

Financial Statements

AGS Lawrence Resource Fund Ltd.

December 31, 2008

AUDITORS' REPORT

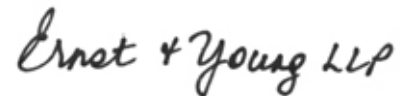
To the Shareholders of
AGS Lawrence Resource Fund Ltd.

We have audited the statements of net assets of **AGS Lawrence Resource Fund Ltd.** [the "Fund"] as at December 31, 2008 and 2007, the statement of investments as at December 31, 2008 and the statements of operations and changes in net assets for the years then ended. 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 net assets of the Fund as at December 31, 2008 and 2007 and the results of its operations and changes in its net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada,
March 26, 2009.



Chartered Accountants
Licensed Public Accountants

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

	2008	2007
	\$	\$
Assets		
Investments, at fair value (note 2)	9,041,657	4,177,700
Cash and cash equivalents	5,520,346	372,463
Dividends receivable	11,730	-
Refundable income taxes (note 6)	845,611	169,000
	15,419,344	4,719,163
Liabilities		
Management fees payable (note 4)	21,105	13,396
Accounts payable and accrued liabilities	124,049	119,775
Distribution payable	664,870	-
Income taxes payable (note 6)	529,931	169,000
	1,339,955	302,171
Net assets, representing unitholders' equity	14,079,389	4,416,992
Class A Shares outstanding (note 5)	1,166,438	270,818
Net assets per Class A Share	\$12.07	\$16.31

See accompanying notes

On behalf of the Board

Clarence Chow
Director

Ravi Sood
Director

AGS Lawrence Resource Fund Ltd.
Statement of Operations
For the year ended December 31

	2008	2007
	\$	\$
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Investment income		
Interest	60,319	24,801
Dividends	101,087	18,880
	161,406	43,681
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Expenses		
Management fees (note 4)	197,180	84,645
Service fees (note 4)	47,049	19,913
Custody fee	14,784	13,089
Securityholder reporting costs	4,106	23,300
Audit fee	36,280	43,830
Transaction costs (note 2)	119,203	40,481
Independent review committee fees	11,237	-
Legal fees	-	36,114
Other administrative expenses	110,411	86,089
	540,250	347,461
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Net investment loss	(378,844)	(303,780)
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Realized and unrealized gain (loss) on investments		
Realized loss on sale of investments	(2,257,320)	(1,384,968)
Change in unrealized appreciation (depreciation) of investments	(3,247,436)	600,524
Net loss on investments	(5,504,756)	(784,444)
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Decrease in net assets from operations	(5,883,600)	(1,088,224)
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Decrease in net assets from operations per Class A Share	(7.75)	(3.91)

See accompanying notes

AGS Lawrence Resource Fund Ltd.
Statements of Changes in Net Assets
For the year ended December 31

	2008	2007
	\$	\$
Decrease in net assets from operations	(5,883,600)	(1,088,224)
Capital transactions (note 5)		
Proceeds from issuance of Class A Shares	29,349,366	5,363,829
Paid on redemption of Class A Shares	(13,138,499)	(3,626,462)
	16,210,867	1,737,367
Distribution to unitholders	(664,870)	-
Net increase in net assets for the year	9,662,397	649,143
Net assets, beginning of year	4,416,992	3,767,849
Net assets, end of year	14,079,389	4,416,992

See accompanying notes

AGS Lawrence Resources Fund Limited
Statement of Investments
As at December 31, 2008

	Number of Shares	Average Cost \$	Fair Value \$
Common Stock			
Alberta Clipper Energy Inc.	389,100	818,825	171,204
Black Bore Exploration Ltd.*	800,000	229,086	256,000
Breaker Energy Ltd.	92,000	858,917	471,040
Celtic Exploration Ltd.	63,400	959,425	781,722
Crescent Point Energy Trust	51,000	1,567,620	1,224,000
Crocotta Energy Inc.	298,284	74,681	298,284
Fairborne Energy Ltd.	130,700	1,004,481	764,595
Highpine Oil & Gas Ltd.	43,600	574,761	224,976
In Depth Resources Ltd.*	900,000	441,000	441,000
Intrepid Energy Corp.*	333,300	439,956	439,956
Ithaca Energy Inc.	441,000	607,600	127,890
NuVista Energy Ltd.	100,000	1,148,225	829,000
Pacific Rubiales Energy Corp.	109,166	832,588	234,707
Petro Andina Resources Inc.	116,200	886,772	673,960
ProEx Energy Ltd.	61,000	848,128	671,610
Storm Exploration Inc.	46,800	660,002	643,968
Vero Energy Inc.	145,609	1,315,629	787,745
		13,267,696	9,041,657
Transaction costs (note 2)		(14,091)	-
Total Investments		13,253,605	9,041,657

* Fair value is determined by the use of estimation techniques as there are no quoted market value for these investment

AGS Lawrence Resource Fund Ltd.

