

## **ASTON HILL FINANCIAL INC.**

**FOR THE YEAR ENDED DECEMBER 31, 2007**

### **MANAGEMENT DISCUSSION & ANALYSIS FORM 51-102F1**

Aston Hill Financial Inc. ("Aston Hill" or the "Company"), formerly Overlord Financial Inc. ("Overlord"), changed its name on June 5, 2007 and as such references to the historical financial information of the Company or Aston Hill are synonymous with references to the historical financial information of Overlord prior to June 5, 2007. The historical financial information of the Company can be found on SEDAR under Aston Hill Financial Inc.

This management discussion and analysis ("MD&A") document should be read in conjunction with the audited annual consolidated financial statements for the years ended December 31, 2007 and December 31, 2006 and the notes thereto of Aston Hill.

The information provided herein is effective as of April 17, 2008 and is, at least in part, based upon assumptions regarding future events and results, which may vary.

This MD&A contains forward-looking statements. Forward-looking statements are based on current expectations that involve a number of risks and uncertainties which could cause actual events or results to differ materially from those reflected in the MD&A. Forward-looking statements are based on the estimates and opinions of Aston Hill's management at the time the statements were made.

#### **Overview**

Aston Hill is a company listed on the TSX Venture Exchange and incorporated under the *Business Corporations Act* (Alberta). The Company's business focuses on managing energy-related investment funds and assets. To that end, Aston Hill has created wholly-owned subsidiary corporations and divisions which have defined platforms and objectives of their own, all as part of the Company's business plan. Aston Hill's management, employees and consultants are working within these subsidiaries and divisions to develop their respective businesses.

#### **Business Interests**

Aston Hill has a number of wholly owned subsidiary companies and conducts business essentially along three distinct divisional lines: Catapult Junior Oil and Gas Fund Management, Sword Oil and Gas Property Management and Aston Hill High-Yield Fund Management.

##### **Catapult Junior Oil and Gas Fund Management**

Catapult Financial Management Inc., an Alberta company formerly named Catapult Energy 2004 Inc., is the general partner of Catapult Energy Limited Partnership I (the "Partnership") and is responsible for managing the investments in private and public junior resource issuers for the Partnership. The Partnership closed its initial public offering on June 29, 2005 and is listed on the TSX under the ticker symbol CPU.UN. The partnership was dissolved and funds were distributed to unitholders as of March 31, 2008 in accordance with the original prospectus.

Catapult Energy 2006 Inc., an Alberta company, is the general partner of the Catapult Energy Small Cap FTS Limited Partnership (the "FTS Partnership") and is responsible for advising on the management of the investments in flow-through shares of private and public junior resource issuers for the FTS Partnership. The FTS Partnership closed its initial public offering on October 31, 2006 and is not listed on any public markets.

On January 4, 2007, the Company incorporated Catapult Energy Management 2007 Inc. ("Catapult 2007"), an Alberta Company, to act as the general partner of the Catapult Energy Small Cap 2007 FTS Limited Partnership (the "FTS 2007 Partnership"). Catapult 2007 is responsible for developing and implementing all aspects of the FTS 2007 Partnership's communications, marketing and distribution strategies and will manage its ongoing business and administrative affairs. Aston Hill has been retained by Catapult 2007 to advise on the management of the investments in flow-through shares of private and public junior resource issuers for the FTS 2007 Partnership. On June 29, 2007, the FTS 2007 Partnership closed its final public

offering. A total of 277,660 units at \$25 per unit were issued through two closings for gross proceeds of approximately \$7.0 million. The FTS 2007 Partnership is not listed on any public markets.

#### Sword Oil and Gas Property Management

Aston Hill identifies potential oil and natural gas exploration and development opportunities in both the private and public sectors within its oil and gas division. The mandate is to identify, acquire and manage oil and gas properties on behalf of institutional investors. On June 26, 2007, the Company, alongside Infra-PSP Canada Inc. ("PSP"), a wholly-owned subsidiary of the Public Sector Pension Investment Board ("PSPIB"), acquired all of the issued and outstanding trust units of Thunder Energy Trust ("Thunder"). Aston Hill now manages the assets and owns 2.42% of the resulting private entity, Sword Energy Inc. ("Sword"). Aston Hill received an acquisition promote valued at \$4,995,361 for its efforts in structuring the transaction and will continue to receive ongoing management fees for providing Sword with management consulting services and a performance bonus if certain hurdles are met. The details of the management agreement and fee structuring are subject to confidentiality agreements, however are in line with comparable agreements in the oil and natural gas industry.

