



## PRESS RELEASE

### **VERO ENERGY INC. ANNOUNCES 591% INCREASE IN NET EARNINGS TO HIGHLIGHT ITS FINANCIAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2008**

CALGARY, Alberta - March 9, 2009 – Vero Energy Inc. (“Vero” or the “Company”) (TSX-VRO) today announces its 2008 financial results. Copies of the audited financial statements and management discussion and analysis in respect thereof for the year ended December 31, 2008 will be available, in due course, through [www.sedar.com](http://www.sedar.com) or by visiting Vero’s website at [www.veroenergy.ca](http://www.veroenergy.ca).

#### **2008 Highlights**

- ✓ Net earnings for the year increased 591% over 2007 to \$21.9 million resulting in \$0.67 (basic and diluted) per share.
- ✓ Increased average daily production by 34% to 6,295 boe/d.
- ✓ Cash flow was 83% higher in 2008 at \$75.6 million (\$2.31 per diluted share).
- ✓ Increased operating netback by 31% to \$35.86 per boe and cash flow netback by 37% to \$32.82 per boe.
- ✓ Drilled 34 wells (26.7 net) with a 98% success rate. 14 (12.2 net) of these wells were horizontals.
- ✓ Constructed a strategic gas facility at Pine Creek to handle new volumes in a significant growth area.
- ✓ Increased undeveloped land by 126% to 171,183 net undeveloped acres.

#### **2009 UPDATE**

- ✓ Entered into a new banking syndicate commitment that has our credit facility increasing 64% to \$115 million from \$70 million at the end of 2007.
- ✓ Expansion completed on Vero’s operated gas plant in Edson from 20 mmcf/d to 35 mmcf/d.
- ✓ Revised exploration and development capital budget to a flexible \$45 – 50 million from \$90 million

Financial and operational highlights for the quarter and year ended December 31, 2008 with comparative data for 2007 are as follows:

<i>Financial</i> <i>(\$000's except per share amounts)</i>	Three months ended December 31,			Twelve months ended December 31,		
	2008	2007	% Change	2008	2007	% Change
Production revenue	<b>32,419</b>	23,218	40	<b>137,855</b>	83,407	65
Cash flow from operations	<b>14,370</b>	11,662	23	<b>75,601</b>	41,284	83
Per basic share	<b>0.40</b>	0.40	-	<b>2.32</b>	1.47	58
Per diluted share	<b>0.40</b>	0.40	-	<b>2.31</b>	1.46	58
Net (loss) earnings	<b>(1,075)</b>	2,842	(138)	<b>21,869</b>	3,164	591
Per basic share	<b>(0.03)</b>	0.09	(133)	<b>0.67</b>	0.11	509
Per diluted share	<b>(0.03)</b>	0.09	(133)	<b>0.67</b>	0.11	509
Capital expenditures (net)	<b>44,152</b>	20,412	116	<b>128,685</b>	71,453	80
Net debt	<b>103,911</b>	61,774	68	<b>103,911</b>	61,774	68
<i>Share Capital (000's)</i>						
Basic, weighted average	<b>35,431</b>	28,914	23	<b>32,623</b>	28,129	16
Basic, end of period	<b>36,969</b>	28,915	28	<b>36,969</b>	28,915	28
Diluted (treasury method)	<b>35,431</b>	29,034	22	<b>32,762</b>	28,318	16
Fully diluted	<b>40,054</b>	31,349	28	<b>40,054</b>	31,349	28
<i>Daily Sales Volumes</i>						
Natural gas volumes (mcf/d)	<b>33,429</b>	24,663	36	<b>29,493</b>	22,710	30
Light oil (boe/d)	<b>486</b>	524	(7)	<b>558</b>	383	46
Liquids (boe/d)	<b>1,018</b>	606	68	<b>821</b>	541	52
Corporate (boe/d)	<b>7,076</b>	5,241	35	<b>6,295</b>	4,709	34
<i>Average Prices Realized</i>						
Natural gas (\$/mcf)	<b>8.43</b>	6.78	24	<b>8.67</b>	7.27	19
Light Oil (\$/bbl)	<b>56.20</b>	73.81	(24)	<b>96.46</b>	70.66	37
Liquids (\$/bbl)	<b>42.34</b>	76.49	(45)	<b>81.80</b>	67.07	22
Corporate (\$/boe)	<b>49.80</b>	48.16	3	<b>59.84</b>	48.53	23
<i>Netbacks (\$/boe)</i>						
Operating	<b>25.14</b>	26.77	(6)	<b>35.86</b>	27.27	31
Cash flow	<b>22.06</b>	24.20	(9)	<b>32.82</b>	24.02	37
<i>Wells drilled</i>						
Gross	<b>12</b>	8	50	<b>34</b>	36	(6)
Net	<b>11.5</b>	6.3	83	<b>26.7</b>	24.1	11

