

MANAGEMENT'S, DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") was prepared on April 30, 2008 and is management's assessment of the Company's financial and operating results for the quarter ended March 31, 2008. This MD&A should be read in conjunction with the audited, consolidated, financial statements of the Company for the year ended December 31, 2007 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.ca). 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, except 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", "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;*
- *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.*
- *The effects of weather and climate conditions;*
- *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 “cash flow from operations” and “netbacks” 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 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.

FINANCIAL HIGHLIGHTS FROM THE FIRST QUARTER OF 2008

Vero undertook another active first quarter. Ending 2007 with a strong balance sheet allowed the Company to be aggressive in its projects. We spent \$19,888 in the quarter including: \$14,292 drilling and completing 8 (5.5 net) wells; \$4,551 in equipping and tying-in new wells; and \$634 in acquiring new Crown land acreage in its core areas. The Company achieved a record quarterly production averaging 5,771 boe/d. While we saw natural gas prices strengthening to average \$8.51 in the quarter, the real story in the prices were the substantial increases in oil prices, which in turn increase our natural gas liquids prices. The combination of record production and increasing prices generated record cash flows for the Company of \$17,842 or \$0.60 per basic share. Below is the detailed discussion of the results from the first quarter.

DETAILED FINANCIAL REVIEW

PRODUCTION REVENUE AND VOLUMES

Vero increased aggregate production volumes by 32% in the first quarter of 2008 to 525,168 boe as compared to 398,663 boe in the first quarter of 2007. Production growth in the first quarter was largely attributable to the continued successful drilling program in Vero's core area of Edson. In addition, the first quarter of 2008 represents the first full quarter of operations from our recently built, 100% owned facility in Edson. The addition of the new facility has resulted in enhanced natural gas liquid recovery factors over what was received from third party facilities. The increase in oil volumes by 69% in the first quarter is the result of successful drilling in the Corbett area. Gas production contributed 77% of total volumes while liquids came in at 13% and oil at 10%. This compares to 80% for gas in the first quarter of 2007, liquids at 12% and oil at 8%. For the balance of 2008 it is anticipated that the weighting to natural gas will stay around the 80% level as the bulk of our remaining drilling program for 2008 is for natural gas targets.

Aggregate Sales Volumes

	Q1 2008	Q1 2007	% Change
Natural gas (mcf)	2,432,396	1,909,871	27
Light/medium oil (bbl)	51,569	30,590	69
Natural gas liquids (bbl)	68,199	49,761	37
Barrels of oil equivalent (boe)	525,168	398,663	32

Daily Sales Volumes

Daily sales volumes increased 30% to 5,771 boe/d in 2008 from 4,430 boe/d in the first quarter of 2007. The largest gains were realized from our oil well drilling program, which yielded a 67% increase in daily rates. Second quarter average production will include the impact of the corporate acquisition that closed on April 15, which has added between 400 and 500 boe/d to the corporate base. As a result of the acquisition and first quarter successful drilling, the annual average production guidance for 2008 has been increased to between 6,300 and 6,700 boe/d. Activity levels will be curtailed somewhat in the second quarter to levels necessary to drill wells started at the end of the first quarter, tie in tested production, and incur facility expenditures while break up continues. However, commencing in the latter part of the second quarter and then into the third quarter, Vero expects production to increase as our activity levels accelerate.

	Q1 2008	Q1 2007	% Change
Natural gas (mcf/d)	26,730	21,221	26
Light/medium oil (bbl/d)	567	340	67
Natural gas liquids (bbl/d)	749	553	36
Barrels of oil equivalent (boe/d)	5,771	4,430	30

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

Area	Q1 2008	Q1 2007	% Change
Edson	4,001	2,640	52
Corbett	889	471	89
Whitecourt	452	522	(13)
Wilson Creek	302	627	(52)
Other	127	171	(26)
Total	5,771	4,430	30

Benchmark Indices

	Q1 2008	Q1 2007	%
Natural gas			
NYMEX (US \$/mmbtu)	8.08	6.96	16
AECO- Daily (CDN \$/mcf)	7.97	7.41	8
Crude Oil			
WTI (US \$/bbl)	97.86	58.16	68
Edmonton light (CDN \$/bbl)	97.50	67.09	45
Foreign Exchange			
Canadian to US dollar	1.00	1.17	(15)
US to Canadian dollar	1.00	0.85	17

