Aston Hill Oil & Gas Income Fund

Annual Financial Statements

December 31, 2014

MANAGEMENT REPORT OF FUND PERFORMANCE

This annual management report of fund performance for **Aston Hill Oil & Gas Income Fund** (the "Fund") contains financial highlights but does not contain the complete annual financial statements of the Fund. **The annual financial statements and accompanying notes are attached to this report.**

You can obtain a copy of the annual financial statements at no cost by writing to Aston Hill Asset Management Inc. (the "Manager") to the following address: 77 King Street West, Suite 2110, Toronto, Ontario M5K 1G8, or calling 1-800-513-3868 or visiting the Manager's website at www.astonhill.ca or by visiting www.sedar.com.

Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

INVESTMENT OBJECTIVES AND STRATEGIES

Aston Hill Oil & Gas Income Fund is a closed-end investment trust that is managed by Aston Hill Asset Management Inc. (the "Manager"). The units of the Fund trade on the Toronto Stock Exchange ("TSX") under the symbol OGF.UN. The Fund is RRSP, DPSP, RRIF, RESP and TFSA eligible.

The investment objectives of the Fund are designed to achieve a high level of monthly distributions and the opportunity for capital appreciation by investing in a diversified portfolio of oil and gas investments, including oil-and-gas dividend-paying equities and convertible debt of oil and gas producers, energy service companies and pipelines.

RISK

Risks associated with an investment in the units of the Fund are discussed in the Fund's 2014 annual information form, which is available on the Manager's website at www.astonhill.ca or on SEDAR at www.sedar.com. There were no changes to the Fund for year ended December 31, 2014 that materially affected the risks associated with an investment in the units of the Fund.

RECENT DEVELOPMENTS

International Financial Reporting Standards (IFRS)

The Fund adopted IFRS as published by the International Accounting Standards Board (IASB) as of January 1, 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the CPA Handbook (Canadian GAAP). The Fund has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position at January 1, 2013 and throughout all periods presented in its annual financial statements, as if these policies had always been in effect. Note 18 to the annual financial statements dated December 31 2014 discloses the impact of the transition to IFRS on the Fund's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Fund's financial statements for the year ended December 31, 2013 prepared under Canadian GAAP.

RESULTS OF OPERATIONS

Caution regarding forward-looking statements

The analysis in the document includes forward-looking statements. The use of any of the words anticipate, may, will, expect, estimate, should, believe and similar expressions are intended to identify forward-looking statements. Such statements reflect the opinion of the Investment Manager regarding factors that might be reasonably expected to affect the performance and the distributions on units of the Fund and are based on information available at the time of writing. The Investment Manager believes that the expectations reflected in these forward-looking statements and in the analysis are reasonable but no assurance can be given that these expectations or the analysis will prove to be correct and accordingly, they should not be unduly relied on. These statements speak only as of the date of this report. Actual events and outcomes may differ materially from those described in these forward-looking statements or analysis.

Manager Commentary (February 2015)

Spurred on by accommodative Central Banks around the globe, the bull market continued its advance in 2014 with the S&P 500 Index up 11.4% for the year and the TSX Composite Index up 7.4%. Volatility was also higher as fragile global growth was challenged by a Ukraine conflict, Russian sanctions, and the emergence of ISIS. Counteracting weakness elsewhere, US economic growth strengthened in 2014 with third quarter GDP growth registering 5.0% over the previous quarter and the unemployment rate dropping to 5.8% in October. With strong labour markets, economic momentum, and US GDP growth that is projected to reach 3.0% in 2015 the Fed is expected to judiciously loosen the Zero Interest Rate Policy later in the year. Conversely, Central Banks in Japan, the Eurozone, and China are all expected to accelerate their various stimulation efforts in response to respective economic weakness. Complimentary Central Bank efforts, aided by low inflation, along with prolonged US growth are expected to generate a 3.8% increase in global GDP for 2015 according to the IMF. We are cautiously optimistic regarding global growth for 2015 but expect continued volatility as a tentative recovery struggles to gain traction.

Adding a potential tailwind to the global recovery was the implosion of crude oil prices in the second half of 2014. With US airstrikes on ISIS, and the return of approximately 0.6 million bbl/day of Libyan supply, the growth in non-OPEC supply no longer seemed tenable especially as demand growth from weak economies was deteriorating. In November prices fell even further when OPEC atypically elected to maintain their output quota. With oil markets now vulnerable to supply and demand imbalance, Brent crude prices ended the year down 50%. The energy indexes followed crude with the S&P 500 Energy Index down 10% and the TSX Capped Energy Index down 19%.

Though stifled by reduced subsidies, increased taxes and tepid economic growth, demand stimulation created by lower prices should be expected and will help to narrow the crude oil imbalance somewhat.

Being predominantly a problem of oversupply, it is supply that will need to respond to restore balance.

Given the momentum in US production growth into the second half of 2014, along with financially supportive hedges, commitments, and an ability to shift focus to still viable assets, US production is still expected to grow in early 2015 although at an increasingly declining rate. As oil prices languish, production curtailments will increase along with seasonal and price induced demand bringing markets closer to balance as the year progresses. By 2016 reductions from slower reacting projects will accelerate the production slowdown while demand growth continues, potentially bringing markets tenuously into balance once again. There are however, many possible surprises that could upset either side of this equation.

US production of natural gas also surged with an increase in dry gas production of 5% in 2014 which is especially impressive given the weakness in gas prices. Technological improvements, infrastructure additions, and an ability to high-grade prospects facilitated new low cost production needed by producers to show production growth to investors. With consumption growth for 2014 at only 3%, Henry Hub prices dropped 30% to end the year at $2.99 after spiking over $7.00 early in the year. The exceptionally cold winter in 2013-2014 depleted working gas inventories to a 10 year low under 1 tcf but sustained production growth is expected to replenish storage levels to 1.4 tcf this coming March and to 3.5 tcf next fall. The rate of production growth in 2015 is expected to slow in comparison to 2014 but still rise 3% for the year. This growth is predominantly coming from the Marcellus and Utica shale regions where break-even estimates range between $1.50 and $3.20/mcf. US consumption of natural gas is expected to decline 1% in 2015 as lower residential and commercial consumption offsets increases in electric power and industrial consumption. Beyond MATS retirements in 2015, the potential for coal to gas switching for power production will provide a floor for gas prices. The EIA predicts that delivered coal prices will average close to $2.36/MMBtu (approximate Appalachian coal price of $56/ton) in 2015 but as gas fired power production is more efficient than coal, switching to gas should begin at gas prices around $3.10/MMBtu and accelerate as gas prices weaken.

There were a few notable position changes to the fund over the year but the oil vs. gas weighting barely changed with the gas weight increasing from 31% to 35%. The fund sold the entire position in Baytex Energy Trust after its identity changing investment in Aurora Oil & Gas and purchased oil focused and highly sustainable Whitecap Resources. Partial profits were selectively captured over the first half of the year and proceeds were used to add a small position in intermediate yield company, Long Run Exploration. The fund's warrant offering closed in June and was fully subscribed as the market price appreciated to well above the subscription price. This was followed by the annual redemption at the end of August which resulted in sizeable outflows. With energy share prices falling the decision was made to employ the use of leverage to the extent available to the fund rather than to sell already undervalued companies at further depressed prices. There were however several positions sold to accommodate some of the required funds for redemption. Canadian Natural Resources, Cenovus Energy, Talisman Energy, Suncor Energy, and Zargon Oil & Gas were all sold to maximize relative value for the portfolio.

