

**Aston Hill Financial Inc.**  
**(formerly Overlord Financial Inc.)**

**Consolidated Financial Statements**  
**For the year ended December 31, 2007 and**  
**2006**

---

**Contents**

<b>Auditors' Report</b>	<b>2</b>
<b>Consolidated Financial Statements</b>	
<b>Consolidated Balance Sheets</b>	<b>3</b>
<b>Consolidated Statements of Operations and Comprehensive Income</b> <b>and Deficit</b>	<b>4</b>
<b>Consolidated Statements of Cash Flows</b>	<b>5</b>
<b>Notes to Consolidated Financial Statements</b>	<b>6-19</b>

April 17, 2008

**Auditors' Report**

**To the Shareholders of  
Aston Hill Financial Inc.**

We have audited the consolidated balance sheets of **Aston Hill Financial Inc.** as at December 31, 2007 and 2006 and the consolidated statements of operations, comprehensive income, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.


In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.


*PricewaterhouseCoopers LLP*  
**Chartered Accountants**

**Aston Hill Financial Inc.  
Consolidated Balance Sheets**

As at December 31,	2007	2006
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 630,289	\$ 3,043,215
Marketable securities (Note 4)	1,596,310	465,353
Accounts receivable (Note 12)	842,524	549,899
Prepaid expenses	71,662	52,993
	<u>3,140,785</u>	<u>4,111,460</u>
<b>Prepaid deposits</b>	<b>21,298</b>	<b>61,796</b>
<b>Long-term investments (Note 5)</b>	<b>7,144,792</b>	<b>2,415,579</b>
<b>Property and equipment (Note 6)</b>	<b>460,500</b>	<b>106,448</b>
	<u>\$ 10,767,375</u>	<u>\$ 6,695,283</u>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 792,737	\$ 592,041
Bank Loan (Note 9)	1,800,000	-
	<u>2,592,737</u>	<u>592,041</u>
<b>Debentures (Note 8)</b>	<b>249,616</b>	<b>250,000</b>
	<u>2,842,353</u>	<u>842,041</u>
<b>Shareholders' equity</b>		
Equity instruments (Note 10)	13,258,413	13,177,477
Contributed surplus (Note 11)	1,450,527	995,463
Deficit	(6,783,918)	(8,319,698)
	<u>7,925,022</u>	<u>5,853,242</u>
	<u>\$ 10,767,375</u>	<u>\$ 6,695,283</u>

Approved on behalf of the Board:

  
 \_\_\_\_\_  
 Eric Tremblay, Director

  
 \_\_\_\_\_  
 Ben Cheng, Director

**Aston Hill Financial Inc.**  
**Consolidated Statements of Operations and Comprehensive Income**

For the years ended December 31	2007	2006
<b>Revenue</b>		
Management fees (Notes 5 and 12)	\$ 1,670,759	\$ 353,809
Performance bonus	171,188	-
Acquisition promote (Notes 5 and 12)	4,995,361	-
	<u>6,837,308</u>	<u>353,809</u>
<b>Expenses</b>		
General, administrative and other (Note 12)	3,477,589	2,312,890
Interest expense	59,032	430
Stock compensation (Note 10(c))	480,000	472,986
Amortization of property and equipment	56,550	43,194
Interest on debenture (Note 8)	21,086	21,000
Project identification costs, net of recoveries	39,799	100,000
	<u>4,134,056</u>	<u>2,950,500</u>
<b>Income (loss) from operations before investing activities</b>	<u>2,703,252</u>	<u>(2,596,691)</u>
<b>Investing</b>		
Sword Partnership distributions	67,954	-
Gain on sale of subsidiary (Note 5)	-	1,125,000
Impairment of long-term investment	-	(750,000)
Gain on sale of marketable securities	43,390	1,320,107
Interest income	34,306	50,478
Dividend and royalty income	25,724	28,352
Change in fair value of marketable securities (Note 4)	(1,286,235)	-
Change in fair value of investment securities held in Wisevest Income Fund (Note 5)	35,678	(16,722)
Realized loss on Wisevest portfolio (Note 5)	(17,910)	(47,272)
Change in fair value of long-term investments (Note 5)	(892,189)	-
Change in fair value of warrant liability (Note 7)	160,122	-
Dealer commissions	(1,742)	-
Loss on sale of long-term investment (Note 5)	-	(592,000)
<b>Income (loss) from investing activities</b>	<u>(1,830,902)</u>	<u>1,117,943</u>
<b>Net income (loss) and comprehensive income (loss) for the year</b>	<u>872,350</u>	<u>(1,478,748)</u>
<b>Weighted average number of shares – basic and diluted</b>		
	51,090,841	44,634,025
<b>Income (loss) per share – basic and diluted</b>	\$ 0.017	\$ (0.033)

