



Third Quarter 2009 Highlights

- ✓ Increased average daily production 6% to 6,610 boe/d (80% natural gas) in 2009 from 6,236 boe/d in the third quarter of 2008. For the year to date production increased 16% to 6,998 boe/d.
- ✓ Cash flow from operations was \$4.0 million equating to \$0.09 per share (basic and diluted).
- ✓ Capital spending was \$ 5.0 million including the drilling of 1 (1.0 net) horizontal well. Another horizontal well started drilling before the end of the quarter.

Current Activities Update

- ✓ On November 3, 2009 closed a bought-deal financing for 2.2 million flow-through common shares at \$5.65 per share for gross proceeds of \$12.6 million.
- ✓ Entered into two definitive agreements for the sale of 350 boe/d of producing assets for proceeds of \$15.2 million before adjustments. Both deals are expected to close in the fourth quarter.
- ✓ Current production based on field estimates is back over 7,000 boe/d (81% natural gas)
- ✓ Currently have two operated drilling rigs with a third to start drilling on November 7. All three rigs will be drilling horizontal wells.

Financial and operating highlights for the third quarter of 2009 with comparisons to the third quarter of 2008 are as follows:

<i>Financial (\$000's except per share amounts)</i>	Three Months ended September 30,			Nine months ended September 30,		
	2009	2008	%	2009	2008	%
Production revenue	15,897	33,495	(56)	55,644	108,103	(49)
Funds flow from operations ⁽¹⁾	4,044	16,584	(76)	18,013	61,232	(71)
Per basic share	0.09	0.50	(82)	0.46	1.93	(76)
Per diluted share	0.09	0.50	(82)	0.46	1.92	(76)
Net (loss) earnings	(3,682)	10,421	(135)	(19,125)	22,944	(183)
Per basic share	(0.08)	0.32	(125)	(0.49)	0.72	(168)
Per diluted share	(0.08)	0.31	(126)	(0.49)	0.72	(168)
Capital expenditures, net	4,973	48,234	(90)	34,869	84,533	(59)
Net debt ⁽²⁾	106,936	67,725	58	106,936	67,725	58
Share Capital (000's)						
Basic, weighted average	40,952	32,955	24	38,887	31,680	23
Basic, end of period	40,952	33,433	22	40,952	33,433	22
Fully diluted	44,111	36,416	21	44,111	36,416	21
Daily Production						
Natural gas volumes (mcf/d)	31,850	30,059	6	33,912	28,172	20
Light oil (boe/d)	288	515	(44)	342	582	(41)
Liquids (boe/d)	1,014	711	43	1,003	755	33
Corporate (boe/d)	6,610	6,236	6	6,998	6,032	16
Average Realized Prices						
Natural gas (\$/mcf)	3.23	7.81	(59)	4.14	9.11	(55)
Light Oil (\$/bbl)	64.35	112.72	(43)	55.00	107.75	(49)
Liquids (\$/bbl)	50.76	100.07	(49)	44.53	99.67	(55)
Corporate (\$/boe)	24.64	55.78	(56)	28.41	63.79	(55)
Netbacks (\$/boe)⁽⁴⁾						
Operating	12.54	32.17	(61)	14.06	40.07	(65)
Funds flow from operations	6.65	28.91	(77)	9.43	37.04	(75)
Wells drilled						
Gross	1	8	(88)	8	22	(64)
Net	1.0	5.3	(81)	7.4	15.2	(51)

(1) Funds 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. Funds flow from operations is used to analyze the Company's operating performance and leverage. Funds 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. Operating netback and funds flow from operations netback do 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.

FINANCIAL REVIEW

During the third quarter of 2009 the natural gas industry experienced further natural gas price declines to levels that have not been seen since the beginning of this decade. In this low price environment Vero adopted a variety of strategies designed to conserve its resources and reserves. During the third quarter Vero spent \$4,973 thousand in capital during the quarter compared with \$48,234 thousand in the comparable quarter from last year. Capital was primarily expended on maintenance during the first half of the quarter. In the latter part of the third quarter, Vero returned to the field as it drilled and completed one horizontal well and also commenced the drilling of a second horizontal well. The Company intends to maximize the new Alberta Government drilling incentive credits until the program expires as the economics of drilling these wells with the new credits yield very favorable results for Vero.

In addition to conserving capital, Vero intentionally curtailed production rates during the quarter to preserve value with the expectation prices will start to recover in the near future. The new well drilled in the quarter was choked back to 1.2 mmcf/d in accordance with this strategy. High operating cost wells were shut-in during the second quarter and this continued into the third quarter. Despite these intentional reductions, the Company still experienced an increase in production for the third quarter and year to date over the results from 2008. Vero averaged 6,610 boe/d in the third quarter of 2009 versus 6,236 in the same quarter of last year and 6,998 boe/d and 6,032 for the nine month periods ended September 30, 2009 and 2008 respectively.

Funds flow from operations in the third quarter of 2009 was \$4,044 thousand or \$0.09 per share compared with \$16,584 thousand (\$0.50 per share) in the third quarter of 2008. This decline was primarily the result of average prices declining 56% from the third quarter of 2008 to the most recent quarter of 2009. Vero's net debt was \$106,936 thousand at September 30, 2009, which is consistent with the debt level at the end of the second quarter of this year.

OPERATIONS REVIEW

Edson, Alberta

Vero's largest producing property with average production of 4,818 boe/d (82% natural gas) in the third quarter of 2009 which represents 73% of total corporate production. Approximately 700 boe/d of operated production was shut-in for three weeks as the main gas compressor at a midstream facility had a serious mechanical failure. The Company also had 400 boe/d of self-restricted production in the quarter so as to not sell flush production into a low price environment. Also, approximately 75 boe/d of high operating cost production was shut-in during the quarter. The Company took advantage of the slowdown associated with the low, gas, commodity price environment to do some operated facility maintenance and upgrades.

In the quarter, Vero drilled and completed one horizontal well and started drilling a second horizontal well. Both were 100% working interest wells with the first one being brought on at the end of the quarter. Vero's primary geological targets in Edson are in the Mannville and Rock Creek zones, which range in depth from 2,000 to 2,600 meters and are characterized by gas with a high liquid content, capable of generating liquid volumes of up to 40 bbls/mmcft. Future drilling plans will be focused on defining the emerging resource potential of the Mannville and Cardium zones, and to start drilling the Rock Creek zone again. Vero continues to technically evaluate and optimize its horizontal drilling and completion techniques including drilling lengths, number of fracs and frac sizes. Plans for the fourth quarter of the year will be focused on drilling in the Edson area with 5 (4.0 net) horizontal wells.

Vero's acreage in the area consists of 68,000 gross (38,840 net) developed acres and 67,840 (54,973 net) undeveloped acres. A majority of the acreage in Edson has potential for at least two wells per section and the Company has an ongoing program of making applications to the regulator for down spacing approvals thereby increasing well inventory. Many of the emerging resource zones have the potential for more than two wells per section. Notwithstanding our acreage in Edson is a significant part of Vero's total acreage, we continue to stress that the reserve potential in this area is an even more important part of the area's development plan.

With Vero's relatively low capital and operating costs in Edson, the Company has the flexibility to respond quickly and efficiently to prevailing commodity prices. Coupling facility and operational control to a high quality inventory, characterized by short on-stream cycle time, will allow Vero the opportunity to create significant value as commodity prices recover. The Company is also in a position to prudently take advantage of the Alberta drilling and royalty incentive programs announced in March of this year.

Whitecourt

Whitecourt is Vero's second largest producing area. Production averaged 754 boe/d (88% natural gas) in the third quarter. During the quarter approximately 50 boe/d of uneconomic production was shut-in.

The Whitecourt area has a number of tight gas drilling and down-spacing opportunities which are similar to the types of targets that have been successfully exploited with horizontal drilling and multi-fracs in the Edson area. The Company plans to drill one of these opportunities in the fourth quarter of 2009. Our focus during the remainder of the year will be on operating efficiencies and continuing to augment our portfolio with drilling and enhancement projects.

Vero currently controls 40,477 (22,160 net) developed acres and 51,840 (41,577 net) undeveloped acres in this area.

Other Areas

The other areas contributed approximately 16% to Vero's daily production average in the quarter while averaging 1,038 boe/d (68 % natural gas). Although no wells have been drilled in these areas since January 2008, with the royalty incentives announced in March of this year we are re-evaluating the economics of drilling here. As such we currently have three wells licensed for drilling. During the quarter approximately 125 boe/d of high operating cost production was shut-in. Vero currently controls 68,327 (31,203 net) developed acres and 73,070 (52,658 net) undeveloped acres in these other areas.

OUTLOOK

The outlook for Vero Energy has improved significantly with major initiatives taken by the Company. In fact we believe that the Company is now in an excellent position to quickly and profitably grow production. Commodity prices have improved into the fourth quarter and the Company has resumed spending on a measured and prudent capital program.

During five months of limited capital spending and no wells being drilled, time was spent developing and executing a solid business plan. We critically reviewed our industry leading low capital cost spending, focusing on further improvement while optimizing our drilling and completions to get maximum return. That focus has paid off as our first two horizontals in the second half of this year are showing very good results in deliverability and more importantly, our expectations are that reserve recovery per well will improve.

The Company also put a plan in place to take advantage of our significant and growing drilling inventory, reductions in the costs of services, and the very appealing drilling incentives currently offered in the Province of Alberta. The plan included the disposition of non-core assets where we were not going to invest capital in the foreseeable future. Good assets are still receiving \$40,000 per producing boe whereas Vero believes we can add production per horizontal well at capital efficiencies less than \$10,000 per producing boe. The Company's efficient cycle time, and this swap of non-core assets, redeploying the cash into drilling inventory has the potential to translate into four times growth in core areas. We have initiated the execution of this plan by entering into agreements to dispose of approximately 350 boe/d of assets for a price of \$15.2 million (with closings expected in the fourth quarter, subject to customary conditions). Couple this with the recent equity financing that closed in early November and Vero now has the flexibility to drill our inventory and add production quickly and efficiently.

Our capital cost efficiencies and our accelerated cycle times, (50-60 days from drill to first sales); give us the confidence that our projects are as competitive as any in North America. Service cost reductions are currently estimated to be approximately twenty percent and drilling incentives from the province of Alberta include credits of \$200 per meter drilled, and 5% royalties on the first 500 mmcf (million cubic feet equivalent) of production on wells drilled prior to April 1, 2011. At a current \$4/mmbtu gas price Vero's returns equate to the equivalent of over \$7/mmbtu on the costs and crown royalties prior to 2009 (near term \$5/mmbtu prices equate to gas prices greater than \$8.50/mmbtu in that prior period). Another way to look at it is that roughly every fourth well we drill is free, net of the drilling incentive.

Vero's current production is over 7,000 boe/d with 1,000 boe/d restricted and /or shut-in. Production currently shut-in due to economics is approximately 200 boe/d. Of the restricted production 400 boe/d is self restricted during post clean-up after new well completions and due to low commodity price. The balance requires some facility work to remove restrictions. In order to remove some production restrictions due to bottlenecks, the Company plans to add another gas compression facility that is expected to be operational in mid December. This facility will also allow us to switch production between two different midstream plants in an area where we have recently seen significant downtime. The plans are to drill 6 (5 net) horizontal wells in the fourth quarter. With production coming on from new wells and after dispositions, the Company expects to average 6,800-6,900 boe/d in this quarter and exit 2009 between 7,500-8,000 boe/d with net debt of approximately \$87 mm. The Company has the financial flexibility to implement a board approved plan for the first quarter of 2010 that includes spending approximately \$30 mm to drill 9-10 (8.5-9.5 net) horizontal wells. As a result, production in the first quarter of 2010 is expected to average 7,800-8,200 boe/d with an exit rate between 9,000-9,500 boe/d. The Company will be drilling horizontal wells in the zones we have historically drilled: Rock Creek, Notikewin, and Bluesky but we will also target new horizons where we currently have no horizontal well reserves booked, specifically the Cardium and Wilrich. In the Cardium, two wells (1 oil, 1 gas) are planned in this quarter and two

wells (1 oil, 1 gas) in the first quarter of 2010. Currently the Company has 2 rigs drilling horizontal wells, with a third rig planned to start drilling a horizontal well by November 7th. Plans are for all 3 rigs to be operating until the end of the first quarter. The Company's plan is aggressive but flexible, as we can pull back in the first quarter if economic conditions dictate.

Vero is cautiously optimistic as we enter 2010. We have positioned ourselves well both economically and strategically. We believe natural gas will average between \$5 and \$7/mmbtu however it may be very volatile, but even in the lower \$5 case, we can show very profitable growth as we focus on doing "More for Less" with our capital and operational efficiencies that have the potential to add production at the lowest level ever in the four years of our Company. Please check for our updated presentation expected to be on our website by November 8.

MANAGEMENT'S, DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") was prepared on November 4, 2009 and is management's assessment of the Company's financial and operating results for the quarters ended September 30, 2009 and 2008. This MD&A should be read in conjunction with the audited, consolidated, financial statements and MD&A of the Company for the year ended December 31, 2008 with the notes related thereto. The consolidated financial statements for the nine months ended September 30, 2009 and September 30, 2008, as well as the year ended December 31, 2008 have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada.

Additional information on the financial statements, this MD&A and other factors that could affect 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), or at the company's website (www.veroenergy.ca).