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 8% higher in 2008 as compared to 2007 levels. Even though drilling activity was curtailed in 2007 as the result of relatively flat prices and increasing costs, there was no appreciable increase in gas prices due to slowing demand in the U.S. A colder start to the 2007/2008 winter gave rise to the increase in AECO prices. WTI oil prices experienced a significant increase of 68% in 2008. Supply issues are still a global concern as demand in India and China accelerates along with their economies. The Canadian dollar moved to parity with the US dollar throughout the first quarter of 2008 as compared to the first quarter of 2007 wherein the Canadian dollar was ahead of its US counterpart. This had the effect of somewhat muting the 68% increase in WTI prices as the Edmonton light oil benchmark price increased by only 45%.

Commodity prices realized by the Company for the respective quarters were as follows:

<i>Commodity Prices Realized</i>	Q1 2008	Q1 2007	Change %
Natural gas (\$/mcf)	8.51	8.23	3
Light/medium oil (\$/bbl)	88.07	62.20	42
Natural gas liquids (\$/bbl)	86.89	55.86	56
Barrels of oil equivalent (\$/boe)	59.35	51.19	16

Realized natural gas prices increased by a modest 3% in the first quarter of 2008 compared to 2007. However, because of the higher quality of Vero's natural gas, we averaged a 7% premium to the AECO standard throughout the quarter. Vero realized oil prices increased by 42% in 2008 compared to 2007 which is similar to the increase of 45% in the Edmonton light oil benchmark. Natural gas liquids prices showed a 56% increase in 2008 as the normal discount Vero traditionally realizes from oil price benchmarks to our liquids pricing diminished in the quarter. This was due to our relatively higher proportion of pentane production in the quarter which more closely

parallels oil pricing. Gas prices continue to be strong into April and this bodes well for Vero's decision to be aggressive in its capital spending in the first quarter.

Production revenue

Vero realized a 53% increase in aggregate revenues in the first quarter of 2008. While natural gas prices increased modestly by 3% in 2008 from the first quarter of 2007, the significant increases in revenue were mainly attributable to the 69% increase in oil production coupled with the 42% increase in the realized price of a barrel of oil. Liquids revenue produced a similar effect as volumes increased by 37% while realized prices appreciated by 56%. Revenue from natural gas comprised 66% of first quarter 2008 total revenues as compared to 77% in 2007. Oil revenues rose to 15% of total revenues and liquids revenue increased to 19% in 2008 as well. The increase in relative production from oil and liquids, coupled with the higher prices for these products contributed significantly to their proportionate increase in revenues.

<i>Production Revenue</i>	Q1 2008	Q1 2007	% Change
Natural gas	20,700	15,725	32
Light/medium oil	4,542	1,903	139
Natural gas liquids	5,926	2,779	113
Production revenue	31,168	20,407	53

ROYALTIES

Royalties were \$8,492 for the first quarter of 2008 as compared to \$5,645 for the first quarter of 2007. The increase parallels the significant increase in production revenues in 2008. On a per boe basis the rate increased to \$16.17 due to higher Crown royalty rates on the flush production from our newly drilled wells. However, as a percentage of revenue, the rate for 2008 was similar to 2007 as royalty expense averaged 27.2% of production revenue in the first quarter of 2008 as compared to 27.7% in 2007. Vero anticipates this rate to remain at approximately the first quarter levels as our drilling mix between Crown and farm-in lands with royalty interests will remain similar.

	\$			\$/boe		
	Q1 2008	Q1 2007	%	Q1 2008	Q1 2007	%
Crown – gross	7,571	5,029	51	14.42	12.61	14
Freehold/gross over-riding	921	617	49	1.75	1.55	13
Total royalties	8,492	5,645	50	16.17	14.16	14
Royalties - % of revenue	27.2%	27.7%	(2)	27.2%	27.7%	(2)

RISK MANAGEMENT ACTIVITIES

During the first quarter of 2008, the Company entered into the following commodity contracts:

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

These hedges are considered to be financial derivatives wherein the fair value of the contract was recognized on the balance sheet with changes in fair value recorded in income. For the quarter ended March 31, 2008, the unrealized loss from the Company's hedging contracts was \$3,468. Realized gains or losses are recorded in income in the period in which they occur. There were no realized gains or losses on hedges in the first quarter of 2008 or 2007.

