Aston Hill Advantage Oil & Gas Income Fund

Management Responsibility Statement

The accompanying financial statements of Aston Hill Advantage Oil & Gas Income Fund (the "Fund") have been prepared by Aston Hill Asset Management Inc. (the "Manager") and approved by the Board of Directors of the Manager. The Manager is responsible for the information and representations contained in these financial statements and the other sections of the annual report.

The Manager maintains appropriate procedures to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and include certain amounts that are based on estimates and judgments. The significant accounting policies applicable to the Fund are described in note 2 to the financial statements.

The Board of Directors of the Manager is responsible for ensuring that management fulfills its responsibilities for financial reporting and has reviewed and approved these financial statements.

The Manager, with the approval of its Board of Directors, has appointed the external firm of PricewaterhouseCoopers LLP as the auditors of the Fund. They have audited the financial statements of the Fund in accordance with Canadian generally accepted auditing standards to enable them to express to unitholders their opinion on the financial statements.

Michael J. Killeen
President
Aston Hill Asset Management Inc.

Larry W. Titley
Chief Financial Officer
Aston Hill Asset Management Inc.

March 24, 2014

Independent Auditor's Report

To the Unitholders of Aston Hill Advantage Oil & Gas Income Fund (the Fund)

We have audited the accompanying financial statements of the Fund which comprise the statement of investment portfolio as at December 31, 2013, the statements of net assets as at December 31, 2013 and 2012 and the statements of operations and deficit, and changes in net assets 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 Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements of the Fund 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 an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2013 and 2012 and the results of its operations, and the changes in its net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
Calgary, Alberta

March 24, 2014

Statements of Net Assets

As at December 31	**2013**	2012
Assets		
Cash	**$ 77,334**	$ 115,158
Forward Agreement (note 7)	**30,083,782**	37,050,912
Total assets	**30,161,116**	37,166,070
Liabilities		
Management fees payable	**19,732**	22,028
Accounts payable and accrued liabilities	**169,135**	140,430
Distributions payable to unitholders	**127,600**	169,717
Total liabilities	**316,467**	332,175
Unitholders' equity		
Unitholders' capital (note 4)	**23,421,165**	37,507,520
Contributed surplus (note 4)	**63,934,044**	61,201,837
Deficit	**(57,510,560)**	(61,875,462)
Net Assets representing unitholders' equity	**$ 29,844,649**	$ 36,833,895
Units outstanding (note 4)	**5,671,110**	7,542,957
Net Assets per unit (note 3)	**$ 5.26**	$ 4.88

Approved on behalf of the Manager, Aston Hill Asset Management Inc.

Michael J. Killeen
Director

Larry W. Titley
Director

The accompanying notes are an integral part of these financial statements.

Statements of Operations and Deficit

For the years ended December 31	2013	2012
Income		
Interest income	$ 41	$ —
	41	—
Expenses		
Management fees (note 9)	247,815	289,829
Service fees (note 9)	131,842	156,011
Forward Agreement fees	87,060	101,781
Audit fees	55,172	21,954
Independent review committee fees	2,200	2,639
Trustee fees	13,045	13,173
Custodial fees	24,902	21,304
Legal fees	3,261	15,475
Unitholder reporting costs	59,960	58,375
Administrative fees	27,717	26,589
	652,974	707,130
Net investment loss	(652,933)	(707,130)
Net realized gain on partial settlements of Forward Agreement (note 10)	2,041,266	633,170
Net change in unrealized gain (loss) on Forward Agreement	2,996,922	(835,032)
Transaction costs	(20,353)	(16,839)
Increase (decrease) in Net Assets from operations	4,364,902	(925,831)
Deficit, beginning of year	(61,875,462)	(60,949,631)
Deficit, end of year	$ (57,510,560)	$ (61,875,462)
Increase (decrease) in Net Assets from operations per unit[1]	$ 0.63	$ (0.11)

[1] Based on the weighted average number of units outstanding for the year (note 4).

The accompanying notes are an integral part of these financial statements.