READER ADVISORIES

Forward Looking Statements

Information provided herein contains estimates and assumptions which management is required to make regarding future events and may constitute forward-looking statements within the meaning of applicable securities laws. Management's assessment of future plans and operations, capital expenditures, methods of financing capital expenditures and the ability to fund financial liabilities, completion of the equity financing and timing thereof, expected commodity prices and the impact on Vero, expected increase in royalty rates, and the timing of and impact of adoption of IFRS and other accounting policies 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, incorrect assessment of the value of acquisitions, failure to realize the anticipated benefits of acquisitions, the inability to fully realize the benefits of the acquisitions, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources

Although the Company believes the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will be realized. The use of any of the words "anticipate", "believe", "continue", "estimate", "expect", "forecast", "may", "will", "project", "plan", "should", and similar expressions are intended to identify forward-looking information. These statements are subject to certain risks and uncertainties and may be based on assumptions that could cause actual results to differ materially from

those anticipated or implied in the forward-looking statements. The risks associated with these forward-looking statements include, but are not limited to, the following:

- Fluctuations in natural gas, natural gas liquids and oil production levels;
- Vero's ability to successfully market its oil and natural gas products;
- Volatility in market prices for natural gas, natural gas liquids and oil;
- Changes in foreign currency exchange and interest rates;
- Uncertainties associated with estimating reserves;
- Competition for capital, asset acquisitions, undeveloped lands and skilled personnel;
- Unexpected events that are inherent in the oil and gas industry such as: geological and drilling problems, production, pipeline and mechanical failures;
- Well production and decline rates;
- Successes in the finding and development of reserves;
- Changes in the general economic conditions in Western Canada, Canada, North America and Worldwide.
- The effects of weather and climate conditions;
- The ability of Vero to obtain financing on acceptable terms;
- Competitive actions taken by other companies;
- Actions taken and policies created by governmental or regulatory authorities including changes to tax laws, incentive programs, royalty calculations and environmental regulations.

Furthermore, the forward-looking statements contained in this MD&A are made as of the date of this MD&A 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, accept as may be required by applicable securities laws. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement.

Non-GAAP Terms

This Management, Discussion and Analysis uses the terms "funds flow from operations", "netbacks" and "net debt", which are terms not recognized under Generally Accepted Accounting Principles ("GAAP"). The Company uses these measures to help evaluate its performance, leverage, and liquidity as well as to assess potential acquisitions.

The Company considers funds flow from operations as a key performance measure as it demonstrates the Company's ability to generate funds necessary to repay debt and to fund future growth through capital investment. Funds flow from operations and funds flow from operations per share 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 funds flow from operations may not be comparable to that reported by other companies. The reconciliation between net earnings and funds flow from operations can be found in the statement of cash flows in the financial statements. Vero also presents funds flow from operations per share whereby per share amounts are calculated using weighted average shares outstanding consistent with the calculation of net earnings per share, which per share amount is calculated under GAAP and is more fully described in the notes to the financial statements.

The Company considers corporate netbacks as a key measure as it demonstrates its profitability relative to current commodity prices. Corporate netbacks are comprised of operating, funds flow from operations and net earnings netbacks. Operating netback is calculated as the average sales price of its commodities (including

financial instrument gains and losses) and then subtracts royalties, transportation costs and operating expenses. Funds flow netback starts with the operating netback and further deducts general and administrative costs, interest expense and adds interest income. To calculate the net earnings netback, Vero takes the funds flow netback and deducts unrealized gains/losses on hedges, stock-based compensation expense, depletion, depreciation and amortization charges and future income taxes. There is no GAAP measure that is reasonably comparable to netbacks. See the section below entitled “Operating Netbacks by Product” for calculations of operating netbacks for each commodity type.

Net debt and working capital deficiency, which terms represent current assets less current liabilities and bank debt is used to assess efficiency, liquidity and the general financial strength of the company. Mark-to-market financial contracts are excluded from the net debt calculation. There is no GAAP measure that is reasonably comparable to net debt and working capital.

The Company reconciles funds flow from operations to cash flow from operating activities, which is the most directly comparable measure calculated in accordance with GAAP as follows:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2009	2008	2009	2008
Cash flow from operating activities	3,125	19,231	5,721	57,759
Add (deduct):				
Change in non-cash working capital	919	(2,647)	12,292	3,473
Funds flow from operations	4,044	16,584	18,013	61,232

Barrel of Oil Equivalents

Where amounts are expressed in a barrel of oil equivalent (“boe”), or barrel of oil equivalent per day (“boe/d”), natural gas volumes have been converted to barrels of oil equivalent at 6 thousand cubic feet (“mcf”) to one barrel. Use of the term boe may be misleading particularly if used in isolation. The boe conversion ratio of 6 mcf to 1 barrel (“bbl”) of oil or natural gas liquids is based on an energy equivalency conversion methodology primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. This conversion conforms to the Canadian Securities Regulators’ National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities.

Dollar amounts

All amounts provided herein are in thousands of Canadian dollars except for share and per share data or as specifically elsewhere noted.

HIGHLIGHTS FROM THE THIRD QUARTER OF 2009

During the third quarter of 2009 the natural gas industry experienced further natural gas price declines to levels that have not been seen since the beginning of this decade. Since Vero is predominantly a natural gas producer, this has negatively impacted financial results. In this low price environment Vero intentionally curtailed its production rates during the quarter to preserve value in the expectation prices will recover in the near future. Despite this intentional reduction, the Company still experienced an increase in third quarter and year to date production levels over the same periods in 2008. Vero averaged 6,610 boe/d in the third quarter of 2009 versus 6,236 in the same quarter last year. Funds flow from operations in the third quarter was \$4,044 or \$0.09 per share compared with \$16,584 (\$0.50 per share) in the third quarter of 2008. Overall, average prices declined 56% from the third quarter of 2008 in the most recent quarter. Low natural gas prices were also the reason Vero significantly reduced its capital spending compared with 2008. To this end, Vero drilled and completed only one gas well during the quarter. In aggregate Vero spent \$4,973 in capital during the quarter compared with \$27,893 in the comparable quarter from last year. Natural gas prices have strengthened somewhat after the end of the quarter despite the natural gas supply overhang, and Vero remains optimistic prices will continue to recover during the winter and into next year. Vero's net debt was \$106,936 at September 30, 2009, consistent with the second quarter of this year.

DETAILED FINANCIAL REVIEW

PRODUCTION REVENUE AND VOLUMES

Vero increased aggregate production volumes by 6% in the third quarter of 2009 to 608,083 boe compared to 573,754 boe in the third quarter of 2008. Year-to-date volumes increased 16% compared to 2008. Production growth in 2009 was attributable to the successful drilling programs in the fourth quarter of 2008 and first quarter of 2009 mainly in Vero's core area of Edson. In addition, the corporate acquisition from November 2008 contributed to increased production levels over 2008. Vero delayed the commencement of production from 6 (4.5 net) gas wells drilled in the first quarter to take advantage of the 5% crown royalty rate for new wells commencing production on or after April 1, 2009. Gas production contributed 80% of total volumes while liquids came in at 15% and oil at 5%. This production mix is consistent with the third quarter of 2008 and it is anticipated that it will continue for the balance of the year.

Aggregate Sales Volumes

	Three months ended September 30,			Nine months ended September 30,		
	2009	2008	%	2009	2008	%
Natural gas (mcf)	2,930,205	2,765,405	6	9,258,045	7,718,995	20
Light/medium oil (bbl)	26,469	47,414	(44)	93,454	159,575	(41)
Natural gas liquids (bbl)	93,246	65,439	42	273,870	206,782	32
Barrels of oil equivalent (boe)	608,083	573,754	6	1,910,332	1,652,856	16

Daily Sales Volumes

Daily sales volumes increased 6% to 6,610 boe/d in the third quarter of 2009 from 6,236 boe/d in the third quarter of 2008. The increase was realized from a combination of our successful drilling program in the latter half of 2008 and the first quarter of 2009, as well as acquisitions completed in the second half of 2008. Natural gas production increased by 6% for the quarter and 20% year-to-date. Daily production from natural gas liquids increased by 42% for the third quarter and 32% for the year to date. Oil production declined by 44% in the third

quarter of 2009 compared to 2008, and 41% for the comparable nine month periods. Declining oil production has not been offset with any new wells.

Daily volumes were lower in the third quarter of 2009 than the previous quarter for a variety of reasons including: 250 boe/d shut-in due to higher operating cost wells that did not justify keeping them operating; 200 boe/d primarily due to down time at third party facilities; and voluntary, volume restrictions of approximately 400 boe/d due to low prices.

The Company resumed drilling in the third quarter, successfully completing and tying in a gas well that was producing restricted volumes of approximately 200 boe/d after it cleaned up and frac fluid recovered. If commodity prices continue to remain low, production may be restricted on new wells, which have typically exceeded 3 mmcf/d per well, until prices improve. As a result of a combination of: the deferrals in starting-up wells drilled in the first quarter to April 1 to maximize the Alberta Royalty Incentive Program; current curtailed production; and, potential future shut in production, the average rate for 2009 is now projected to be between 6,800 and 6,900 boe/d.

	Three months ended September 30,			Nine months ended September 30,		
	2009	2008	%	2009	2008	%
Natural gas (mcf/d)	31,850	30,059	6	33,912	28,172	20
Light/medium oil (bbl/d)	288	515	(44)	342	582	(41)
Natural gas liquids (bbl/d)	1,014	711	43	1,003	755	33
Barrels of oil equivalent (boe/d)	6,610	6,236	6	6,998	6,032	16

Daily production is split by the Company's main operating areas as follows:

Area (boe/d)	Three months ended September 30,			Nine months ended September 30,		
	2009	2008	%	2009	2008	%
Edson	4,818	3,564	35	4,996	3,788	32
Whitecourt	754	1,322	(43)	834	879	(5)
Corbett	385	766	(50)	472	865	(45)
Wilson Creek	247	256	(4)	282	272	4
Other	406	328	24	414	228	82
Total	6,610	6,236	6	6,998	6,032	16

Benchmark Indices

	Three months ended September 30,			Nine months ended September 30,		
	2009	2008	%	2009	2008	%
Natural gas						
NYMEX (US \$/mmbtu)	3.41	10.10	(66)	3.95	9.62	(59)
AECO- Daily (CDN \$/mcf)	2.94	7.73	(62)	3.78	8.64	(56)
Crude Oil						
WTI (US \$/bbl)	68.30	117.98	(42)	57.00	113.29	(50)
Edmonton light (CDN \$/bbl)	71.50	121.85	(41)	62.35	115.14	(46)
Foreign Exchange						
Canadian to US dollar	0.92	0.96	(4)	0.86	0.98	(12)
US to Canadian dollar	1.10	1.04	6	1.17	1.02	15

United States natural gas prices are usually referenced to the New York Mercantile Exchange Henry Hub in Louisiana (NYMEX), while in Canada the generally recognized benchmark is the AECO hub in Alberta. Gas prices are influenced by a variety of factors such as: weather patterns; LNG imports; supplies in Western Alberta; demand in Eastern Canada and the United States, relative storage levels in North America and alternative fuel sources. AECO benchmark pricing was 62% lower in the third quarter of 2009 compared to the same quarter in 2008. Lower U.S. demand since late in 2008 and new supply sources from shale gas drilling in the U.S. have caused an over-supply situation in North America. Inventory of natural gas increased during 2009 and has now exceeded the previous five-year maximum. While last winter was relatively cold in North America, the prime consuming regions in the U.S. and Canada experienced cooler temperatures during the summer, reducing cooling demand. This also contributed to price declines from April through September. AECO prices averaged \$2.94 per mcf in the third quarter of 2009 compared to \$7.73 in the same quarter last year.

West Texas Intermediate at Cushing, Oklahoma (“WTI”) is the benchmark reference price for North America crude oil prices. Canadian crude prices are based upon postings at Edmonton, Alberta and represent the WTI price adjusted for quality and transportation differentials and the US/Canadian dollar exchange rate. Through the third quarter of 2009, WTI declined 42% to \$68.30 from \$117.98 during the same quarter in 2008. Coupled with the decline in WTI price came a depreciation in the Canadian dollar. In recent years, movements in the Canadian dollar and the price of oil have become highly correlated. While WTI prices have declined from 2008 levels, both WTI and the Canadian dollar have increased significantly since the first quarter of 2009. Commodity prices realized by the Company for the respective quarters were as follows:

Realized Commodity Prices	Three months ended September 30,			Nine months ended September 30,		
	2009	2008	%	2009	2008	%
Natural gas (\$/mcf)	3.23	7.81	(59)	4.14	9.11	(55)
Light / medium oil (\$/bbl)	64.35	112.72	(43)	55.00	107.75	(49)
Natural gas liquids (\$/bbl)	50.76	100.07	(49)	44.53	99.67	(55)
Barrels of oil equivalent (\$/boe)	24.64	55.78	(56)	28.41	63.79	(55)

The volatility in commodity prices continued in the third quarter of 2009 as Vero realized an overall average price that was 56% lower than 2008. Realized natural gas prices decreased by 59% in the quarter compared to last year. However, because of the higher quality of Vero’s natural gas, we averaged a 10% premium to the AECO standard throughout the quarter. Vero’s realized third quarter oil prices decreased by 43% in 2009 compared to 2008 and natural gas liquids prices showed a 49% decrease in 2009. Although natural gas prices have recently recovered

from current year lows, high storage levels continue to mute a price recovery in the near term. Vero anticipates that prices will continue to recover during the winter and into 2010 as declining production from natural gas wells, coupled with a lack of significant drilling throughout North America are expected to have an impact on supply.

Production Revenue

Vero realized a 53% decrease in aggregate revenues in the third quarter of 2009 compared to the same quarter of 2008, corresponding to the 56% decline in realized commodity prices. The realized loss on financial contracts of \$912 was mitigated by revenue realized from increased production levels. Since natural gas was 80% of total production and gas prices declined by 56%, the result was that natural gas contributed 63% of total revenues. Liquids production was 15% of total volumes but contributed 32% of revenues while oil production was 4% of total volumes and contributed 11% of revenues. The realized loss of the hedges was a draw of 6% on total revenues. For the nine months ended September 30, 2009, the decrease in production revenue was 49% to \$54,270 as compared to \$105,437 in 2008.