**Consolidated Statements of Deficit**

For the years ended December 31	2007	2006
<b>Deficit, beginning of year</b>	(8,319,698)	(6,840,950)
<b>Net income (loss) for the year</b>	872,350	(1,478,748)
<b>Accounting change (Note 3)</b>	663,430	-
<b>Deficit, end of year</b>	<u>(6,783,918)</u>	<u>\$ (8,319,698)</u>

**Aston Hill Financial Inc.**  
**Consolidated Statements of Cash Flows**

For the years ended December 31	2007	2006
<b>Cash flows from operating activities</b>		
Net income (loss) and comprehensive income (loss) for the year	\$ 872,350	\$ (1,478,748)
Adjustments for:		
Amortization of property and equipment	56,550	43,194
Amortization of debenture discount (Note 8)	86	-
Stock compensation	480,000	472,986
Change in fair value of marketable securities	1,286,235	-
Change in fair value of investment securities held in Wisevest Income Fund (Note 5)	(35,678)	16,722
Loss on investment securities held in Wisevest Income Fund	17,910	47,272
Change in fair value of warrant liability	(160,122)	-
Change in fair value of long-term investments (Note 5)	892,189	-
Acquisition promote (Notes 5 and 12)	(4,995,361)	-
Non-cash management fees (Notes 5 and 12)	(405,176)	-
Impairment of long-term investment	-	750,000
Gain on sale of subsidiary	-	(1,125,000)
Gain on sale of marketable securities	(43,390)	(1,320,107)
Loss on sale of long-term investments	-	592,000
Prepaid deposits	40,498	6,769
Cash flow (deficiency) from operations	<u>(1,993,909)</u>	<u>(1,994,912)</u>
Changes in non-cash working capital items		
Accounts receivable	(292,625)	(262,813)
Prepaid expenses	(18,669)	(23,305)
Accounts payable and accrued liabilities	200,696	298,620
	<u>(2,104,507)</u>	<u>(1,982,410)</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(410,602)	(19,342)
Proceeds from sale of marketable securities	118,030	2,143,130
Cash on subsidiary transaction	-	(25,000)
Cash paid for long-term investments (Note 5)	(1,871,875)	-
Cash paid for marketable securities	-	(99,030)
Sale of Wisevest portfolio investments	159,495	78,634
Acquisition of Wisevest portfolio investments	(159,467)	(77,619)
	<u>(2,164,419)</u>	<u>2,000,773</u>
<b>Cash flows from financing activities</b>		
Issuance of equity instruments	-	1,188,000
Bank loan borrowings	1,800,000	-
Proceeds from exercise of stock options	56,000	84,000
	<u>1,856,000</u>	<u>1,272,000</u>
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(2,412,926)</b>	<b>1,290,363</b>
Cash and cash equivalents, beginning of year	<u>3,043,215</u>	<u>1,752,852</u>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 630,289</b>	<b>\$ 3,043,215</b>
<b>Supplementary Information</b>		
Non-cash transaction:		
Interest receivable (Note 4)	\$ -	\$ (7,500)
Cash paid for interest	\$ 70,477	\$ 21,430

**December 31, 2007 and 2006**

---

**1. Nature of Operations**

---

Aston Hill Financial Inc. (the "Company") is a public company incorporated under the Business Corporations Act (Alberta) that is engaged in managing energy-related investment funds and assets. During year ended December 31, 2007, the Company incorporated a new subsidiary, Catapult Energy Management 2007 Inc. and changed the name of Aston Hill Financial Ltd., a wholly owned subsidiary, to Aston Hill Financial Management Ltd.

During year ended December 31, 2006, the Company sold all of the issued and outstanding shares of Sword Management Inc., which was a wholly-owned subsidiary until the time of sale. The Company also incorporated a new subsidiary, Catapult Energy 2006 Inc. and changed the names of Catapult Energy 2004 Inc. to Catapult Financial Management Inc. and Overlord Fund Management Inc. to Aston Hill Financial Ltd. during the year ended December 31, 2006.

---

**2. Summary of Significant Accounting Policies**

---

The consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

(a) Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries from the date of acquisition or incorporation.

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and investments in money market instruments with maturities of three months or less.

(c) Marketable securities

Marketable securities held are detailed in Note 4. These securities are not held with a long-term view and are classified as held for trading.

(d) Long-term investments

Long-term investments are held with a long-term view and are accounted for on an investment by investment basis as either available for sale or held for trading or at amortized cost. The assigned valuation of private companies held in the investment portfolio is determined by a recent third party transaction when available. If a recent transaction has not occurred, valuation is determined in accordance with guidelines established that are based upon generally accepted valuation standards. The assigned valuation of investments in public equity instruments, is determined with reference to quoted bid and ask prices, as appropriate, in the most advantageous active market for that instrument to which the Company has immediate access. Where bid and ask prices are unavailable, the Company uses the closing price of the most recent transaction for that instrument.

