

Financial Statements

AGS Lawrence Resource Fund Ltd.

June 30, 2008

AGS Lawrence Resource Fund Ltd.

Notes to Financial Statements

June 30, 2008 (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 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.

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
June 30, 2008 (unaudited)

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 known.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

On January 1, 2008, the Fund adopted CICA Handbook Section 3862, Financial Instruments – Disclosures (“Section 3862”), and CICA Handbook Section 3863, Financial Instruments – Presentation (“Section 3863”).

Section 3862 requires enhanced disclosure of the nature and extent of the risks arising from financial instruments and how the Fund manages those risks. Section 3863 carries forward unchanged the presentation requirements of the old Section 3861 with respect to financial instruments.

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 financial reporting until ending September 30, 2008. 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 Transaction 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 Transaction NAV and GAAP NAV.

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

| <u>Net Asset Value</u> | | | <u>Net Asset Value Per Unit</u> | |
|------------------------|--------------------------------|-----------------|---------------------------------|-----------------|
| <u>Transaction NAV</u> | <u>Section 3855 Adjustment</u> | <u>GAAP NAV</u> | <u>Transaction NAV</u> | <u>GAAP NAV</u> |
| 15,544,972 | (27,993) | 15,516,979 | 19.46 | 19.42 |

AGS Lawrence Resource Fund Ltd.
Notes to Financial Statements
June 30, 2008 (unaudited)

5. EXPENSES OF THE FUND

Management and consulting fees

The Fund pays 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.

A trailer commission is payable, at the discretion of the Manager, to each dealer whose clients hold shares. The trailer commission accrues weekly and is paid at the end of each calendar quarter and is 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.

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
June 30, 2008 (unaudited)

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 periods ended June 30, 2008 and December 31, 2007 were as follows:

| | <u>2008</u> | <u>2007</u> |
|---|------------------|------------------|
| | <u>Number of</u> | <u>Number of</u> |
| | <u>shares</u> | <u>shares</u> |
| Shares outstanding, beginning of period | 270,818 | 178,195 |
| Shares issued for investments | 777,240 | 290,735 |
| Shares redeemed | (249,146) | (198,112) |
| Shares outstanding, end of period | <u>798,912</u> | <u>270,818</u> |

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

AGS Lawrence Resource Fund Ltd.
Notes to Financial Statements
June 30, 2008 (unaudited)

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 \$38,114 (2007 - \$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.

9. RELATED PARTY DISCLOSURES

A director of the Fund is a director Black Bore Resources Ltd.

10. 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. The Fund relies on the expertise of the Manager's experience as a portfolio manager in managing risk. Prior to making an investment, the Manager will engage in extensive due diligence, which may include site visits and the engagement of consultants with industry and sector experience. Risks and related risk management practices employed by the Fund are discussed below:

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

AGS Lawrence Resource Fund Ltd.
Notes to Financial Statements
June 30, 2008 (unaudited)

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, 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 \$648,973.

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.

Liquidity risk

The Fund is subject to weekly redemption of its units. The Fund ensures that it maintains adequate cash balances or securities that can be quickly disposed, in order to fund redemptions.

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.

AGS Lawrence Resource Fund Ltd.

MANAGER'S COMMENTS ON UNAUDITED INTERIM FINANCIAL STATEMENTS

These interim financial statements of AGS Lawrence Resource Fund Ltd. for the period ended June 30, 2008 have been prepared by the Manager. These interim financial statements have not been reviewed by Ernst & Young LLP, the independent external auditors of the Partnership.

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

| | As at June 30 2008 \$ | As at December 31 2007 \$ |
|---|--------------------------------|------------------------------------|
| Assets | | |
| Investments, at fair value (note 2) | 12,979,463 | 4,177,700 |
| Cash and cash equivalents | 2,899,345 | 372,463 |
| Dividends receivable | 6,877 | - |
| Prepaid expenses | 133,440 | - |
| Future tax asset (note 7) | 169,000 | 169,000 |
| | 16,188,125 | 4,719,163 |
| Liabilities | | |
| Performance fees payable (note 5) | 397,330 | |
| Management fees payable (note 5) | 33,622 | 13,396 |
| Accounts payable and accrued liabilities | 240,194 | 119,775 |
| Income taxes payable | - | 169,000 |
| | 671,146 | 302,171 |
| Net assets, representing unitholders' equity | 15,516,979 | 4,416,992 |
| Class A Shares outstanding (note 6) | 798,912 | 270,818 |
| Net assets per Class A Share | \$19.42 | \$16.31 |