Notes to Financial Statements

December 31, 2008

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:

Cash and cash equivalent

Cash and cash equivalents consist of cash on hand and 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 4% to an increase in net assets of 2%. The change in fair values related to these investments recognized in income during the year is \$26,914.

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.

AGS Lawrence Resource Fund Ltd.

Notes to Financial Statements

December 31, 2008

Financial Instruments

Cash is carried at cost, which approximates fair value. The Fund's other financial assets, which may include accrued interest, dividends receivable, amounts due from brokers and subscriptions receivable, are designated as loans and receivables, and carried at cost or amortized cost. The Fund's other financial liabilities which may include operating expenses payable, amounts due to brokers, and subscriptions payable, are designated as such are carried at cost or amortized cost. Cost or amortized cost for these financial assets and liabilities approximates fair value.

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 most significant temporary difference is that between the reported market value of the investment portfolio of the Fund and its adjusted cost base ("ACB") for income tax purposes. To the extent that the market value of the portfolio exceeds its ACB, a future tax liability arises. Since capital gains taxes payable by the Fund are refundable under the relevant provisions of the Act, the future tax liability is fully offset by these future refundable taxes. Conversely, when the ACB exceeds the portfolio's market value, a future tax asset is generated. In such cases, a full valuation allowance is taken to offset this asset given the uncertainty that such future taxes will ultimately be realized.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with Canadian generally accepted accounting principles ("Canadian GAAP") 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 January 1, 2008, the Fund adopted the Canadian Institute of Chartered Accountants ("CICA") Section 3862: *Financial Instruments – Disclosures* ("Section 3862") of the CICA Handbook - Accounting and Section 3863: *Financial Instruments – Presentation* ("Section 3863"). These new sections establish standards for enhanced disclosure about the nature and extent of risks associated with the financial instruments held by the Fund and how those risks are managed. The new disclosures include qualitative and quantitative analysis for various types of risks. The disclosure and presentation provisions of Section 3862 and Section 3863 are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. Comparative figures are not required in the initial year of adoption. Refer to note 3 of the financial statements for the discussion of management of financial instrument risks.

Effective January 1, 2008 the Fund also adopted the CICA Handbook Section 1535: *Capital Disclosures* ("Section 1535"). Section 1535 specifies the disclosure of information about a legal entity's capital and how it is managed. The Manager has policies and procedures in place to manage the capital of the Fund in accordance with the Fund's investment objectives, strategies and restrictions as detailed in the prospectus. Refer to note 5 for disclosure of the Fund's capital and how it is managed.

AGS Lawrence Resource Fund Ltd.

Notes to Financial Statements

December 31, 2008

The adoption of these new standards resulted in increased disclosures but did not affect the Fund's net assets or results of operations.

4. EXPENSES OF THE FUND

Management and Consulting fees

The Fund pays the Manager and the Consultant each an annual management fee equal to 1% of the average weekly net asset value of the Fund. The fees paid to the Manager and Consultant are 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.

5. 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.

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.

AGS Lawrence Resource Fund Ltd.

Notes to Financial Statements

December 31, 2008

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.

Issued

Class A Shares, Series 1

Share transactions of the Fund for the years ended December 31, 2008 and 2007 were as follows:

	2008	2007
	Number of	Number of
	shares	shares
	<u> </u>	<u> </u>
Shares outstanding, beginning of year	270,818	178,195
Shares issued for investments:		
On merger with AGS 2005-1	-	290,735
On merger with AGS 2006-1	777,240	-
On merger with AGS 2006-2	1,019,040	-
	<u>1,796,280</u>	<u>290,735</u>
Shares redeemed	(900,660)	(198,112)
Shares outstanding, end of year	<u>1,166,438</u>	<u>270,818</u>

In 2008 the Fund acquired the net assets of AGS Energy 2006-1 LP and AGS Energy 2006-2 LP in exchange for 1,796,280 units with a fair value of \$29,349,366.

AGS Lawrence Resource Fund Ltd.