Statements of Changes in Net Assets

For the years ended December 31		2013		2012
Net Assets, beginning of year	$	**36,833,895**	$	46,249,616
Operations:				
Increase (decrease) in Net Assets from operations		**4,364,902**		(925,831)
Unitholder distributions:				
Return of capital (note 4)		**(1,821,053)**		(2,962,581)
		(1,821,053)		(2,962,581)
Unitholder transactions:				
Repurchase of units		**(267,560)**		(913,644)
Redemption of units		**(9,265,535)**		(4,688,041)
Warrant cost adjustment (note 5)		**—**		74,376
Total unitholder transactions		**(9,533,095)**		(5,527,309)
Net decrease in Net Assets		**(6,989,246)**		(9,415,721)
Net Assets, end of year	$	**29,844,649**	$	36,833,895

The accompanying notes are an integral part of these financial statements.

Statement of Investment Portfolio

As at December 31, 2013		Cost	Fair Value	% of Portfolio
	Fair Value of Forward Agreement			
	Equities Held by Aston Hill O&G Trust			
No. of Shares	**Equities**			
	Oil and gas			
58,505	ARC Resources Ltd.	$ 1,486,378	$ 1,727,068	
164,000	Argent Energy Trust*	1,527,669	1,274,280	
41,200	Baytex Energy Corp.	1,706,251	1,714,332	
131,370	Bonavista Energy Corp.	3,699,484	1,826,043	
31,192	Bonterra Energy Ltd.	1,127,465	1,688,734	
49,820	Canadian Natural Resources Ltd.	1,404,326	1,789,534	
83,810	Canadian Oilsand Ltd.	1,920,475	1,674,524	
56,800	Cenovus Energy Inc.	1,814,072	1,726,720	
65,508	Computer Modelling Group Ltd.	905,101	1,743,168	
42,500	Crescent Point Energy Corp.	1,810,216	1,752,275	
89,900	Enerplus Corp.	1,286,882	1,734,171	
164,160	ES Investments Ltd.(1)	263,956	262,656	
74,470	Freehold Royalties Ltd.	1,492,952	1,646,532	
53,684	Inception Exploration Ltd.(1)	214,736	214,736	
55,158	Peyto Exploration and Development Corp.	1,005,999	1,790,429	
45,800	Suncor Energy Inc.	1,431,877	1,704,675	
140,430	TORC Oil & Gas Ltd.	1,409,817	1,478,728	
29,284	Vermilion Energy Inc.	1,074,723	1,825,565	
187,650	Zargon Oil & Gas Ltd.	4,024,323	1,578,137	
	Total Oil and gas	**29,606,702**	**29,152,307**	**100.0%**
	Embedded Broker Commission	(19,866)	—	
	Total Equities held by Aston Hill O&G Trust	**$ 29,586,836**	**$ 29,152,307**	**100.0%**
	Cash and short-term investments of Aston Hill O&G Trust		763,515	
	Other Net Assets of Aston Hill O&G Trust		167,960	
	Net Assets of Aston Hill O&G Trust		30,083,782	
	Prepayment under Forward Agreement		(23,267,322)	
	Unrealized gain on Forward Agreement		$ 6,816,460	

(1) Level 3 financial assets (note 12 of financial statements of Aston Hill O&G Trust).

* Eric Tremblay, Chairman and Director of Aston Hill Financial Inc., the parent company of the Manager, is also a Director and the Executive Chairman of Argent Energy Trust.

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

December 31, 2013 and 2012

1. OPERATIONS

Aston Hill Advantage Oil & Gas Income Fund (the "Fund") is a closed-end investment trust created under the laws of the Province of Ontario on February 24, 2005, pursuant to an amended and restated declaration of trust. Computershare Trust Company of Canada is the Trustee of the Fund and Aston Hill Asset Management Inc. (the "Manager") is responsible for managing the affairs of the Fund. RBC Investor Services Trust is the custodian of the Fund's assets and prepares the weekly valuations of the Fund. The Fund commenced operations on March 17, 2005.

The Fund's investment objectives are to achieve a high level of monthly tax-advantaged distributions and provide the opportunity for capital appreciation by investing in a diversified portfolio of dividend-paying equities and convertible debt of oil and gas producers, energy service companies and pipeline entities.

