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Actively managed portfolio of oil and gas securities.

Management Responsibility Statement

The accompanying financial statements of Aston Hill Oil & Gas Income Fund (the "Fund") have been prepared by Aston Hill Asset Management Inc. (the "Manager" of the Fund) 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 25, 2013

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 the statement of investment portfolio as at December 31, 2012, the statements of net assets as at December 31, 2012 and 2011 and the statements of operations and deficit, cash flows 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 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, 2012 and 2011 and the results of its operations, its cash flows 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 25, 2013

Statements of Net Assets

As at December 31	2012	2011
Assets		
Investments, at fair value	**$ 76,761,136**	$ 99,454,385
Cash and short-term investments	**1,193,291**	353,515
Income receivable	**250,062**	366,940
Subscription receivable	**15,002**	8,207
Total assets	**78,219,491**	100,183,047
Liabilities		
Accounts payable and accrued liabilities	**254,099**	461,906
Distributions payable to unitholders (note 7)	**361,014**	619,495
Loans payable (note 11)	**—**	5,990,578
Total liabilities	**615,113**	7,071,979
Unitholders' equity		
Unitholders' capital (note 4)	**87,157,449**	102,900,164
Contributed surplus (note 4)	**112,008,438**	109,029,359
Deficit	**(121,561,509)**	(118,818,455)
Net Assets representing unitholders' equity	**$ 77,604,378**	$ 93,111,068
Units outstanding (note 4)	**16,045,045**	17,699,850
Net Assets per unit (note 3)	**$ 4.84**	$ 5.26

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	2012	2011
Income		
Distributions and dividend income	**$ 4,271,318**	$ 4,785,043
Securities lending income (note 10)	**47,641**	57,047
Interest income	**163**	259,362
	4,319,122	5,101,452
Expenses		
Management fees (note 8)	**772,931**	1,165,196
Service fees (note 8)	**308,281**	475,998
Audit fees	**15,361**	28,404
Independent review committee fees	**5,981**	30,360
Trustee fees	**17,455**	12,272
Custodial fees	**—**	27,238
Legal fees	**11,244**	4,744
Unitholder reporting costs	**35,326**	43,160
Other administrative expenses	**112,903**	124,810
Interest expenses and bank charges (note 11)	**89,183**	87,250
	1,368,665	1,999,432
Net investment income	**2,950,457**	3,102,020
Net realized (loss) gain on sale of investments (note 9)	**(1,961,089)**	1,461,153
Transaction costs	**(97,752)**	(37,740)
Net realized loss on foreign currency transactions	**—**	(99)
Net change in unrealized loss on investments	**(2,090,938)**	(9,524,859)
Decrease in Net Assets from operations	**(1,199,322)**	(4,999,525)
Deficit, beginning of year	**(118,818,455)**	(111,166,351)
Issuance of Class A warrants, net (note 5)	**—**	(1,494,089)
Distributions to unitholders (note 7)	**(1,543,732)**	(1,158,490)
Deficit, end of year	**$(121,561,509)**	$(118,818,455)
Decrease in Net Assets from operations per unit[1]	**$ (0.07)**	$ (0.23)

[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 Cash Flows

For the years ended December 31		2012		2011
Cash flows from operating activities:				
Decrease in Net Assets from operations	$	**(1,199,322)**	$	(4,999,525)
Adjustments to reconcile net cash provided by (used in) operations:				
Net realized loss (gain) on sale of investments (note 9)		**1,961,089**		(1,461,153)
Net change in unrealized loss on investments		**2,090,938**		9,524,958
(Increase) decrease in subscription receivable		**(6,795)**		107,543
Decrease in income receivable		**116,878**		131,409
Decrease in accounts payable and accrued liabilities		**(54,862)**		(6,970)
Purchase of investments (note 9)		**(32,197,785)**		(65,305,286)
Proceeds from sale of investments (note 9)		**50,839,007**		60,687,774
Cash provided by (used in) operating activities		**21,549,148**		(1,321,250)
Cash flows from financing activities:				
Issuance costs on warrants (note 5)		**—**		(139,203)
(Decrease) increase in loans payable		**(5,990,578)**		5,990,578
Distributions paid to unitholders (note 7)		**(6,785,882)**		(9,165,156)
Proceeds from issuance of units upon exercise of warrants (note 5)		**—**		45,239,782
Proceeds from distribution reinvestment plan (note 4)		**103,850**		—
Repurchase of units (note 4)		**(1,384,512)**		(1,627,436)
Amounts paid for redemption of units (note 4)		**(6,652,250)**		(48,566,469)
Cash used in financing activities		**(20,709,372)**		(8,267,904)
Net increase (decrease) in cash and short-term investments		**839,776**		(9,589,154)
Cash and short-term investments, beginning of year		**353,515**		9,942,669
Cash and short-term investments, end of year	**$**	**1,193,291**	$	353,515
Supplemental information:				
Interest paid	**$**	**40,590**	$	37,011