One of the Company's wholly owned subsidiary is an investment company and is consolidated pursuant to Accounting Guideline 18 (Note 2(m)) with securities held recorded as part of long-term investments.

(e) Property and equipment

Property and equipment are recorded at cost less accumulated amortization. Amortization, based on the estimated useful life of the assets to their residual value, is as follows:

Office equipment, furniture and fixtures	- 20% declining balance
Computer	- 30% declining balance
Leasehold improvements	- straight line over the term of the lease
Artwork	- not amortized

**December 31, 2007 and 2006**

---

**2. Summary of Significant Accounting Policies - continued**

---

- (f) Revenue  
Investment income is recognized when a dividend is declared and collection is reasonably assured or when an investment is sold or when interest income is earned on an accrual basis. Management and advisory fees are based on the net asset value of the funds managed and are recognized on an accrual basis as the service is being performed. Performance bonus is based on hurdle rates of return on specific funds and is recognized on an accrual basis as it is determined to be earned. Acquisition promote is based on the pro-rata interest received and purchase price paid by the investor and is recognized on an accrual basis on the date the transaction closes.
- (g) Financial instruments  
The Company carries a number of financial instruments including cash and cash equivalents, marketable securities, accounts receivable, long-term investments, accounts payable and accrued liabilities, debentures, warrant liability and bank loan. Unless otherwise disclosed, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.
- (h) Earnings (loss) per share  
Basic earnings (loss) per common share are computed by dividing net earnings (loss) by the weighted average number of common shares outstanding for the year. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. The treasury stock method is used to determine the dilutive instruments.
- (i) Future income taxes  
The Company uses the liability method of accounting for income taxes. Under this method, future income tax liabilities and future income tax assets are recorded based on temporary differences, the difference between the carrying amount of an asset and liability in the balance sheet and its tax basis, the carry forward of unused tax pools and unamortized share issue costs. Future income tax assets and liabilities are measured using income tax rates expected to apply on the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the year that the change is substantially enacted. Future income tax assets are evaluated and if realization is not considered "more likely than not", a valuation allowance is provided.
- (j) Stock-based compensation plan  
The Company has a stock-based compensation plan, which is described in Note 10(c). Stock-based compensation expense, based on the fair value of stock options, is recorded with a corresponding increase to contributed surplus. The fair value of options granted is estimated at the time of the grant using the Black-Scholes valuation model. Upon the exercise of the stock options, consideration paid by employees or directors together with the amount previously recognized in contributed surplus is recorded as an increase to equity instruments.
- (k) Use of estimates  
The amounts recorded for stock-based compensation and carrying values for marketable securities and long-term investments are based on estimates. The Black-Scholes model is based on estimates of assumptions for expected volatility, dividends, life and risk-free interest rates. The fair value of marketable securities and long-term investments is based on assumptions of possible effects of price fluctuations, market liquidity and future business plans and cash flows. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future years could be significant.
- (l) Project identification costs (recoveries)  
The Company incurs and has recovered expenses related to the set up and financing of certain projects.
- (m) Investment Accounting  
The CICA issued AcG-18 Accounting Guideline for investment companies effective for fiscal years beginning on or after July 1, 2004. This guideline provides guidance for the measurement by an investment company of its investment, the determination of whether an entity is an investment company and when a parent company of an investment company should account for its investments in a manner consistent with the accounting by an investment company. The Company has determined that it should account for its investments in a wholly owned subsidiary under this guideline.

December 31, 2007 and 2006

---

**2. Summary of Significant Accounting Policies - continued**

---

Accordingly, the Company has accounted for the investments of its wholly owned investment company subsidiary at fair value based on quoted bid and ask prices.

Any realized or unrealized gains or losses on the underlying assets of the investment company are presented as realized or unrealized gains or losses on long-term investment in the Company's consolidated financial statements.

---

**3. Changes in Accounting Policies**

---

Financial Instruments

Effective January 1, 2007, the Company adopted three new accounting standards that were issued by the Canadian Institute of Chartered Accountants (the "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 years.

*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 year 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 years 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.

**December 31, 2007 and 2006**

**3. Changes in Accounting Policies - continued**

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 the Company 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 a \$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.

