

**Aston Hill Financial Inc.**

**Consolidated Financial Statements  
For the year ended December 31, 2009 and  
2008**

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April 7, 2010

## **Auditors' Report**

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

We have audited the consolidated balance sheets of Aston Hill Financial Inc. (the "Company") as at December 31, 2009 and December 31, 2008 and the consolidated statements of operations and comprehensive income (loss), 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 audit.

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, 2009 and December 31, 2008 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 Accountant**


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

<b>As at December 31,</b>	<b>2009</b>	<b>2008</b>
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 1,292,811	\$ 681,395
Marketable securities (Notes 4 and 10)	97,640	323,856
Accounts receivable (Note 10)	963,475	559,174
Prepaid expenses	71,115	22,784
Notes receivable (Note 10)	709,809	1,064,031
Current portion of future income tax asset (Note 12)	241,000	-
	<u>3,375,850</u>	<u>2,651,240</u>
<b>Prepaid deposits</b>	21,298	21,298
<b>Long-term investments (Notes 5 and 10)</b>	10,197,491	8,842,908
<b>Intangible assets</b>	84,469	84,469
<b>Property and equipment (Note 6)</b>	273,937	356,071
<b>Non-current portion of future income tax asset (Note 12)</b>	723,000	-
	<u>\$ 14,676,045</u>	<u>\$ 11,955,986</u>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 128,606	\$ 430,144
	<u>128,606</u>	<u>430,144</u>
<b>Debentures (Note 7)</b>	<u>249,881</u>	<u>249,773</u>
	<u>378,487</u>	<u>679,917</u>
<b>Shareholders' equity</b>		
Equity Instruments (Notes 8 and 10)	18,195,532	16,649,369
Contributed surplus (Note 9)	1,979,808	1,746,178
Deficit	(5,877,782)	(7,119,478)
	<u>14,297,558</u>	<u>11,276,069</u>
	<u>\$ 14,676,045</u>	<u>\$ 11,955,986</u>

Commitments and Contingencies (Note 14)

Approved on behalf of the Board:

  
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Andre Bineau, Director

  
\_\_\_\_\_  
Jean-Guy Lambert, Director

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

<b>For the years ended December 31</b>	<b>2009</b>	<b>2008</b>
<b>Income</b>		
Management fees (Notes 5 and 10)	\$ 3,697,993	\$ 3,027,194
Acquisition fee (Notes 5 and 10)	-	1,000,000
Interest and dividend income	82,589	76,519
Royalty and oil and gas property investment income	63,079	154,965
	<u>3,843,661</u>	<u>4,258,678</u>
<b>Expenses</b>		
General, administrative and other (Note 10 (f))	3,543,762	3,573,043
Interest expense	1,020	49,257
Stock compensation (Note 8(c))	335,000	330,000
Amortization of property and equipment	83,601	95,400
Interest on debenture (Note 7)	21,108	21,157
Dealer commissions	7,357	7,003
	<u>3,991,848</u>	<u>4,075,860</u>
<b>Income (loss) from operations before investing activities</b>	<u>(148,187)</u>	<u>182,818</u>
Loss on sale of marketable securities	(55,313)	(839,106)
Change in fair value of marketable securities	144,612	979,616
Change in fair value of investment securities held in Wisevest Income Fund (Note 5)	88,954	(38,531)
Realized loss on Wisevest Income Fund (Note 5)	-	(13,271)
Change in fair value of long-term investments (Note 5)	237,630	(607,086)
Gain on sale of long-term investment	10,000	-
<b>Income (loss) from investing activities</b>	<u>425,883</u>	<u>(518,378)</u>
<b>Net income (loss) and comprehensive income (loss) before tax for the year</b>	<u>\$ 277,696</u>	<u>\$ (335,560)</u>
<b>Future income tax recovery (expense) (Note 12)</b>	<u>964,000</u>	<u>-</u>
<b>Net income (loss) and comprehensive income (loss) after tax for the year</b>	<u>\$ 1,241,696</u>	<u>\$ (335,560)</u>
<b>Weighted average number of shares –</b>		
basic	61,420,152	55,749,151
diluted	61,420,152	56,056,825
<b>Income (loss) per share –</b>		
basic and diluted	<u>\$ 0.020</u>	<u>\$ (0.006)</u>