Production Revenue	Three months ended September 30,			Nine months ended September 30,		
	2009	2008	%	2009	2008	%
Natural gas	9,461	21,602	(56)	38,310	70,299	(46)
Light / medium oil	1,703	5,345	(68)	5,140	17,194	(70)
Natural gas liquids	4,733	6,548	(28)	12,194	20,610	(41)
Production revenue	15,897	33,495	(52)	55,644	108,103	(49)
Realized loss on financial contracts	(912)	(1,490)	(39)	(1,374)	(2,666)	(48)
Aggregate revenue	14,985	32,005	(53)	54,270	105,437	(49)

ROYALTIES

Royalties were \$1,607 for the third quarter of 2009 compared to \$8,857 for the third quarter of 2008. Year-to-date the decrease was 67% to \$9,041 from \$27,123 in 2008. The New Royalty Framework came into effect on January 1, 2009. While natural gas liquids have a higher effective rate than 2008, the gas crown royalties, which are now price sensitive, have decreased in accordance with the significant decline in natural gas prices. On a per boe basis the rate decreased to \$2.64 in the quarter from \$15.44 in the same quarter last year. As a percentage of revenue, the rate for 2009 was lower as royalty expense averaged 10.1% of production revenue in the third quarter compared to 26.4% in 2008. The decline in Crown royalty rates in the third quarter of 2009 was attributable to the combination of: flush production from new wells brought on-stream after April 1, 2009 that became eligible for a 5% rate; the New Royalty Framework, under which Crown royalties are price sensitive; and higher credits for gas cost allowance and custom processing. For the nine months ended September 30, royalties as a percentage of revenue were 16.2% in 2009 compared to 25.1% in 2008. Vero anticipates the aggregate royalty rate to average between 12 -14% for the rest of 2009, but will be dependent on realized commodity prices.

	Three months ended September 30,			Nine months ended September 30,		
	2009	2008	%	2009	2008	%
Royalties						
Crown – gross	1,258	7,924	(84)	7,673	24,162	(68)
Freehold/gross over-riding	349	933	(63)	1,368	2,961	(54)
Total royalties	1,607	8,857	(82)	9,041	27,123	(67)
Royalties (\$/boe)	2.64	15.44	(83)	4.73	16.41	(71)
Royalties - % of production revenue	10.1	26.4	(62)	16.2	25.1	(35)

RISK MANAGEMENT ACTIVITIES

Vero occasionally enters into commodity contracts as part of its risk management program so as to manage commodity price fluctuations. This ensures that Vero has sufficient cash to fund its capital program. In April of 2009 the Company entered into the following hedges:

Contract	Amount	Term	Price (\$/bbl)	Type
Costless collar	1,500 bbl/day	May 1 – December 31, 2009	\$62.50 - \$68.25	Financial
Costless collar	1,000 bbl/day	January 1 – March 31, 2010	\$60.00 - \$80.30	Financial

These hedges are considered to be financial derivatives wherein the fair value of the contract will be recognized on the balance sheet with changes in fair value recorded in income. Vero realized \$912 in hedging losses in the third quarter of 2009 compared to \$1,490 in 2008. The mark-to-market unrealized loss for the hedges in place was \$2,073 at September 30, 2009 as compared to an unrealized gain of \$1,612 as at September 30, 2008.

OPERATING EXPENSE

Vero continually directs significant efforts to maintaining or reducing its controllable costs. Operating costs were \$5,886 or \$9.68 per boe in the third quarter of 2009 compared to \$3,903 or \$6.80 per boe last year. Aggregate operating costs, before processing recoveries, increased by 51% in the quarter while production volumes increased by 6%. For the nine months ended September 30, 2009, operating costs per boe were \$9.05 compared to \$6.05 for the same period in 2008. The per boe increase in the quarter was attributable to a combination of: fixed costs being spread over lower volumes from restricted production; higher operating cost acquisitions in 2008 rolling forward into 2009; workover requirements on several wells; and, higher than expected third party throughput fees related to prior periods. Also, a majority of Vero's gas continues to be delivered to third party facilities resulting in higher processing costs. Vero continually strives to reduce its processing costs and this includes re-routing gas towards more cost efficient gas plants. The Company is continuing with its program to derive cost efficiencies in its operations and has already shut-in certain high operating cost wells. For the balance of the year, Vero anticipates that operating costs will be in the mid to high \$8 range.

	Three months ended September 30,			Nine months ended September 30,		
	2009	2008	%	2009	2008	%
Operating						
Expense per financial statements	5,886	3,903	51	17,290	9,994	73
Add: processing income	183	118	54	505	372	36
Gross expense	6,069	4,021	51	17,795	10,366	72
Operating expense (\$ per boe)	9.68	6.80	42	9.05	6.05	50
Net expense (as a % revenue)	39.3	12.6	222	31.9	9.8	236

TRANSPORTATION EXPENSE

Transportation expenses were \$778 for the third quarter of 2009 and amounted to 4.9% of production revenue for the period as compared to \$788 or 2.4% from the same quarter of 2008. For the third quarter of 2009 the cost per boe averaged \$1.28, which is 7% lower than the rate for the third quarter of 2008. Year-to-date the cost per boe increased a marginal 2% from \$1.26 in 2008 to \$1.29 in 2009. Transportation costs include: clean oil trucking, trucking of natural gas liquids, and transportation and fuel costs associated with the usage of natural gas pipelines. Transportation costs are dependent on a variety of factors such as: the type of production facilities; the method of transportation; the distances covered; the rates charged by the carriers; quantities shipped; cost of the carrier's fuel; the type of service offered (interruptible versus firm service) as well as ownership of the transportation facilities. The cost per boe for the balance of the year is expected to be consistent with that experienced for the nine months of 2009 as the majority of these costs are variable in nature.

	Three months ended September 30,			Nine months ended September 30,		
	2009	2008	%	2009	2008	%
Transportation						
Expense per financial statements	778	788	(1)	2,460	2,083	18
Expense (\$ / boe)	1.28	1.37	(7)	1.29	1.26	2
Expense (% of revenue)	4.9	2.4	104	4.4	1.9	132

GENERAL AND ADMINISTRATIVE (G&A)

Aggregate G&A expense, before recoveries, increased 4% during the quarter to \$1,944 in 2009 from \$1,863 in 2008. Net G&A increased 17% to \$1,472 from \$1,263 for the same comparative quarter. The main cause of the increase in G&A was the hiring of additional staff late in 2008 to accommodate additional activity resulting from the acquisitions made in 2008. On a per boe basis, the rate decreased by 1% on a gross basis to \$3.20 and increased by 10% on a net basis to \$2.42 for the quarter ended September 30, 2009 compared with 2008. For the nine months to September 30, 2009, the increase in net G&A per boe was 18% to \$2.31 compared to \$1.95 in 2008. Additional per unit G&A costs were mitigated somewhat by the increase in production in the third quarter. Quarterly overhead recoveries decreased by 49% in 2009 to \$235 from \$460 in 2008. Overhead recoveries are a function of field operating activity as well as the number of wells drilled during the year for which the Company is the operator. As a result of the reduced field activity levels in the third quarter of 2009, the recoveries were correspondingly lower. The Company capitalizes a portion of its G&A for the salaries of its technical staff, which are directly related to exploration and development activities. G&A capitalized for the third quarter of 2009 was \$237, representing a 70% increase from the same quarter in 2008. Vero is committed to prudently managing its G&A costs. Vero anticipates that net G&A cost per boe for the rest of 2009 will be in the low \$2 per boe range. Aggregate G&A costs are expected to remain stable for the rest of the year while increased production from drilling activities will reduce the per boe cost.

	Three months ended September 30,			Nine months ended September 30,		
	2009	2008	%	2009	2008	%
G&A						
Gross expense	1,944	1,863	4	6,093	4,789	27
Less:						
Overhead recoveries	(235)	(460)	(49)	(954)	(1,043)	(9)
Capitalized G&A	(237)	(140)	70	(722)	(520)	39
Net expense	1,472	1,263	17	4,417	3,226	37
Average cost (\$ per boe)						
Gross expense	3.20	3.25	(1)	3.19	2.90	10
Net expense	2.42	2.20	10	2.31	1.95	18

INTEREST AND BANK CHARGES

Interest expense for the third quarter of 2009 increased 99% to \$1,218 from \$611 in 2008. While average, interest-bearing debt increased by 115% in 2009 compared to 2008, the effective interest rate declined by 18% to help offset this. Higher debt levels are attributable to the capital expenditure program throughout the last quarter of 2008 and first quarter of 2009. In addition, the bank debt assumed on the corporate acquisition in November of 2008 contributed to the increase in debt levels coming into 2009. The per boe interest expense rate was \$2.00 for the quarter compared to \$1.06 for the third quarter of 2008, representing an 89% increase. For the nine months ended September 30, 2009, interest cost per boe increased by 51% to \$1.63 compared to \$1.08 in 2008. Bank commitment fees in 2009 became more significant as banks were paid more fees to renew existing bank lines.

	Three months ended September 30,			Nine months ended September 30,		
	2009	2008	%	2009	2008	%
<i>Interest and bank charges</i>						
Interest per financial statements	1,218	611	99	3,111	1,779	75
Deduct: Commitment & other fees	(155)	(3)	5,067	(297)	(76)	291
Debt bearing interest	1,063	608	75	2,814	1,703	65
Average debt outstanding	103,576	48,074	115	95,885	42,941	123
Average interest rate	4.1	5.0	(18)	3.9	5.3	(26)
Average interest cost (\$ per boe)	2.00	1.06	89	1.63	1.08	51

STOCK BASED COMPENSATION

Stock based compensation expense was \$664 for the third quarter of 2009 compared to \$816 for 2008. The 19% decrease in the current quarter's expense was due to the recognition of the unamortized expense associated with the cancelled options in the second quarter of 2009. A portion of these cancelled options had incurred compensation expense during the third quarter of 2008. Third quarter 2009 results include expense related to the addition of 203,100 in new stock options that were granted during the quarter. The per boe rate decreased by 23% from 2008 levels to \$1.09 from \$1.42 in 2008. For the year-to-date, the per boe cost increased by 176% to \$2.21 compared to \$0.80 in 2008. The fair value of all stock options is amortized over the options' vesting period, which is three years for all options granted.

	Three months ended September 30,			Nine months ended September 30,		
	2009	2008	%	2009	2008	%
<i>Stock Based Compensation</i>						
Expense per financial statements	664	816	(19)	4,222	1,316	221
Expense (\$ / boe)	1.09	1.42	(23)	2.21	0.80	176

DEPLETION, DEPRECIATION AND ACCRETION ("DD&A")

Aggregate DD&A increased from \$10,039 in the third quarter of 2008 to \$11,973 in the third quarter of 2009. For the nine months ended September 30, DD&A increased by 30% from \$28,591 in 2008 to \$37,073 in 2009. On a per boe basis the rate increased 12% for the third quarter from 2008 to \$19.68 as compared to \$17.50 in 2008. The Company's DD&A rate has been maintained under the \$20 level as a result of the prudent acquisitions in 2008 as well as Vero's own drilling success of 100% in 2008 and into 2009. For the balance of 2009 we anticipate the DD&A per boe rate to be similar to the third quarter.

<i>DD&A</i>	Three months ended September 30,			Nine months ended September 30,		
	2009	2008	%	2009	2008	%
Depletion and depreciation	11,856	9,949	19	36,738	28,389	29
Accretion on asset retirement obligations	117	90	30	335	202	66
Total DD&A	11,973	10,039	19	37,073	28,591	30
DD&A (\$ / boe)	19.69	17.50	12	19.41	17.30	12

INCOME TAXES

The income tax provision for the third quarter of 2009 was a recovery of \$1,640 and was comprised entirely of future income taxes. The tax provision represents a 135% decrease from the tax expense of \$4,629 for the comparable period in 2008. The recovery was primarily the result of the loss incurred in the third quarter of 2009. For the nine months to date the recovery was \$6,230 as compared to a provision of \$9,993 in 2008. The rapid decline in commodity prices from 2008 levels have yielded a recovery of the future income tax liability as the tax pool utilization is not as significant given the current year pricing environment.

Pursuant to the flow-through share private placement financing, which closed in February of 2008 Vero was committed to renounce \$17,945 of Canadian exploration expenses to subscribers by December 31, 2009. As of September 30, 2009, all amounts had been expended on qualifying expenditures. The tax effects of the renunciations are recorded when the documents relating to the renunciation are filed with the tax authorities. Therefore, the tax effect of the February 2008 flow-through financing was recognized in the first quarter of 2009. At the time the renunciation was made the estimated tax effect of the foregone tax benefits was charged to share capital with a corresponding increase to the future income tax liability. In the first quarter of 2009, \$4,844 was recorded as a future tax liability in respect of this renunciation.

Taking into account projected spending for 2009 as well as the anticipated production levels and commodity prices, it is anticipated that Vero will not be cash taxable throughout the remainder of 2009 and into 2010.