The following table illustrates the impact of adopting these sections:

	<b>December 31, 2006</b>	<b>Reclassification</b>	<b>Transition Adjustment</b>	<b>January 1, 2007</b>
<b>Assets</b>				
Marketable Securities	\$ 465,353	\$765,395	\$ 874,092	\$ 2,104,840
Long-Term Investments	2,415,579	(765,395)	(51,010)	1,599,174
<b>Liabilities &amp; Equity</b>				
Warrant Liability	-	-	160,122	160,122
Debentures	250,000	-	(470)	249,530
Deficit	(8,319,698)	-	663,430	(7,656,268)

**ASTON HILL FINANCIAL INC.**  
**Notes to the Consolidated Financial Statements**

**December 31, 2007 and 2006**

**3. Changes in Accounting Policies - continued**

*Recent Accounting Pronouncements*

On December 1, 2006, the CICA issued three new accounting standards: Section 1535, "Capital Disclosures", Section 3862, "Financial Instruments – Disclosures", and Section 3863, "Financial Instruments – Presentation". These new standards will be effective on January 1, 2008.

Section 1535 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.

Sections 3862 and 3863 specify a revised and enhanced disclosure on financial instruments. These sections require the Company to increase disclosure on the nature and extent of risks arising from financial instruments and how the entity manages those risks. These sections are expected to have minimal impact on the Company's financial statements.

**4. Marketable Securities**

	<b>December 31, 2007</b>	December 31, 2006
211,500 Catapult Energy Limited Partnership I units (2006 – nil) <sup>(1)</sup>	<b>\$ 852,345</b>	\$ -
200,000 (2006 – 270,000) Common shares of ExAlta Energy Inc. (Subsequent to year end became Galleon Energy Inc. on a share exchange)	<b>350,000</b>	287,897
25,000 (2006 – 25,000) Common Shares of Sonomax Hearing Healthcare Inc. <sup>(2)</sup>	<b>8,125</b>	5,652
1,484,000 (2006 - 269,088) Common shares of Eagle Rock Exploration Ltd. <sup>(3)</sup>	<b>385,840</b>	171,804
	<b><u>\$ 1,596,310</u></b>	<b><u>\$ 465,353</u></b>

<sup>(1)</sup> On December 31, 2007, the Company reclassified 211,500 Catapult Energy Limited Partnership I units from long-term investments to marketable securities. Subsequent to year end, on March 31, 2008 the net assets of Catapult Energy Limited Partnership I were distributed to unitholders and the Company received \$1,007,586 as a result.

<sup>(2)</sup> On April 1, 2006, the Company received 525,000 shares of Sonomax Hearing Healthcare Inc. for redemption of the Sonomax convertible promissory note (500,000 shares) and as payment of accrued interest (25,000 shares).

<sup>(3)</sup> On January 1, 2007, the Company reclassified 1,214,912 shares of Eagle Rock Exploration Ltd. from long-term investments to marketable securities upon adoption of CICA Handbook Section 3855 (See Notes 3 and 5).

**ASTON HILL FINANCIAL INC.**  
**Notes to the Consolidated Financial Statements**

**December 31, 2007 and 2006**

**5. Long-Term Investments**

	<b>December 31, 2007</b>	December 31, 2006
Common shares of Eagle Rock Exploration Ltd. (2006 – 1,214,912 Common shares with quoted market value of \$789,693) <sup>(1)</sup>	\$ -	\$ 765,395
Catapult Energy Limited Partnership I units (2006 – 200,000 units) <sup>(2)</sup>	-	1,450,000
27,500 units Wisevest Income Fund <sup>(3)</sup>	<b>216,914</b>	200,184
2.42% interest in Sword Energy Inc. <sup>(4)</sup>	<b>6,927,878</b>	-
	<b>\$ 7,144,792</b>	<b>\$2,415,579</b>

<sup>(1)</sup> During the second quarter of 2006, the Board of Directors unanimously approved the sale of all the issued and outstanding shares of Sword Management Inc. to Sword Energy Limited ("SEL") in exchange for the issuance of 1,150,000 common shares of SEL resulting in a \$1,125,000 gain on sale of subsidiary. Sword Management Inc., a wholly owned subsidiary of the Company, managed the oil and gas properties owned by SEL. This transaction was approved by the shareholders of SEL on May 31, 2006. At June 30, 2006, the Company estimated the value of the SEL shares at \$1.00 per share resulting in an impairment in long-term investment of \$50,000.

On September 15, 2006 the Company sold its interest in Sword Energy Ltd. to Eagle Rock Exploration Ltd. ("Eagle Rock") for 1,600,000 Common shares of Eagle Rock. At the time of the transaction Eagle Rock was trading at \$0.63 per share resulting in a \$592,000 loss on sale of investment. As a condition of the sale, Sword Energy Ltd. ("SEL") warrants were cancelled and the Company granted 1,214,912 warrants in Common shares of Eagle Rock held by the Company to former SEL shareholders. Each warrant entitles the holder to purchase, from the Company, one (1) Common share of Eagle Rock at a price of \$2.00 per share on or before December 31, 2007. The Eagle Rock Common shares subject to warrant provisions are to be held in escrow until December 31, 2007 and have therefore been classified as long-term investments. The warrants have an estimated aggregate fair market value of \$115,000 as at December 31, 2006 based on Black-Scholes model. On January 1, 2007, the Company reclassified 1,214,912 shares of Eagle Rock Exploration Ltd. from long-term investments to marketable securities upon adoption of CICA Handbook Section 3855 (See Notes 3 and 4).