The fund underperformed the TSX Capped Energy Index due to the leverage employed which magnified the effect of the selloff in energy stocks. This will obviously have the reverse effect on the portfolio, magnifying the gains, in the event of a recovery which historically has come unexpectedly and abruptly. Until capex reductions translate into meaningful curtailments in production growth, crude oil prices will struggle. While we wait for the reallocation of capital to filter through to production levels there are a wide range of events that could transpire to significantly affect the direction of oil prices. This represents considerable risk for investors. The range of possible outcomes for gas prices seems considerably narrower as prices are already flirting with extreme lows. With expectations for continued production growth already priced in and coal to gas switching acting as a back stop, downside risk appears more contained.

After years of consolidating, re-focusing, and cost cutting, as well as still progressing technological advancements, North American producers have become more efficient than ever and far more capable of weathering the storm. The reduction of operating costs was already a major focus for the industry and this downturn will only intensify this objective. A recovery in oil prices is probably not on investors radars just yet but it is clear that $50 oil is not sustainable and at least a partial recovery is on the horizon. The price to book value ratio on Canadian energy stocks has already reached prior cycle trough levels and Canadian energy stocks that benefit from a weaker Canadian dollar and increasing domestic gas demand are trading well below what is proposed as an equilibrium oil price. The fund allocations will be opportunistically adjusted according to strict valuation standards within the context of commodity price weakness and oil supply uncertainty.

Capital transactions

During the year ended December 31, 2014, there were 5,792,027 units issued upon exercise of warrants (nil units in 2013) and $463,236 solicitation fees paid to dealers. 7,641,389 units (4,362,390 units - 2013) were redeemed for the value of $42,202,714 ($22,132,149 - 2013).

Market repurchases

Units of the Fund are listed on the TSX under the symbol OGF.UN. The Trust Agreement provides that the Fund may, in its sole discretion, from time to time, purchase (in the open market or by invitation for tenders) Units for cancellation subject to applicable law and stock exchange requirements, based on the Manager's assessment that such purchases are accretive to Unitholders, in all cases at a price per Unit not exceeding the most recently calculated Net Asset Value per Unit immediately prior to the date of any such purchase of Units.

The Fund purchased 15,400 Units for cancellation for the value of $73,775 during the year ended December 31, 2014 (98,600 Units were purchased for cancellation for the value of $472,612 in 2013).

Net Assets

The Net Asset Value per unit of the Fund was $3.13 per unit as at the year ended December 31, 2014 ($5.24 at December 31, 2013). The aggregate Net Asset Value of the Fund was $30.42 million as at December 31, 2014 ($60.67 million at December 31, 2013).

LEVERAGE

Pursuant to an agreement with a Canadian chartered bank, the Fund maintains a 364-day revolving credit facility. The revolving credit facility provides for maximum borrowings of $16.0 million (2013 – $16.0 million), with borrowings in Canadian currency at either the prime rate of interest or the bankers' acceptance rate, plus a fixed percentage, or in US currency at either the US base rate or the LIBOR rate, plus a fixed percentage. There were $7,995,507 borrowings (2013 – nil) outstanding under this facility as at December 31, 2014. The credit facility is secured by a first-priority security interest over all of the Fund's assets. During the year ended December 31, 2014, the minimum and maximum amounts of borrowings were nil (2013 – nil) and $10,000,000 (2013 – nil), respectively.

DISTRIBUTIONS

The Fund pays monthly distributions at $0.0225 per unit, representing an approximately 8.63% annual yield based on December 31, 2014 Net Assets. For the year ended December 31, 2014, the Fund has paid distributions $0.27 per unit (unchanged from 2013). Since inception in October 7, 2004, the Fund has paid total cash distributions of $7.46 per unit.

The distribution reinvestment plan has been cancelled commencing with the January distribution payments in 2014 due to low participation.

RECOMMENDATIONS OR REPORTS BY THE INDEPENDENT REVIEW COMMITTEE

The Independent Review Committee of the Fund tabled no special reports and made no extraordinary material recommendations to management of the Fund during the year ended December 31, 2014.

RELATED PARTY TRANSACTIONS

Management and Service Fees

Aston Hill Asset Management Inc. is the Manager of the Fund. Pursuant to a management agreement, the Manager provides management and administrative services to the Fund, for which it is paid a management fee equal to 0.85% per annum of the Net Asset Value of the Fund, plus applicable taxes. The management fee is used by the Manager to cover its costs to obtain the Fund's assets, the cost to administer the Fund, the cost of portfolio management and for profit. 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 the investment dealers based on the proportionate number of units held by clients of each dealer at the end of each calendar quarter.

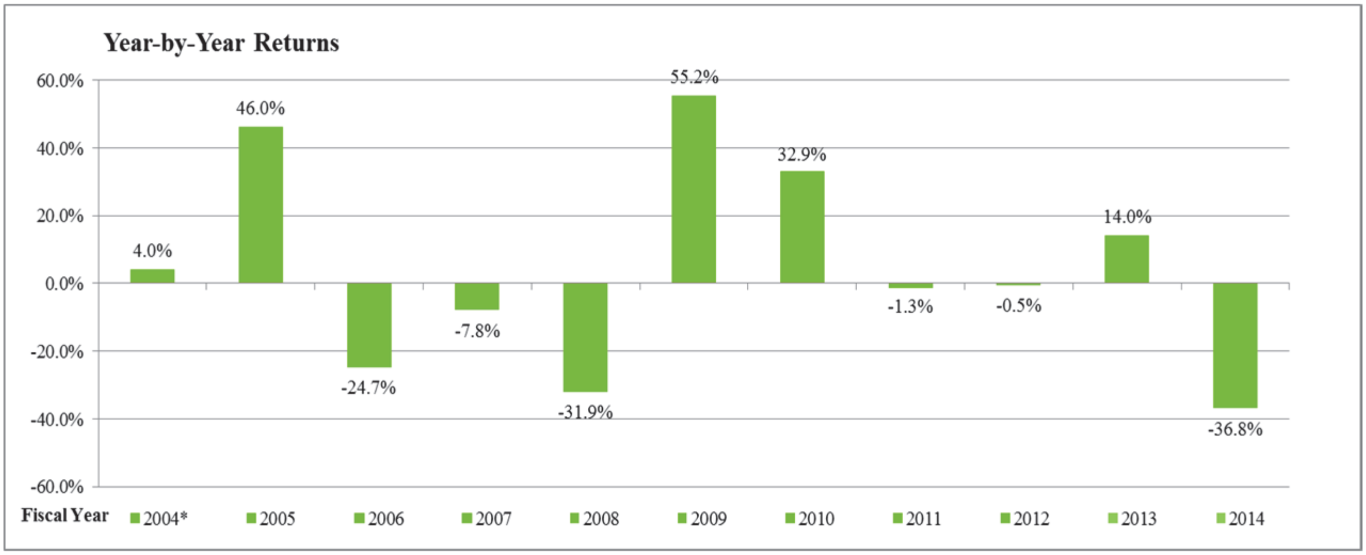
For the year ended December 31, 2014, management fees amounted to $617,738 (December 31, 2013 - $667,772), out of which $25,603 is outstanding payable as of December 31, 2014 (December 31, 2013 - $47,386); service fees amounted to $240,038 (December 31, 2013 - $262,728). The Fund is responsible for all other operating expenses incurred in connection with its operation and administration, such as custodian, valuation, trustee, reporting, audit and legal fees.

