VERO ENERGY INC.

Consolidated Balance Sheets

(in thousands of dollars)

	September 30, 2008 *(unaudited)*	December 31, 2007 *(audited)*
ASSETS		
CURRENT		
Accounts receivable	**23,904**	16,767
Prepaid expenses and deposits	**4,297**	3,523
Risk management contracts (Note 14)	**1,231**	-
	29,432	20,290
Property and equipment (Note 5)	**242,388**	171,727
Goodwill (Note 4)	**19,913**	15,034
	291,733	207,051
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**38,214**	36,051
Bank debt (Note 6)	**57,712**	46,013
	95,926	82,064
Asset retirement obligations (Note 7)	**4,786**	2,641
Future taxes	**22,663**	10,812
	123,375	95,517
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	**137,605**	103,077
Contributed surplus (Note 10)	**3,501**	3,593
Retained Earnings	**27,252**	4,864
	168,358	111,534
	291,733	207,051

Commitments (Note 12)

See accompanying notes.

APPROVED BY THE BOARD

Paul R. Baay, Director

Douglas J. Bartole, Director

VERO ENERGY INC.

Consolidated Statement of Operations, Comprehensive Income and Retained Earnings
For the three and nine month periods ended September 30,
(in thousands of dollars, except per share data)(unaudited)

	Three months ended September 30		Nine months ended September 30	
	2008	2007	**2008**	2007
REVENUE				
Production revenue	**33,495**	18,542	**108,103**	58,846
Realized (loss) gain on risk management activities	**(1,490)**	1,189	**(2,666)**	1,344
	32,005	19,731	**105,437**	60,190
Royalties	**(8,857)**	(5,551)	**(27,123)**	(17,013)
Unrealized gain (loss) on risk management activities	**9,321**	(733)	**1,612**	-
	32,469	13,447	**79,926**	43,177
EXPENSES				
Operating	**3,903**	2,754	**9,994**	7,558
Transportation	**788**	674	**2,083**	1,652
General and administrative	**1,263**	729	**3,226**	2,532
Stock based compensation (Note 9(e))	**816**	319	**1,316**	1,130
Interest and bank charges	**611**	598	**1,779**	1,813
Depletion, depreciation and accretion	**10,039**	9,543	**28,591**	27,216
	17,419	14,617	**46,989**	41,901
INCOME BEFORE INCOME TAXES	**15,050**	(1,170)	**32,937**	1,276
INCOME TAXES (Note 8)				
Future	**4,629**	(268)	**9,993**	954
	4,629	(268)	**9,993**	954
NET EARNINGS (LOSS) AND COMPREHENSIVE INCOME	**10,421**	(902)	**22,944**	322
RETAINED EARNINGS, BEGINNING OF PERIOD	**17,387**	2,924	**4,864**	1,700
Repurchase of shares (Note 9(f))	**(556)**	-	**(556)**	-
RETAINED EARNINGS, END OF PERIOD	**27,252**	2,022	**27,252**	2,022
NET EARNINGS PER SHARE (Note 11)				
Basic	**0.32**	(0.03)	**0.72**	0.01
Diluted	**0.31**	(0.03)	**0.72**	0.01

VERO ENERGY INC.

