

Lawrence Enterprise Fund Inc.

Unaudited Interim Financial Statements

For the six-month period ended February 28, 2011

NOTICE OF NO AUDITOR REVIEW OF THE INTERIM FINANCIAL STATEMENTS

In accordance with the Canadian Securities laws (National Instrument 81-106) Lawrence Enterprise Fund Inc. hereby gives notice that the Fund's independent auditors have not performed a review of these interim financial statements for the period ended February 28, 2011 in accordance with standards established by the Canadian Institute of Chartered Accountants.

Lawrence Enterprise Fund Inc.
Statements of Net Assets (unaudited)

	As at February 28, 2011 \$	As at August 31, 2010 \$
Assets		
Venture investments, at fair value	7,501,394	7,516,347
Marketable securities, at fair value	10,715,699	12,830,070
Cash	41,631	-
Receivable for investments sold	-	770,893
Receivables and other assets	28,803	-
	18,287,527	21,117,310
Liabilities		
Bank indebtedness	-	33,706
Accounts payable and other accrued liabilities	611,645	363,635
	611,645	397,341
Net Assets	17,675,882	20,719,969
Net Assets per Series (Note 5)		
SERIES I	\$ 7,242,782	\$ 9,298,913
SERIES II	1,668,501	2,120,196
SERIES III	5,599,536	5,899,791
SERIES IV	2,558,722	2,671,463
SERIES V	606,341	729,606
Net Assets per Share (Note 4 and 5)		
SERIES I	\$ 4.79	\$ 4.93
SERIES II	4.87	5.02
SERIES III	4.77	4.98
SERIES IV	4.92	5.11
SERIES V	4.69	4.83

See accompanying notes.

On behalf of the Board

(signed) "Aris Kaplanis"
Aris Kaplanis
Director

(signed) "John Crow"
John Crow
Director

Lawrence Enterprise Fund Inc.

Statements of Operations

For the six months ended February 28, 2011 and February 28, 2010 (unaudited)

	2011	2010
	\$	\$
Revenues		
Interest from marketable securities	461	841
Interest from venture investments	23,134	17,800
Dividends from marketable securities	68,158	218,699
Dividends from venture investments	-	-
	91,753	237,340
Expenses		
Management fees (Note 6)	289,622	304,329
Administration fees (Note 6)	147,568	153,519
Manager service fees (Note 6)	97,306	97,306
Legal fees	49,433	74,300
Audit fee	24,797	24,797
Custodial fee	38,821	31,265
Sponsor's fee (Note 6)	20,012	23,187
Directors' fees	8,450	25,340
Valuation fee	45,690	45,250
Service fees	13,406	15,586
Shareholder communication	20,823	12,341
Insurance	6,916	7,221
	762,844	814,441
Net Investment Loss	(671,091)	(577,101)
Realized and Unrealized Gain (Loss) on Investments and Transaction Costs		
Net realized loss on disposition of venture investments	(7,616,998)	-
Net realized gain (loss) on disposition of marketable securities	2,562,626	(603,453)
Change in unrealized appreciation (depreciation) of venture investments	7,570,598	(685,460)
Change in unrealized depreciation (appreciation) of marketable securities	(2,382,210)	2,150,614
Change in unrealized depreciation (appreciation) of foreign currency	(486)	6
Transaction costs (Note 8)	(102,963)	(20,388)
	30,567	841,319
Decrease (increase) in Net Assets from Operations	(640,524)	264,218
Decrease (increase) in Net Assets from Operations per Series		
SERIES I	\$ (225,157)	\$ 183,839
SERIES II	(58,488)	38,817
SERIES III	(240,443)	11,031
SERIES IV	(96,966)	17,503
SERIES V	(19,470)	13,028
Decrease (increase) in Net Assets from Operations per Class A Share		
SERIES I	\$ (0.13)	\$ 0.07
SERIES II	(0.15)	0.06
SERIES III	(0.20)	0.01
SERIES IV	(0.19)	0.03
SERIES V	(0.14)	0.06

See accompanying notes.

Lawrence Enterprise Fund Inc.