Administration Fees

The Manager allocates back to the Fund a portion of the base salaries of individuals who have spent time working on matters relating to the operations of the Fund. The expenses are directly attributable to the Fund as they relate to time spent on Fund accounting, valuation, taxation, compliance, investor relations, financial and unitholder reporting cost management, oversight and any other operations matter. For year ended December 31, 2014, administration fees amounted to $48,215 ($54,830 in 2013).

PAST PERFORMANCE

The following bar charts and table shows the Fund's annual performance by showing both annual returns by fiscal year and annualized compound returns from inception assuming all the distributions made by the Fund during the years shown were reinvested. The performance information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns or performance. The bar charts show, in percentage terms, how much an investment made on the first day of the period would have grown or decreased by the last day of the period. Past performance is not necessarily indicative of future performance.



*Period from October 7, 2004 (commencement of operations) to December 31, 2004

Annual Compound Returns

	1-Year	3-Years	5-Years	7-Years	Since Inception
Aston Hill Oil & Gas Income Fund	-36.8%	-10.5%	-1.2%	-0.1%	0.5%
S&P/TSX Capped Energy Index	-16.3%	-3.4%	-3.0%	-3.5%	4.0%
S&P/TSX Composite Index	10.5%	10.2%	7.5%	3.8%	7.9%

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to aid in understanding the Fund's financial performance since inception. This information is derived from the Fund's audited annual and unaudited semi-annual financial statements:

Net Assets per Unit

	2014	2013	2012	2011	2010	2009
Net Assets, beginning of period (1)	**5.24**	**4.85**	**5.26**	**5.94**	**5.09**	**3.84**
Increase (decrease) from operations:						
Total revenues	0.26	0.24	0.25	0.23	0.33	0.43
Total expenses	(0.10)	(0.09)	(0.09)	(0.09)	(0.09)	(0.07)
Realized gains (losses) for the period	(0.09)	0.23	(0.11)	0.07	0.43	(1.14)
Unrealized gains (losses) for the period	(1.25)	0.27	(0.12)	(0..44)	0.42	2.64
Total increase (decrease) from operations (2)	**(1.18)**	**0.65**	**(0.07)**	**(0.23)**	**1.09**	**1.86**
Distributions:						
From income	(0.05)	–	–	–	(0.12)	(0.29)
From Dividend	(0.22)	(0.08)	(0.09)	(0.05)	(0.08)	(0.05)
Return of capital	–	(0.19)	(0.29)	(0.37)	(0.22)	(0.16)
Total Distributions (1) (3)	**(0.27)**	**(0.27)**	**(0.38)**	**0.42)**	**(0.42)**	**0.50)**
Net Assets, end of period (4) (5)	**3.13**	**5.24**	**4.85**	**5.27**	**5.94**	**5.09**

(1) Net assets and distributions are based on the actual number of units outstanding at the relevant time.

(2) The increase (decrease) in Net Assets from operations per unit are based on the weighted average number of units outstanding over the fiscal period.

(3) The percentages used to allocate distributions among income, dividends, capital gain and return on capital are based on the Fund's tax return. Allocations for the year ended December 31, 2014 are not determinable until year end.

(4) This is not a reconciliation between the opening and the closing Net Assets balances.

(5) The Fund adopted International Financial Reporting Standards ("IFRS") commencing January 01, 2014. This information for the period January 01, 2013 to December 31, 2014 is restated under IFRS from Canadian GAAP. Information for periods prior to January 01, 2013 continues to be reported under Canadian GAAP.

Ratios and Supplemental Data

	2014	2013	2012	2011	2010	2009
Net Assets (000's)	30,421	60,674	77,793	93,303	112,583	112,469
Number of units outstanding (in 000's)	9,719	11,584	16,045	17,700	18,904	22,003
Base management expense ratio (1)	1.62%	1.55%	1.55%	1.50%	2.30%	2.35%
Management expense ratio ("MER") (2)	1.81%	1.65%	1.65%	1.59%	2.37%	2.35%
Trading expense ratio (3)	0.16%	0.07%	0.12%	0.03%	010%	0.09%
Portfolio turnover rate (4)	56.28%	15.72%	38.10%	57.03%	14.71%	23.10%
Net Asset per unit(5)	3.13	5.24	4.85	5.27	5.94	5.09
Net Asset per unit – basic and diluted	3.13	5.24	4.85	5.27	5.94	5.11
Closing market price (TSX)	3.47	5.01	4.62	5.08	5.74	4.72
Closing market price - warrants	N/A	0.02	N/A	N/A	N/A	0.15

(1) A separate base management expense ratio is presented to exclude interest expenses and issuance cost.

(2) MER is based on the requirements of NI 81-106 and includes the total expenses (excluding commissions and other portfolio transaction cost) of the Fund for the stated period, including interest expense and issuance costs, if applicable, and is expressed as an annualized percentage of daily average net asset value during the period.

(3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

(4) The Fund's turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund's buying and selling all of the securities (including fixed income) in its portfolio once in the course of the year. There is not necessarily a relationship between turnover rate and the performance of the Fund.

(5) The Fund adopted International Financial Reporting Standards ("IFRS") commencing January 01, 2014. This information for the period January 01, 2013 to December 31, 2014 is restated under IFRS from Canadian GAAP.

SUMMARY OF INVESTMENT PORTFOLIO AS OF DECEMBER 31, 2014

The summary of investment portfolio may change due to ongoing portfolio transactions of the Fund. A quarterly update is available at www.astonhill.ca and at www.sedar.com.

Portfolio by Category

	As at December 31, 2014
Sector Allocation	**% of NAV**
Energy	119.9%
Cash	7.2%
Net Other Assets (Liabilities)	-27.1%
Total	100.0%

Top 25 Holdings

Security Name	% of NAV
Vermilion Energy Inc.	10.7%
Computer Modelling Group Ltd.	10.6%
Bonterra Energy Corp.	10.5%
Freehold Royalties Ltd.	10.3%
Crescent Point Energy Corp.	10.0%
ARC Resources Ltd.	9.8%
Peyto Exploration & Development Corp.	9.8%
Whitecap Resources Inc.	9.7%
Bonavista Energy Corp.	8.0%
Enerplus Corp.	7.9%
Canadian Oil Sands Ltd.	7.4%
Cash	7.2%
TORC Oil & Gas Ltd.	6.8%
Long Run Exploration Ltd.	3.5%
Inception Exploration Ltd.	1.4%
New Wave Energy Services Group Ltd. (Restriction)	1.4%
Relentless Resources Ltd.	1.1%
Argent Energy Trust	0.7%
New Wave Energy Services Group Ltd.	0.4%
Total Net asset value (NAV):	**$30,420,603**

Management's Responsibility for Financial Reporting

The accompanying financial statements of **Aston Hill Oil & Gas Income Fund** (the "Fund") and all of the information therein have been prepared by Aston Hill Asset Management Inc. in its capacity as Manager of the Fund and have been approved by the Board of Directors of the Manager. The Fund's Manager is responsible for all of the information and representations contained in these financial statements and other sections of the Annual Report. Management maintains appropriate processes to ensure that relevant and reliable financial information is produced.

The financial statements have been prepared in accordance with International Financial Reporting Standards. The financial statements are not precise since they include certain amounts based on estimates and judgements. The Manager has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has ensured that the other financial information presented in this Annual Report is consistent with the financial statements.

The financial statements have been audited by PricewaterhouseCoopers LLP on behalf of the Unitholders. They have audited the financial statements in accordance with International Financial Reporting Standards to enable them to express to the Unitholders their opinion on the financial statements. Their report is contained within.