<sup>(2)</sup> The Company invested \$71,875 in Catapult Energy Limited Partnership I (11,500 units) during 2007 and at December 31, 2007 reclassified this investment from long-term investments to marketable securities.

<sup>(3)</sup>Investment in Wisevest Income Fund:

	<u>Units</u>	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Jazz Air Income Fund	6,800	\$ 51,816	\$ -
NAL Oil and Gas Trust	4,200	48,510	-
Progress Energy Trust	4,500	48,690	-
Canetic Resources Trust	2,833	-	46,575
Bonavista Energy Trust	1,800	-	50,670
Crescent Point Energy Trust	2,750	67,898	48,400
Transalta Power LP	7,300	-	54,531
Cash on account		-	8
		<u>\$ 216,914</u>	<u>\$ 200,184</u>

<sup>(4)</sup> On June 26, 2007, the Company invested \$1,800,000 in Sword Energy Inc. ("Sword"). 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. The Company's initial interest in Sword was 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.

<sup>(5)</sup> At December 31, 2006, the Company performed impairment tests on all of its long-term investments. The result of the tests was that the carrying amount of the Company's investment in Parson's Pond has been reduced to \$Nil and the Company's investment in Catapult Energy Limited Partnership I was reduced to \$1,450,000 representing the closing price on the Toronto Stock Exchange.

**ASTON HILL FINANCIAL INC.**  
**Notes to the Consolidated Financial Statements**

**December 31, 2007 and 2006**

**6. Property and Equipment**

	December 31, 2007			December 31, 2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer	\$ 195,655	\$ 133,541	\$ 62,114	\$ 170,729	\$ 103,186	\$ 67,543
Leasehold	401,888	98,589	303,299	91,100	91,100	-
Furniture & Fixtures	98,488	44,325	54,163	37,699	30,783	6,916
Office Equipment	61,692	41,035	20,657	52,583	35,871	16,712
Artwork	20,267	-	20,267	15,277	-	15,277
<b>Net book value</b>	<b>\$ 777,990</b>	<b>\$ 317,490</b>	<b>\$ 460,500</b>	<b>\$ 367,388</b>	<b>\$ 260,940</b>	<b>\$ 106,448</b>

**7. Warrant Liability**

On September 15, 2006 the Company sold its interest in Sword Energy Limited ("SEL"; a subsidiary until that time) to Eagle Rock for 1,600,000 Common shares of Eagle Rock. As a condition of the sale, SEL warrants were cancelled and the Company granted 1,214,912 warrants in Common shares of Eagle Rock to former SEL shareholders. Each warrant entitles the holder to purchase, from the Company, one Common share of Eagle Rock at a price of \$2.00 per share on or before December 31, 2007. Upon adoption of CICA Handbook Section 3855, the Company recorded the fair value of these warrants of \$160,122 with the offset to opening deficit (see Note 3). During the year ended December 31, 2007, the change in fair value of the warrants resulted in an income inclusion of \$160,122. As at December 31, 2007, the fair value of the warrant liability was \$Nil.

**8. Debentures**

In May 2004, the Company's wholly owned subsidiary, Juno Canada Holdings Ltd. ("Juno"), issued debentures for \$250,000 cash. Of this amount, \$100,000 was unsecured and bore interest at 13.5% per annum, payable quarterly commencing September 30, 2004. The remaining \$150,000 debenture was collateralized by Juno's investments in the Wisevest Income Fund units (Note 5) and bore interest at 7% per annum, payable quarterly commencing September 30, 2004. Both debentures were to mature May 11, 2012.

On April 20, 2005, Juno amended and consolidated the above debentures to provide a \$250,000 debenture (fully collateralized by the Wisevest Income Fund units) bearing interest at 8.4% per annum and maturing May 11, 2012.

Pursuant to CICA Handbook Section 3855 and as of January 1, 2007, the Company accounts for the debentures at amortized cost using the effective interest rate method. At January 1, 2007 the fair value of the debenture was determined to be \$249,530. The difference between the face value of \$250,000 and the fair value determined at January 1, 2007 is amortized to interest on debenture expense, using the effective interest rate method. The effective interest rate of the debentures is 8.45%. As at December 31, 2007, the fair value of the debentures was \$249,616.