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

Statements of Changes in Net Assets

For the years ended December 31	2012	2011
Net Assets, beginning of year	**$ 93,111,068**	$ 112,326,945
Operations:		
Decrease in Net Assets from operations	**(1,199,322)**	(4,999,525)
Unitholder distribution:		
From net investment income	**(1,543,732)**	(1,158,490)
Return of capital (note 6)	**(4,983,669)**	(7,964,536)
	(6,527,401)	(9,123,026)
Unitholder transactions:		
Proceeds from issuance of units upon exercise of warrants (note 5)	**—**	45,239,782
Issuance costs on warrants (note 5)	**—**	(139,203)
Proceeds from distribution reinvestment plan (note 4)	**103,850**	—
Redemption of units (note 4)	**(6,652,250)**	(48,566,469)
Repurchase of units (note 4)	**(1,384,512)**	(1,627,436)
Warrant cost adjustment (note 5)	**152,945**	—
Total Unitholder transactions	**(14,307,368)**	(14,216,352)
Net decrease in Net Assets	**(15,506,690)**	(19,215,877)
Net Assets, end of year	**$ 77,604,378**	$ 93,111,068

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

Statement of Investment Portfolio

As at December 31, 2012		Cost	Fair Value	% of Portfolio
	Oil and gas			
No. of Units	**Equities**			
236,851	ARC Resources Ltd.	$ 6,017,437	$ 5,757,848	
100,200	Baytex Energy Corp.	4,123,250	4,295,574	
346,808	Bonavista Energy Corp.	9,766,391	5,122,354	
137,236	Bonterra Energy Corp.	4,959,670	6,234,631	
253,190	Canadian Oilsand Ltd.	5,797,607	5,104,310	
127,500	Cenovus Energy Inc.	4,069,974	4,244,475	
204,792	Computer Modelling Group Ltd.	2,829,841	4,360,022	
145,400	Crescent Point Energy Corp.	6,117,910	5,452,500	
212,256	Freehold Royalties Ltd.	4,255,245	4,726,941	
127,790	Imperial Oil Limited	5,159,266	5,460,467	
189,399	Canadian Natural Resources Inc.	5,337,803	5,424,387	
235,937	Peyto Exploration and Development Corp.	4,303,137	5,405,317	
169,000	Suncor Energy Inc.	5,283,573	5,527,990	
116,355	Vermilion Energy Inc.	4,270,229	6,029,516	
433,950	Zargon Oil & Gas Ltd.	9,306,448	3,614,804	
	Total Equities	**81,597,781**	**76,761,136**	**100.0%**
	Total Oil and gas	**81,597,781**	**76,761,136**	**100.0%**
	Embedded Broker Commission	(45,538)	—	
	Total	**$ 81,552,243**	**$ 76,761,136**	**100.0%**

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

Notes to the Financial Statements

December 31, 2012 and 2011

1. OPERATIONS

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 and commenced operations on October 7, 2004.

On July 27, 2011, by way of an assignment to an affiliate, BFML Management Limited (at the time, an affiliate of Brompton Funds Management Limited) was sold to Aston Hill Financial Inc. BFML Management Limited was then renamed Aston Hill Management Limited and became the Manager.