Consolidated Statement of Cash Flows

For the three and nine month periods ended September 30,

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

	Three months ended September 30		Nine months ended September 30	
	2008	2007	**2008**	2007
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:				
OPERATING				
Net earnings (loss)	**10,421**	(902)	**22,944**	322
Adjustments for:				
Unrealized (gain) loss on risk management activities	**(9,321)**	733	**(1,612)**	-
Stock-based compensation	**816**	319	**1,316**	1,130
Depletion, depreciation and accretion	**10,039**	9,543	**28,591**	27,216
Future income taxes (recovery)	**4,629**	(268)	**9,993**	954
	16,584	9,425	**61,232**	29,622
Changes in non-cash working capital (Note 13(a))	**2,647**	906	**(3,473)**	(3,756)
	19,231	10,331	**57,759**	25,866
FINANCING				
Increase (decrease) in bank debt	**21,368**	(773)	**7,904**	2,348
Proceeds from issuance of common shares, net of share issue costs	**-**	-	**16,758**	17,936
Repurchase of shares	**(1,081)**	-	**(1,081)**	-
Stock option exercises	**3,434**	-	**4,378**	21
	23,721	(773)	**27,959**	20,305
INVESTING				
Corporate acquisitions (Note 4)	**-**	-	**(2,606)**	-
Additions to petroleum and natural gas properties	**(27,893)**	(18,513)	**(61,568)**	(48,530)
Purchase of petroleum and natural gas properties	**(20,312)**	-	**(20,312)**	(2,478)
Additions to administrative assets	**(29)**	(9)	**(47)**	(33)
Changes in non-cash working capital (Note 13(a))	**5,282**	8,964	**(1,185)**	4,870
	(42,952)	(9,558)	**(85,718)**	(46,171)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**-**	-	**-**	-
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**-**	-	**-**	-
CASH AND CASH EQUIVALENTS, END OF PERIOD	**-**	-	**-**	-

Supplementary cash flow information (Note 13(b)).

See accompanying notes.

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.

On April 15, 2008 Vero acquired all of the outstanding shares of a private company, Dorian Energy Inc. (“Dorian”) (Note 4). On May 31, 2008, Vero amalgamated with Dorian. Effective May 21, 2008 Vero acquired all of the outstanding shares of another private company, FX Energy Ltd. (Note 4), which is currently operated as a wholly owned subsidiary of Vero.

On July 31, 2008, Vero acquired certain producing and non-producing assets from an industry partner for $20,312. This acquisition carried an effective date of July 1, 2008.

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.

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 16).
- 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 14).
- 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 14).

4. CORPORATE ACQUISITIONS

a) Acquisition of Dorian Energy Inc.

Effective April 15, 2008 Vero acquired all of the outstanding common shares of Dorian Energy Inc. ("Dorian"). Dorian shareholders received 0.294 of a Vero common share for each Dorian share held. A total of 1,835 Vero common shares were issued. The price ascribed to each common share of $8.22 was based on the average trading price of Vero common shares on the five days prior, the day of, and the five days following the date the purchase was entered into. The operating results and corresponding cash flow and earnings related to the acquisition were included in the Company's consolidated financial statements effective April 16, 2008. The acquisition was accounted for using the purchase method and the purchase price was allocated based on fair values as follows:

(thousands, except per share data) (unaudited)

Consideration paid:	
Issuance of 1,835 common shares (Note 9(c))	**15,087**
Transaction costs	**165**
	15,252

Allocation of purchase price:	
Current assets	**3,594**
Current liabilities	**(2,763)**
Risk management on acquired contract	**(381)**
Debt assumed	**(2,200)**
	(1,750)
Property, plant and equipment	**13,380**
Goodwill	**4,879**
Asset retirement obligations	**(210)**
Future income taxes	**(1,047)**
	15,252

b) Acquisition of FX Energy Ltd.

Effective May 21, 2008 Vero acquired all of the outstanding common shares of FX Energy Ltd. ("FX"). FX shareholders received $0.25043 per common share outstanding. The operating results and corresponding cash flow and earnings related to the acquisition were included in the Company's consolidated financial statements effective May 22, 2008. The acquisition was accounted for using the purchase method and the purchase price was allocated based on fair values as follows:

Consideration paid:	
Cash paid to FX shareholders	**2,374**
Transaction costs	**67**
	2,441

Allocation of purchase price:	
Current assets	**366**
Current liabilities	**(107)**
Debt assumed	**(1,595)**
	(1,336)
Property, plant and equipment	**2,050**
Asset retirement obligations	**(41)**
Future tax benefit	**1,768**
	2,441

Notes to the Consolidated Interim Financial Statements
For the nine months ended September 30, 2008 and 2007
(thousands, except per share data) (unaudited)

5. PROPERTY AND EQUIPMENT

		September 30, 2008	
	Cost	Accumulated depletion, depreciation and amortization	**Net Book Value**
Petroleum and natural gas properties and facilities	329,270	(86,981)	**242,289**
Administrative assets	269	(170)	**99**
	329,539	(87,151)	**242,388**

		December 31, 2007	
	Cost	Accumulated depletion, depreciation and amortization	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 September 30, 2008 were $21,324 (2007 - $13,012). During 2008, the Company capitalized $520 (2007 - $421) in general and administrative expenses directly related to exploration and development activities.

