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**VERO ENERGY INC.****Balance Sheet***(in thousands of dollars)*

	<b>March 31, 2008 <i>(unaudited)</i></b>	December 31, 2007 <i>(audited)</i>
<b>ASSETS</b>		
<b>CURRENT</b>		
Accounts receivable	<b>19,094</b>	16,767
Prepaid expenses and deposits	<b>3,618</b>	3,523
	<b>22,712</b>	20,290
Property and equipment (Note 4)	<b>182,936</b>	171,727
Goodwill	<b>15,034</b>	15,034
	<b>220,682</b>	207,051
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	<b>33,693</b>	36,051
Risk management (Note 13)	<b>3,468</b>	-
Bank debt (Note 5)	<b>36,078</b>	46,013
	<b>73,239</b>	82,064
Asset retirement obligations (Note 6)	<b>2,715</b>	2,641
Future taxes	<b>15,043</b>	10,812
	<b>90,997</b>	95,517
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 8)	<b>117,259</b>	103,077
Contributed surplus (Note 9)	<b>3,779</b>	3,593
Retained Earnings	<b>8,647</b>	4,864
	<b>129,685</b>	111,534
	<b>220,682</b>	207,051

Commitments (Note 11)  
*See accompanying notes.*

**APPROVED BY THE BOARD**

**“Signed” Paul R. Baay, Director**

**“Signed” Douglas J. Bartole, Director**

## VERO ENERGY INC.

### Statement of Operations, Comprehensive Income and Retained Earnings

For the three months ended March 31,

(in thousands of dollars, except per share data)(unaudited)

	2008	2007
<b>REVENUE</b>		
Production revenue	31,168	20,407
Royalties	(8,492)	(5,645)
Unrealized loss on risk management activities	(3,468)	-
	<b>19,208</b>	14,762
<b>EXPENSES</b>		
Operating	2,694	2,512
Transportation	626	375
General and administrative	892	694
Stock-based compensation (Note 8(d))	186	426
Interest and bank charges	622	677
Depletion, depreciation and accretion	8,753	8,907
	<b>13,773</b>	13,591
<b>INCOME BEFORE INCOME TAXES</b>	<b>5,435</b>	1,171
<b>INCOME TAX EXPENSE</b> (Note 7)		
Future	1,652	449
	<b>1,652</b>	449
<b>NET EARNINGS AND COMPREHENSIVE INCOME</b>	<b>3,783</b>	722
<b>RETAINED EARNINGS, BEGINNING OF PERIOD</b>	<b>4,864</b>	1,700
<b>RETAINED EARNINGS, END OF PERIOD</b>	<b>8,647</b>	2,422
<b>NET EARNINGS PER SHARE</b> (Note 10)		
Basic	0.13	0.03
Diluted	0.13	0.03

See accompanying notes.

# VERO ENERGY INC.

## Statement of Cash Flows

For the three months ended March 31,

(in thousands of dollars) (unaudited)

	2008	2007
<b>CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Net earnings	3,783	722
Adjustments for:		
Unrealized loss on risk management activities	3,468	-
Depletion, depreciation and accretion	8,753	8,907
Future income taxes	1,652	449
Stock-based compensation	186	426
	17,842	10,504
Changes in non-cash working capital (Note 12(a))	(2,465)	(4,393)
	15,377	6,111
<b>FINANCING</b>		
(Decrease) increase in bank debt	(9,935)	12,598
Proceeds from issuance of commons shares, net of share issue costs	16,761	-
	6,826	12,598
<b>INVESTING</b>		
Additions to petroleum and natural gas properties	(19,883)	(24,412)
Purchase of petroleum and natural gas properties	-	(2,478)
Additions to administrative assets	(5)	(8)
Changes in non-cash working capital (Note 12(a))	(2,315)	8,189
	(22,203)	(18,709)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	-	-
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	-	-
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	-	-

Supplementary cash flow information (Note 12(b))

See accompanying notes.

