

Financial Statements

AGS Lawrence Resource Fund Ltd.

December 31, 2007

AUDITORS' REPORT

To the Shareholders of
AGS Lawrence Resource Fund Ltd.

We have audited the statements of net assets of **AGS Lawrence Resource Fund Ltd.** [the "Fund"] as at December 31, 2007 and 2006, the statement of investments as at December 31, 2007 and the statements of operations and changes in net assets for the year ended December 31, 2007 and for the period from July 20, 2006 to December 31, 2006. These financial statements are the responsibility of the Fund'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 financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2007 and 2006 and the results of its operations and changes in its net assets for the year ended December 31, 2007 and for the period from July 20, 2006 to December 31, 2006 in accordance with Canadian generally accepted accounting principles.

Toronto, Canada,
March 24, 2008

The signature of Ernst & Young LLP is written in a cursive, handwritten style.

Chartered Accountants
Licensed Public Accountants .

AGS Lawrence Resource Fund Ltd.
Statements of Net Assets
As at December 31

	2007	2006
	\$	\$
<hr/>		
Assets		
Investments, at fair value (note 2)	4,177,700	3,847,553
Cash and cash equivalents	372,463	76,388
Dividends receivable	-	5,847
Future tax asset (note 7)	169,000	-
	<hr/> 4,719,163 <hr/>	<hr/> 3,929,788 <hr/>
Liabilities		
Management fees payable (note 5)	13,396	7,472
Accounts payable and accrued liabilities	119,775	122,704
Income taxes payable (note 7)	169,000	-
	<hr/> 302,171 <hr/>	<hr/> 130,176 <hr/>
Net assets, representing unitholders' equity	<hr/> 4,416,992 <hr/>	<hr/> 3,799,612 <hr/>
Class A Shares outstanding (note 6)	<hr/> 270,818 <hr/>	<hr/> 178,195 <hr/>
Net assets per Class A Share	<hr/> \$16.31 <hr/>	<hr/> \$21.32 <hr/>

See accompanying notes

On behalf of the Board

Clarence Chow
Director

K. Matthew Hoang
Director

AGS Lawrence Resource Fund Ltd.
Statements of Operations

	Year ended December 31, 2007 \$	Period from July 20 to December 31, 2006 \$
Investment income		
Interest	24,801	325
Dividends	18,880	29,082
	43,681	29,407
Expenses		
Management fees (note 5)	84,645	52,780
Service fees (note 5)	19,913	13,025
Custody fees	13,089	7,036
Securityholder reporting costs	23,300	4,000
Audit fee	43,830	35,000
Transaction costs (note 3)	40,481	-
Legal fees	36,114	5,000
Other administrative expenses	86,089	10,701
	347,461	127,542
Net investment loss	(303,780)	(98,135)
Realized and unrealized gain (loss) on investments		
Realized loss on sale of investments	(1,384,968)	(151,370)
Change in unrealized appreciation (depreciation) of investments	600,524	(1,533,436)
Net loss on investments	(784,444)	(1,684,806)
Provision for (recovery of) income taxes (note 7)		
Current	169,000	-
Future	(169,000)	-
	-	-
Decrease in net assets from operations	(1,088,224)	(1,782,941)
Decrease in net assets from operations per Class A Share	\$ (3.91)	\$ (7.76)

See accompanying notes

AGS Lawrence Resource Fund Ltd.
Statements of Changes in Net Assets

	Year ended December 31, 2007 \$	Period from July 20 to December 31, 2006 \$
Decrease in net assets from operations	(1,088,224)	(1,782,941)
Capital transactions (note 6)		
Proceeds from issuance of Class A Shares	5,363,829	13,216,119
Paid on redemption of Class A Shares	(3,626,462)	(7,558,566)
Issuance costs	-	(75,000)
	1,737,367	5,582,553
Net increase in net assets for the period	649,143	3,799,612
Net assets, beginning of period	3,799,612	-
Adjustment to opening net assets on adoption of Section 3855 (note 3 and 4)	(31,763)	-
	3,767,849	-
Net assets, end of period	4,416,992	3,799,612

See accompanying notes

AGS Lawrence Resource Fund Ltd.