Statements of Change in Net Assets

For the six months ended February 28, 2011 and February 28, 2010 (unaudited)

	Class A Shares					Total
	Series I	Series II	Series III	Series IV	Series V	
	\$	\$	\$	\$	\$	\$
Net Assets, August 31, 2009	11,020,032	2,689,380	5,821,599	2,614,069	985,456	23,130,536
Increase in net assets from operations	183,839	38,817	11,031	17,503	13,028	264,218
Capital Transactions (Note 5)						
Redemption of shares	(729,954)	(266,000)	(40,625)	(13,035)	(112,742)	(1,162,356)
Net Assets, February 28, 2010	10,473,917	2,462,197	5,792,005	2,618,537	885,742	22,232,398
Net Assets, August 31, 2010	9,298,913	2,120,196	5,899,791	2,671,463	729,606	20,719,969
Decrease in net assets from operations	(225,157)	(58,488)	(240,443)	(96,966)	(19,470)	(640,524)
Capital Transactions (Note 5)						
Proceeds from issuance of shares	-	-	-	-	-	-
Redemption of shares	(1,830,974)	(393,207)	(59,812)	(15,775)	(103,795)	(2,403,563)
Net Assets, February 28, 2011	7,242,782	1,668,501	5,599,536	2,558,722	606,341	17,675,882

See accompanying notes.

Lawrence Enterprise Fund Inc.

Statements of Cash Flows

For the six months ended February 28, 2011 and February 28, 2010 (unaudited)

Cash provided by (used in):	2011	2010
	\$	\$
Operating Activities		
Decrease (increase) in net assets from operations	(640,524)	264,218
Items not affecting cash:		
Net realized loss on sale of venture investments	7,616,998	-
Net realized gain (loss) on sale of marketable securities	(2,562,626)	603,453
Change in unrealized depreciation (appreciation) of venture investments	(7,570,598)	685,460
Change in unrealized appreciation (depreciation) of marketable securities	2,382,210	(2,150,614)
	(774,540)	(597,483)
Net change in non-cash operating working capital	218,549	155,564
Cash provided by (used in) operating activities	(555,991)	(441,919)
Investing Activities		
Venture investments purchased	(331,160)	-
Proceeds on sale of venture investments	299,714	650,000
Marketable securities purchased	(6,201,988)	(3,124,787)
Proceeds on sale of marketable securities	9,268,325	2,681,497
Cash provided by (used in) investing activities	3,034,891	206,710
Financing Activities		
Class A Shares issued	-	-
Class A Shares redeemed	(2,403,563)	(1,162,356)
Cash used in financing activities	(2,403,563)	(1,162,356)
Net increase (decrease) in cash and cash equivalents during the year	75,337	(1,397,565)
Cash, beginning of the year	(33,706)	2,138,634
Cash, end of the year	41,631	741,069

See accompanying notes.

Lawrence Enterprise Fund Inc.

Statement of Investment Portfolio

As at February 28, 2011 (unaudited)

