



MESSAGE TO SHAREHOLDERS

2008 was a year of mixed results for Aston Hill Financial. On the positive side we enjoyed record growth in assets under advisory and posted some impressive relative returns, yet on the other side we saw the total return provided to our investors fall into negative territory as the worldwide financial markets collapsed.

The Company began the year with \$515 million in assets under management and advisory and was able to grow that base to \$721 million by year end, a 40% year over year increase. The most significant part of the increase (\$170 million) came from the financial portfolio management side of the business, namely in advisory contracts signed with IA Clarington, a large Canadian wealth management firm. IA Clarington, a wholly owned subsidiary of Industrial Alliance Insurance, hires leading portfolio managers from across Canada and around the world to manage a diverse range of investment products. Aston Hill Financial, from our Toronto office, is now advising IA Clarington on a series of income and yield related mutual funds. Our performance on these funds has been well above average and the aggregate size of the funds continues to grow.

Direct oil and natural gas asset management under the Sword Energy banner continued to be Aston Hill's largest source of revenues in 2008 contributing \$3.5 million in management and acquisition fees. In February 2008, Sword took advantage of weak natural gas prices and purchased a private natural gas producing company named Capex Exploration Ltd. for \$88 million. This purchase was financed by an equity injection of \$75 million from existing Sword shareholders and \$13 million in additional bank debt. Aston Hill Financial participated in its pro-rata share of the purchase and now owns 2.57% of Sword Energy alongside three Canadian Pension Fund investors. Sword produces approximately 8,000 BOE/day of oil and natural gas in Western Canada and is directly managed by Aston Hill Financial through its Calgary office. The value of Aston Hill's portion of the Sword investment on December 31, 2008 was \$8.6 million, making it our largest asset.

The recent collapse of the asset-backed security market and the global credit crisis has significantly impacted consumer demand for energy. This decrease in demand has caused a significant reduction in oil and natural gas prices and a corresponding drop in the value of oil and gas assets in Canada. The decrease in the value of Sword has affected both the ongoing revenues of Aston Hill and the value of our largest asset. As with the many low commodity price cycles we have experienced over the last 20 years, drilling activity is shutting down significantly in North America which should lead to an under-supply situation in the future. As with past cycles, no one can predict exactly when this will result in a higher oil and gas price situation, but we are convinced that a strong energy price cycle will come again. In the meantime, we consider this an opportune time to purchase high quality oil and gas assets at distressed prices and are actively seeking additional equity partners to fund acquisitions.

During the second quarter of 2008, Aston Hill Financial completed a private placement of 7.9 million shares at \$0.42 per share for gross proceeds of \$3.3 million. Directors and officers of the Company subscribed for 47.2% of this total. The proceeds were used to completely pay down the outstanding bank debt that had been incurred to purchase our share in the initial Sword acquisition, the Capex Exploration acquisition and to fund future business development activities. The equity issue has proved to be a very timely and prudent move considering the current poor credit environment.

During the year, Aston Hill Financial gained significant media exposure as both our portfolio managers, Joanne Hruska and Ben Cheng, became regular guests on the Business News Network ("BNN"), Canada's most watched business television station. Following each guest appearance, Aston Hill receives a high number of follow up calls and positive feedback.

In the fourth quarter of 2008, our energy portfolio management division, Catapult Financial Management, raised proceeds of \$10.6 million in Catapult Energy 2008 FTS Limited Partnership. This fund, the largest flow-through offering completed by Catapult to date, was completed in a very difficult market. This was the result of hard work by our marketing team, the good relative performance of our previous flow-through share funds and the market exposure gained from our BNN appearances. At the end of the year, Aston Hill also completed the transfer of the assets in its two previous Catapult flow-through share funds into a single mutual fund corporation (Ark Catapult Energy Class Fund) on a tax-deferred basis. Aston Hill now has an ongoing mutual fund vehicle to roll in all of its future flow-through share fund series, in a very cost effective way.

As we look to 2009, Aston Hill is well poised to grow its portfolio management division in both the high yield and the distressed oil and gas arenas. Income and yield investments have increased in popularity as investors throughout Canada are seeking stable returns with a lower risk of capital depreciation. We are also seeing a renewed interest in energy investments by both institutional and retail investors as commodity prices stabilize. The general consensus calls for increased commodity prices on a long term basis making this an opportune time to invest in energy.

Once again, I would like to thank our directors and employees for another year of excellent work, our shareholders for their continued support and my partner, Ben Cheng for his wisdom and skills in navigating through what has been a most difficult period for a financial firm in these current capital markets.

Eric Tremblay
Chief Executive Officer