DEPLETION, DEPRECIATION AND ACCRETION (“DD&A”)

Aggregate DD&A decreased from \$8,907 in the first quarter of 2007 to \$8,753 in the first quarter of 2008. Successful drilling has brought the per boe rate down from \$22.34 in 2007 to \$16.67 in 2008 and represents a 25% decrease. The decrease in the DD&A rate from 2007 was primarily due to the positive reserve additions in the last half of 2007 and the first quarter of 2008. For the balance of 2008 we anticipate the DD&A rate to be in the \$17-\$20 range.

	\$			\$/boe		
	Q1 2008	Q1 2007	%	Q1 2008	Q1 2007	%
Depletion and depreciation	8,700	8,869	(2)	16.57	22.25	(26)
Accretion on ARO	53	38	42	0.10	0.09	11
Total DD&A	8,753	8,907	(2)	16.67	22.34	(25)

OPERATING

Operating costs were \$2,694 or \$5.13 per boe in the first quarter of 2008 as compared to \$2,512 and \$6.30 per boe respectively in the first quarter of 2007. Aggregate operating costs increased by only 7% while we were able to increase production volumes by 32%. Vero was able to reduce its' per boe operating costs by 19% in the first quarter of 2008 compared to 2007. The decrease was mainly attributable to the reduction in third party processing fees. A significant portion of the gas in the Edson area that was previously being processed by third parties is now being diverted to Vero's 100% owned and operated processing facility thereby eliminating a significant amount of fees. In addition,

improvements to facilities in the Corbett area have allowed us to reduce our processing costs and water disposal costs by approximately \$50 per month in that area. The Company continues to enjoy a low operating cost environment due to the concentration of operations in West Central Alberta and by the construction of its own processing facilities. For the balance of 2008 it is anticipated the per boe expense will remain consistent with first quarter level.

<i>Operating</i>	Q1 2008	Q1 2007	% Change
Expense per financial statements	2,694	2,512	7
Add: processing income	147	4	3,558
Gross expense	2,841	2,516	13
Operating expense (\$ per boe)	5.13	6.30	(19)
Net expense (% revenue)	8.6%	12.3%	(30)

TRANSPORTATION

Transportation expenses were \$626 for the quarter and amounted to 2.0% of production revenue for the period. For the year-to-date in 2008 the cost per boe averaged \$1.19, which is 27% higher than the rate for the first quarter of 2007. 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 relatively consistent with that of the first quarter as the majority of these costs are variable in nature.

<i>Transportation</i>	Q1 2008	Q1 2007	% Change
Expense	626	375	67
Expense (\$ per boe)	1.19	0.94	27
Expense (% revenue)	2.0	1.8	11

GENERAL AND ADMINISTRATIVE (G&A)

Aggregate G&A expense increased 20% to \$1,276 in 2008 from \$1,061 in 2007. Net G&A increased 28% to \$892 for the same period. Numerous factors caused the increase in G&A including additional staff requirements to accommodate the increase in activity. In addition, we moved to new office space in March of 2007 with higher rental rates. The impact of the move was only partially realized in 2007 wherein the full impact was realized in 2008. However, all of these additional costs were averaged over higher production levels in 2008 and therefore the per boe rate decreased. Vero's increased production levels have given us the ability to achieve a low G&A cost per boe environment. On a per boe basis Vero realized net G&A of \$1.70 as compared to \$1.74 in

2007. This represents a 2% reduction in net G&A costs on a per boe basis. Overhead recoveries decreased by 3% in 2008 as compared to 2007. 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 of its technical staff, which are directly related to exploration and development activities. G&A capitalized for the first quarter of 2008 was \$134, representing a 25% increase from the same quarter in 2007.