- (1) Cash flow from operations is calculated as cash provided by operating activities from the statement of cash flows, adding change in non-cash working capital and asset retirement expenditures. Cash flow from operations is used to analyze the Company's operating performance and leverage. Cash flow from operations does not have a standardized measure prescribed by Canadian Generally Accepted Accounting Principles and therefore may not be comparable with the calculations of similar measures for other companies.
- (2) Net debt represents current assets less current liabilities and bank debt (but excludes the potential future liability related to the mark-to-market measurement of hedges). It does not have a standardized meaning prescribed by Generally Accepted Accounting Principles and it is therefore unlikely to be comparable to similar measures presented by other companies.
- (3) All barrels of oil equivalent conversions use 6 mcf to 1 barrel of oil.
- (4) Operating netback equals total revenue less royalties, transportation and operating costs calculated on a per boe basis. Cash flow netback uses the operating netback, adds interest and other income and then subtracts interest and general and administrative costs. Operating netback and cash flow from operations netbacks are not standardized measures prescribed by Canadian Generally Accepted Accounting Principles and therefore may not be comparable with the calculations of similar measures for other companies.

## **FINANCIAL REVIEW** *(all dollar amounts are in 000's except per share and boe and per boe amounts)*

Vero continued to deliver excellent financial and operational results throughout 2008. Vero drilled 34 (26.7 net) wells during the year with a 98% success rate. Aggregate and daily sales volumes grew by 34% wherein we averaged 6,295 boe/d compared to 4,709 boe/d in 2007. While 2008 had strong swings in both directions for commodity prices, the rapidly declining commodity prices in the last half of the year did not dampen our resolve. Vero's successful drilling effort was the real success story for the year, but 2008 also included four opportunistic acquisitions. Three of these acquisitions were corporate deals and one was an asset deal. The most recent acquisition was focused in our Edson area, where the upside included additions to drilling inventory equivalent to the number of wells drilled in the area during 2008. These acquisitions, along with our successful drilling culminated in an 83% increase in cash flow to \$75,601 from 2007 cash flow of \$41,284. Cash flow per share was \$2.32 per share (\$2.31 per diluted share) representing a 58% increase over \$1.47 in 2007 (\$1.46 diluted). Vero spent \$106,285 (excludes acquisitions) in executing its own exploration and development program during the year. This amount included: \$4,976 on Crown land acquisitions; \$5,600 for two 3-D seismic data shoots and one acquisition of trade data in its core area of Edson; \$68,460 in drilling and completing 26.7 net wells, 14 of which were horizontal wells; and \$25,414 equipping and tying in wells, and included the start of a facility expansion for the year-old Edson gas processing plant. The plant capacity will be increased from 20 mmcf/d to 35 mmcf/d to handle continued drilling in the area and also to re-route Vero production from the Cyn-Pem area which has suffered from continual downtime in 2008 at third party facilities. All of this activity culminated in net debt of \$103,911 at the end of the year.

## **2009 OUTLOOK**

With the release of our 2008 independent year end reserve evaluation in February of 2009 we believe Vero has reached a significant moment in its three and a half year history. We were able to define the size of our profitable resource as shown by the 91% increase in reserves and a 42% increase in the reserve life index year over year. Early in the history of Vero, we identified reservoirs with excellent resource potential that required a new developmental approach. Production history and continued application of horizontal drilling with multi-frac completion technology have demonstrated convincing results, which are now incorporated in our reserve report and our future drilling inventory. This was achieved while maintaining top quartile finding and development costs; providing top quartile returns; and by still booking a conservative reserve report. We did not over-leverage our future, and only booked reserves for 20% of what we believe is our large and continually building inventory of horizontal wells. Reasonable future development capital costs are used which we believe are achievable in an environment of prolonged low commodity prices with difficult and costly access to capital.