Statement of Investments

As at December 31, 2007

	Number of Shares	Average Cost \$	Fair Value \$
1321713 Alberta Ltd., Class A	104,500	19,771	19,771
Angle Energy Inc.	69,500	278,000	278,000
Antrim Energy Inc.	12,200	51,933	58,560
Birchcliff Energy Ltd.	20,000	91,000	146,200
Crew Energy Inc.	10,000	150,500	72,400
Dorian Energy Inc.	187,700	720,768	375,400
Duvernay Oil Corp.	2,500	98,750	72,450
Fairborne Energy Ltd.	7,000	40,320	45,570
FX Energy Ltd.	250,000	100,000	65,000
Galleon Energy Inc., Class A	40,000	680,857	615,200
Grand Banks Energy Corp.	81,500	158,925	107,580
Greenfield Resources Ltd.	139,000	264,100	264,100
Highpine Oil & Gas Ltd.	50,000	777,461	496,500
Oilexco Inc.	35,200	468,171	463,937
OPTI Canada Inc.	10,000	190,300	166,000
Paramount Resources Ltd., Class A	13,600	403,819	186,320
Petro Andina Resources Inc.	3,800	49,590	46,664
Ridgeback Exploration Ltd.	70,000	70,000	136,500
Talisman Energy Inc.	15,300	289,068	280,908
TriStar Oil and Gas Ltd.	9,524	98,000	119,240
UTS Energy Corp.	30,000	144,600	161,400
		5,145,933	4,177,700
Transaction costs (Note 3)		(3,720)	
Total investments		5,142,213	4,177,700

See accompanying notes

AGS Lawrence Resource Fund Ltd.

Notes to Financial Statements

December 31, 2007

1. ORGANIZATION OF THE FUND

AGS Lawrence Resource Fund Ltd. (the "Fund") was incorporated under the laws of the Province of Ontario on July 20, 2007. The Fund is a mutual fund corporation with an investment objective to achieve long-term capital growth by investing primarily in equity securities of Canadian resource companies, particularly those engaged in oil and gas exploration and development and to a lesser extent, mining explorations. The Fund commenced operations on July 28, 2006. Lawrence Asset Management Inc. is the Manager and AGS Resource Management Ltd is the Consultant of the Fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following is a summary of the significant accounting policies used by the Fund:

Cash and cash equivalent

Cash consists of cash on hand while cash equivalent is cash invested in a money market fund.

Valuation of Investments

Securities listed on a recognized public stock exchange are valued at their bid price on the valuation date. Investments in securities having no quoted market value are valued at estimated fair value as determined by the Manager. Estimated fair value is determined on the basis of the expected realizable value of the investments if they were disposed of in an orderly manner over a reasonable period of time. The Manager uses estimation techniques to determine fair value, which may include arm's length transactions, discounted cash flows, multiples of earnings or production and comparison with other securities that are substantially the same.

Certain investments are fair valued based on assumptions that may not be supported by observable market inputs. The potential effect of using reasonably possible alternative assumptions would range from a decrease in net assets of 1% to an increase in net assets of 2%. The change in fair values related to these investments recognized in income during the period is \$31,500.

The process of valuing investments for which no published market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had a ready market existed for the investments. These differences could be material to the fair value of investments as a portfolio.

Any difference between the fair value and the cost of the investments is recorded as unrealized appreciation or depreciation.

Investment Transactions and Income Recognition

All investment transactions are accounted for on the trade date. Realized gains and losses from the investment transactions and unrealized appreciation or depreciation of investments are calculated on an average cost basis.

Income from investment transactions is recognized on an accrual basis. Interest income is accrued as earned and dividend income is recognized on the ex-dividend date.

Issuance Costs

Expenses related to the initial offering of the Fund units have been accounted for as a reduction of equity.

AGS Lawrence Resource Fund Ltd.