6. BANK DEBT

The Company has a $90,000 (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 by the bank with potential interim revisions to the borrowing base at the request of the Company. The most recent borrowing base review was completed in April of 2008. The facility is secured with a $125,000 (2007 - $125,000) floating charge debenture over the assets of the Company.

(thousands, except per share data) (unaudited)

7. 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 September 30, 2008 to be $11,792 (2007 - $5,110), which will be incurred at various times between 2008 and 2021. The fair value of the asset retirement obligations incurred in the period ended September 30, 2008 was calculated using a credit-adjusted risk free rate of 8.1% (2007 – 8.5%) and an inflation factor of 1.6% (2007 – 2.3%). Settlement of the obligations will be funded from general corporate funds at the time of retirement or removal. As at September 30, 2008, no funds have been set aside to settle these obligations. Changes to asset retirement obligations during the periods were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	**2008**	2007
Asset retirement obligations beginning of period	**3,032**	1,954	**2,641**	1,785
Liabilities assumed on corporate acquisitions (Note 4)	**-**	-	**251**	-
Liabilities incurred during the period	**1,401**	405	**1,429**	529
Change in estimated future cash flows	**263**	(6)	**263**	(39)
Accretion	**90**	50	**202**	128
Asset retirement obligations end of period	**4,786**	2,403	**4,786**	2,403

8. 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:

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	**2008**	2007
Income before income taxes	**15,050**	(1,170)	**32,937**	1,276
Expected income tax recovery at the statutory rate of 29.5% (2007 – 32.1%)	**4,440**	(381)	**9,716**	404
Tax effect of non-deductible and non-taxable amounts related to:				
Stock-based compensation and other non-Deductible items	**245**	116	**399**	429
Rate changes	**-**	-	**-**	(378)
Reconcile book to actual on filing tax returns	**-**	-	**-**	499
Other	**(56)**	(3)	**(122)**	-
	4,629	(268)	**9,993**	954

9. SHARE CAPITAL

	Shares (000's)	Amount
Authorized		
Unlimited number of voting common shares		
Unlimited number of first preferred shares		
Issued		
Common shares		
Balance December 31, 2006	25,907	**84,710**
Private placement, net of share issue costs (b)	3,000	**17,935**
Exercise of stock options (e)	8	**58**
Adjustment for tax benefits from share issue costs	-	**374**
Balance December 31, 2007	28,915	**103,077**
Private placement, net of share issue costs (a)	1,940	**16,758**
Issuance of shares on corporate acquisition (c)	1,835	**15,087**
Exercise of stock options (e) (Note 10)	871	**5,787**
Repurchase of shares (f)	(128)	**(525)**
Adjustment for tax benefits from share issue costs	-	**328**
Adjustment for tax cost of flow-through shares (b)	-	**(2,907)**
Total share capital at September 30, 2008	33,433	**137,605**

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 $16,758 were comprised of gross proceeds of $17,945 less expenses of the issue of $1,187. 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 12(e)).

(thousands, except per share data) (unaudited)

9. 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 12(e)).

c) Acquisition of Dorian Energy Inc.

