

ASTON HILL FINANCIAL INC.

FOR THE YEAR ENDED DECEMBER 31, 2010

MANAGEMENT DISCUSSION & ANALYSIS FORM 51-102F1

This management discussion and analysis ("MD&A") document for Aston Hill Financial Inc. ("Aston Hill" or the "Company") should be read in conjunction with the audited annual consolidated financial statements for the years ended December 31, 2010 and December 31, 2009 and the notes thereto of Aston Hill. The historical financial information of the Company can be found on SEDAR under Aston Hill Financial Inc.

All dollar amounts are referenced in Canadian dollars. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

The information provided herein is effective as of April 8, 2011 and is, 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 focus is asset management with expertise in income products, energy investments, oil and gas property management and private equity. Aston Hill provides investment portfolio management and advisory services to funds and fund managers. 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.

BUSINESS INTERESTS

Aston Hill conducts business essentially along two distinct divisional lines: Financial Portfolio Management and Advisory, and Oil and Gas Property Management.

Financial Portfolio Management and Advisory

Aston Hill and its subsidiaries manage the Aston Hill Group of Funds, the Catapult Group of Funds, and sub-advisory relationships with IA Clarington Investments Inc. ("IA Clarington"), Redwood Asset Management Inc. ("Ark Funds"), First Asset Management Inc. ("First Asset"), and BMO Nesbitt Burns ("BMO"). Six licensed portfolio managers including Ben Cheng, Jeff Burchell, Andrew Hamlin, and Vivian Lo in the Toronto office; and Joanne Hruska and Carol Pretty in the Calgary office are responsible for the Financial Portfolio Management and Advisory division of Aston Hill.

Aston Hill Asset Management Inc. ("AHAM"), formerly known as Navina Asset Management Inc. ("Navina"), a Toronto based asset management firm specializing in the development, sales, and management of closed-end mutual funds, open-end mutual funds and hedge funds, was acquired on August 6, 2010 by Aston Hill. Aston Hill acquired all of the issued and outstanding common shares of Navina for total consideration of \$4,277,144, of which \$1,684,324 was paid in cash and the balance through issuance of 2,009,938 common shares of Aston Hill. The acquisition is subject to a potential earn-out of up to \$1,800,000 if certain conditions are met. At the December 31, 2010 the Company has determined that the contingent consideration is unlikely to be rewarded. AHAM had \$215 million in AUM as at December 31, 2010.

Aston Hill Investments Inc. ("AHI"), formerly Catapult Financial Management Inc. ("Catapult Financial"), an Alberta company and wholly owned subsidiary of Aston Hill, provides management and advisory services to private energy and flow-through share accounts. As well, AHI is currently involved in portfolio advisory for IA Clarington, Ark Funds, First Asset, and BMO.

IA Clarington Relationship

AHI is the portfolio sub-advisor for the IA Clarington Tactical Income Fund and IA Clarington Tactical Income Class ("Tactical Fund & Class"), the IA Clarington Global Tactical Income Fund and the IA Clarington Global Tactical Income Class ("Global Fund & Class"). The Tactical Fund & Class invests approximately one third to two-thirds of its portfolio in equity and other

income generating securities and about one third to two thirds in fixed income securities and cash equivalents. The investment strategy of the Global Income Fund & Class is to seek out companies with stable earnings growth, strong management, solid balance sheet and a growing overall market share. The Global Income Fund & Class seeks to generate income and long-term capital growth by investing in a combination of equity and fixed income securities of companies located mainly in Europe and North America.

In 2010 AHI became the sub-advisor for the IA Clarington Aston Hill Tactical Yield Fund ("Tactical Yield Fund"). The Tactical Yield Fund's investment objectives are to provide unit-holders with monthly cash distributions, initially targeted to be 6.0% per Trust Unit per annum on the original offering price of \$10.00 per unit and to maximize total returns for unit-holders, consisting of both cash distributions and capital appreciation, while reducing risk and preserving capital. The investment strategy is to invest in an actively managed, diversified portfolio comprised primarily of Canadian common, preferred equity, and income generating securities that provide a consistent and stable source of current income; and fixed income securities, including high yield corporate debt securities, and cash and cash equivalents.