<i>Income Taxes</i>	Three months ended September 30,			Nine months ended September 30,		
	2009	2008	%	2009	2008	%
Future income tax (recovery) expense	(1,640)	4,629	135	(6,230)	9,993	(162)
Tax expense (\$ / boe)	(2.70)	8.07	134	(3.26)	6.05	(154)
Effective tax rate	30.8%	30.8	-	24.6%	30.3	(19)

The estimated income tax pools available at September 30 for each year were follows:

<i>Tax Pools</i>	Rate %	2009	2008
Canadian exploration expenses	100	10,401	3,997
Canadian development expenses	30	90,111	54,834
Canadian oil and gas property expenses	10	56,501	48,443
Undepreciated capital costs	10 - 30	64,226	50,009
Financing costs	20%	3,231	2,629
Attributed Canadian Royalty Income	100 (Alberta)	38	38
Non-capital losses	100	3,914	-
Total		228,422	159,950

NETBACKS

Operating netbacks of \$11.04 per boe for the third quarter of 2009 were lower by 66% as compared to the \$32.17 realized in the third quarter of 2008. The 53% decrease in average commodity prices in the third quarter of 2009 was the largest single contributor to the decline in operating netbacks. While an 83% reduction in royalty expense per boe helped mitigate the decrease in prices, operating costs were 42% higher. Continuing below the operating netback, the general and administrative expense and interest costs were also higher than those experienced in 2008 at 10% and 89% respectively. The resulting funds flow netback was \$6.65 and was 77% lower than that in the third quarter of 2008. The unrealized gain on hedging contracts was lower by 67% in the third quarter of 2009 at \$5.38 as compared to \$16.25 in the third quarter of 2008. This amount represents the mark-to-market change in these contracts and may or may not be reflective of the ultimate cash settlements under the contracts. Stock based compensation expense decreased significantly as a result of the combination of stock options being cancelled and the issuance of new stock options in the third quarter of 2009 at a much lower cost per share. DD&A charges were higher by 13% as the cost of the corporate acquisition in late 2008 increased the boe rate to \$19.69. In line with the net loss sustained in the third quarter of 2009, Vero realized an income tax recovery of \$2.70 per boe. The net loss for the third quarter of 2009 was \$6.05 per boe as compared to net earnings of \$18.17 in 2008. It is anticipated that the net earnings netback for the rest of 2009 will improve as oil and gas prices have starting to rise for the winter months.

<i>Netbacks (\$ per boe)</i>	Three months ended September 30,			Nine months ended September 30,		
	2009	2008	%	2009	2008	%
Realized prices	26.14	55.78	(53)	29.13	63.79	(54)
Royalties	(2.64)	(15.44)	(83)	(4.73)	(16.41)	(71)
Operating expenses	(9.68)	(6.80)	42	(9.05)	(6.05)	50
Transportation expenses	(1.28)	(1.37)	(7)	(1.29)	(1.26)	2
Operating netback	12.54	32.17	(61)	14.06	40.07	(65)
Realized loss on hedges	(1.50)	-	-	(0.72)	-	-
G&A	(2.42)	(2.20)	10	(2.31)	(1.95)	18
Interest expense	(2.00)	(1.06)	89	(1.63)	(1.08)	51
Interest income	0.03	-	-	0.03	-	-
Funds flow netback	6.65	28.91	(77)	9.43	37.04	(75)
Unrealized gain (loss) on hedges	5.38	16.25	(67)	(1.09)	0.98	211
Stock based compensation	(1.09)	(1.42)	(23)	(2.21)	(0.80)	176
D,D&A	(19.69)	(17.50)	13	(19.41)	(17.30)	12
Future income taxes	2.70	(8.07)	(133)	3.26	(6.05)	(154)
Net (loss) earnings netback	(6.05)	18.17	(133)	(10.02)	13.87	(172)

Operating Netback by Commodity Type

<i>Natural gas (\$/mcf)</i>	Three months ended September 30,			Nine months ended September 30,		
	2009	2008	%	2009	2008	%
Production revenue	3.23	7.27	(56)	4.14	8.76	(53)
Royalties	(0.18)	(2.08)	(91)	(0.54)	(2.26)	(76)
Operating expenses	(1.07)	(0.96)	12	(1.14)	(0.85)	34
Transportation costs	(0.18)	(0.20)	(10)	(0.18)	(0.18)	-
Operating netback	1.80	4.03	(55)	2.28	5.47	(58)

<i>Light/Medium crude oil (\$/bbl)</i>	Three months ended September 30,			Nine months ended September 30,		
	2009	2008	%	2009	2008	%
Production revenue	64.35	112.72	(43)	55.00	107.75	(49)
Royalties (excluding ARTC)	(2.90)	(20.86)	(86)	(3.19)	(15.59)	(80)
Operating expenses	(12.57)	(8.95)	40	(10.55)	(8.60)	23
Transportation costs	(1.42)	(2.76)	(49)	(1.98)	(2.85)	(31)
Operating netback	47.46	80.15	(41)	39.28	80.71	(51)

<i>Natural gas liquids (\$/bbl)</i>	Three months ended September 30,			Nine months ended September 30,		
	2009	2008	%	2009	2008	%
Production revenue	50.76	100.07	(49)	44.53	99.67	(55)
Royalties (excluding ARTC)	(10.71)	(32.54)	(67)	(13.62)	(34.66)	(61)
Operating expenses	(26.05)	(12.68)	105	(20.96)	(10.03)	109
Transportation costs	(2.14)	(1.53)	40	(2.14)	(1.25)	71
Operating netback	11.86	53.32	(78)	7.81	53.73	(86)

FUNDS FLOW FROM OPERATIONS AND NET EARNINGS

Funds flow from operations in the third quarter of 2009 was \$4,044, representing a decrease of 76% from \$16,584 realized in the third quarter of 2008. The decline was largely attributable to the 56% decline in corporate average commodity prices. The cumulative effect was a reduction in both funds flow from operations of 76% quarter over quarter and 71% for the nine month periods ended September 30, 2009. Likewise, net earnings for the quarter decreased by 135% and 183% for the year to date. Net earnings decreased from \$10,421 in the third quarter of 2008 to a loss of \$3,682 in the third quarter of 2009. Higher interest costs associated with increased bank debt and an increase in the DD&A rate were only partially offset by the income tax recovery in the period. A significant component of net earnings was the mark-to-market gain of \$3,271 in the quarter as compared to a gain of \$9,321 in 2008. Funds flow from operations was calculated as follows:

	Three months ended September 30,			Nine months ended September 30,		
	2009	2008	%	2009	2008	%
Net (loss) earnings	(3,682)	10,421	(135)	(19,125)	22,944	(183)
<u>Adjustments for:</u>						
Unrealized (gain) loss on risk management activities	(3,271)	(9,321)	(65)	2,073	(1,612)	229
Stock based compensation	664	816	(19)	4,222	1,316	221
Depletion, depreciation and accretion	11,973	10,039	19	37,073	28,591	30
Future income taxes	(1,640)	4,629	(135)	(6,230)	9,993	(162)
Funds flow from operations	4,044	16,584	(76)	18,013	61,232	(71)

On a per share basis, Vero realized a loss of \$0.08 for both basic and diluted earnings per share in the three months ended September 30, 2009 as compared to earnings per share of \$0.32 basic and \$0.31 per diluted share. Funds flow from operations per share in the third quarter of 2009 was \$0.09 (basic and diluted) representing an 82% decline from \$0.50 (basic and diluted) realized in the third quarter of 2008. For the year-to-date in 2009 the loss per share was \$0.49 (basic and diluted) as compared to earnings per share of \$0.72 (basic and diluted) in 2008.

<i>Per share data (\$)</i>	Three months ended September 30,			Nine months ended September 30,		
	2009	2008	%	2009	2008	%
Net (loss) earnings per share						
Basic	(0.08)	0.32	(125)	(0.49)	0.72	(168)
Diluted	(0.08)	0.31	(126)	(0.49)	0.72	(168)
Funds flow from operations per share						
Basic	0.09	0.50	(82)	0.46	1.93	(76)
Diluted	0.09	0.50	(82)	0.46	1.92	(76)

CAPITAL EXPENDITURES

Vero spent \$4,973 in capital expenditures during the third quarter of 2009. This represents an 82% reduction from \$27,922 spent in 2008. This brings net capital expenditures for the year-to-date in 2009 to \$34,869 as compared to \$84,533 in 2008, representing a 59% reduction year over year. Vero felt that it was prudent, in this uncertain pricing environment to curtail its spending and not bring on any new production into mid-\$3/mcf gas prices. However, Vero did commence its drilling operations again in August of 2009 with one well that was drilled and completed. A second horizontal well was still drilling at the end of the third quarter. Both of these wells are eligible for the Alberta Government Drilling Incentive Credits. As at September 30, 2009 the Company had earned \$1,334 in credits from drilling these wells that is eligible to offset future Crown royalties. These credits have reduced Vero's drilling costs presented below. A breakdown of the costs incurred during each of the comparable quarters and year to date is as follows:

<i>Capital expenditures</i>	Three months ended September 30,			Nine months ended September 30,		
	2009	2008	%	2009	2008	%
Exploration and development						
Land acquisitions and lease rentals	170	1,007	(83)	1,458	2,390	(39)
Geological and geophysical	476	1,428	(67)	2,365	2,225	6
Drilling and completions	3,548	16,698	(79)	23,711	40,895	(42)
Well equipment and facilities	779	8,760	(91)	7,473	16,058	(53)
Exploration and development expenditures	4,973	27,893	(82)	35,007	61,568	(43)
Other expenditures	-	29	-	7	47	(87)
Total capital expenditures	4,973	27,922	(82)	35,014	61,615	(43)
Corporate acquisition (cash outlay)	-	-	-	-	2,606	-
Property acquisition (disposal)	-	20,312	-	(145)	20,312	(101)
Net capital expenditures before ARO	4,973	48,234	(90)	34,869	84,533	(59)
Capitalized asset retirement obligations	3	1,664	(100)	30	1,692	(98)
Total capital additions	4,976	49,898	(90)	34,899	86,225	(60)

	Three months ended September 30,				Nine months ended September 30,			
	2009		2008		2009		2008	
<i>Wells drilled</i>	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Exploration	-	-	2	2.0	1	1.0	4	3.2
Development	1	1.0	5	2.8	7	6.4	17	11.6
Dry holes	-	-	1	0.5	-	-	1	0.5
Total wells	1	1.0	8	5.3	8	7.4	22	15.2
Success rate	100%	100%	88	91	100%	100%	95	97

Vero currently expects to drill 7 additional wells prior to the end of 2009.

LAND HOLDINGS

The undeveloped land holdings at September 30, 2009 are as follows:

Area	Gross Acres	Net Acres	Average WI %
Corbett	20,160	17,818	88
Edson	67,840	54,973	81
Whitecourt	51,840	41,577	80
Other Alberta	41,984	23,971	57
Saskatchewan and B.C.	10,926	10,869	99
Total	192,750	149,208	77

LIQUIDITY AND CAPITAL RESOURCES

<i>Debt and working capital</i>	as at September 30,		
	2009	2008	%
Bank debt	102,971	57,712	78
Working capital deficiency (excluding unrealized hedging losses)	3,965	10,013	(60)
Net debt	106,936	67,725	58

The Company funded its \$4,973 in capital expenditures in the third quarter of 2009 mainly from funds flow. The remaining amount was funded primarily through the change in non-cash working capital. The following table provides a breakdown of how the capital program was funded for each of the respective periods:

<i>Capital Program Funding</i>	Three months ended September 30,			Nine months ended September 30,		
	2009	2008	%	2009	2008	%
Cash, beginning of period	-	-	-	-	-	-
Funds flow from operations	4,044	16,584	(76)	18,013	61,232	(71)
Increase (decrease) in bank debt	(998)	21,368	(5)	27,552	7,904	249
Share issuance, net of costs	(7)	-	-	13,916	-	-
Exercise of stock options	-	3,434	-	-	4,378	-
Repurchase of shares	-	(1,081)	-	(86)	(1,081)	(92)
Loans to officers/director	105	-	-	(2,401)	-	-
Change in non-cash working capital	1,829	7,929	(77)	(22,125)	(4,658)	(375)
Net capital expenditures	4,973	48,234	(90)	34,869	84,533	(59)

Vero continually revisits its capital program as these volatile times dictate good management of the net debt position. The Board approved capital budget for 2009 is currently authorized at a maximum of \$50 million. However, this threshold will be under continual review during the year as Vero finds it prudent to maintain as much financial flexibility as possible given the current commodity price environment. Vero has spent 70% of its authorized upper limit of \$50 million to date. The balance of the capital program for 2009 will be financed through expected funds flow from operations for the remainder of the year, and the undrawn credit facility with our banks. These resources give Vero the flexibility to execute on its planned capital program, which in turn provides good production growth and a healthy exit rate for 2009. In addition, the new funding with the equity issuance and proceeds from the asset sale will allow Vero to strengthen its balance sheet by the end of the year. The key driver for Vero is to remain flexible and prepare for the expected upward movement in commodity prices. Vero currently has over 245 identified, drilling locations that can be accessed to take advantage of the recovery.

The bank facility at September 30, 2009 was a \$115 million extendible revolving credit facility. This facility is available until March 31, 2010. Upon request by the Company the facility may be extended for an additional 364 days beyond this date subject to acceptance by the syndicate of lenders. Available borrowings on the bank credit facility are limited by the borrowing base, which is established by the bank. The amount of available credit is based mainly upon the value of petroleum and natural gas assets. The most recent formal evaluation by our external engineers determined these reserve values as at December 31, 2008. The bank facility is subject to a semi-annual borrowing base review.

The semi-annual review is complete and there has been no changes made to our existing borrowing base. Corporate working-capital liquidity is maintained by drawing from the unutilized facility as needed and then repaying it periodically through production revenues.

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares, issuable in series. On May 21, 2009 the Company closed a prospectus offering for the issuance of 4,000 Common Shares at a price of \$3.75 per share. The net proceeds of issuance of \$13,916 were comprised of gross proceeds of \$15,000 less expenses of the issue of \$1,084. The net proceeds of this issuance were initially used to reduce its bank debt outstanding. The strengthened balance sheet allowed the Company to withstand the falling gas prices throughout the summer and allowed it the opportunity to start drilling again in August. On November 3, 2009 the Company closed a private placement offering for the issuance of 2,232 flow-through common shares at a price of \$5.65 per share. The net proceeds of issuance of \$11,725 were comprised of gross proceeds of \$12,609 less estimated expenses of the issue of \$884.