Marketable Securities

Issuer	Number of shares/units		Cost	Fair value
AbitibiBowater Inc.	10,000	Common shares	\$ 221,000	\$ 270,100
Aeromechanical Services Ltd.	250,000	Warrants expiring May 20, 2011	-	-
Altus Group Ltd.	300,000	Debenture due December 31, 2017	300,000	291,150
Anaconda Mining Inc.	204,506	Common shares	4,396	17,383
Anaconda Mining Inc.	104,208	Warrants expiring March 20, 2012	-	-
Bank of Montreal	10,000	Common shares	573,544	619,600
BE Resources Inc.	180,000	Common shares	68,847	58,500
Canadian Natural Resources Limited	15,000	Common shares	612,203	732,600
Canadian Oil Sands Ltd.	20,000	Common shares	516,960	601,000
Chartwell Seniors Housing Real Estate Investment Trust	85,000	Trust unit	671,509	742,900
Colonial Coal International Corporation	1,300,000	Warrants expiring October 7, 2013	-	728,000
Crystallex International Corporation	1,000,000	Warrants expiring June 30, 2011	-	-
Enssolutions Group	4,750,000	Common shares	475,000	142,500
Feronia Inc.	5,119,900	Common shares	2,047,960	2,047,960
Feronia Inc.	2,750,000	Warrants expiring September 8, 2013	-	-
Frontline Gold Corporation	735,000	Warrants expiring December 31, 2011	-	-
Gold Standard Ventures Corporation	153,800	Warrants expiring September 21, 2012	-	43,064
Maghreb Minerals PLC	6,666,667	Common shares	153,432	161,152
MedcomSoft Inc.	3,677,632	Common shares	681,250	-
Medipattern	523,369	Warrants expiring December 31, 2015	-	-
New Flyer Industries Inc.	50,000	Income deposit security	563,225	595,500
New Island Resources Inc.	6,205,000	Common shares	-	124,100
Noranda Income Fund	50,000	Class A trust units	259,125	251,000
Patient Home Monitoring	438,428	Common shares	61,380	63,572
PetroWorth Resources Inc.	10,000,000	Common shares	1,800,000	550,000
Posera-HDX Inc.	555,500	Class A common shares	188,870	161,095
Posera-HDX Inc.	277,750	Warrants expiring April 27, 2012	61,105	-
Quantum Rare Earth Developments Corp.	903,300	Restricted Shares March 6, 2011	250,023	250,023
Quantum Rare Earth Developments Corp.	451,650	Warrants expiring November 5, 2013	-	-
Shaw Communications Inc.	20,000	Class B common shares	426,940	433,600
Sun Life Financial Inc.	25,000	Common shares	758,060	806,500
TrueContext Corporation	3,500,000	Common shares	525,000	525,000
TrueContext Corporation	625,000	Warrants expiring May 3, 2012	-	-
TrueContext Corporation	500,000	Warrants expiring May 19, 2011	-	-
TrueContext Corporation	2,000,000	Warrants expiring July 23, 2011	-	-
Western Potash Corp.	454,000	Common shares	499,400	499,400
Western Potash Corp.	227,000	Warrants expiring June 24, 2013	-	-
Total marketable securities, at fair value			11,719,228	10,715,699

Venture Investments

Issuer			Cost
Anaconda Mining Inc.	340,000	Debenture due July 20, 2011	331,160
Bridge Renewable Energy Technologies Inc	200,000	Warrants expiring August 14, 2012	-
Canadian Trading and Quotation System Inc.	90,041	Common shares	34,098
Canadian Trading and Quotation System Inc.	452,850	Class A Common Shares	-
Canadian Trading and Quotation System Inc.	1,460,085	Class B Debenture, due December 31, 2011	1,465,900
Geodigital International Inc.	1,470,588	Series 2 Preferred shares	1,250,000
Geodigital International Inc.	1,497,998	Series 3 Preferred shares	1,476,500
Geodigital International Inc.	80,800	Warrants expiring August 18, 2017	-
Geodigital International Inc.	1,470,588	Warrants expiring December 31, 2049	-
Groove Media Inc.	1,052,000	Common shares	2,000,399
iTrade Finance Inc.	368	Common shares	257,086
iTrade Finance Inc.	11,989	Preferred shares	11,989
SiGe Semiconductor Inc.	1,317,575	Common shares	3,019,733
Trilliant Inc.	955,100		1,000,155
VECTr Systems Inc.	2,660	Common shares	126,928
View 22 Technology Inc.	142,857	Common shares	250,000
View 22 Technology Inc.	71,428	Warrants expiring November 8, 2049	-
Total venture investments, at cost			11,223,948
Unrealized depreciation of venture investments			(3,722,554)
Total venture investments, at fair value			7,501,394

Liabilities, net of other assets

Total Net Assets at fair value	\$ 17,675,882
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Venture Investments

Sector	Number of Companies	Cost	Fair Value	% of cost	% of Fair Value
Manufacturing and materials	1	\$ 331,160	\$ 306,000	3	4
Services	4	4,769,627	3,073,473	42	41
Technology	5	6,123,161	4,121,921	55	55
	10	\$ 11,223,948	\$ 7,501,394	100	100

Venture Investments

Stage of Development	Number of Companies	Cost	Fair Value	% of cost	% of Fair Value
Early stage	7	\$ 5,934,741	\$ 6,217,351	53	83
Later stage	3	5,289,207	1,284,043	47	17
	10	\$ 11,223,948	\$ 7,501,394	100	100

LAWRENCE ENTERPRISE FUND INC.
NOTES TO FINANCIAL STATEMENTS
(unaudited)

1. CORPORATE STATUS AND ACTIVITIES

Lawrence Enterprise Fund Inc. (the "Fund") was incorporated under the laws of Canada by Articles of Incorporation dated October 31, 2001. The Fund is registered as a labour-sponsored venture capital corporation under the Federal Income Tax Act ("Tax Act") and as a labour-sponsored venture investment fund corporation under the Community Small Business Investment Funds Act ("Ontario Act").

