



## PRESS RELEASE

### **VERO ENERGY INC. DELIVERS ON ITS GUIDANCE AND ANNOUNCES ITS FINANCIAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2006**

CALGARY, Alberta - March 12, 2007 – Vero Energy Inc. (“Vero” or the “Company”) (TSX-VRO) today filed with Canadian securities authorities its Audited Financial Statements and Management Discussion and Analysis in respect thereof for the year ended December 31, 2006. Copies of the filed documents may be obtained by visiting Vero’s website at [www.veroenergy.ca](http://www.veroenergy.ca) or through [www.sedar.com](http://www.sedar.com).

#### **2006 Highlights**

- ✓ Fourth consecutive quarter of growth in production, production per share, cash flow and cash flow per share.
- ✓ Vero increased its average daily production from 980 boe/d in the fourth quarter of 2005 to 3,301 boe/d in the fourth quarter of 2006 yielding an increase of 237%.
- ✓ Exited 2006 at approximately 3,900 boe/d representing a 239% increase over the 2005 exit rate of 1,150 boe/d.
- ✓ Cash flow was \$7.8 million (\$0.31 per share) for the fourth quarter of 2006 and \$24.1 million (\$0.98 per share) for the year.
- ✓ Operating netback of \$30.04 per boe and cash flow netback of \$26.92 per boe.
- ✓ Net earnings were \$1.0 million resulting in \$0.04 (basic and diluted) earnings per share.
- ✓ Drilled 35 wells (21.0 net) in 2006 with a 91% success rate.
- ✓ Proved reserves of 6,037 mboe at December 31, 2006 resulting in finding and development costs of \$18.06 per boe.
- ✓ Proved plus probable reserves of 8,120 mboe at December 31, 2006 or \$14.39 per boe in finding and development costs.

#### **2007 UPDATE**

- ✓ Currently ahead of Company forecasts for the first quarter. We now expect the first quarter average production to be 4,200 to 4,300 boe/d.
- ✓ Currently producing approximately 4,400 boe/d based on field estimates.
- ✓ Received preliminary approval to increase the bank line of credit to \$70 million.

Financial and operational highlights for the quarter and year ended December 31, 2006 with data for the sixty days of operations ended December 31, 2005 were as follows:

<i>Financial</i> <i>(\$000's except per share amounts)</i>	<b>Q4</b> <b>2006</b>	Q3 2006	% Change	<b>YTD</b> <b>2006</b>	(60 days) 2005	% Change
Production revenue	<b>14,846</b>	11,436	30	<b>43,948</b>	4,212	943
Cash flow from operations	<b>7,835</b>	6,280	25	<b>24,103</b>	1,896	1,171
Per basic share	<b>0.31</b>	0.24	29	<b>0.98</b>	0.20	390
Per diluted share	<b>0.31</b>	0.24	29	<b>0.98</b>	0.20	390
Net earnings	<b>688</b>	16	4,200	<b>1,035</b>	665	56
Per basic share	<b>0.03</b>	-	-	<b>0.04</b>	0.07	(43)
Per diluted share	<b>0.03</b>	-	-	<b>0.04</b>	0.07	(43)
Capital expenditures (net)	<b>17,966</b>	15,556	15	<b>56,867</b>	13,875	310
Net debt	<b>49,540</b>	39,409	26	<b>49,540</b>	8,031	517
<b><i>Share Capital (000's)</i></b>						
Basic, weighted average	<b>25,907</b>	25,907	-	<b>24,145</b>	9,379	157
Basic, end of period	<b>25,907</b>	25,907	-	<b>25,907</b>	19,021	36
Fully diluted	<b>28,228</b>	28,228	-	<b>28,228</b>	20,621	37
<b><i>Daily Sales Volumes</i></b>						
Natural gas volumes (mcf/d)	<b>15,247</b>	12,424	23	<b>10,891</b>	3,786	188
Light oil (boe/d)	<b>299</b>	306	(2)	<b>324</b>	271	20
Liquids (boe/d)	<b>460</b>	336	37	<b>314</b>	78	303
Corporate (boe/d)	<b>3,301</b>	2,713		<b>2,453</b>	980	150
<b><i>Average Prices Realized</i></b>						
Natural gas (\$/mcf)	<b>7.77</b>	6.21	25	<b>7.17</b>	12.60	(43)
Light Oil (\$/bbl)	<b>62.32</b>	77.52	(20)	<b>72.15</b>	63.84	13
Liquids (\$/bbl)	<b>52.63</b>	69.70	(24)	<b>60.43</b>	66.83	(10)
Corporate (\$/boe)	<b>48.89</b>	45.82	7	<b>49.08</b>	71.65	(32)
<b><i>Netbacks (\$/boe)</i></b>						
Operating	<b>29.27</b>	28.38	3	<b>30.04</b>	44.88	(33)
Cash flow	<b>25.80</b>	25.16	3	<b>26.92</b>	32.24	(17)
<b><i>Wells drilled</i></b>						
Gross	<b>8</b>	11	(27)	<b>35</b>	6	483
Net	<b>5.3</b>	6.2	(15)	<b>21.0</b>	3.8	453