The Fund has a forward agreement ("Forward Agreement") that provides exposure to the return on the portfolio held by Aston Hill O&G Trust and tax advantages. The return to investors of the Fund is dependent upon the return of the Aston Hill O&G Trust portfolio pursuant to the Forward Agreement. As a result, these notes to the financial statements include discussion of the performance of Aston Hill O&G Trust, where applicable.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and they include estimates and assumptions made by management that affect the reported amounts of assets and liabilities at the date of these financial statements and the reported amounts of income and expenses during the periods for which the financial statements report. Actual results could differ from these estimates.

a) Valuation of Investments

Investments are deemed held for trading in accordance with the CPA Canada Handbook Section 3855. The Fund's investments are valued at fair value. Investments that are publicly traded are valued at their bid price on the valuation date. Investments with no available bid price are valued at their closing price. Short-term investments and bonds are valued at the average bid quotations from recognized investment dealers. The cost of investments is based on their average cost.

Securities having no quoted market value are valued at estimated fair value using valuation techniques as determined by the Manager. Estimated fair value is determined on the basis of the expected realizable value of the investments if they were disposed of in an orderly manner over a reasonable period of time. The Manager uses estimation techniques to determine fair value, including discounted cash flows, multiples of earnings and comparison with other securities that are substantially the same. The difference between fair value and average cost, as recorded in the accounts, is shown as a change in unrealized appreciation (depreciation) on investments. Securities listed on a recognized public stock exchange are valued at their bid and ask prices for long and short investments, respectively. Short-term investments and bonds are recorded at fair value using bid price market quotations.

b) Cash

Cash consists of cash on hand. Cash is deemed held-for-trading and therefore is carried at fair value.

c) Investment Transactions and Income Recognition

Investment transactions are recorded on the trade date, and any realized and unrealized gains or losses are recognized using the average cost of the investments, which excludes broker commissions. Interest income is recognized on an accrual basis.

d) Transaction Costs

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities are expensed and are recognized in the Statements of Operations and Deficit.

Notes to the Financial Statements (continued)

December 31, 2013 and 2012

e) Income Taxes

The Fund qualifies as a mutual fund trust under the Income Tax Act (Canada). Provided the Fund makes distributions in each year of its net income and net realized capital gains, the Fund will not generally be liable for income tax. It is the intention of the Fund to distribute all of its net income and net realized capital gains on an annual basis. Accordingly, no income tax provision has been recorded.

f) Foreign Exchange

The fair values of investments and other assets and liabilities that are denominated in foreign currencies are translated into Canadian dollars at the noon rate of exchange on each valuation date. Purchases and sales of investments and income derived from investments are translated at the rate of exchange prevailing on the date of such transactions.

g) Valuation of Forward Agreement

The Forward Agreement is valued at the gain or loss that would be realized on the valuation date if the contract were closed or expired. The amount to be received (or paid) on the Forward Agreement as at the valuation date is recognized as the fair value of the Forward Agreement in the Statements of Net Assets. All unrealized gains (losses) arising from the Forward Agreement are recorded as part of the change in unrealized gain (loss) on Forward Agreement in the Statements of Operations and Deficit.

The Forward Agreement is classified as held for trading in accordance with the CPA Canada Handbook Section 3855.

h) Other Assets and Liabilities

For the purposes of categorization in accordance with Section 3855, distributions payable to unitholders, and accounts payable and accrued liabilities are deemed to be other financial liabilities and reported at amortized cost. Due to their short-term nature, the carrying value of these financial assets and liabilities approximates their fair value.

i) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in Net Assets from operations during the reporting period. A significant area requiring the use of management judgements and estimates is the valuation of non-public investments. The resulting values may differ materially from values that would have been used had a readily available market existed for the investments and the prices at which the investments may be sold.

j) Transition to International Financial Reporting Standards

Beginning January 1, 2014, the Fund will prepare its annual financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and provide comparative statements on an IFRS basis, including an opening balance sheet as at January 1, 2013 (the transition date). The Fund will also report its interim financial statements for the period ending June 30, 2014, in accordance with IFRS.

The Manager has reviewed and developed the Fund's IFRS changeover plan, which included performing an impact assessment and identifying differences between existing Canadian GAAP and IFRS. Management has monitored developments in IFRS and has assessed the likely impacts on accounting policies, implementation decisions, internal controls, information systems and training. Based on management's assessment to date, the more significant changes impacting the financial statements may be how the Fund measures the fair values of its investments, the inclusion of a statement of cash flows and the classification of Net Assets representing unitholders' equity. The Manager does not consider this to be a comprehensive list of the accounting changes required when the Fund adopts IFRS, but in the view of the Manager, it represents the key differences. The differences described in the sections that follow are based on Canadian GAAP as at December 31, 2013 and IFRS that are in effect as of January 1, 2014.

