AVATAR ENERGY LTD.

Statement of Reserves Data and Other Oil and Gas Information

Effective date of Statement: **December 31, 2011**
Preparation date of Statement: **April 11, 2012**

ABBREVIATIONS AND CONVERSION

In this Statement of Reserves Data and Other Oil and Gas Information, the following abbreviations have the meanings set forth below.

Oil and Natural Gas Liquids		Natural Gas	
"bbl"	barrel or barrels	"Mcf"	1,000 cubic feet
"bbl/d"	barrel or barrels per day	"Mcf/d"	1,000 standard cubic feet per day
"Mbbl"	1,000 barrels	"MMcf"	1,000,000 cubic feet
"MMbbl"	1,000,000 barrels	"MMcf/d"	1,000,000 cubic feet per day
"NGL"	natural gas liquids	"MMbtu"	1,000,000 British thermal units

Other	
"AECO"	a natural gas storage facility located at Suffield, Alberta
"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
"BOE"	barrel of oil equivalent. BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 1 Mcf : 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
"BOE/d"	barrel of oil equivalent per day
"M$"	thousands of dollars
"MM$"	millions of dollars
"WTI"	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for crude oil of standard grade

The table below sets forth certain standard conversions between Standard Imperial Units and the International System of Units (or metric units).

To convert from	To	Multiply by
Mcf	1,000 cubic meters of gas	0.028
1,000 cubic meters of gas	Mcf	35.493
bbl	cubic meters of oil	0.158
cubic meters of oil	bbl	6.290
feet	meters	0.305
meters	feet	3.281
miles	kilometers	1.609
kilometers	miles	0.621
acres	hectares	0.405
hectares	acres	2.471

DEFINITIONS

In this Statement of Reserves Data and Other Oil and Gas Information, the following words and technical terms have the meanings set forth below.

"**Avatar**" or the "**Company**" means Avatar Energy Ltd.

"**COGE Handbook**" means the Canadian Oil and Gas Evaluation Handbook.

"**crude oil**" or "**oil**" as described in the COGE Handbook means a mixture consisting mainly of pentanes and heavier hydrocarbons that exists in the liquid phase in reservoirs and remains liquid at atmospheric pressure and temperature. Crude oil may contain small amounts of sulphur and other non-hydrocarbons but does not include liquids obtained from the processing of natural gas.

“**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 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.

“**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.

“**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 a defined geographical area consisting of one or more pools.

“**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 or forecast prices and costs.

“**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 Company 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).

"**GLJ**" means GLJ Petroleum Consultants Ltd.

"**GLJ Report"** means the report dated April 11, 2012 prepared by GLJ evaluating the oil, NGL and natural gas reserves attributable to the properties of the Company effective December 31, 2011

"**gross**" means:

(a) in relation to the Company'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 Company;

(b) in relation to wells, the total number of wells in which the Company has an interest; and

(c) in relation to properties, the total area of properties in which the Company has an interest.

"**natural gas**" as described in the COGE Handbook, means a mixture of lighter hydrocarbons that exist either in the gaseous phase or in solution in crude oil in reservoirs but are gaseous at atmospheric conditions. Natural gas may contain sulphur or other non-hydrocarbon compounds.

"**natural gas liquids**" or "**NGL**" as described in the COGE Handbook, 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 non-hydrocarbons.

"**net**" means:

(a) in relation to the Company's interest in production or reserves its working interest (operating or non-operating) share after deduction of royalty obligations, plus its royalty interests in production or reserves;

(b) in relation to the Company's interest in wells, the number of wells obtained by aggregating the Company's working interest in each of its gross wells; and

(c) in relation to the Company's interest in a property, the total area in which the Company has an interest multiplied by the working interest owned by the Company.

"**NI 51-101**" means National Instrument 51-101, *Standards of Disclosure for Oil and Gas Activities*.

"**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.

"**possible reserves**" are those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves.

"**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 plus probable reserves.

"**production**" means the cumulative quantity of petroleum that has been recovered at a given date.

"**property**" includes:

(a) fee ownership or a lease, concession, agreement, permit, license 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 the Company 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).