**9. Bank Loan**

The Company entered into a demand revolving loan agreement on June 26, 2007 with a Canadian bank in order to finance its participation in Sword (see Note 5). The loan has a borrowing limit of \$1,800,000 and accrues interest at prime interest rates. The Company is required to maintain debt to tangible net worth and cash flow coverage ratios of 1.00:1.00 and 1.25:1.00, respectively. As at December 31, 2007 the Company was in compliance with the covenants of its bank loan.

Subsequent to year end, the Company borrowed a further \$800,000 from the same Canadian bank in order to maintain its 2.42% interest in Sword (see Note 5). The \$2,600,000 total loan subsequent to year end is to be paid in full by August 31, 2008.

**ASTON HILL FINANCIAL INC.**  
**Notes to the Consolidated Financial Statements**

**December 31, 2007 and 2006**

**10. Equity Instruments**

(a) Authorized  
 Unlimited number of Common voting shares

(b) Issued  
**Common shares**

	December 31, 2007		December 31, 2006	
	Number of Shares	Amount	Number of Shares	Amount
<b>Balance, beginning of year</b>	<b>50,962,792</b>	<b>\$ 13,177,477</b>	44,062,792	\$ 11,854,170
Issued for cash (Note 12)	-	-	6,600,000	1,188,000
Stock options exercised – cash portion (Note 10 (c))	<b>200,000</b>	<b>56,000</b>	300,000	84,000
Stock options exercised – fair value portion	-	<b>24,936</b>	-	51,307
<b>Balance, end of year</b>	<b>51,162,792</b>	<b>\$ 13,258,413</b>	50,962,792	\$ 13,177,477

**Warrants**

	December 31, 2007		December 31, 2006	
	Number of Warrants	Amount	Number of Warrants	Amount
<b>Balance, beginning of year</b>	-	\$ -	1,000,000	\$ 112,931
Issued	-	-	-	-
Expired, unexercised	-	-	(1,000,000)	(112,931)
<b>Balance, end of year</b>	-	-	-	-
<b>Total equity instruments</b>	<b>51,162,792</b>	<b>\$ 13,258,413</b>	50,962,792	\$ 13,177,477

In 2005 the Company completed a non-brokered private placement of 5,000,000 units at a price of \$0.40 per unit, for total proceeds of \$2,000,000. Each unit consists of one Common share and one-fifth of one Common share purchase warrant. Each full purchase warrant entitled the holder to purchase one Common share of the Company at a price of \$0.60 per share. The purchase warrants were exercisable until March 2006 and expired unexercised. The Company paid a total of \$10,000 in filing fees to the TSX Venture Exchange in connection with this private placement.

For accounting purposes, the Company estimated and allocated a total fair value of \$112,931 to the warrants using the Black Scholes option pricing model with the following weighted average assumptions:

Risk free interest rate	2.97%
Expected life of warrants	1 year
Expected dividend	Nil
Expected share price volatility	103.79%

**ASTON HILL FINANCIAL INC.**  
**Notes to the Consolidated Financial Statements**

**December 31, 2007 and 2006**

**10. Equity Instruments – continued**

(b) Issued - continued

In March 2006 upon expiration of the warrants, \$112,931 was reclassified from share capital to contributed surplus.

On December 7, 2006, the Company completed a non-brokered private placement of 6,600,000 Common shares for gross proceeds of \$1,188,000. Directors, officers and employees of the Corporation subscribed for 1,400,000 shares of the total 6,600,000 shares in the private placement.

(c) Options

The Company has a stock option plan for employees, directors, officers and consultants. Stock options can be issued up to a maximum number of Common shares equal to 10% of the issued and outstanding Common shares of the Company. The exercise price and vesting year of options granted is not less than the market price of the Common shares traded and is determined by the Board of Directors. Options granted have a term of up to 5 years.

The Company has granted stock options to employees, directors, officers and consultants of the Company as follows:

	Number of Options	Option Prices per Share \$	Weighted Average Exercise Price \$	Weighted Average Remaining Term	Number of Options Currently Exercisable	Weighted Average Exercise Price of Options Currently Exercisable \$
Options outstanding December 31, 2005	3,300,000		\$0.31	3.8 years	1,533,334	\$0.33
Options granted January 17, 2006	300,000	\$0.38	\$0.38	4.0 years	200,000	\$0.38
Options granted, September 22, 2006	850,000	\$0.30	\$0.30	4.8 years	-	-
Options granted, December 8, 2006	600,000	\$0.26	\$0.26	4.9 years	-	-
Options vested	-	\$0.28	\$0.28	2.7 years	1,116,666	\$0.28
Options exercised	(300,000)	\$0.28	\$0.28	-	(300,000)	\$0.28
Options forfeited	(1,050,000)	\$0.28	\$0.28	-	(850,000)	\$0.28
Options outstanding, December 31, 2006	3,700,000		\$0.31	3.8 years	1,700,000	\$0.33
Options granted April 30, 2007	770,000	\$0.37	\$0.37	4.3 years	-	-
Options vested	-	\$0.38	\$0.38	3.0 years	33,333	\$0.38
Options exercised	(200,000)	\$0.28	\$0.28	-	(200,000)	\$0.28
Options forfeited	(100,000)	\$0.28	\$0.28	-	(100,000)	\$0.28
Options vested	-	\$0.28	-	1.7 years	383,333	\$0.28
Options vested	-	\$0.30	-	3.8 years	283,333	\$0.30
Options vested	-	\$0.32	-	3.0 years	33,333	\$0.32
Options vested	-	\$0.26	-	4.0 years	200,000	\$0.26
Options outstanding, December 31, 2007	4,170,000		\$0.33	3.1 years	2,333,332	\$0.32