See accompanying notes

On behalf of the Board

Clarence Chow
Director

Ravi Sood
Director

AGS Lawrence Resource Fund Ltd.
Statement of Operations
(Unaudited)

| | Six months ended June 30 | |
|--|---------------------------------|------------------|
| | 2008 | 2007 |
| | \$ | \$ |
| Investment income | | |
| Interest | 20,457 | 3,850 |
| Dividends | 19,028 | 17,541 |
| | 39,485 | 21,391 |
| Expenses | | |
| Performance fees (note 5) | 425,914 | - |
| Management fee (note 5) | 65,854 | 37,753 |
| Transaction costs (notes 3 & 8) | 38,114 | 31,755 |
| Audit fee | 18,895 | 18,052 |
| Service fees (note 5) | 15,679 | 8,635 |
| Other administrative expenses | 12,917 | 15,292 |
| Securityholder reporting costs | 8,521 | 5,482 |
| Custody fees | 6,864 | 6,259 |
| Legal fees | 2,628 | 54,601 |
| | 595,386 | 177,829 |
| Net investment loss | (555,901) | (156,438) |
| Realized and unrealized gain (loss) on investments | | |
| Realized loss on sale of investments | (318,219) | (1,332,227) |
| Change in unrealized appreciation of investments | 2,692,623 | 1,269,758 |
| Net gain (loss) on investments | 2,374,404 | (62,469) |
| Increase (decrease) in net assets from operations | 1,818,503 | (218,907) |
| Increase (decrease) in net assets from operations per Class A Share | 4.09 | (0.90) |

See accompanying notes

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

| | Six months ended June 30 | |
|--|--------------------------|------------------|
| | 2008 | 2007 |
| | \$ | \$ |
| Increase (decrease) in net assets from operations | 1,818,503 | (218,907) |
| Capital transactions (note 6) | | |
| Proceeds from issuance of Class A Shares | 13,705,931 | 5,363,829 |
| Paid on redemption of Class A Shares | (4,424,447) | (2,231,132) |
| | 9,281,484 | 3,132,697 |
| Net increase in net assets for the period | 11,099,987 | 2,913,790 |
| Net assets, beginning of period | 4,416,992 | 3,767,849 |
| Net assets, end of period | 15,516,979 | 6,681,639 |

See accompanying notes

AGS Lawrence Resource Fund Ltd.

Statement of Investments

As at June 30, 2008

(unaudited)

| | Number of Shares | Average Cost \$ | Fair Value \$ |
|-------------------------------|---------------------|-----------------------|---------------------|
| Common Stock | | | |
| 1321713 Alberta Ltd. | 104,500 | 19,771 | 12,540 |
| Alberta Clipper Energy Inc. | 130,000 | 365,400 | 440,700 |
| Armistice Resources Corp. | 566,000 | 220,740 | 246,210 |
| Black Bore Resources Ltd. | 400,000 | 312,000 | 312,000 |
| Breaker Energy Ltd. | 21,000 | 208,950 | 262,920 |
| Celtic Exploration Ltd. | 22,500 | 376,875 | 444,600 |
| Connacher Oil and Gas Ltd. | 67,000 | 268,000 | 287,430 |
| Crescent Point Energy Trust | 29,900 | 931,295 | 1,205,269 |
| Duvernay Oil Corp. | 20,600 | 990,242 | 1,280,908 |
| Fairborne Energy Ltd. | 61,100 | 698,116 | 797,966 |
| First Calgary Petroleum Ltd. | 251,000 | 585,360 | 569,770 |
| FX Energy Ltd. | 250,000 | 100,000 | 42,500 |
| Galleon Energy Inc. | 34,000 | 589,893 | 700,400 |
| Highpine Oil & Gas Ltd. | 43,600 | 574,761 | 582,496 |
| In Depth Resources Ltd. | 400,000 | 196,000 | 196,000 |
| Oilexco Inc. | 43,700 | 633,066 | 849,965 |
| OPTI Canada Inc. | 17,000 | 354,654 | 392,020 |
| Pacific Rubiales Energy Corp. | 37,516 | 323,237 | 503,090 |
| Paramount Resources Ltd. | 7,600 | 225,663 | 157,624 |
| Petro Andina Resources Inc. | 36,400 | 423,738 | 407,680 |
| ProEx Energy Ltd. | 14,000 | 268,800 | 321,440 |
| ProspEx Resources Ltd. | 57,900 | 225,810 | 199,755 |
| Storm Exploration Inc. | 26,200 | 365,752 | 501,992 |
| Suncor Energy Inc. | 6,000 | 340,950 | 354,540 |
| Talisman Energy Inc. | 14,700 | 290,394 | 330,750 |
| TriStar Oil and Gas Ltd. | 21,234 | 338,416 | 437,633 |
| UTS Energy Corp. | 20,000 | 96,400 | 119,000 |
| Vero Energy Inc. | 94,218 | 935,336 | 1,022,265 |
| | | 11,259,619 | 12,979,463 |
| Transaction costs | | (8,268) | |
| Total investments | | 11,251,351 | 12,979,463 |

See accompanying notes