

Avery Resources Inc.

Statement of Reserves Data and Other Oil and Gas Information

Effective March 31, 2004

Prepared on July 26, 2004

ABBREVIATIONS AND CONVERSION

In this document, the abbreviations set forth below have the following meanings:

Oil and Natural Gas Liquids

Bbl	barrel
Bbls	barrels
Mbbls	thousand barrels
Mmbbls	million barrels
Mstb	1,000 stock tank barrels
Bbls/d	barrels per day
BOPD	barrels of oil per day
NGLs	natural gas liquids
STB	standard tank barrels

Natural Gas

Mcf	thousand cubic feet
Mmcf	million cubic feet
Mcf/d	thousand cubic feet per day
Mmcf/d	million cubic feet per day
MMBTU	million British Thermal Units
Bcf	billion cubic feet
GJ	gigajoule

Other

API	American Petroleum Institute°
API	an indication of the specific gravity of crude oil measured on the API gravity scale. Liquid petroleum with a specified gravity of 28° API or higher is generally referred to as light crude oil.
ARTC	Alberta Royalty Tax Credit
BOE	barrel of oil equivalent on the basis of 1 BOE to 6 Mcf of natural gas. BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 1 BOE for 6 Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.
BOE/d	barrel of oil equivalent per day
m3	cubic metres
MBOE	1,000 barrels of oil equivalent
McfGE	1,000 cubic feet of gas equivalent on the basis of 6 McfGEs to 1 bbl of crude oil. McfGEs may be misleading, particularly if used in isolation. A McfGE conversion ratio of 6 McfGEs to 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.
McfGE/d	1,000 cubic feet equivalent per day
MmcfGE	1,000 McfGE
\$000s	thousands of dollars
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for crude oil of standard grade

NOTES AND DEFINITIONS

The determination of oil and gas reserves involves the preparation of estimates that have an inherent degree of associated uncertainty. Categories of proved, probable and possible reserves have been established to reflect the level of these uncertainties and to provide an indication of the probability of recovery.

The estimation and classification of reserves requires the application of professional judgment combined with geological and engineering knowledge to assess whether or not specific reserves classification criteria have been satisfied. Knowledge of concepts including uncertainty and risk, probability and statistics, and deterministic and probabilistic estimation methods is required to properly use and apply reserves definitions.

The following terms used in this document, have the following meanings:

“associated gas” means the gas cap overlying a crude oil accumulation in a reservoir.

“constant prices and costs” means prices and costs used in an estimate that are:

- (a) the Corporation’s prices and costs as at the effective date of the estimation, held constant throughout the estimated lives of the properties to which the estimate applies;
- (b) if, and only to the extent that, there are fixed or presently determinable future prices or costs to which the Corporation is legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in paragraph (a).

For the purpose of paragraph (a), the reporting issuer’s prices will be the posted price for oil and the spot price for gas, after historical adjustments for transportation, gravity and other factors.

“Corporation” or **“Avery”** means Avery Resources Inc.

“crude oil” or **“oil”** means a mixture that consists mainly of pentanes and heavier hydrocarbons, which may contain sulphur and other non-hydrocarbon compounds, that is recoverable at a well from an underground reservoir and that is liquid at the conditions under which its volume is measured or estimated. It does not include solution gas or natural gas liquids.

“development costs” means costs incurred to obtain access to reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas from the reserves. More specifically, development costs, including applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:

- (a) gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building, and relocating public roads, gas lines and power lines, to the extent necessary in developing the reserves;
- (b) drill and equip development wells, development type stratigraphic test wells and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and the wellhead assembly;
- (c) acquire, construct and install production facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems; and

- (d) provide improved recovery systems.

“Developed Producing” reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

“Developed Non-Producing” reserves are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.

“development well” means a well drilled inside the established limits of an oil or gas reservoir, or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive.