Also in 2010 AHI became the sub-advisor to IA Clarington Tactical Bond Fund and IA Clarington Bond Class ("Tactical Bond Fund & Class") and IA Clarington Energy Class ("Energy Class"). The Tactical Bond Fund & Class invests in a mix of high quality fixed income securities as well as investment grade and higher yielding securities of North American corporate issuers. The Fund will generally be diversified across industry sector, size of issuer and credit rating. Energy Class selects equity securities based on a bottom-up stock selection approach by identifying companies with stable earnings growth, strong management teams, sound balance sheets and a growing overall market share that are trading at attractive prices. The Fund will seek to hold approximately 40-60 securities operating in the Canadian and global energy resource sector.

On February 8, 2010, Aston Hill announced that the agreements between its portfolio management subsidiary, AHI, and IA Clarington have been extended to further strengthen the nature and commitment of their relationship and facilitate a long-term business arrangement. The extended agreements include an amended sub-advisory agreement with IA Clarington that has an initial term of 5 years and is subject to earlier termination on two year's notice, or on the occurrence of certain events. An estimate of the financial effects and incremental revenue that will be earned on the advisory services to be performed in accordance with the renewed agreement is not determinable. As specified thresholds of assets under advisory with IA Clarington are achieved, AHI earned advisory fees are reduced on a step down basis.

As part of the extended agreement with IA Clarington, AHI has agreed that it will not manage or advise certain competing retail investment funds unless consented to by IA Clarington. Certain mandates existing on the date of the agreement are excluded from this restriction. In addition, if the assets under management by AHI for IA Clarington exceed certain specified thresholds during any calendar year, members of the investment advisory team managing those assets will become precluded from acting on the investment advisory team of other investment funds during the next calendar year (subject to certain exceptions).

IA Clarington, a subsidiary of Industrial Alliance Insurance and Financial Services Inc., markets a wide range of investment products, including mutual funds, segregated funds, principal protected notes and closed end funds managed by leading portfolio managers.

First Asset Relationship

On March 17, 2009, Aston Hill in conjunction with First Asset, announced the filing of the final prospectus for the initial public offering of the Preferred Share Investment Trust (the "Trust"). The first closing for the Trust was on April 3, 2009 for \$55 million. Aston Hill provides the Trust with investment portfolio advisory services.

The Trust invests in an actively managed portfolio comprised primarily of investment grade preferred shares and to a lesser extent investment grade corporate debt and convertible bonds in order to provide unit-holders with the opportunity for growth of their investment value through any capital appreciation of the portfolio and quarterly distributions.

Ark Funds Relationship

AHI provides advisory services to Ark Aston Hill Energy Class Mutual Fund ("Ark Energy Fund"), Ark Aston Hill Monthly Income Class Mutual Fund ("Ark Monthly Fund"), and Ark Catapult Energy Class Fund ("Ark Catapult Fund"). Redwood Asset Management Inc. is a Toronto-based manager and distributor of Ark mutual funds and hedge funds.

Ark Energy Fund is an open ended mutual fund corporation that focuses on investment in the energy sector and seeks to generate long-term capital growth through the investment in Canadian energy exploration and production companies.

The Ark Monthly Fund distributes a tax-efficient, fixed monthly distribution of 5 cents per unit. This fund invests in dividend paying equities and fixed income securities; having a flexible mandate in security selection, sector exposure and asset allocation.

Ark Catapult Fund's investment objective is to achieve long-term capital appreciation by investing primarily in the equity securities of Canadian energy and resource issuers.

Sword Oil & 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 management division. The mandate is to identify, acquire and manage oil and gas properties on behalf of institutional investors. In 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"). Thunder was then privatized and Aston Hill manages the assets of the resultant private entity, Sword Energy Inc. ("Sword"). Aston Hill receives ongoing management and acquisition fees for providing Sword with management consulting services and a performance bonus if certain hurdles are met. Aston Hill's interest in the ownership of Sword is 2.57%.

In September 2009, Aston Hill invested additional cash of \$1.0 million to maintain its 2.57% interest in Sword.

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.

Other Business Interests

Juno Canada Holdings Ltd. ("Juno") a wholly owned subsidiary and 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. Juno has a \$250,000 debenture (fully collateralized by the Wisevest units) bearing interest at 8.4% per annum and maturing May 11, 2012. 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.

Aston Hill also invests excess working capital in various investment opportunities including, but not limited to, bankers' acceptances, term deposits, short term bonds, common share securities and oil and gas properties.