W. Neil Murdoch
President
Aston Hill Asset Management Inc.

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

Toronto, Canada
March 31, 2015

March 31, 2015

Independent Auditor's Report

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

We have audited the accompanying financial statements of the Fund, which comprise of the statements of financial position as at December 31, 2014, December 31, 2013 and January 1, 2013 and the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the years ended December 31, 2014 and December 31, 2013, 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 of the Fund in accordance with International Financial Reporting Standards, 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 the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

PricewaterhouseCoopers LLP
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Opinion

In our opinion, the financial statements of the Fund present fairly, in all material aspects, the financial position of the Fund as at December 31, 2014, December 31, 2013 and January 1, 2013 and the financial performance and cash flows of the Fund for the years ended December 31, 2014 and December 31, 2013 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario

STATEMENTS OF FINANCIAL POSITION

As at		**December 31, 2014**		December 31, 2013		January 1, 2013
Assets						
Current assets						
Financial assets at fair value through profit or loss	**$**	**36,473,943**	$	59,401,626	$	76,949,830
Cash		**2,200,624**		1,392,781		1,193,291
Income receivable		**183,886**		383,093		250,062
Subscription receivable and the maximum solicitation fee paid to each dealer was capped at		**-**		-		15,002
Total assets		**38,858,453**		61,177,500		78,408,185
Liabilities						
Current liabilities						
Management fees payable		**25,603**		47,386		60,385
Accounts payable and accrued liabilities		**198,056**		195,130		193,714
Distributions payable (note 9)		**218,684**		260,641		361,014
Loans payable (note 13)		**7,995,507**		-		-
Total liabilities		**8,437,850**		503,157		615,113
Net Assets attributable to holders of redeemable units	**$**	**30,420,603**	$	60,674,343	$	77,793,072
Redeemable units outstanding (note 5)		**9,719,293**		11,584,055		16,045,045
Net Assets attributable to holders of redeemable units per unit (note 5)	**$**	**3.13**	$	5.24	$	4.85

W. Neil Murdoch	Larry W. Titley
Director	**Director**

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

STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31		**2014**		2013
Income				
Securities lending income (note 12)	**$**	**36,960**		31,760
Net foreign exchange gain (loss) on cash		**(3)**		-
Other changes in fair value on financial assets and financial liabilities at fair value through profit or loss:				
and the maximum solicitation fee paid to each dealer was capped at $2,500.00.		**3,106,457**		3,397,015
Interest for distribution purposes		**20,614**		4,406
Net realized gain (loss) on sale of investments		**(1,074,182)**		3,297,568
Change in unrealized gain (loss) on investments		**(15,431,723)**		3,826,917
Total income (loss)		**(13,341,877)**		10,557,666
Expenses				
Management fees (note 10)		**617,738**		667,772
Service fees (note 10)		**240,038**		262,728
Audit fees		**41,730**		60,764
Independent review committee fees (note 10)		**1,182**		4,300
Trustee fees		**2,791**		2,190
Custodial fees		**25,969**		25,889
Legal fees		**200**		3,285
Unitholder reporting fees		**73,452**		67,919
Administrative expenses (note 10)		**48,215**		54,830
Interest and bank charges (note 13)		**100,185**		44,057
Withholding taxes		**2,111**		2,694
Transaction costs		**102,213**		51,540
Total operating expenses		**1,255,824**		1,247,968
Increase (Decrease) in Net Assets attributable to holders of redeemable units	**$**	**(14,597,701)**	$	9,309,698
Increase (Decrease) in Net Assets attributable to holders of redeemable units per unit [(1)]	**$**	**(1.18)**	$	0.64

(1) Based on the weighted average number of units outstanding for the year (note 5).

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

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the years ended December 31	2014	2013
Net Assets attributable to holders of redeemable units, beginning of year	**$ 60,674,343**	$ 77,793,072
Operations:		
Increase (decrease) in Net Assets attributable to holders of redeemable units	**(14,597,701)**	9,309,698
Dis and the maximum solicitation fee paid to each dealer was capped at $2,500.00.		
From net investment income	**(678,192)**	(989,584)
Return of capital	**(2,712,767)**	(2,718,242)
Warrants issued	**-**	(115,840)
Total distribution to holders of redeemable units (note 9)	**(3,390,959)**	(3,823,666)
Redeemable unit transactions (note 5)		
Issuance costs on warrants	**(255,483)**	-
Proceeds from issuance of redeemable units upon exercise of warrants, net	**30,266,892**	-
Repurchase of redeemable units	**(73,775)**	(472,612)
Redemption of redeemable units	**(42,202,714)**	(22,132,149)
Total redeemable unitholder transactions	**(12,265,080)**	(22,604,761)
Net increase (decrease) in Net Assets attributable to holders of redeemable units	**(30,253,740)**	(17,118,729)
Net Assets attributable to holders of redeemable units, end of year	**30,420,603**	60,674,343

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

STATEMENTS OF CASH FLOWS

For the years ended December 31		2014		2013
Cash flows from operating activities:				
Increase (decrease) in Net Assets attributable to holders of redeemable units	$	(14,597,701)	$	9,309,698
Adjustments to reconcile net cash provided by (used in) operations				
Net realized (gain) loss on sale of investments		1,074,182		(3,297,568)
Net change in unrealized (gain) loss on investments		15,431,723		(3,826,917)
and the maximum solicitation fee paid to each dealer was capped at $2,500.00.		(35,954,364)		(11,276,841)
Proceeds from sale of investments		42,376,142		35,949,530
Increase (decrease) in income receivable		199,207		(133,031)
(Increase) decrease in management fees payable		(21,783)		(12,999)
(Increase) decrease in accounts payable and accrued liabilities		2,926		1,416
Net cash flow provided by (used in) operating activities		8,510,332		26,713,288
Cash flows from financing activities:				
Issuance costs on warrants		(255,483)		-
Proceeds from issuance of units upon exercise of warrants, net		30,266,892		15,002
Distributions paid to holders of redeemable units (note 9)		(3,432,916)		(3,924,039)
Repurchase of redeemable units		(73,775)		(472,612)
Amounts paid for redemption of redeemable units		(42,202,714)		(22,132,149)
(Increase) decrease in loans payable		7,995,507		-
Net cash flow provided by (used in) financing activities		(7,702,489)		(26,513,798)
Net increase (decrease) in cash		807,843		199,490
Cash, beginning of year		1,392,781		1,193,291
Cash, end of year	$	2,200,624	$	1,392,781
Supplemental information (included in operating activities):				
Dividend received, net of withholding tax	$	3,118,240	$	3,447,261
Interest received		20,614		4,406
Interest paid		62,555		44,057