On April 15, 2008 the Vero acquired all of the outstanding shares of a private company. Upon closing of the acquisition, 1,835 common shares were issued at a deemed value of $15,087 (Note 4).

d) 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 September 30, 2008 there were 3,343 (2007 – 2,891) 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:

	September 30, 2008		September 30, 2007	
	Stock Options	**Weighted Average Exercise Price $**	Stock Options	Weighted Average Exercise Price $
Outstanding, beginning of period	**2,434**	**5.18**	2,321	5.14
Granted	**1,426**	**8.33**	130	5.83
Exercised	**(871)**	**5.03**	(4)	5.35
Cancelled	**(6)**	**5.90**	(11)	5.42
Outstanding, end of period	**2,983**	**6.73**	2,436	5.18
Exercisable, end of period	**719**		721	

(thousands, except per share data) (unaudited)

9. SHARE CAPITAL (continued)

	Options Outstanding					
	September 30, 2008			September 30, 2007		
Exercise Price	**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	**1,155**	**4.96**	**2.4**	1,903	4.92	3.3
$5.90 – 7.71	**1,270**	**7.16**	**4.2**	525	6.08	3.7
$8.34 – 10.80	**558**	**9.41**	**4.8**	-	-	-
	2,983	**6.73**	**3.6**	2,428	5.17	3.4

e) 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:

	Nine months ended September 30,	
	2008	2007
Risk free rate (%)	**3.2%**	4.1
Expected life (years)	**5**	5
Expected volatility (%)	**69%**	52
Expected dividends	**-**	-

For the nine months ended September 30, 2008, 1,426 (2007 – 130) stock options were granted to employees, officers and directors; 6 options were cancelled; and 871 options were exercised for net proceeds of $4,378 with an offsetting debit of $1,408 recorded to contributed surplus (Note 10). During the period, $1,316 (2007 - $1,130) was recorded as stock compensation expense with respect to the options outstanding with a corresponding credit to contributed surplus. The option grants during the period had a weighted average fair value expense attributed to them of $5.01 (2007 - $2.56) per share.

f) Normal Course Issuer Bid

During the period ended September 30, 2008, the Company purchased and subsequently cancelled 128,400 common shares pursuant to its Normal Course Issuer Bid. The aggregate cost of the purchases was $1,081 of which $525 was charged to share capital based on the average book value per share as of the date of repurchase, and the balance of $556 was charged to retained earnings. The average per share cost of the repurchase was $8.42.

(thousands, except per share data) (unaudited)

10. CONTRIBUTED SURPLUS

The following table reconciles the Company's contributed surplus as at September 30:

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	**2008**	2007
Balance at beginning of period	**3,803**	2,963	**3,593**	2,159
Stock-based compensation expense	**816**	319	**1,316**	1,130
Exercise of stock options (Note 9(e))	**(1,118)**	-	**(1,408)**	(7)
Balance at end of period	**3,501**	3,282	**3,501**	3,282

11. PER SHARE AMOUNTS

The following table summarizes the shares used in calculating net earnings per share for the periods ended September 30:

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	**2008**	2007
Weighted average shares outstanding – basic	**32,955**	28,911	**31,680**	27,865
Dilutive stock options outstanding	**2,524**	2,293	**2,443**	2,408
Shares notionally repurchased with proceeds from dilutive stock options	**(2,319)**	(2,080)	**(2,207)**	(2,186)
Weighted average shares outstanding – diluted	**33,160**	29,124	**31,916**	28,087

During the three and nine month periods ended September 30, 2008, 459 (2007 – 135) and 540 (2007 – 115) respectively, of the issued stock options were excluded from the calculation of diluted weighted average shares outstanding as to include them would be anti-dilutive.

(thousands, except per share data) (unaudited)

12. 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:

	As at September 30,	
	2008	2007
2007	**-**	52
2008	**97**	209
2009	**387**	209
2010	**374**	197
2011	**370**	194
2012	**246**	80
2013	**13**	-
Total minimum payments	**1,487**	941

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:

	As at September 30,	
	2008	2007
2007	**-**	233
2008	**270**	931
2009	**1,064**	928
2010	**1,070**	918
2011	**619**	531
Total minimum payments	**3,023**	3,541

12. 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 September 30, 2008 Vero had committed to drill and complete a total of 9 (2007 – 4) 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 $12,175 (2007 – $7,800).

(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, 2007. Vero has satisfied this commitment in full.

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 September 30, 2008 Vero had $10,714 remaining on this commitment.

