Management, Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") was prepared on March 8, 2007 and is management's assessment of the Company's financial and operating results. This MD&A should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2006 and the ninety-nine days of 2005 together with the notes related thereto.

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.com). 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.

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. Forward looking statements may include estimates, plans, expectations, opinions, forecasts, projections, guidance or other statements that are not statements of fact. 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", "continue", "estimate", "expect", "may", "will", "project", "plan", "should", believe", 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 the following:

- *Fluctuations in natural gas, natural gas liquids and oil production levels;*
- *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;*
- *Successes in the finding and development of reserves ;*

- *Changes in the general economic conditions in Western Canada, Canada, North America and Worldwide.*
- *Actions taken and policies created by governmental or regulatory authorities including changes to tax laws, incentive programs, royalty calculations and environmental regulations;*

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 "cash flow from operations" and "netbacks" which are terms not recognized under Generally Accepted Accounting Policies ("GAAP"). The Company uses these measures to help evaluate its performance, leverage, liquidity as well as to assess potential acquisitions. The Company considers cash flow from operations a key measure as it demonstrates the Company's ability to generate funds necessary to repay debt and to fund future growth through capital investment. Cash flow from operations should not be considered as an alternative to, or more meaningful than, cash flow from operating activities as determined in accordance with Canadian GAAP as an indicator of Vero's performance. Vero's determination of cash flow from operations may not be comparable to that reported by other companies. The reconciliation between net earnings and cash flow from operations can be found in the statement of cash flows in the financial statements. Vero also presents cash 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.

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 dollar amounts below are in thousands of Canadian dollars except for share and per share data or as specifically elsewhere noted.

Comparative Information

Vero's oil and gas operations commenced on November 2, 2005. Consequently, comparative data for the period ended December 31, 2005 takes into account only those operating activities for the period from November 2, 2005 to December 31, 2005.

FINANCIAL HIGHLIGHTS FROM 2006

The first full year of operations was filled with numerous financial and operating achievements. Consecutive quarter over quarter growth in terms of production volumes, cash flow and cash flow per share were highlights for the year. The single most significant highlight for the Company was its 239% growth in its production from 1,150 boe/d at the beginning of the year to an exit rate in 2006 of approximately 3,900 boe/d. Below is our detailed discussion of the results achieved during 2006.

DETAILED FINANCIAL REVIEW

PRODUCTION REVENUE AND VOLUMES

Vero increased aggregate production volumes to 895,504 boe as compared to 58,783 boe in the two months of operations in 2005. Production growth was mainly attributable to successful drilling program on the Vero lands which yielded a 91% success rate. In addition, the Company acquired a private company on February 24, 2006, resulting in an increase of 850 boe/d. The corporate acquisition added one new significant core area in Wilson Creek, Alberta. The production in Wilson Creek has a significant oil component and this gave Vero the opportunity to diversify its production profile. Natural gas drilling was the major focus for Vero and as a result the most significant change in production is in the natural gas volumes. Much of the new production is liquids-rich natural gas and as a result liquids volumes increased in 2006 by 2,348 % over 2005.

Aggregate Sales Volumes

	2006	2005	% Change
Natural gas (mcf)	**3,975,280**	227,188	1,650
Light/medium oil (bbl)	**118,202**	16,231	628
Natural gas liquids (bbl)	**114,755**	4,687	2,348
Barrels of oil equivalent (boe)	**895,504**	58,783	1,423

Daily Sales Volumes

Daily sales volumes increased 150% from an average of 980 boe/d in 2005 to 2,453 boe/d in 2006. Natural gas production accounted for 74% of daily sales volumes in 2006, which represented a 16% increase from the 2005 level of 64%. Oil and natural gas liquids contributed 13% equally during 2006 as compared to 28% and 8% respectively in 2005. Natural gas liquids became a more significant component of Vero's production and revenues in 2006 as the liquids rich production in the Edson area drilling became more prevalent.

	2006	2005	% Change
Natural gas (mcf/d)	**10,891**	3,786	188
Light/medium oil (bbl/d)	**324**	271	20
Natural gas liquids (bbl/d)	**314**	78	303
Barrels of oil equivalent (boe/d)	**2,453**	980	150

Production revenue

Due to the declining natural gas prices, the contribution of natural gas to Vero revenues was 65% while it represented 74% of the volumes produced. Oil contributed 19% of revenues and natural gas liquids were the remainder at 16% during 2006. The combination of natural gas and the associated liquids revenue increased to 81% of total revenues for 2006 as compared to 75% in 2005. Vero expects that for 2007 the weighting to natural gas will increase to approximately the 80% level as the Company has a pre-dominance of natural gas drilling targets planned for the year.

Production Revenue	**2006**	2005	% Change
Natural gas	**28,485**	2,863	895
Light/medium oil	**8,528**	1,036	723
Natural gas liquids	**6,935**	313	2,116
Production revenue	**43,948**	4,212	943

Commodity prices realized by the Company for 2006 were as follows:

Commodity Prices Realized	**2006**	2005	% Change
Natural gas ($/mcf)	**7.17**	12.60	(43)
Light/medium oil ($/bbl)	**72.15**	63.84	13
Natural gas liquids ($/bbl)	**60.43**	66.83	(10)
Barrels of oil equivalent ($/boe)	**49.08**	71.65	(32)

Gas prices declined 43% in 2006 compared to the two months of operations in 2005. Continental storage levels remained high throughout the end of 2006 and in addition there was reduced demand in the summer months due to low levels of hurricane activity in the Caribbean. As a result, gas prices in the traditionally higher priced months of November and December were significantly lower than those realized in 2005. Oil prices increased 13% in 2006, but the last quarter of 2006 saw these prices decline to the mid-$60 (CDN) level as middle East tensions eased and supply levels increased with what started to be a mild winter. Natural gas liquids prices were consistent throughout the year and amounted to a 10% decline from the two months of operations in 2005.