“exploration costs” means costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects that may contain oil and gas reserves, including costs of drilling exploratory wells and exploratory type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property (sometimes referred to in part as “prospecting costs”) and after acquiring the property. Exploration costs, which include applicable operating costs of support equipment and facilities and other costs of exploration activities, are:

- (a) costs of topographical, geochemical, geological and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews and others conducting those studies (collectively sometimes referred to as “geological and geophysical costs”);
- (b) costs of carrying and retaining unproved properties, such as delay rentals, taxes (other than income and capital taxes) on properties, legal costs for title defence, and the maintenance of land and lease records;
- (c) dry hole contributions and bottom hole contributions;
- (d) costs of drilling and equipping exploratory wells; and
- (e) costs of drilling exploratory type stratigraphic test wells.

“exploratory well” means a well that is not a development well, a service well or a stratigraphic test well.

“field” means an area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structural feature and/or stratigraphic condition. There may be two or more reservoirs in a field that are separated vertically by intervening impervious strata or laterally by local geologic barriers, or both. Reservoirs that are associated by being in overlapping or adjacent fields may be treated as a single or common operational field. The geological terms “structural feature” and “stratigraphic condition” are intended to denote localized geological features, in contrast to broader terms such as “basin”, “trend”, “province”, “play” or “area of interest”.

“future prices and costs” means future prices and costs that are:

- (a) generally accepted as being a reasonable outlook of the future;
- (b) if, and only to the extent that, there are fixed or presently determinable future prices or costs to which the Corporation issuer is legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in paragraph (a).

“future income tax expenses” means future income tax expenses estimated (generally, year-by-year):

- (a) making appropriate allocations of estimated unclaimed costs and losses carried forward for tax purposes, between oil and gas activities and other business activities;
- (b) without deducting estimated future costs (for example, Crown royalties) that are not deductible in computing taxable income;
- (c) taking into account estimated tax credits and allowances (for example, royalty tax credits); and (d) applying to the future pre-tax net cash flows relating to the reporting issuer's oil and gas activities the appropriate year-end statutory tax rates, taking into account future tax rates already legislated.

“future net revenue” means the estimated net amount to be received with respect to the development and production of reserves (including synthetic oil, coal bed methane and other non-conventional reserves) estimated using constant prices and costs or forecast prices and costs.

“gross” means:

- (a) in relation to the Corporation's interest in production or reserves, its “company gross reserves”, which are its working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of the Corporation;
- (b) in relation to wells, the total number of wells in which the Corporation has an interest; and
- (c) in relation to properties, the total area of properties in which the Corporation has an interest.

“natural gas” means the lighter hydrocarbons and associated non-hydrocarbon substances occurring naturally in an underground reservoir, which under atmospheric conditions are essentially gases but which may contain natural gas liquids. Natural can exist in a reservoir either dissolved in crude oil (solution gas) or in a gaseous phase (associated gas or non-associated gas). Non-hydrocarbon substances may include hydrogen sulphide, carbon dioxide and nitrogen.

“natural gas liquids” means those hydrocarbon components that can be recovered from natural gas as liquids including, but not limited to, ethane, propane, butanes, pentanes plus, condensate and small quantities of nonhydrocarbons.

“net” means

- (a) in relation to the Corporation's interest in production or reserves its working interest (operating or nonoperating) share after deduction of royalty obligations, plus the its royalty interests in production or reserves;
- (b) in relation to the Corporation's interest in wells, the number of wells obtained by aggregating the Corporation's working interest in each of its gross wells; and
- (c) in relation to the Corporation's interest in a property, the total area in which the Corporation has an interest multiplied by the working interest owned by the Corporation.

“non-associated gas” means an accumulation of natural gas in a reservoir where there is no crude oil.

“operating costs” or **“production costs”** means costs incurred to operate and maintain wells and related equipment and facilities, including applicable operating costs of support equipment and facilities and other costs of operating and maintaining those wells and related equipment and facilities.

“probable” reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved probable reserves.

“production” means recovering, gathering, treating, field or plant processing (for example, processing gas to extract natural gas liquids) and field storage of oil and gas.

“property” includes:

- (a) fee ownership or a lease, concession, agreement, permit, licence or other interest representing the right to extract oil or gas subject to such terms as may be imposed by the conveyance of that interest;
- (b) royalty interests, production payments payable in oil or gas, and other non-operating interests in properties operated by others; and
- (c) an agreement with a foreign government or authority under which a reporting issuer participates in the operation of properties or otherwise serves as “producer” of the underlying reserves (in contrast to being an independent purchaser, broker, dealer or importer).

