources, and offer more comprehensive lines of products and services than Aston Hill. The trend toward greater consolidation within the investment management industry has increased the strength of a number of Aston Hill's competitors.

Aston Hill success is largely dependent on its ability to compete in the current Canadian wealth management environment. The Company's success will be based upon a number of factors including the range of products offered, brand recognition, investment performance, business reputation, financing strength, management and sales relationships, quality of service, level of fees charged and level of commissions and other compensation paid.

Aston Hill's competitors seek to expand market share by offering different products and services than those offered by Aston Hill. There can be no assurance that Aston Hill will maintain its current standing, and that may adversely affect the business, financial condition or operating results of Aston Hill.

### Risks of Significant Redemptions of Aston Hill's Assets under Management

The Company's revenues depend largely on the value and composition of its investment fund assets under management. The level of assets under management is influenced by sales, redemption rates, and investment performance. Sales and redemptions may fluctuate depending on market and economic conditions, investment performance, and other factors. Increased competition and market volatility has contributed to redemptions and diminished sales for participants in the Canadian wealth management industry.

### Sufficiency of Insurance

Aston Hill and its subsidiaries maintain various types of insurance which may include financial institution bonds, errors and omissions insurance, directors', trustees' and officers' liability insurance, and general commercial liability insurance. There can be no assurance that claims will not exceed the limits of available insurance coverage that any insurer will remain solvent or willing to continue providing insurance coverage with sufficient limits or at a reasonable cost or that any insurer will not dispute coverage of certain claims due to ambiguities in the policies. A judgment against any member of Aston Hill in excess of available coverage could have a material adverse effect on the Company in terms of damages awarded and the impact on the reputation of Aston Hill.

### General Business Risk and Liability

Given the nature of Aston Hill's business, it may from time to time be subject to claims or complaints from investors or others in the normal course of business. The legal risks facing Aston Hill, its directors, officers, employees or agents in this respect include potential liability for violations of securities laws, breach of fiduciary duty and misuse of investors' funds. Some violations of securities laws and breach of fiduciary duty could result in civil liability, fines, sanctions, or the suspension or revocation of Aston Hill's subsidiaries' right to carry on their existing business. Aston Hill may incur significant costs in connection with such potential liabilities.

### Regulation of Aston Hill

Certain subsidiaries of Aston Hill are heavily regulated in all jurisdictions where they carry on business. Laws and regulations applied generally grant government agencies and self-regulatory bodies broad administrative discretion over the activities of Aston Hill, including the power to limit or restrict business activities as well as impose additional disclosure requirements on Aston Hill products and services. Possible sanctions include the revocation or imposition of conditions on licenses to operate certain businesses, the suspension or expulsion from a particular market or jurisdiction of any of Aston Hill's business segments or its key personnel or financial advisors, and the imposition of fines and censures. To the extent that existing or future regulations affect the sale or offering of Aston Hill's product or services in any way, the Company's assets under management and its revenues may be adversely affected.

### Liquidity Risk & the impact of Credit Facilities & Convertible Debentures

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. In addition to the Company's current balance of cash and cash equivalents, other potential sources of liquidity include the Company's marketable securities, accounts receivable, and its revolving credit facility. The Company's continued ability to access capital markets to raise funds is dependent on market conditions that are subject to change.

The timing of cash outflows relating to financial liabilities are as follows:

**(in thousands of Canadian dollars)**

| 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** | **$ -** |

The ability of Aston Hill to settle its obligations and generate a return for its shareholders is subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness of Aston Hill and its subsidiaries. The degree to which Aston Hill is leveraged could have important consequences to shareholders, including:

- Aston Hill's ability to obtain additional financing for working capital;
- Limitations of future acquisitions;
- Inability to refinance indebtedness; and

- Dedicating a significant portion of Aston Hill's cash flow from operations to the payment of the principal and interest on its indebtedness, and thereby reducing the funds available for future operations.

The Credit Facilities contain a number of financial covenants that require Aston Hill to meet certain financial ratios and financial condition tests. A failure to comply with the obligations in Aston Hill's credit facility could result in a default which, if not cured or waived, could result in acceleration of the relevant indebtedness. Further, the Credit Facilities are secured by an unlimited guarantee of Aston Hill, 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 group of companies.

Prevailing interest rates will affect the market value of the Convertible Debentures. The price or market value of the Convertible Debentures will decline as prevailing interest rates for comparable securities rise. The Convertible Debentures are direct, unsecured, and subordinated obligations of Aston Hill and are not secured by any mortgage, pledge, hypothec or other charge and will rank equally with one another and with all other existing and future unsecured indebtedness of Aston Hill. Therefore, there can be no assurance that future borrowings or equity financing will be available to Aston Hill or available on acceptable terms in an amount sufficient to fund Aston Hill's needs.