**Consolidated Statements of Deficit**

<b>For the years ended December 31</b>	<b>2009</b>	<b>2008</b>
<b>Deficit, beginning of year</b>	\$ (7,119,478)	\$ (6,783,918)
<b>Net income (loss) for the year</b>	<u>1,241,696</u>	<u>(335,560)</u>
<b>Deficit, end of year</b>	<u>\$ (5,877,782)</u>	<u>\$ (7,119,478)</u>

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

<b>For the years ended December 31</b>	<b>2009</b>	<b>2008</b>
<b>Cash flows from operating activities</b>		
Net income (loss) and comprehensive income (loss) after tax for the year	\$ 1,241,696	\$ (335,560)
Adjustments for:		
Amortization of property and equipment	83,601	95,400
Amortization of debenture discount (Note 7)	108	157
Stock compensation	335,000	330,000
Change in fair value of marketable securities	(144,612)	(979,616)
Change in fair value of investment securities held in Wisevest Income Fund (Note 5)	(88,954)	38,531
Realized loss on securities held in Wisevest Income Fund	-	13,271
Change in unrealized gains and losses of long-term investments (Note 5)	(237,630)	607,086
Non-cash management fees (Notes 5 and 11)	-	(489,269)
Loss on sale of marketable securities	55,313	839,106
Change in fair value of intangible assets	-	(84,469)
Gain on sale of long-term investment	(10,000)	-
Future income tax (recovery) expense	(964,000)	-
	<u>270,522</u>	<u>34,637</u>
Changes in non-cash working capital items		
Accounts receivable	(404,301)	283,350
Prepaid expenses	(48,331)	48,878
Accounts payable and accrued liabilities	(301,538)	(362,593)
Notes receivable	354,222	(1,064,031)
	<u>(129,426)</u>	<u>(1,059,759)</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(1,465)	(30,785)
Proceeds from sale of marketable securities	348,757	1,730,606
Leasehold improvements	-	39,814
Acquisition of long-term investments (Note 5)	(1,028,000)	(1,868,186)
Purchase of marketable securities	(33,242)	(317,642)
Sale of Wisevest portfolio investments	-	39,996
Acquisition of Wisevest portfolio investments	-	(39,545)
Sale of long-term investments	10,000	-
	<u>(703,950)</u>	<u>(445,742)</u>
<b>Cash flows from financing activities</b>		
Proceeds of private placement of common shares	1,540,815	3,309,080
Bank loan (repayment) borrowings	-	(1,800,000)
Proceeds from exercise of stock options	185,920	63,000
Share issue costs	(281,943)	(15,473)
	<u>1,444,792</u>	<u>1,556,607</u>
<b>Increase in cash and cash equivalents</b>	<b>611,416</b>	<b>51,106</b>
Cash and cash equivalents, beginning of year	<u>681,395</u>	<u>630,289</u>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,292,811</b>	<b>\$ 681,395</b>
<b>Supplementary Information</b>		
Cash paid for interest	\$ 22,021	\$ 65,007

**December 31, 2009 and 2008**

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**1. Nature of Operations**

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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, 2008, the Company incorporated a new wholly owned subsidiary, Catapult Management 2008 Inc.

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**2. Summary of Significant Accounting Policies**

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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. Cash and cash equivalents include restricted cash of \$nil (2008 - \$34,093) held in escrow for Catapult Energy Small Cap FTS Limited Partnership and Catapult Energy Small Cap 2007 FTS Limited Partnership.

(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 and are recorded at fair value.

(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, held for trading, or at amortized cost (investments under CICA 3051 - see Note 5). 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 with its securities held recorded as part of long-term investments.

Long-term investments also include oil and gas properties owned jointly with third parties. These investments are valued at amortized cost as the Company is not able to exercise any influence over the properties.

