PRE-EMPTIVE RIGHTS AGREEMENT

Between

SEQUOIA OIL & GAS LTD.

- and -

AVERY RESOURCES INC.

November 24, 2005

PRE-EMPTIVE RIGHTS AGREEMENT

THIS PRE-EMPTIVE RIGHTS AGREEMENT is made the 24th day of November, 2005.

BETWEEN:

SEQUOIA OIL & GAS LTD., a body corporate organized and existing under the laws of Alberta ("**Sequoia**")

\- and –

AVERY RESOURCES INC., a corporation incorporated under the laws of the Province of Alberta ("**Avery**")

WHEREAS Sequoia currently owns 16,800,000 Common Shares of Avery and warrants to acquire an additional 8,400,000 Common Shares of Avery (the "**Initial Securities**") issued pursuant to a subscription agreement of even date herewith between the Parties (the "**Subscription Agreement**");

AND WHEREAS Sequoia desires to have the right to maintain its pro rata share of the outstanding securities of Avery on a fully diluted basis from time to time;

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the respective covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

ARTICLE 1
DEFINITIONS

1.1 Definitions

Whenever used in this Agreement (including the recitals hereto), the following words and phrases shall have the following meanings unless the context otherwise requires:

(a) "**affiliate**" has the meaning ascribed thereto in the *Securities Act* (Alberta), as amended from time to time.

(b) "**Agreement**" means this pre-emptive rights agreement, as amended, supplemented or modified from time to time in accordance with the provisions hereof.

(c) "**Ancillary Securities**" means Common Shares or Other Avery Securities issued pursuant to:

(i) a dividend reinvestment or similar plan of Avery;

(ii) an option or similar compensation agreement of Avery with respect to options or similar rights or securities issued to directors, officers, employees or consultants of Avery (including securities issued upon the exercise of any options, rights or similar securities);

(iii) the exercise, conversion or exchange of Other Avery Securities (or portion thereof) in respect of which Sequoia has not exercised its Pre-Emptive Rights to acquire its pro rata share on the initial issuance of such securities; or

(iv) the exercise, conversion or exchange of Other Avery Securities issued and outstanding on the date of this Agreement.

(d) "**Applicable Law**" means, in relation to any Person, transaction or event, all applicable provisions of laws, statutes, rules, regulations, official directives, published guidelines, standards, codes of practice (regardless of whether such guidelines, standards and codes of practice have been promulgated by statute or regulation) and orders of and the terms of all judgments, orders and decrees issued by any Authorized Authority by which such Person is bound or which has application to the transaction or event in question.

(e) "**Authorized Authority**" means, in relation to any Person, transaction or event, any: (i) federal, provincial, municipal or local governmental body (whether administrative, legislative, executive or otherwise), both domestic and foreign; (ii) agency, authority, commission, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government; (iii) court, arbitrator, commission or body exercising judicial, quasi-judicial, administrative or similar functions; and (iv) other body or entity created under the authority of or otherwise subject to the jurisdiction of any of the foregoing, including any stock exchange or securities quotation system, in each case having jurisdiction over such Person, transaction or event.

(f) "**Avery Independent Directors**" has the meaning ascribed thereto in the Governance Agreement.

(g) "**Business Day**" means a day other than a Saturday, Sunday or a day on which the principal chartered banks located at Calgary, Alberta are not open for business during normal business hours.

(h) "**Closing**" means the date of closing of Avery's private placement of Common Shares and Warrants to Sequoia pursuant to the Subscription Agreement.

(i) "**Common Shares**" means the common shares of Avery.

(j) "**Exchange**" means the TSX Venture Exchange or such other stock exchange or securities quotation system on which the Common Shares or class of Other Avery Securities, as applicable, are listed and posted for trading at the relevant time.

(k) "**Financing**" means any issuance by Avery or its affiliates of Common Shares or Other Avery Securities, whether pursuant to a private placement, public offering, acquisition, merger, take-over bid, arrangement or similar business combination, but shall not include an issuance of Ancillary Securities or an issuance of Pre-Emptive Securities.

(l) "**Governance Agreement**" means the governance agreement between the Parties of even date herewith.

(m) "**including**" and "**includes**" means "including, without limitation" and "includes, without limitation" respectively.

(n) "**Preferential Rights Agreement**" means the Preferential Rights Agreement between the Parties of even date herewith.

(o) "**Other Avery Securities**" means any securities convertible into or exercisable for Common Shares (including convertible debt securities, subscription receipts and instalment receipts), options, rights, warrants or similar rights to acquire Common Shares.