Under Canadian GAAP, the Fund measures the fair values of its investments in accordance with the CPA Canada Handbook Section 3855, Financial Instruments – Recognition and Measurement. This section requires the use of bid prices for the long positions and ask prices for the short positions to the extent that such prices are available. In May 2011, the IASB issued IFRS 13, Fair Value Measurement, which defines fair value, sets out a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. If an asset or a liability measured at fair value has a bid price and an ask price, it requires valuation to be based on a price within the bid-ask spread that is most representative of fair value. The standard allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical means for fair value measurement within a bid-ask spread. The impact of this may result in the elimination of the differences between the transactional Net Asset Value and Net Assets at the financial statements reporting dates.

Under Canadian GAAP, the Fund is not required to provide a statement of cash flows. In addition to the financial statements currently presented for the Fund, a statement of cash flows will now be included in the financial statements in accordance with the requirement of IFRS and prepared in accordance with International Accounting Standard ("IAS") 7, Statement of Cash Flows.

The Fund's outstanding redeemable units entitlement includes a contractual obligation to deliver cash or another financial asset on the Fund's fixed termination date, and therefore the ongoing redemption feature is not the Fund's only contractual obligation. Consequently, the Fund's outstanding redeemable units will be classified as financial liabilities in accordance with the requirements of IAS 32, Financial Instruments: Presentation. The impact of this standard is on classification and disclosure only and does not impact Net Assets per unit.

Management will continue to monitor the Fund's IFRS changeover plan to address the key elements of the IFRS conversion.

3. RECONCILIATION OF NET ASSETS TO NET ASSET VALUE

In accordance with National Instrument ("NI") 81-106, a reconciliation is required between the Net Assets for financial reporting purposes (the "Net Assets") and the Net Asset Value for reporting other than in the financial statements (the "Net Asset Value"). The reconciliation is as follows:

As at December 31		2013		2012
	Total	**Per Unit**	Total	Per Unit
Net Asset Value	**$ 29,866,428**	**$ 5.27**	$ 36,921,458	$ 4.89
Section 3855 adjustment[1]	**(21,779)**	**(0.01)**	(87,563)	(0.01)
Net Assets	**$ 29,844,649**	**$ 5.26**	$ 36,833,895	$ 4.88

[1] The Section 3855 adjustment relates to the valuation of investments traded on an exchange at bid price for Net Assets and at closing price for Net Asset Value.

Notes to the Financial Statements (continued)

December 31, 2013 and 2012

4. UNITS OF THE FUND

Authorized

The Fund is authorized to issue an unlimited number of transferable, redeemable units of beneficial interest, each of which represents an equal, undivided interest in the Net Assets of the Fund. Each unit entitles the holder to one vote and to participate equally with respect to any and all distributions made by the Fund. Units may be redeemed at the option of unitholders by tendering units of the Fund by the last business day of July for redemption on the second last business day of each August ("Redemption Valuation Date"). Redemption of tendered units will be settled based on the Net Asset Value per unit on the Redemption Valuation Date, less associated costs of the redemption, including brokerage costs. Units tendered for redemption will be redeemed effective on the Redemption Valuation Date and will be settled on or before the tenth business day in September.

Units may also be redeemed at the option of unitholders at least 20 business days prior to the second last business day of each month, except for the month of August. Unitholders whose units are redeemed will receive a redemption price per unit equal to the lesser of (i) 94% of the weighted average trading price of the units for the 10 trading days immediately preceding the redemption date and (ii) 100% of the closing market price of the units.

Pursuant to a normal course issuer bid, the Fund could purchase up to 864,616 of its units for cancellation when the Net Asset Value per unit exceeded its trading price for the period from April 13, 2012 to April 12, 2013. The Fund renewed the issuer bid for the period from April 13, 2013 to April 12, 2014, which allows the Fund to purchase up to 751,980 units for cancellation.