#### Aston Hill High-Yield Fund Management

The Aston Hill High-Yield Fund Management division, located in Toronto, is focused on providing portfolio advisory, and management and administration services to retail and institutional investors interested in investing in dividend paying Common shares, income trusts and other high-yield investments. On February 1, 2007, the Company signed an Advisory Agreement with Arrow Hedge Partners Inc. ("Arrow Hedge"). The Company provides portfolio advisory services to Arrow Hedge on its new fund, Arrow Canadian Income Fund (the "Fund"). The investment objective of the Fund is to achieve a high level of income and potential capital gains with an attractive risk-adjusted return with moderate volatility.

#### Other Business Interests

Juno Canada Holdings Ltd. ("Juno"), an Alberta company, sells debentures and invests the proceeds in the Wisevest Income Fund ("Wisevest"). Wisevest was established by deed of trust on January 1, 2004 and Juno is the sole holder of Wisevest units. Wisevest's investment objective is to maximize distributions primarily through investment in securities of Canadian royalty and income trusts. Currently, Juno has issued debentures totaling \$250,000 in 2004 and has in turn placed the funds with Wisevest. PortfolioCo Inc., an Alberta company and wholly-owned subsidiary of Aston Hill, is the manager of Wisevest and earns fees for its management and administration services.

#### **Assets Under Management**

As at December 31, 2007 the Company had approximately \$515 million in assets under management. The following table summarizes the various investment profiles managed by Aston Hill:

<b>Assets Under Management</b>	<b>(\$ 000)</b>
Oil and natural gas properties	\$452,000
High-yield investments	42,000
Oil and natural gas junior common and flow through shares	21,000
<b>Total</b>	<b>\$515,000</b>

Subsequent to year end, the Company distributed the assets of Catapult Energy Limited Partnership I, reducing its assets under management by \$7.4 million. Also, subsequent to year end, the Company increased its oil and gas properties under management by \$75.0 million through the acquisition of a private oil and gas company by Sword Energy Inc. As a result, at April 17, 2008, assets under management totaled approximately \$583 million.

## Accounting Changes

### Financial Instruments

Effective January 1, 2007, the Company adopted three new accounting standards that were issued by the Canadian Institute of Chartered Accountants ("CICA"): Handbook Section 1530, Comprehensive Income, Handbook Section 3855, Financial Instruments – Recognition and Measurement, and Handbook Section 3865, Hedges. These standards were adopted prospectively pursuant to their respective adoption provisions and therefore there is no effect on prior periods.

#### *Comprehensive Income*

CICA Handbook Section 1530 introduces comprehensive income, which consists of net income and other comprehensive income ("OCI"). OCI represents changes in equity during a period arising from transactions and other events with non-owner sources and includes unrealized gains and losses on marketable securities and long-term investments classified as available-for-sale along with unrealized foreign currency translation gains or losses arising from self-sustaining foreign operations, among other things. The Consolidated Statements of Comprehensive Income will include a calculation of comprehensive income where applicable, while the corresponding cumulative changes in OCI are included in the Statements of Accumulated Other Comprehensive Income ("AOCI").

#### *Financial Instruments – Recognition and Measurement*

CICA Handbook Section 3855 establishes the criteria for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. Under this standard, all financial instruments are required to be measured at fair value on recognition except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities.

Financial assets and financial liabilities classified as held-for-trading are measured at fair value with changes in fair value recognized in net income. Financial assets classified as loans and receivables along with financial liabilities classified as other liabilities are measured at amortized cost using the effective interest rate method. Financial assets classified as available-for-sale are measured at fair value with changes in fair value recognized in OCI. Investments in equity instruments classified as available-for-sale that do not have a quoted price in an active market are measured at cost updated for the most recent market data available. Transaction costs or fees attributable to the acquisition, issue or disposal of a financial asset or liability are expensed immediately to net income.

Derivative instruments are recorded on the consolidated balance sheets at fair value, including those derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts. Changes in the fair values of derivative instruments are recognized in net income.

#### *Hedges*

CICA Handbook Section 3865 specifies the criteria and method of accounting for each of the designated hedging strategies. The Company does not currently have any financial instruments for which this section applies.