The Fund makes investments in eligible Canadian businesses ["Venture Investments"] as defined in the Tax Act and Ontario Act. The investment objective of the Fund is to increase net asset value through a strategy of selectively investing in eligible businesses in order to achieve a balance of long-term capital appreciation and current yield.

The sponsor of the Fund is the Canadian Air Traffic Control Association, CAW Local 5454.

On June 7, 2010, Aston Hill Financial Inc. ("Aston Hill") and Navina Asset Management Inc. ("NAMI") announced the execution of a share purchase agreement. Pursuant to the agreement, Aston Hill acquired 100% of the common shares of NAMI on August 6, 2010.

On January 12, 2011 NAMI changed its name to Aston Hill Asset Management Inc. ("AHAM"). AHAM continues as the Manager (the "Manager") of the Fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"). The significant accounting policies are as follows:

(a) Venture Investments

The estimated fair value of venture investments is determined pursuant to policies and procedures approved by the Audit and Valuation Committees of the Board of Directors (the "Board").

Venture investments having quoted market values and which are publicly traded on a recognized stock exchange, and are not otherwise restricted or thinly traded securities, are recorded at values based on bid prices. Investments in such securities that are restricted or thinly traded are valued at a discount to their quoted market prices.

Venture investments in securities not having quoted market values are initially recorded at cost on a trade-date basis and thereafter recorded at estimated fair value. Estimated fair value is determined on the basis of the expected realizable value of the venture investments if they were disposed of in an orderly fashion over a reasonable period of time. The Manager uses estimation techniques to determine fair value which include discounted cash flows, multiples of earnings or comparison with other securities that are substantially the same.

The process of valuing venture 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 venture investments. Certain investments are fair valued based on assumptions that are based on unobservable market inputs. The difference between the estimated fair

LAWRENCE ENTERPRISE FUND INC.
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(unaudited)

value and the average cost of the venture investments is recorded as unrealized appreciation (depreciation) of venture investments.

(b) Marketable Securities

Purchases and sales of marketable securities are recorded on a trade-date basis. Publicly-traded investments are carried at fair value based on closing bid price or the closing price on the last day the security traded if there were no trades as at the valuation date. Bonds are valued using the bid price provided by price vendors upon the close of trading on a valuation date. The difference between the market value and the average cost of the bonds is recorded as unrealized appreciation (depreciation) of marketable securities.

Commissions and other portfolio transaction costs are incremental costs that are directly attributable to the acquisition or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Such costs are expensed and are included in “Transaction costs” in the Statement of Operations.

(c) Financial Instruments

The Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3862 Financial Instruments—Disclosures (“Section 3862”) requires enhanced disclosure regarding fair value and liquidity risk. This includes classification of the fair value measurements associated with the financial instruments held by the Fund. The classifications require the use of a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy has the following levels: quoted prices in an active market (Level 1—unadjusted inputs); inputs other than quoted prices (Level 2—directly or indirectly derived from observational market data); and inputs not based on observable market data (Level 3—unobservable inputs). In addition to the above disclosure requirements, Section 3862 requires disclosure of significant transfers between Levels 1 and 2 since the prior reporting period, as well as reconciliation of Level 3 assets, disclosing separately changes during the reporting period attributable to i) total gains or losses recognized in net income, and a description of where they are presented in the income statement, ii) purchases, sales, issues and settlements, iii) transfers into or out of Level 3 and the reasons for those transfers. Further, for fair value measurements in Level 3, if changing one or more type of the inputs to reasonably possible alternative assumptions would change fair value significantly, the Fund shall state this fact and disclose both the effect of those changes and how the effect was calculated. These disclosures are required for annual financial statements for fiscal years ending after September 30, 2009. The adoption of these standards has resulted in increased disclosures but has not affected the Fund’s Net Assets or results of operations.

(d) Investment Transactions and Income Recognition

All investment transactions are accounted for on the trade date. Realized gains and losses from investment transactions and unrealized appreciation or depreciation in the value of investments are calculated on an average cost basis, excluding transaction costs and effect of foreign exchange, which is disclosed separately.