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

"**proved property**" means a property or part of a property to which reserves have been specifically attributed.

"**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.

"**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 subsurface rock formation that contains a separate accumulation of petroleum that is confined by impermeable rock or water barriers and is characterized by a single pressure system.

"**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.

"**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 non-producing. 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 well site.

Certain other terms used herein but not defined herein are defined in NI 51-101 and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101.

FORWARD-LOOKING STATEMENTS

This Statement of Reserves Data and Other Oil and Gas Information contains forward-looking statements. These statements relate to future events or Avatar's future performance. All statements other than statements of historical fact are forward-looking statements. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue", or the negative of these terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially. Undue reliance should not be placed on these forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur.

Although Avatar believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Avatar cannot guarantee future results, levels of activity, performance, or achievements. Moreover, Avatar does not assume responsibility for the accuracy and completeness of the forward-looking statements. Statements relating to “reserves” are deemed forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the reserves described can be profitably produced in the future.

All forward-looking statements contained in this Statement of Reserves Data and Other Oil and Gas Information, are expressly qualified by this cautionary statement. Avatar is not under any duty to update any of the forward-looking statements after the date hereof to conform such statements to actual results or to changes in Avatar’s expectations.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

In accordance with NI 51-101, GLJ prepared the GLJ Report. The GLJ Report evaluated, as at December 31, 2011, the oil, NGL and natural gas reserves attributable to the properties of Avatar.

The tables below are a summary of the oil, NGL and natural gas reserves attributable to the properties of Avatar and the net present value of future net revenue attributable to such reserves as evaluated in the GLJ Report based on forecast price and cost assumptions. The tables summarize the data contained in the GLJ Report and, as a result, may contain slightly different numbers than such report due to rounding. Also due to rounding, certain columns may not add exactly. All of Avatar's reserves are in Canada and, specifically, in the Province of Alberta.

The net present value of future net revenue attributable to reserves is stated without provision for interest costs and general and administrative costs, but after providing for estimated royalties, production costs, development costs, other income, future capital expenditures and well abandonment costs for only those wells assigned reserves by GLJ. It should not be assumed that the undiscounted or discounted net present value of future net revenue attributable to reserves estimated by GLJ represent the fair market value of those reserves. Other assumptions and qualifications relating to costs, prices for future production and other matters are summarized herein. The recovery and reserve estimates of oil, NGL and natural gas reserves provided herein are estimates only. Actual reserves may be greater than or less than the estimates provided herein.

The GLJ Report is based on certain factual data supplied by Avatar and GLJ's opinion of reasonable practice in the industry. The extent and character of ownership and all factual data pertaining to petroleum properties and contracts (except for certain information residing in the public domain) were supplied by Avatar to GLJ. GLJ accepted this data as presented and neither title searches nor field inspections were conducted.

Summary of Oil and Gas Reserves

	Light and Medium Crude Oil		Heavy Oil		Natural Gas		NGL		Total Oil Equivalent	
Reserves Category	Gross (Mbbl)	Net (Mbbl)	Gross (Mbbl)	Net (Mbbl)	Gross (MMcf)	Net (MMcf)	Gross (Mbbl)	Net (Mbbl)	Gross (MBOE)	Net (MBOE)
Proved										
Developed Producing	23	20	2	2	600	493	37	27	162	132
Developed Non-Producing	-	-	-	-	-	-	-	-	-	-
Undeveloped	-	-	-	-	-	-	-	-	-	-
Total Proved	23	20	2	2	60	493	37	27	162	132
Probable	170	144	1	0	747	651	26	19	321	273
Total Proved Plus Probable	193	164	3	3	1,347	1,144	62	47	483	404

Summary of Net Present Value of Future Net Revenue

	Before Future Income Tax Expenses Discounted at (%/year)				
	0	5	10	15	20
Reserves Category	(M$)	(M$)	(M$)	(M$)	(M$)
Proved					
Developed Producing	3,024	2,507	2,140	1,867	1,659
Developed Non-Producing	-	-	-	-	-
Undeveloped	-	-	-	-	-
Total Proved	3,024	2,507	2,140	1,867	1,659
Probable	9,295	4,854	2,704	1,516	798
Total Proved Plus Probable	12,318	7,361	4,843	3,384	2,457