Assets under Management & Advisory

As at December 31, 2010 the Company had approximately \$2.861 billion in assets under management and advisory. The following table summarizes the various investment profiles managed by Aston Hill:

Assets Under Management and Advisory	(\$ Millions)
Oil and natural gas properties	\$ 320
Financial Portfolio Management	220
Assets Under Management	<u>\$ 540</u>
Financial Portfolio Advisory	<u>2,321</u>
Total Assets under Management and Advisory	<u>\$ 2,861</u>

Business Outlook

Looking forward into 2011, the Company plans to continue to launch new funds with its current clients and to re-brand and market the funds acquired on August 6, 2010. The Company intends to seek additional institutional and private equity investors for the Sword Oil and Gas Property Management business and is continually researching acquisition strategies as opportunities increase in the current low natural gas commodity price environment.

Capital Management

The Company's capital management objective is to maximize shareholder returns while ensuring that the Company is capitalized in a manner which appropriately supports regulatory requirements, working capital needs and business expansion. The Company's capital management practices are focused on preserving the quality of its financial position by maintaining a solid capital base and a strong balance sheet. Capital of the Company currently consists of equity instruments. From time to time, the Company may finance long term investments through bank indebtedness.

The Company's capital is primarily utilized in its ongoing business operations to support working capital requirements, long-term investments made by the Company, business expansion and other strategic objectives.

Long-Term Investments

As at December 31, 2010, the Company's long-term investments had estimated fair value of \$8,168,974 (December 31, 2009 - \$10,197,491). The fair value of the Sword investment as at December 31, 2010 of \$7,834,248 (December 31, 2009 - \$9,890,691) is included in long-term investments. The Company recognized decreases in the fair value of long-term investments for the year ended December 31, 2010 of \$2,056,443 (2009 – gain of \$237,630), predominantly due to the changes in the fair value of the investment in Sword. Note that the fair value of the investment in Sword is recalculated quarterly based on internal and external reserve evaluations and estimates as well as conventional valuation methods for valuing privately held interests in accordance with generally accepted accounting principles. The fair value is affected significantly by a volatile oil and natural gas pricing environment; therefore, changes in the fair value from the Sword investment may fluctuate materially from quarter to quarter.

The Company manages Sword on behalf of its majority shareholders and is paid a quarterly management fee in accordance with a management agreement.

In 2009, the Company invested additional cash of \$1,028,000, along with the other shareholders of Sword, to maintain its 2.57% interest in Sword.

Overall Performance & Results of Operations

The Company's cash position at December 31, 2010 was \$4,013,517 (December 31, 2009 - \$1,292,811).

Selected Annual Information

	2010	2009	2008
Total Revenues	\$ 9,388,830	\$ 3,780,582	\$ 4,258,678
Total general and administrative expense	\$ 5,915,446	\$ 3,543,762	\$ 3,573,043
Net Income (loss) after tax	\$ 528,426	\$ 1,241,696	\$ (335,560)
Net Income (loss) per Share – basic	\$ 0.008	\$ 0.020	\$ (0.006)
Net Income (loss) per Share – diluted	\$ 0.007	\$ 0.020	\$ (0.006)
Cash dividends declared per Share	\$ 0.020	\$ 0.000	\$ 0.000
Total Assets	\$ 20,184,123	\$ 14,676,045	\$ 11,955,986
Total Long Term Debt	\$ 639,173	\$ 249,881	\$ 249,773

Aston Hill's results of operations for the year ended December 31, 2010 yielded net income after tax of \$528,426 (2009 - \$1,241,696). Net income before tax was \$1,163,599 (2009 - \$277,696) resulting from revenue of \$9,388,830 (2009 - \$3,780,582) from management fees, interest and dividend income, offset by operating expenses of \$6,842,461 (2009 - \$3,991,848) and decreased by losses from investing activities of \$1,382,770 (2009 – gain of \$488,962). Included in expenses are non-cash charges for stock compensation, amortization of property and equipment, and amortization of deferred charges totaling \$856,932 (2009 - \$618,601).

During the year ended December 31, 2010, Aston Hill recorded interest and dividend income of \$43,296 (2009 - \$82,589).

The significant increase in Revenue and General and Administrative ("G&A") expenses from the prior period is largely attributable to the increase in AUM throughout 2010. AUM increased from \$1.488 billion as at December 31, 2009 to \$2.861 billion as at December 31, 2010, representing an increase of 92%. The increase in AUM has resulted in increased management fee revenue of \$3,697,993 for the year ended December 31, 2009 to \$9,345,534 for the year ended December 31, 2010, representing a \$5,647,541 or a 153% increase. G&A expenses for the year ended December 31, 2010 was \$5,915,446 (2009 - \$3,543,762).