(p) "**Parties**" means Avery and Sequoia, and "**Party**" means one of them.

(q) "**Person**" includes an individual, a partnership, a corporation, a trust, a limited liability corporation, a joint venture, an unincorporated organization, an association, a union, a government or any department or agency thereof, a bank, a trust company or a pension fund and the heirs, executors, administrators or other legal representatives of an individual.

(r) "**Pre-Emptive Rights**" means the right of Sequoia to purchase such number of additional Common Shares or Other Avery Securities to maintain its Pro Rata Holdings of the Common Shares, subject to the terms and conditions provided for in this Agreement.

(s) "**Pre-Emptive Securities**" means the Common Shares or Other Avery Securities to be issued to Sequoia pursuant to the exercise of its Pre-Emptive Rights in accordance with Article 2 of this Agreement.

(t) "**Pro Rata Holdings**" means the proportion, calculated on a fully diluted basis, of issued and outstanding Common Shares or Other Avery Securities, as applicable, beneficially owned by Sequoia immediately following completion of the most recently completed Financing and related issuance of Common Shares or Other Avery Securities, as applicable, pursuant to the Pre-Emptive Rights, if any; provided, however, that (i) for greater certainty, the proportion of Common

Shares beneficially owned by Sequoia following Closing shall be 46% on a fully diluted basis; and (ii) if an issuance of Other Avery Securities is the initial issuance of such securities, Sequoia shall be entitled to exercise its Pre-Emptive Rights to acquire a number of such Other Avery Securities such that, following such acquisition, Sequoia shall beneficially own the same proportion of issued and outstanding Other Avery Securities as its then Pro Rata Holdings of Common Shares.

(u) "**Securities Laws**" means all laws, regulations, rules and policies relating to the trading of securities pursuant to legislation in each of the applicable provinces of Canada, from time to time and as the case may be.

(v) "**Sequoia Securities**" means all of the Common Shares or Other Avery Securities which Sequoia or its affiliates, in the aggregate, currently hold or subsequently acquire.

(w) "**Shareholders**" means a holder of one or more Common Shares.

(x) "**Transferee**" has the meaning ascribed thereto in Section 4.1.

1.2 References and Headings

The references "**hereunder**", "**herein**" and "**hereof**" refer to the provisions of this Agreement and references to Articles, Sections and Subsections herein refer to articles, sections or subsections of this Agreement. Any reference to time shall refer to Calgary time. The headings of the Articles, Sections, Schedules and any other headings, captions or indices herein are inserted for convenience of reference only and shall not be used in any way in construing or interpreting any provision hereof.

1.3 Canadian Dollars

All dollar amounts referred to in this Agreement are in Canadian funds, unless otherwise indicated herein. All payments contemplated herein shall be by certified cheque or bank draft issued by a Canadian bank, wire transfer or such other transfer of immediately available funds as may be acceptable to the Parties.

1.4 Singular/Plural; Derivatives

Whenever the singular or masculine or neuter is used in this Agreement, it shall be interpreted as meaning the plural or feminine or body politic or corporate, and vice versa, as the context requires. Where a term is defined herein, a capitalized derivative of such term shall have a corresponding meaning unless the context otherwise requires.

1.5 Statutory References

Any reference to a statute shall include and shall be deemed to be a reference to such statute and to the regulations made pursuant thereto, and all amendments made thereto and in force from time to time, and to any statute or regulation that may be passed which has the effect of supplementing the statute so referred to or the regulations made pursuant thereto.

1.6 Conflicts

If there is any conflict or inconsistency between a provision of the body of this Agreement and that of any document delivered pursuant to this Agreement, the provision of the body of this Agreement shall prevail.

1.7 Computation of Time Periods

Except as expressly set out in this Agreement, the computation of any period of time referred to in this Agreement shall exclude the first day and include the last day of such period. If the time limited for the performance or completion of any matter under this Agreement expires or falls on a day that is not a Business Day, the time so limited shall extend to the next following Business Day.