Vero's stock has been very liquid with significant increases in volumes traded in 2009. Below is a summary of the trading history of the Company's shares for 2009 and 2008.

	2009			2008			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
High	4.43	4.29	5.94	7.84	10.90	11.34	8.25
Low	2.74	3.18	2.70	4.48	6.55	7.50	5.61
Close	4.06	3.24	3.28	5.44	7.40	9.48	7.65
Volume (000's)	19,792	16,617	10,562	8,313	7,048	15,024	10,624

COMPARISON OF INTERIM FINANCIAL CONDITION TO DECEMBER 31, 2008

The \$103,911 of net debt brought forward from December 31, 2008 plus the financial activity of the first three quarters of 2009 culminated in net debt at September 30, 2009 of \$106,936 or 3% higher than at the end of 2008. Using annualized funds flow from operations for the third quarter of 2009 the net debt to funds flow ratio was 6.6 times. Based on Vero's current forecast for 2009, we anticipate the net debt to funds flow ratio to be approximately 2.2-2.5 times by the end of the year. This ratio takes into account the equity financing which closed on November 3, 2009 as well as the sales of two producing properties. One of the sales for \$1.7 million closed in October and the other for \$13.5 million is expected to close in November.

OFF BALANCE SHEET TRANSACTIONS

There were no off-balance sheet transactions entered into during the period, nor were there any outstanding as of the date of these MD&A

RELATED PARTY TRANSACTIONS

The total principal amount receivable from related parties at September 30, 2009 was \$2,751. The loans bear interest at the company's rate of borrowing from its chartered bank plus 25 basis points. Included in the accounts receivable balances is \$3 of interest receivable from these related parties. The business purpose of the loans was to satisfy margin calls in respect of the four individuals who had purchased shares of Vero in 2008. This enabled the individuals to maintain their holdings in Vero during a depressed equity market and thereby support insider ownership of Vero stock. Subsequent to September 30, 2009 the loans were reduced by \$408 to an amount outstanding of \$2,343.

CONTRACTUAL OBLIGATIONS

The Company is obligated, at September 30, 2009 to make the following payments under the terms of long-term contracts it has entered into:

	Total	Payments Due by Period		
		Less than 1 year	1-3 Years	4-5 Years
Transportation obligations	1,205	415	732	58
Head Office Lease	2,000	1,090	910	-
Farm-in obligations	8,223	8,223	-	-
Total contractual obligations	11,428	9,728	1,642	58

The transportation obligations are comprised of firm service natural gas commitments with a gas transmission company. In the event of a shortfall in gas deliveries to the pipeline, the Company must pay the carrier the difference between volumes delivered and the contracted volumes in cash at the contracted rate. The head office lease obligations are comprised of the lease (including parking and a reasonable estimate of occupancy costs) of the Company's head office space, certain of the furnishings contained therein as well as leased space assumed on two of the corporate acquisitions in 2008. In addition and as at September 30, 2009 Vero was committed to drill and/or recomplete 6 (4.3 net) wells in Alberta. The projects have commencement dates later in 2009 and into 2010. These commitments are pursuant to farm-in agreements with industry partners. The Company expects to satisfy the net portion of these drilling commitments at an estimated cost of \$8,223.

SHARE CAPITAL

The following table provides a summary of the outstanding common shares and other equity instruments as at the date of this MD&A and the preceding year-end:

	November 4,	Period ended September 30,		December 31,
	2009	2009		2008
000's		3 months	Nine months	
Common shares outstanding	43,184	40,952	40,952	36,969
Stock options outstanding	3,159	3,159	3,159	3,085
Fully diluted shares	46,343	44,111	44,111	40,054
Weighted average common shares				
Basic	N/A	40,952	38,887	32,623
Diluted	N/A	40,952	38,887	32,762

The increase in the common shares outstanding from September 30, 2009 to November 4, 2009 was attributable to the closing of the flow-through share private placement on November 3, 2009 wherein 2,214 shares were issued.

SELECTED QUARTERLY INFORMATION

Below is summarized quarterly information for the previous eight quarters.

	September 30,	June 30,	March 31,	December 31,
<i>(000's except as noted)</i>	2009	2009	2009	2008
Production (boe/d)	6,610	7,040	7,352	7,076
Average prices realized (\$/boe)	24.64	27.49	33.45	49.80
Production revenue	15,897	17,150	22,135	32,419
Net (loss) earnings	(3,682)	(10,748)	(4,695)	(1,075)
Basic - per share (\$/share)	(0.08)	(0.28)	(0.13)	(0.03)
Diluted - per share (\$/share)	(0.08)	(0.28)	(0.13)	(0.03)
Funds flow from operations	4,044	5,767	8,201	14,370
Basic - per share (\$/share)	0.09	0.15	0.22	0.40
Diluted - per share (\$/share)	0.09	0.15	0.22	0.40
Total assets	342,106	349,482	364,612	352,472
Net capital expenditures	4,973	1,717	28,177	44,152
Long term financial liabilities	-	-	-	-
Net debt	106,936	106,000	123,973	103,911
Dividends paid	-	-	-	-

<i>(000's except as noted)</i>	September 30, 2008	June 30, 2008	March 31, 2008	December 31, 2007
Production (boe/d)	6,236	6,087	5,771	5,241
Average prices realized (\$/boe)	55.78	76.30	59.35	48.16
Production revenue	32,005	42,264	31,167	23,218
Net earnings	10,421	8,740	3,783	2,842
Basic - per share (\$/share)	0.32	0.26	0.13	0.09
Diluted - per share (\$/share)	0.31	0.26	0.13	0.09
Funds flow from operations	16,584	26,805	17,842	11,662
Basic - per share (\$/share)	0.50	0.82	0.60	0.40
Diluted - per share (\$/share)	0.50	0.82	0.59	0.40
Total assets	291,733	254,078	220,682	207,051
Net capital expenditures	48,234	16,411	19,888	20,412
Long term financial liabilities	-	-	-	-
Net debt (surplus)	67,725	38,428	50,527	61,774
Dividends paid	-	-	-	-

Significant factors and trends that have affected the Company's results during the above periods are as follows:

- Petroleum and natural gas sales are impacted by production levels and volatile commodity pricing. Production levels are impacted by decline rates and the Company's capital program. Commodity prices are affected by both domestic and international factors that are beyond the control of the Company. In addition, royalties are impacted by the underlying commodity prices.
- Commencing with the third quarter of 2008 and continuing into the third quarter of 2009, revenue has been negatively impacted by the decreases in both oil and natural gas prices. Vero is predominantly a natural gas producer and commencing with the first quarter of 2009, the rapid decline in natural gas prices has exacerbated the decline in revenues.
- Production in the fourth quarter of 2008 increased significantly as a result of a corporate acquisition which added approximately 850 boe/d. However, as the severe decline in natural gas prices continued into the second and third quarter of 2009, the Company chose not to spend its capital drilling wells and produce new volumes into what Vero believes are unprofitable gas prices. With no new wells drilled, declines took their toll on corporate production.
- Production in the second quarter of 2008 increased significantly due to a corporate acquisition of approximately 500 boe/d. The assets acquired were exclusively natural gas and liquids production as well as undeveloped lands.
- Throughout the first two quarters of 2008 while commodity prices were rapidly increasing, so was the cost of doing business. Operating expenses, general and administrative costs and capital costs were all subject to significant inflationary pressures that the demand for scarcer services brought on. By the fourth quarter of 2008, the global economic crisis took full effect and while these inflationary pressures subsided, the demand for commodities was curtailed, thereby increasing supply and compounding what was to become a significant downturn in prices.
- During the second quarter of 2009, the Company's net loss was increased by a large mark-to-market unrealized loss on its oil hedge. Almost half of the loss for the quarter was attributable to this loss.
- In the third quarter of 2009 the Company was faced with decade low natural gas prices. It conserved capital and spent only on optimization projects at the beginning of the quarter. At the end of August the Company spudded a horizontal well and another in September. The drilling initiatives had two purposes. The first was to take advantage of the new Alberta Government Drilling Incentive Credits and then second was to start taking advantage of the early signs that gas prices were turning upward.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The risks in the oil and gas industry are varied and wide-ranging. The Company enters into derivative risk management contracts from time to time in order to reduce volatility in its financial results and to ensure a certain level of funds flow to fund planned capital expenditures. All of the Company's financial derivative trading activities are conducted in accordance with the Company's risk management policies, which are approved by the Board of Directors.

The primary risks and how the Company mitigates them are as follows:

Commodity prices

Vero's strategy focuses on the use of puts, swaps, costless collars and fixed price contracts to limit exposure to downturns in commodity prices while allowing, to the maximum extent possible, participation in commodity price increases. Revenues and the resulting funds flows fluctuate with commodity prices, which are tied directly to the US/Canadian dollar exchange rate. Commodity prices are determined on a continental and/or global basis and circumstances that occur in various parts of the world are outside of the control of the Company. The Company protects itself from fluctuations in prices by maintaining an appropriate hedging strategy, diversifying its asset mix and strengthening its balance sheet in order to take advantage of low price environments by making strategic acquisitions. We enter into commodity price contracts to actively manage the risks associated with price volatility and thereby protect our funds flows, which are used to fund our capital program. The following contracts were outstanding as at September 30, 2009.

Commodity	Notional Quantity	Term	Price (CDN \$/bbl)	Option Traded	Realized loss (1)	Fair Value	Change in Fair Value (1)
Oil	1,500 bbl/day	May 1 – December 31, 2009	\$62.50 - \$68.25	Collar	(912)	(1,497)	2,907
Oil	1,000 bbl/day	January 1 – March 31, 2010	\$60.00 - \$80.30	Collar	-	(386)	554
Total					(912)	(1,883)	3,461

(1) The realized loss and change in fair value is for the three months ended September 30, 2009.

The fair value of these financial instruments was derived at each reporting date by taking the forward strip prices for the commodity over the term of the contract and applying the Canadian/US dollar exchange rate in existence on that date.

Foreign Exchange

Vero is also exposed to fluctuations in the exchange rate between the Canadian and US dollar. Most commodity prices are based on U.S. dollar benchmarks, which result in our realized prices being influenced by the Canadian/U.S. currency exchange rates. Vero does not currently have any foreign exchange risk management contracts outstanding.

Interest rate risk

Vero is exposed to interest rate fluctuations. Interest rate risk arises from changes in market interest rates that may affect the future funds flows from the Company's financial assets or liabilities. The Company's revolving demand loan facility is subject to floating rates and is therefore exposed to fluctuations in the

market rates of interest. From time to time, the Company will enter into a variety of risk management contracts to mitigate its exposure to interest rate risk. The Company had the following interest rate swap in place at September 30, 2009.

Contract	Notional Quantity	Term	Reference	Type	Realized gain (loss)	Fair Value	Change in Fair Value
BA Rate	\$25,000/year	January 4, 2010– January 3, 2012	CAD-BA - CDOR	2.05%	-	(190)	(190)

(1) The change in fair value is for the three months ended September 30, 2009.

The fair value of this financial instrument was derived at the reporting date by using the forward strip prices for the interest rates over the term of the contract. The forward rates are established by an actively traded market for interest rate swaps and the markets expectations as to where the rates are expected to be.

Credit risk

Credit risk arises from the potential loss resulting from a counterparty failing to meet its obligations in accordance with the agreed terms. The Company may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, marketers of its petroleum and natural gas production and other parties. In the event such entities fail to meet their contractual obligations to the Company, such failures may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Poor credit conditions in the industry and of joint venture partners may impact a joint venture partner's willingness to participate in the Company's ongoing capital program, potentially delaying the program and the results of such program until the Company finds a suitable alternative partner. 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. In many cases, the Company has offsetting receivables and payables with its partners and makes use of these offsets to mitigate any payment risk. 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 counter-party with which the Company maintains its risk management contracts is a major Canadian chartered bank and has an investment grade rating.

Access to Capital Risk

The Company anticipates making substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. As the Company's revenues may decline as a result of decreased commodity pricing, it may be required to reduce capital expenditures. In addition, uncertain levels of near term industry activity coupled with the present global credit crisis exposes the Company to additional access to capital risk. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Company. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's business financial condition, results of operations and prospects.

The maturing Western Canadian Sedimentary Basin

Land and producing assets are becoming increasingly scarce and more expensive. The Company mitigates these risks by developing its core areas to gain efficiencies. In addition, the Company participates in several farm-in opportunities wherein its exposure to increasing land prices is minimized. For riskier, exploration projects, the Company will solicit partner participation to limit the downside exposure.

Operating and finding and development costs are increasing each year

Generally all companies have experienced increased costs for services in the past two years. There was a softening of service costs towards the mid to latter part of the year as activity levels were reducing along with commodity price declines. The Company mitigates risks by entering into strategic joint ventures to reduce exposure to high costs and diversify drilling risks. The Company employs experienced and motivated staff to evaluate and generate high quality drilling prospects. In addition the Company seeks to utilize appropriate technology and responsible operating practices in operating its wells. The Company utilizes appropriate safety programs and insurance coverage to guard against potential losses. Concentrating on core areas wherein Vero has high degrees of ownership and operatorship further mitigates increasing operating costs as economies of scale are gained. Vero attempts to minimize finding risk by:

- Focussing its efforts on its core areas wherein its expertise and experiences can be properly leveraged;
- Generating as many internal projects as possible;
- Being the operator of most of the projects we participate in;
- Identifying drilling opportunities with multi-zone prospects; and
- Making prudent use of seismic data to identify prospects – either by purchasing trade data or by shooting it ourselves.