G&A	Q1 2008	Q1 2007	% Change
Gross expense	1,276	1,061	20
Less:			
Overhead recoveries	(250)	(259)	(3)
Capitalized G&A	(134)	(108)	25
Net expense	892	694	28
Average cost (\$ per boe)			
Gross expense	2.44	2.66	(8)
Net expense	1.70	1.74	(2)

INTEREST AND BANK CHARGES

Interest expense for the first quarter of 2008 decreased 8% to \$622 from \$677 in the first quarter of 2007. While average, interest-bearing debt increased by 4% in 2008 compared to 2007, the effective interest rate declined by 5% to offset this. Higher debt levels are attributable to the extensive capital expenditure program throughout the first quarter of 2008. These higher debt levels were mitigated by the private placement that we closed on February 28, which provided a net cash infusion of \$16,761. The per boe interest expense rate was \$1.18 for the first quarter of 2008 as compared to \$1.70 for the first quarter of 2007, representing a 31% decrease quarter to quarter. With the private placement, equity injection in February, and the cash flow from the successes in the first quarter, it is anticipated that the interest cost per boe will decrease in the second quarter and then rise slightly for the third and fourth quarters as the capital expenditure program is ramped up again.

<i>Interest and bank charges</i>	Q1 2008	Q1 2007	% Change
Interest per financial statements	622	677	(8)
Deduct: Commitment & other fees	(2)	(52)	(96)
Debt bearing interest	620	625	(1)
Average debt outstanding	43,038	41,230	4
Average interest rate	5.8%	6.1%	(5)
Average interest cost (\$ per boe)	1.18	1.70	(31)

STOCK BASED COMPENSATION

Stock based compensation expense was \$186 for the first quarter of 2008 as compared to \$426 for the first quarter of 2007. The 56% decrease in expense is attributable to the unamortized expense hitting its peak in 2007 and also that there were relatively few new option issuances through the last half of 2007 and first quarter of 2008. As a result, the expense in the first quarter is significantly lower. The per boe rate dropped 67% from 2007 levels as a result of significantly increased production in 2008 as well as the declining unamortized expense balance. The fair value of all stock options is amortized over the options' vesting period, which is three years for all options granted.

<i>Stock Based Compensation</i>	Q1 2008	Q1 2007	% Change
Expense	186	426	(56)
Expense (\$ per boe)	0.35	1.07	(67)

INCOME TAXES

The income tax provision for the first quarter of 2008 was \$1,652 and was comprised entirely of future income taxes. The provision represents a 267% increase over the tax expense for the comparable period in 2007. All tax benefits from the future rate reductions were realized in the second and fourth quarters of 2007. As a result, the effective tax rate declined from 38.3% in 2007 to 30.4% in 2008.

Pursuant to the flow-through share private placement financing, which closed in April of 2007 the Company entered into a commitment to renounce \$10,875 of exploration expenses to subscribers by December 31 of 2007. As at March 31, 2008, there were no outstanding amounts to be spent to fulfill this commitment. The Company entered into another flow-through share financing in February of 2008. Under this financing Vero is committed to renounce \$17,945 of exploration expenses to subscribers by December 31, 2008. As of March 31, 2008, \$282 had been expended leaving \$17,663 to be spent by December 31, 2009. The tax effects of the renunciations are recorded when the documents relating to the renunciation are filed with the tax authorities. The tax effect of the April 2007 flow-through financing was recognized in the first quarter of 2008 and it is anticipated that the tax effect of the February 2008 financing will be recorded in the first quarter of 2009. At the time the renunciation is made the estimated tax effect of the foregone tax benefits is charged to share capital with a corresponding increase to the future income tax liability.

Taking into account projected spending for 2008 as well as the anticipated production levels and commodity prices, it is anticipated that Vero will not be cash taxable throughout the remainder of 2008. This assessment could change if the commodity prices continue to rise throughout the year and/or our capital spending profile changes.