Interest and other income are recorded on an accrual basis.

Dividend income is recognized on the ex-dividend date.

LAWRENCE ENTERPRISE FUND INC.
NOTES TO FINANCIAL STATEMENTS
(unaudited)

(e) Income Taxes

The Fund follows the liability method of tax allocation in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

(f) Series Allocations

The Fund allocates income, expenses, realized gains (losses) and unrealized gains (losses) on the following basis:

Income and realized and unrealized gains (losses) are apportioned on a daily basis based on the Net Asset Value of the respective series to the total net asset value of the Fund as at the most recent valuation date.

Expenses are categorized and tracked as to expenses directly attributable to a specific series (“direct expenses”) and those that are common expenses of the Fund. Direct expenses of a particular series are recorded as a direct expense to that series. Common expenses are allocated to each series in a consistent manner as the common income allocation described above.

(g) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Fund’s investment objective is to increase the Net Asset Value of the Class A Shares through a strategy of selectively investing in eligible businesses in order to achieve a balance of long-term capital appreciation and current yield. The strategy is to invest in businesses in a variety of industry sectors at varying stages of development with good prospects for growth or an ability to service debt. 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 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 sector experience. Risks and related risk management practices employed by the Fund are discussed below:

Total marketable investments at fair value were \$10.7 million and total venture investments at fair value were \$7.5 million as at February 28, 2011. The venture portfolio was diversified across the same 3 industry sectors: manufacturing and materials (4%), services (41%) and technology (55%) as at February 28, 2011.

Currency risk

The Fund invests in part in securities denominated in currencies other than the Canadian dollar. Consequently, the Fund is exposed to risks that the exchange rate of the Canadian dollar relative to the other currencies may change in a manner that has an adverse effect on the reported value of that portion of the Fund’s assets. The Fund does not hedge its foreign currency risk.

LAWRENCE ENTERPRISE FUND INC.
NOTES TO FINANCIAL STATEMENTS
(unaudited)

Currencies to which the Fund had exposure as at February 28, 2011 and August 31, 2010 are as follows:

February 28, 2011

Currencies	Total currency exposure (\$)	Percentage of Net Assets (%)
US Dollars	1,284,101	7.3
GBP	161,152	0.9
Total	1,445,253	8.2

August 31, 2010

Currencies	Total currency exposure (\$)	Percentage of Net Assets (%)
US Dollars	1,422,016	6.9
GBP	354,407	1.7
Total	1,776,423	8.6

As at February 28, 2011, had there been a change in the currencies relative to the Canadian dollar by 5%, with all other variables held constant, Net Assets would have increased or decreased, respectively, by approximately \$72,263 (August 31, 2010 - \$88,821). Actual results may differ from this sensitivity analysis and the difference could be material.

Interest rate risk

The Fund has investments in interest bearing securities. For those investments that are deemed illiquid the fair value of these securities does not materially change with fluctuations in interest rates.

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 the 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 February 28, 2011, 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 \$910,855 (August 31, 2010 - \$1,017,321).

Credit risk

The Fund is exposed to credit risks associated with defaults on the debentures issued by companies in which the Fund has invested. As at February 28, 2011, the fair value of the Fund's total debenture investments is \$2,063,049 (August 31, 2010 - \$1,665,899).

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.

LAWRENCE ENTERPRISE FUND INC.
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Liquidity risk

Liquidity risk is the possibility that investments in the fund cannot be readily converted into cash when required. The Fund has approximately \$10.8 million of cash and marketable securities to meet expenses and redemption of its shares (August 31, 2010 - \$8.3 million). However, unexpected heavy demand for redemptions of shares could result in the Fund having to dispose of investments at a time when it is not optimal to do so in order to meet such redemption requests.