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

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2014		Cost	Fair Value	% of Portfolio
	Equities			
No. of Shares	**Oil and gas**			
118,951	ARC Resources Ltd.	$ 3,256,542	$ 2,992,807	
274,900	Argent Energy Trust	2,426,824	217,171	
335,108	Bonavista Energy Corp.	8,105,816	2,446,288	
76,736	Bonterra Energy Ltd.	3,366,904	3,196,054	
215,690	Canadian Oilsand Ltd.	4,980,574	2,247,490	
270,784	Computer Modelling Group Ltd.	2,389,005	3,233,161	
112,500	Crescent point Energy Corp.	4,820,855	3,027,375	
214,700	Enerplus Corp.	3,703,909	2,402,493	
163,856	Freehold Royalties Ltd.	3,581,513	3,132,927	
107,367	Inception Exploration Ltd.(1)	429,468	429,468	
705,100	Long Run Exploration Ltd.	3,877,132	1,057,650	
327,056	New Wave Energy Services Group Ltd.(1)	523,290	530,095	
88,737	Peyto Exploration and Development Corp.	2,176,471	2,970,028	
1,360,000	Relentless Resources Ltd.	306,000	323,000	
267,270	TORC Oil & Gas Ltd.	2,763,919	2,057,979	
57,005	Vermilion Energy Inc.	2,657,292	3,249,285	
258,800	Whitecap Resources Inc.	3,373,490	2,960,672	
	Total Equities	**52,739,004**	**36,473,943**	**100.0%**
	Embedded Broker Commission	(57,842)		
	Total Equities	**$ 52,681,162**	**$ 36,473,943**	**100.0%**

(1) Level 3 financial assets (note 16)

NOTES TO THE FINANCIAL STATEMENTS (December 31, 2014)

1. GENERAL INFORMATION

Aston Hill Oil & Gas Income Fund (the "Fund") is a closed-end investment trust created under the laws of the Province of Ontario on September 28, 2004, pursuant to a declaration of trust. Computershare Trust Company of Canada is the Trustee, 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 including managing the Fund's portfolio. The Fund is listed on the Toronto Stock Exchange (the "TSX") under the symbol OGF.UN and commenced operations on October 7, 2004. The address of the Fund's registered office is 77 King Street West, suite 2110, Toronto, Ontario, M5K 1G8.

The Fund is designed to achieve a high level of monthly distributions and the opportunity for capital appreciation by investing in a diversified portfolio of oil and gas investments, including oil-and-gas dividend-paying equities and convertible debt of oil and gas producers, energy service companies and pipelines.

These financial statements were authorized for issue by Aston Hill Asset Management Inc. (the Manager) on March 31, 2015.

2. BASIS OF PREPARATION AND ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) and under the historical cost convention basis, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit and loss. The Fund adopted this basis of accounting in 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the CPA Handbook (Canadian GAAP). The Fund has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position at January 1, 2013 and throughout all periods presented, as if these policies had always been in effect. note 18 discloses the impact of the transition to IFRS on the Fund's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Fund's financial statements for the year ended December 31, 2013 prepared under Canadian GAAP.

The policies applied in these annual financial statements are based on IFRS issued and outstanding as of March 31, 2015, which is the date on which the annual financial statements were authorized for issue by the Manager.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Manager to exercise its judgment in the process of applying the Funds' accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Financial instruments

The Fund's long position investments in debt and equity securities and fixed income securities are designated at fair value through profit or loss ("FVTPL") at inception. The Fund's derivatives are categorized as held for trading. As a result of such designation and categorization, the Fund's investments and derivatives are measured at FVTPL. Leverage, interest payable, distributions payable, accounts payable, accrued liabilities and management fees payable are designated as other financial liabilities and reported at amortized cost which given its short term nature approximates its fair value. The Fund's obligation for Net Assets attributable to holders of redeemable units is presented at approximately the redemption amount. All other financial assets and liabilities are measured for at amortized cost. Under this method, financial assets and liabilities reflect the amounts required to be received or paid, discounted when appropriate, at the financial instrument's effective interest rate. The Fund's accounting policies for measuring the fair value of its investments and derivatives are identical to those used in measuring its published Net Asset Value (NAV). The fair values of the Fund's financial assets and liabilities that are not carried at FVTPL approximate their carrying amounts due to their short-term nature.

b) Fair Value Measurement

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. The fair value of financial assets and liabilities traded in active markets (such as publicly traded marketable securities) are based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The Fund's policy is to recognize transfers into and out of the fair value hierarchy levels at the beginning of the period in circumstances giving rise to the transfer.

The fair value of financial assets and liabilities that are not traded in an active market including foreign currency forward contracts are determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each measurement date. Valuation techniques include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same and others commonly used by market participants and which make the maximum us of observable inputs. Refer to note 17 for further information about the Fund's fair value measurements. The Fund's net asset value per unit (including those by class, as applicable) did not differ from its net assets attributable to holders of redeemable units per unit as at December 31, 2014, December 31, 2013 and January 1, 2013, as applicable.

c) Cash

Cash consists of cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown in current liabilities in the Statements of Financial Position.

d) Investment Transactions and Income Recognition

Regular purchases and sales are recognized on the trade date - the date on which the Fund commits to purchase or sell the investment and any realized and unrealized gains or losses are recognized using the average cost of the investments, which excludes broker commissions. The interest income for distribution purposes shown on the Statements of Comprehensive Income (Loss) represents the coupon interest earned by the fund accounted for on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds which are amortized on a straight line basis. Dividend income is recognized on the ex-dividend date.

e) 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 Comprehensive Income (Loss).

f) Income Taxes

The Fund qualifies as a unit trust and is deemed a financial institution 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 and unrealized capital gains on an annual basis. Accordingly, no income tax provision has been recorded. The Fund may incur withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the Statement of Comprehensive Income.

g) 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.

h) Foreign Currency Translation

The majority of the Funds' subscriptions and redemptions are denominated in Canadian dollar, which is also its functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at dates that transactions occur. Foreign currency assets and liabilities denominated in a foreign currency are translated in to the functional currency using the exchange rate prevailing at the measurement date. Foreign exchange gains and losses relating to cash and those relating to other financial assets and liabilities are presented as "Net foreign currency gains or losses on cash" in the Statements of Comprehensive Income (Loss).

i) Derivative Contracts

The Fund may enter into foreign currency forward contracts, which are agreements between two parties to buy and sell currencies at a set price on a future date. The fair value of such contracts will fluctuate with changes in currency exchange rates. The contracts are marked-to-market and the change in fair value is recorded as an unrealized gain or loss. When a contract is closed, the Fund records a realized gain or loss equal to the difference between the value of the contract on the date it was opened and the value on the date it was closed.

j) Securities Lending

The Fund may enter into securities lending transactions. These transactions involve the temporary exchange of securities as collateral with a commitment to deliver the same securities on a future date. Income is earned from these transactions in the form of fees paid by the counterparty and, in certain circumstances, interest paid on securities held as collateral. Income earned from these transactions is recognized on an accrual basis and included in the Statements of Comprehensive Income (Loss).

k) Warrants

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 attributable to holders of redeemable units per unit is calculated using the treasury stock method.

l) Accounting Standards Issued But Not Yet Adopted

The final version of International Financial Reporting Standard (IFRS) 9, Financial Instruments, was issued by IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking expected loss impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Fund is in the process of assessing the impact of IFRS 9 and has not yet determined when it will adopt the new standard.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Fund have made in preparing the financial statements:

Classification of Redeemable Units Issued by the Fund

Under Canadian GAAP, the Fund accounted for their redeemable units as equity. Under IFRS, IAS 32 requires that shares of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as a financial liability. The unitholders can request cash distributions and therefore the Fund's units do not meet the criteria in IAS 32 for classification as equity. They have been reclassified as financial liabilities on transition to IFRS.

Functional and Presentation Currency

The Fund's investors are primarily Canadian residents, with the subscriptions and redemptions of the redeemable shares denominated in Canadian dollars. The primary activity of the Fund is to invest in Canadian and US securities and derivatives and to offer Canadian investors a higher return compared to other products available in Canada. The performance of the Fund is measured and reported to the investors in Canadian dollar. The Manager considers the Canadian dollar as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Canadian dollars, which is the Fund's functional and presentation currency.