ROYALTIES

Net royalties were $10,749 for 2006 representing 24% of production revenues. This was a 2% decline from those realized in 2005. The decline was primarily associated with Vero's new wells drilled from approximately mid-2006 onward being mainly on Crown lands. As this production was realized, the aggregate royalty rate, as a percentage of revenue, declined. Freehold and gross-over-riding royalty expenses increased in 2006 for two main reasons. First, production commencing in the second quarter was burdened with gross-over-riding royalties. Second, many of the wells acquired through the corporate acquisition in February had gross-over-riding royalties associated with them. Going forward into 2007, this decline in the effective royalty rate will be offset somewhat by the cancellation of the Alberta Royalty Tax Credit program effective January 1, 2007. Therefore, Vero will no longer realize the maximum annual amount of $500,000 going forward. The rate of 24% of production revenue may rise slightly in 2007.

	2006		2005	
Royalties	**$**	**$/boe**	$	$/boe
Crown – gross	**9,682**	**10.81**	1,112	18.92
Freehold/gross over-riding	**1,591**	**1.78**	2	0.03
Total royalties	**11,273**	**12.59**	1,114	18.95
ARTC	**(524)**	**(0.58)**	(31)	(0.53)
Royalty expense, net of ARTC	**10,749**	**12.01**	1,083	18.42
Royalties - % of revenue	**24%**		26%	

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

Aggregate DD&A increased to $22,125 in 2006. This translated into $24.71 per boe as compared to $14.89 per boe in 2005. Depletion expense increased significantly mainly as a result of the corporate acquisition in February. The cost of the acquisition equated to approximately $53.74 per boe on a proven basis. This was tempered by the much lower internal finding and development cost rate of $17.65 per boe to yield a combined rate for 2006 of $24.59. The carrying values for the acquisition and Vero's internal costs are amortized over the proven reserves of the Company. Vero's increased production levels resulted in the significant total expense during the year. Vero anticipates the DD&A rate for 2007 to decline as new reserve additions are made through the Company's drilling efforts on its lower risk, developmental wells.

	2006		2005	
DD&A	$	**$/boe**	$	$/boe
Depletion and depreciation	**22,022**	**24.59**	871	14.81
Accretion	**103**	**0.12**	5	0.08
Total DD&A	**22,125**	**24.71**	876	14.89

CEILING TEST

The Company performs a ceiling test calculation at least annually within the Canadian Institute of Chartered Accountants full cost accounting guidelines. The calculation assesses the carrying value of its oil and gas properties to determine if impairment has occurred. The Company applies a two-stage ceiling test to capitalized costs to ensure that such costs do not exceed the undiscounted future cash flows from production of proved reserves. Undiscounted future cash flows are calculated based on an independent petroleum engineers estimate of forward indexed prices applied to estimated production of proved reserves plus anticipated proceeds from the sale of undeveloped properties, less estimated future operating costs, royalties net of applicable tax credits, future capital development costs and abandonment costs. When the carrying amount of a cost center is not recoverable the second stage of the process will determine the impairment whereby the cost center would be written down to its fair value. The second stage requires the calculation of undiscounted cash flows from proved plus probable reserves using the risk-free interest rate plus the cost of undeveloped land, net of any impairment. The fair value is estimated using generally accepted present value techniques, which incorporate risks and other uncertainties when determining expected cash flows. As at December 31, 2006 there was no impairment based on the independent, third party engineering consultant report.

OPERATING

Operating costs were $5,564 or $6.21 per boe during 2006. The per boe rate in 2006 was 9% lower than that realized in 2005. Vero enjoyed a low cost operating environment during the year and due to its increased production levels was able to bring operating costs per boe down by 9% from the 2005 rate. Vero operates in concentrated, core areas and this allows the company to gain operating synergies either through the use of their own production and facilities or through the prudent use of third party facilities. In December of 2006 Vero negotiated an upgrade to a third party processing facility in Edson, which resulted in the Company paying for the upgrade in exchange for priority service. This allowed Vero to be able to increase its production in this area as the facility constraints were alleviated. In Corbett, Vero constructed its own facility to process all of its gas, which further gives the Company the future potential of earning processing fees on third party gas. For 2007 it is anticipated that the per boe expense may increase slightly as the increasingly upward pressure on service prices will somewhat offset our anticipated, higher levels of production.

Operating	**2006**	2005	% Change
Expense per financial statements	**5,564**	401	1,288
Add: processing income	**15**	-	-
Gross expense	**5,579**	401	1,291
Operating expense ($ per boe)	**6.21**	6.82	(9)
Net expense (% revenue)	**12.7%**	9.5%	34

TRANSPORTATION

Transportation expenses were $734 for 2006 and amounted to 1.7% of production revenue for the period. This compares to 2.1% of production revenue for 2005. On a per boe basis the 2006 amount was $0.82 and was relatively consistent throughout the year. 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; the type of service offered (interruptible versus firm service) as well as ownership of the transportation facilities. The cost per-boe in 2007 is expected to be consistent with that of 2006 as the majority of these costs are variable in nature and with an anticipated gas production mix of approximately 80%, the costs are reasonably predictable.