Fair value measurements

The following is a summary of the inputs used as at February 28, 2011 and August 31, 2010 in valuing the Fund's investments and derivatives carried at fair values:

February 28, 2011	Level One	Level Two	Level Three	Totals
Financial Assets				
Equities				
Common Stock	\$9,653,485	-	\$2,891,617	\$12,545,102
Preferred Stock	-	\$2,837,878	-	2,837,878
Total Equities	9,653,485	2,837,878	2,891,617	15,382,980
Fixed Income				
Corporate Bonds	-	291,150	1,771,899	2,063,049
Warrants				
Warrants		771,064		771,064
Total Financial Assets	\$9,653,485	\$3,900,092	\$4,663,516	\$18,217,093

August 31, 2010	Level One	Level Two	Level Three	Totals
Financial Assets				
Equities				
Common Stock	\$8,374,390	\$4,455,680	\$3,012,570	\$15,842,640
Preferred Stock	-	2,837,878	-	2,837,878
Total Equities	8,374,390	7,293,558	3,012,570	18,680,518
Fixed Income				
Corporate Bonds	-	-	1,665,899	1,665,899
Total Financial Assets	\$8,374,390	\$7,293,558	\$4,678,469	\$20,346,417

LAWRENCE ENTERPRISE FUND INC.
NOTES TO FINANCIAL STATEMENTS
(unaudited)

The following is a reconciliation of investments in which significant unobservable inputs (Level Three) were used in determining the fair value:

	Investment in Securities
Balance as at August 31, 2010	\$4,678,469
Purchases	331,160
Sales	(299,714)
Net transfers in and/ or out of Level Three	-
Realized loss	(7,616,998)
Change in unrealized appreciation (depreciation)	7,570,598
Balance as at February 28, 2011	\$4,663,515
Net change in unrealized appreciation (depreciation) from investments still held as of February 28, 2011	(\$120,953)

	Investment in Securities
Balance as at August 31, 2009	\$1,992,986
Purchases	-
Sales	(823,726)
Net transfers in and/ or out of Level Three	2,823,474
Realized gain	425,770
Change in unrealized appreciation (depreciation)	259,965
Balance as at August 31, 2010	\$4,678,469
Net change in unrealized appreciation (depreciation) from investments still held as of August 31, 2010	(\$31,999)

For the period ended February 28, 2011, the potential effect of using reasonably possible alternative assumptions in Level 3 investments would range from a decrease in net assets of 4% (August 31, 2010 - 4%) to an increase in net assets of 6% (August 31, 2010 - 6%).

4. RECONCILIATION OF NET ASSETS AND NET ASSET VALUE

Historically, sales commissions and fees related to the sale of Class A Series I and Series II Shares were capitalized as deferred charges. Redemptions prior to eight years from the date of issue are charged an early redemption fee. The early redemption fee was applied against the unamortized deferred charges related to such share subscriptions. As a result of changes in GAAP, financial statements of a labour-sponsored investment fund for any financial year beginning on or after October 1, 2003 may not use the deferral and amortization method in respect of the recording of sales commissions. Rather, sales commissions paid by labour-sponsored investment funds to registered dealers have to be recorded as an immediate charge against the asset value of the labour-sponsored investment fund. For transitional purposes, securities regulatory authorities have issued a notice stating that, in determining the price at which shares of labour-sponsored funds are purchased and redeemed, a labour-sponsored investment fund may, on certain conditions, calculate the pricing net asset value of its shares (the "Net Asset Value") by continuing to defer and amortize the sales commissions paid prior to January 1, 2004 and treating sales commissions paid on or after January 1, 2004 as an immediate reduction in the Net Asset Value.

LAWRENCE ENTERPRISE FUND INC.
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The adoption of the transition rules afforded by the securities regulatory authorities results in differences between the Net Asset Value of the Class A Series I and Series II Shares and the Net Assets of the Class A Series I and Series II Shares for the purpose of the Fund's financial statements.

Sales commissions and fees related to the sale of Class A Series III and Series IV are paid by the Manager.

In addition, the adoption of Section 3855 also results in a difference between Net Asset Value and Net Assets.