Administrative risks

The increased transparency required by the securities regulators and constantly evolving accounting guidelines dictate significant resources be devoted to these areas. Vero maintains processes designed to comply with the required disclosures; has a strong Board of Directors and engages technical advisors to assist in meeting securities guidelines. In addition the industry will continue to experience competitiveness with respect to finding and retaining qualified employees. Retention issues are at least partially mitigated by having all employees participate in its stock option program.

Environmental Regulations

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. In 2002, the Government of Canada ratified the Kyoto Protocol (the "Protocol"), which calls for Canada to reduce its greenhouse gas emissions to specified levels. There has been much public debate with respect to Canada's ability to meet these targets and the Government's strategy or alternative strategies with respect to climate change and the control of greenhouse gases. Implementation of strategies for reducing greenhouse gases whether to meet the limits required by the Protocol or as otherwise determined could have a material impact on the nature of oil and natural gas operations, including those of the Company.

The Federal Government released on April 26, 2007, its Action Plan to Reduce Greenhouse Gases and Air Pollution (the "Action Plan"), also known as ecoACTION and which includes the Regulatory Framework for Air Emissions. This Action Plan covers not only large industry, but regulates the fuel efficiency of vehicles and the strengthening of energy standards for a number of energy-using products. Regarding large industry and industry related projects the Government's Action Plan intends to achieve the following: (i) an absolute reduction of 150 megatonnes in greenhouse gas emissions by 2020 by imposing mandatory targets; and (ii) air pollution from industry is to be cut in half by 2015 by setting certain targets. New facilities using cleaner fuels and technologies will have a grace period of three years. In order to facilitate the companies' compliance of the Action Plan's requirements, while at the same time allowing them to be cost-effective, innovative and adopt cleaner technologies, certain options are provided. These are: (i) in-house reductions; (ii) contributions to technology funds; (iii) trading of emissions with below-target emission companies; (iv) offsets; and (v) access to Kyoto's Clean Development Mechanism.

On March 8, 2008, the Alberta Government introduced Bill 3, the Climate Change and Emissions Management Amendment Act, which intends to reduce greenhouse gas emission intensity from large industries. Bill 3 states that facilities emitting more than 100,000 tonnes of greenhouse gases a year must reduce their emissions intensity by 12% starting July 1, 2008; if such reduction is not initially possible the companies owning the large emitting facilities will be required to pay \$15 per tonne for every tonne above the 12% target. These payments will be deposited into an Alberta-based technology fund that will be used to develop infrastructure to reduce emissions or to support research into innovative climate change solutions. As an alternate option, large emitters can invest in projects outside of their operations that reduce or offset emissions on their behalf, provided that these projects are based in Alberta. Prior to investing, the offset reductions, offered by a prospective operation, must be verified by a third party to ensure that the emission reductions are real.

Given the evolving nature of the debate related to climate change and the control of greenhouse gases and resulting requirements, it is not possible to predict the impact of those requirements on the Company and its operations and financial condition.

CRITICAL ACCOUNTING ESTIMATES

Management is often required to make judgments, assumptions and estimates in the application of generally accepted accounting principles that have a significant impact on the financial results of the Company. There were no changes to Vero's critical accounting estimates in the period from those used in the audited financial statements from 2008.

THE NEW ROYALTY FRAMEWORK AND NEW GOVERNMENT INCENTIVES

On October 25, 2007 issued its final report on the direction of royalties in the province, which was entitled "The New Royalty Framework" ("NRF"). The *Mines and Minerals (New Royalty Framework) Amendment Act, 2008* which contained the new NRF legislation was given royal assent on December 2, 2008. The NRF and its applicable legislation became effective on January 1, 2009. The NRF establishes new royalty rates for conventional oil, natural gas and oil sands.

In response to the significant reduction in activity and the global economic crisis, on November 19, 2008 the Alberta Government announced that for wells that commenced drilling after this date companies can elect, on a well by well basis to either have the NRF apply to the production from that well or have the new transitional royalty rates apply for new wells with depths between 1,000 and 3,500 metres. This five-year transitional royalty system is designed to help stimulate drilling in Alberta. Vero will make a determination on each well to see which method is most advantageous.

On March 3, 2009 The Alberta Government released a three-point incentive program aimed at stimulating new and continued economic activity for conventional producers. A summary of the plan is as follows:

The highlights of the province's three-point plan include the following:

- A drilling royalty credit for new, conventional, oil and natural gas wells drilled between April 1, 2009 and March 31, 2011. This two-year program will provide a \$200-per-metre-drilled royalty credit to companies on a sliding scale based on their production levels from the prior year. Based on last years production, Vero will qualify for the maximum credit under this plan.
- A new well incentive program, which offers a maximum five-per-cent royalty rate for the first year of production from new oil or gas wells up to 500 mmcf of natural gas or 50,000 bbl of oil. This program also commences on April 1, 2009 and runs for two years.
- To encourage the clean-up of inactive oil and gas wells, the province will invest \$30 million in a fund committed to abandoning and reclaiming old well sites.

For 2009, both the NRF, in combination with low natural gas prices plus the new initiative announced on March 3, 2009, has already has a positive impact on Vero's Crown royalty rates. It is envisioned that these benefits will continue into 2010 given the current environment. In addition the new drilling incentive credit is providing Vero with an opportunity to maximize its rates of return on its horizontal wells. With the credits being earned on measured depths, Vero has already commenced the utilization of this benefit in the third quarter of 2009 with two new horizontal wells.

ACCOUNTING STANDARDS CHANGES

Accounting Standard Changes

In February 2009, the AcSB issued Handbook Section 3064, Goodwill and Intangible Assets and amended Section 1000, Financial Statement Concepts clarifying the criteria for the recognition of assets, intangible assets and internally developed intangible assets. Items that no longer meet the definition of an asset are no longer recognized with assets. The standard is effective for fiscal years beginning on or after October 1, 2009 and early adoption is permitted.

Future Accounting Pronouncements

In January 2006, the CICA Accounting Standards Board (“AcSB”) adopted a strategic plan for the direction of accounting standards in Canada. As part of the plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards (“IFRS”) by the end of 2011.

The International Accounting Standards Board (IASB) has issued an exposure draft relating to certain amendments to IFRS 1 which addresses first time adoption of IFRS. The IASB is proposing additional optional exemptions, one of which relates to full cost oil and gas accounting, resulting in a reduced administrative transition from the current Canadian full cost accounting for oil and gas activities to IFRS. The exemption would permit the Company to measure exploration and evaluation assets under IFRS at the carrying amount determined under GAAP at the date of transition to IFRS. In addition, the carrying amount under GAAP of production or development assets could be allocated on a pro rata basis to the underlying assets using either reserve volumes or reserve values at the date of transition. The assets to which this exemption is applied would be required to be tested for impairment at the date of transition under IFRS standards.

The Corporation has completed its initial phase of the implementation which included conceptual application of the new rules; diagnostic analysis of Vero’s accounting data and a high-level assessment of key areas that may be impacted by the adoption of IFRS. During the quarter ended September 30, 2009 Vero implemented a new accounting system, which will provide for better data capture and better reporting. This will facilitate the conversion to IFRS. In the fourth quarter of 2009 Vero will analyze and assess the various accounting policy alternatives available under IFRS as well as the determination of changes required to existing information systems and business processes. It is also envisioned that Vero will also make its selections of its IFRS accounting policies available during the quarter. Vero continues to assess the impact of the conversion on internal controls over financial reporting and disclosure controls and procedures and will continue to invest in training and resources throughout the transition period. Changes in accounting policy are highly probable and may materially impact the financial statements. Due to anticipated changes in IFRS policies and applications, especially for the oil and gas industry, the final impact of the conversion on Vero’s financial statements cannot currently be measured.

Vero will be required to adopt the following CICA Handbook sections as of January 1, 2011:

- The CICA issued Handbook Section 1582 *Business Combinations*, which replaces Section 1581. This new standard aligns accounting for business combinations under Canadian GAAP with IFRS and is effective for business combinations entered into on or after January 1, 2011. The new standard requires assets and liabilities acquired in a business combination, contingent consideration and certain acquired contingencies to be measured at their fair values as of the acquisition date. The adoption of the revised standard is expected to impact Vero’s financial statements only to the extent that business combinations are entered into after the effective date.

- "Consolidated Financial Statements", Section 1601, which together with Section 1602 below, replace the former consolidated financial statements standard. Section 1601 establishes the requirements for the preparation of consolidated financial statements. It is not anticipated that the adoption of this standard will have a material impact on Vero's Consolidated Financial Statements.
- "Non-controlling Interests", Section 1602. The standard establishes the accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. This standard requires a non-controlling interest in a subsidiary to be classified as a separate component of equity. In addition, net earnings and components of other comprehensive income are attributed to both the parent and non-controlling interest. It is not anticipated that the adoption of this standard will have a material impact on Vero's Consolidated Financial Statements.

DISCLOSURE AND INTERNAL CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Vero's Chief Executive Officer and Chief Financial Officer have designed or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company's Chief Executive Officer and Chief Financial Officer by others, particularly during the period in which the annual filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation. Such officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of Vero's disclosure controls and procedures at the financial year end of the Company and have concluded that the Company's disclosure controls and procedures are effective at September 30, 2009 for the foregoing purposes.

Internal Controls

Vero's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. Such officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's internal controls over financial reporting at September 30, 2009.

Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2009, the Company's internal controls and procedures are effective regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP and includes those policies and procedures that:

- Pertain to the maintenance of records with such reasonable detail that accurately and fairly reflects the transactions of the issuer;
- Provide reasonable assurance that transactions are recorded as necessary to permit the preparation of the financial statements in accordance with Canadian GAAP, and that the receipts and expenditures of the issuer are being made in accordance with the authorization of the management and directors of the Company; and

- Provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisition, use or disposition of the issuer's assets that could have a material effect on the annual or interim financial statements.

The Company is required to disclose herein any change in the design of the Company's internal control over financial reporting that occurred during the quarter ended on September 30, 2009 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. No material changes in Vero's internal controls over financial reporting were identified during the three months ended September 30, 2009, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

It should be noted that a control system, including the Company's disclosure and internal controls and procedures, no matter how well conceived can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

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

	September 30, 2009 <i>(unaudited)</i>	December 31, 2008 <i>(audited)</i>
ASSETS		
CURRENT		
Accounts receivable	17,791	29,218
Prepaid expenses and deposits	5,794	5,294
Loans receivable	2,751	350
	26,336	34,862
Property and equipment (Note 4)	295,857	297,697
Goodwill	19,913	19,913
	342,106	352,472
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	30,301	63,354
Risk management (Note 13)	2,073	-
Bank debt (Note 5)	102,971	75,419
	135,345	138,773
Asset retirement obligations (Note 6)	5,935	5,570
Future taxes	15,742	17,416
	157,022	161,759
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	169,388	160,103
Contributed surplus (Note 9)	8,981	4,759
Retained Earnings	6,715	25,851
	185,084	190,713
	342,106	352,472

Commitments (Note 11)

*See accompanying notes.***APPROVED BY THE BOARD****“Signed” Paul R. Baay, Director****“Signed” Douglas J. Bartole, Director**

VERO ENERGY INC.
Consolidated Statement of Operations, Comprehensive (Loss) 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		Nine months ended	
	September 30 2009	2008	September 30 2009	2008
REVENUE				
Production revenue	15,897	33,495	55,644	108,103
Realized loss on risk management activities	(912)	(1,490)	(1,374)	(2,666)
	14,985	32,005	54,270	105,437
Royalties	(1,607)	(8,857)	(9,041)	(27,123)
Unrealized gain (loss) on risk management activities	3,271	9,321	(2,073)	1,612
Interest and other	20	-	62	-
	16,669	32,469	43,218	79,926
EXPENSES				
Operating	5,886	3,903	17,290	9,994
Transportation	778	788	2,460	2,083
General and administrative	1,472	1,263	4,417	3,226
Stock based compensation (Note 8(f))	664	816	4,222	1,316
Interest and bank charges	1,218	611	3,111	1,779
Depletion, depreciation and accretion	11,973	10,039	37,073	28,591
	21,991	17,419	68,573	46,990
(LOSS) INCOME BEFORE INCOME TAXES	(5,322)	15,050	(25,355)	32,937
INCOME TAXES (Note 7)				
Future tax (recovery) expense	(1,640)	4,629	(6,230)	9,993
	(1,640)	4,629	(6,230)	9,993
NET (LOSS) EARNINGS AND COMPREHENSIVE (LOSS) INCOME	(3,682)	10,421	(19,125)	22,944
RETAINED EARNINGS, BEGINNING OF PERIOD				
	10,397	17,387	25,851	4,864
Repurchase of shares (Note 8(e))	-	(556)	(11)	(556)
RETAINED EARNINGS, END OF PERIOD	6,715	27,252	6,715	27,252
NET (LOSS) EARNINGS PER SHARE (Note 10)				
Basic	(0.08)	0.32	(0.49)	0.72
Diluted	(0.08)	0.31	(0.49)	0.72

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	
	2009	2008	2009	2008
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:				
OPERATING				
Net (loss) earnings	(3,682)	10,421	(19,125)	22,944
Adjustments for:				
Unrealized (gain) loss on risk management activities	(3,271)	(9,321)	2,073	(1,612)
Stock based compensation	664	816	4,222	1,316
Depletion, depreciation and accretion	11,973	10,039	37,073	28,591
Future tax (recovery) expense	(1,640)	4,629	(6,230)	9,993
	4,044	16,584	18,013	61,232
Changes in non-cash working capital (Note 12(a))	(919)	2,647	(12,292)	(3,473)
	3,125	19,231	5,721	57,759
FINANCING				
Increase (decrease) in bank debt	(998)	21,368	27,552	7,904
Proceeds from issuance of common shares, net of share issue costs (Note 8(a))	(7)	-	13,916	16,758
(Increase) decrease in related party loans	105	-	(2,401)	-
Stock option exercises (Note 8(d))	-	3,434	-	4,378
Repurchase of shares (Note 8(e))	-	(1,081)	(86)	(1,081)
	(900)	23,721	38,981	27,959
INVESTING				
Corporate acquisitions	-	-	-	(2,606)
Additions to petroleum and natural gas properties	(4,973)	(27,893)	(35,007)	(61,568)
Purchase of producing petroleum properties	-	(20,312)	-	(20,312)
Proceeds on sale of petroleum properties	-	-	145	-
Additions to administrative assets	-	(29)	(7)	(47)
Changes in non-cash working capital (Note 12(a))	2,748	5,282	(9,833)	(1,185)
	(2,225)	(42,952)	(44,702)	(85,718)
NET DECREASE IN CASH AND CASH EQUIVALENTS				
	-	-	-	-
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD				
	-	-	-	-
CASH AND CASH EQUIVALENTS, END OF PERIOD				
	-	-	-	-

Supplementary cash flow information (Note 12(b)).