(1) 2005 data is for the sixty days of operations from November 2, 2005 to December 31, 2005.

## **FINANCIAL REVIEW**

2006 was the first full year of operations for Vero. In 2006 the Company grew average daily production 239% from 1,150 boe/d at the beginning of the year to exit the year at 3,900 boe/d. The majority of this production growth was through the drill bit. It was also partially attributable to the corporate acquisition completed in February which brought approximately 850 boe/d to the production base. Gas production averaged 10.9 mmcf/d and the associated liquids averaged 314 boe/d while crude oil averaged 324 boe/d. Even though the industry faced the challenges of an extended break-up, an environment of higher than normal service costs, and declining gas prices, the Company turned in a very productive year. Vero averaged 2,453 boe/d for the year and exited the year meeting its latest, increased, 2006 guidance of 3,800 to 4,000 boe/d. The successful drilling program yielded significant growth in proved and probable reserves and this translated directly into Vero's strong financial results. Operating netbacks averaged just over \$30 per boe during the year resulting in \$24.1 million in cash flow and \$0.98 in cash flow per basic weighted average share. The reduction in netbacks from 2005 was almost exclusively attributable to the decline in gas prices during 2006.

Capital expenditures totaled \$56.9 million with \$36.1 million of this amount being spent on drilling. A portion of this amount reflects the inflationary pressures exerted by the service sector on the industry due to high activity levels. \$5.3 million was invested in land and seismic data during the year. This is a continuation of the Company's strategy of developing prospects internally and achieving growth through the drill bit. Facility spending totaled \$15.6 million, which was indicative of the Company's drilling success. Vero's finding and development costs (before future capital) were \$18.06 per boe for total proved reserve additions and \$14.39 per boe for total proved plus probable reserve additions (see Management Discussion and Analysis for full finding and development costs).

## **2007 OUTLOOK**

Vero continues to have a solid financial and operational base going forward into 2007. Guidance for 2007 is to spend \$50 million and increase production 20-25% over the 2006 year end exit rate which equates to a 2007 exit of 4,700 – 4,900 boe/d. The first quarter will be our busiest to date as we are drilling approximately 17 (10.9 net) wells. Production is expected to average between 4,200 and 4,300 boe/d and exit the quarter between 4,450 and 4,550 boe/d. This equates to an increase of approximately 30% from the fourth quarter of 2006 in terms of production volumes and production per share. This growth profile has allowed Vero to stand out amongst its peers. In the second quarter the company will strategically suspend non critical field work in an effort to control costs due to an expected long break up, and then return to its capital program in the second half of the year. In total the company plans to drill approximately 40 (24 net) wells in the year.

Expanding Vero's drillable inventory is a priority. To this end, current net undeveloped land stands at approximately 68,000 acres. In addition, Vero has recently entered into various farm-in deals, with well commitments, that provide access to an additional 16,500 gross acres of undeveloped land focused primarily in our main core area of Edson. Subsequent to the earning commitment, Vero will have approximately 50% net working interest in these lands. The Company has increased its undeveloped land base throughout 2006 and 2007 while moving in excess of 17,000 net acres to the developed category. Vero has therefore been able to maintain its two years or more of drilling inventory.