The following table presents a reconciliation of the Net Assets per series per share and Net Asset Value per series per share:

	Net Asset Value per Share	Section 3855 Adjustment	Deferred Sales Charge	Net Assets per Share
Class A Shares Series I	\$4.85	\$(0.06)	-	\$4.79
Class A Shares Series II	\$4.93	\$(0.06)	-	\$4.87
Class A Shares Series III	\$4.83	\$(0.06)	-	\$4.77
Class A Shares Series IV	\$4.98	\$(0.06)	-	\$4.92
Class A Shares Series V	\$4.74	\$(0.05)	-	\$4.69

5. NET ASSETS

(a) Authorized Share Capital

Unlimited number of Class A Shares Series I, II, III, IV and V, discretionary dividend entitlement, voting, restrictions on transfer and redemption, redeemable at the Net Asset Value less any redemption fee, entitled to elect two of seven directors. Effective January 1, 2004, Series III and IV Class A Shares were made available for sale and Series I and II Class A Shares were no longer available for distribution. The Series V Shares, issued on June 30, 2006 for the acquisition of assets of York Labour Fund Inc., are not available for distribution.

25,000 Class B Shares issuable only to the Sponsor, no dividend entitlement, voting, entitled to elect five of seven directors. The Sponsor has agreed that it will elect, as directors of the Fund, two persons who are either members of the Sponsor or persons independent of the Sponsor but approved by the balance of the Board and three nominees of the Manager. The remaining two appointees of the Sponsor will be nominated jointly by the Sponsor and the Manager and will be independent of both parties.

(b) Issued and Outstanding Share Capital

Class A Shares	Series I	Series II	Series III	Series IV	Series V	Total
Outstanding, August 31, 2009	2,352,545	561,128	1,200,000	529,982	214,226	4,857,881
Redeemed during the period	(149,009)	(53,639)	(8,359)	(2,635)	(24,212)	(237,853)
Outstanding, February 28, 2010	2,203,536	507,489	1,191,641	527,347	190,014	4,620,028
Outstanding, August 31, 2010	1,887,144	422,499	1,185,198	522,803	151,134	4,168,778
Redeemed during the period	(376,647)	(79,804)	(12,130)	(3,123)	(21,745)	(493,449)
Outstanding, February 28, 2011	1,510,497	342,695	1,173,068	519,680	129,389	3,675,329

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(c) Class B Shares

For the periods ended February 28, 2011 and February 28, 2010, there was one Class B Share outstanding, held by the Fund's sponsor, with a value of \$10.

(d) Redemption of Class A Shares

A shareholder may redeem all or part of the Class A Shares held at the Net Asset Value per Class A Share, subject to certain restrictions. In any fiscal year, the Fund is not required to redeem Class A Shares having an aggregate redemption price exceeding 20% of the Net Asset Value of the Class A Shares, calculated as of the last day of the preceding fiscal year. If the Fund does not redeem Class A Shares in the fiscal year requested, it will redeem those shares in the following fiscal year before it redeems any other Class A Shares that it has been requested to redeem.

A redemption fee is charged, for the Class A Shares, Series I and III, in the amount of up to 10% of the original issue price calculated as 1.25% of the original issue price times the number of years or part years remaining until the eighth anniversary of the date of issue.

A redemption fee is charged, for the Class A Shares, Series II and IV, in the amount of up to 6% of the original issue price calculated as 0.75% of the original issue price times the number of years or part years remaining until the eighth anniversary of the date of issue.

No redemption fee is charged, for the Class A Shares, Series V. Series V Shares may be redeemed at any time at the current Net Asset Value.

(e) Capital Management

Share capital is considered to be the source of capital for the Fund. The Fund's 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, and to provide an adequate return to shareholders commensurate with the level of risk.

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

6. MANAGEMENT AND OTHER FEES

The Fund has entered into a Management Agreement with the Manager to have primary responsibility for the management of the Fund. The Manager is paid an annual fee of 2.50% of the Net Asset Value of the Fund. During the period, the Fund incurred fees of \$289,622 (2010 - \$304,329) with respect to this agreement. In addition, the Manager is also entitled to an incentive fee equal to 20% of the amount by which the percentage increase in the Investment Portfolio in a year exceeds 6% based on the increase in the value of the investment portfolio. During the period, no incentive fee was incurred.

The Fund pays the Manager a fee for services related to the payment of sales commissions and prepaid service fees paid by the Manager upon the issue of Series III and Series IV Class A Shares, referred to as "manager service fee". The fee equals the commissions and service fees paid by the Manager upon issue of

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Series III and Series IV Class A Shares (less any applicable early redemption fees) recovered equally over an eight-year period. It is expected that this fee will represent approximately 1.25% and 0.75% per annum of the original issue price of the Series III and Series IV Class A Shares, respectively, which remain issued and unredeemed.