	After Future Income Tax Expenses Discounted at (%/year)				
	0	5	10	15	20
Reserves Category	(M$)	(M$)	(M$)	(M$)	(M$)
Proved					
Developed Producing	3,024	2,507	2,140	1,867	1,659
Developed Non-Producing	-	-	-	-	-
Undeveloped	-	-	-	-	-
Total Proved	3,024	2,507	2,140	1,867	1,659
Probable	8,498	4,558	2,583	1,463	773
Total Proved Plus Probable	11,522	7,065	4,722	3,330	2,432

Total Future Net Revenue (Undiscounted)

Reserves Category	Revenue (M$)	Royalties (M$)	Operating Costs (M$)	Capital Development Costs (M$)	Abandonment Costs (M$)	Future Net Revenue Before Future Income Tax Expenses (M$)	Future Income Tax Expenses (M$)	Future Net Revenue After Future Income Tax Expenses (M$)
Total Proved	7,896	1,363	3,338	0	172	3,024	-	3,024
Total Proved Plus Probable	33,795	5,269	11,306	4,615	286	12,318	797	11,522

Future Net Revenue by Production Group

Reserves Category and Product Group[1]	Future Net Revenue Before Future Income Tax Expenses (Discounted at 10%/year) (M$)	Unit Value Before Future Income Tax Expenses (Discounted at 10%/year)[2] ($/BOE) / ($/Mcfe)
Total Proved		
Light and Medium Crude Oil[3]	780	17.96 / 2.99
Heavy Oil[3]	54	15.73 / 2.62
Natural Gas (associated & non-associated)[4]	1,306	15.36 / 2.56
Total Proved plus Probable		
Light and Medium Crude Oil[3]	3,150	11.01 / 1.83
Heavy Oil[3]	63	15.35 / 2.56

Natural Gas (associated & non-associated)[4]	1,630	14.29 / 2.38

Notes:
(1) Other Corporation revenue and costs not related to a specific production group have been allocated proportionally to production groups
(2) Unit values are based on net reserve volumes.
(3) Including solution gas and other by-products.
(4) Including by-products but excluding solution gas.

Summary of Pricing Assumptions and Inflation Rate Assumptions

GLJ employed the following pricing, exchange rate and inflation rate assumption s as of January 1, 2012 in the GLJ Report in estimating Avatar's reserves data using forecast prices and costs:

Year	Natural Gas Alberta Plant Gate Spot ($/MMbtu)	Edmonton Pentanes Plus ($Cdn/bbl)	Edmonton Butanes ($Cdn/bbl)	Light Sweet Crude Oil at Edmonton ($Cdn/bbl)	Interest Rate (%/year)	Exchange Rate ($US/$Cdn)
2012	3.29	107.76	76.41	97.96	2.0	0.98
2013	3.93	108.09	78.80	101.02	2.0	0.98
2014	4.39	105.06	78.80	101.02	2.0	0.98
2015	4.84	105.06	78.80	101.02	2.0	0.98
2016	5.30	105.06	78.80	101.02	2.0	0.98
2017	5.75	105.06	78.80	101.02	2.0	0.98
2018	5.99	106.49	79.87	102.40	2.0	0.98
2019	6.11	108.65	81.49	104.47	2.0	0.98
2020	6.23	110.84	83.13	106.58	2.0	0.98
2021	6.36	113.08	84.81	108.73	2.0	0.98
2022+	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	2.0	0.98

The weighted average realized sales prices for Avatar for the year ended December 31, 2011 were $**3.69**/Mcf for natural gas, $**92.02**/bbl for light and medium crude oil, and $**52.12**/bbl for NGL.