The economic climate along with commodity prices have changed harshly and rapidly since Vero's initial 2009 guidance was provided in October of 2008. In February alone, commodity prices have declined to levels not seen since 2002. In the face of these rapidly declining commodity prices the Vero team and Board acted early to handle this downturn. The combinations of recent successes and a conservative approach have placed us in a solid position to manage the current environment. In the first quarter of 2009 spending was quickly reduced and we revised our original budget. Our original plan to spend \$90 million on our capital program had envisioned an increase in average production of 40 - 45% over the 2008 average production rate. By re-visiting our capital budget, as prudent management would dictate, we currently have a flexible capital budget for 2009 of approximately \$45-50 million. This budget will be continually reviewed by management and scrutinized quarterly by the

Board of Directors. We are currently drilling the last well of the first quarters' planned 7 (6.4 net) wells, which includes 4 (4.0 net) horizontal wells and also 2 (2.0 net) recompletions. This is a reduction of 3 net horizontal wells from the original forecast. Based on our history with this type of well, we anticipate that the reduced number of wells would have added approximately 4.5 - 6 mmcf/d of production over the first 2 - 4 months of their producing life. In this quarter we managed to fulfill the majority of our third party commitments and now only have one more for the remainder of the year. Therefore we have the ability to control the pace of our spending and development for the balance of the year and can react quickly to changes in commodity pricing.

In the second quarter the company will reduce its spending to a maintenance capital level which encompasses the reduction of another 2 wells (estimated 3-4 mmcf/d in production additions) from the original budget. The Company has also postponed the expansion of the recently built Pine Creek compression and dehydration facility to a full processing plant which was to occur in the first half of 2009. We did this as a trade off to reduced operating costs as well as a measure of control over processing of our gas volumes. All together these changes resulted in the removal of \$20 million of capital in the first half of 2009 compared to the original budget. The economic climate in the upcoming months will dictate when we return to our drilling program in the second half of the year. Our drilling inventory will not disappear and we do not believe there is a need to keep adding supply into this commodity price environment. Our current plans are to spend into the back end of 2009 and the timing of these expenditures subsequently give us a wide range in our year's average production guidance. However, we have left ourselves with the potential to increase our 2009 exit production into a recovering commodity environment. We believe there will be a significant reduction in service costs in 2009 and the latest initiative from the Alberta government to incentivize drilling activity will leave between 5 to 7 net wells (estimated 7.5 - 14 mmcf/d in production additions) to drill in the second half of the year. Also relating to the latest Alberta government royalty incentives, three and possibly four wells (estimated 4-5 mmcf/d of production additions) will not be brought on production until after April 1, 2009 in order to qualify for 5% incentive royalties. With a reduction of \$35-45 million in capital from the original budget our new guidance for 2009 is for average yearly production of between 7,500 and 8,000 boe/d. This still provides a healthy year over year production increase of 19 - 27%.

Reduced operational activity for the next few months will allow us to focus on optimizing production, reducing costs for existing wells and facilities, and to fine tune our future capital projects. By high grading projects Vero believes it can deliver reasonable growth in production and reserves despite these challenging times. The Company believes it can achieve top quartile finding and development costs and has set a goal of \$10 per boe in 2009.

In the coming months Vero will continue to pursue favorable farm-ins and look to be a selective acquirer that will put us in a strong position in a rebounding environment. We believe that the current economic climate can yield significant opportunities for proven explorers and we continue to look at creative and flexible ways to enhance our growing inventory and long term strategy.

Vero does not believe that profitable reinvestment can continue to occur in most energy industry projects at these commodity price levels. Exploration and production companies have already reduced spending and this is showing up in the continuous and significant drop in drilling rig counts across North America. Our products are non-renewable and are associated with large declines that will result in the rebalancing of supply and demand. We believe this sets up the industry for a sizeable rebound in the future.

## **FINANCIAL STRENGTH AND CAPABILITY**

In recent months intense attention has been focused on the global economic crisis and recession. Reduced availability of capital is wreaking unprecedented havoc on the ability of companies to execute their growth strategies. Growth is desirable but survival is paramount and those with strong balance sheets will reap the rewards of a difficult financial year. Relationships with the company's banks must remain strong and the cost of capital favors using bank debt in these times. Vero is proud to say that it has had an excellent relationship with its bank in the past and expects this to continue into the future. This relationship has been cultivated by Vero's ability to: 1) deliver on what it has promised; 2) grow its reserves and production base significantly and efficiently; and 3) convert successful drilling projects into cash flow quickly, thereby minimizing our "behind-pipe" numbers.