### Impact Upon Adoption of Sections 1530, 3855 and 3865

#### *Marketable Securities*

As a result of the adoption of these standards on January 1, 2007, the Company elected to classify its investment in Eagle Rock Exploration Ltd. ("Eagle Rock") Common shares as marketable securities using the held-for-trading method. Formerly, the investment in these securities was accounted for partially as long-term investments and partially as marketable securities with 1,214,912 shares being classified as long-term investments. The 1,214,912 shares were classified as long-term investments because they could not be sold within one year due to restrictions in warrant agreements with former

shareholders of Sword Energy Ltd. ("SEL"), which Aston Hill managed through a former subsidiary, Sword Management Inc. ("SMI"), until May of 2006 (see discussion of warrant liability below). On January 1, 2007 all of these securities were classified as marketable securities as it is likely that the Company will buy additional shares or sell some or all of the shares currently held in the short term.

The Company's investments in marketable securities have been classified as held-for-trading and were therefore recorded on the consolidated balance sheet at fair value, resulting in an \$874,092 increase on January 1, 2007, with the offset to opening deficit.

#### *Long-Term Investments*

Parson's Pond has been classified as available-for-sale. As Parson's Pond was carried on the consolidated balance sheet at its fair value (\$Nil) no transition adjustment was made. Future changes in the fair value of this investment will be recorded against long-term investments with the offset recorded against AOCI.

Catapult Energy Limited Partnership I units have been classified as held-for-trading. On January 1, 2007, long-term investments were decreased by \$50,000 with the offset to opening deficit as a result of this change.

Wisevest Income Fund is an investment in an investment trust, which classifies its investments as held-for-trading. As such, Wisevest Income Fund is consolidated at fair value pursuant to Accounting Guideline 18 – Investment Companies. On January 1, 2007, long-term investments were decreased by \$1,010 with the offset to opening deficit as a result of this change.

#### *Warrant Liability*

Upon adoption on January 1, 2007, the Company recognized a warrant liability of \$160,122 representing the fair value of the 1,214,912 warrants associated with the investment in Eagle Rock Common shares. The offset was recorded to opening deficit. The warrants are derivatives and as such have been classified as held-for-trading.

#### *Debentures*

On January 1, 2007, the Company determined the fair value of the debentures to be \$249,530 and recorded an adjustment decreasing the debentures by \$470 with the offset to opening deficit. Going forward, the debentures will be accounted for at amortized cost using the effective interest rate method.

### **Marketable Securities**

Upon adoption of CICA Handbook Section 3855 on January 1, 2007, Aston Hill reclassified all of the Eagle Rock Common shares previously classified as long-term investments to marketable securities.

As at December 31, 2007, the Company's marketable securities had estimated fair value of \$1,596,310 (2006 - \$465,353). For the twelve months ended December 31, 2007, the Company recognized a gain on the sale of marketable securities of \$43,390 (2006 - \$1,320,107). During the twelve months ended December 31, 2007, the Company recognized a charge to income for the change in fair value of marketable securities in the amount of \$1,286,235 (2006 - \$nil).

### **Long-Term Investments**

Upon adoption of Handbook Section 3855, Aston Hill classified its investment in Catapult Energy Limited Partnership I units (the "Catapult units") as held-for-trading.

As at December 31, 2007, the Company's long-term investments had estimated fair value of \$7,144,792 (2006 - \$2,415,579). The Company charged \$892,189 (2006 - \$nil) to income for the change in fair value of long-term investments for the year ended December 31, 2007 relating mainly an unrealized investment loss from the decrease in market value of the Catapult Energy Limited Partnership I units.

On June 26, 2007, the Company invested \$1,800,000 in Sword Energy Inc. The Company manages Sword, a private company, on behalf of the majority shareholders and is paid a quarterly management fee in accordance with an executed management agreement. The Company financed the investment with \$1,800,000 in bank debt. In addition to this cash investment, the Company received an acquisition promote from Sword for its work in promoting the transaction, bringing all of the involved parties together and for its work in structuring the transaction. This promote has been valued at \$4,995,361 and recorded as revenue on the financial statements with an offsetting increase in long-term investments and brought the Company's total interest at closing to 2.28%.

During the year, in addition to cash received for providing management services, the Company received an increase in its interest in Sword (equivalent to a 0.14% interest) valued at \$405,176 and recorded as management fees with an offset to long-term investments. Subsequent to year end, the Company invested additional cash of \$1,815,000 and borrowed a further \$800,000 to maintain its 2.42% interest to purchase its portion of shares of a private oil and gas company.

### Cash Position and Results of Operations

The Company's cash position at December 31, 2007 was \$630,289 (2006 - \$3,043,215). During the twelve month period, the majority of the cash decrease was due to the costs incurred in pursuing and closing the Thunder acquisition, as well as general and administrative costs such as rent, employee salaries and consulting fees.