Transportation	**2006**	2005	% Change
Expense	**734**	90	716
Expense ($ per boe)	**0.82**	1.53	(46)
Expense (% revenue)	**1.7%**	2.1%	(19)

GENERAL AND ADMINISTRATIVE (G&A)

Aggregate G&A expense incurred during the year was $3,077. During 2006 Vero increased its activity significantly and as a result the gross expense came into line with a full cycle E&P corporation. During the year, the Company moved to new office space and went from four employees to seventeen. The increased rental and salary costs were the two largest contributors to the increase in G&A expense. Gross G&A reached a fairly stable level in the third and fourth quarters. Net G&A on a per-boe basis declined steadily throughout the year as production levels and G&A recoveries increased. Recoveries increased throughout the year as Vero became the operator of more of its projects. In 2007, the per-boe rates are expected to remain similar to those incurred in the latter part of 2006 as increased head office costs from the move to new office space on March 1, 2007 will be offset by production gains during the year. 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. The Company capitalizes a portion of its G&A for the salaries attributable to its geological and geophysical staff, which are directly related to exploration and development. Salaries capitalized for 2006 were $322.

G&A	**2006**	2005	% Change
Gross expense	**3,077**	553	456
Less:			
Overhead recoveries	**(1,005)**	(78)	1,188
Capitalized G&A	**(322)**	(36)	794
Net expense	**1,750**	439	297
Average cost ($ per boe)			
Gross expense	**3.43**	9.41	(64)
Net expense	**1.95**	7.48	(74)

INTEREST AND BANK CHARGES

Vero took on significant bank debt during 2006 with a combination of the execution of its drilling program as well as with the closing of the corporate acquisition in February. As a result, interest expense commenced in February and steadily increased throughout the year. Interest expense for 2006 was $1,434, of which $1,367 was related to the Company's bank line of credit. The per boe interest expense rate was $1.60 for 2006. Vero expects that the per boe interest expense will increase slightly in 2007 as additional debt is incurred with the winter drilling program for 2006-2007.

Interest and bank charges	**2006**	2005	% Change
Interest per financial statements	**1,434**	11	12,936
Deduct: Commitment & other fees	**(67)**	(11)	509
Debt bearing interest	**1,367**	-	-
Average debt outstanding	**26,966**	-	-
Average interest rate	**6.0%**	-	-
Average interest cost ($ per boe)	**1.60**	0.19	742

STOCK BASED COMPENSATION

Stock based compensation expense was $2,056 for 2006 as compared to $103 for the two months of operations in 2005. The full effect of the amortization of the stock option grant of 1,600,000 in December of 2005, plus an additional 721,000 options granted in 2006 was reflected in the 2006 expense. The fair value of all stock options is amortized over the options' vesting period, which is three years for all options granted.

Stock Based Compensation	**2006**	2005	% Change
Expense	**2,056**	103	1,896
Expense ($ per boe)	**2.30**	1.75	31

INCOME TAXES

During the second quarter of 2006 several tax initiatives were announced by both the Federal and Alberta Governments that were favourable to Vero. These included Federal initiatives for the elimination of the Federal Large Corporations tax effective January 1, 2006, the elimination of the Federal Surtax of 1.12% effective January 1, 2008 and a scheduled reduction of Federal corporate income tax rates from 21% to 19% commencing January 1, 2008 through January 1, 2010. In addition, the Alberta Government announced a reduction of corporate income tax rates from 11.5% to 10% effective April 1, 2006. The impact on the Company's future tax obligation of these announcements was a recovery of $1,600 for the year-to-date in 2006. The $292 recovery of current income taxes in 2006 was the reversal of the provision booked in 2005 when the Company had limited tax pools available. The Company incurred sufficient capital expenses in 2006 to reverse this expense.

Taking into account projected spending for 2006 as well as anticipated production levels and prices realized it is anticipated that Vero will not be cash taxable throughout 2007.

	2006		2005	
Income taxes	**$**	**$/boe**	$	$/boe
Current income tax	**(292)**	**(0.33)**	292	4.97
Future income tax (recovery)	**(1,113)**	**(1.24)**	252	4.29
Total income taxes (recovery)	**(1,405)**	**(1.57)**	544	9.26

The estimated income tax pools available at the end of 2006 and 2005 were as follows:

Tax Pools	**Rate %**	**2006**	2005	% Change
Canadian exploration expenses	100	**19,899**	-	-
Canadian development expenses	30	**26,106**	4,674	459
Canadian oil and gas property expenses	10	**26,762**	23,709	13
Undepreciated capital costs	10 - 30	**22,969**	6,049	280
Financing costs	20% S.L.	**1,087**	-	-
Attributed Canadian Royalty Income	100 (AB)	**3,884**	228	1,604
Total		**100,707**	34,660	191

NETBACKS

Below is a breakdown of the netbacks for the Company. Operating netbacks of $30.04 per boe for 2006 were 33% lower than those realized for 2005. The largest single contributor to the decline was the 32% decrease in realized, average, commodity prices. The high gas prices in the last two months of 2005 caused the netbacks to be abnormally high for our 2005 results. The decline in commodity prices was partially offset by a 35% decrease in royalty costs per boe and a 9% decrease in operating expenses per boe. Cash flow netbacks were lower by 17% as the gains we made in operating cost efficiencies were more than offset by price declines. For the net earnings netback, the largest expense, at $25.10 per boe, was DD&A and reduced the earnings significantly. The larger DD&A was directly related to the acquisition in the first quarter as well as Vero's own internal spending and production growth. In addition, stock based compensation expense reduced net earnings by $2.30 per boe since the amortization period for the expense is three years for all stock options.