Notes to Financial Statements

December 31, 2007

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting year. Actual results could differ from those estimates. These estimates are reviewed periodically by management and, as adjustments become necessary, they are reported in the statement of operations in the year in which they become known.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

On April 1, 2005, the Canadian Institute of Chartered Accountants issued Section 3855, “Financial Instruments – Recognition and Measurement” of the CICA Handbook – Accounting, which establishes standards for the fair valuation of investments as well as the accounting treatment of transaction costs. Section 3855 applies to fiscal years beginning on or after October 1, 2006. Additionally, Section 14.2 of National Instrument 81-106 (“NI 81-106”), issued by the Canadian Securities Administrators (“CSA”) in 2005, requires the daily net asset value of an investment fund to be calculated in accordance with Canadian GAAP. The adoption of Section 3855 would result in the use of different valuation techniques of certain investments.

The CSA has granted relief to investment funds from complying on an interim basis with Section 3855, for the purposes of calculating and reporting of net asset value (other than for financial reporting purposes) until September 30, 2008 to permit further review of the suitability of Section 3855 for the purpose of calculating purchase and redemption price (the “Transaction NAV”) of an investment fund. Depending on the outcome of such review, the method by which net asset value is calculated as governed by Section 3855 may result in a change to the Transaction NAV of an investment fund on the date of such change.

In accordance with the relief granted by the Canadian securities regulatory authorities, a reconciliation between the Transaction NAV and the net asset value calculated in accordance with Section 3855 (the “GAAP NAV”) of an investment fund is required in the notes to the financial statements. Refer to note 4 for such reconciliation for the year ended December 31, 2007.

The provisions of Section 3855 have been applied retroactively without restatement of prior periods. Accordingly, the opening net asset value in the Statements of Changes and Net Assets for the fiscal year ended December 31, 2007 has been adjusted.

Section 3855 prescribes specific guidance for establishing fair values under GAAP, including the use of bid prices for long positions and ask prices for short positions for investments quoted in active markets. Where active markets do not exist, fair values are established using a fair valuation technique. Prior to the adoption of Section 3855, fair values were based on last traded or closing prices or based on management's best estimate where market quotations were not reliable or available.

Section 3855 also requires that transaction costs incurred on portfolio transactions be recognized immediately in net income and presented as a separate expense item in the financial statements. Prior to the adoption of Section 3855, transaction costs were included in the average cost of investments or as a reduction in the proceeds on the sale of investments. Transaction costs were recognized immediately in net assets and results of operations, but were not presented as a separate line item. There was no impact to the net assets or results of operations as a result of this change in accounting policy.

AGS Lawrence Resource Fund Ltd.
Notes to Financial Statements
December 31, 2007

4. RECONCILIATION OF NET ASSET VALUE

In accordance with the decision made by the Canadian securities regulatory authorities, a reconciliation between the Transaction NAV and the GAAP NAV of an investment fund is required (see note 3).

The reconciliation on the net asset value of the Fund is as follows:

Net Asset Value			Net Asset Value Per Unit	
Transaction NAV	Section 3855 Adjustment	GAAP NAV	Transaction NAV	GAAP NAV
\$ 4,425,537	\$ (8,545)	\$ 4,416,992	\$ 16.34	\$ 16.31

5. EXPENSES OF THE FUND

Management and Consulting fees

The Fund will pay each of the Manager and the Consultant an annual management fee equal to 1% of the average weekly net asset value of the Fund. The fee paid to each of the Manager and Consultant is accrued weekly and paid monthly in arrears.

A trailer commission, at the discretion of the Manager, will be payable to each dealer whose clients hold shares. The trailer commission will accrue weekly and be paid at the end of each calendar quarter and will be equal to 0.40% annually of the net asset value of the shares held by the clients of the dealer.

Operating expenses

The Fund pays all of its own operating expenses, including expenses relating to the carrying on of its business, including legal and accounting fees, interest, custodial fees, taxes and administrative costs relating to the issue and redemption of shares of the Fund and other shareholder administration services, as well as the cost of financial and other reports, and of complying with all applicable laws, regulations and policies and other expenses.

Performance Fees

If the Fund generates a return on investment equal to or greater than 6% in any year, then an annual performance fee shall be jointly payable to the Manager and the Consultant equal to 20% of the increase in net asset value, calculated as the Net Asset Value of the Fund at the end of the year, less the Net Asset Value of the Fund at the beginning of the year, less issuances during the year, plus any redemption during the year.

6. CAPITAL UNIT TRANSACTIONS

Authorized

An unlimited number of Class A Shares, issuable in series.