Issued

	2013		2012	
	Number of Units	**Amount**	Number of Units	Amount
Units, beginning of year	**7,542,957**	**$ 37,507,520**	8,699,968	$ 47,976,004
Repurchase of units under normal course issuer bids	**(56,200)**	**(368,251)**	(191,400)	(1,253,099)
Redemption of units	**(1,815,647)**	**(11,897,051)**	(965,611)	(6,327,180)
Return of capital	**—**	**(1,821,053)**	—	(2,962,581)
Warrant cost adjustment (note 5)	**—**	**—**	—	74,376
Units, end of year	**5,671,110**	**$ 23,421,165**	7,542,957	$ 37,507,520

The Fund issued no units during the years ended December 31, 2013 and December 31, 2012.

On August 31, 2013, 1,813,297 units were redeemed at $5.10 per unit (2012 – 965,611 units were redeemed at $4.86 per unit).

During the year ended December 31, 2013, 2,350 units (2012 – nil) were redeemed under the monthly redemption.

During the year ended December 31, 2013, 56,200 units (2012 – 191,400) were purchased for cancellation.

As of December 31, 2013, the Fund has accumulated contributed surplus of $63,934,044 (2012 – $61,201,837) since inception. Contributed surplus is recorded when units of the Fund are redeemed or repurchased at prices per unit which are below the average cost per unit of unitholders' capital.

The weighted average number of units outstanding for the year ended December 31, 2013 was 6,886,209 (2012 – 8,262,179).

5. WARRANTS

The Fund issued 3,979,063 warrants to unitholders of record on February 22, 2011. Unitholders received warrants on the basis of one-half of one warrant for each unit held. One warrant entitled the holder to subscribe for one unit of the Fund at a subscription price of $5.72. Warrants not exercised prior to March 24, 2011 were void and of no value. Upon the exercise of a warrant, the Fund paid a fee equal to $0.09 per warrant to the dealer whose client was exercising the warrant. All warrants were exercised by March 24, 2011. Pursuant to the warrant offering, the Fund issued 3,979,063 units for net proceeds of $22,402,119. Based on the closing price of the first trading day, the fair value of each warrant on the date of issuance was $0.20 per warrant. Costs associated with the issuance of these warrants amounted to $120,733. For the year ended December 31, 2011, there were accrued costs of $74,376 relating to previous issuances of warrants that, at December 31, 2012, were no longer considered payable, resulting in an adjustment to issuance costs.

While the warrants are outstanding, diluted Net Assets per unit is calculated when the closing price of the Fund's units on a valuation date is greater than the subscription price. To calculate diluted Net Assets per unit, Net Assets are increased by the net proceeds received from the exercise of all warrants, and units are increased by the number of units issued from the exercise of all warrants.

Diluted increase (decrease) in Net Assets from operations per unit is calculated using the treasury stock method.

6. CAPITAL MANAGEMENT

The Fund's objectives in managing its capital are to provide unitholders with high monthly, tax-advantaged cash distributions and the opportunity for capital appreciation. The Fund's capital is comprised of unitholders' equity. The Fund manages its capital taking into consideration the risk characteristics of its holdings. In order to manage its capital structure, the Fund may adjust the amount of distributions paid to unitholders, return capital to unitholders, purchase units for cancellation, or settle the Forward Agreement in whole or in part.

7. FORWARD AGREEMENT

The Fund entered into a forward purchase and sale agreement ("Forward Agreement") with RBC Capital Market (the "Counterparty"). The obligations of the Counterparty to the Fund under the Forward Agreement are determined by reference to the performance of Aston Hill O&G Trust.

Gains and losses realized by the Fund on the sale of the portfolio of Canadian securities under the Forward Agreement are treated as capital gains and losses for tax purposes by the Fund. However, the federal budget that was announced in March 2013 proposed measures with respect to certain financial arrangements, such as the Forward Agreement, that would eliminate certain tax benefits for taxable unitholders of investment funds that utilize this kind of agreement. The budget announcement states that these changes apply only to forward agreements entered into on or after March 21, 2013 (the "Budget Day"). The federal budget, part of Bill C-4, was enacted into law on December 12, 2013.

Based on the new laws in place following Budget Day, the Manager must terminate the Forward Agreement on or before March 21, 2018.

As a result of the new laws put in place following Budget Day, the Counterparty will need to pay to the Fund, on or about March 21, 2018 or earlier, in whole or in part at the request of the Fund, an amount equal to the redemption proceeds of the number of units of Aston Hill O&G Trust specified in the Forward Agreement in exchange for a portfolio of Canadian securities with an aggregate value equal to the redemption proceeds of the number of units of Aston Hill O&G Trust as specified in the Forward Agreement.