Operating netback – Natural gas ($/mcf)	**2006**	2005	% Change
Production revenue	7.17	12.60	(43)
Royalties (excluding ARTC)	(1.82)	(3.49)	(48)
Operating expenses	(1.10)	(1.14)	(4)
Transportation costs	(0.12)	(0.24)	(50)
Operating netback	4.13	7.73	(47)

Operating netback – Crude oil ($/bbl)	**2006**	2005	% Change
Production revenue	72.15	63.84	13
Royalties (excluding ARTC)	(12.92)	(14.07)	(8)
Operating expenses	(8.05)	(8.79)	(8)
Transportation costs	(1.52)	(1.87)	(19)
Operating netback	49.66	39.11	27

Operating netback Natural gas liquids ($/bbl)	**2006**	2005	% Change
Production revenue	60.43	66.83	(10)
Royalties (excluding ARTC)	(17.18)	(13.00)	32
Operating expenses	(2.00)	-	-
Transportation costs	(0.70)	(1.21)	(42)
Operating netback	40.55	52.62	(23)

Netbacks ($ per boe)	**2006 Total**	**2005 Total**	**% Change**
	($/boe)	**($/boe)**	
Realized price	**49.08**	71.65	(32)
Royalties (net of ARTC)	**(12.01)**	(18.42)	(35)
Operating expenses	**(6.21)**	(6.82)	(9)
Transportation expenses	**(0.82)**	(1.53)	(46)
Operating	**30.04**	44.88	(33)
G&A	**(1.95)**	(7.48)	(74)
Interest expense	**(1.60)**	(0.19)	742
Interest and other income	**0.10**	-	-
Current income taxes	**0.33**	(4.97)	(106)
Cash flow	**26.92**	32.24	(17)
Stock based compensation	**(2.30)**	(1.75)	31
D,D&A	**(24.71)**	(14.89)	66
Future income taxes	**1.24**	(4.29)	(129)
Net earnings	**1.15**	11.31	(90)

CASH FLOW AND NET EARNINGS

Cash flow from operations for 2006 was $24,103. While natural gas prices declined 32% throughout 2006 from 2005 levels, this was offset by significant gains in production volumes and a reasonably low operating cost environment. Consequently, Vero was able to realize significant growth in cash flow. Net earnings were higher by 56% over 2005. The increase in earnings was limited by the large DD&A and stock based compensation expense. These large expenses are mitigated somewhat by the favourable effects of new tax legislation which gave the company a significant recovery of future income taxes in the year. Cash flow from operations was calculated as follows:

	2006	2005	% Change
Net earnings	**1,035**	665	56
Adjustments for:			
Depletion, depreciation and accretion	**22,125**	876	2,426
Future income tax (recovery)	**(1,113)**	252	(542)
Stock based compensation expense	**2,056**	103	1,896
Cash flow from operations	**24,103**	1,896	1,171

On a per share basis, the basic and diluted earnings per share were the same at $0.04 for 2006. Cash flow per share was $0.98 (basic and diluted).

Per share data ($)	**2006**	2005	% Change
Net earnings			
Basic	**0.04**	0.07	(43)
Diluted	**0.04**	0.07	(43)
Cash flow			
Basic	**0.98**	0.20	390
Diluted	**0.98**	0.20	390

CAPITAL EXPENDITURES

Vero spent $56,726 on its capital program in 2006 while drilling 35 (21.0 net) wells with an average working interest of 60%. The Company had a 91% success rate in wells drilled in 2006 as compared to 66% in 2005. Vero also completed numerous optimization and facility upgrade projects during the year, which will benefit future periods' production in our core areas. All of these successes translated into the large production and reserve growth during the year.

Capital expenditures	**2006**	2005	% Change
Exploration and development			
Land acquisitions and lease rentals	**4,468**	656	581
Geological and geophysical	**855**	61	1,302
Drilling and completions	**36,148**	5,632	542
Well equipment and facilities	**15,555**	1,446	976
Disposals	**(300)**	-	-
Exploration and development expenditures	**56,726**	7,795	628
Other expenditures	**141**	27	422
Total capital expenditures	**56,867**	7,822	627
Acquisitions (cash cost)	**18,887**	6,052	212
Net capital expenditures before ARO	**75,754**	13,874	446
Capitalized asset retirement obligations	**636**	57	1,016
Total capital additions	**76,390**	13,931	448

	2006		2005	
Wells drilled	**Gross**	**Net**	Gross	Net
Exploration	**4**	**3.3**	-	-
Development	**22**	**12.3**	4	2.5
Dry holes	**2**	**2.0**	2	1.3
Standing wells	**7**	**3.4**	-	-
Total wells	**35**	**21.0**	6	3.8
Success rate	**94%**	**91%**	67%	66%

For 2007, Vero has an initial capital budget of $50 million with the drilling of approximately forty wells. The Company's drilling success in 2006 has given it the technical information and the resources to take advantage of the numerous drilling opportunities it has in its inventory. The capital program for 2007 will be dependent on many factors such as: weather, commodity prices, rig and services availability and success rates on wells that may require follow-up locations.

FINDING, DEVELOPMENT AND ACQUISITION COSTS ("FD&A")

Vero's F&D costs (excluding future capital) associated with its own exploration and development program were $18.06 on a proved basis and $14.39 on a proved and probable basis.

Vero's FD&A costs (including future capital) associated with the 2006 and 2005 capital programs are presented in the below tables. The costs used in the FD&A calculation are the capital costs related to: land acquisition and retention; drilling; completions; tangible well site; tie-ins; and facilities, plus the change in estimated future development costs as per the independent reserve report. These costs exclude any dispositions of properties. Due to the timing of capital costs and the subjectivity in the estimation of future costs, the aggregate of the exploration and development costs incurred in the most recent financial year and the change during that year in estimated future development costs generally will not reflect total finding and development costs related to reserve additions for that year. For the acquisition from True under the Plan of Arrangement, the cost used was the aggregate of the cash paid to True plus the value of the Vero shares issued the True shareholders on closing. The reserves used in this calculation are gross company reserve additions plus or minus technical revisions. Gross company reserves are defined as the total working interest share before deduction of royalties payable to others and without including any royalty interest of Vero.