**Notes to the Interim Financial Statements**  
**For the three months ended March 31, 2008 and 2007**  
*(thousands, except per share data) (unaudited)*

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**1. INCORPORATION AND NATURE OF BUSINESS**

Vero Energy Inc. (“Vero or “the Company”) was incorporated on September 23, 2005 and commenced oil and gas operations on November 2, 2005 after the closing of a Plan of Arrangement between Vero, True Energy Inc. (“True”), and TKE Energy Trust (“TKE”). Under the Arrangement Vero acquired certain producing and non-producing oil and gas assets. Vero is engaged in the exploration, development and production of crude oil and natural gas in the province of Alberta.

**2. FINANCIAL PRESENTATION AND POLICIES**

The Financial Statements of Vero have been prepared by management in accordance with Canadian generally accepted accounting principles. The interim financial statements have been prepared following the same accounting policies and methods of computation as the financial statements for the fiscal period ended December 31, 2007, except as described below. The disclosures included below are incremental to those included with the annual financial statements. The interim statements should be read in conjunction with the financial statements and the notes thereto in the Company’s annual report for the period ended December 31, 2007. Preparation of the Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenue and expenses during the period. Actual results may differ from these estimates.

**Notes to the Interim Financial Statements**  
**For the three months ended March 31, 2008 and 2007**  
*(thousands, except per share data) (unaudited)*

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### 3. CHANGES IN ACCOUNTING POLICIES

On January 1, 2008, the Company adopted the following Canadian Institute of Chartered Accountants (“CICA”) Handbook Sections:

- Section 1535, “Capital Disclosures”. This section establishes standards for disclosing information about an entity’s objectives, policies and processes for how it manages its capital. A company must also disclose qualitative data about what the entity regards as capital; and whether the company has complied with any capital requirements and if not, the consequences of such non-compliance. The Company adopted this standard effective January 1, 2008 (see Note 15).
- Section 3862, “Financial Instruments – Disclosures”. This section describes the required disclosures to evaluate the significance of financial instruments for the entity’s financial position and performance as well as the nature and extent of risks arising from both recognized and unrecognized financial instruments to which the entity is exposed and how the entity manages those risks. The Company adopted this standard effective January 1, 2008 (see Note 13).
- Section 3863, “Financial Instruments – Presentation”. This section establishes standards for presentation of financial instruments and non-financial derivatives. It details the presentation of the standards described in Section 3861, “Financial Instruments – Disclosure and Presentation”. The Company adopted this standard effective January 1, 2008 (see Note 13).

### 4. PROPERTY AND EQUIPMENT

	<b>March 31, 2008</b>		
	Cost	Accumulated depletion, depreciation and accretion	<b>Net Book Value</b>
Petroleum and natural gas properties and facilities	250,181	(67,368)	<b>182,813</b>
Administrative assets	216	(93)	<b>123</b>
	<b>250,397</b>	<b>(67,461)</b>	<b>182,936</b>

**Notes to the Consolidated Financial Statements****For the three months ended March 31, 2008 and 2007***(thousands, except per share data) (unaudited)***4. PROPERTY AND EQUIPMENT (continued)**

	December 31, 2007		
	Cost	Accumulated depletion, depreciation and accretion	Net Book Value
Petroleum and natural gas properties and facilities	230,277	(58,677)	171,600
Administrative assets	212	(85)	127
	230,489	(58,762)	171,727

Undeveloped land costs and salvage values excluded from the depletion calculation as at March 31, 2008 were \$11,924 (March 31, 2007 - \$10,467). Future development costs on proved undeveloped reserves of Nil (March 31, 2007 - \$1,460) were included in the depletion calculation. During 2008, the Company capitalized \$134 (March 31, 2007 - \$108) in general and administrative expenses directly related to exploration and development activities.

**5. BANK DEBT**

The Company has a \$70,000 (March 31, 2007 - \$70,000) revolving credit facility with a Canadian Chartered Bank. The advances bear interest at bank prime. The authorized limit is subject to an annual review and potential revision of the borrowing base by the bank. The most recent borrowing base review was completed in April of 2008 (Note 16). The facility is secured with a \$125,000 (March 31, 2007 - \$125,000) floating charge debenture over the assets of the Company.