An unlimited number of Class A Shares, Series 1.

An unlimited number of common shares.

AGS Lawrence Resource Fund Ltd.
Notes to Financial Statements
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Class A Shares

Issuance of Shares

Class A Shares may be issued for cash or property in one or more series in an unlimited number at a price per Class A Share equal to the net asset value per Class A Share. The Board of Directors of the Fund shall determine the designation, rights, privileges and conditions to be attached to each series of Class A Shares.

Ranking of Class A Shares

Class A Shares shall rank equally with all other classes of shares and every other series of Class A Shares on payment of dividends and on a return of capital in the event of the liquidation and dissolution or wind-up of the Fund.

Voting

Subject to the Canada Business Corporations Act, Class A shareholders shall not be entitled to receive notice of or to attend any meetings of the shareholders and shall not be entitled to vote at any such meetings.

Dividends

Dividends may be paid in cash or in specie, as and when declared by the Board of Directors of the Fund.

Redemptions

- a) Each Class A shareholder is entitled to redeem Class A Shares at any time at the net asset value per Class A Share determined on the last business day of each week.
- b) Under certain conditions, the Fund may redeem Class A Shares of any series at the net asset value per Class A Share or suspend redemption of Class A Shares.

Common Shares

Dividends

The Fund will pay dividends after providing for the full dividend on the Class A Shares.

Liquidation, Dissolution or Winding-up

The common shares are entitled to receive the remaining property of the Fund after providing for the holders of the Class A Shares.

Notice and Voting

The holders of common shares shall be entitled to receive notice of and to attend and vote at all shareholder meetings and have the right to one vote in person or by proxy.

AGS Lawrence Resource Fund Ltd.

Notes to Financial Statements

December 31, 2007

Issued

Class A Shares, Series 1

Share transactions of the Fund for the periods ended December 31, 2007 and 2006 were as follows:

	<u>2007</u>	<u>2006</u>
	Number of shares	Number of shares
Shares outstanding, beginning of period	178,195	-
Shares issued for investments	290,735	441,298
Shares redeemed	(198,112)	(263,103)
Shares outstanding, end of period	270,818	178,195

7. INCOME TAXES

The liability method of tax allocation is used in accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

The Fund is a mutual fund corporation as defined in the Income Tax Act (Canada) [the "Act"] and is subject to tax in respect of its taxable income other than taxable distributions received from taxable Canadian corporations. Income taxes paid on net realized capital gains are refundable in certain circumstances, upon payment of sufficient distributions and the making of appropriate elections to deem such distributions as capital gains distributions. Also, the Fund is generally subject to a tax of 33-1/3% under Part IV of the Act on taxable distributions received from taxable Canadian corporations during the year. This tax is fully refundable upon payment of sufficient distributions.

The Fund is also a financial intermediary corporation as defined in the Act and, as such, is not subject to tax under Part IV.1 of the Act on distributions received nor is it generally liable to tax under Part VI.1 on distributions paid on taxable preferred shares.

The Fund had taxable income arising on the disposition of certain capital properties resulting in a current income tax payable liability. This tax expense is recoverable insofar as the Fund also has certain income tax benefits available to reduce future taxable income arising from the same property dispositions that will be realized in future either because Fund share redemptions result in a capital gains refund or because the Fund declares a dividend that it elects to be a capital gains dividend for tax purposes. These future tax benefits have been recognized as a Future Tax Asset since realization is more likely than not to be realized.

8. BROKERAGE COMMISSIONS

The Fund paid \$40,481 (2006 - \$17,107) in brokerage commissions and transaction costs on investment portfolio transactions during the year. There were no soft dollar amounts included in these payments.

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9. RELATED PARTY DISCLOSURES

A Director of the Fund is a Director of each of: Angle Energy Inc., Dorian Energy Inc., and Highpine Oil & Gas Ltd.

10. COMPARATIVE FINANCIAL STATEMENTS

Certain comparative figures have been reclassified to conform to the presentation of the 2007 financial statements.

11. FILING OF FINANCIAL STATEMENTS

The Fund is relying on section 2.11 of National Instrument 81-106 to not file its financial statements with the Canadian Securities Administrators.