2006 F&D Costs	**Proved**	**Proved plus Probable**
Capital costs		
Exploration & development	**57,026**	**57,026**
Acquisitions, net of dispositions	**67,570**	**67,570**
Total capital – proved	**124,596**	**124,596**
Change in future costs	**(1,623)**	**12,338**
Total capital – P + P	**122,973**	**136,934**
Reserve Additions		
Exploration & development	**3,157**	**3,964**
Acquisitions, net of dispositions	**1,263**	**1,478**
	4,420	**5,442**
Finding & development costs ($/boe)		
Finding & development costs	**$ 17.55**	**$ 17.50**
Acquisitions, net of dispositions	**$ 53.49**	**$ 45.71**
Finding, development & acquisition costs	**$ 27.82**	**$ 25.16**
Finding & development costs (excluding future capital)	**$ 18.06**	**$ 14.39**
Finding, development & acquisition costs (excluding future capital)	**$ 28.19**	**$ 22.89**

2005 F&D Costs	Proved	Proved plus Probable
Capital costs		
Exploration & development	7,795	7,795
Acquisitions, net of dispositions	27,198	27,198
Total capital – proved	34,993	34,993
Change in future costs	6,469	7,356
Total capital – P + P	41,462	42,349
Reserve Additions		
Exploration & development	1,110	2,484
Acquisitions, net of dispositions	1,374	2,016
	2,484	3,517
Finding & development costs ($/boe)		
Finding & development costs	$ 12.85	$ 10.09
Acquisitions, net of dispositions	$ 19.79	$ 13.49
Finding, development & acquisition costs	$ 16.69	$ 12.04
Finding & development costs (excluding future capital)	$ 7.02	$ 5.19
Finding, development & acquisition costs (excluding future capital)	$ 14.09	$ 9.95

Two-year average F&D Costs	Proved	Proved plus Probable
Capital costs		
Exploration & development	64,821	64,821
Acquisitions, net of dispositions	95,068	95,068
Total capital – proved	159,589	159,589
Change in future costs	4,846	19,695
Total capital – P + P	164,435	179,284
Reserve Additions		
Exploration & development	4,267	5,465
Acquisitions, net of dispositions	2,637	3,494
	6,904	8,959
Finding & development costs ($/boe)		
Finding & development costs	$ 16.33	$ 15.46
Acquisitions, net of dispositions	$ 35.94	$ 27.12
Finding, development & acquisition costs	$ 23.82	$ 20.01
Finding & development costs (excluding future capital)	$ 15.19	$ 11.86
Finding, development & acquisition costs (excluding future capital)	$ 23.11	$ 17.81

NI 51-101 gives direction on how finding and development ("F&D") costs are calculated. The requirement is that exploration and development costs incurred in the year, plus the change in estimated future development costs be combined and then divided by the applicable reserve additions. The calculation excludes the effects of acquisitions and dispositions on both reserves and costs. By excluding the effects of acquisitions and dispositions Vero believes that the provisions of NI 51-101 do not fully reflect the Company's ongoing F&D and reserve replacement costs. Accordingly the Company also provides finding, development and acquisition costs that incorporate all acquisitions net of any dispositions during the year.

LAND HOLDINGS

The undeveloped land holdings (all Alberta) at December 31, 2006 and 2005 are as follows:

	2006			2005		
Area	**Gross Acres**	**Net Acres**	**Average WI %**	Gross Acres	Net Acres	Average WI %
Corbett	**19,200**	**15,136**	**79**	31,040	18,400	59
Edson	**18,400**	**10,003**	**54**	14,720	9,267	63
Whitecourt	**38,240**	**32,586**	**85**	37,440	30,426	81
Other Alberta	**20,480**	**12,516**	**61**	11,200	8,099	72
Total	**96,320**	**70,241**	**73**	94,400	66,192	70

NET ASSET VALUE

The following net asset value calculation takes into account the net present value of Vero's reserves as calculated by the independent evaluators. It does not take into account any of Vero's ability to add reserves through extensions to its existing properties beyond what is included in the 2006 year-end reserve report. The decline is mainly attributable to the significant drop in pricing assumptions used by the independent evaluators from December 31, 2005 to December 31, 2006. For Vero's predominant product, natural gas, the price used in the first year of the December 31, 2006 price deck was $7.72/mcf as compared to $10.93/mcf in the price deck of December 31, 2005. This represents a decline of 42%. The price decline for gas in the December 31, 2006 reserve report was the result of the rapid increase in storage levels resulting from the warm winter of 2005/2006 and the lack of any significant hurricane activity in the summer of 2006. The calculation uses the independent evaluators' forecast prices, uses a discount rate of 10% and is before income taxes. Land values are calculated based on Vero's net undeveloped acreage multiplied by the corporate net value per acre of $277 as assessed by an independent evaluator as at December 31, 2006. Diluted shares used in the calculation are based on the in-the-money options using the closing price of Vero shares at December 31, 2006.

Net asset value 2006	Discounted at 10% - Before Income Tax 2006	2005
Proved plus probable reserves	**150,300**	76,116
Undeveloped land	**19,457**	13,372
Net debt	**(49,540)**	8,411
Option exercises (in-the-money)	**11,204**	7,792
Net asset value	**131,421**	105,691
Diluted shares (in the money)	**28,108**	20,621
Net asset value per share	**$4.68**	$5.13

LIQUIDITY AND CAPITAL RESOURCES

Debt and working capital	2006	2005
Bank debt	**35,651**	-
Working capital deficiency (surplus)	**13,889**	(8,412)
Net debt (surplus)	**49,540**	(8,412)

Capital Program Funding	2006	2005
Funds provided by operations	**24,103**	1,896
Change in bank debt	**35,651**	-
Issuance of shares, net of costs	**12,061**	20,390
Change in non-cash working capital	**9,936**	4,111
	81,751	26,397

The Company funded its $56,867 in internal exploration and development expenditures and the $18,887 in cash outlays on the corporate acquisition from a variety of resources. Vero had a surplus working capital position it carried forward from 2005 of $8,412. In addition, cash flow of $24,103 for the year-to-date and a private placement in April, which netted the company $12,061 were direct cash injections. The balance was funded by increases to Vero's bank facility and the change in accounts payable. All of these transactions resulted in net debt of $49,540 at December 31, 2006. As of the date of the MD&A the Company has received approval from its banker to increase its credit facility to $70 million. Based on the Company's 2007 forecast this new facility plus the cash flow generated during the year will be more than sufficient to fund its capital program and service its current net debt.