The weighted average contractual life of exercisable options at December 31, 2007 is 2.4 years (2006 – 2.9 years).

**ASTON HILL FINANCIAL INC.**  
**Notes to the Consolidated Financial Statements**

**December 31, 2007 and 2006**

**10. Equity Instruments – continued**

(c) Options - continued

On April 30, 2007, the Company granted 770,000 options to employees and directors. The options have an exercise price of \$0.37 per share, vest over three years and expire on April 30, 2012. During the year ended December 31, 2007, 200,000 options with an exercise price of \$0.28 per share were exercised by a former employee of the Company. Subsequent to year end, on April 9, 2008, a director exercised 100,000 options with an exercise price of \$0.28 per share.

During 2006, the Company granted a total of 1,750,000 options to employees and directors which vest over a three year period. During the year 200,000 of these options were vested pursuant to the terms of a resignation arrangement with a former employee and expire on November 30, 2008 if not exercised.

The fair values of options issued on:

- January 17, 2006 were \$0.23 per option for 300,000 options issued (200,000 vested per arrangement terms);
- September 22, 2006 were \$0.20 per option for 850,000 options issued;
- December 8, 2006 were \$0.18 per option for 600,000 options issued; and
- April 30, 2007 were \$0.27 per option for 770,000 options issued.

On February 1, 2006 a major shareholder of the Company granted to several employees and directors 3,800,000 options to purchase shares in the Company held by the major shareholder. The options have exercise prices ranging from \$0.28 per share to \$0.60 per share, vest over three years and have a remaining life of 3.8 years. 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 have been restated to reflect this accounting treatment resulting in \$122,210 and \$203,684 charges to the prior reported interim three and six month periods ended June 30, 2006, respectively. On May 1, 2007, 1,000,000 options were granted by a major shareholder to an employee to purchase shares held by the major shareholder at an exercise price of \$0.25 per share. The options vest to the employee one-half on June 1, 2007 and one-half on February 1, 2008 and expire on May 1, 2011.

Total stock compensation expense for the year ended December 31, 2007 of \$480,000 (2006 - \$472,986) was recorded in the statements of operations and deficit and credited to contributed surplus for options that were granted in 2004, 2005, 2006 and 2007 using the Black-Scholes option pricing model with the following weighted average assumptions:

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Risk free interest rate	<b>2.83%</b>	2.78-3.13%	2.68-2.78%	3.03%
Expected life of options	<b>4 year</b>	4 year	4 year	4 year
Expected dividend	<b>Nil</b>	Nil	Nil	Nil
Expected share price volatility	<b>91%</b>	82-91%	82-84%	70%

**11. Contributed Surplus**

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Balance, beginning of year	\$ 995,463	\$ 460,853
Stock compensation	480,000	472,986
Stock options exercised -fair value portion	(24,936)	(51,307)
Warrants expired unexercised	-	112,931
Balance, end of year	<u>\$ 1,450,527</u>	<u>\$ 995,463</u>

**December 31, 2007 and 2006**

---

**12. Related Party Transactions**

---

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

- a) 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.
- b) 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.
- c) 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.
- d) 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.
- e) The 5,000,000 units (stated in Note 10(b)) were subscribed for by a director of the Company.
- f) 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.
- g) 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.
- h) 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.
- i) 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.

**December 31, 2007 and 2006**

---

### **13. Financial Instruments**

---

(a) Fair Value of Financial Instruments

As a result of the adoption of the new financial instrument accounting standards described in Note 3, certain financial instruments are now measured and reported on the consolidated balance sheet at fair value which were previously reported at cost, amortized cost or lower of cost or market.

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted bid or ask prices, as appropriate, in the most advantageous active market for that instrument to which the Company has immediate access. Where bid and ask prices are unavailable, the Company uses the closing price of the most recent transaction for that instrument. In the absence of an active market, fair value is determined based on prevailing market rates for instruments with similar characteristics or internal and external valuation models, such as option pricing models and discounted cash flow analysis, that use observable market based inputs and assumptions.