**Notes to the Financial Statements****For the three months ended March 31, 2008 and 2007***(thousands, except per share data) (unaudited)***6. ASSET RETIREMENT OBLIGATIONS**

The Company's asset retirement obligations result from the ownership interests it has in petroleum and natural gas assets, including well sites, gathering systems, batteries and processing facilities. The Company estimates the total undiscounted amount of cash flows required to settle its asset retirement obligations at March 31, 2008 to be \$6,767 (March 31, 2007 - \$3,975), which will be incurred at various times between 2008 and 2021. The fair value of the asset retirement obligations incurred in the period ended March 31, 2008 was calculated using a credit-adjusted risk free rate of 8.1% (March 31, 2007 - 8.0%) and an inflation factor of 1.4% (March 31, 2007 - 2.3%). Settlement of the obligations will be funded from general corporate funds at the time of retirement or removal. As at March 31, 2008, no funds have been set aside to settle these obligations. Changes to asset retirement obligations during the periods were as follows:

	<b>Three months ended March 31,</b>	
	<b>2008</b>	<b>2007</b>
Asset retirement obligations at January 1	2,641	1,785
Liabilities incurred during the period	20	118
Liabilities settled during the period	-	-
Change in estimated future cash flows	1	(36)
Accretion	53	38
Asset retirement obligations at March 31	<b>2,715</b>	<b>1,905</b>

**7. INCOME TAXES**

The provision for income tax differs from the amounts that would have resulted from the combined federal and provincial rate had it been applied for the periods ended:

	<b>Three months ended March 31,</b>	
	<b>2008</b>	<b>2007</b>
Income before income taxes	<b>5,435</b>	1,171
Expected income tax recovery at the statutory rate of 29.5% (2007 - 32.1%)	<b>1,603</b>	376
Tax effect of non-deductible and non-taxable amounts related to:		
Stock-based compensation and other non-deductible	<b>55</b>	184
Other	<b>(6)</b>	(111)
	<b>1,652</b>	449

**Notes to the Financial Statements****For the three months ended March 31, 2008 and 2007***(thousands, except per share data) (unaudited)***8. SHARE CAPITAL**

	<b>Shares (000's)</b>	<b>Amount</b>
Authorized		
Unlimited number of voting common shares		
Unlimited number of first preferred shares		
Issued		
<i>Common shares</i>		
<b>Balance December 31, 2006</b>	25,907	<b>84,710</b>
Private placement, net of share issue costs (b)	3,000	<b>17,935</b>
Exercise of stock options (c)	8	<b>58</b>
Adjustment for tax benefits from share issue costs	-	<b>374</b>
<b>Balance December 31, 2007</b>	28,915	<b>103,077</b>
Private placement, net of share issue costs (a)	1,940	<b>16,761</b>
Adjustment for tax benefits from share issue costs	-	<b>328</b>
Adjustment for tax cost of flow-through shares (b)	-	<b>(2,907)</b>
<b>Total share capital at March 31, 2008</b>	30,855	<b>117,259</b>

## a) Private placement

On February 28, 2008 the Company closed a private placement for the issuance of 1,940 Flow-Through Common Shares at a price of \$9.25 per share. The net proceeds of issuance of \$16,761 were comprised of gross proceeds of \$17,945 less expenses of the issue of \$1,184. The tax effect of the tax benefits renounced to subscribers in respect of the flow-through shares will be recognized in the period when the renouncement documents are filed with the taxation authorities. Using a combination of the regular, and the "look-back" flow-through Share provisions of the Income Tax Act, the Company is required to incur eligible expenditures in the amount of \$17,945 prior to December 31, 2009 (Note 11(d)).

**Notes to the Financial Statements****For the three months ended March 31, 2008 and 2007***(thousands, except per share data) (unaudited)***8. SHARE CAPITAL (continued)**

## b) Private Placement

On April 5, 2007 the Company closed a private placement for the issuance of 1,500 Common Shares at a price of \$5.55 per share and 1,500 Flow-Through Common Shares at a price of \$7.25 per share. The net proceeds of issuance of \$17,935 were comprised of gross proceeds of \$19,200 less expenses of the issue of \$1,265. The tax effect of \$2,907 for the tax benefits renounced to subscribers in respect of the flow-through shares was recognized in 2008, the period when the renouncement documents were filed with the taxation authorities. Using a combination of the regular, and the “look-back” flow-through Share provisions of the Income Tax Act, the Company was required to incur eligible expenditures in the amount of \$10,875 prior to December 31, 2008 (Note 11(d)).