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, 2006. The bank facility is subject to periodic borrowing base reviews. The credit facility is subject to a borrowing base review by the bank. The review for 2007 and relating to the December 31, 2006 reserve report is now complete. The next scheduled facility review is August of 2007.

Corporate working-capital liquidity is maintained by drawing from the unutilized facility as needed and then repaying it periodically through the receipt of production revenues. As new reserves are added and as the financing needs of the company are expanded, Vero will apply for interim reviews of the facility with a view to upgrading it.

Below is a summary of the trading history of the Company for 2006 and 2005.

	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Q4 2005
High	**6.70**	6.00	7.06	7.18	5.70
Low	**4.20**	4.60	5.02	5.00	4.02
Close	**6.06**	4.69	5.43	6.15	5.31
Volume (000's)	**3,467**	3,683	3,773	11,409	5,867

OFF BALANCE SHEET TRANSACTIONS

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

RELATED PARTY TRANSACTIONS

On the date Vero was created, the Company was considered to be related to True Energy Trust (“True”) as we had a common shareholder base. Since then, Vero commenced trading on the Toronto Stock Exchange on November 7, 2005. The Company also completed a private placement in April of 2006 wherein 2,131,000 Vero shares were issued. In addition, Vero issued 4,755,000 shares in the course of the corporate acquisition in February. Therefore, since Vero no longer has the same shareholder base as True, and the board of directors and management of Vero is separate and distinct from True, the Company did not consider itself related to True during 2006.

CONTRACTUAL OBLIGATIONS

The Company is obligated, at December 31, 2006 to make the following payments under the terms of long-term contracts it has entered into:

		Payments Due by Period		
	Total	**Less than 1 year**	**1-3 Years**	**4-5 Years**
Transportation obligations	**90**	23	46	21
Head Office Lease	**4,019**	758	1,820	1,441
Farm-in obligations	**2,640**	2,640	-	-
Total contractual obligations	**6,749**	3,421	1,866	1,462

Vero entered into a four-year lease for its new head office space effective December 21, 2006. Vero will be moving to the new premises on March 1, 2007. 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. As at December 31, 2006 Vero had committed to drill a total of seven wells in Alberta with varying commencement dates in 2007 pursuant to farm-in agreements with industry partners.

SHARE CAPITAL

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

(000's)	**March 8, 2007**	**December 31, 2006**	December 31, 2005
Common shares outstanding	**25,907**	**25,907**	19,021
Stock options outstanding	**2,327**	**2,321**	1,600
Fully diluted shares	**28,234**	**28,228**	20,621
Weighted average common shares			
Basic	**-**	**24,589**	9,379
Diluted	**-**	**24,589**	9,379

SELECTED QUARTERLY INFORMATION

The Company has been operating since November 2, 2005. Therefore quarterly information is available only from that date forward. The results for the fourth quarter of 2005 are for sixty days of operations only.

	2006				2005
(000's except as noted)	**Q4**	Q3	Q2	Q1	Q4
Production (boe/d)	**3,301**	2,713	2,350	1,427	980
Average prices realized ($/boe)	**48.89**	45.82	49.44	55.26	71.65
Production revenue	**14,846**	11,436	10,571	7,096	4,212
Net earnings	**688**	16	79	252	665
Basic - per share ($/share)	**0.03**	-	-	0.01	0.07
Diluted - per share ($/share)	**0.03**	-	-	0.01	0.07
Cash flow	**7,835**	6,280	5,854	4,133	1,896
Basic - per share ($/share)	**0.31**	0.24	0.23	0.20	0.20
Diluted - per share ($/share)	**0.31**	0.24	0.23	0.20	0.20
Total assets	**166,858**	155,480	142,344	132,787	53,131
Long term financial liabilities	**-**	-	-	-	-
Net debt (surplus)	**49,540**	39,409	30,133	35,768	(8,412)
Dividends paid	**-**	-	-	-	-

FOURTH QUARTER 2006

The fourth quarter was an active one for the Company. Vero delivered its fourth consecutive quarter of production increases, which translated directly into a 30% increase in revenues and a 25% gain in cash flow from operations and cash flow per share. Daily average production for the quarter was up by 22% to 3,301 boe/d as compared to 2,713 boe/d in the third quarter. All of this production growth came through the drill bit.

Operating netbacks averaged $29.27 in the fourth quarter compared to $28.38 in the third quarter. Cash flow netbacks were up by 3% to $25.80 in the fourth quarter from $25.16 in the third quarter. Highlights of the fourth quarter are as follows:

	Three months ended,			Sixty days ended,	
	December 31, 2006	September 30, 2006	%	December 31, 2005	%
Financial ($000's)					
Production revenue	**14,846**	11,436	30	4,212	252
Cash flow from operations	**7,835**	6,280	25	1,896	313
Basic - per share ($/share)	**0.31**	0.24	29	0.20	50
Diluted - per share ($/share)	**0.31**	0.24	29	0.20	50
Net earnings (loss)	**688**	16	2,781	665	(33)
Basic - per share ($/share)	**0.03**	-	-	0.07	(71)
Diluted - per share ($/share)	**0.03**	-	-	0.07	(71)
Capital expenditures (net)	**17,966**	15,556	15	35,021	(49)
Net debt (surplus)	**49,540**	39,409	26	(8,411)	689
Share Capital (000's)					
Basic, weighted average	**25,907**	25,907	-	9,379	176
Basic, end of period	**25,907**	25,907	-	19,021	36
Diluted	**25,907**	25,907	-	9,379	176
Fully diluted	**28,228**	28,228	-	20,621	37
Daily Sales Volumes					
Natural gas volumes (mcf/d)	**15,247**	12,424	23	3,786	303
Light/medium oil ($/bbl)	**299**	306	(2)	271	10
Liquids (boe/d)	**460**	336	37	78	490
Corporate (boe/d)	**3,301**	2,713	22	980	237
Average Prices Realized					
Natural gas ($/mcf)	**7.77**	6.21	25	12.60	(38)
Light Oil ($/bbl)	**62.32**	77.52	(20)	63.84	(2)
Liquids ($/bbl)	**52.63**	69.70	(24)	66.83	(21)
Corporate ($/boe)	**48.89**	45.82	7	71.65	(32)
Netbacks ($/boe)					
Production revenue	**48.89**	45.82	7	71.65	(32)
Royalties	**(12.15)**	(10.88)	12	(18.42)	(34)
Operating	**(6.70)**	(5.70)	18	(6.82)	(2)
Transportation	**(0.77)**	(0.86)	(10)	(1.53)	(50)
Operating netback	**29.27**	28.38	3	44.88	(35)
General and administrative	**(1.66)**	(1.55)	7	(7.48)	(78)
Interest	**(1.81)**	(1.69)	7	(0.19)	853
Current taxes	**-**	-	-	(4.97)	-
Other income	**-**	0.02	-	-	-
Cash flow netback	**25.80**	25.16	3	32.24	(20)
Stock-based compensation	**(1.82)**	(2.45)	(26)	(1.75)	(4)
DD&A	**(21.37)**	(24.60)	(13)	(14.89)	44
Future taxes	**(0.34)**	1.94	118	(4.29)	(92)
Net earnings	**2.27**	0.05	4,440	11.31	(80)

RISK MANAGEMENT

The risks in the oil and gas industry are varied and wide-ranging. The primary risks and how the Company mitigates them are as follows:

Commodity price and exchange rate volatility
Revenues and consequently cash flows fluctuate with commodity prices and the US/Canadian dollar exchange rate. While the industry as a whole is experiencing strong commodity prices there is no certainty as to whether these price levels are sustainable. Commodity prices are determined on a 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 determining and 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.

The maturing Western Canadian Sedimentary Basin
Land and producing assets are becoming increasingly scarce and expensive. The Company mitigates these risks by developing core areas to gain efficiencies. 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 are experiencing increased costs for services that are become more and more strained under demands for them. The Company mitigates these risks by entering into 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 mitigates increasing operating costs.

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; develops a strong Board of Directors and engages technical advisors to assist in meeting securities guidelines. In addition the industry is experienced increased competitiveness with respect to finding and retaining qualified employees. Retention is mitigated with the judicious use of 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. 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 either the nature of those requirements or the impact on the Company and its operations and financial condition.

Vero continually reviews its environmental risks and to the best of our knowledge the Company is in compliance with all regulations. Also, the Company takes a responsible attitude to abandoning unproductive assets. Each year, we identify certain of these assets and commence the abandonment process. In addition, if during the drilling of a new well it is determined that it is unproductive, immediate plans are made for an abandonment of that well.

CRITICAL ACCOUNTING POLICIES AND 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 2005 except for Goodwill as described below.

Full cost accounting

The Company follows the full cost method of accounting for petroleum and natural gas operations, whereby all costs relating to the Energy and development of petroleum and natural gas reserves are capitalized on a country-by-country cost centre basis. Such costs include land acquisition costs, costs of drilling both productive and non-productive wells, well equipment, flow-line and facility costs, geological and geophysical expenses and overhead expenses directly related to exploration and development activities. Gains or

losses on sales of properties are recognized only when crediting the proceeds to the recorded costs would result in a change of 20% or more in the depletion and depreciation rate. The aggregate of capitalized costs, net of certain costs related to unproved properties, and estimated future development costs are amortized using the unit-of-production method based on estimated proved reserves of petroleum and natural gas before royalties as determined by independent petroleum engineers. Changes in estimated proven reserves or future development costs have a direct impact on depletion and depreciation expense.

Certain costs related to unproved properties and major development projects may be excluded from costs subject to depletion until proved reserves have been determined or their value is impaired. These properties are reviewed quarterly to determine if proved reserves should be assigned to them. If proved reserves are assigned to the properties, the costs are included in the depletion calculation.

Oil and natural gas reserves

Estimates of oil and natural gas reserves are projections based on geological and engineering data. There are uncertainties inherent in these projections including the interpretation of data and the projection of future rates or production and the timing of developmental expenditures. Reserve engineering is an analytical process of estimating below ground accumulations of oil and natural gas that are difficult to measure. The accuracy of any reserve estimate is a function of the quality of available data, engineering and geological interpretation and judgment. The Company's proved oil and gas reserves are evaluated and reported on annually by an independent, qualified, petroleum-engineering consultant. The estimation of reserves is a subjective process. Forecasts are based on engineering data, projected future rates of production, estimated commodity price forecasts and the timing of future expenditures, all of which are subject to a number of uncertainties and various interpretations. The Company expects that over time its reserve estimates will be revised upward or downward based on updated information such as the results of future drilling, testing and production levels. Reserve estimates can have a significant impact on net earnings, as they are a key component in the calculation of depletion. A revision to the reserves estimate could result in a higher or lower D,D&A charge to net earnings. Downward revisions to reserve estimates could also result in a write-down of oil and natural gas property, plant and equipment under the ceiling test described below.

