

Financial Statements

AGS Lawrence Resource Fund Ltd.

June 30, 2009

AGS Lawrence Resource Fund Ltd.

MANAGER'S COMMENTS ON UNAUDITED INTERIM FINANCIAL STATEMENTS

These interim financial statements of AGS Lawrence Resource Fund Ltd. (the "Fund") for the period ended June 30, 2009 have been prepared by the Manager and approved by the Board of Directors of the Fund. These interim financial statements have not been reviewed by Ernst & Young LLP, the independent external auditors of the Fund.

AGS Lawrence Resource Fund Ltd.
Statements of Net Assets
(Unaudited)

	As at June 30 2009 \$	As at December 31 2008 \$
<hr/>		
Assets		
Investments, at fair value (note 2)	11,975,682	9,041,657
Cash and cash equivalents	4,597,232	5,520,346
Dividends receivable	18,459	11,730
Other receivable	21,556	-
Refundable income taxes (note 5)	1,095,611	845,611
	<hr/> 17,708,540	<hr/> 15,419,344
<hr/>		
Liabilities		
Performance fees payable (note 3)	236,029	-
Management fees payable (note 3)	25,410	21,105
Accounts payable and accrued liabilities	108,365	124,049
Distribution Payable	-	664,870
Income taxes payable (note 5)	77,614	529,931
	<hr/> 447,418	<hr/> 1,339,955
<hr/>		
Net assets, representing unitholders' equity	17,261,122	14,079,389
<hr/>		
Class A Shares outstanding (note 4)	1,317,515	1,166,438
<hr/>		
Net assets per Class A Share	\$13.10	\$12.07
<hr/>		

See accompanying notes

On behalf of the Board

Clarence Chow
Director

Ravi Sood
Director

AGS Lawrence Resource Fund Ltd.
Statement of Operations
For the six months ended June 30
(Unaudited)

	2009	2008
	\$	\$
<hr/>		
Investment income		
Interest	20,812	20,457
Dividends	84,103	19,028
	<hr/>	<hr/>
	104,915	39,485
<hr/>		
Expenses		
Performance fees (note 3)	214,473	425,914
Transaction costs (note 6)	172,888	38,114
Management fee (note 3)	123,761	65,854
Other administrative expenses	61,762	12,917
Audit fee	39,385	18,895
Service fees (note 3)	33,267	15,679
Securityholder reporting costs	11,518	8,521
Custody fees	8,708	6,864
Legal fees	8,619	2,628
	<hr/>	<hr/>
	674,381	595,386
<hr/>		
Net investment loss	(569,466)	(555,901)
<hr/>		
Realized and unrealized gain (loss) on investments		
Realized loss on sale of investments	(1,624,374)	(318,219)
Change in unrealized appreciation of investments	3,582,425	2,692,623
	<hr/>	<hr/>
Net gain on investments	1,958,051	2,374,404
<hr/>		
Increase in net assets from operations	1,388,585	1,818,503
<hr/>		
Increase in net assets from operations per Class A Share	1.15	4.09
<hr/>		

See accompanying notes

AGS Lawrence Resource Fund Ltd.
Statements of Changes in Net Assets
For the six months ended June 30
(Unaudited)

	2009	2008
	\$	\$
Increase in net assets from operations	1,388,585	1,818,503
Capital transactions (note 4)		
Proceeds from issuance of Class A Shares	5,934,073	13,705,931
Paid on redemption of Class A Shares	(4,140,925)	(4,424,447)
	1,793,148	9,281,484
Net increase in net assets for the period	3,181,733	11,099,987
Net assets, beginning of period	14,079,389	4,416,992
Net assets, end of period	17,261,122	15,516,979

See accompanying notes

AGS Lawrence Resources Fund Limited
Statement of Investments
As at June 30, 2009
(Unaudited)