## c) Stock options

The Company has a stock option plan under which options to purchase common shares may be granted to officers, directors, employees and consultants. The Board has approved a policy of reserving up to 10% of the outstanding common shares for issuance to eligible participants. As at March 31, 2008 there were 3,086 (March 31, 2007 – 2,591) shares reserved for issuance under the plan. All options awarded have a maximum term of five years and vest in equal one-third increments on each anniversary of the grant. The following stock options were outstanding at the end of the respective periods:

	<b>March 31, 2008</b>		March 31, 2007	
	<b>Stock Options</b>	<b>Weighted Average Exercise Price \$</b>	Share Options	Weighted Average Exercise Price \$
Outstanding, beginning of period	<b>2,434</b>	<b>5.18</b>	2,321	5.14
Granted	<b>6</b>	<b>5.90</b>	70	5.58
Exercised	-	-	-	-
Cancelled	-	-	-	-
Outstanding, end of period	<b>2,440</b>	<b>5.18</b>	2,391	5.15
Exercisable, end of period	<b>1,338</b>		558	

**Notes to the Financial Statements****For the three months ended March 31, 2008 and 2007***(thousands, except per share data) (unaudited)***8. SHARE CAPITAL (continued)**

Exercise Price	Options Outstanding					
	March 31, 2008			March 31, 2007		
	Number of Options Outstanding	Weighted Average Exercise Price \$	Weighted Average Years to Expiry	Number of Options Outstanding	Weighted Average Exercise Price \$	Weighted Average Years to Expiry
\$4.87 - 5.61	<b>1,909</b>	<b>4.93</b>	<b>2.8</b>	1,926	4.93	3.8
\$5.90 - 6.31	<b>531</b>	<b>6.08</b>	<b>3.3</b>	465	6.08	4.1
	<b>2,440</b>	<b>5.18</b>	<b>2.9</b>	2,391	5.15	3.9

## d) Stock-based compensation

The Company accounts for its stock options granted to employees, officers, and directors using the fair value method. In accordance with the Company's incentive stock plan, these options have an exercise price equal to the fair value of the security at the date of grant. The fair value of each option granted is estimated on the date of grant using a modified Black-Scholes option-pricing model. The following assumptions have been used:

	Three months ended March 31,	
	2008	2007
Risk free rate (%)	<b>3.5</b>	4.0
Expected life (years)	<b>5</b>	5
Expected volatility (%)	<b>61</b>	53
Expected dividends	-	-

For the period ended March 31, 2008, 6,000 (March 31, 2007 – 70,000) stock options were granted to employees, officers and directors were outstanding. During the period, \$186 (March 31, 2007 - \$426) was recorded as stock compensation expense with respect to the options outstanding with a corresponding credit to contributed surplus (Note 9). The option grants during the period had a weighted average fair value expense attributed to them of \$3.22 (March 31, 2007 - \$2.08) per share.

**Notes to the Financial Statements****For the three months ended March 31, 2008 and 2007***(thousands, except per share data) (unaudited)***9. CONTRIBUTED SURPLUS**

The following table reconciles the Company's contributed surplus as at:

	<b>March 31, 2008</b>	March 31, 2007
Balance at January 1	<b>3,593</b>	2,159
Stock-based compensation expense	<b>186</b>	426
Balance at March 31	<b>3,779</b>	2,585

**10. PER SHARE AMOUNTS**

The following table summarizes the shares used in calculating net earnings per share for the periods ended:

	<b>Three months ended, March 31</b>	
	<b>2008</b>	2007
Weighted average shares outstanding - basic	<b>29,597</b>	25,907
Dilutive stock options outstanding	<b>2,440</b>	1,856
Shares notionally repurchased with proceeds from dilutive stock options and returned to treasury	<b>(1,883)</b>	(1,856)
Weighted average shares outstanding - diluted	<b>30,154</b>	25,907

During the first quarter of 2008, Nil (March 31, 2007 – 465) of the issued stock options were excluded from the calculation of diluted weighted average shares outstanding as to include them would be anti-dilutive.