(b) Carrying Value and Fair Value of Financial Instruments

i. Cash and cash equivalents

Cash and cash equivalents are classified as held-for-trading and are reported at fair value.

ii. Marketable securities

Marketable securities are classified as held-for-trading and are reported at fair value. As at December 31, 2007, the Company reported investments in marketable securities of publicly traded securities at a fair value of \$1,596,310 (2006 - \$465,353).

iii. Accounts receivable

Accounts receivable are classified as loans and receivables and are reported at amortized cost. At December 31, 2007 the carrying value of accounts receivable approximated their fair value.

iv. Long-term investments

Parson's Pond has been classified as available-for-sale. The fair value of Parson's Pond as at December 31, 2007 is \$Nil (2006 - \$Nil).

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. The fair value of Wisevest Income Fund as at December 31, 2007 is \$216,914 (2006 - \$200,184).

Sword Energy Inc. is a 2.42% investment in a private oil and gas production entity and is classified as held-for-trading. The fair value of the Company's interest in Sword as at December 31, 2007 is \$6,927,878.

v. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are classified as other liabilities and are reported at amortized cost. At December 31, 2007, the carrying value of accounts payable and accrued liabilities approximated their fair value.

**ASTON HILL FINANCIAL INC.**  
**Notes to the Consolidated Financial Statements**

**December 31, 2007 and 2006**

**13. Financial Instruments - continued**

vi. 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 with changes in fair value being recognized in income as change in fair value of warrant liability. As at December 31, 2007, the fair value of the warrant liability reported on the consolidated balance sheet was \$Nil.

vii. Debentures

The Juno debentures with face value of \$250,000 and 8.4% coupon are classified as other liabilities and are reported at amortized cost. At December 31, 2007, the amortized cost of the debentures was \$249,616.

viii. Bank Loan

The bank loan is classified as other liabilities and is reported at amortized cost. At December 31, 2007, the carrying amount of the bank loan approximated its fair value.

**14. Income Taxes**

- (a) The income tax provision on the statements of operations and deficit differs from the expected income tax provision as follows:

	<u>2007</u>	<u>2006</u>
Expected (expense) recovery at an effective rate of 32.12% (2006 – 32.49%)	\$ <b>280,000</b>	\$ (480,000)
Add (deduct) effects of:		
Stock based compensation	<b>154,000</b>	154,000
Non-taxable gain on sale of marketable securities	<b>(4,000)</b>	(192,000)
Effect of change in future tax rate	<b>278,000</b>	247,000
Change in valuation allowance	<b>(767,000)</b>	200,000
Non-capital losses expiring unclaimed	<b>75,000</b>	21,000
Other permanent differences	<b>(16,000)</b>	50,000
	<u>\$ -</u>	<u>\$ -</u>

- (b) At December 31, 2007, the Company had approximately \$7,681,000 (2006 - \$6,414,000) of non-capital loss carryover balances. In addition, the Company has capital cost pools and share issue costs of \$680,000 (2006 - \$277,000) to deduct against future taxable income. No future tax asset has been recorded for these available losses and tax pools, that are subject to assessment of tax authorities, as their ultimate utilization is not considered more likely than not. All balances are subject to verification by Canada Revenue Agency.

The non-capital losses of the Company and its subsidiaries expire according to the following schedule:

2008	78,000
2009	940,000
2010	1,368,000
2014	1,412,000
2015	998,000
2026	1,457,000
2027	<u>1,428,000</u>
	<u>7,681,000</u>

---

**ASTON HILL FINANCIAL INC.**  
**Notes to the Consolidated Financial Statements**

**December 31, 2007 and 2006**

---

**14. Income Taxes - continued**

---

- (c) The components of the Company's future income tax asset are a result of the origination and reversal of temporary differences and are comprised of the following:

<b>Nature of temporary differences</b>	<b>2007</b>	<b>2006</b>
Property and equipment	\$ 54,000	\$ 48,000
Share issue costs	1,000	2,000
Long-term investments and marketable securities	(419,000)	46,000
Unused tax losses carry forward	1,920,000	1,860,000
	<u>1,556,000</u>	<u>1,956,000</u>
Valuation allowance	(1,556,000)	(1,956,000)
<b>Future income tax asset (liability)</b>	<u>\$ -</u>	<u>\$ -</u>

---

**15. Commitments**

---

The Company is committed to leased office premises with future base rent payments as follows:

2008	\$ 209,544
2009	\$ 211,147
2010	\$ 212,739
2011	\$ 214,332
2012	\$ 156,067
Thereafter	\$ 187,519
	<u>\$1,191,348</u>

The Company is also required to pay their proportionate share of operating and property tax costs for the premises.

---

**16. Comparative Figures**

---

Certain comparative figures have been reclassified to conform to the current year's presentation.