	\$			\$/boe		
	Q1 2008	Q1 2007	%	Q1 2008	Q1 2007	%
Future income tax expense	1,652	449	267	3.14	1.13	178
Effective tax rate	30.4%	38.3%	(21)			

The estimated income tax pools available at March 31 for each year were follows:

<i>Tax Pools</i>	Rate %	Q1 2008	Q1 2007
Canadian exploration expenses	100	1,734	20,811
Canadian development expenses	30	48,284	37,943
Canadian oil and gas property expenses	10	29,110	28,166
Undepreciated capital costs	10 - 30	37,366	25,089
Financing costs	20%	2,831	1,061
Attributed Canadian Royalty Income	100 (Alberta)	3,310	3,884
Total		122,635	116,954

NETBACKS

Operating netbacks of \$36.86 per boe for the first quarter of 2008 were 24% higher than those realized for the first quarter of 2007. Leading the way for this increase was the 16% increase in average prices per boe. In addition, Vero was able to achieve operating cost efficiencies such that the operating expense per boe dropped 19% from \$6.30 in the first quarter of 2007 to \$5.13 in the first quarter of 2008. Likewise, cash flow netbacks were higher by 29% Vero decreased its G&A and interest costs by 2% and 31% respectively. Greater volumes produced and lower debt levels in the first quarter of 2008 contributed to these reductions. In arriving at the net earnings netback, the largest expense was DD&A, at \$16.67 per boe. Although the DD&A rate per boe decreased by 25% during the first quarter of 2008 compared to 2007, it is still the most significant non-cash component of our netback calculation. The second largest item was the unrealized loss on the mark-to-market measurement of the hedges Vero had. Although these hedges cover periods starting after March 31, 2008, the unrealized amount is brought into the income calculation. Stock based compensation expense declined by 67% due to the combination of increased production volumes and a smaller amortization base. Future income tax expense per boe in 2008 is higher relative to 2007 as the 2007 amounts include one time tax rate recoveries. It is anticipated that the corporate netback will stay at approximately this level for the rest of 2008.

<i>Netbacks (\$ per boe)</i>	Q1 2008	Q1 2007	% Change
Realized price	59.35	51.19	16
Royalties (net of ARTC)	(16.17)	(14.16)	14
Operating expenses	(5.13)	(6.30)	(19)
Transportation expenses	(1.19)	(0.94)	27
Operating netback	36.86	29.79	24
G&A	(1.70)	(1.74)	(2)
Interest expense	(1.18)	(1.70)	(31)
Cash flow netback	33.98	26.35	29
Unrealized loss on hedges	(6.60)	-	-
Stock based compensation	(0.35)	(1.07)	(67)
D,D&A	(16.67)	(22.34)	(25)
Future income taxes	(3.14)	(1.13)	178
Net earnings netback	7.22	1.81	299

<i>Natural gas (\$/mcf)</i>	Q1 2008	Q1 2007	% Change
Production revenue	8.51	8.23	3
Royalties (excluding ARTC)	(2.38)	(2.30)	3
Operating expenses	(0.75)	(0.69)	9
Transportation costs	(0.19)	(0.17)	12
Operating netback	5.19	5.07	2

<i>Crude oil (\$/bbl)</i>	Q1 2008	Q1 2007	% Change
Production revenue	88.07	62.20	42
Royalties (excluding ARTC)	(11.85)	(10.12)	17
Operating expenses	(8.25)	(8.55)	(4)
Transportation costs	(2.31)	(0.72)	221
Operating netback	65.66	42.81	53

<i>Natural gas liquids (\$/bbl)</i>	Q1 2008	Q1 2007	% Change
Production revenue	86.89	55.86	56
Royalties (excluding ARTC)	(30.82)	(18.90)	63
Operating expenses	(6.56)	(18.57)	(65)
Transportation costs	(1.10)	(0.75)	47
Operating netback	48.41	17.64	174

CASH FLOW AND NET EARNINGS

Cash flow from operations in the first quarter of 2008 was \$17,842, an increase of 70% from \$10,504 realized in the first quarter of 2007. The production volume increase of 32% and the increase in average commodity prices of 16% both contributed to the significant gains in cash flow. Net earnings were also higher by 424% from 2007 mainly as a result of the growth in production and the declining DD&A rate resulting from our successful drilling efforts. Cash flow from operations is calculated as follows:

	Q1 2008	Q1 2007	% Change
Net earnings	3,783	722	424
Adjustments for:			
Unrealized loss on risk management activities	3,468	-	-
Depletion, depreciation and accretion	8,753	8,907	(2)
Future income tax	1,652	449	268
Stock based compensation expense	186	426	(56)
Cash flow from operations	17,842	10,504	70

On a per share basis, Vero realized \$0.13 for both basic and diluted earnings per share. This was a 333% increase over the \$0.03 (basic and diluted) realized in the first quarter of 2007. Cash flow per share in the first quarter of 2008 was \$0.60 (basic) and \$0.59 (diluted) representing a 46% and 44% increase, respectively, from the \$0.41 realized in the first quarter of 2007.