G&A expenses have increased \$2,371,684 or 67% from the comparable year ended December 31, 2009 as a result of incremental costs associated with the newly acquired subsidiary AHAM of \$477,000, transaction costs associated with closing the Navina acquisition of \$143,000, \$591,000 in incremental employee incentive payments, \$236,000 in incremental salaries & benefits, \$315,000 in additional marketing costs associated with new product development, \$233,000 in additional rent and miscellaneous office expenses, and \$377,000 in additional consulting expenses as a result of extending the Company's sub-advisory agreement with IA Clarington on February 8, 2010.

The increase in total assets from 2009 to 2010 of \$5,007,714 is primarily attributable to the increase in cash and cash equivalents during the year of \$2,720,706 of which \$3,931,486 was generated from operating activities offset by the corporate acquisition for a net cash outlay of \$954,855 and net outflow of financing activities in the amount of \$138,051 and intangible assets of \$2,925,070 consisting of management contracts and mutual fund codes that were acquired during the year as part of the corporate acquisition.

Summary of Quarterly Results

	2010				2009			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	\$ 3,044,394	\$ 2,652,900	\$ 2,041,067	\$ 1,655,903	\$ 1,290,776	\$ 1,015,369	\$ 720,609	\$ 774,790
Expenses	(2,179,616)	(1,630,156)	(1,256,922)	(1,766,087)	(1,149,209)	(964,834)	(919,384)	(958,420)
Investing (losses) gains	373,516	(651,182)	(32,564)	(1,087,654)	1,886,566	(364,011)	(59,072)	(995,484)
Net income (loss) for period before tax	1,238,294	\$ 371,562	\$ 751,581	\$ (1,197,838)	\$ 2,028,133	\$ (313,476)	\$ (257,847)	\$ (1,179,114)
Net income (loss) per share	\$ 0.011	\$ 0.004	\$ 0.007	\$ (0.015)	\$ 0.046	\$ (0.005)	\$ (0.004)	\$ (0.020)
Net income (loss) per share-diluted	\$ 0.011	\$ 0.004	\$ 0.007	\$ (0.015)	\$ 0.046	\$ (0.005)	\$ (0.004)	\$ (0.020)

The following is an explanation for the significant changes in revenues over prior quarters:

- The increase in revenues from the third quarter of 2010 to the fourth quarter of 2010 was due to an increase in revenues from the Navina acquisition and an increase in advisory fees as a result of increases in net asset values of the funds under advisory. Consistent increases in revenues from the first quarter of 2010 through each subsequent quarter of 2010 were primarily due to increased advisory fees from an increase in AUM of the IA Clarington funds under sub-advisory.
- Consistent increases in revenues from the second quarter of 2009 through each subsequent quarter of 2009 and 2010 were primarily due to increased advisory fees from an increase in AUM of the Funds under sub-advisory and incremental funds and mandates added to the business throughout the two year period.

The following is an explanation for the significant changes in expenses over prior quarters:

- The increase in expenses in the fourth quarter of 2010 as compared to the third quarter of 2010 is due to the recognition of a full quarter of operating expenses from Navina since the closing of the acquisition in the third quarter, one time severance payments, and additional salaries and benefits.
- The increase in expenses in the third quarter of 2010 as compared to the second quarter of 2010 is due to an increase in transaction costs from the closing of the Navina acquisition, and incremental expenses from consolidating AHAM since the closing of the acquisition on August 6, 2010.
- The increase in expenses in the first quarter of 2010 as compared to the fourth quarter of 2009 is due to an increase in legal fees and marketing costs associated with new product development as well as employee incentive payments. Typically in the first quarter, the Board of Directors determines and approves annual employee bonuses based on the performance in the past year. As with prior year's accounting treatment, the expense has been fully recognized in the quarter for which the payment is made.