### Commitment of Key Personnel

The success of Aston Hill is also dependent upon the skills and expertise of its human resources including the management and investment personnel and its personnel with skills related to marketing, risk management, credit, information technology, accounting, administrative operations and legal affairs. These individuals play an important role in developing, implementing, operating, managing and distributing Aston Hill's products and services. Accordingly, the recruitment of competent personnel, continuous training and transfer of knowledge are key activities that are essential to Aston Hill's performance. In addition, the growth in assets under management in the industry and the reliance on investment performance to sell financial products has increased the demand for experienced and high-performing portfolio managers. Compensation packages for these managers may increase at a rate well in excess of inflation and well above the rates of increases observed in other industries and the rest of the labour market. Aston Hill believes that it has the resources necessary for the operation of Aston Hill's business. The loss of these individuals or an inability to attract, retain and motivate a sufficient number of qualified personnel could adversely affect Aston Hill's business.

### Capital Requirements

Certain subsidiaries of Aston Hill are subject to minimum regulatory capital requirements. This requires Aston Hill to keep sufficient cash and other liquid assets on hand to maintain capital requirements rather than using them in connection with its business. Failure to maintain required regulatory capital by Aston Hill may subject it to fines, suspension or revocation of registration by the relevant securities regulator. A significant operating loss by a registrant subsidiary or an unusually large charge against regulatory capital could adversely affect the ability of Aston Hill to expand or even maintain its present level of business, which could have a material adverse effect on Aston Hill's business, results of operations, and financial position.

## 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.

g) The aggregate payroll 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 payments [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.

## Commitments and Guarantees

The Company is committed to lease office premises with future base rent payments as follows:

**(in thousands of Canadian dollars)**

| | | December 31 2012 | | December 31 2011 |
|---|---|---|---|---|
| Less than one year | **$** | **603** | $ | 331 |
| Between one and five years | | **1,526** | | 883 |
| More than five years | | **323** | | 503 |
| | **$** | **2,452** | $ | 1,717 |

The Company is also required to pay its proportionate share of operating and property tax costs for the premises.

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.

## Significant Accounting Policies & Estimates

The December 31, 2012 Consolidated Financial Statements have been prepared in accordance with IFRS. The Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect. Also included in the Consolidated Financial Statements is note 14 which includes a discussion on the recoverable amount of the Company's intangible assets compared to its carrying value. In addition, Note 4 includes a discussion on the determination of the fair values of the Company's investments.

The Company carries significant intangible assets on its balance sheet. Aston Hill uses valuation models that use estimates of sales and redemptions of investment products as the primary determinants of fair value. Aston Hill uses a valuation approach based on a multiple of assets under management. Aston Hill has assessed these variables in light of the current economic climate. Estimates of sales and redemptions are very likely to change as economic

### Future Changes in Accounting Policies

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. 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.

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.

## Effectiveness of Disclosure Controls and Procedures & Internal Control over Financial Reporting

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), together with management, are responsible for the design of the Company's disclosure controls and procedures. Management has evaluated, with participation of the CEO and CFO, the effectiveness of the disclosure controls and procedures as at December 31, 2012. This evaluation was done in accordance with disclosure controls and procedures as defined by National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"). Based on this evaluation, the CEO and CFO have concluded that they are reasonably assured these Disclosure Controls and Procedures were effective and that material information relating to the Company was made known to them within the time periods specified under applicable securities legislation as defined by NI 52-109.

Management, under the supervision of the CEO and CFO, is responsible for the design and maintenance of adequate internal controls over financial reporting for the purposes of providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. However, due to its inherent limitations, internal controls over financial reporting can only provide reasonable, not absolute, assurance that the financial statements are free of misstatements. Management, under the direction of the CEO and CFO, have concluded that the internal controls over financial reporting are effective. Management used various tools to evaluate internal controls over financial reporting which included interaction with key control systems, review of policy and procedure documentation, observation or reperformance of control procedures to evaluate the effectiveness of controls and concluded that these controls are effective. For the year ended December 31, 2012, there have been no changes to the internal controls over financial reporting that have materially affected, or are reasonably likely to affect, internal controls over financial reporting.

## Outstanding Share Data

| Capital | Authorized | | Outstanding as at March 26, 2012 | Common Shares Underlying Convertible Securities |
|---|---|---|---|---|
| Common shares [1] | Unlimited | | 73,625,000 | Not applicable |
| Stock options | Not applicable | | 6,246,000 | 6,246,000 |
| Convertible debentures (face value) 6.00% maturing 2016 | Not applicable | $ | 34,598,000 | 13,567,843 |

[1] The Company received shareholder approval to reserve for issuance up to 10% of the issued and outstanding Common Shares at the date of the creation for its incentive stock option plan.

Reference is made in this Management Discussion & Analysis to the Company's Consolidated Financial Statements disclosure for the relevant periods filed on the SEDAR website at www.sedar.com where additional disclosure relating to the Company can also be located.

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