The Fund has entered into Administration Agreements with State Street Fund Services Toronto Inc. (the "Fund Administrator") and CIBC Mellon Global Securities Services Company to administer the Fund. During the period, the Fund incurred fees of \$161,115 (2010 - \$153,844) with respect to these agreements.

The Fund pays the sponsor an annual fee of 0.20% of the Net Asset Value of the Fund. During the period, the Fund incurred sponsor's fees of \$20,012 (2010 - \$23,187).

7. INCOME TAXES AND OTHER TAXES

Per the Tax Act, no income taxes are payable by the Fund on dividends received from Canadian corporations, and income taxes payable on capital gains will be fully refundable on a formula basis when shares of the Fund are redeemed or capital gains dividends are paid or deemed to be paid by the Fund to its shareholders. A portion of the income taxes payable on interest income earned by the Fund is also refundable on payment or deemed payment of dividends to the shareholders.

The Fund intends to recover all of its refundable income taxes annually through the deemed payment of a dividend by capitalizing the appropriate amount of its income as paid-up capital pro rata on its Class A Shares. If and to the extent the Fund increases the paid-up capital of the Class A Shares, the holder of the shares will be deemed to have received a dividend and the adjusted cost base of the holder's shares will be increased by the amount of the deemed dividend.

The Tax Act and the Ontario Act set minimum levels of venture investments for the Fund. If the minimum level of qualifying venture investments is not met, the Fund will be subject to defined taxes and penalties. At December 31, 2010, the taxation year end, the Fund is in compliance with requirements set out in the Tax Act and the Ontario Act.

As of December 31, 2010, the Fund had available capital losses for income tax purposes of \$11,401,098 which may be carried forward indefinitely and applied against capital gains realized in future years. The Fund also had accumulated non-capital losses for income tax purposes of \$11,765,509 which can be carried forward to be applied against future taxable income. The potential benefit of these losses has not been recognized in these financial statements. The losses expire as follows:

2014	\$1,584,455
2015	2,185,931
2026	1,952,295
2027	193,230
2028	1,909,307
2029	2,071,471
2030	1,868,820
	<u>\$ 11,765,509</u>

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8. BROKERAGE COMMISSIONS

The Fund paid \$102,963 in brokerage commissions and transaction costs on investment portfolio transactions for the six months ended February 28, 2011 (2010 - \$20,388). There were no soft dollar amounts included in these payments.

9. CONTINGENT LIABILITY

The Fund has provided a \$3,000,000 guarantee for loans to be provided to the Manager to pay commissions on the sale of Class A Shares, Series III and IV. As at February 28, 2011, no loans were outstanding.

10. INDEPENDENT VALUATOR

Under National Instrument 81-106 Investment Fund Continuous Disclosure, the Fund is exempt from disclosing individual current values for venture investments if it has met certain disclosure requirements and has obtained an independent valuation review of the net assets of each Series of the Class A Share as at the year-end. The Fund's independent auditors have expressed an opinion in their valuation review, which was prepared with assistance of qualified chartered business valuers, that the fair value of each Series determined by them represents a reasonable estimate of the net assets of each Series determined by the Valuation Committee as presented in the Fund's financial statements.

The Tax Act and the Ontario Act require that the Fund ensures that the value of Class A Shares be determined by an independent qualified person. The Fund satisfies these requirements by obtaining an independent valuation review, as described above, from its auditors.

11. FUTURE CHANGES IN ACCOUNTING STANDARDS

In September 2010, the Accounting Standard Board in Canada ("AcSB") decided to amend the Introduction to Part I of the CICA Handbook – Accounting to require investment companies to adopt International Financial Reporting Standards ["IFRS"] for the first time not later than interim and annual financial statements relating to annual periods beginning on or after January 1, 2012. In January 2011, the AcSB approved a further one year deferral of IFRS for investment funds from January 1, 2012 to January 1, 2013. Investment companies may elect to defer the first time adoption and may continue to apply existing Canadian GAAP until the changeover to IFRS.

At February 28, 2011, the Manager has reviewed the potential impact of IFRS on the Fund's Net Assets and financial statements. Based on this review, the Manager believes that the impact of IFRS will be primarily the disclosure and presentation of the Fund's financial statements, with no impact to the Fund's net assets.