

Financial Statements

AGS Lawrence Resource Fund Ltd.

June 30, 2007 (Unaudited)

AGS Lawrence Resource Fund Ltd.

statement of NET ASSETS

(unaudited)

	As at June 30 2007 \$	As at December 31 2006 \$
Assets		
Investments, at market value	4,919,608	3,847,553
Cash	1,967,330	76,388
Dividends receivable	-	5,847
	6,886,938	3,929,788
Liabilities		
Management fees payable (note 5)	27,601	7,472
Accounts payable and accrued liabilities	177,698	122,704
	205,299	130,176
Net assets, representing unitholders' equity	6,681,639	3,799,612
Class A Shares outstanding (note 6)	351,868	178,195
Net assets per Class A Share	\$18.99	\$21.32

See accompanying notes

On behalf of the Board

Clarence Chow
DIRECTOR

K. Matthew Hoang
DIRECTOR

AGS Lawrence Resource Fund Ltd.

statement of OPERATIONS

(unaudited)

Six months
ended June 30, 2007

\$

Investment income

Interest	3,850
Dividends	17,541
	<u>21,391</u>

Expenses

Legal fees	54,601
Management fees (note 5)	37,753
Transaction costs (note 3)	31,755
Audit fee	18,052
Other administrative	15,292
Service fees (note 5)	8,635
Custody fees	6,259
Securityholder reporting	5,482
	<u>177,829</u>

Net investment loss	(156,438)
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Realized and unrealized gains (losses) on investments

Realized loss on sale of investments	(1,332,227)
Change in unrealized appreciation of investments	1,269,758
Net loss on investments	(62,469)

Decrease in net assets from operations	(218,907)
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Decrease in net assets from operations per Class A Share	(0.90)
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See accompanying notes

AGS Lawrence Resource Fund Ltd.

statement of **CHANGES IN NET ASSETS**

(unaudited)

Six months
ended June 30, 2007
\$

Decrease in net assets from operations	(218,907)
Capital transactions (note 6)	
Proceeds from issuance of Class A Shares	5,363,829
Paid on redemption of Class A Shares	(2,231,132)
	3,132,697
Net increase in net assets for the period	2,913,790
Net assets, beginning of period*	3,767,849
Net assets, end of period	6,681,639

*Net assets, beginning of period - Section 3855 Adjustment (note 4) was \$(31,763).

See accompanying notes

AGS Lawrence Resources Fund Limited

Statement of INVESTMENTS

As at June 30, 2007

(unaudited)

	Number of Shares	Average Cost \$	Market Value \$
Angle Energy Inc.	69,500	278,000	278,000
Birchcliff Energy Ltd.	20,000	91,000	90,200
Canext Energy Ltd.	104,500	134,805	86,735
Crew Energy Inc.	10,000	150,500	102,500
Dorian Energy Inc.	187,700	720,768	720,768
Duvernay Oil Corp.	2,500	98,750	91,000
FX Energy Ltd.	250,000	100,000	100,000
Galleon Energy Inc., Class A	60,000	1,021,286	1,042,800
Grand Banks Energy Corp.	81,500	158,925	113,285
Greenfield Resources Ltd.	139,000	264,100	264,100
Highpine Oil & Gas Ltd.	50,000	777,461	712,500
MGM Energy Corp., Warrants (30Sep07)	11,920	625	596
Oilexco Inc.	50,000	621,910	643,500
Paramount Resources Ltd., Class A	13,600	403,818	280,024
Ridgeback Exploration Ltd.	70,000	70,000	70,000
RSX Energy Inc.	20,000	83,000	54,400
TriStar Oil & Gas Ltd.	20,000	98,000	88,600
UTS Energy Corp.	30,000	144,600	180,600
		5,217,548	4,919,608
Transaction costs		(2,701)	-
Total Investments		5,214,847	4,919,608

See accompanying notes

AGS Lawrence Resource Fund Ltd.

notes to FINANCIAL STATEMENTS

June 30, 2007 (unaudited)

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, 2006. 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:

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 values are valued at fair market value as determined by the Manager, which generally, will be cost, until there is a clear indication of an increase or decrease in value. The quoted market values of securities that are subject to a hold period will be valued with an appropriate discount as determined by the Manager. The market values can be impacted by trading volumes and restrictions, and the quoted market value may not be indicative of what the Fund could realize on the immediate sale as it may take an extended period of time to liquidate positions without causing a significant negative impact on the market price. These values may differ from values that would have been used had a ready market existed for the investments. Any difference between the market value and the cost of the investments is treated as unrealized appreciation or depreciation. Short-term notes, treasury bills and bonds are valued at the average bid quotations from recognized investment dealers.