(e) Property and equipment

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

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

**December 31, 2009 and 2008**

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

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(f) Revenue

Management 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. The acquisition fee is based on the purchase price paid by the investor and is recognized on an accrual basis on the date the transaction closes. Interest income is earned on an accrual basis on available cash and cash equivalents balances. Dividend income is recognized when a dividend is declared and collection is reasonably assured. Royalty and oil and gas property investment income is recognized on an accrual basis and represents the Company's share of net operating income from a joint venture on a natural gas property.

(f) Financial instruments

The Company carries a number of financial instruments including cash and cash equivalents, marketable securities, accounts receivable, notes receivable, long-term investments, accounts payable and accrued liabilities, and debentures.

(g) Income (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.

(h) 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.

(i) Stock-based compensation plan

The Company has a stock-based compensation plan, which is described in Note 8(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.

(j) Use of estimates

The amounts recorded for stock-based compensation, warrants, 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.

(k) Intangible assets

Intangible assets consist of costs from the development phase of a mutual fund developed for the sole purpose of rolling in flow-through funds managed by subsidiaries of the Company needing liquidity alternatives. These assets are not subject to amortization, but will be tested for impairment annually.

**December 31, 2009 and 2008**

**3. Changes in Accounting Policies**

Financial Instruments

On January 1, 2009, the Company adopted CICA Handbook Section 3862, Financial Instruments – Disclosures which was amended to require additional disclosures about the inputs to fair value measurements, specifically the classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable data.

See Note 11 for further financial instrument fair value hierarchy information.

Future Accounting Changes

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 or by January 1, 2011. The Company will need to begin reporting under IFRS for the fiscal year beginning on January 1, 2011, including comparative figures for the prior year. The Company will adopt all of the International Financial Reporting Standards in accordance with the AcSB’s plan.

The Company has established a project team, which has evaluated the key areas that will be impacted by the transition to IFRSs. As Canadian generally accepted accounting principles are similar to IFRS, we expect there will be no differences that would significantly impact the Company’s financial results. The Company completed a high-level diagnostic that identified the major differences between Canadian GAAP and IFRS and prioritized the IFRS requirements based on the financial statement impact, level of complexity, and level of implementation effort.

IFRS 1, “First-Time Adoption of International Financial Reporting Standards”, provides entities that are adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirements for full retrospective application of IFRS. From a detailed assessment of IFRS 1, the Company will not be electing to adopt any of the optional exemptions.

The Company continues to monitor the development of standards and regulations issued by the IASB and the Canadian Securities Administrators that may affect the timing, nature, or disclosure of its adoption of IFRS. As at December 31, 2009, the Company has not quantified the financial reporting impact of the differences between Canadian GAAP and IFRS on its operations.

**4. Marketable Securities**

	<b>December 31, 2009</b>	December 31, 2008
4,000 (2008 – nil) Common shares of NAL Oil & Gas Trust	<b>\$ 54,640</b>	\$ -
10,000 Common shares of Wild Stream Exploration Inc. (formerly Eagle Rock Exploration Ltd., 2008 – 575,000 common shares)	<b>43,000</b>	63,250
Nil (2008 – 2,000) Common shares of Enerplus Resources Fund	-	47,720
Nil (2008 – 88,000) Common shares of Mavrix Fund Management Inc.	-	17,600
Short-term bond investment	-	195,286
	<b>\$ 97,640</b>	<b>\$ 323,856</b>

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

**December 31, 2009 and 2008**

**5. Long-Term Investments**

	<b>December 31, 2009</b>	December 31, 2008
27,500 units Wisevest Income Fund <sup>(1)</sup>	<b>253,614</b>	164,660
2.57% interest in Sword Energy Inc. <sup>(2)</sup>	<b>9,890,691</b>	8,625,062
Wilson Creek – joint venture <sup>(3)</sup>	<b>53,186</b>	53,186
	<b>\$ 10,197,491</b>	\$ 8,842,908

<sup>(1)</sup> Investment in Wisevest Income Fund:

	<u>Units</u>	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Jazz Air Income Fund	6,800	\$ 29,852	\$ 21,828
NAL Oil and Gas Trust	4,200	57,372	32,970
Bonavista Energy Trust	2,600	57,902	43,862
Crescent Point Energy Trust	2,750	<u>108,488</u>	<u>66,000</u>
		<b>\$ 253,614</b>	<b>\$ 164,660</b>

<sup>(2)</sup> 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.