With significant reserve additions in 2006 and 2007 to date, the Company has recently concluded discussions with its bank, the Canadian Imperial Bank of Commerce, to increase its operating line of credit to \$70 million subject to final approvals. In addition, Vero recently entered into a costless collar for 5,000 gigajoules per day covering the period from April 1 through October 31, 2007. The floor is \$7.00 per gigajoule and the ceiling is \$8.80 per gigajoule and will assist in securing the capital program. Vero will continue to manage its cash flows to ensure we maintain financial flexibility. The Company currently estimates that it has sufficient resources to meet its 2007 capital program.

## FINANCIAL STATEMENTS

Below is selected financial statement information for 2006. For full disclosure of financials statements with notes and the Management, Discussion and Analysis, please visit our website or SEDAR.

### VERO ENERGY INC.

#### Consolidated Statements of Operations and Retained Earnings (thousands, except per share data)

	For the year ended December 31, 2006	September 23 to December 31, 2005
<b>REVENUE</b>		
Production revenue	43,948	4,212
Royalties	(10,749)	(1,083)
Interest	94	-
	<u>33,293</u>	<u>3,129</u>
<b>EXPENSES</b>		
Operating	5,564	401
Transportation	734	90
General and administrative	1,750	439
Stock-based compensation	2,056	103
Interest and bank charges	1,434	11
Depletion, depreciation and accretion	22,125	876
	<u>33,663</u>	<u>1,920</u>
(LOSS) INCOME BEFORE INCOME TAXES	(370)	1,209
INCOME TAX (RECOVERY) EXPENSE		
Current	(292)	292
Future	(1,113)	252
	<u>(1,405)</u>	<u>544</u>
<b>NET EARNINGS</b>	<b>1,035</b>	<b>665</b>
<b>RETAINED EARNINGS, BEGINNING OF PERIOD</b>	<b>665</b>	<b>-</b>
<b>RETAINED EARNINGS, END OF PERIOD</b>	<b><u>1,700</u></b>	<b><u>665</u></b>
<b>NET EARNINGS PER SHARE</b>		
Basic	<u>0.04</u>	<u>0.07</u>
Diluted	<u>0.04</u>	<u>0.07</u>

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**VERO ENERGY INC.****Consolidated Balance Sheets****As at December 31,  
(thousands)**

	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	-	12,523
Accounts receivable	15,308	6,013
Prepaid expenses and deposits	1,089	155
	<u>16,397</u>	<u>18,692</u>
Property and equipment	135,427	34,207
Future income tax benefit	-	232
Goodwill	15,034	
	<u>166,858</u>	<u>53,131</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	30,286	9,988
Taxes payable	-	292
Bank debt	35,651	-
	<u>65,937</u>	<u>10,280</u>
Asset retirement obligations	1,785	380
Future income taxes	10,567	-
	<u>78,289</u>	<u>10,660</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	84,710	41,703
Contributed surplus	2,159	103
Retained Earnings	1,700	665
	<u>88,569</u>	<u>42,471</u>
	<u>166,858</u>	<u>53,131</u>

## VERO ENERGY INC.

### Consolidated Statements of Cash Flows (thousands)

	For the year ended December 31, 2006	September 23 to December 31, 2005
<b>CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Net earnings	1,035	665
Adjustments for:		
Depletion, depreciation and accretion	22,125	876
Future income taxes	(1,113)	252
Stock-based compensation	2,056	103
	<u>24,103</u>	<u>1,896</u>
Changes in non-cash working capital	(7,883)	(4,037)
	<u>16,220</u>	<u>(2,141)</u>
<b>FINANCING</b>		
Increase in bank debt	17,131	-
Proceeds from private placement, net of share issue costs	12,061	6,052
Proceeds from warrant exercises	-	14,338
	<u>29,192</u>	<u>20,390</u>
<b>INVESTING</b>		
Corporate acquisition	(18,887)	-
Additions to petroleum and natural gas properties	(57,026)	(13,847)
Disposals of petroleum and natural gas properties	300	-
Additions to administrative assets	(141)	(27)
Changes in non-cash working capital	17,819	8,148
	<u>(57,935)</u>	<u>(5,726)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(12,523)</b>	<b>12,523</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>12,523</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>-</b>	<b>12,523</b>