Reconciliation of Company Gross Reserves by Product Type

The following table sets forth the changes between the Company's reserve volume estimates made as at December 31, 2011 and the corresponding estimates as at December 31, 2010, using forecast prices and costs:

Reserves Category and Factors	Light and Medium Crude Oil (Mbbl)	Heavy Crude Oil (Mbbl)	NGLs (Mbbl)	Natural Gas (associated & non associated) (MMcf)	Total Oil Equivalent (MBOE)
Total Proved					
December 31, 2010	45	1	37	753	209
Discoveries	-	-	-	-	-
Extensions & Improved Recovery	6	-	1	25	11
Technical Revisions	24	2	7	(12)	(15)
Acquisitions	-	-	-	-	-
Dispositions	-	-	-	-	-
Economic Factors	-	-	-	-	-
Production	(7)	(1)	(8)	(166)	(43)
December 31, 2011	23	3	37	600	162
Probable					
December 31, 2010	90	1	17	404	176
Discoveries	-	-	-	-	-
Extensions & Improved Recovery	139	-	7	303	197
Technical Revisions	(105)	-	2	40	(52)
Acquisitions	-	-	-	-	-
Dispositions	-	-	-	-	-
Economic Factors	-	-	-	-	-
Production	-	-	-	-	-
December 31, 2011	170	1	26	747	321
Total Proved plus Probable					
December 31, 2010	136	2	54	1157	385
Discoveries	-	-	-	-	-
Extensions & Improved Recovery	146	-	7	328	208
Technical Revisions	(82)	2	9	29	(67)
Acquisitions	-	-	-	-	-
Dispositions	-	-	-	-	-
Economic Factors	-	-	-	-	-
Production	(7)	(1)	(8)	(166)	(43)
December 31, 2011	193	3	62	1,347	483

Proved Undeveloped Reserves

The following table sets forth the volumes of proved undeveloped reserves that were first attributed for each of the Company's product types for each of the most recent three financial years and, in the aggregate, before that time, using forecast prices and costs:

Financial Year End	Light and Medium Oil Crude (Mbbl)	Heavy Crude Oil (Mbbl)	Natural Gas (MMcf)	NGL (Mbbl)	Total Oil Equivalent (MBOE)
December 31, 2008 and prior thereto	-	-	-	-	-
December 31, 2009	-	-	-	-	-
December 31, 2010	-	-	-	-	-
December 31, 2011	-	-	-	-	-

Proved undeveloped reserves are generally those reserves related to planned infill drilling locations.

Probable Undeveloped Reserves

The following table sets forth the volumes of probable undeveloped reserves that were first attributed for each of the Company's product types for each of the most recent three financial years (total at year end) and, in the aggregate, before that time, using forecast prices and costs:

Financial Year End	Light and Medium Oil Crude (Mbbl)	Heavy Crude Oil (Mbbl)	Natural Gas (MMcf)	NGL (Mbbl)	Total Oil Equivalent (MBOE)
December 31, 2008 and prior thereto	-	-	-	-	-
December 31, 2009	-	-	-	-	-
December 31, 2010	68	-	122	4	92
December 31, 2011	161	-	545	13	264

Probable undeveloped reserves relate to wells to be drilled, tied in and brought on-stream in the future. The Company's probable undeveloped reserves are forecasted to be developed during the following two years in accordance with the Company's development program and budget.

Significant Factors or Uncertainties Affecting Reserves Data

The process of evaluating reserves is inherently 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 and other factors and assumptions that may affect the reserve estimates and the present worth of the future net revenue therefrom. These factors and assumptions include, among others: (i) historical production in the area compared with production rates from analogous producing areas; (ii) initial production rates; (iii) production decline rates; (iv) ultimate recovery of reserves; (v) success of future development activities; (vi) marketability of production; (vii) effects of government regulations; and (viii) other government levies imposed over the life of the reserves.

As circumstances change and additional data becomes available, reserve estimates also change. Estimates 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 government restrictions. Revisions to reserve estimates can arise from changes in year-end prices, reservoir performance and geologic conditions or production. These revisions can be either positive or negative.

Avatar does not anticipate any unusually high development costs or operating costs, the need to build a major pipeline or other major facility before production of reserves can begin, or contractual obligations to produce and sell a significant portion of production at prices substantially below those which could be realized but for those contractual obligations.