Aston Hill's net income for the year ended December 31, 2007 was \$872,350 (2006 - \$1,478,748 loss). This includes revenue of \$6,837,308 (2006 - \$353,809) from management and advisory fees, and performance fees, offset by net operations expenses of \$4,134,056 (2006 - \$2,950,500) and reduced by loss from investing activities of \$1,830,902 (2006 - \$1,117,943 gain). Included in expenses are non-cash charges for stock compensation and amortization of fixed assets totaling \$536,550 (2006 - \$516,180).

During the year ended December 31, 2007, Aston Hill recorded partnership distributions, interest, dividend and royalty income, net of dealer commissions of \$127,984 (2006 - \$78,830), gains on sale of marketable securities of \$43,390 (2006 -\$1,320,107), gain on sale of subsidiary net of impairment of long-term investment of \$nil (2006 - \$375,000) and loss on sale of long-term investments of \$nil (2006 - \$592,000).

### Summary of Quarterly Information

	2007				2006			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2 <sup>(1)</sup>	Q1 <sup>(1)</sup>
Revenue	\$ 1,128,687	\$ 527,550	\$ 5,115,251	\$ 65,820	\$65,119	\$64,978	\$ 105,000	\$ 118,712
Expenses	(1,216,135)	(705,650)	(1,458,107)	(754,164)	(660,679)	(870,766)	(681,198)	(737,857)
Investing	(380,504)	(505,340)	77,260	(1,022,318)	(577,734)	(643,742)	1,121,740	1,217,679
Net income (loss) for period	\$ (467,952)	\$ (683,440)	\$3,734,404	\$(1,710,662)	\$(1,173,294)	\$(1,449,530)	\$ 545,542	\$ 598,534

- (1) Pursuant to CICA 3870 regarding stock based payments, the Company has recognized stock compensation expense relating to options granted by a major shareholder. Prior affected interim periods were restated in 2006 to reflect this accounting treatment resulting in a \$203,684 charge to prior reported interim periods.

Quarterly revenues dropped in the third and fourth quarters of 2006 as the Company did not receive management fees from SEL as SMI was sold to SEL. During that time, the Company continued to receive management fees from managing Catapult Energy Limited Partnership I. During the second quarter of 2007, Catapult began receiving advisory fees from Arrow Hedge. Also, in the second quarter of 2007, the Company received an acquisition promote of \$4,995,361 for the Company's role in the Thunder acquisition. The fourth quarter 2007 increase in revenue relates mainly to the year end NAV based adjustment to Sword Energy Inc. management fees (approximately \$400,000) received in the form of increased ownership interest. Also in the fourth quarter of 2007, the Company earned year end performance fees from the ArrowHedge Canadian Income Fund portfolio management agreement (approximately \$170,000).

Expenses in 2006 and the first quarter of 2007 were relatively consistent from quarter to quarter with the following exceptions: third quarter of 2006 expenses were slightly higher as new employees were added to the Aston Hill management team generating higher salaries and stock compensation; and 2006 fourth quarter expenses were lower with the recovery of stock compensation expense as several former employees' options expired unexercised. During the second quarter of 2007 legal, accounting, consulting and employee bonuses related to the Thunder transaction caused the increase in expenses. Non-cash stock compensation for the first three quarters of 2006, included in expenses, was \$149,474, \$142,610 and \$205,313, respectively. A \$24,411 non-cash recovery of stock compensation was recorded in the fourth quarter of 2006. Non-cash stock compensation for the year ended December 31, 2007 was \$480,000. Finally, fourth quarter 2007 expenses were higher than the third quarter due to increases in consulting, travel and legal costs associated with the development and marketing of the Company's current products, and new products and investor relationships.

Investing activities resulted in losses for the year ended December 31, 2007 primarily due to recording changes in fair value of long-term investments and marketable securities pursuant to CICA Handbook Section 3855. Investing activities brought in \$1,217,679 in the first quarter of 2006 due to the sale of some of Aston Hill's shares in ExAlta Energy Inc. ("ExAlta"). The \$1,121,740 gain in investing activities for the second quarter of 2006 relate to the sale of SMI to SEL, offset by impairment of the SEL investment. The 2006 third quarter investing activities are represented largely by the \$592,000 loss recognized on the SEL shares when Eagle Rock purchased, on a 1:1 share exchange basis, all of the outstanding Common shares of SEL. The 2006 fourth quarter loss from investing activities resulted from the Company recognizing an impairment of \$157,500 on its Parson's Pond investment and impairment of the Catapult Energy Limited Partnership I units of \$542,500, offset by gains from the sale of marketable securities such as Sonomax Hearing Healthcare Inc., Eagle Rock and ExAlta. The investing loss in the fourth quarter of 2007 relates mainly to the unrealized losses in values of the Sword Energy investment and the Catapult Energy Limited Partnership I units.