Ceiling test

Under full cost accounting, a ceiling test is performed to ensure that unamortized capitalized costs in each cost center do not exceed their fair value. The carrying value of property, plant and equipment is reviewed annually for impairment. Impairment will occur when the carrying amount of the property, plant and equipment minus the sum of the undiscounted cash flows expected to result from the Company's proved reserves yields a negative result. The cash flows are calculated based on third party quoted forward prices and adjusted for the Company's contract and/or hedged prices as well as

quality differentials. If there were impairment, the magnitude of it would be calculated by comparing the carrying amount of property, plant and equipment to the estimated net present value of future cash flows from proved plus risked probable reserves. A risk-free interest rate is used to arrive at the net present value of the future cash flows. Any excess carrying value above the net present value of future cash flows would be recorded as a permanent impairment and charged as additional depletion expense in the Consolidated Statement of Earnings. No write-down was required at December 31, 2006.

Goodwill

Goodwill represents the excess purchase price over the fair value of identifiable assets and liabilities acquired in the private company acquisition on February 24, 2006. Goodwill is not amortized. However, goodwill impairment will be assessed annually at December 31, or as economic events dictate, by comparing the fair value of the reporting unit to its carrying value, including goodwill. If it is determined that the fair value of the reporting units assets and liabilities is less than its carrying value, an impairment amount is determined by deducting the fair value of the reporting unit from its book value and applying it against the book balance of goodwill. The offset is charged to the Consolidated Statement of Earnings as additional DD&A.

Asset retirement obligations

The Company recognizes the fair value of an asset retirement obligation (”ARO”) in the period in which it is incurred when a reasonable estimate of fair value can be made. The obligations recognized are estimates of statutory, contractual or legal obligations that the Company will reasonably be expected to incur and then discounted to its present value using the Company's credit adjusted risk-free interest rate. The fair value of the estimated ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount is depleted on a unit-of-production basis over the life of the reserves. The liability amount is increased each reporting period due to the passage of time and the amount of this accretion is charged to earnings in the period through charges to accretion expense. Actual costs incurred upon settlement of the retirement obligation are charged against the obligation to the extent of the liability recorded. Revisions to the estimated timing of cash flows or to the original estimated undiscounted cost would also result in an increase or decrease to the ARO. Any difference between the actual costs incurred upon settlement of the ARO and the recorded liability is recognized as a gain or loss in the Company's earnings in the period in which the settlement occurs. Determination of the original undiscounted costs is based on engineering estimates using current costs in accordance with existing legislation and industry practice. The estimation of these costs can be affected by factors such as the number of wells drilled, well depth, estimated future salvage values, location of the well and current environmental legislation. Actual payments to settle the obligations may differ from the estimated amounts.

Future income tax

The Company follows the liability method of accounting for income taxes. Under this method the Company records future income tax assets and liabilities based on "temporary differences" (differences between the accounting basis and the tax basis of the assets and liabilities) and are measured using the currently enacted, or substantively enacted tax rates and laws expected to apply when these differences reverse. Timing of future revenue streams and future capital spending changes can affect the timing of any temporary differences, and accordingly affect the amount of the future income tax liability calculated at a point in time. These differences could materially impact earnings. The effect of a change in substantively enacted income tax rates on future income tax assets and liabilities is recognized in income in the period that the change occurs.

The determination of the Company's income tax liability requires interpretation of complex laws and regulations involving multiple jurisdictions. All tax filings are subject to audit and potential reassessment. The actual income tax liability may differ significantly from the liability estimated or recorded.

Stock-based compensation

The Company has a stock based compensation plan enabling officers, directors and employees to purchase common shares at exercise prices equal to the market price on the date the option is granted. The Company uses the fair value method for valuing stock option grants. Compensation costs attributable to share options granted are measured at their fair value at the grant date and expensed over the expected exercise time period with a corresponding increase to contributed surplus. Upon exercise of the stock options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is credited to share capital. The assumptions used in calculating its stock based compensation expense are: the volatility of the stock price, risk-free rates of return and the expected lives of the options given that some will be forfeited upon termination of employment.

Financial Instruments

New Handbook Section 3855 sets out comprehensive requirements for recognition and measurement of financial instruments. Under this standard, an entity would recognize a financial asset or liability only when the entity becomes a party to the contractual provisions of the financial instrument. Financial assets and financial liabilities would, with certain exceptions, be initially measured at fair value. This section will be effective from January 1, 2007 onward.

Other estimates

The accrual method of accounting will require management to incorporate certain estimates of revenues, royalties, and production costs as at a specific reporting date but

for which actual revenue, royalties and other costs have not yet been received. In addition, the Company must estimate capital expenditures on capital projects that are in progress or recently completed where actual costs have not been received as of the reporting date.

Disclosure Controls and Procedures

As at December 31, 2006, an evaluation was carried out under the supervision of and with the participation of the Company’s management, including the Chief Executive Officer and Chief Financial Officer, of the design and effectiveness of the Company’s disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as at December 31, 2006 to provide reasonable assurance that material information relating to the Company would be made known to them by others within the entity, particularly during the period in which the annual filings are being prepared. It should be noted that while the Corporation’s Chief Executive Officer and Chief Financial Officer believe that the Corporation’s disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Vero's Chief Executive Officer and Chief Financial Officer have designed or caused to be designed under their supervision, internal controls over financial reporting related to the Company 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. The Company's Chief Executive Officer and Chief Financial Officer are required to cause the Company to disclose herein any change in the Company's internal control over financial reporting that occurred during the Company's most recent interim period that has material affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. No material changes in the Company's internal control over financial reporting were identified during the three months ended December 31, 2006, that has materially affected, or are reasonably likely to materially affect, the Company's internal control of 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.