ARTICLE 2
PRE-EMPTIVE RIGHTS

2.1 Pre-Emptive Rights

(a) Sequoia may exercise the Pre-Emptive Rights on written notice to Avery if Avery proposes to complete a Financing. Avery shall be required to provide written notice to Sequoia at least 96 hours (which shall include at least two Business Days) prior to issuing, or agreeing or announcing an intention to issue, any additional Common Shares or Other Avery Securities in a Financing (or as soon as practicable upon Avery determining to issue any Common Shares or Other Avery Securities in a Financing), and Sequoia shall exercise the Pre-Emptive Rights within 72 hours of receipt of notice from Avery of the proposed Financing. Sequoia and Avery shall use reasonable commercial efforts to complete the issuance of Common Shares or Other Avery Securities issued to Sequoia pursuant to the exercise of the Pre-Emptive Rights concurrently with the completion of the Financing related to the applicable exercise of the Pre-Emptive Rights, and in any event shall complete such issuance within 10 Business Days from the date of completion of such Financing. For greater certainty, if any Financing is not completed as previously announced or in the manner contained in the notice provided to Sequoia hereunder, the corresponding exercise of the Pre-Emptive Rights by Sequoia shall be deemed to never have occurred (or to have occurred only to the extent that such exercise places Sequoia in the same proportionate ownership position in Avery that it would have been in had such Financing been completed as previously announced or noted).

(b) If Sequoia fails to exercise the Pre-Emptive Rights within the period set forth above, Avery shall be entitled to issue Common Shares or Other Avery Securities on the proposed terms within the next 60 days after expiry of the period set forth above (or, in the case of an issuance directly pursuant to a take-over bid, acquisition, arrangement, merger or similar business combination, such longer period as is necessary to complete such transaction) but not thereafter without giving Sequoia a new notice of the proposed issuance and the right to purchase additional Common Shares or Other Avery Securities as herein provided.

(c) Subject to subsections 2.1(d) and 2.1(e) the Common Shares or Other Avery Securities issued upon the exercise of the Pre-Emptive Rights shall be issued at the same price per Common Share or Other Avery Security paid by purchasers in the corresponding Financing.

(d) Notwithstanding subsection 2.1(c), if Avery issues Common Shares or Other Avery Securities in a Financing for proceeds other than cash, the price per Common Share or Other Avery Security which Sequoia shall pay upon exercise of the Pre-Emptive Rights corresponding to such Financing shall be, subject to Exchange approval, the weighted average trading price of the Common Shares (or Other Avery Securities, as applicable) on the Exchange for the ten trading days immediately prior to the earlier of (i) the public announcement of such Financing, and (ii) the first date on which the Common Shares or Other Avery Securities are issued pursuant to the Financing; provided, however, that if such Other Avery Securities are not listed on the Exchange during such time, the price per security shall be determined by mutual agreement between the Avery Independent Directors, on behalf of Avery, and Sequoia, each acting in good faith and with a view to the intent of subsection 2.1(c).

(e) Notwithstanding subsection 2.1(c) and where mutually agreed upon by the Avery Independent Directors, on behalf of Avery, and Sequoia, Sequoia may purchase Common Shares or Other Avery Securities upon the exercise of its Pre-Emptive Rights by transferring (or causing the transfer of) assets, properties or securities (or a combination thereof) to Avery or its affiliates in consideration for such Common Shares or Other Avery Securities. The number of Common Shares or Other Avery Securities, as applicable, to be issued in consideration for any such assets, properties or securities shall be determined by mutual agreement between the Avery Independent Directors, on behalf of Avery, and Sequoia, each acting in good faith and with a view to the intent of subsection 2.1(c)

(f) If Sequoia and the Avery Independent Directors, on behalf of Avery, cannot reach agreement within three Business Days on the price per security or number of securities, as applicable, described in subsections 2.1(d) and (e) (but for greater certainty not with respect to an agreement to issue Common Shares or Other Avery Securities in exchange for assets, properties or securities pursuant to subsection 2.1(e)), the parties shall forthwith mutually appoint an independent third party to make such determination, and if the parties cannot agree on the independent third party, the auditors of Avery shall forthwith determine the appropriate independent third party.

2.2 Listing on Stock Exchange

Avery shall use reasonable commercial efforts to cause all Common Shares (and, if the applicable class of Other Avery Securities is generally listed and posted for trading, all such Other Avery Securities) issued pursuant to this Article 2 to be listed on the Exchange.