<i>Per share data (\$)</i>	Q1 2008	Q1 2007	% Change
Net earnings	3,783	722	424
Basic	0.13	0.03	333
Diluted	0.13	0.03	333
Cash flow	17,842	10,504	70
Basic	0.60	0.41	46
Diluted	0.59	0.41	44

CAPITAL EXPENDITURES

Vero spent \$19,888 on its capital program in the first quarter of 2008. Included in this program was the drilling of 8 (5.5 net) wells as compared to 17 (10.9 net) wells in the first quarter of 2007. 72% of the Company's exploration and development capital was devoted to drilling new wells, of which 2 (1.3 net) were horizontal wells. A breakdown of the costs incurred during each quarter is as follows:

<i>Capital expenditures</i>	Q1 2008	Q1 2007	% Change
Exploration and development			
Land acquisitions and lease rentals	634	148	329
Geological and geophysical	406	1,552	(74)
Drilling and completions	14,292	19,441	(26)
Well equipment and facilities	4,551	3,271	39
Exploration and development expenditures	19,883	24,412	(19)
Other expenditures	5	8	(38)
Total capital expenditures	19,888	24,420	(19)
Property acquisition	-	2,478	-
Net capital expenditures before ARO	19,888	26,898	(26)
Capitalized asset retirement obligations	21	82	(74)
Total capital additions	19,909	26,980	(26)

<i>Wells drilled</i>	Q1 2008		Q1 2007	
	Gross	Net	Gross	Net
Exploration	2	1.2	2	0.8
Development	6	4.2	12	7.1
Dry holes	-	-	3	3.0
Total wells	8	5.5	17	10.9
Success rate	100%	100%	82%	72%

The Company once again front-end loaded its 2008 capital program such that it would not be caught up in what is becoming a regular, lengthy, spring break-up. Vero spent approximately 40% of its board-approved capital budget of \$50 million in the first quarter of 2008. Capital spending in the second quarter will be reduced to accommodate spring break-up and will resume later in that quarter and into the third quarter. Spending for the rest of the year 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.

LAND HOLDINGS

The undeveloped land holdings (all Alberta) at March 31, 2008 are as follows:

Area	Gross Acres	Net Acres	Average WI %
Corbett	16,320	14,400	88
Edson	27,040	17,255	64
Whitecourt	37,280	31,552	85
Other Alberta	18,720	12,988	69
Total	99,360	76,195	77

LIQUIDITY AND CAPITAL RESOURCES

	as at March 31,		
Debt and working capital	2008	2007	%
Bank debt	36,078	48,249	(25)
Working capital deficiency	14,449	17,685	(18)
Net debt	50,527	65,934	(23)

Capital Program Funding	Q1 2008	Q1 2007	%
Cash, beginning of period	-	-	-
Funds provided by operations	17,842	10,504	70
(Decrease) increase in bank debt	(9,935)	12,598	(179)
Share issuance, net of costs	16,761	-	-
Change in non-cash working capital	(4,780)	3,796	(226)
Net capital expenditures	19,888	26,898	(26)

The Company funded its \$19,888 in total capital expenditures from a variety of resources. Vero's cash flow from the first quarter of \$17,842 almost entirely funded the capital spending. In addition, Vero completed a private placement which added \$16,761 to its funds available for capital spending. The Company not only spent \$19,888 on its capital program, but the additional funds were used to decrease bank debt by \$9,935 and pay out net accounts payable of \$4,780. The net debt brought forward from December 31, 2007 of \$61,774 plus the financial activity of the first quarter culminated in net debt at March 31, 2008 of \$47,059. This net debt calculation excludes the \$3,468 of the mark-to-market liability for its natural gas hedges, which starts to take effect on April 1, 2008. Using annualized cash flow for the first quarter, this net debt level results in a net debt to cash flow ratio of 0.7x.