See accompanying notes.

Notes to the Consolidated Interim Financial Statements
For the three and nine month periods ended September 30
(thousands, except per share data) (unaudited)

1. INCORPORATION AND NATURE OF BUSINESS

Vero Energy Inc. (“Vero or “the Company”) was incorporated on September 23, 2005. The Company commenced oil and gas operations on November 2, 2005 after 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 Consolidated Financial Statements of Vero have been prepared by management in accordance with Canadian generally accepted accounting principles (“GAAP”). The interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the year period ended December 31, 2008, except as described below. The disclosures included below are incremental to those included with the annual consolidated financial statements. The interim statements should be read in conjunction with the consolidated financial statements and the notes thereto in the Company’s annual report for the year ended December 31, 2008. Preparation of the Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenue and expenses during the period. Actual results may differ from these estimates.

These financial statements do not include all the information and disclosure required by GAAP for annual financial statements, and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2008.

3. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2009, the Company adopted the new Canadian standard, Handbook Section 3064, Goodwill and Intangible Assets, which replaced Handbook Section 3062, Goodwill and Other Intangible assets. The new standard introduces guidance for the recognition, measurement and disclosure of goodwill and intangible assets, including internally generated intangible assets. The standard also harmonizes Canadian standards with IFRS and applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2008. There was no material impact to the consolidated financial statements as a result of the implementation of the new standard.

Recent accounting pronouncements issued and not yet adopted

The following accounting standards will apply to future fiscal periods:

In January 2006, the CICA Accounting Standards Board (“AcSB”) adopted a strategic plan for the direction of accounting standards in Canada. As part of the plan, accounting standards in Canada for public companies will converge with International Financial Reporting Standards (“IFRS”) effective January 1, 2011. The Corporation has completed its initial phase of the implementation which included conceptual application of the new rules; diagnostic analysis of Vero’s accounting data and a high-level assessment of key areas that may be impacted by the adoption of IFRS. In this phase, cash-generating

3. CHANGES IN ACCOUNTING POLICIES (continued)

units were identified. The next phase will include the analysis of accounting policy alternatives available under IFRS as well as the determination of changes required to existing information systems and business processes.

Vero will be required to adopt the following CICA Handbook sections as of January 1, 2011:

- a) The CICA issued Handbook Section 1582 *Business Combinations*, which replaces Section 1581. This new standard aligns accounting for business combinations under Canadian GAAP with IFRS and is effective for business combinations entered into on or after January 1, 2011. The new standard requires assets and liabilities acquired in a business combination, contingent consideration and certain acquired contingencies to be measured at their fair values as of the acquisition date. The adoption of the revised standard is expected to impact Vero's financial statements only to the extent that business combinations are entered into after the effective date.
- b) "Consolidated Financial Statements", Section 1601, which together with Section 1602 below, replace the former consolidated financial statements standard. Section 1601 establishes the requirements for the preparation of consolidated financial statements. It is not anticipated that the adoption of this standard will have a material impact on Vero's Consolidated Financial Statements.
- c) "Non-controlling Interests", Section 1602. The standard establishes the accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. This standard requires a non-controlling interest in a subsidiary to be classified as a separate component of equity. In addition, net earnings and components of other comprehensive income are attributed to both the parent and non-controlling interest. It is not anticipated that the adoption of this standard will have a material impact on Vero's Consolidated Financial Statements.

4. PROPERTY AND EQUIPMENT

September 30, 2009			
	Cost	Accumulated depletion, depreciation and accretion	Net Book Value
Petroleum and natural gas properties and facilities	431,676	(135,951)	295,725
Administrative assets	291	(159)	132
	431,967	(136,110)	295,857

December 31, 2008			
	Cost	Accumulated depletion, depreciation and accretion	Net Book Value
Petroleum and natural gas properties and facilities	396,785	(99,246)	297,539
Administrative assets	284	(126)	158
	397,069	(99,372)	297,697

Undeveloped land costs and salvage values excluded from the depletion calculation as at September 30, 2009 were \$20,301 (December 31, 2008 - \$24,428). Future development costs on proved undeveloped reserves of \$47,066 (December 31, 2008 - \$59,931) were included in the depletion calculation. For the nine months ended September 30, 2009, the Company capitalized \$722 (September 30, 2008 - \$520) in general and administrative expenses directly related to exploration and development activities.

5. BANK DEBT

The Company has a \$115,000 (December 31, 2008 - \$100,000), syndicated, revolving credit facility and is comprised of a combination of: letters of credit, banker's acceptances and a revolving line of credit at the Company's option. The authorized limit is subject to a semi-annual, borrowing base review by the syndicate. The facility is available to the Company at their discretion until March 31, 2010. At that date Vero may request a renewal of the facility for a period of up to 364 days. The facility is secured by a \$300,000 floating charge debenture over all the assets of the Company.

Advances under the facility are available by way of prime rate loans with interest rates of between 1.75 percent and 3.25 percent over the bank's prime lending rate. In addition to these advances, the Company has access to banker's acceptances and LIBOR loans, which are subject to stamping fees and margins ranging from 2.75 percent to 4.25 percent depending on the debt to cash flow ratio of the Company as calculated at the Company's previous quarter end. Standby fees are charged on the undrawn facility at rates ranging from 0.6875 percent to 1.0625 percent depending on the debt to cash flow ratio at the Company's previous quarter end. For the nine months ended September 30, 2009 the effective interest rate of the Company was 3.9% (September 30, 2008 - 5.3%).

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 September 30, 2009 to be \$14,164 (September 30, 2008 - \$11,792), which will be incurred at various times between 2010 and 2023. The fair value of the asset retirement obligations incurred in the nine months ended September 30, 2009 was calculated using a credit-adjusted risk free rate of 7.9% (September 30, 2008 – 8.1%) and an inflation factor of 1.8% (September 30, 2008 – 1.6%). Settlement of the obligations will be funded from general corporate funds at the time of retirement or removal. As at September 30, 2009, no funds have been set aside to settle these obligations. Changes to asset retirement obligations during the periods were as follows:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2009	2008	2009	2008
Asset retirement obligations beginning of period	5,815	3,032	5,570	2,641
Liabilities assumed on corporate acquisitions	-	-	-	251
Liabilities incurred during the period	3	1,401	31	1,429
Change in estimated future cash flows	-	263	(1)	263
Accretion	117	90	335	202
Asset retirement obligations end of period	5,935	4,786	5,935	4,786

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:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2009	2008	2009	2008
(Loss) income before income taxes	(5,322)	15,050	(25,355)	32,937
Expected income tax (recovery) expense at the statutory rate of 29.0% (2008 – 29.5%)	(1,543)	4,440	(7,353)	9,716
Tax effect of non-deductible and non-taxable amounts related to:				
Stock-based compensation and other non-deductible items	193	245	1,230	399
Rate changes	(322)	-	(121)	-
Other	32	(56)	14	(122)
	(1,640)	4,629	(6,230)	9,993

8. SHARE CAPITAL

	Shares (000's)	\$000's
Authorized		
Unlimited number of voting common shares, no par value		
Unlimited number of first preferred shares, no par value		
Issued		
<i>Common shares</i>		
Balance December 31, 2007	28,915	103,077
Private placement, net of share issue costs (a)	1,940	16,759
Issued on corporate acquisition (b)	1,835	15,087
Issued on corporate acquisition (c)	3,816	23,659
Exercise of stock options (d)	871	5,787
Normal course issuer bid (e)	(408)	(1,715)
Adjustment for tax benefits from share issue costs	-	356
Adjustment for tax cost of flow-through shares (a)	-	(2,907)
Balance December 31, 2008	36,969	160,103
Normal course issuer bid (e)	(17)	(75)
Adjustment for tax cost of flow-through shares (a)	-	(4,844)
Private placement, net of share issue costs (a)	4,000	13,916
Adjustment for tax benefits from share issue costs	-	288
Total share capital at September 30, 2009	40,952	169,388

a) Private placements

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 \$16,759 were comprised of gross proceeds of \$17,945 less expenses of the issue of \$1,186. The tax effect of the tax benefits renounced to subscribers in respect of the flow-through shares was recognized in the current period which is when the renouncement documents were filed with the taxation authorities. This renunciation resulted in \$4,844 in future tax liability being offset to share capital. 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 \$17,945 prior to December 31, 2009 (Note 11(e)).

On May 21, 2009 the Company closed a placement for the issuance of 4,000 Common Shares at a price of \$3.75 per share. The net proceeds of issuance of \$13,916 were comprised of gross proceeds of \$15,000 less expenses of the issue of \$1,084.

b) 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.

c) Acquisition of Revolve Energy Inc.

On November 10, 2008 the Vero acquired all of the outstanding shares of a private company. Upon closing of the acquisition, 3,816 common shares were issued at a deemed value of \$23,659 or \$6.20 per share.

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, 2009 there were 4,095 (September 30, 2008 – 3,343) 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, 2009		September 30, 2008	
	Stock Options	Weighted Average Exercise Price \$	Stock Options	Weighted Average Exercise Price \$
Outstanding, beginning of period	3,085	6.69	2,434	5.18
Granted	765	3.00	1,426	8.33
Exercised	-	-	(871)	5.03
Surrendered for cancellation	(682)	7.90	-	-
Forfeited	(9)	5.29	(6)	5.90
Outstanding, end of period	3,159	5.68	2,983	6.73
Exercisable, end of period	1,684	5.67	719	5.37

Exercise Price	Options Outstanding					
	September 30, 2009			September 30, 2008		
	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
\$3.00 – 3.70	705	3.18	4.8	-	-	-
\$4.02 - 5.61	1,181	4.92	1.5	1,155	4.96	2.4
\$5.90 - 7.71	1,058	7.24	3.4	1,270	7.16	4.2
\$8.59 – 9.50	215	9.44	3.8	558	9.41	4.8
	3,159	5.68	3.0	2,983	6.73	3.6

e) Normal Course Issuer Bid

In August of 2007, the Toronto Stock Exchange approved the Company's application to initiate a Normal Course Issuer Bid ("Bid"). The Bid is renewable on a yearly basis. In August of 2008 the Company renewed its Bid for an additional year. Under each Bid, Vero is entitled to purchase up to 5% of its outstanding common shares. During the Nine months ended September 30, 2009, the Company purchased and subsequently cancelled 17 (September 30, 2008 – 128) common shares pursuant to its Normal Course Issuer Bid. The aggregate cost of the purchases was \$86 (September 30, 2008 – \$1,081) of which \$75 (September 30, 2008 – \$525) was charged to share capital based on the average book value per share as of the date of repurchase, and the balance of \$11 (September 30, 2008 – \$556) was charged to retained earnings. The average per share cost of the repurchase in 2009 was \$4.95 (September 30, 2008 - \$8.42).

f) 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		Nine months ended	
	September 30, 2009	2008	September 30, 2009	2008
Risk free rate	2.3%	3.2%	2.4%	3.2%
Expected life (years)	5	5	5	5
Expected volatility	49%	69%	48%	69%
Expected dividends	-	-	-	-

For the nine months ended September 30, 2009, 765 (September 30, 2008 – 1,426) stock options were granted to employees, officers and directors. During the nine months in 2009, \$4,222

(September 30, 2008 - \$1,316) was recorded as stock compensation expense with a corresponding credit to contributed surplus (Note 9). The stock option grants during the nine months ended September 30, had a weighted average fair value expense attributed to them of \$1.58 (September 30, 2008 - \$5.01) per share.

In May of 2009, 682 non-officer, non-director, stock options, having exercise prices ranging from \$5.15 to \$10.80, were surrendered for cancellation. The Company expensed the remaining, unamortized stock based compensation costs associated with the cancelled options in the amount of \$1,116 during the nine month period ended September 30, 2009.

9. CONTRIBUTED SURPLUS

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2009	2008	2009	2008
Balance at beginning of period	8,317	3,803	4,759	3,593
Stock-based compensation expense	664	816	4,222	1,316
Exercise of stock options	-	(1,118)	-	(1,408)
Balance at end of period	8,981	3,501	8,981	3,501

10. PER SHARE AMOUNTS

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2009	2008	2009	2008
Basic (loss) earnings per share computation				
Net (loss) earnings	(3,682)	10,421	(19,125)	22,944
Weighted average shares outstanding - basic	40,952	32,955	38,887	31,680
Basic (loss) earnings per share	(0.08)	0.32	(0.49)	0.72

10. PER SHARE AMOUNTS (continued)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2009	2008	2009	2008
Diluted (loss) earnings per share computation				
Net (loss) earnings	(3,682)	10,421	(19,125)	22,944
Weighted average shares outstanding - basic	40,952	32,955	38,887	31,680
Dilutive stock options outstanding	-	2,524	-	2,443
Shares notionally repurchased with proceeds from dilutive stock options and returned to treasury	-	(2,319)	-	(2,207)
Weighted average shares outstanding - diluted	40,952	33,160	38,887	31,916
Diluted (loss) earnings per share	(0.08)	0.31	(0.49)	0.72

During the three and nine month periods ended September 30, 2009, 3,159 (September 30, 2008 – Nil) and 3,159 (September 30, 2008 – Nil) 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.