During the 2008 year, the Company invested cash of \$1,815,000 and borrowed \$800,000 (which was fully repaid within 2008) to maintain its 2.42% interest in Sword. In addition to cash received for providing management services, the Company received an increase in its interest in Sword (equivalent to a 0.15% interest, resulting in the interest of Sword as at December 31, 2008 of 2.57%) valued at \$489,269 and recorded as management fees with an offset to long-term investments.

During the 2009 year, the Company invested additional cash of \$1,028,000 to maintain its 2.57% interest in Sword.

<sup>(3)</sup> Wilson Creek – joint venture represents the Company's interest in a natural gas property purchased on August 8, 1995. The investment is accounted for at cost, which includes the costs of developing the property in 2008. Prior to development, the property was carried at a cost of \$nil in the financial statements. An impairment test was performed at December 31, 2009 and no impairment was recognized.

**6. Property and Equipment**

	<b>December 31, 2009</b>			December 31, 2008		
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	Cost	Accumulated Amortization	Net Book Value
Computer Leasehold improvements	<b>\$ 220,002</b>	<b>\$ 178,019</b>	<b>\$ 41,983</b>	\$ 218,537	\$ 160,027	\$ 58,510
Furniture & Fixtures	<b>362,074</b>	<b>203,285</b>	<b>158,789</b>	362,074	150,937	211,137
Office Equipment	<b>103,218</b>	<b>65,571</b>	<b>37,647</b>	103,218	56,125	47,093
Artwork	<b>64,865</b>	<b>49,614</b>	<b>15,251</b>	64,865	45,801	19,064
	<b>20,267</b>	<b>-</b>	<b>20,267</b>	20,267	-	20,267
	<b>\$ 770,426</b>	<b>\$ 496,489</b>	<b>\$ 273,937</b>	\$ 768,961	\$ 412,890	\$ 356,071

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

**December 31, 2009 and 2008**

**7. Debentures**

The Company's wholly owned subsidiary, Juno Canada Holdings Ltd. ("Juno"), has a \$250,000 debenture (fully collateralized by the Wisevest Income Fund units) bearing interest at 8.4% per annum and maturing May 11, 2012. The Company accounts for the debenture at amortized cost using the effective interest rate method. The difference between the face value of the \$250,000 and the value determined is amortized to interest on debenture expense. The effective interest rate of the debenture is 8.45%. As at December 31, 2009, the fair value of the debentures was \$249,881 (2008 - \$249,773).

**8. Equity Instruments**

(a) Authorized  
 Unlimited number of Common voting shares

(b) Issued

**Common shares**

	December 31, 2009		December 31, 2008	
	Number	Amount	Number	Amount
<b>Balance, beginning of year</b>	<b>59,266,554</b>	<b>\$ 16,649,369</b>	51,162,792	\$ 13,258,413
Issued for cash (Note 10 (h))	5,117,301	1,535,190	7,878,762	3,309,080
Portion of equity instruments issued for cash relating to warrants (Note 8 (d))	-	(369,857)	-	-
Stock options exercised – cash portion (Note 8 (c))	664,000	185,920	225,000	63,000
Stock options exercised – fair value portion	-	101,370	-	34,349
Share issue costs (Note 8 (b))	-	(281,942)	-	(15,473)
Warrants exercised – cash portion	12,500	5,625	-	-
Warrants exercised – fair value portion	-	3,614	-	-
<b>Balance, end of year</b>	<b>65,060,355</b>	<b>\$ 17,829,289</b>	59,266,554	\$ 16,649,369

**Warrants (Note 8 (d))**

<b>Balance, beginning of year</b>	-	-	-	-
Portion of equity instruments issued for cash relating to warrants	2,558,651	369,857	-	-
Warrants issued to Agent	307,038	52,609	-	-
Non-cash share issue costs relating to warrants issued to Agent	-	(52,609)	-	-
Warrants exercised	(25,000)	(3,614)	-	-
<b>Balance, end of year</b>	<b>2,840,689</b>	<b>\$ 366,243</b>	-	-

<b>Total Equity Instruments</b>	<b>18,195,532</b>	<b>16,649,369</b>
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**December 31, 2009 and 2008**

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**8. Equity Instruments - continued**

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(b) Issued - continued

On June 6, 2008, the Company closed a non-brokered private placement by issuing 7,878,762 common shares at a price of \$0.42 per share for gross proceeds of \$3,309,080. Share issue costs of \$15,473 were paid to legal counsel in respect of this private placement.