In order to permit the Fund to pay (i) monthly distributions, (ii) redemptions and repurchases of units, and (iii) operating expenses and other liabilities of the Fund, the terms of the Forward Agreement provide that the Forward Agreement may be settled in whole or in part prior to March 29, 2028, by the Fund at its discretion. The Manager intends to terminate the Forward Agreement on or before March 21, 2018.

Under the Forward Agreement, the Fund pays to the Counterparty a fee of 0.25% of the Net Asset Value of Aston Hill O&G Trust, calculated and payable monthly in arrears.

8. DISTRIBUTIONS PAYABLE TO UNITHOLDERS

Distributions of the Fund, as declared by the Manager, are made on a monthly basis to unitholders of record on the last business day of each month. The distributions are payable by the tenth business day of the following month. For the year ended December 31, 2013, the Fund declared total distributions of $0.27 (2012 – $0.36) per unit, which amounted to $1,821,053 (2012 – $2,962,581).

Notes to the Financial Statements (continued)

December 31, 2013 and 2012

9. MANAGEMENT AND SERVICE FEES

The Fund, together with Aston Hill O&G Trust, pays a management fee equal to 0.90% per annum of the Net Asset Value of the Fund, plus applicable taxes. The portion of the management fees paid by the Fund is equal to 0.65% per annum.

The Manager is responsible for paying the fees to Aston Hill Asset Management Inc., the Portfolio Manager of Aston Hill O&G Trust. The Fund also pays to the Manager a service fee equal to 0.40% per annum of the Net Asset Value of the Fund. The service fee is in turn paid by the Manager to investment dealers in proportion to the number of units held by clients of each dealer at the end of each calendar quarter.

The Fund is responsible for all other operating expenses incurred in connection with its operation and administration, such as custodian, valuation, trustee, reporting, audit and legal fees.

10. INVESTMENT TRANSACTIONS

Investment transactions related to settlements of the Forward Agreement for the years ended December 31 were as follows:

	2013	2012
Proceeds from partial settlement of Forward Agreement	**$ 11,917,026**	$ 9,218,528
Less cost of investments sold:		
Prepayment of Forward Agreement during the year	**9,875,760**	8,585,358
Net realized gain on partial settlement of Forward Agreement	**$ 2,041,266**	$ 633,170

For the years ended December 31, 2013 and 2012, there were no soft dollar amounts paid.

11. FINANCIAL RISK MANAGEMENT

The Fund's investment activities expose it to a variety of financial risks. The Fund has a Forward Agreement that provides exposure to the return of the portfolio held by Aston Hill O&G Trust. The Statement of Investment Portfolio presents the securities held by Aston Hill O&G Trust as at December 31, 2013 and groups the securities by asset type. The following comparative summary represents the asset types of the securities held by Aston Hill O&G Trust as at December 31, 2012.

As at December 31, 2012

Investment Sector	% of Portfolio
Equities	
Oil and gas	100.0%
Total	100.0%

The Fund invests in a Forward Agreement whose value is based on the performance of Aston Hill O&G Trust. The Manager attempts to minimize the potential adverse effects of this risk on the Fund's performance by diversifying the investment portfolio of the Trust within the constraints of the investment objectives and by using financial instruments to hedge certain risk exposures. To assist in managing risks, the Manager also maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and restrictions, internal guidelines, and securities regulations. Significant risks that are relevant to the Fund are discussed below.

a) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital.

The Fund is exposed to other price risk through the Forward Agreement. The Portfolio Manager of Aston Hill O&G Trust has attempted to moderate this risk through the careful selection of securities and other financial instruments within the parameters of the investment strategy. The maximum risk of loss resulting from financial instruments is equivalent to their fair value.