**Notes to the Financial Statements****For the three months ended March 31, 2008 and 2007***(thousands, except per share data) (unaudited)***11. COMMITMENTS**

In addition to the commitments listed below, the Company has various indemnifications in place in the ordinary course of business, none of which, as assessed by management, are expected to have a significant impact on the Company's financial statements.

*a) Transportation costs*

The Company has committed to firm-service contracts for the transportation of its natural gas. The amounts below are the minimum cash obligations that the Company must pay under the terms of the contract. The combined minimum future costs are as follows:

	<b>As at March 31,</b>	
	<b>2008</b>	2007
2007	-	17
2008	<b>269</b>	23
2009	<b>358</b>	23
2010	<b>346</b>	12
2011	<b>343</b>	8
2012	<b>228</b>	2
2013	<b>12</b>	-
<b>Total minimum payments</b>	<b>1,556</b>	85

*b) Office lease costs*

The Company has committed to future minimum payments under an operating lease that covers the rental of office space and a proportionate share of operating costs as follows:

	<b>As at March 31,</b>	
	<b>2008</b>	2007
2007	-	682
2008	<b>698</b>	910
2009	<b>928</b>	910
2010	<b>918</b>	910
2011	<b>531</b>	531
<b>Total minimum payments</b>	<b>3,075</b>	3,943

**Notes to the Financial Statements****For the three months ended March 31, 2008 and 2007***(thousands, except per share data) (unaudited)*

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**11. COMMITMENTS (Continued)***c) Indemnifications*

From time to time, the Company may become involved in litigation or have claims sought against it in the normal course of business operations. Management of the corporation is not currently aware of any claims or actions that would materially affect the Corporation's reported financial position or results from operations.

Under the terms of certain agreements and the Company's by-laws the Company indemnifies individuals who have acted at the Company's request to be a director and/or officer of the Company, to the extent permitted by law, against any and all damages, liabilities, costs, charges or expenses suffered by or incurred by the individuals as a result of their service. The Company has no outstanding claims having a potentially material adverse effect on the Company as a whole.

*d) Drilling commitments*

As at March 31, 2008 Vero had committed to drill and complete a total of 4 (March 31, 2007 – 5) wells in Alberta with varying commencement dates in 2008 pursuant to farm-in agreements with industry partners. The Company expects to satisfy their net portion of these commitments at an estimated cost of \$7,100 (March 31, 2007 – 2,600).

*(e) Flow-through shares*

Pursuant to the flow-through share private placement entered into on April 5, 2007, the Company was obligated to incur \$10,875 in eligible costs by December 31, 2008. As at March 31, 2008 Vero had satisfied this commitment.

Pursuant to the flow-through share private placement entered into on February 28, 2008, the Company was obligated to incur \$17,945 in eligible costs by December 31, 2009. As at March 31, 2008 Vero had \$17,663 remaining on this commitment.

**Notes to the Financial Statements****For the three months ended March 31, 2008 and 2007***(thousands, except per share data) (unaudited)***12. SUPPLEMENTARY INFORMATION***a) Changes in non-cash working-capital*

	<b>Three months ended, March 31</b>	
	<b>2008</b>	2007
Accounts receivable	<b>(2,327)</b>	2,562
Prepaid expenses and deposits	<b>(95)</b>	(63)
Accounts payable and accrued liabilities	<b>(2,358)</b>	1,297
Net change in non-cash working capital	<b>(4,780)</b>	3,796
Investing activities	<b>2,315</b>	(8,189)
Operating activities	<b>(2,465)</b>	(4,393)

*b) Supplementary cash flow information*

	<b>Three months ended, March 31</b>	
	<b>2008</b>	2007
Interest paid	<b>620</b>	675

**13. FINANCIAL INSTRUMENTS**

The Company holds various forms of financial instruments. The nature of these instruments and its operations expose the Company to market risk, credit risk and liquidity risks. The Company manages its exposure to these risks by operating in a manner that minimizes this exposure. While management monitors and administers these risks, the Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established policies in setting risk limits and controls and monitors these risks in relation to market conditions.

*Market risk*

Market risks are generally those risks that are outside of the control of the Company. These are: commodity prices, foreign exchange rates and interest rates. The objective of the Company is to mitigate exposure to these risks, while maximizing returns to the Company.