A property does not include supply agreements, or contracts that represent a right to purchase, rather than extract, oil or gas.

“property acquisition costs” means costs incurred to acquire a property (directly by purchase or lease, or indirectly by acquiring another corporate entity with an interest in the property), including:

- (a) costs of lease bonuses and options to purchase or lease a property;
- (b) the portion of the costs applicable to hydrocarbons when land including rights to hydrocarbons is purchased in fee;
- (c) brokers’ fees, recording and registration fees, legal costs and other costs incurred in acquiring properties.

“Proved” reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

“proved property” means a property or part of a property to which reserves have been specifically attributed.

“Reserves” are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on (a) analysis of drilling, geological, geophysical, and engineering data; (b) the use of established technology; and (c) specified economic conditions, which are generally accepted as being reasonable and shall be disclosed. Reserves are classified according to the degree of certainty associated with the estimates.

“reservoir” means a porous and permeable underground formation containing a natural accumulation of producible oil or gas that is confined by impermeable rock or water barriers and is individual and separate from other reservoirs.

“service well” means a well drilled or completed for the purpose of supporting production in an existing field. Wells in this class are drilled for the following specific purposes: gas injection (natural gas, propane, butane or flue gas), water injection, steam injection, air injection, salt-water disposal, water supply for injection, observation, or injection for combustion.

“solution gas” means natural gas dissolved in crude oil.

“stratigraphic test well” means a drilling effort, geologically directed, to obtain information pertaining to a specific geologic condition. Ordinarily, such wells are drilled without the intention of being completed for hydrocarbon production. They include wells for the purpose of core tests and all types of expendable holes related to hydrocarbon exploration. Stratigraphic test wells are classified as (a) “exploratory type” if not drilled into a proved property; or (b) “development type”, if drilled into a proved property. Development type stratigraphic wells are also referred to as “evaluation wells”.

“support equipment and facilities” means equipment and facilities used in oil and gas activities, including seismic equipment, drilling equipment, construction and grading equipment, vehicles, repair shops, warehouses, supply points, camps, and division, district or field offices.

“Undeveloped” reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (e.g., when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable, possible) to which they are assigned.

In multi-well pools, it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to sub-divide the developed reserves for the pool between developed producing and developed nonproducing. This allocation should be based on the estimator’s assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

“unproved property” means a property or part of a property to which no reserves have been specifically attributed.

“well abandonment costs” means costs of abandoning a well (net of salvage value) and of disconnecting the well from the surface gathering system. They do not include costs of abandoning the gathering system or reclaiming the wellsite.

OIL AND NATURAL GAS RESERVES AND NET PRESENT VALUE OF FUTURE NET REVENUE

Avery is a reporting issuer engaged in oil and gas activities pursuant to National Instrument 51-101. Avery has no oil and gas reserves and, hence, no related future net revenue. Avery has not commissioned a Report on Reserves Data by an Independent Qualified Reserves Evaluator in Form 51-101F2.

In accordance with the requirements of NI 51-101, attached hereto are the following appendices:

Appendix A: Report of Management and Directors on Oil and Gas Disclosure in Form 51-101F3

Since Avery has no oil and gas reserves and no related future net revenue the requirements for the disclosure under Part 2 of Form 51-101F1 are not applicable to Avery and such disclosure has been omitted.

RECONCILIATIONS OF CHANGES IN RESERVES AND FUTURE NET REVENUE

Since Avery has no oil and gas reserves and no related future net revenue the requirements for the disclosure under Part 2 of Form 51-101F1 are not applicable to Avery and such disclosure has been omitted.

UNDEVELOPED RESERVES

Since Avery has no oil and gas reserves and no related future net revenue the requirements for the disclosure under Part 2 of Form 51-101F1 are not applicable to Avery and such disclosure has been omitted.

SIGNIFICANT FACTORS OR UNCERTAINTIES AFFECTING RESERVES DATA

The process of estimating reserves is complex. It requires significant judgments and decisions based on available geological, geophysical, engineering, and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserve estimates contained herein are based on current production forecasts, prices and economic conditions.

As circumstances change and additional data become available, reserve estimates also change. Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices, economic conditions and governmental restrictions.

Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. As a result, the subjective decisions, new geological or production information and a changing environment may impact these estimates. Revisions to reserve estimates can arise from changes in year-end oil and gas prices, and reservoir performance. Such revisions can be either positive or negative.

PROPERTIES WITH NO ATTRIBUTED RESERVES

Northern Ireland

Avery has acquired a 50% interest in a 350 square kilometre exploration licence (PL 1/01) onshore Northern Ireland in the Larne region.

During the year, the Company and its partners in the South Larne prospect received the Phase I Report of the Institut Français du Pétrole and began Phase II. Phase II parts 4, 5 and 6 will be undertaken during the first two quarters of fiscal 2005. These include the design, acquisition and processing of the uphole survey (Part 4), the reprocessing of two existing 2D lines, integrating the geological results obtained in parts 1, 2 and 3 (Part 5) and modeling the geology (Part 6).

The Department of Enterprise and Industry, the regulatory body in Northern Ireland has approved the program in accordance with the scheduled work program (Year 3 of the 5 year program) on PL 1/01.

The partners acquired by purchase 1600 kilometres of existing 2D seismic data covering 2000 square kilometres of the North Irish Sea adjacent to the licence. The data will be integrated into the ongoing evaluation of South Larne.

The Company anticipates that our share of the current year's work commitment will be between \$100,000 - \$200,000 depending on the scope of the project.

New South Wales, Australia

The Company has signed an option agreement on a large acreage block located in New South Wales in the Darling and Murray sedimentary basins, along the Moomba-Sydney natural gas pipeline. Technical evaluation of the lands continues and it is expected that geophysical and geological work will occur in 2004 and 2005.

Avery will have the right to acquire interests ranging from 25% to 50% in up to 2 million acres contained within two Petroleum and Exploration Licences.

Timor Sea, Australia

The Company has entered into an option agreement to participate as to a 10% interest in the drilling of 1550 metre Jurassic test well at Katandra in the sub-Vulcan Basin of the Timor Sea. The well is located in 110 metres of water and is estimated at AU\$ 6.2 million including rig mobilization and demobilization.

Cooper Basin, Australia

The Company has signed a letter agreement on a 2,650 square kilometre permit area onshore in the Cooper-Eromanga Basin. The Company has agreed to the broad terms and conditions of a farm-in on a permit known as ATP 732, whereby Avery may earn a 35% working interest in the lands subsequent to the expenditure of AU\$ 3 million on exploration.

The initial exploration phase of the project is anticipated to commence upon the formal granting of the Authority to Prospect by the Queensland Department of natural Resources and Mines.

TAX HORIZON

The Corporation was not required to pay income taxes during the year ended March 31, 2004, at which time the Company had approximately \$2,350,000 of non-capital losses available to reduce future taxable income. The losses expire at various dates to March 31, 2011. The Company also has approximately \$850,000 in resource income tax pools.

COSTS INCURRED

Northern Ireland – seismic and evaluation	\$250,000
Australia – option fee	\$25,000

FORM 51 -101 F3

**Report of Management and Directors
On Reserves Data and Other information**

Management of Avery Resources Inc. (the “Company”) is responsible for the preparation and disclosure of information with respect to the Company’s oil and gas activities in accordance with securities regulatory requirements. The Company is a reporting issuer involved in Oil and Gas activities pursuant to National Instrument 51-101, however the Company does not have any reserves or related future net revenue from reserves. As a result no reserves data for the Company has been disclosed.

The Company has not commissioned an independent qualified reserves evaluator to evaluate the Company’s reserves data as the Company has no reserves at this time and no report of an independent qualified reserves evaluator will be disclosed by the Company for the year ended March 31, 2004.

The Reserve Committee of the Board of Directors of the Company has reviewed the position of the Company and has determined that the Company has no reserves data.

The Reserve Committee of the Board of Directors has reviewed the Company’s procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors has on the recommendation of the Reserves Committee approved:

- (a) the content and filing with securities regulatory authorities of the reserves data and other oil and gas information; and
- (b) the content and filing of this report.

Because reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

Signed “ Richard Edgar”

Richard Edgar, Director

Signed “John Carruthers”

John Carruthers, Director

Signed “ Keith Skipper”

Keith Skipper, Director