Vero continually revisits its capital program with a view to expanding it for additional projects it has in its inventory plus new projects made available to us through industry partners while operating within the limits approved by the Board. As a result of Vero management's assessment of the financial strength of the company, the strength of the commodity prices, and the resources and opportunities available to the company, the Board of Directors has approved a revised capital budget for 2008 of \$65,000. To fund the remaining capital program for 2008, Vero expects to generate an additional \$50-55 million of cash flow throughout the remaining three quarters of the year. Therefore, expected cash flows alone will be more than sufficient to fund the remaining capital program. In addition, the Company upgraded its bank line to \$90,000 in April as a result of a favourable borrowing base review. These resources give Vero the opportunity to expand its capital program while maintaining a very healthy balance sheet.

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, 2007. The bank facility is

subject to periodic borrowing base reviews. The most recent review by the bank was completed in April of 2008. Corporate working-capital liquidity is maintained by drawing from the unutilized facility as needed and then repaying it periodically through 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. The most recent bank review resulted in an increase in our credit facility to \$90,000. This upgraded facility will further enhance our flexibility to expand the capital program if warranted.

Below is a summary of the trading history of the Company's shares for 2008 and 2007.

	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
High	8.25	6.23	7.50	8.09	6.25
Low	5.61	5.36	5.30	5.79	5.21
Close	7.65	5.80	5.68	7.50	5.77
Volume (000's)	10,624	8,807	6,671	7,514	9,417

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

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

CONTRACTUAL OBLIGATIONS

The Company is obligated, at March 31, 2008 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	1,556	358	700	498
Head Office Lease	3,075	698	1,390	987
Farm-in obligations	7,100	7,100	-	-
Total contractual obligations	11,731	8,156	2,090	1,485

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. Vero entered into a four-year lease for its new head office space effective December 21, 2007. Vero moved into these new premises on March 1, 2007. As at March 31, 2008 Vero had committed to drill a total of four wells in Alberta with varying commencement dates in 2008 pursuant to farm-in agreements with industry partners. Vero estimates it will take approximately \$7,100 to fulfill these farm-in commitments.

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)	April 30, 2008	March 31, 2008	December 31, 2007
Common shares outstanding	32,690	30,855	28,915
Stock options outstanding	2,469	2,440	2,434
Fully diluted shares	35,160	33,295	31,349
Weighted average common shares			
Basic		29,597	28,129
Diluted		30,154	28,318

The increase in shares outstanding from March 31, 2008 to April 30, 2008 was the 1,835,473 shares issued on the purchase of the private company which closed on April 15, 2008.

SELECTED QUARTERLY INFORMATION

Below is summarized quarterly information for the previous eight quarters.

<i>(000's except as noted)</i>	March 31, 2008	December 31, 2007	September 30, 2007	June 30, 2007
Production (boe/d)	5,771	5,241	4,865	4,290
Average prices realized (\$/boe)	59.35	48.16	44.08	51.36
Production revenue	31,167	23,218	19,731	20,051
Net earnings (loss)	3,783	2,842	(902)	502
Basic - per share (\$/share)	0.13	0.09	(0.03)	0.02
Diluted - per share (\$/share)	0.13	0.09	(0.03)	0.02
Cash flow	17,842	11,662	9,425	9,693
Basic - per share (\$/share)	0.60	0.40	0.33	0.33
Diluted - per share (\$/share)	0.59	0.40	0.32	0.32
Total assets	220,682	207,051	187,706	178,377
Net capital expenditures	19,908	20,412	18,522	5,621
Long term financial liabilities	-	-	-	-
Net debt	50,527	61,774	53,002	43,172
Dividends paid	-	-	-	-

<i>(000's except as noted)</i>	March 31, 2007	December 31, 2006	September 30, 2006	June 30, 2006
Production (boe/d)	4,430	3,301	2,713	2,350
Average prices realized (\$/boe)	51.19	48.89	45.82	49.44
Production revenue	20,407	14,846	11,436	10,571
Net earnings	722	688	16	79
Basic - per share (\$/share)	0.03	0.03	-	-
Diluted - per share (\$/share)	0.03	0.03	-	-
Cash flow	10,504	7,835	6,280	5,854
Basic - per share (\$/share)	0.41	0.31	0.24	0.23
Diluted - per share (\$/share)	0.41	0.31	0.24	0.23
Total assets	182,470	166,858	155,480	142,344
Net capital expenditures	26,898	17,966	15,556	12,322
Long term financial liabilities	-	-	-	-
Net debt (surplus)	65,934	49,540	39,409	30,133
Dividends paid	-	-	-	-

RISK MANAGEMENT

Except as detailed below, there were no changes to Vero's risk management policies during the period from those described in our audited financial statements for the period ended December 31, 2007.