Fair Value Measurement of Derivatives and Securities Not Quoted in an Active Market

When the Fund holds financial instruments that are not quoted in active markets, the fair values of such instruments are determined using valuation techniques and may be determined using reputable pricing sources (such as pricing agencies) or indicative prices from market markers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding.

Classification and Measurement of Investments and Application of the Fair Value Option

In classifying and measuring financial instruments held by the Fund, the Manager is required to make judgments about the classification of financial instruments and the applicability of the fair value option to its investments which are not held for trading. The Manager has determined that the Fund's derivatives are held for trading due to their short term nature. The fair value option has been applied to the Fund's investments in fixed income securities as the investments are managed on a fair value basis in accordance with the Fund's investment strategy.

5. REDEEMABLE 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 Asset Value 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 by tendering the units on the last business day of the preceding month other than 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 market price which is the weighted average trading price of the units for the 10 trading days immediately preceding the Redemption Valuation Date and (ii) 100% of the closing market price of the units, which is the closing price on TSX, on the applicable Redemption Valuation Date, less any costs associated with the redemption including brokerage costs.

The Fund received approval from the Toronto Stock Exchange to undertake a normal course issuer bid program for the period from November 8, 2012 to November 7, 2013, which allowed the Fund to purchase up to 1,608,496 units for cancellation. The Fund renewed its normal course issuer bid for the period from November 8, 2013 to November 7, 2014, which allows the Fund to purchase up to 1,158,405 units for cancellation. The Fund may repurchase units when the Net Asset Value per unit exceeds its trading price.

	December 31, 2014 Number of Units	December 31, 2013 Number of Units
Redeemable units, beginning of year	11,584,055	16,045,045
Issuance of units upon exercise of warrants, net	5,792,027	–
Repurchase of redeemable units	(15,400)	(98,600)
Redemption of redeemable units	(7,641,389)	(4,362,390)
Redeemable units, end of year	**9,719,293**	**11,584,055**

The weighted average number of units outstanding for the year ended December 31, 2014 was 12,352,887 (2013 – 14,500,752).

6. CUSTODIAN

Pursuant to the Trust Agreement, RBC Investor & Treasury Services (the "Custodian") also acts as custodian of the assets of the Fund. In consideration for these services, the Fund pays a fee to the Custodian. The Custodian is rated AA- by Standard & Poor's ("S&P") as of December 31 2014 and December 31, 2013.

7. FUND ADMINISTRATION

RBC Investor & Treasury Services is responsible for certain aspects of the Fund's day-to-day operations, including calculating net assets attributable to holders of redeemable units, net income and net realized capital gains of the Fund and maintaining the books and records of the Fund.

8. CAPITAL MANAGEMENT

The Fund's objectives in managing its capital are to provide unitholders with a high level of income through monthly cash distributions and to preserve the Net Asset Value per unit. The Fund's capital includes unitholders' capital and loans payable. 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, increase or decrease its level of borrowing, issue warrants or purchase units for cancellation. There are currently no externally imposed capital requirements for the Fund.

9. DISTRIBUTIONS PAYABLE TO UNITHOLDERS

Distributions, 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, 2014, the Fund declared total distributions of \$0.27 (2013 – \$0.27) per unit, which amounted to \$3,390,959 (2013 – \$3,823,666). The distribution reinvestment plan has been cancelled commencing with the January distribution payments in 2014 due to low participation.

10. RELATED PARTY TRANSACTIONS

Management Fees and Service Fees

Pursuant to a management agreement, the Fund pays a management fee to the Manager equal to 0.85% per annum of the Net Asset Value of the Fund, plus applicable taxes. The Fund also pays a service fee equal to 0.40% per annum of the Net Asset Value. The service fee, plus applicable taxes, 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.

For the year ended December 31, 2014, the management fee amounted to $617,738 (2013 - $667,772), out of which $25,603 is outstanding payable as of December 31, 2014 (2013 - $47,386); service fees amounted to $240,038 (2013 - $262,728). 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.

Administration Fees

The Manager allocates back to the Fund a portion of the base salaries of individuals who have spent time working on matters relating to the operations of the Fund. The expenses are directly attributable to the Fund as they relate to time spent on Fund accounting, valuation, taxation, compliance, investor relations, financial and unitholder reporting cost management, oversight and any other operations matter. For year ended December 31, 2014, administration fees amounted to $48,215 ($54,830 in 2013).

IRC Fee

The members of the Independent Review Committee are John Crow (chair), Joseph Wright, Robert B. Falconer and Scott Browning. The Independent Review Committee acts as a review committee for a number of investment funds managed by the Manager.

The IRC members each receive $15,000 per annum ($20,000 for the Chairman) plus $1,250 per meeting for acting in such capacity and are also reimbursed for expenses in connection with performing their duties. These fees and expense reimbursements are allocated across investment funds that are managed by the Manager in a manner that is fair and reasonable.

The total remuneration paid to members of the Independent Review Committee during the year ended December 31, 2014 was $1,182 (2013 - $4,300) and consisted only of fixed fees.

11. BROKER COMMISSION CHARGES AND SOFT DOLLAR SERVICES

The brokerage commissions paid to dealers included $102,213 (2013 – $51,540) that was available for paying to third party vendors, of which $1,897 (2013 - $3,042) was used for research by the Manager.

12. DERIVATIVE CONTRACTS

The Fund may use foreign currency forward contracts to hedge foreign exchange risks associated with its US dollar investment portfolio. At December 31, 2014, December 31, 2013 and January 1, 2013, the Fund had not entered into any foreign currency forward contracts.

13. SECURITIES LENDING

The Fund has entered into a securities lending program with its custodian, RBC Investor Services Trust. The aggregate market value of all securities loaned by the Fund cannot exceed 50% of the assets of the Fund. The Fund will receive collateral of at least 102% of the value of the securities on loan. Collateral will generally be comprised of cash and obligations of, or guaranteed by, the Government of Canada or a province thereof, or the United States Government or its agencies, or a permitted supranational agency as defined in NI 81-102. The market values of the securities on loan and the related collateral at December 31, 2014, were $16.7 million (2013 – $26.5 million) and $17.0 million (2013 – $27.1 million), respectively. The related collateral at December 31, 2014 was $17.0 million (2013 – $27.1 million).

14. LOANS PAYABLE

Pursuant to an agreement with a Canadian chartered bank, the Fund maintains a 364-day revolving credit facility. The revolving credit facility provides for maximum borrowings of $16.0 million (2013 – $16.0 million), with borrowings in Canadian currency at either the prime rate of interest or the bankers' acceptance rate, plus a fixed percentage, or in US currency at either the US base rate or the LIBOR rate, plus a fixed percentage. There were $7,995,507 borrowings (2013 – nil) outstanding under this facility as at December 31, 2014. The credit facility is secured by a first-priority security interest over all of the Fund's assets. During the year ended December 31, 2014, the minimum and maximum amounts of borrowings were nil (2013 – nil) and $10,000,000 (2013 – nil), respectively.

The credit facility contains several financial covenants that require the Fund to meet certain financial ratios and financial condition tests. The Fund is within its financial covenants with respect to the credit facility. The Manager monitors the use of the credit facility on a regular basis.

15. INCOME TAXES

The Fund had accumulated capital losses as at December 31, 2014 of $125,167,034 (2013 – $122,204,315).The capital losses can be carried forward for an indefinite period. There was no non-capital loss as at December 31, 2014 and 2013.