Notes to Financial Statements

December 31, 2008

Unitholders' equity is considered to be the source of capital for the Fund. The Fund objectives are managing capital to safeguard the Fund's ability to continue as a going concern, to provide financial capacity and flexibility to meet its strategic objectives, to provide an adequate return to unitholders commensurate with the level of risk while maximizing the distributions to shareholders.

The Fund does not have any externally imposed capital requirements, the Fund Manager believes that the current level of distributions, capital and capital structure is sufficient to sustain ongoing operations. The Fund Manager actively monitors the cash position and financial performance of the Fund to ensure there are resources to meet current distribution and redemption levels.

6. INCOME TAXES

The Fund presently qualifies as a "mutual fund corporation" as defined in the Income Tax Act (Canada) (the "Act") and the Ontario Corporations Tax Act. As a mutual fund corporation, taxable dividends received from taxable Canadian corporations are subject to a tax of 33 1/3%. Such taxes are fully refundable on payment of taxable dividends to its shareholders on a basis of \$1 for every \$3 of dividends paid. Any such tax is reported as an amount receivable until recovered through payment to shareholders of dividends out of net investment income.

Interest income and foreign dividends, net of applicable expenses, are taxed at full corporate rates with credits, subject to certain limitations, for foreign taxes paid.

For the years ended December 31, 2008 and 2007, the Fund was subject to tax at full corporate rates on 50% of its net realized capital gains. This tax can be eliminated or recovered by "capital gains redemptions" [as defined in the Act] by the Fund, making payments to its shareholders of a capital gains dividend out of the Fund's realized but undistributed capital gains, or by a combination of both. Consequently, no amount has been included for this tax in the provision for income taxes for the current or prior year, and the amount of the tax is reported as an amount receivable until recovered through capital gains redemptions or payment of capital gains dividends.

7. BROKERAGE COMMISSIONS

The Fund paid \$119,203 (2007 - \$40,481) in brokerage commissions and transaction costs on investment portfolio transactions during the year. There were no soft dollar amounts included in these payments.

8. RELATED PARTY DISCLOSURES

A director of the Fund is also a director of Black Bore Exploration Ltd.

AGS Lawrence Resource Fund Ltd.

Notes to Financial Statements

December 31, 2008

9. FINANCIAL RISK MANAGEMENT

The Fund is exposed to various types of risks that are associated with its investment strategies, financial instruments and markets in which it invests. These risks and related risk management practices employed by the Fund are discussed below:

Interest rate risk

The majority of the Fund's financial assets and liabilities are non-interest bearing. As a result, the Fund is not subject to a significant amount of interest rate risk due to fluctuations in the prevailing level of market interest rates. Excess cash amounts are invested in short-term securities.

Credit risk

The Fund's only credit risk is short-term debt securities. The Fund limits its exposure to credit loss by placing its cash and short-term investments in securities that have high credit quality. The Manager performs ongoing credit risk evaluation of counterparties.

All transactions in listed securities are settled for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

Currency risk

The Fund has no material currency risk as all of its assets, liabilities revenues and expenses are denominated in Canadian dollars.

Liquidity risk

The Fund's exposure to liquidity risk is concentrated in the weekly redemptions of units. The Fund primarily invests in securities that are traded in active markets and can be readily disposed of in a timely manner. In addition, the Fund retains sufficient cash and cash equivalent positions to maintain liquidity.

Other price risk

Other price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. The investments of a fund are subject to normal market fluctuations and the risks inherent in investment in financial markets. The Manager moderates this risk through portfolio diversification and careful selection of securities. The Manager monitors the Fund's overall market positions on a daily basis with investment positions maintained within established ranges.

As at December 31, 2008, had the fair values of the portfolio investments increased or decreased by 5%, with all other variables held constant, this would have increased or decreased net assets by approximately \$452,083.

AGS Lawrence Resource Fund Ltd.

Notes to Financial Statements

December 31, 2008

10. NET ASSETS AND NET ASSET VALUE

For investments that are traded in an active market where quoted prices are readily and regularly available, CICA 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 net asset value. For investments that are not traded in an active market, CICA Section 3855 requires the use of specific valuation techniques, rather than the use of best estimates by virtue of general practice in the investment funds industry. These changes account for difference between net asset value per unit and net assets per unit.

As at December 31, a reconciliation of these two per unit amounts is as follows:

<u>Net assets per unit</u>		<u>Net asset value per unit</u>	
<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
\$ 12.07	\$ 16.31	\$ 12.19	\$ 16.34

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.