

Financial Statements

AGS Lawrence Resource Fund Ltd.

December 31, 2006

AUDITORS' REPORT

To the Shareholders of
AGS Lawrence Resource Fund Ltd.

We have audited the statements of net assets and investments of AGS Lawrence Resource Fund Ltd. [the "Fund"] as at December 31, 2006 and the statements of operations and changes in net assets 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 audit.

We conducted our audit 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 and investments of the Fund as at December 31, 2006 and the results of its operations and changes in its net assets for the period from July 20, 2006 to December 31, 2006 in accordance with Canadian generally accepted accounting principles.

Toronto, Canada,
March 23, 2007.

Ernst + Young LLP

Chartered Accountants

AGS Lawrence Resource Fund Ltd.

statement of NET ASSETS

As at
December 31, 2006
\$

Assets

Investments, at market value	3,847,553
Cash and cash equivalents	76,388
Dividends receivable	5,847
	<hr/>
	3,929,788

Liabilities

Management fees payable (note 3)	7,472
Accounts payable and accrued liabilities	122,704
	<hr/>
	130,176


Net assets, representing shareholders' equity	3,799,612
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Class A Shares outstanding (note 4)	178,195
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Net asset value per Class A Share	\$21.32
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See accompanying notes

On behalf of the Board



Miles Nagamatsu
Director



Clarence Y. Chow
Director

AGS Lawrence Resource Fund Ltd.

statement of OPERATIONS

Period from
July 20, 2006 to
December 31, 2006

\$

(note 1)

Investment income	
Dividends	29,082
Interest	325
	<hr/> 29,407
Expenses	
Management fees (note 3)	49,792
Audit fees	35,000
Custody fees	20,346
Service fees (note 3)	13,025
Legal fees	5,000
Other administrative expenses	4,379
	<hr/> 127,542
Net investment loss	<hr/> (98,135)
Realized and unrealized losses on investments	
Realized loss on sale of investments	(151,370)
Change in unrealized depreciation of investments	(1,533,436)
Net loss on investments	<hr/> (1,684,806)
Decrease in net assets from operations	<hr/> (1,782,941)
Decrease in net assets from operations per Class A Share	<hr/> (7.76)

See accompanying notes

AGS Lawrence Resource Fund Ltd.

statement of **CHANGES IN NET ASSETS**

	Period from July 20, 2006 to December 31, 2006 \$
	(note 1)
Decrease in net assets from operations	(1,782,941)
Capital transactions	
Proceeds from issuance of Class A Shares	13,216,119
Paid on redemption of Class A Shares	(7,558,566)
Issuance costs	(75,000)
	5,582,553
Net increase in net assets for the period	3,799,612
Net assets, beginning of period	-
Net assets, end of period	3,799,612

See accompanying notes

AGS Lawrence Resource Fund Ltd.

statement of INVESTMENTS

As at December 31, 2006

	Number of Shares	Average Cost \$	Market Value \$
Crew Energy Inc.	41,400	623,070	509,220
Delphi Energy Corp.	90,000	387,000	223,200
Galleon Energy Inc., Class A	10,000	219,500	180,800
Grand Banks Energy Corp.	355,700	693,615	533,550
Grand Petroleum Inc.	72,783	345,719	258,380
Highpine Oil & Gas Ltd.	37,145	669,049	583,176
Paramount Resources Ltd., Class A	34,600	1,198,890	830,400
Peak Energy Services Trust	64,967	777,655	324,835
RSX Energy Inc.	50,000	207,500	180,000
SignalEnergy Inc.	233,325	258,991	223,992
		5,380,989	3,847,553

See accompanying notes

AGS Lawrence Resource Fund Ltd.

notes to FINANCIAL STATEMENTS

December 31, 2006

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

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, which include estimates and assumptions by management that may affect the reported amounts of assets, liabilities, income and expenses during the reporting period. Actual results could vary from these estimates.

a) Investments are stated at market value on the following basis:

Securities listed on a recognized exchange or on an over-the-counter market are valued at their closing sale price, or if no sale price is available, at the average price of the closing bid and the closing ask prices on that day. The value of any security for which a market quotation is not readily available will be its fair value as determined by the Manager.

b) Investment transactions are recorded on the trade date. Interest income is accrued daily at the interest rate of the debt security. Dividend income is recognized on the ex-dividend date. Realized gains and losses from investment transactions are calculated on an average cost basis.

c) Increase (decrease) in net assets from operations per share represents the increase (decrease) in net assets from operations for the period divided by the weighted average shares outstanding during the period.

3. 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 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.

AGS Lawrence Resource Fund Ltd.

notes to FINANCIAL STATEMENTS

December 31, 2006

4. 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.

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 period from July 20, 2006 to December 31, 2006 were as follows:

	Number of shares
Shares issued for investments	441,298
Shares redeemed	(263,103)
Shares outstanding, end of period	178,195

AGS Lawrence Resource Fund Ltd.

notes to FINANCIAL STATEMENTS

December 31, 2006

Common Shares

During the period from July 20, 2006 to December 31, 2006, the Fund issued 2 common shares for gross proceeds of \$2.

5. 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.

6. BROKERAGE COMMISSIONS

The Fund paid \$17,107 in brokerage commissions and transaction costs on investment portfolio transactions during the period. There were no soft dollar amounts included in these payments.

7. 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.