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:

	As at September 30,	
	2009	2008
2008	-	97
2009	107	387
2010	410	374
2011	406	370
2012	268	246
2013	14	13
Total minimum payments	1,205	1,487

b) Office lease costs

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

	As at September 30,	
	2009	2008
2008	-	270
2009	304	1,064
2010	1,045	1,070
2011	651	619
Total minimum payments	2,000	3,023

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. Currently, there are several statements of claim which have been filed against the Company. Management of the corporation does not believe that any of the lawsuits have merit and consequently have not made any provision in these financial statements for any loss. In addition, Management is not currently aware of any other claims or actions, actual or threatened, which 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 and other capital commitments

As at September 30, 2009 Vero had committed to drill and complete, or recomplete 6 (4.3 net) (2008 – 9 (9.0 net)) wells in Alberta with commencement dates that are later in 2009 and extend into 2010. The commitments are pursuant to farm-in agreements with industry partners. The Company expects to satisfy its net portion of the commitments at an estimated cost of \$8,223 (2008 – \$12,175).

(e) Flow-through shares

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. The Company has fulfilled this commitment.

12. SUPPLEMENTARY INFORMATION*a) Changes in non-cash working-capital*

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Accounts receivable	(312)	3,441	11,428	(7,137)
Prepaid expenses and deposits	704	84	(500)	(774)
Accounts payable and accrued liabilities	1,437	4,404	(33,053)	2,163
Corporate acquisition of working capital	-	-	-	1,090
Net change in non-cash working capital	1,829	7,929	(22,125)	(4,658)
Relating to:				
Investing activities	2,748	(5,282)	(9,833)	(1,185)
Operating activities	(919)	2,647	(12,292)	(3,473)

b) Supplementary cash flow information

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Interest paid	1,038	597	2,899	1,758

13. FINANCIAL INSTRUMENTS

The Company holds various forms of financial assets and liabilities. The fair values of financial assets and liabilities and a discussion of the risks associated with these assets and liabilities are presented as follows:

a) Fair Value of Financial Assets and Liabilities

The carrying value of financial instruments, which include accounts receivable, deposits, loans receivable, derivative financial instruments, accounts payable, accrued liabilities and the credit facility 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, accrued liabilities and credit facility 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, 2009 were as follows:

	Carrying Value	Fair Value
<u>Financial Assets</u>		
Held-for-trading:		
Deposits	4,159	4,159
Loans and receivables:		
Accounts receivable	17,791	17,791
Loans receivable	2,751	2,751
<u>Financial Liabilities</u>		
Held-for-trading:		
Risk management liabilities	2,073	2,073
Other financial liabilities		
Accounts payable and accrued liabilities	30,301	30,301
Credit facility	102,971	102,971

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.

b) Risks Associated with Financial Assets and Liabilities

The nature of these instruments and the Company's operations expose the Company to commodity price, credit and interest rate risks. The Company manages its exposure to these risks by operating in a manner that minimizes this exposure.

Market risk

Market risks are generally those risks that are outside of the control of the Company. These are: primarily 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. The Company does this by managing its commodity, foreign exchange and interest rate risks as detailed below.

Commodity price risk

Due to the volatility of commodity prices the Company is exposed to adverse consequences of declining prices. The Company may enter into future related oil and natural gas contracts in order to protect its cash flow on future sales from the potential adverse impact of declining prices. The contracts reduce the fluctuation in sales revenue by locking in prices with respect to future deliveries of oil and natural gas. The use of these risk management contracts is governed by a formal policy and is subject to maximum limits established by the Board of Directors. From time to time, the Company will enter into a variety of risk management contracts. As at September 30, 2009, the Company had the following contracts outstanding:

Contract	Amount	Term	Price (CDN \$/bbl)	Type
Costless collar	1,500 bbl/day	May 1 – December 31, 2009	\$62.50 - \$68.25	Financial
Costless collar	1,000 bbl/day	January 1 – March 31, 2010	\$60.00 - \$80.30	Financial

The contracts in place resulted in an unrealized loss for the nine months ended September 30, 2009 of \$1,883 (2008 – \$7,708). As at September 30, 2009, a \$1.00 per barrel change to the price on the oil contracts outlined above would have a \$171 impact on net income.

Credit risk

Credit risk arises from the potential loss resulting from a counterparty failing to meet its obligations in accordance with the agreed terms. 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 counter-party with which the Company maintains its risk management contracts (hedges) is a major Canadian chartered bank, which has an investment grade credit rating.

As at September 30, 2009, accounts receivable was comprised of the following:

	\$
Sales revenue receivables	620
Joint interest billings with partners	7,007
Accrued and other receivables	10,164
Total accounts receivable	17,791

The carrying amounts of accounts receivable represent the Company's maximum credit exposure. During the nine months ended September 30, 2009 the Company has not experienced any credit loss in the collection of its accounts receivable. The Company does not have any allowance for doubtful accounts as at September 30, 2009.

As at September 30, 2009, The Company estimates its accounts receivable to be aged as follows:

	\$
Not past due (less than 30 days)	8,240
Past due 31-60 days	1,257
Past due 61-90 days	938
Past due more than 90 days	7,356
Total accounts receivable	17,791

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 resources available 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 Vero's overall debt position. The Company's goal is to prudently spend its capital while maintaining its credit reputation

amongst its suppliers. All of the financial liabilities of the Company are estimated to be settled within one year of the balance sheet date. The Company will manage its capital spending to stay within its expected and revised borrowing base limits for the duration of 2009. The Company does not pay any dividends.

The timing of cash outflows relating to financial liabilities are outlined in the table below:

	Less than 1 Year	1-3 Years	4-5 Years	Thereafter	Total
Accounts payable and accrued liabilities	30,301	-	-	-	30,301
Risk management liabilities	2,073	-	-	-	2,073

Interest rate risk

Interest rate risk arises from changes in market interest rates that may affect the future cash flows from the Company's financial assets or liabilities. The Company's revolving demand loan facility is subject to floating rates and is therefore exposed to fluctuations in the market rates of interest. From time to time, the Company will enter into a variety of risk management contracts to mitigate its exposure to interest rate risk. The Company had the following interest rate swap in place at September 30, 2009 (September 30, 2008 – Nil).

Contract	Notional Quantity	Term	Reference	Strike Price	Type
BA Rate	\$25,000/year	January 4, 2010 – January 3, 2012	CAD-BA - CDOR	2.05%	Swap

The contract in place resulted in an unrealized loss for the nine months ended September 30, 2009 of \$190 (2008 – \$Nil). As at September 30, 2009, a 0.1% change to the interest rate on the swap contracts would have a \$19 impact on net income.

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 the effects of foreign exchange fluctuations are imbedded in the Company's results from operations, the aggregate effect of foreign exchange rate fluctuations are not separately identifiable. As at September 30, 2009 the Company had no forward, foreign exchange contracts in place.

14. RELATED PARTY TRANSACTIONS

Three officers and one director of the corporation received demand loans during the period December 2008 to September 30, 2009. The aggregate principal amount outstanding from the related parties at September 30, 2009 was \$2,751 (December 31, 2008 - \$350). The loans bear interest at a commercial, arms length, rate of interest, which is calculated as the company's rate of borrowing from its banks plus 25 basis points. Included in the accounts receivable balances is \$3 (December 31, 2008 – \$1) of interest receivable from these 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 continually monitors its capital structure and makes adjustments to it primarily in light of a combination of, its drilling successes, the general economic conditions in the petroleum industry and global events that may affect commodity prices.

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.

The Board of Directors reviews and approves all transactions out of the ordinary course of business, including acquisitions, financing arrangements, transactions with related parties, and the purchase of Vero shares for cancellation pursuant to its normal course issuer bids.

The Company monitors its capital structure primarily using the non-GAAP financial ratio of net debt to annualized, most recent quarters' funds flow from operations. Vero's objective is to maintain a net debt to funds flow from operations ratio of one and one half times or less in a normalized commodity price and economic environment. 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. Given the recent declines in commodity prices attributable mainly to the slowdown in global economies and increasing natural gas storage, this ratio has changed Vero's target amount. The goal for 2009 will be to achieve a ratio of between 2.5 to 3.5 times range by the end of the year given the current economic conditions. Should commodity prices improve significantly, the Company will revert to its desired goal of no more than 1.5 times, which does not take into account any extraordinary items such as acquisitions or dispositions.

To facilitate the management of this ratio, the Company prepares an annual budget, which is updated monthly for internal, management purposes and takes into account any acquisitions or dispositions; changes in economic circumstances outside the control of the Company; and the success or failure of recently deployed capital. The budget is also updated quarterly for purposes of approving future capital expenditure levels at Board meetings. These budgets are approved by the Board of Directors and capital spending adjusted accordingly. As at September 30, 2009 the net debt to adjusted funds flow from operations (annualized) was 6.6 (2008 – 1.0) times calculated as follows:

15. CAPITAL DISCLOSURES (CONTINUED)

	As at September 30,	
	2009	2008
Current assets	26,336	28,201
Accounts payable and accrued liabilities	(30,301)	(38,214)
Bank debt	(102,971)	(57,712)
Net debt	(106,936)	(67,725)

	Three months ended, September 30	
	2009	2008
Net (loss) earnings	(3,682)	10,421
Add (deduct):		
Unrealized loss (gain) on risk management activities	(3,271)	(9,321)
Stock-based compensation	664	816
Depletion, depreciation and accretion	11,973	10,039
Future income taxes	(1,640)	4,629
Funds flow from operations	4,044	16,584
Annualized funds flow from operations	16,176	66,336
Net debt to annualized funds flow from operations	6.6x	1.0x

The Company's capital is not subject to any external restrictions as to how it is deployed.

16. SUBSEQUENT EVENTS

a) On October 5, 2009 the Company entered a financial derivative, natural gas swap contract. The fixed price under this contract is \$4.96 per gigajoule and is in respect of 5,000 gigajoules per day for the period of November 1, 2009 through December 31, 2009.

b) On October 22, 2009 the Company entered a costless collar, financial derivative oil contract. The floor is \$75 CDN and the ceiling is \$100 CDN and is in respect of 500 barrels of oil per day for the period April 1, 2010 through December 31, 2010.

c) On November 3, 2009 the Company closed a bought deal financing with a syndicate of underwriters to issue 2,232 flow-through, common shares of Vero at the price of \$5.65 per share. Canadian exploration expenditures in the amount of \$12,609 will be renounced to subscribers of the shares effective December 31, 2009.

d) On November 4, 2009 the Company entered into a definitive agreement with an industry partner for the sale of certain non-core producing oil and gas assets. The expected proceeds of disposition will be approximately \$13,500 before adjustments. The sale is expected to close on or about November 30, 2009.

CORPORATE INFORMATION

OFFICERS

Douglas J. Bartole, P.Eng.
President and CEO

Kevin W. Yakiwchuk, P.Geol.,
M.Sc.

Robert Bachynski, P. Land
Vice President, Land

Gerald N. Gilewicz, C.M.A.
Vice President, Finance and CFO

Shane Manchester, P.Eng.
Vice President, Operations

Leslie Kende, P.Eng., M.B.A.
Vice President, Engineering

BOARD OF DIRECTORS

Kenneth P. Acheson, C.A.

Paul R. Baay, Chairman

Douglas J. Bartole, P.Eng.

Clinton T. Broughton, P.Eng.

W.D. (Mickey) Dunn

Robert G. Rowley, LLB, Q.C.

STOCK EXCHANGE LISTING

Toronto Stock Exchange "VRO"

LEGAL COUNSEL

Burnett, Duckworth & Palmer LLP

AUDITORS

PricewaterhouseCoopers LLP

BANKERS

Canadian Imperial Bank of Commerce

Alberta Treasury Branch

RESERVE ENGINEERS

Sproule Associates Limited

REGISTRAR AND TRANSFER AGENT

Computershare Investor Services
Ltd.

ABBREVIATIONS

Bbl	Barrels
Bbl/d	Barrels per day
Bcf	Billion cubic feet
Boe	Barrels of oil equivalent (6mcf: 1bbl)
Boe/d	Barrels of oil equivalent per day
Mmbtu	Million British thermal units
Mboe	Thousand barrels of oil equivalent (6mcf:1bbl)
Mmboe	Million barrels of oil equivalent (6mcf:1bbl)
Mcf	Thousand cubic feet
Mcf/d	Thousand cubic feet per day
Mmcf	Million cubic feet
Mmcf/d	Million cubic feet per day
NGL	Natural gas liquids

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CAUTIONARY STATEMENT

This report contains forward-looking statements relating to Management's approach to operations expectations relating to the number of wells, amount and timing of capital projects, company production, commodity prices, foreign exchange rates, royalties, operating costs and funds from operations. The reader is cautioned that assumptions used in the preparation of such information, although considered reasonable by Vero at the time of preparation, may prove to be incorrect. Actual results achieved during the forecast period will vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors. Such factors include, but are not limited to : general economic, market and business conditions; industry capacity competitive action by other companies; fluctuation in oil and gas prices; the ability to produce and transport crude oil and natural gas to markets; the result of exploration and development drilling and related activities; fluctuation in foreign currency exchange rates; the imprecision of reserve estimates; the ability of suppliers to meet commitments; actions by governmental authorities including increases in taxes; decisions or approvals of administrative tribunals; change in environmental and other regulations; risks associated with oil and gas operations; the weather in the Company's areas of operations; and other factors, many of which are beyond control of the Company. There is no representation by Vero that actual results achieved during the forecast period will be the same in whole or in part as that forecast.