On December 30, 2011, Aston Hill Management Limited, along with six other subsidiaries of Aston Hill Financial Inc., amalgamated to form Aston Hill Asset Management Inc., which is the current Manager of the Fund. Effective February 8, 2012, the Manager assumed responsibility for portfolio management of the Fund.

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 Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855. The Fund's investments are valued at estimated fair value. Investments held long 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 held long are valued at the average bid quotations from recognized investment dealers. The cost of investments is based on their average cost.

b) Cash and Short-Term Investments

Cash and short-term investments consist of cash on hand and short-term debt investments with original maturities of three months or less. Cash and short-term investments are deemed held for trading and therefore are 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. Interest income is recognized on an accrual basis. Distributions from income trusts are recognized on the ex-distribution date. Dividend income is recognized on the ex-dividend date. Net realized and unrealized gains or losses on investments include net realized and unrealized gains or losses from foreign currency changes.

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.

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 reporting period. 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) 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 Operations and Deficit.

h) Other Assets and Liabilities

For the purposes of categorization in accordance with Section 3855, income receivable and subscription receivable are designated as loans and receivables and recorded at amortized cost. Similarly, accounts payable and accrued liabilities, distributions payable to unitholders, and loans payable are designated as financial liabilities and reported at amortized cost. Amortized cost approximates fair value for these assets and liabilities due to their short-term nature.

i) Warrants

Warrants are accounted for as equity in the financial statements. Upon issuance, a deemed distribution is recorded as a charge to retained earnings based on the fair value of the warrants on the date of issuance. The fair value of warrants, net of the related warrant issue costs, is categorized as a separate component of unitholders' equity and reclassified to unitholders' capital as the warrants are exercised. Any portion of the warrant capital related to warrants that expire is transferred to contributed surplus upon the expiry of the related 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 from operations per unit is calculated using the treasury stock method.

j) 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 amount of increases and decreases in Net Assets from operations during the reporting period. A significant area requiring the use of management judgments and estimates is the valuation of non-public investments. The resulting values may materially differ 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.

k) Transition to International Financial Reporting Standards

The Canadian Institute of Chartered Accountants ("CICA") Accounting Standards Board extended the deferral of the mandatory International Financial Reporting Standards ("IFRS") changeover date for investment companies to fiscal years beginning on or after January 1, 2014. The Fund, which is an investment company, will adopt IFRS commencing January 1, 2014.

In order to prepare for the transition to IFRS, the Manager has performed an assessment of the impact of the significant accounting differences between IFRS and Canadian GAAP including the impact to business processes and systems. Currently, the Manager does not expect any significant impact to Net Assets from the changeover to IFRS, with the main impact of IFRS on the Fund's financial statements being additional disclosures in the financial statements, the potential elimination of the difference between the Net Assets per unit and the Net Asset Value per unit at the financial statement reporting dates and a potential change in the presentation of unitholders' equity. Further updates on implementation progress and any changes to reporting impacts from the adoption of IFRS will be provided during the implementation period leading up to January 1, 2014. However, this present determination is subject to change resulting from the issuance of new standards or new interpretations of existing standards.

Notes to the Financial Statements (continued)

December 31, 2012 and 2011

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		2012		2011
	Total	**Per Unit**	Total	Per Unit
Net Asset Value	**$ 77,793,072**	**$ 4.85**	$ 93,302,586	$ 5.27
Section 3855 adjustment[1]	**(188,694)**	**(0.01)**	(191,518)	(0.01)
Net Assets	**$ 77,604,378**	**$ 4.84**	$ 93,111,068	$ 5.26

[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.

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 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 and (ii) 100% of the closing market price of the units on the applicable monthly redemption 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, 2011 to November 7, 2012, which allowed the Fund to purchase up to 1,774,525 units for cancellation. The Fund renewed its normal course issuer bid for the period from November 8, 2012 to November 7, 2013, which allows the Fund to purchase up to 1,608,496 units for cancellation. The Fund may repurchase units when the Net Asset Value per unit exceeds its trading price.