The following is an explanation for the significant changes in investing activities over prior quarters:

- The increase from the third quarter of 2010 to the fourth quarter of 2010 is a result of an unrealized loss on Sword of \$329,632 whereas in the third quarter of 2010 an unrealized loss on the same investment was recognized in the amount of \$625,520. Additionally, a \$639,927 unrealized gain was recorded on the reduction for the change in the fair market value of the liability to redeem Lawrence Partners Fund Class A Re-invest shares to the prior shareholders of Navina.
- The decrease from the fourth quarter of 2009 to the first and second quarters of 2010 is mainly due to an unrealized loss on the Sword investment in the first quarter of 2010 of \$1,101,291.
- The significant changes between the quarters in 2009, and the first and second quarters of 2010 relate mainly to the volatile oil and natural gas pricing environment and its effect on the Sword investment.

Risk Management including Financial and Other Instruments

The Company's financial assets and liabilities are comprised of cash and cash equivalents, accounts receivable, marketable securities, investments available for sale, long term investments, accounts payable and accrued liabilities, debentures, and other financial liabilities held for trading. Discussion of risks associated with financial assets and liabilities are presented as follows.

The fair values of cash and cash equivalents, accounts receivable, amounts due from funds under management and accounts payable and accrued liabilities approximate their carrying amount due to the short-term maturity of those instruments.

Credit Risk

Credit risk is the potential for financial loss to the Company if a counterparty in a transaction fails to meet its obligations. The Company's cash and cash equivalents, accounts receivable, notes receivable, marketable securities, and long-term investments are subject to credit risk. The Company monitors its credit risk management policies continuously to evaluate their effectiveness and feels that the credit worthiness of its counterparties is satisfactory at this time.

Cash and cash equivalents primarily consist of highly liquid temporary deposits with a Canadian chartered bank, debt securities issued by the Canadian and provincial governments, bankers' acceptances and commercial paper. The Company mitigates credit risk on these financial instruments by adhering to its Investment Policy that outlines credit risk parameters and concentration limits. The Company's maximum credit exposure is \$14,753,631, which is the sum of its cash and cash equivalents, accounts receivable, notes receivable, marketable securities, investments available for sale and long-term investments as reported on the balance sheet as at December 31, 2010.

Significant amounts of the Company's accounts receivable are due from related parties. As at December 31, 2010, 23% (2009 – 45%) of the accounts receivable are due from related parties (see Note 13). The Company believes that the entire accounts receivable balance is collectible. Accordingly, management has not provided for an allowance for doubtful accounts as at December 31, 2010.

Despite the Company's mitigation of credit risk, there is additional risk due to the current state of the financial market.

Liquidity Risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. In addition to the Company's current balance of cash and cash equivalents, other potential sources of liquidity include the Company's accounts receivable, and long-term investments. The Company's continued ability to access capital markets to raise funds is dependent on market conditions that are subject to change.

The timing of cash outflows relating to financial liabilities are as follows:

	1-5 Years	After 5 years	Total
Debentures	250,000	-	250,000
Office commitments	1,435,814	689,303	2,125,117
Accounts payable	813,297	-	813,297
Obligation to redeem Lawrence Partners Fund Shares	1,056,978	-	1,056,978
Note payable	389,175	-	389,175
	\$ 3,945,264	\$ 689,303	\$ 4,634,567

Market Risk

Market risk is the potential for loss to the Company from changes in the values of its financial instruments due to changes in interest rates, foreign exchange rates or equity prices.

The Company's financial instruments are generally denominated in Canadian dollars and do not have significant exposure to changes in foreign exchange rates.

The Company's securities holdings are classified as held for trading and available for sale, therefore unrealized gains and losses on securities classified as held for trading are recorded in income as changes in fair value until realized. Unrealized gains and losses on securities classified as available for sale are recorded in other comprehensive income until realized. As at December 31, 2010, the impact of a 10% increase or decrease in the value of the Company's held for trading portfolio would have been an approximate \$711,000 unrealized gain/loss recorded in income. As at December 31, 2010, the impact of a 10% increase or decrease in the value of available for sale investments would have been an approximate \$109,000 unrealized gain/loss recorded in other comprehensive income. Due to the current financial market conditions, there is additional market risk that may affect the short term and long term value of marketable securities and long-term investments.

Concentration Risk

The Company is exposed to concentration risk in that the majority of its investments are focused on Western Canadian oil and gas exploration and production. The Company adheres to strict investment policies and management strategies to mitigate the downside risk of this concentration.