**Notes to the Financial Statements****For the three months ended March 31, 2008 and 2007***(thousands, except per share data) (unaudited)***13. FINANCIAL INSTRUMENTS (CONTINUED)***(a) Commodity price risk*

Due to the volatility of commodity prices the Company is potentially exposed to adverse consequences in the event of declining prices. The Company may enter into oil and natural gas contracts in order to protect its cash flow on future sales. The contracts reduce the fluctuation in sales revenue by locking in prices with respect to future deliveries of oil and natural gas. As at March 31, 2008, the Company had the following contracts outstanding:

<b>Type</b>	<b>Amount</b>	<b>Term</b>	<b>Price (\$/gj)</b>	<b>Type</b>
Costless collar	5,000 gj/day	April 1 – October 31, 2008	\$6.50 - \$8.25	Financial
Swap	5,000 gj/day	April 1 – October 31, 2008	\$7.50	Financial
Costless collar	5,000 gj/day	April 1 – October 31, 2008	\$7.00 - \$8.80	Financial
Costless collar	5,000 gj/day	November 1 – December 31, 2008	\$7.75 - \$9.50	Financial

The contracts in place resulted in an unrealized loss for the three months ended March 31, 2008 of \$3,468 (March 31, 2007 – Nil).

*(b) Foreign currency exchange risk*

Even though all of Vero's petroleum and natural gas sales are denominated in Canadian dollars, the underlying market prices for these commodities are impacted by the exchange rate between Canada and the United States. In addition, the fair value of our risk management contracts will fluctuate as a result of changes in foreign exchange rates as most derivative contracts are denominated in US dollars. As at March 31, 2008 the Company had no forward, foreign exchange contracts in place.

*(c) Interest rate risk*

The Company's revolving demand loan facility is subject to floating rates and is therefore exposed to fluctuations in the market rate of interest. The floating rate debt is subject to interest rate cash flow risk, as the required cash flows to service the debt will fluctuate as a result of changes in market rates. The Company had no interest rate swaps or financial contracts in place at or during the three months ended March 31, 2008.

**Notes to the Financial Statements****For the three months ended March 31, 2008 and 2007***(thousands, except per share data) (unaudited)*

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**13. FINANCIAL INSTRUMENTS (CONTINUED)***Credit risk*

Substantially all of the accounts receivable are with customers and joint venture partners in the oil and gas industry and are subject to normal industry credit risks. The Company generally extends unsecured credit to these customers and therefore, the collection of accounts receivable may be affected by changes in economic or other conditions. Management believes the risk is mitigated by entering into transactions with long-standing, reputable, counterparties and partners. Wherever possible, the Company requires cash calls from its partners on capital projects before they commence. Receivables related to the sale of the Company's petroleum and natural gas production are from major marketing companies who have excellent credit ratings. These revenues are normally collected on the 25<sup>th</sup> day of the month following delivery. The Company has not experienced any credit loss in the collection of its accounts receivable.

*Liquidity risk*

Liquidity risk would occur if the Company is not able to meet its financial obligations as they come due. The Company has established a standard of ensuring that it has enough available resources to withstand any downturn in the industry. As our industry is very capital intensive, the majority of our spending is related to our capital programs. See Note 15 for disclosure related to the management of our capital program. The Company's goal is to prudently spend its capital while maintaining its credit reputation amongst its suppliers.

*Fair values of financial instruments*

The carrying value of financial instruments, which include accounts receivable, deposits, derivative financial instruments, accounts payable and accrued liabilities approximates amounts at which these instruments could be exchanged in a transaction between knowledgeable and willing parties. The fair value of accounts receivable, deposits, accounts payable and accrued liabilities approximates their carrying amounts due to their short term nature. The fair value of derivative financial instruments is determined by calculating the difference between the contracted price and published forward price curves as at the balance sheet date, and then multiplying this price differential by the contracted commodity volumes. Vero's bank debt bears interest at a floating market rate and accordingly the fair market value approximates the carrying value. The carrying and fair values of the Company's financial instruments as at March 31, 2008 are as follows:

**Notes to the Financial Statements****For the three months ended March 31, 2008 and 2007***(thousands, except per share data) (unaudited)***13. FINANCIAL INSTRUMENTS (CONTINUED)**