16. FINANCIAL RISK MANAGEMENT

The Fund is exposed to a variety of financial instruments risks: credit risk, liquidity risk, portfolio concentration risk and market risk (including interest rate risk, currency risk and price risk). The level of risk to which each Fund is exposed depends on the investment objectives and the type of investments the Fund holds. The value of investments can fluctuate daily as a result of changes in prevailing interest rates, economic and market conditions and company-specific news related to investments held by the Fund. The Manager of the Fund may attempt to minimize the potential adverse effects of these risks on the Fund's performance by, but not limited to, regular monitoring of the Fund's positions and market events and diversification of the investments by asset type and term to maturity within the constraints of the stated objectives, and through the usage of derivatives to hedge certain risk exposures.

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2014, and groups the securities by asset type and market segment. The following comparative summary represents the securities by asset type and market segment held by the Fund as at December 31, 2013 and January 1, 2013.

Concentration risk

	As at December 31, 2013	As at January 1, 2013
Investment Sector	As of % of Portfolio	As of % of Portfolio
Equities		
Oil and gas	100.0%	100.0%
Total	100.0%	100.0%

The Fund's total investments include long equity investments. Short-term income investments are not included.

The Manager attempts to minimize the potential adverse effects of these risks on the Fund's performance by diversifying the investment portfolio 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.

Interest rate risk

Interest rate risk arises on interest-bearing financial instruments. The Fund is exposed to interest rate risk on its variable interest rate, 364-day revolving credit facility. Fluctuations in interest rates have a direct impact on the interest payments the Fund makes on its loans.

As at December 31, 2014, the Fund had 8.0 million (December 31, 2013 – nil; January 1, 2013 – nil) outstanding on its credit facility.

Currency Risk

Currency risk is the risk that financial instruments 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. As at December 31, 2014, December 31, 2013 and January 1, 2013, the Fund had no exposure to foreign currency.

Market 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 maximum risk of loss resulting from financial instruments is equivalent to their fair value.

The Fund is exposed to other price risk from its investment in equities. As at December 31, 2014, had the prices on the respective stock exchanges for these securities increased or decreased by 10%, with all other variables held constant, Net Assets would have increased or decreased by approximately $3.6 million or 12.0% of Net Assets attributable to holders of redeemable units (December 31, 2013 – approximately $5.9 million or 9.8% of Net Assets attributable to holders of redeemable units; January 1, 2013 – approximately $7.7 million or 9.9% of Net Assets attributable to holders of redeemable units). In practice, the actual trading results may differ, and the difference could be material.

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 carrying amount of income receivable and amounts receivable for investments sold also represents the maximum credit risk exposure, as they will be settled in the short term.

All transactions in securities are settled or paid for upon delivery. The risk of default is considered minimal as delivery of securities sold is only made once the Fund has received payment. The trade will fail if either party fails to meet its obligation.

The Manager evaluates the credit quality of the securities prior to purchase and performs ongoing monitoring of the credit quality of securities. As of the purchase date, The Fund will not invest more than 10% of its total assets in the securities of any one issuer in accordance with investment restrictions.

The Fund has entered into a securities lending program with its custodian; see note 13. Credit risk associated with these transactions is considered minimal as all counterparties have approved credit and the value of cash or securities held as collateral must be at least 102% of the fair value of the securities loaned.

As December 31, 2014, December 31, 2013 and January 1, 2013, the Fund had no significant exposure to credit risk as it does not invest in debt securities.

Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Unitholder redemption requests are the main liquidity risk for the Fund. The Fund invests the majority of its assets in investments that are traded in an active market and can be readily disposed of. There can be no assurance that an active trading market for the investments will exist at all times, or that the prices at which the securities trade accurately reflect their value. Thin trading in a security could make it difficult to liquidate holdings quickly. The Schedule of Investment Portfolio of the Fund identifies securities for which market quotations could not be obtained and which may be illiquid, if applicable.

The Fund is exposed to liquidity risk through its monthly and annual redemptions and loans payable. 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 sell securities, although there may not be sufficient time to sell the securities at a reasonable price. Overall, the equities held by the Fund provide sufficient liquidity to meet the needs of the unitholders.

The Fund also has a 364-day revolving credit facility, which can be used to Fund redemptions or finance investments; see note 14. The credit facility contains several financial covenants that require the Fund to meet certain financial ratios and financial condition tests. The Fund is within its financial covenants with respect to the credit facility. The Manager monitors the use of the credit facility on a regular basis.

All of the Fund's financial liabilities at December 31, 2014, December 31, 2013 and January 1, 2013 had maturities of less than one year. The tables below analyze the Fund's financial liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date. The amounts in the tables are the contractual undiscounted amounts.

As at December 31, 2014:

Financial liabilities		On demand		less than 3 months		Total
Management fees payable	$	–	$	25,603	$	25,603
Accounts payable and accrued liabilities		–		198,056		198,056
Distributions payable		–		218,684		218,684
Loans payable		7,995,507		–		7,995,507
Total	**$**	**7,995,507**	**$**	**$442,343**	**$**	**8,437,850**

As at December 31, 2013:

Financial liabilities		On demand		less than 3 months		Total
Management fees payable	$	–	$	47,386	$	47,386
Accounts payable and accrued liabilities		–		195,130		195,130
Distributions payable		–		260,641		260,641
Total			**$**	**503,157**	**$**	**503,157**

As at January 1, 2013:

Financial liabilities		On demand		less than 3 months		Total
Management fees payable	$	–	$	60,385	$	60,385
Accounts payable and accrued liabilities		–		193,714		193,714
Distributions payable		–		361,014		361,014
Total			**$**	**615,113**	**$**	**615,113**

17. FAIR VALUE MEASUREMENT

The Fund's assets and liabilities recorded at fair value have been categorized within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

The Fund classifies its investments and derivative assets/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 l: 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.

Equities: The Fund's equity positions are classified as level 1 when the security is actively traded and a reliable price is observable. Certain of the Fund's equities do not trade frequently and therefore observable prices may not be available. In such cases, fair value is determined using observable market data (e.g., transactions for similar securities of the same issuer) and the fair value is classified as level 2, unless the determination of fair value requires significant unobservable data, in which case the measurement is classified as level 3.

Warrants: Warrants that are actively traded on an exchange are classified as level 1. Where the warrants are traded over the counter and the inputs into the fair value are based on reliable observable market date they are classified as level 2. When a significant portion of the fair valuation is based on inputs which are not observable the warrants are classified as level 3.

The following tables illustrate the classification of the Fund's assets and liabilities measured at fair value within the fair value hierarchy as at December 31, 2014, December 31, 2013 and January 1, 2013.

Assets at fair value as at December 31, 2014	Level 1	Level 2	Level 3	Total
Equities	$ 35,514,380	$ –	$ 959,563	$ 36,473,943
Total	**$ 35,514,380**	**$ –**	**$ 959,563**	**$ 36,473,943**

Assets at fair value as at December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	$ 58,448,868	$ –	$ 952,758	$ 59,401,626
Total	**$ 58,448,868**	**$ –**	**$ 952,758**	**$ 59,401,626**

Assets at fair value as at January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	$ 76,949,830	$ –	$ –	$ 76,949,830
Total	**$ 76,949,830**	**$ –**	**$ –**	**$ 76,949,830**

There were no transfers of financial assets between the levels 1 and 2 during the years ended December 31, 2014 and 2013.