Related Party Transactions

The Company had the following related party transactions:

- a) The Company manages Sword Energy Inc. ("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 \$nil as at December 31, 2010 (2009 - \$432,936), and \$1,493,428 was recorded as revenue, (2009 - \$1,609,898). The Sword fees represent 16% of the 2010 total revenue (2009 - 42%).
- b) Consulting expense includes \$66,000 (2009 - \$66,000) paid to Ghost Lake Manor Inc. for consulting services provided. Consulting expenses are included in general, administrative and other expenses on the Consolidated Statement of Operations and Comprehensive Income. Ghost Lake Manor Inc. is controlled by a significant shareholder of the Company.
- c) Accounts receivable includes management fees receivable from Catapult Energy 2008 FTS Limited Partnership ("2008 FTS") of \$nil (2009 - \$47,133). During the year, \$168,747 (2009 - \$125,609) was recorded as revenue in respect of these management fees. Also, notes receivable of \$nil (2009 - \$709,809) are promissory notes due from 2008 FTS. The notes are receivable on demand and accrue interest revenue at a rate of 6% annually. Interest is calculated daily on the remaining balance and is receivable on a monthly basis on the last day of each month. Accounts receivable include interest receivable of \$nil (2009 - \$35,195), relating to these notes receivable. During the year, \$9,101 (2009 - \$50,893) was recorded as interest income relating to the notes receivable.

- d) Accounts receivable includes management fees receivable from Aston Hill Energy 2010 Short Term FT Partnership ("2010 ST FT") of \$3,906 (2009 - \$nil). During the year, \$3,906 (2009 - \$nil) was recorded as revenue in respect of these management fees. Also, notes receivable of \$ 303,000 (2009 - \$nil) are promissory notes due from 2010 ST FT. The notes are receivable on demand and accrue interest at a rate of 6% annually. Interest is calculated daily on the remaining balance and is receivable on a monthly basis on the last day of each month. Accounts receivable include interest receivable of \$546 (2009 - \$nil), relating to these notes. During the year, \$546 (2009 - \$nil) was recorded as interest income. Aston Hill Energy 2010 GP Inc., is a wholly owned subsidiary of the Company, and is the General Partner of 2010 ST FT.
- e) The Company's wholly owned subsidiary Navina receives management fees and pays for expenses incurred by its various funds under management. These expenses are then charged back to the funds and are recovered under normal credit terms and is non-interest bearing. Amounts due from funds under management and included in accounts receivable is \$268,602 (2009 - \$nil). Related management fees of \$949,725 (2009 - \$nil) were recorded as revenue during the year.
- f) The note payable as described in note 4 of the financial statements to the Navina/Lazard US High Yield Bond is one of the Company's funds under management and is a related party transaction.
- g) Directors and officers of the Company and its subsidiaries subscribed for 636,000 of the shares issued in the 2009 private placement disclosed in note 10 of the financial statements. These shares represented \$190,800 or approximately 12.4% of the shares issued. Therefore, directors and officers of the Company and its subsidiaries were issued 318,000 common share purchase warrants, representing approximately 12.4% of the warrants issued.
- h) The investments available for sale as described in note 6 are related to two of the Company's funds under management. Changes in fair market value of these investments recognized through other comprehensive income in the year represent related party transactions.

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.

Commitments and Guarantees

The Company is committed to lease office premises with future base rent payments, as well as auto lease payments, as follows:

2011	\$ 387,192
2012	335,222
2013	329,914
2014	210,373
2015	173,113
Thereafter	<u>689,303</u>
	<u>\$ 2,125,117</u>

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.

Changes in Accounting Policies including Initial Adoption

Consolidated Financial Statements and Non-Controlling Interests

Effective January 1, 2010, the Company adopted CICA Handbook Section 1601, Consolidated Financial Statements ("Section 1601") which replaced the former consolidated financial statements standard. Section 1601 establishes the requirements for the preparation of consolidated financial statements. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

Business Combinations

Effective January 1, 2010, the Company adopted CICA Handbook Section 1582, Business Combinations ("Section 1582"), which replaces Section 1581 and aligns accounting for business combinations under Canadian GAAP with International Financial Reporting Standards ("IFRS").

Under Section 1582, the fair value ascribed to shares issued as consideration will be based on their market value at the date of exchange, as compared to the previous standard which prescribed market price for a reasonable period of time before and after the date of announcement of an acquisition. In addition, the majority of acquisition costs will likely have to be expensed. Previous standards allowed for the capitalization of these costs as part of the purchase price. Section 1582 also addresses contingent liabilities, which will be required to be recognized at fair value on acquisition, and subsequently re-measured at each reporting date until settled. Previous standards required only contingent liabilities that are payable to be recognized. Section 1582 also requires negative goodwill to be recognized in earnings rather than the previous standard of deducting from non-current assets in the purchase price allocation.