Future Development Costs

The table below sets out the development costs (undiscounted) deducted in the estimation in the GLJ Report of future net revenue attributable to proved reserves and proved plus probable reserves, using forecast prices and costs:

Year	Proved Reserves (M$)	Proved plus Probable Reserves (M$)
2012	-	638
2013	-	3,978
Remaining Years	-	-

Total Undiscounted	-	4,615

The Company expects to fund its future development from internally generated cash flow from operations, debt (where deemed appropriate) and new equity issues (if available on favourable terms). In addition, the Company may consider farm-out arrangements for certain projects. The Company does not expect that the cost of funding will make the development of a property uneconomic for the Company, nor is it expected that the cost of such funding will impact the Company's reserves or future net revenue.

Description of Principal Properties

Avatar is engaged in the exploration for and development and production of crude oil and natural gas in Western Canada. All of Avatar's current operations are onshore in the Province of Alberta. The following is a description of Avatar's principle oil and natural gas properties

Pembina

Avatar's Pembina property is located in Townships 48 and 49, Ranges 3 and 4 W5M, and is approximately 75 kilometers southwest of Edmonton, Alberta. The Pembina property currently consists of Cardium production from two producing oil wells. Production commenced in 1962. Avatar holds a 50% operated working interest in one section of land, approximately 65% working interest in a production holding and 100% working interest in the balance of the property. The area is characterized by high quality, sandstone reservoir. As of December 31, 2011, two of the wells at the Pembina property were producing.

Westerose

Avatar's Westerose property is located in Township 44, Range 1 W5M and is approximately 70 kilometers of southwest of Edmonton, Alberta. The Westerose property currently consists of Glauconite production from two producing gas wells. Production commenced on one well in February 1989 and in December 2007 on the other well. Avatar holds a 45% non-operated working interest in the property. The area is characterized by high quality, multi-zone natural gas. As of the date hereof, the Westerose property was producing.

Oil and Gas Wells

The following table sets forth the number and status of wells in which Avatar has a working interest as at December 31, 2011:

	Light and Medium Crude Oil		Natural Gas	
	Gross	Net	Gross	Net
Producing	**4**	**2**	**5**	**2.5**
Non-producing	**-**	**-**	**1**	**0.8**
Total	**4**	**2**	**6**	**3.3**

Properties With No Attributed Reserves

The following table summarizes the undeveloped gross and net acres of properties with no attributed reserves in which Avatar has an interest and also the number of net acres for which Avatar's rights to explore, develop or exploit will, absent further action, expire within one year:

Gross Acres	Net Acres	Net Acres Expiring Within One Year
6122	**4523.7**	**742.9**

Effective March 1, 2012 Avatar sold 640 gross/640 net acres of undeveloped land as part of a larger sale to a third party industry company. The Corporation does not have any other material work commitments.

Significant Factors or Uncertainties Relevant to Properties With No Attributed Reserves

There are several factors and uncertainties that may affect the anticipated development of Avatar's properties with no attributed reserves. Avatar will be required to make substantial capital expenditures in order to prove, exploit, develop and produce oil and natural gas from these properties in the future. Development of these properties to commercial status may require additional debt or equity financing. Failure to obtain such financing on a timely basis or on terms acceptable to Avatar may cause Avatar to forfeit its interest in certain properties, miss certain opportunities and reduce or terminate its operations. The inability of Avatar to access sufficient capital for its exploration and development purposes could have a material adverse effect on Avatar's ability to execute its business strategy to develop these prospects.

Forward Contracts

The Company may periodically enter into commodity sales agreements and certain derivative financial instruments to reduce its exposure to commodity price volatility. These financial instruments are to be entered into solely for hedging purposes and are not used for trading or other speculative purposes. The Company did not enter into any forward contracts as of December 31, 2011.

Additional Information Concerning Abandonment and Reclamation Costs

The Company typically estimates well abandonment costs area by area. Such costs are included in the GLJ Report as deductions in arriving at future net revenue.