Issued

		2012		2011
	Number of Units	**Amount**	Number of Units	Amount
Units, beginning of year	**17,699,850**	**$ 102,900,164**	18,903,560	$ 125,105,093
Issuance of units upon exercise of warrants (note 5)	**—**	**—**	8,061,461	46,594,668
Units issued under the distribution reinvestment plan (note 7)	**21,905**	**103,850**	—	—
Redemption of units	**(1,384,410)**	**(9,096,266)**	(8,969,271)	(58,873,399)
Repurchase of units under normal course issuer bids	**(292,300)**	**(1,919,575)**	(295,900)	(1,961,662)
Return of capital	**—**	**(4,983,669)**	—	(7,964,536)
Warrant cost adjustment (note 5)	**—**	**152,945**	—	—
Units, end of year	**16,045,045**	**$ 87,157,449**	17,699,850	$ 102,900,164

The Fund issued nil (2011 – 8,061,461) units upon exercise of warrants for net proceeds of nil (2011 – $45,239,782) during the year.

As at December 31, 2012, the Fund had accumulated contributed surplus of $112,008,438 (2011 – $109,029,359) 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.

Pursuant to the monthly redemption option, 932 units (2011 – 500) were redeemed during the year.

The weighted average number of units outstanding for the year ended December 31, 2012 was 17,097,136 units (2011 – 22,009,342).

5. 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.

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

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

6. CAPITAL MANAGEMENT

The Fund's objectives in managing its capital are to provide unitholders with a high level of monthly distributions and the opportunity for capital appreciation. The Fund's capital includes unitholders' equity 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, or purchase units for cancellation.

7. 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, 2012, the Fund declared total distributions of $0.3825 (2011 – $0.42) per unit, which amounted to $6,527,401 (2011 – $9,123,026). Pursuant to the Fund's distribution reinvestment plan, unitholders may elect to reinvest monthly distributions in additional units of the Fund, which may be issued from treasury or purchased in the open market. For the year ended December 31, 2012, 21,905 units (2011 – nil) were issued by the Fund pursuant to the reinvestment plan.

8. MANAGEMENT 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 is in turn paid by the Manager to the 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.

Notes to the Financial Statements (continued)

December 31, 2012 and 2011

9. INVESTMENT TRANSACTIONS

Investment transactions for the years ended December 31 were as follows:

	2012	2011
Proceeds from sale of investments	**$ 50,839,007**	$ 60,687,774
Less cost of investments sold:		
Investments at cost, beginning of year	**102,154,554**	96,075,889
Investments purchased during the year	**32,197,785**	65,305,286
Investments at cost, end of year	**(81,552,243)**	(102,154,554)
Cost of investments sold during the year	**52,800,096**	59,226,621
Net realized (loss) gain on investments	**$ (1,961,089)**	$ 1,461,153

The brokerage commissions paid to dealers included $97,752 (2011 – $37,740) that was available for payment to third party vendors, of which $893 (2011 – $1,667) was soft dollars.

10. 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 for the year ended December 31, 2012, were $36.3 million (2011 – $47.4 million) and $37.7 million (2011 – $49.3 million), respectively.

11. LOANS PAYABLE

Pursuant to an agreement with a Canadian chartered bank, the Fund has a 364-day renewable revolving credit facility. The revolving credit facility provides for maximum borrowings of $16.0 million at either the prime rate of interest or the bankers' acceptance rate plus a fixed percentage. There were no borrowings (2011 – $6.0 million) outstanding under this facility as at December 31, 2012. The credit facility is secured by a first-priority security interest over all of the Fund's assets. During the year ended December 31, 2012, the minimum and maximum amounts of borrowings were nil (2011 – nil) and $6.2 million (2011 – $6.0 million), respectively.

12. FINANCIAL RISK MANAGEMENT

The Fund's investment activities expose it to a variety of financial risks. The Statement of Investment Portfolio presents the securities held by the Fund as at December 31, 2012, and groups the securities by asset type. The following comparative summary represents the securities by asset type held by the Fund as at December 31, 2011.

As at December 31, 2011:

Investment Sector	% of Portfolio
Equities	
Energy	100.0%
Total	100.0%

The Manager attempts to minimize the potential adverse effects of these risks on the Fund's performance by employing a professional, experienced portfolio manager. These risks are managed by diversifying the investment portfolio within the constraints of the investment objectives. 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.