### Selected Annual Information

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Total Revenues	\$ 6,837,308	\$ 353,809	\$ 158,535
Net Income (loss)	\$ 872,350	\$ (1,478,748)	\$ (230,612)
Net Income (Loss) per Share - basic	\$ 0.017	\$ (0.033)	\$ (0.005)
- diluted	\$ 0.017	\$ (0.033)	\$ (0.005)
Total Assets	\$ 10,767,375	\$ 6,695,283	\$ 6,130,425
Total Long Term Debt	\$ 249,616	\$ 250,000	\$ 250,000

The increase in total revenues and net income from 2006 to 2007 relates mainly to booking of acquisition promote values (\$5.0 million) and management fees (\$1.2 million) from the Sword management agreement which started after June 26, 2007, the closing of the Thunder acquisition. The increase in total assets relates mainly to the Company's 2.42% interest in Sword Energy Inc., offset by cash used for operations and decreases in asset valuations.

### Liquidity

As of December 31, 2007, the Company had \$630,289 in cash and cash equivalents to fund operational activities. In addition, Aston Hill holds \$1,596,310 of marketable securities at fair value. Aston Hill may, or may not, realize the fair value of marketable securities to support working capital requirements. Based on expected management fees under current agreements net of costs, the Company has sufficient working capital to meet operational requirements for at least one year. The Company had working capital of \$548,048 (2006 - \$3,519,419) at December 31, 2007.

### Commitments and Guarantees

The Company is committed to leased office space with future base rent payments of \$209,544 for 2008, \$211,147 for 2009, \$212,739 for 2010, \$214,332 for 2011, \$156,067 for 2012 and \$187,519 thereafter for a total of \$1,191,348 in commitments. The Company is also required to pay its proportionate share of operating and property tax costs for the premises.

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

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

Catapult Financial Management Inc., a wholly-owned subsidiary of the Company, has guaranteed all the debts, liabilities and obligations of Catapult Energy Limited Partnership I, as the General Partner.

Catapult Energy 2006 Inc., a wholly-owned subsidiary of the Company, has guaranteed all the debts, liabilities and obligations of Catapult Energy Small Cap FTS Limited Partnership, as the General Partner.

Catapult Energy Management 2007 Inc., a wholly-owned subsidiary of the Company, has guaranteed all the debts, liabilities and obligations of Catapult Energy Small Cap 2007 FTS Limited Partnership, as the General Partner.

### **Related Party Transactions**

Except as disclosed elsewhere in the financial statements, the Company had the following related party transactions:

During the year ended December 31, 2007, the Company paid consulting fees to, and reimbursed travel expenses of Basek Consulting Ltd. ("Basek") of \$11,512 (2006 - \$192,459). Basek is owned directly by a director of the Company. Of this amount, \$Nil (2006 - \$7,140) was payable as at December 31, 2007.

Accounts receivable includes management fees receivable from Catapult Energy Limited Partnership I of \$35,391 (2006 - \$70,175) for services provided by Catapult Financial Management Inc., as general partner and advisor. During the year, \$168,701 (2006 - \$255,246) was recorded as revenue in respect of these management fees. Catapult Financial Management Inc. is a wholly owned subsidiary of the Company.

Accounts receivable includes management fees receivable from Catapult Energy Small Cap FTS Limited Partnership of \$12,680 (2006 - \$8,835) for services provided by the Company, as administrator. During the year, \$63,206 (2006 - \$8,835) was recorded as revenue in respect of these management fees. A further \$69,741 (2006 - \$413,717) is receivable for costs paid by the Company on behalf of Catapult Energy Small Cap FTS Limited Partnership.

Accounts receivable includes management fees receivable from Catapult Energy Small Cap 2007 FTS Limited Partnership of \$21,922 (2006 - \$nil) for services provided by the Company, as administrator. During the year, \$59,987 (2006 - \$nil) was recorded as revenue in respect of these management fees.

The 5,000,000 units (stated in Note 10(b)) were subscribed for by a director of the Company.