Vero is taking its banking to a new level in 2009. With banks reducing their price decks and increasing their emphasis on interest rate spreads, lending capital is scarce. In the face of these challenges, Vero is happy to report that it has an indicative commitment to increase its credit facility from \$100 million to \$115 million as a result of its year-end borrowing base review. This new credit facility level will be undertaken by a syndicate of two banks. Vero currently forecasts for 2009 that it has more than sufficient resources from its anticipated cash flows and new bank line to deliver on its flexible capital program. The Company fully appreciates the current economic climate and has the ability to alter its capital spending quickly to keep our finances in line. When economic circumstances dictate, Vero has over 245 drilling prospects that can be acted upon quickly. Vero will continue to prudently manage its cash flows to ensure maximum financial flexibility and thereby take advantage of future opportunities.

## FINANCIAL STATEMENTS

Below is selected financial statement information for the year ended December 31, 2008 with comparative data for December 31, 2007. For full disclosure of our audited financials statements with notes and the Management, Discussion and Analysis, please visit our website or SEDAR.

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### VERO ENERGY INC.

#### Consolidated Balance Sheets

As at December 31,

(in thousands of dollars)

	2008	2007
<b>ASSETS</b>		
<b>CURRENT</b>		
Accounts receivable	29,218	16,767
Prepaid expenses and deposits	5,294	3,523
Loans receivable	350	-
	<b>34,862</b>	20,290
Property and equipment	297,697	171,727
Goodwill	19,913	15,034
	<b>352,472</b>	207,051
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	63,354	36,051
Bank debt	75,419	46,013
	<b>138,773</b>	82,064
Asset retirement obligations	5,570	2,641
Future income taxes	17,416	10,812
	<b>161,759</b>	95,517
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	160,103	103,077
Contributed surplus	4,759	3,593
Retained Earnings	25,851	4,864
	<b>190,713</b>	111,534
	<b>352,472</b>	207,051

# VERO ENERGY INC.

## Consolidated Statements of Operations, Comprehensive Income and Retained Earnings

(in thousands of dollars, except per share data)

	2008	2007
<b>REVENUE</b>		
Production revenue	138,962	82,063
Realized (loss) gain on risk management activities	(1,107)	1,344
	137,855	83,407
Royalties	(35,601)	(23,003)
Interest and other	13	-
	102,267	60,404
<b>EXPENSES</b>		
Operating	16,704	11,189
Transportation	2,942	2,348
General and administrative	4,461	3,132
Stock based compensation	2,575	1,449
Interest and bank charges	2,559	2,451
Depletion, depreciation and accretion	40,917	36,052
	70,158	56,621
<b>INCOME BEFORE INCOME TAXES</b>	32,109	3,783
<b>INCOME TAXES</b>		
Future	10,240	619
	10,240	619
<b>NET EARNINGS AND COMPREHENSIVE INCOME</b>	21,869	3,164
<b>RETAINED EARNINGS, BEGINNING OF PERIOD</b>	4,864	1,700
Repurchase of shares	(882)	-
<b>RETAINED EARNINGS, END OF PERIOD</b>	25,851	4,864
<b>NET EARNINGS PER SHARE AND COMPREHENSIVE INCOME PER SHARE</b>		
Basic	0.67	0.11
Diluted	0.67	0.11

# VERO ENERGY INC.

## Consolidated Statements of Cash Flows

(in thousands of dollars)

	2008	2007
<b>CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Net earnings	21,869	3,164
Adjustments for:		
Depletion, depreciation and accretion	40,917	36,052
Stock based compensation	2,575	1,449
Future income taxes	10,240	619
	75,601	41,284
Asset retirement costs incurred	(222)	(43)
Changes in non-cash working capital	659	(7,140)
	76,038	34,101
<b>FINANCING</b>		
Increase in bank debt	18,417	10,362
Proceeds from private placement, net of share issue costs	16,759	17,935
Repurchase of shares	(2,597)	-
Loans to officers/director	(350)	-
Proceeds from stock option exercises	4,378	43
	36,607	28,340
<b>INVESTING</b>		
Corporate acquisitions	(2,816)	-
Additions to petroleum and natural gas properties	(106,308)	(68,932)
Purchase of petroleum and natural gas assets	(19,537)	(2,478)
Disposals of petroleum and natural gas properties	15	-
Additions to administrative assets	(39)	(43)
Changes in non-cash working capital	16,040	9,012
	(112,645)	(62,441)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	-	-
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	-	-
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</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". Please see the latest corporate presentation, which will be available on or about March 10, 2009 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 Principles ("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 (including hedging gains and losses) and subtracting royalties, operating expenses and transportations costs on a per boe basis. Cash flow netbacks are calculated by taking the operating netback, adding interest and other income and then subtracting interest costs, and general and administrative costs on a per boe basis.*

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