The following table provides a reconciliation of fair value of investments using level 3 inputs from December 31, 2013 to December 31, 2014:

	Equities	Total
Balance, beginning of year January 1, 2014	$ 952,758	$ 952,758
Purchases	–	–
Net transfers in (out)	–	–
Unrealized gain (loss)	6,805	6,805
Balance, end of year December 31, 2014	$ 959,563	$ 959,563

The following table provides a reconciliation of fair value of investments using Level 3 inputs from December 31, 2012 to December 31, 2013:

	Equities	Total
Balance, beginning of year January 1, 2013	$ –	$ –
Purchases	955,348	955,348
Unrealized gain (loss)	(2,590)	(2,590)
Balance, end of year December 31, 2013	$ 952,758	$ 952,758

The change in unrealized gains (losses) during the year for assets held as at December 31, 2014 was $6,805 (December 31, 2013 - $2,590).

The fair value of the level 3 investments is reviewed by management based on a number of applicable valuation techniques that depend on a number of factors including stage of business, the period since the last third-party financing, the ability to compare the businesses to similar publicly held companies, the reliability of future cash flow projections, and disclosed information related to transactions involving similar businesses. Due to the nature of this detailed approach to fair value determination and the number of different key assumptions, there is no alternative assumption applicable to the investments of the Fund; however, changes in key assumptions may cause material changes in the value of the investments held by the Fund.

The Fund's Level 3 securities consist of private equity positions. These positions are typically valued at cost and are adjusted based on market conditions. The Fund’s Manager coordinates regular reviews to the value of these private companies using valuation techniques relevant to each position and any available market data.

The following shows the impact to the fair value of material assets and liabilities categorized in level 3 held at the end of December 31, 2014, had the value of the security increased or decreased as a result in a reasonable shift in value of any unobservable inputs used to value these securities:

Security Name	Fair Value	Valuation technique	Unobservable inputs	Weighted average	Reasonable Shift (+/-)		Change in valuation	
Inception Exploration Ltd.	429,468	Recent equity financing	Lack of marketability discount	58%	+10%	-10%	-$ 101,000	$ 101,000
New Wave Energy Services Group Ltd.	115,695	Comparable company multiples	2015 projected revenue multiples	6.2 x	+0.8 x	-1.7 x	$ 42,000	-$ 62,000
New Wave Energy Services Group Ltd., Private Placement	414,400	Comparable company multiples	2015 projected revenue multiples	6.2 x	+0.8 x	-1.7 x	$ 185,000	-$ 211,000

The Fund may hold other assets and liabilities categorized in level 3, however they are immaterial to the Fund and any reasonable possible shift in their valuation would not have any significant impact to the Net Assets attributable to holders of redeemable unit of the Fund.

18. TRANSITION TO IFRS

The effect of the Fund’s transition to IFRS is summarized in this note as follows:

Transition Elections

The only voluntary exemption adopted by the Fund upon transition was the ability to designate financial assets or financial liability at fair value through profit or loss upon transition to IFRS. All financial assets designated at FVTPL upon transition were previously carried at fair value under Canadian GAAP as required by Accounting Guideline 18, Investment Companies.

Classification of Redeemable Units Issued by the Fund

Under Canadian GAAP, the Fund accounted for its redeemable units as equity. Under IFRS, IAS 32 requires that units of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as financial liability. The Fund's units do not meet the criteria in IAS 32 for classification as equity and therefore, have been reclassified as financial liabilities on transition to IFRS.

Reconciliation of investments and comprehensive income as previously reported under Canadian GAAP to IFRS

Equity		**December 31, 2013**		**January 1, 2013**
Equity as reported under Canadian GAAP	$	60, 631,071	$	77,604,378
Revaluation of investments at fair value through profit or loss		43,272		188,694
Net assets attributable to holders of redeemable units	**$**	**60,674,343**	**$**	**77,793,072**
Comprehensive Income			**Year ended December 31, 2013**	
Comprehensive income as reported under Canadian GAAP			$	9,455,120
Revaluation of investments at fair value through profit or loss				(145,422)
Increase in Net Assets attributable to holders of redeemable units			**$**	**9,309,698**

Revaluation of investments at Fair Value through Profit or Loss

Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with Section 3855, Financial Instruments – Recognition and Measurement, which required the use of bid prices for long positions and ask prices for short positions; to the extent such prices are available. Under IFRS, the Fund measures the fair values of its investments using the guidance in IFRS 13, Fair Value Measurement (IFRS 13), which requires that if an asset or a liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. It also allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. As a result, upon adoption of IFRS adjustment was recognized to increase the carrying amount of the Fund's investments by $188,694 at January 1, 2013 and $43,272 as at December 31, 2013. The impact of this adjustment was to decrease the Fund's increase (decrease) in Net Assets attributable to holders of redeemable units by ($145,422) for the year ended December 31, 2013.

Reclassification adjustments

In addition to the measurement adjustments noted above, the Fund reclassified amounts upon transition in order to conform to its financial statement presentation under IFRS. Withholding taxes of $2,694 for the year ended December 31, 2013 which were previously netted against dividend income, interest income and securities lending income under Canadian GAAP, have been reclassified and presented separately under IFRS.

19. WARRANTS

The Fund issued 9,445,000 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. A whole warrant entitled the holder to subscribe for one unit of the Fund at a subscription price of $5.65. 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. Pursuant to the warrant offering, the Fund issued 8,061,461 units for net proceeds of $45,239,782 during the year ended December 31, 2011. Based on the closing price of the first trading day, the fair value of each warrant on the date of issuance was $0.08 per warrant. Costs associated with the issuance of these warrants amounted to $139,203.

For the year ended December 31, 2011, there were accrued costs of $152,945 relating to the issuance of warrants in previous years that, at December 31, 2012, were no longer considered payable, resulting in a one-time adjustment to issuance costs.

The Fund issued 5,792,027 warrants to unitholders of record on December 23, 2013. Unitholders received warrants on the basis of one-half of one warrant for each unit held. A whole warrant entitled the holder to subscribe for one unit of the Fund at a subscription price of $5.25. Warrants not exercised prior to June 10, 2014 will be void and of no value. Upon the exercise of a warrant, the Fund paid a fee equal to $0.08 per warrant to the dealer whose client was exercising the warrant.

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. The maximum solicitation fee paid to each dealer was capped at $2,500.00.

Diluted increase (decrease) in Net Assets from operations per unit is calculated using the treasury stock method. There were 5,792,027 warrants exercised during the year ended December 31, 2014 and $255,483 solicitation fees paid to dealers.

20. WITHHOLDING TAXES

The Fund incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate line item in the Statements of Comprehensive Income (Loss).

21. Financial instruments by category

The following table presents the net gains (losses) on financial instruments at FVTPL by category for the years ended December 31, 2014 and 2013.

	Net gains (losses)	
Net gains (losses) on financial instruments at FVTPL	**December 31, 2014**	December 31, 2013
Financial Assets and Liabilities at FVTPL:		
Held for Trading	–	–
Designated at inception	9,051,998	10,525,906
Total financial assets and liabilities at FVTPL	9,051,998	10,525,906

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

W. Neil Murdoch
Director and President

Larry W. Titley
Director, Senior Vice President 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

John Kim
Portfolio Manager

Vivian Lo
Vice President and Portfolio Manager

Barry Morrison
Portfolio Manager

Steve Vannatta
Portfolio Manager

Manager

Aston Hill Asset Management Inc.

Transfer Agent and Trustee

Computershare Trust Company of Canada

Custodian

RBC Investor Services Trust

Auditors

PricewaterhouseCoopers LLP

Website

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[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.

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