The investment portfolio is primarily comprised of Canadian equity securities. 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 Manager attempts 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.

The Fund is exposed to other price risk from its investment in equity securities. As at December 31, 2012, 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 $7.7 million or 9.9% of Net Assets (2011 – approximately $9.9 million or 10.7% of Net Assets). In practice, the actual trading results may differ, and the difference could be material.

b) 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, 2012, the Fund had nil (2011 – $6.0 million) outstanding on its credit facility. As at December 31, 2012, had interest rates increased or decreased by 25 basis points, the Fund would have increased or decreased Net Assets by approximately nil (2011 – $15,000).

c) Currency Risk

Currency risk is the risk that financial instruments are denominated in a currency other than Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates.

As at December 31, 2012

Currency (000s)	**Financial Instruments Exposure**	**Derivatives Exposure**	**Total Currency Exposure**	**% of Net Assets**
US dollar	$ —	$ —	$ —	—
Total	**$ —**	**$ —**	**$ —**	**—**

As at December 31, 2011

Currency (000s)	Financial Instruments Exposure	Derivatives Exposure	Total Currency Exposure	% of Net Assets
US dollar	$ 5,588	$ —	$ 5,588	6.0%
Total	$ 5,588	$ —	$ 5,588	6.0%

As at December 31, 2012, had the Canadian dollar strengthened or weakened by 10% (2011 – 10%) in relation to all other foreign currencies held in the Fund, with all other variables held constant, Net Assets of the Fund would have decreased or increased, respectively, by approximately nil (2011 – $558,800). In practice, actual results may vary from this analysis and the difference may be material.

Notes to the Financial Statements (continued)

December 31, 2012 and 2011

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 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/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 the securities. 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 10. 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, 2012 and 2011, the Fund had no significant exposure to credit risk as it does not invest in debt securities.

e) Liquidity Risk

Liquidity risk is the risk 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 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 values. Thin trading in a security could make it difficult to liquidate holdings quickly. The Statement of Investment Portfolio of the Fund identifies securities for which market quotations could not be obtained and 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 11. 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, 2012 and 2011 had maturities of less than one year.

13. FAIR VALUE DISCLOSURES

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

Section 3862 requires the Fund to classify 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 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, 2012	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	$ 76,761,136	$ —	$ —	$ 76,761,136
Total	**$ 76,761,136**	**$ —**	**$ —**	**$ 76,761,136**

Assets at fair value as at December 31, 2011	Level 1	Level 2	Level 3	Total
Equities	$ 99,454,385	$ —	$ —	$ 99,454,385
Total	$ 99,454,385	$ —	$ —	$ 99,454,385

There were no transfers of financial assets between the levels during the years ended December 31, 2012 and 2011.

14. INCOME TAXES

The Fund had accumulated capital losses as at December 31, 2012 of $127,581,033 (2011 – $128,797,247). The capital losses can be carried forward for an indefinite period. There was no non-capital loss as at December 31, 2012 and 2011.

15. COMPARATIVE FIGURES

Certain prior year numbers have been reclassified to conform to current year presentation.

Corporate Information

Independent Review Committee

John Crow
Chairman

Robert Falconer

C. Scott Browning

Directors and Senior Officers of the Manager

Eric Tremblay
Director and Chief Executive Officer

Ben Cheng[1]
Chief Investment Officer

Michael J. Killeen
Director and President

Larry W. Titley
Director and Chief Financial Officer

Portfolio Management

Jeffrey Burchell
Vice President and Portfolio Manager

Andrew Hamlin
Vice President and Portfolio Manager

Joanne Hruska
Vice President and Portfolio Manager

Sandy Liang
Vice President and Portfolio Manager

Vivian Lo
Vice President and Portfolio Manager

Robert Gill
Vice President and Portfolio Manager

Steve Vannatta
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

Mailing Address
77 King Street West
Suite 2110, PO Box 92
Toronto-Dominion Centre
Toronto, ON M5K 1G8

General Inquiries: 1-800-513-3868
Website: www.astonhill.ca