Environmental Regulation and Risk

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, 2007, 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.

Review of Alberta Royalty and Tax Regime

The government has previously stated its intention to consult with industry and potentially revise the New Royalty Framework ("NRF") for unintended consequences. This consultation has now been concluded and on April 10, 2008 the government released its clarifications as well as a new "deep resource program". Highlights of this release are as follows:

Deep oil wells

- A five-year oil program for exploration wells over 2,000 meters will provide royalty adjustments to offset higher drilling costs and provide a greater incentive for producers to continue to pursue new, deeper oil plays.
- Wells deeper than 2,000 meters represented 20 per cent of oil wells drilled and 26 per cent of new conventional oil production between 2002 and 2007.
- Wells will qualify for up to \$1 million or 12 months of royalty offsets, whichever comes first.

Deep natural gas

- To encourage continued deep gas exploration, the government will replace the existing Royalty Adjustment Program with the Natural Gas Deep Drilling Program for wells deeper than 2,500 meters.
- Wells over 2,500 meters represented five per cent of natural gas wells drilled and 27 per cent of natural gas production between 2002 and 2007.
- The Natural Gas Deep Drilling Program will provide greater benefits to deeper wells, creating a sliding scale of royalty credit according to depth, up to \$3,750 per meter.

Other clarifications as a result of the unintended consequences analysis

- Under the New Royalty Framework, four par prices instead of two will be used to calculate royalties on oil, allowing royalties to be charged at a price closer to that received by the producer.
- Natural gas royalty will be calculated based on the sum of vertical drill depth and all laterals, encouraging greater development of coalbed methane. Greater use of laterals may significantly lessen land use and the environmental footprint of CBM development.

Vero has reviewed the new program as well as the “clarifications” and it has determined that they do not materially alter the impact of the NRF as we mentioned in our public disclosures throughout 2007.

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 2007.

ACCOUNTING STANDARDS CHANGES

Accounting Standard Changes

As of January 1, 2008 Vero adopted the new CICA standards, Section 3862 “Financial Instruments – Disclosures” and Section 3863 “Financial Instruments – Presentation”, which will replace Section 3861 “Financial Instruments – Disclosure and Presentation”. The new disclosure standard increases the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standard carries forward the former presentation requirements.

Also effective January 1, 2008, the Corporation adopted CICA 1535 “Capital Disclosures”, which will require additional disclosures of objectives, policies and

processes for managing capital. In addition, disclosures will include whether companies have complied with externally imposed capital requirements.

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 Corporation continues to monitor and assess the impact of the convergence of Canadian GAAP and IFRS

In February 2008, 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, 2008 and early adoption is permitted. Vero is currently evaluating the impact this section will have on our results of operations and financial position.

DISCLOSURE CONTROLS AND PROCEDURES

Vero's Chief Executive Officer and Chief Financial Officer are required to cause the Company to disclose herein any change in Vero's internal controls over financial reporting that occurred during the Company's most recent interim period that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting. No material changes in Vero's internal controls over financial reporting were identified during the three months ended March 31, 2008, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

The Company has a Corporate Disclosure Policy to ensure that communications with the public about the Company are timely, factual and accurate; disseminated in accordance with all applicable legal and regulatory requirements; and that all material information in respect of the Company is communicated to the Chief Executive Officer and the Chief Financial Officer and where appropriate, the Board of Directors and/or committees thereof. Vero's Chief Executive Officer and the Chief Financial Officer have evaluated the design of the Company's internal controls over financial reporting. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of March 31, 2008, the Company's internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's 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 affect on the annual or interim financial statements.

It should be noted that while the Corporation's Chief Executive Officer and Chief Financial Officer believe that the Corporation's 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.