In 2005, the Company invested \$1,992,500 in the units of Catapult Energy Limited Partnership I, a limited partnership managed by Catapult Financial Management Inc., a wholly owned subsidiary of the Company. During the year ended December 31, 2007, the Company invested a further \$71,875 in Catapult Energy Limited Partnership I.

The Company recovered \$nil (2006 - \$39,975) during the year ended December 31, 2007, in rent and office costs from a company owned and controlled by a director of the Company. There was \$Nil (2006 - \$9,818) receivable as at December 31, 2007.

On June 26, 2007, the Company invested \$1,800,000 in Sword Energy Inc. and received an acquisition promote for transaction services which has been valued at \$4,995,361 and recorded as revenue with an offset to long-term investments. The Company manages Sword, a private company, on behalf of the majority shareholders and is paid a quarterly management fee in accordance with an executed management agreement. Accounts receivable includes \$412,398 as at December 31, 2007, and \$1,155,176 was recorded as revenue (\$750,000 cash and \$405,176 in further interests) for the year ended December 31, 2007.

Consulting expense includes \$74,220 (2006 - \$80,000) paid to Ghost Lake Manor Inc. for consulting services provided. Ghost Lake Manor Inc., is controlled by an indirect controlling shareholder of the Company.

All related party transactions are in the normal course of operations and have been measured at the agreed to exchange amounts, which is the amount of consideration established and agreed to by the related parties and which is similar to those negotiated with third parties.

## **Recent Canadian Accounting and Related Pronouncements**

### CICA Section 3862 – Financial Instruments - Disclosures

This standard requires entities to provide disclosures in their financial statements that enable users to evaluate the significance of financial instruments to the entity's financial position and performance. It also requires that entities disclose the nature and extent of risks arising from financial instruments and how the entity manages those risks.

### CICA Section 3863 – Financial Instruments - Presentation

This standard establishes presentation guidelines for financial instruments and non-financial derivatives and deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, gains and losses, and the circumstances in which financial assets and financial liabilities are offset.

### CICA Section 1535 – Capital Disclosures

This standard specifies the disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital, whether the entity has complied with any capital requirements, and if it has not complied, the consequences of such non-compliance. This section is expected to have minimal impact on the Company's financial statements.

## **Subsequent Event**

Subsequent to year end, the Company invested \$1.8 million in Sword Energy Inc. to maintain its 2.42% interest as Sword Energy Inc. purchased a private oil and gas company. The Company borrowed an additional \$0.8 million and is required to repay in full the total balance of \$2.6 million by August 31, 2008. The Company is seeking to renegotiate the terms of the loan prior to August 31, 2008.

## **Business Objectives**

In 2008, the Company plans to expand the Catapult initiative by developing and marketing further junior oil and gas investment funds for a variety of investors. Aston Hill also plans to develop and market further high yield products to be managed by its Toronto office. Furthermore, the Company intends to seek additional institutional investors for the Sword oil and gas property management business.

## **Effectiveness of Disclosure Controls and Procedures**

The Company has in place certain disclosure controls and procedures to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to Aston Hill by others within those entities, particularly during the period in which annual filings are being prepared. Management of Aston Hill has concluded that the disclosure controls and procedures which it had in place as at the end of the financial period ended December 31, 2007 are effective.

### Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting that occurred during the year ended December 31, 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

### Outstanding Share Data

<u>Capital</u>	<u>Authorized</u>	<u>Outstanding as at April 17, 2008</u>	<u>Common Shares Underlying Convertible Securities</u>
Common Shares	Unlimited	51,262,792 <sup>(1)(2)</sup>	-
Stock Options	Not Applicable	4,070,000 <sup>(1)(2)</sup>	4,070,000 <sup>(1)(2)</sup>

Notes:

- (1) The Company received shareholder approval to reserve for issuance up to 10% of the issued and outstanding Common Shares at the date of the creation for its incentive stock option plan.
- (2) Subsequent to year end, on April 9, 2008, a director exercised 100,000 options with an exercise price of \$0.28.

Reference is made in this Management Discussion & Analysis to the Company's consolidated financial statement disclosure for the relevant periods filed on the SEDAR website at [www.sedar.com](http://www.sedar.com) where additional disclosure relating to the Company can also be located.

Company Contact: Larry Titley, Vice President and Chief Financial Officer  
Company Address: Suite 500, 321 – 6<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 3H3  
Company Phone Number: (403) 770-4800  
Company Fax Number: (403) 770-4850