2.3 Application of Securities Laws

The Parties acknowledge that the issuance and resale of Common Shares and Other Avery Securities are subject to applicable Securities Laws and the rules, policies and determinations of the Exchange, which may impose restrictions on the issuance and resale of the securities acquired by Sequoia hereunder. In particular, the parties acknowledge that the transactions contemplated pursuant to this Article 2, may be subject to applicable Securities Laws regarding "related party transactions". Notwithstanding anything else in this Agreement, the parties agree that, if as a result of complying with such Securities Laws, the time periods provided herein cannot be practicably complied with, such time periods shall be deemed not to apply to the applicable transaction and the parties shall use commercially reasonable efforts to complete the transactions contemplated and intended to be carried out herein in as expeditious a manner as is practicable in order to comply with such applicable Securities Laws.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of Sequoia

Sequoia represents and warrants to Avery that:

(a) Sequoia is a duly formed and validly subsisting corporation under the laws of the Province of Alberta;

(b) Sequoia is not in default or breach of, and the execution and delivery of, and the performance of and compliance with the terms of, this Agreement and the performance of any of the transactions contemplated hereby by Sequoia, do not and will not result in any material breach of, or constitute a default under any term or provision of the constating documents or resolutions of the directors of Sequoia or shareholders of Sequoia; and

(c) Sequoia has full power and authority to enter into this Agreement and to perform its obligations set out herein and this Agreement is duly authorized, executed and delivered by Sequoia, and this Agreement is a legal, valid and binding obligation of Sequoia enforceable against Sequoia in accordance with its terms subject to the general qualifications that:

   (i) enforceability may be limited by bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights generally;

(ii) equitable remedies, including the remedies of specific performance and injunctive relief, are available only in the discretion of the applicable court;

(iii) the equitable or statutory powers of the courts in Canada having jurisdiction to stay proceedings before them and the execution of judgments; and

(iv) rights to indemnity and contribution hereunder may be limited under Applicable Law.

3.2 Representations and Warranties of Avery

Avery represents and warrants to Sequoia that:

(a) Avery is duly organized and validly subsisting under the laws of the Province of Alberta;

(b) Avery is not in default or breach of, and the execution and delivery of, and the performance of and compliance with the terms of, this Agreement and the performance of any of the transactions contemplated hereby by Avery, do not and will not result in any material breach of, or constitute a default under any term or provision of the constating or organizational documents of Avery or resolutions of the directors or shareholders of Avery or any of its subsidiaries; and

(c) Avery has full corporate power and authority to enter into this Agreement and to perform its obligations set out herein and this Agreement is duly authorized, executed and delivered by Avery, and this Agreement is a legal, valid and binding obligation of Avery enforceable against Avery in accordance with its terms subject to the general qualifications that:

(i) enforceability may be limited by bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights generally;

(ii) equitable remedies, including the remedies of specific performance and injunctive relief, are available only in the discretion of the applicable court;

(iii) the equitable or statutory powers of the courts in Canada having jurisdiction to stay proceedings before them and the execution of judgments; and

(iv) rights to indemnity and contribution hereunder may be limited under Applicable Law.

ARTICLE 4
GENERAL PROVISIONS

4.1 Termination

The Pre-Emptive Rights provided in Article 2 of this Agreement shall terminate and be of no further force or effect upon the earliest to occur of:

(a) the termination of the Preferential Rights Agreement;

(b) Sequoia beneficially owning less than 25% of rights to vote for the election of directors of Avery whether pursuant to Common Shares or Other Avery Securities, on a fully diluted basis; and

(c) two years from the date of this Agreement.

4.2 Assignment

Upon a transfer by Sequoia of any of its Sequoia Securities to its affiliates (a "**Transferee**"), Sequoia shall be permitted to assign all or part of its rights, benefits and obligations under this Agreement to such Transferees. Avery acknowledges that such Transferees may act individually or jointly and in concert for the purposes of exercising such assigned rights and, in particular, such Transferees may aggregate their respective holdings of Common Shares for the purposes of meeting the minimum holding threshold set forth in Section 4.1. Avery agrees to enter into separate agreements, substantially in the form of this Agreement, with each Transferee for the purposes of assigning Sequoia's rights to such Transferee in a manner which will be binding upon Avery. This Agreement may not be assigned by Avery without the prior written consent of Sequoia.

4.3 Reclassification of Common Shares or Other Avery Securities

The provisions of this Agreement relating to Common Shares or Other Avery Securities shall apply, *mutatis mutandis*, to: (i) any Common Shares or other securities into or with which the Common Shares or Other Avery Securities may be converted, changed, reclassified, redivided, redesignated, redeemed, subdivided or consolidated, (ii) any Common Shares, Other Avery Securities or other securities that are received by the Shareholders of Avery as part of a new issue, stock dividend or distribution payable in Common Shares or Other Avery Securities, and (iii) any Common Shares or other securities (including of any successor or continuing entity to Avery) that may be received by the Shareholders on a reorganization, amalgamation, consolidation, arrangement or merger, statutory or otherwise.