On August 14, 2009, the Company completed a brokered private placement by issuing 5,117,301 common shares at a price of \$0.30 per share for gross proceeds of \$1,535,190. Share issue costs of \$281,943 were paid to the agent and to legal counsel in respect of this 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 is not less than the market price of the Common shares traded on the day prior to the date of granting and the granting is determined by the Board of Directors. Options granted have a term of up to 5 years.

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

**December 31, 2009 and 2008**

**8. Equity Instruments - continued**

(c) Options - continued

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, 2007	4,170,000		\$0.33	3.1 years	2,333,332	\$0.32
Options exercised	(225,000)	\$0.28	\$0.28	-	(225,000)	\$0.28
Options vested	-	\$0.37	\$0.37	3.8 years	256,663	\$0.37
Options granted May 2, 2008	935,000	\$0.44	\$0.44	4.8 years	-	-
Options vested	-	\$0.30	\$0.30	3.0 years	283,332	\$0.30
Options vested	-	\$0.38	\$0.38	2.3 years	33,334	\$0.38
Options vested	-	\$0.32	\$0.32	2.0 years	33,334	\$0.32
Options granted October 29, 2008	160,000	\$0.30	\$0.30	4.8 years	-	-
Options vested	-	\$0.26	\$0.26	2.9 years	200,000	\$0.26
Options forfeited	(35,000)	\$0.44	\$0.44	-	-	\$0.44
Options forfeited	(400,000)	\$0.48	\$0.48	-	(400,000)	\$0.48
Options forfeited	(200,000)	\$0.38	\$0.38	-	(200,000)	\$0.38
Options outstanding, December 31, 2008	4,405,000		\$0.33	2.8 years	2,314,995	\$0.34
Options granted March 24, 2009	970,000	\$0.32	\$0.32	5.0 years	-	-
Options vested	-	\$0.38	\$0.38	1.8 years	33,334	\$0.38
Options vested	-	\$0.37	\$0.37	2.8 years	223,335	\$0.37
Options vested	-	\$0.44	\$0.44	3.8 years	300,008	\$0.44
Options forfeited	(100,000)	\$0.37	\$0.37	-	(33,333)	\$0.37
Options exercised	(664,000)	\$0.28	\$0.28	-	(664,000)	\$0.28
Options forfeited	(261,000)	\$0.28	\$0.28	-	(261,000)	\$0.28
Options vested	-	\$0.30	\$0.30	2.0 years	283,335	\$0.30
Options vested	-	\$0.26	\$0.26	1.9 years	200,000	\$0.26
Options vested	-	\$0.30	\$0.30	3.6 years	53,334	\$0.30
Options outstanding December 31, 2009	4,350,000		\$0.34	2.8 years	2,450,008	\$0.32

The weighted average contractual life of exercisable options at December 31, 2009 is 2.1 years (2008 – 2.0 years).

On April 8, 2008, 100,000 options with an exercise price of \$0.28 per share were exercised by employees of the Company.

On May 2, 2008, the Company granted 935,000 options to employee, consultants and directors. The options have an exercise price of \$0.44 per share, vest over three years and expire on May 2, 2013.

On September 17, 2008, 125,000 options with an exercise price of \$0.28 were exercised by employees of the Company.

On October 26, 2008, 35,000 options with an exercise price of \$0.44 that had been granted to a consultant of the Company were forfeited.

On October 29, 2008, the Company granted 160,000 options to an employee and a consultant. The options have an exercise price of \$0.30 per share, vest over three years and expire on October 29, 2013.

**December 31, 2009 and 2008**

**8. Equity Instruments - continued**

(c) Options - continued

On November 30, 2008, 400,000 options with an exercise price of \$0.48 that had been granted to a director of the Company were forfeited.