	Number of Shares	Average Cost \$	Fair Value \$
Common Stock			
Advantage Energy Income Fund	71,400	374,530	349,860
Angle Energy Inc.	46,900	179,627	199,794
Black Bore Exploration Ltd.	800,000	229,088	120,000
Blackpearl Resources Inc.	200,000	236,840	292,000
Breaker Energy Ltd.	125,000	1,006,757	457,500
Canadian Natural Resources Ltd.	10,500	576,517	642,495
Canadian Oil Sands Trust	18,600	469,730	516,894
Crescent Point Energy Trust	11,800	334,420	404,504
Crew Energy Inc.	63,000	379,260	325,080
Daylight Resources Trust	68,979	552,888	508,375
Dorado Energy Inc.	900,000	441,000	441,000
EnCana Corp	10,500	587,883	605,535
Exshaw Oil Corp.	50,000	137,500	137,500
Fairborne Energy Ltd.	120,000	578,400	440,400
Imperial Oil Ltd.	25,000	1,078,111	1,123,000
Insignia Energy Ltd.	78,800	265,337	180,452
Ithaca Energy Inc.	567,000	668,710	385,560
Nexen Inc.	31,500	729,370	796,005
Orleans Energy Ltd.	72,500	155,150	153,700
Painted Pony Petroleum Ltd.	100,000	257,587	278,000
Petro Andina Resources Inc.	69,700	511,186	627,300
Progress Energy Resources Corp.	56,800	562,602	573,112
Suncor Energy Inc.	20,000	653,041	707,400
Talisman Energy Inc.	60,200	943,376	1,005,942
TriStar Oil & Gas Ltd.	64,200	726,075	704,274
		12,634,985	11,975,682
Transaction costs		(28,308)	
Total Investments		12,606,677	11,975,682

See accompanying notes

AGS Lawrence Resource Fund Ltd.
Notes to Financial Statements
June 30, 2009 (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:

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.

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.

Financial Instruments

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

AGS Lawrence Resource Fund Ltd.
Notes to Financial Statements
June 30, 2009 (unaudited)

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 period. 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 period in which they become known.

Future accounting changes

In June 2009, the Canadian Accounting Standards Board (“AcSB”) incorporated the recent amendments to International Financial Reporting Standards (“IFRS”) 7, “*Financial Instruments: Disclosures*”, into CICA Handbook Section 3862, “*Financial Instruments – Disclosures*”. The amendments introduce a three level fair value disclosure hierarchy that distinguishes fair value measurements by the significance of the inputs used. In addition, the amendments require enhanced disclosures regarding the nature and extent of liquidity risk arising from financial instruments to which an entity is exposed. The amendments are applicable to the Fund’s annual financial statements beginning with fiscal 2009. Comparative information is not required in the year of adoption. The Fund is currently evaluating the impact of the adoption of these amendments.

3. 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.

AGS Lawrence Resource Fund Ltd.
Notes to Financial Statements
June 30, 2009 (unaudited)

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.

4. 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.

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, 2009 (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, 2009 and December 31, 2008 were as follows:

	2009	2008
	Number of	Number of
	shares	shares
	<u> </u>	<u> </u>
Shares outstanding, beginning of period	1,166,438	270,818
Shares issued for investments:		
On merger with AGS 2007-1	478,354	-
On merger with AGS 2006-1	-	777,240
On merger with AGS 2006-2	-	1,019,040
	<u>478,354</u>	<u>1,796,280</u>
Shares redeemed	<u>(327,277)</u>	<u>(900,660)</u>
Shares outstanding, end of period	<u>1,317,515</u>	<u>1,166,438</u>

In 2009 the fund acquired the net assets of AGS Energy 2007-1 LP in exchange for 478,354 units with a fair value of \$5,934,073.

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

AGS Lawrence Resource Fund Ltd.
Notes to Financial Statements
June 30, 2009 (unaudited)

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.

5. INCOME TAXES

The Fund presently qualifies as a “mutual fund corporation” as defined in the Income Tax Act (Canada) (the “Act”) and the Ontario Corporation 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.

6. BROKERAGE COMMISSIONS

The Fund paid \$172,888 (2008 - \$38,114) in brokerage commissions and transaction costs on investment portfolio transactions during the period. There were no soft dollar amounts included in these payments.

7. RELATED PARTY DISCLOSURES

A director of the Fund is also a director of Black Bore Exploration Ltd. and Angle Energy Inc.

8. 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.

AGS Lawrence Resource Fund Ltd.
Notes to Financial Statements
June 30, 2009 (unaudited)

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 June 30, 2009, 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 \$598,784 (June 30, 2008 - \$648,973).

9. 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 the difference between net asset value per unit and net assets per unit.

As at June 30, 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>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
\$ 13.10	\$ 19.42	\$ 13.14	\$ 19.46

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.