As at December 31, 2013, had the prices on the respective stock exchanges for the securities of Aston Hill O&G Trust increased or decreased by 10%, with all other variables held constant, Net Assets would have increased or decreased by approximately $2.9 million or 9.7% of Net Assets (2012 – $3.6 million or 9.7% of Net Assets). In practice, the actual trading results may differ, and the difference could be material.

b) Interest Rate Risk

As at December 31, 2013 and 2012, the Fund and Aston Hill O&G Trust held no short-term deposit notes or other interest-bearing securities. The Fund and Aston Hill O&G Trust also have no interest-bearing liabilities. As a result of this, the Fund had minimal risk due to the changes in prevailing market interest rates.

c) Currency Risk

Currency risk is the risk that financial instruments that are denominated in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The investment portfolio of Aston Hill O&G Trust, to which the Fund is exposed through the Forward Agreement, may be comprised of Canadian and US equities. As at December 31, 2013, Aston Hill O&G Trust had no exposure to US currency.

d) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund is exposed to credit risk through the Forward Agreement for the full amount of the Forward Agreement. The Net Asset Value of Aston Hill O&G Trust underlying the Forward Agreement, as presented on the Statement of Investment Portfolio, and other assets represents the maximum credit risk exposure as at December 31, 2013.

Other assets will be settled in the short term.

e) Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities.

The Fund is exposed to liquidity risk through its monthly and annual redemptions. For the annual redemption, the Fund receives notice by the last business day in July and has up to the tenth business day in September to settle the redemptions, which gives the Manager time to partially settle the Forward Agreement. The Fund's ability to partially settle the Forward Agreement provides the Fund with a source of liquidity.

All of the Fund's financial liabilities at December 31, 2013 and 2012 had maturities of less than one year.

Notes to the Financial Statements (continued)

December 31, 2013 and 2012

12. FAIR VALUE DISCLOSURES

The Fund's assets and liabilities recorded at fair value have been categorized in accordance with the CPA Canada Handbook Section 3862, Financial Instruments – Disclosure.

Section 3862 requires the Fund to classify its investments and derivative assets and liabilities into three categories based on the nature of the inputs used to determine their fair value. The categories and the nature of the inputs used in each category are as follows:

Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3: Inputs that are unobservable. There is little if any market activity. Inputs into the determination of fair value require significant management judgement or estimation.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Short-term notes included in cash and short-term investments are classified as level 2.

Assets at fair value as at December 31, 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Forward Agreement	$ —	$ 30,083,782	$ —	$ 30,083,782
Total	**$ —**	**$ 30,083,782**	**$ —**	**$ 30,083,782**

Assets at fair value as at December 31, 2012	Level 1	Level 2	Level 3	Total
Forward Agreement	$ —	$ 37,050,912	$ —	$ 37,050,912
Total	$ —	$ 37,050,912	$ —	$ 37,050,912

During the year ended December 31, 2013 and 2012, there were no transfers between level 1 and level 2.

13. INCOME TAXES

The Fund had accumulated non-capital losses for tax purposes as at December 31, 2013 of $11,921,023 (2012 – $11,921,023). Losses will expire as follows:

		2013
2015	**$**	**3,542,759**
2027		**3,382,714**
2030		**3,120,304**
2031		**1,229,659**
2032		**645,587**
	$	**11,921,023**

		2012
2015	$	3,542,759
2027		3,382,714
2030		3,120,304
2031		1,229,659
2032		645,587
	$	11,921,023

The Fund had accumulated capital losses as at December 31, 2013 of $17,616,335 (2012 – $17,616,335). The capital losses can be carried forward for an indefinite period.

14. COMPARATIVE FIGURES

Certain prior period numbers have been reclassified to conform to the current year's presentation.

Corporate Information

Independent Review Committee

John Crow
Chairman

C. Scott Browning

Robert Falconer

Joseph H. Wright

Directors and Senior Officers of the Manager

Eric Tremblay
Director and Chief Executive Officer

Ben Cheng[1]
Co-Chief Investment Officer

Michael J. Killeen
Director and President

Larry W. Titley
Director and Chief Financial Officer

Portfolio Management

Jeffrey Burchell
Co-Chief Investment Officer and Portfolio Manager

Andrew Hamlin
Vice President and Portfolio Manager

Joanne Hruska
Vice President and Portfolio Manager

Vivian Lo
Vice President and Portfolio Manager

Steve Vannatta
Portfolio Manager

Barry Morrison
Portfolio Manager

Manager

Aston Hill Asset Management Inc.

Trustee and Transfer Agent

Computershare Trust Company of Canada

Custodian

RBC Investor Services Trust

Auditors

PricewaterhouseCoopers LLP

Website

www.astonhill.ca

(1) Mr. Cheng acts as a portfolio manager exclusively to investment funds managed by IA Clarington Investments Inc., and to two other investment funds, not including the fund in this document. See www.astonhill.ca for details.

AstonHill ASSET MANAGEMENT

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