On November 30, 2008, 200,000 options with an exercise price of \$0.38 that had been granted to a director of the company were forfeited.

On March 26, 2009, the Company granted 970,000 options to officers, directors, employees, and consultants. The options have an exercise price of \$0.32 per share, vest over three years and expire on March 26, 2014.

On May 29, 2009, 100,000 options with an exercise price of \$0.37 that had been granted to a director of the Company were forfeited.

On September 8, 2009, 239,000 options with an exercise price of \$0.28 were exercised by an employee of the Company.

On September 10, 2009, 325,000 options with an exercise price of \$0.28 were exercised by employees of the Company.

On September 11, 2009, 100,000 options with an exercise price of \$0.28 were exercised by an employee of the Company.

On September 13, 2009, 261,000 options with an exercise price of \$0.28 granted to employees of the Company expired.

Total stock compensation expense for the year ended December 31, 2009 of \$335,000 (2008 - \$330,000) was recorded in the statements of operations and deficit and credited to contributed surplus for options that were granted in 2006 - 2009 using the Black-Scholes option pricing model with the following weighted average assumptions:

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Risk free interest rate	<b>2.08%</b>	2.05-2.88%	2.83%	2.78-3.13%
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>99.9%</b>	90-91%	91%	82-91%

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

**December 31, 2009 and 2008**

**8. Equity Instruments - continued**

(d) Warrants

On August 14, 2009, the Company issued 5,117,301 units at a purchase price of \$0.30 per unit. Each unit consisted of one common share and one-half of a common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of \$0.45 per common share until February 14, 2011.

In addition, the agent was issued 307,038 broker warrants, each entitling the agent to acquire one common share of the Company at an exercise price of \$0.30 per common share for 18 months from the closing date.

The fair value of the warrants was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	<u>Risk free interest rate</u>	<u>Expected life of warrants</u>	<u>Expected volatility</u>
2009	1.32%	1.5 year	128.01%

**9. Contributed Surplus**

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Balance, beginning of year	\$ 1,746,178	\$ 1,450,527
Stock compensation	335,000	330,000
Stock options exercised -fair value portion	<u>(101,370)</u>	<u>(34,349)</u>
Balance, end of year	<u>\$ 1,979,808</u>	<u>\$ 1,746,178</u>

**10. Related Party Transactions**

In addition to those disclosed elsewhere in the financial statements, the Company had the following related party transactions:

- a) Accounts receivable includes management fees receivable from Catapult Energy Limited Partnership I of \$nil (2008 - \$nil) for services provided by Catapult Financial Management Inc., as general partner and advisor. During the year, \$nil (2008 - \$32,027) was recorded as revenue in respect of these management fees. Catapult Financial Management Inc. is a wholly owned subsidiary of the Company.
- b) Accounts receivable includes management fees receivable from Catapult Energy Small Cap FTS Limited Partnership of \$nil (2008 - \$nil) for services provided by the Company, as administrator. During the year, \$nil (2008 - \$47,931) was recorded as revenue in respect of these management fees.
- c) Accounts receivable includes management fees receivable from Catapult Energy Small Cap 2007 FTS Limited Partnership of \$nil (2008 - \$nil) for services provided by the Company, as administrator. During the year, \$nil (2008 - \$74,781) was recorded as revenue in respect of these management fees.
- d) 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, which was dissolved on March 31, 2008.

**December 31, 2009 and 2008**

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**10. Related Party Transactions - continued**