4.4 Amendment of Agreement and Waiver

This Agreement may be amended only with the written approval of both the Parties. No waiver of any breach of any provision of this Agreement shall be effective or binding unless made in writing and signed by the Party purporting to give the same and, unless otherwise provided in the written waiver, shall be limited to the specific breach waived.

4.5 Delivery of Notices

Notwithstanding anything to the contrary contained herein, all notices required or permitted hereunder shall be in writing. Any notice to be given hereunder shall be deemed to be properly provided if delivered in any of the following modes:

(a) personally, by delivering the notice to the Party on which it is to be served at that Party's address for notices as set forth in Section 4.6. Personally delivered notices shall be deemed to be received by the addressee when actually delivered as aforesaid; provided that, such delivery shall be during normal business hours on any Business Day. If a notice is not delivered on a Business Day or is delivered after the addressee's normal business hours, such notice shall be deemed to have been received by such Party at the commencement of the addressee's first Business Day next following the time of the delivery; or

(b) by facsimile (or by any other like method by which a written message may be sent) directed to the Party on which it is to be delivered at that Party's facsimile number as set forth in Section 4.6. A notice so served shall be deemed to be received by the addressee when transmitted by the Party delivering the notice (provided such Party obtains confirmation from its facsimile of successful transmission), if transmitted during the addressee's normal business hours on any Business Day, or at the commencement of the next ensuing Business Day following transmission if such notice is not transmitted on a Business Day or is transmitted after the Party's normal business hours.

4.6 Addresses For Notices

The address and facsimile number for delivery of notices hereunder to each of the Parties shall be as follows:

(a) if to Avery:

Avery Resources Inc.
1140, 715-5th Avenue S.W.
Calgary, Alberta T2P 2X6

Attention: David Little
Facsimile: (403) 263-3168

(b) if to Sequoia:

Sequoia Oil & Gas Ltd.
1200, 500 - 4th Avenue S.W.
Calgary, Alberta T2P 2V6

Attention: Bradley Johnson
Facsimile: (403) 770-6303

A Party may change its address and facsimile number for delivery by notice to the other Party in the manner set forth herein, and such changed address for notices thereafter shall be effective for all purposes of this Agreement.

4.7 Governing Law

This Agreement shall be construed and enforced in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein and the Parties attorn to the non-exclusive jurisdiction of the courts of such province in connection with matters arising hereunder.

4.8 Further Assurances

From time to time, each Party will, at the reasonable request of the other Party, take all action, do all such acts and execute and deliver all agreements, instruments, documents or other writings desired or required by such other Party so as to fully perform or carry out the terms, intents or purposes of this Agreement.

4.9 Invalidity of Provisions

If any of the provisions of this Agreement are determined to be invalid, illegal or unenforceable in any respect, the validity, legality or enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

4.10 Time

Time shall be of the essence in this Agreement.

4.11 Supersedes Earlier Agreements

This Agreement constitutes the whole and entire agreement among the Parties in connection with the transactions contemplated herein and cancels and supersedes any prior agreements, undertakings, declarations, commitments, representations, written or oral, in respect thereof, and there are no express or implied terms, conditions, agreements, undertakings, declarations, commitments, representations or warranties or other duties (legal, equitable, fiduciary or in tort) whatsoever among the Parties not expressly provided for in this Agreement.

4.12 Successors and Assigns

This Agreement will be binding upon and will enure to the benefit of the Parties and their respective successors and permitted assigns.

4.13 Counterpart Execution

This Agreement and any document or instrument to be executed and delivered by the Parties hereunder or in connection herewith may be executed and delivered in separate counterparts and delivered by any Party to the other Party by facsimile, each of which when so executed and delivered shall be deemed an original and all such counterparts shall together constitute one and the same agreement. If this Agreement or any such document or instrument is delivered by facsimile, the Party so delivering this Agreement or such document or instrument shall within a reasonable time after such delivery deliver an originally executed copy to the other Party.

IN WITNESS WHEREOF the Parties have caused this Agreement to be duly executed as of the date and year first above written.

AVERY RESOURCES INC.

By: (signed) *"David Little"*
Name: David Little
Title: Chief Executive Officer

SEQUOIA OIL & GAS LTD.

By: (signed) *"Bradley Johnson"*
Name: Bradley Johnson
Title: President and Chief Executive Officer