Foreign Currency Translation

With the business combination completed and disclosed in Note 4 of the financial statements, the Company now has a foreign subsidiary that is being treated as an integrated operation and in accordance with CICA Handbook Section 1651 Foreign Currency Translation, monetary items of the subsidiary are translated at the period-end exchange rate and non-monetary items at the rate in effect at the date of the transaction. The operating results have been translated at the average exchange rate in effect during the fiscal year. The resulting gains and losses are included in net income for the period.

Future Accounting Changes

International Financial Reporting Standards

The Canadian Accounting Standards Board ("AcSB") has confirmed its plan to adopt all International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board ("IASB"), on January 1, 2011. The Company will begin reporting under IFRS for the fiscal year beginning on January 1, 2011, including comparative figures for the prior year. As a result, the Company will publish its first consolidated financial statements, prepared in accordance with IFRS, for the three months ended March 31, 2011.

While IFRS standards are premised on a conceptual framework similar to Canadian GAAP, there are differences in the areas of recognition, measurement and disclosure that will impact the Company's consolidated financial statements. The transition to IFRS represents a significant initiative by the Company and as such an assessment has been completed to identify the key accounting differences between Canadian GAAP and IFRS. During the year ended December 31, 2010, the Company completed the opening balance sheet adjustments and internally reported its quarterly financial results in accordance with IFRS in preparation for adoption on January 1, 2011. Although the IFRS adjustments have been determined they have not yet been finalized because:

- The results remain subject to further review and approval by senior management and the Board of Directors;
- We are continuing to monitor any new or amended IFRS issued by the International Accounting Standards Board that could affect our choice of accounting policies;
- Our IFRS financial statements for the year ending December 31, 2011 must use the standards that are in effect on December 31, 2011, and therefore our IFRS accounting policies will only be finalized when our first annual IFRS financial statements are prepared for the year ending December 31, 2011; and
- The results are unaudited and are subject to additional audit work by our external auditors.

Significant Impacts of IFRS

The following areas are the most significantly affected by the adoption of IFRS:

- Transition on date of adoption of IFRS
 - Designation and classification of financial instruments
 - Impairment of assets
 - Stock-based compensation
 - Income taxes

Designation and classification of financial instruments

The Company has taken the IFRS 1 D19 election on its first-time adoption of IFRS to designate its equity investment in Sword Energy Inc. at "fair value through other comprehensive income" in accordance IFRS 9. Previously under Canadian GAAP this investment was designated as "long term held for trading". Under the Canadian GAAP treatment, unrealized gains and losses were recognized in net income. On transition to IFRS, unrealized gains and losses will be recorded in Other Comprehensive Income, net of tax. To improve the comparability and reliability of the financial statements, the Company has retrospectively reclassified the unrealized gains and losses on this investment to Accumulated Other Comprehensive Income (loss). The retrospective reclassification on transition resulted in a \$642,000 increase in Accumulated Other Comprehensive Loss and a corresponding decrease in the retained deficit. Additionally, the Company has evaluated its Investment in the Wisevest Income Fund, and has reclassified the marketable securities held within the fund from "Long term held for trading" to "financial assets at fair value through profit or loss" on transition to IFRS.

Impairment of assets

In the first step for all of our GAAP impairment tests (Property & Equipment, Intangible Assets, and Long term investments accounted for at cost) future cash flows are not discounted. IFRS 36 requires a one-step approach using discounted cash flow techniques for asset impairment testing and measurement. As a result of this IFRS difference and in accordance with IFRS 1 D8A, the Company has tested its oil & gas assets in the development and production phases for impairment on transition to IFRS. The Company has determined that the recoverable amount was less than the carrying amount and as such the Wilson Creek gas property has been impaired. On transition, the effect is an increase in the deficit of \$53,000. There was no impact on our property & equipment or intangibles with this change in accounting policy on transition to IFRS. The adoption of IAS 36 may result in more frequent asset write downs since the carrying values must be supported by discounted cash flows in accordance with IFRS requirements. Unlike Canadian GAAP, previous impairment losses may be reversed or reduced (except in the case of goodwill) under IFRS if the circumstances which led to the impairment change. IAS 36 also requires impairment testing to be applied at a cash-generating unit level. Aston Hill has revised its impairment testing models to comply with the requirements of IAS 36. This includes analyzing its operations in order to determine the cash-generating units and revising its impairment models to reflect the IAS 36 concept of recoverable amount. While the methodology for testing intangible assets will change upon adoption of IFRS, Aston Hill does not expect the adoption of the new impairment models to cause any significant changes in financial reporting.