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- e) 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. In 2008, \$1,000,000 was recorded as an acquisition fee for 2008 related transaction services. Accounts receivable includes \$432,936 as at December 31, 2009 (2008 - \$429,038), and \$1,609,898 was recorded as revenue, of cash management fees (2008 - \$2,413,127: \$1,923,863 of cash and \$489,269 of non cash management fees) for the year ended December 31, 2009. The Sword fees represent 42% of the 2009 total revenue (2008 - 60%).
- f) Consulting expense includes \$66,000 (2008 - \$60,500) 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 an indirect controlling shareholder of the Company.
- g) Accounts receivable includes management fees receivable from Catapult Energy 2008 FTS Limited Partnership ("2008 FTS") of \$47,133 (2008 - \$18,369). During the year, \$125,609 (2008 - \$17,494) was recorded as revenue in respect of these management fees. Also, notes receivable of \$709,809 are promissory notes due from 2008 FTS. Catapult Management 2008 Inc., which is a wholly owned subsidiary of the Company, is the General Partner of 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 \$35,195 (2008 - \$6,872), relating to the notes receivable. During the year, \$50,893 (2008 - \$6,872) was recorded as interest income relating to the notes receivable.
- h) On June 6, 2008, the Company closed a non-brokered private placement by issuing 7,878,762 common shares at a price of \$0.42 per share for gross proceeds of \$3,309,080. The proceeds were used to pay down debt and will be used for general working capital and to advance the Company's business plan. Directors and officers of the Company and of the Company's subsidiaries subscribed for 3,710,047 of the shares issued in this private placement, representing \$1,562,000 or approximately 47.2% of the shares issued. On August 14, 2009, the Company closed a brokered private placement by issuing 5,117,301 common shares at a price of \$0.30 per share for gross proceeds of \$1,535,190. The proceeds were used for long-term investment purposes. Share issue costs of \$281,942 were paid to legal counsel and to the brokerage agent in respect of this private placement. Directors and officers of the Company and its subsidiaries subscribed for 636,000 of the shares issued in this private placement, representing \$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.

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, 2009 and 2008**

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## **11. Financial Instruments**

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### Fair Value of Financial Instruments

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.

### 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. The Company has reviewed this financial instrument and determined that it is carried at fair value level 2.

ii. Marketable securities

Marketable securities are classified as held-for-trading and are reported at fair value. Two equity holdings make up the marketable securities balance and both are traded on an active market and unadjusted quoted prices were obtained. The Company has determined this financial instrument is carried at a Level 1.

iii. Accounts receivable

Accounts receivable are classified as loans and receivables and are reported at amortized cost. At December 31, 2009 the carrying value of accounts receivable approximated their fair value due to short term maturity.

iv. Notes receivable

Notes receivable are classified as loans and receivables and are reported at amortized cost. At December 31, 2009 the carrying value of notes receivable approximated their fair value due to short term maturity.

v. Long-term investments

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. The fair value of Wisevest Income Fund as at December 31, 2008 is \$253,614 (2008 - \$164,660). Four equity holdings make up the Wisevest Income Fund portfolio and all are traded on an active market and unadjusted quoted bid prices were obtained.

Sword Energy Inc. is a 2.57% investment in a private oil and gas production entity and is classified as held-for-trading. The fair value of the investment in Sword is recalculated quarterly based on internal and external reserve evaluations and estimates. The fair value is also affected significantly by a volatile oil and gas pricing environment. Therefore, changes in the fair value of the Sword investment may fluctuate materially from quarter to quarter.

**December 31, 2009 and 2008**

**11. Financial Instruments - continued**

v. Long-term investments - continued

The following table illustrates the classification of the Company's financial instruments carried at fair value within the fair value hierarchy as at December 31, 2009:

	<b>Investments at fair value as at December 31, 2009</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Investments in securities	\$253,614	\$ -	\$ -	\$ 253,614
Private investments	\$ -	\$ -	\$9,890,691	\$ 9,890,691
	<b>\$253,614</b>	<b>\$ -</b>	<b>\$9,890,691</b>	<b>\$ 10,144,305</b>

The following table reconciles the Company's Level 3 fair value measurements from December 31, 2008 to December 31, 2009:

	<b>Fair value measurements using Level 3 inputs</b>	
	Private investments	
<b>Balance at December 31, 2008</b>	\$	8,625,061
Additional investment		1,028,000
Unrealized gains		237,630
<b>Balance at December 31, 2009</b>	\$	9,890,691

Wilson Creek – joint venture is accounted for at cost. An impairment test is performed annually.

vi. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are classified as other liabilities and are reported at amortized cost. At December 31, 2009, the carrying value of accounts payable and accrued liabilities approximated their fair value due to their short term nature.

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, 2009, the fair value is not materially different from the carrying value of \$249,881.