	<b>Carrying Value</b>	<b>Fair Value</b>
<b><u>Financial Assets</u></b>		
Held-for-trading:		
Prepaid and deposits	3,618	3,618
Loans and receivables:		
Accounts receivable	19,094	19,094
<b><u>Financial Liabilities</u></b>		
Held-for-trading:		
Risk management liabilities	3,468	3,468
Other financial liabilities		
Accounts payable and accrued liabilities	33,693	33,693
Credit facility	36,078	36,078

As at each reporting period the Company will assess whether a financial asset, other than those classified as held-for-trading is impaired. Any impairment loss will be included in earnings for the period.

**14. RELATED PARTY TRANSACTIONS**

Two officers and one director of the Company subscribed for 16,460 flow-through common shares at a price of \$9.25 per share in the February 28, 2008 private placement (note 8(b)). The price at which the shares were issued were the same as those used in the subscription agreements entered into with non-related parties.

**15. CAPITAL DISCLOSURES**

The Company considers its capital structure to include shareholders' equity, bank debt and working capital. The Company will adjust its capital structure to manage its current and projected debt through the issuance of shares, increasing its bank line of credit and/or adjusting its capital spending. Vero monitors its capital based on the current and projected ratios of net debt to cash flow.

Vero's objectives in managing its capital structure are to:

- 1) create and maintain flexibility so that Vero can continue to meet its financial obligations; and
- 2) finance its growth either through internally generated projects, joint venture relationships or asset/corporate acquisitions.

**Notes to the Financial Statements****For the three months ended March 31, 2008 and 2007***(thousands, except per share data) (unaudited)***15. CAPITAL DISCLOSURES (CONTINUED)**

The Company monitors its capital structure using primarily the non-GAAP financial metric of net debt to annualized, most recent quarters' cash flow from operations ratio. Vero's objective is to maintain a net debt to cash flow from operations ratio of one and one half times or less. This ratio may temporarily increase as a result of an acquisition; however the Company aims to reduce it below this level as the acquisitions are incorporated into Vero's operations over time. To facilitate the management of this ratio, the Company prepares an annual budget, which is updated each quarter for any significant acquisition, a change in economic circumstances outside the control of the Company, and success or failure of our capital deployed. Each of the annual budget and the quarterly updates are approved by the Board of Directors. As at March 31, 2008 the net debt to adjusted cash flow (annualized) was 0.7 times calculated as follows:

	<b>Three months ended, March 31</b>	
	<b>2008</b>	2007
Current assets	<b>22,712</b>	13,898
Accounts payable and accrued liabilities	<b>(33,693)</b>	(31,583)
Bank debt	<b>(36,078)</b>	(48,249)
<b>Net Debt</b>	<b>47,059</b>	65,934
Net earnings	<b>3,783</b>	722
Add (deduct):		
Unrealized loss on risk management activities	<b>3,468</b>	-
Depletion, depreciation and accretion	<b>8,753</b>	8,907
Future income taxes	<b>1,652</b>	449
Stock-based compensation	<b>186</b>	426
Cash flow from operations	<b>17,842</b>	10,504
Annualized cash flow	<b>71,368</b>	42,016
<b>Net Debt to Annualized Cash Flow</b>	<b>0.7x</b>	1.6x

The 2007 ratio was brought within the corporate target ratio using a private placement within a week of the quarter end.

The Company's capital is not subject to any external restrictions as to how it is deployed nor does it have any financial covenants in respect of its bank credit facility.

**Notes to the Financial Statements****For the three months ended March 31, 2008 and 2007***(thousands, except per share data) (unaudited)*

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**16. SUBSEQUENT EVENTS**

On March 11, 2008 the Company entered into an agreement to acquire all of the issued and outstanding shares of a private oil and gas company. The acquisition closed on April 15, 2008. The acquisition was paid for by issuing 1,835,473 Vero common shares at a deemed price of \$7.90 per share and in addition Vero assumed net debt of approximately \$1.5 million.

Vero's revolving credit facility with the Company's Canadian chartered bank was increased from \$70,000 (Note 5) to \$90,000 in April, 2008 as a result of the most recent borrowing base review.