Stock-based Compensation

In accordance with IFRS 2 Share based payments, there are additional valuation metrics to include in valuing stock based payments. Under IFRS, forfeitures must be estimated at the time of grant and revised based on actual forfeitures incurred. Under Canadian GAAP, Canadian companies were able to record forfeitures only as incurred and were not required to estimate. In addition, under IFRS each tranche (vesting period) of each grant must be valued individually using separate valuation assumptions. Under Canadian GAAP, a valuation was determined on a grant by grant basis, and was not disaggregated to the tranche level. On transition to IFRS, these differences have resulted in an increase to retained deficit of \$54,000 and an increase in contributed surplus of \$54,000.

Income Taxes

The carrying amounts of our tax balances have been directly impacted by the tax effects resulting from changes in our accounting policies. The future income tax asset on our IFRS opening balance sheet increased by approximately \$7,000 as a result of the impairment recognized on the Wilson Creek gas property. In accordance with IAS 12 all deferred income tax assets or liabilities are to be presented as long-term. At the date of transition to IFRS, approximately \$241,000 has been reclassified from short-term future income tax asset to long-term. Additionally, the future income tax expense related to the Sword Investment has been reclassified and is shown within Accumulated other comprehensive income. This reclassification resulted in a \$218,000 increase in Accumulated Other Comprehensive Loss, and a corresponding decrease in the retained deficit. Lastly, \$31,000 in future income tax related to share issue costs has been reclassified on transition resulting in a \$31,000 decrease in equity instruments and a corresponding decrease in the deficit.

Subsequent Events

On January 12, 2011, the Company announced that it has renamed two of its wholly owned subsidiaries. Catapult Financial Management Inc. became Aston Hill Investments Inc. and Navina Asset Management Inc. became Aston Hill Asset Management Inc.

On January 25, 2011, the Company announced a granting of stock options to certain directors, officers, employees and consultants to acquire up to an aggregate of 866,000 common shares. The stock options are exercisable for a period of five years at a price of \$1.55 per share and vest over a three year period.

The Company announced on March 10, 2011 that a special cash dividend in the amount of \$0.01 per common share will be payable on March 31, 2010 to all shareholders of record on March 21, 2011. The resulting ex-dividend date is March 17, 2011.

Effectiveness of Disclosure Controls and Procedures & Internal Control over Financial Reporting

The Company is required to disclose herein any change in the design of the Company's internal control over financial reporting ("ICFR") that occurred during the quarter ended on December 31, 2010 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. During the year the Company appointed a senior financial accountant to support the accounting team and controller by taking on certain responsibilities and to further strengthen segregation of duties. Disclosure controls and procedures ("DC&P") have been strengthened with the appointment of in-house general counsel in July of 2010, to review all documents filed with regulators and security commissions and ensure legislative and regulatory compliance. The audit committee reviews, comments and discusses the quarterly and yearly financial statements and MD&A with the accounting team and recommends these statements to the Board for discussions and approval. No other material changes in Aston Hill's internal controls over financial reporting were identified during the three months ended December 31, 2010, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

It should be noted that a control system, including the Company's disclosure and internal controls and procedures, no matter how well conceived can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

Aston Hill is not required to certify the design and evaluation of its DC&P and ICFR and has not completed such an evaluation. Inherent limitations on the ability of the certifying officers to design and implement on a cost-effective basis DC&P and ICFR for the Company may result in additional risks to the quality, reliability, transparency, and timeliness of the interim and annual filings and other reports provided under securities legislation.

Outstanding Share Data

<u>Capital</u>	<u>Authorized</u>	<u>Outstanding as at April 6, 2011</u>	<u>Common Shares Underlying Convertible Securities</u>
Common Shares	Unlimited	71,358,461 ⁽¹⁾	-
Stock Options	Not Applicable	5,468,684 ⁽¹⁾	5,468,684 ⁽¹⁾
Warrants	Not Applicable	Nil	-

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.

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 where additional disclosure relating to the Company can also be located.

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