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 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 \$13,261,226, which is the sum of its cash and cash equivalents, accounts receivable, notes receivable, marketable securities and long-term investments as reported on the balance sheet as at December 31, 2009.

A significant amount of the Company's accounts receivable are due from related parties. As at December 31, 2009, 44.9% (2008 - 76.7%) of the accounts receivable are due from Sword, which is a related party (see Note 10). 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, 2009.

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

**December 31, 2009 and 2008**

**11. Financial Instruments - continued**

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 portfolio of marketable securities 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	811,808	-	811,808
Accounts payable	128,606	-	128,606
	\$ 1,190,414	\$ -	\$ 1,190,414

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, therefore unrealized gains and losses on securities are recorded in income as changes in fair value until realized. As at December 31, 2009, the impact of a 10% decrease in the value of the Company's securities portfolio would have been an approximate \$10,000 unrealized loss recorded in income. As at December 31, 2009, the impact of a 10% decrease in the value of the Wisevest portfolio (see Note 5), would have been an approximate \$25,000 unrealized loss recorded in 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 operations, investments and currently managed funds 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.

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

**December 31, 2009 and 2008**

**12. Income Taxes**

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

	<u>2009</u>	<u>2008</u>
Expected expense (recovery) at an effective rate of 29.5% (2008 – 29.5%)	\$ 82,000	\$ (99,000)
Add (deduct) effects of:		
Stock based compensation	99,000	97,000
Non-deductible loss on sale of marketable securities	30,000	126,000
Change in valuation allowance	(21,000)	(571,000)
Non-capital losses used in the year	(260,000)	(195,000)
Effect of change in future tax rate	51,000	138,000
Other permanent differences	19,000	505,000
	<u>\$ -</u>	<u>\$ -</u>

- (b) At December 31, 2009, the Company had approximately \$4,647,000 (2008 - \$4,836,000) of non-capital loss carryover balances. In addition, the Company has capital cost pools and share issue costs of \$686,000 (2008 - \$571,000) to deduct against future taxable income.

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

2015	605,000
2026	1,457,000
2027	1,650,000
2028	<u>935,000</u>
	<u>4,647,000</u>

- (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>	<u>2009</u>	<u>2008</u>
Property and equipment	\$ 44,000	\$ 50,000
Share issue costs	(31,000)	(3,000)
Long-term investments and marketable securities	(211,000)	(271,000)
Unused tax losses carry forward	1,162,000	1,209,000
	<u>964,000</u>	<u>985,000</u>
Valuation allowance	-	(985,000)
<b>Future income tax asset (liability)</b>	<u>\$ 964,000</u>	<u>\$ -</u>

The Company has determined that it is more likely than not that future income tax assets will be realized in the future.

**December 31, 2009 and 2008**

**13. 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 current 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.

	<b>2009</b>	<b>2008</b>
Equity instruments	<b>\$18,195,532</b>	\$16,649,369
Increase of net equity instruments from prior year	<b>9.29%</b>	25.58%

**14. Commitments and Contingencies**

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

2010	\$ 223,027
2011	\$ 224,619
2012	\$ 166,355
2013	\$ 161,047
2014	\$ 36,760
	<b>\$ 811,808</b>

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

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

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

Catapult Management 2008 Inc., a wholly-owned subsidiary of the Company, has guaranteed all the debts, liabilities and obligations of Catapult Energy 2008 FTS Limited Partnership, as the General Partner.

**December 31, 2009 and 2008**

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**15. Comparative Figures**

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

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**16. Subsequent Events**

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On February 8, 2010, Aston Hill announced that the agreements between its portfolio management subsidiary, Catapult Financial Management Inc., and IA Clarington Investments Inc. ("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. Pursuant to the aforementioned agreements, advisory fee revenue and consulting expenses will each increase by \$400,000 for each of the five years of the agreement. An estimate of any other financial effects and incremental revenue that will be earned on the advisory services to be performed in accordance with the renewed agreement cannot be made.

On February 11, 2010, the Company announced a granting of stock options to certain directors, officers, employees and consultants to acquire up to an aggregate of 1,255,000 common shares. The stock options are exercisable for a period of five years at a price of \$0.76 per share and vest over a three year period.