Vero Energy Inc. is a Calgary based oil and natural gas exploration and development company. Vero's common shares trade on The Toronto Stock Exchange under the symbol "VRO". The latest corporate presentation will be posted in the next few days on the Vero Energy Inc. website at [www.veroenergy.ca](http://www.veroenergy.ca).

This press release shall not constitute an offer to sell or a solicitation of an offer to buy the securities in any jurisdiction. The common shares of Vero will not be and have not been registered under the *United States Securities Act of 1933*, as amended, and may not be offered or sold in the United States, or to a U.S. person, absent registration or applicable exemption therefrom.

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## **READER ADVISORY**

**Forward Looking Statements:** Certain information regarding the Company in this news release including management's assessment of future plans and operations, production estimates, drilling inventory and wells to be drilled, timing of drilling and tie-in of wells, productive capacity of new wells, capital expenditures and the timing thereof, may constitute forward-looking statements under applicable securities laws and necessarily involve risks including, without limitation, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, inability to retain drilling rigs and other services, the timing and length of plant turnarounds and the impact of such turnarounds and the timing thereof, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources. As a consequence, the Company's actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly no assurance can be given that any events anticipated by the forward-looking statements will transpire or occur, or, if any of them do so, what benefits the Company will derive therefrom. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could effect the Company's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)), and the Company's website ([www.veroenergy.ca](http://www.veroenergy.ca)). Furthermore, the forward-looking statements contained in this news release are made as at the date of this news release and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

**BOE Disclosure:** Disclosure provided herein in respect of barrels of oil equivalent (boe) may be misleading, particularly if used in isolation. A boe conversion ratio of 6 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. Mboe means thousands of barrels of oil equivalent.

**Non-GAAP terms:** this press release contains the terms "cash flow from operations" and "netbacks" which are not terms recognized under Generally Accepted Accounting Policies ("GAAP"). The Company uses these measures to help evaluate its performance as well as to evaluate acquisitions. The Company considers cash flow from operations a key measure as it demonstrates the Company's ability to generate funds necessary to repay debt and to fund future growth through capital investment. Funds generated from operations should not be considered as an alternative to, or more meaningful than, cash flow from operating activities as determined in accordance with Canadian GAAP as an indicator of Vero's performance. Vero's determination of cash flow from operations may not be comparable to that reported by other companies. The reconciliation between net income and cash flow from operations can be found in the statement of cash flows in the financial statements. Vero also presents funds generated from operations per share whereby per share amounts are calculated using weighted average shares (basic and diluted) outstanding consistent with the calculation of net earnings per share, which per share amounts are calculated under GAAP. The Company considers netbacks as a key measure as it demonstrates its profitability relative to current commodity prices. Operating netbacks are calculated by taking total revenues and subtracting royalties, operating expenses and transportations costs on a per boe basis. Cash flow netbacks are calculated by taking the operating netback and subtracting interest costs, and general and administrative costs on a per boe basis.

**Finding and Development Costs:** NI 51-101 gives direction on how finding and development ("F&D") costs are calculated. The requirement is that exploration and development costs incurred in the year, plus the change in estimated future development costs be combined and then divided by the applicable reserve additions. The calculation excludes the effects of acquisitions and dispositions on both reserves and costs. Due to the timing of capital costs and the subjectivity in the estimation of future costs, the

*aggregate of the exploration and development costs incurred in the most recent financial year and the change during that year in estimated future development costs generally will not reflect total finding and development costs related to reserve additions for that year. F&D costs (excluding future capital) exclude the effects of the estimated costs to develop the associated reserves.*

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