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.

Financial Instruments

The fair value of the Funds' financial assets and liabilities approximate the carried value due to their short-term nature.

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

3. ADOPTION OF NEW ACCOUNTING STANDARDS

On April 1, 2005, the Canadian Institute of Chartered Accountants ("CICA") 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 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.

AGS Lawrence Resource Fund Ltd.

notes to FINANCIAL STATEMENTS

June 30, 2007 (unaudited)

Canadian securities regulatory authorities have 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) for up to a one year period ending September 30, 2007. This is to permit further review of the suitability of this new pronouncement for the purpose of calculating purchase and redemption price (the "Transactional 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 Transactional NAV of an investment fund on the date of such change.

In accordance with the decision made by the Canadian securities regulatory authorities, a reconciliation between the Transactional 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 for financial reporting periods in the one year period ending September 30, 2007. Refer to note 4 for such reconciliation for the period ended June 30, 2007.

In accordance with its transitional provisions, Section 3855 has been adopted, effective January 1, 2007, retroactively without restatement of prior periods.

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. Accordingly, the opening net assets in the Statement of Changes in Net Assets has been adjusted to reflect the use of bid-ask pricing (see note 4).

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.

4. RECONCILIATION OF NET ASSET VALUE

In accordance with the decision made by the Canadian securities regulatory authorities, a reconciliation between the Transactional NAV and the GAAP NAV of an investment fund is required for financial reporting periods in the one year period ending September 30, 2007 (see note 3). For investments that are traded in an active market where quoted prices are readily and regularly available, Section 3855 requires bid prices (for investments held) and ask prices (for investments sold short) to be used in the fair valuation of investments, rather than the use of closing sale prices currently used for the purpose of determining Transactional NAV. For investments that are not traded in an active market, Section 3855 requires the use of specific valuation techniques, rather than the use of valuation techniques by virtue of general practice in the investment funds industry. These changes account for the difference between Transactional NAV and GAAP NAV.

The impact of the adoption of Section 3855 on the net asset value of the Fund is as follows:

	Transactional NAV	Section 3855 Adjustment	GAAP NAV	Transactional NAV	GAAP NAV	Section 3855 Adjustment
As at June 30, 2007	\$6,706,746	\$(25,107)	\$6,681,639	\$19.06	\$18.99	\$(31,763)

AGS Lawrence Resource Fund Ltd.

notes to FINANCIAL STATEMENTS

June 30, 2007 (unaudited)

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 is paid monthly in arrears at 1/12th of the annual rate based on the average weekly net asset value of the Fund.

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 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.

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.

AGS Lawrence Resource Fund Ltd.

notes to FINANCIAL STATEMENTS

June 30, 2007 (unaudited)

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.

Issued

Class A Shares, Series 1

Share transactions of the Fund for the periods ended June 30, 2007 and December 31, 2006 were as follows:

	<u>June 30, 2007</u>	December 31, 2006
	<u>Number of</u>	Number of
	<u>shares</u>	shares
Shares outstanding, beginning of period	178,195	-
Shares issued for investments	290,735	441,298
Shares redeemed	(117,062)	(263,103)
Shares outstanding, end of period	<u>351,868</u>	<u>178,195</u>

7. INCOME TAXES

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.

At December 31, 2006, the Fund has a non-capital loss of \$98,000 available for utilization against future years' taxable income until the year 2026. The benefit of these future deductions will be recorded in the accounts of the Fund when realized.

8. BROKERAGE COMMISSIONS

The Fund paid \$31,755 in brokerage commissions and transaction costs on investment portfolio transactions during the period. There were no soft dollar amounts included in these payments.

AGS Lawrence Resource Fund Ltd.

notes to FINANCIAL STATEMENTS

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9. RELATED PARTY DISCLOSURES

A director of the General Partner is a director of each of In Depth Resources Ltd., Angle Energy Inc., Dorian Energy Inc., and Highpine Oil & Gas Limited.

10. 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.