The expected total well abandonment included in the GLJ Report for wells under the proved reserves category is \$0.172 million of which a total of \$0.022 million undiscounted is estimated to be incurred in 2012, 2013 and 2014. This estimate does not include expected reclamation for surface leases, salvage value, pipeline or facility abandonment.

The Company will be liable for its share of ongoing environmental obligations and for the ultimate reclamation of the properties held by it upon abandonment. Ongoing environmental obligations are expected to be funded out of cash flow.

Tax Horizon

Avatar estimates that it will not be required to pay income taxes until 2031.

Costs Incurred

The following table summarizes capital expenditures (net of incentives and net of certain proceeds and including capitalized general and administrative expenses) incurred by Avatar for the year ended December 31, 2011:

Property Acquisition Costs			
Proved Properties (M$)	Unproved Properties (M$)	Exploration Costs (M$)	Development Costs (M$)
-	815	-	2,736

Exploration and Drilling Activity

The following table summarizes the gross and net exploratory and development wells Avatar has drilled, or has participated in for the year ended December 31, 2011:

	Gross		Net	
	Exploratory	Development	Exploratory	Development

Light and Medium Crude Oil Wells	**0**	**1**	**0**	**0.65**
Natural Gas Wells	**0**	**0**	**0**	**0**
Stratigraphic Test Wells	**0**	**0**	**0**	**0**
Dry Wells	**0**	**0**	**0**	**0**
Service Wells	**0**	**0**	**0**	**0**
Total	**0**	**1**	**0**	**0.65**

Avatar's primary area of exploration and development activity is in the Pembina area. The majority of capital expenditures in 2012 are currently planned to be invested in the Pembina property.

Production Estimates

The following table sets forth for each product type the Company gross average daily volume of production estimated by GLJ in the GLJ Report for the 2012 reflected in the estimates of Company gross proved reserves, Company gross probable reserves and Company gross proved plus probable reserves as disclosed above:

Reserve Category	Light and Medium Crude Oil (bbl/d)	Heavy Crude Oil (bbl/d)	Natural Gas (Mcf/d)	NGL (bbl/d)	Total Oil Equivalent (BOE/d)
Proved					
Westerose	-	-	129	10	32
Other Properties	11	1	167	6	46
	11	1	296	16	78
Probable					
Westerose	-	-	2	-	1
Other Properties	8	-	10	-	10
	8	-	12	0	11
Total Proved Plus Probable					
Westerose	-	-	132	10	32
Other Properties	19	1	177	6	56
	19	1	309	16	88

Production History

The following table sets forth, on a quarterly basis for the year ended December 31, 2011, certain information in respect of production, product prices received, royalties paid, operating expenses and resulting netback:

	Three Months Ended			
	March 31, 2011	June 30, 2011	September 30, 2011	December 31, 2011
Average Daily Production Volume				
Light and Medium Crude Oil (bbl/d)	**35**	**20**	**21**	**19**
Heavy Crude Oil (bbl/d)	-	-	-	-
Natural Gas (Mcf/d)	**677**	**452**	**376**	**325**
NGL (bbl/d)	**23**	**20**	**21**	**20**
Total (BOE/d)	**171**	**115**	**104**	**93**
Average Prices Received				
Light and Medium Crude Oil ($/bbl)	**84.45**	**98.13**	**88.13**	**95.16**
Heavy Crude Oil ($/bbl)	-	-	-	-
Natural Gas ($/Mcf)	**3.74**	**3.95**	**3.77**	**3.31**
NGL ($/bbl)	**45.98**	**52.16**	**51.97**	**55.64**

Total ($/BOE)	**37.21**	**40.99**	**41.38**	**42.80**
Royalties Paid				
Total ($/BOE)	**5.33**	**4.70**	**6.65**	**5.68**
Production Expenses (1)				
Total ($/BOE)	**11.61**	**20.13**	**19.60**	**19.08**
Netback Received (1)				
Total ($/BOE)	**20.27**	**16.15**	**15.13**	**18.03**

(1) The Corporation's accounting system only accounts for these figures on a per BOE basis.