Notes to the Consolidated Interim Financial Statements
For the nine months ended September 30, 2008 and 2007
(thousands, except per share data) (unaudited)

13. SUPPLEMENTARY INFORMATION

a) Changes in non-cash working-capital

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	**2008**	2007
Accounts receivable	**3,441**	(680)	**(7,137)**	3534
Prepaid expenses and deposits	**84**	46	**(774)**	61
Accounts payable and accrued liabilities	**4,404**	10,504	**2,163**	(2,481)
Corporate acquisition of working capital	**-**	-	**1,090**	-
Net change in non-cash working capital	**7,929**	9,870	**(4,658)**	1,114
Investing activities	**(5,282)**	(8,964)	**1,185**	(4,870)
Operating activities	**2,647**	906	**(3,473)**	(3,756)

b) Supplementary cash flow information

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	**2008**	2007
Interest paid	**597**	546	**1,663**	1,758

14. 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.

(thousands, except per share data) (unaudited)

14. 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 September 30, 2008, the Company had the following contracts outstanding:

Type	Amount	Term	Price ($/gj)	Type
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	10,000 gj/day	November 1 – December 31, 2008	$7.75 - $9.50	Financial

The contracts in place resulted in an unrealized gain for the nine months ended September 30, 2008 of $1,612 (2007 – $ nil) as well as a realized loss of $2,666 (2007 – $1,344).

(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 September 30, 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 nine months ended September 30, 2008.

14. 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 mainly from major marketing companies who have excellent credit ratings. These revenues are normally collected on the 25th day of the month following delivery. The Company did experience a credit loss on one of its natural gas sales receivables in this last three months. However, it was related to a counter-party that was inherited from one of the corporate acquisitions. Steps were immediately taken by the Company to terminate this contract upon its default and move the marketing to one of its mainstream marketers. The counter-party with which the Company maintains its hedges is a major Canadian chartered bank and Vero does not anticipate any credit risk for the duration of its contracts.

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 16 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 September 30, 2008 were as follows:

(thousands, except per share data) (unaudited)

14. FINANCIAL INSTRUMENTS (CONTINUED)

	Carrying Value	Fair Value
Financial Assets		
Held-for-trading:		
Prepaid and deposits	**4,297**	**4,297**
Risk management asset	**1,231**	**1,231**
Loans and receivables:		
Accounts receivable	**23,904**	**23,904**
Financial Liabilities		
Other financial liabilities		
Accounts payable and accrued liabilities	**38,214**	**38,214**
Credit facility	**57,712**	**57,712**

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.

15. RELATED PARTY TRANSACTIONS

Two officers and one director of the Company subscribed for 16 flow-through common shares at a price of $9.25 per share in the February 28, 2008 private placement (note 9(a)). The price at which the shares were issued were the same as those used in the subscription agreements entered into with non-related parties.

16. 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 Consolidated Interim Financial Statements
For the Nine months ended September 30, 2008 and 2007
(thousands, except per share data) (unaudited)

16. 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 capital deployed. Each of the annual budget and the quarterly updates are approved by the Board of Directors and capital spending adjusted accordingly. As at September 30, 2008 the net debt to adjusted cash flow (annualized) was 1.0 times calculated as follows:

	Period ended September 30,	
	2008	2007
Current assets (excluding risk management contracts)	**28,201**	11,774
Accounts payable and accrued liabilities	**(38,214)**	1,028
Bank debt	**(57,712)**	(37,999)
Net Debt	**(67,725)**	(25,197)

	Three months ended September 30	
	2008	2007
Net earnings	**10,421**	(902)
Add (deduct):		
Unrealized (gain) loss on risk management activities	**(9,321)**	733
Stock-based compensation	**816**	319
Depletion, depreciation and accretion	**10,039**	9,543
Future income taxes	**4,629**	(268)
Cash flow from operations	**16,584**	9,425
Annualized cash flow	**66,336**	37,700
Net Debt to Annualized Cash Flow	**1.0x**	0.7x

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.

17. SUBSEQUENT EVENT

On October 6, 2008 the Company entered into a definitive agreement with a private company wherein Vero will acquire all of the shares of that company in a share for share exchange. The expected closing date for this acquisition is anticipated to be November 10, 2008.