

## **MANAGEMENT, DISCUSSION AND ANALYSIS**

*The following Management's Discussion and Analysis ("MD&A") was prepared on August 7, 2007 and is management's assessment of the Company's financial and operating results for the six months ended June 30, 2007. This MD&A should be read in conjunction with the audited, consolidated, financial statements and MD&A of the Company for the year ended December 31, 2006 with the notes related thereto and the unaudited financial statements with the notes related thereto for the six months ended June 30, 2007.*

*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](http://www.sedar.com)), or at the company's website ([www.veroenergy.ca](http://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", "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 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 Equivalent***

*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 SECOND QUARTER OF 2007

The second quarter of 2007 was one of reduced levels of activity. Vero's plans were to spend aggressively in the first quarter and then cut back in the second quarter so as to allow the corporate cash flow to reduce the debt load from the extensive first quarter spending. In addition, by focusing more of our capital plan on the first quarter as opposed to the second quarter, Vero was able to reduce costs by minimizing inefficiencies associated with conducting major field operations during periods when well sites were too wet to access or provincial roads bans prevented us from accessing them. Therefore, we spent only \$5,604 during the second quarter, which was mainly directed towards facilities and equipping costs. The money spent in the second quarter was devoted to the acquisition of new undeveloped lands as well as the acquisition of seismic data both of which will assist in the resumption of our capital plan at the beginning of the third quarter. To assist with the capital plan and debt reduction, Vero closed a private placement in April which saw the Company realize \$17,936 in net proceeds. As a result the Company exited the second quarter with net debt of \$43,172. Vero realized \$9,693 in cash flow, which was slightly ahead of our forecasted amount of \$9.5 million. Operating cost efficiencies and lower debt servicing costs lead the way in achieving this level. Below is the detailed discussion of the results from the second quarter with comparative results from 2006.

### DETAILED FINANCIAL REVIEW

#### PRODUCTION REVENUE AND VOLUMES

Vero increased aggregate production volumes by 83% in the second quarter of 2007 to 390,378 boe as compared to 213,821 boe in the second quarter of 2006. Production growth was largely attributable to the continued successful drilling program in Vero's core area of Edson, the upgrade to the non-operated Edson liquids handling facility which became fully operational in late December of 2006, as well as tying-in previously drilled wells in both the Edson, and Whitecourt areas. In the second quarter of 2007 gas production contributed 81% of total production while liquids came in at 12% and oil was 7%. This compares to a 72% contribution from natural gas in the comparable period of 2006, while oil was 16% and liquids were 12%. The year-to-date mix for 2007 is identical to that of the second quarter. For the balance of 2007 it is anticipated that the weighting to natural gas will remain at approximately the 80% level.

#### Aggregate Sales Volumes

	Three Months Ended, June 30,			Six Months Ended, June 30,		
	2007	2006	%	2007	2006	%
Natural gas (mcf)	<b>1,904,633</b>	915,181	108	<b>3,814,504</b>	1,429,545	167
Light/medium oil (bbl)	<b>26,532</b>	34,647	(23)	<b>57,122</b>	62,483	(9)
Natural gas liquids (bbl)	<b>46,406</b>	26,644	74	<b>96,168</b>	41,501	132
Barrels of oil equivalent (boe/d)	<b>390,378</b>	213,821	83	<b>789,040</b>	342,241	131

## Daily Sales Volumes

Daily sales volumes increased to 4,290 boe/d in the second quarter of 2007 from 2,350 boe/d in the same quarter as 2006. For the year-to-date we averaged 4,359 boe/d, representing a 131% increase from the 2006 level of 1,891. Vero's natural gas drilling program, and the associated liquids, mainly in the Edson area have created the significant growth in volumes produced. Crude oil production was 23% lower than the comparative quarter in 2006. Natural declines and the lower number of oil drilling targets accounted for the drop. Natural gas liquid production increased 74% quarter to quarter and 132% for year-to-date numbers. The increases from 2006 were the result of the enhancement at the liquids handling facility of one of Vero's partners in the Edson area, plus the addition of new wells in the Edson area, which are rich in liquids. Vero is maintaining its year-end exit rate guidance of 5,000 – 5,200 boe/d.

	Three Months Ended, June 30,			Six Months Ended, June 30,		
	2007	2006	%	2007	2006	%
Natural gas (mcf/d)	<b>20,930</b>	10,057	108	<b>21,075</b>	7,898	167
Light/medium oil (bbl/d)	<b>292</b>	381	(23)	<b>316</b>	345	(9)
Natural gas liquids (bbl/d)	<b>510</b>	293	74	<b>531</b>	229	132
Barrels of oil equivalent (boe/d)	<b>4,290</b>	2,350	83	<b>4,359</b>	1,891	131

## Production revenue

Revenues increased 129% for the six months of 2007 over 2006 levels. The predominant factor in this increase was the 131% increase in production volumes since aggregate realized prices declined by 1%. Revenue for the second quarter of 2007 increased by 90% from 2006 and this was lead by the 83% increase in production volumes. In addition, natural gas prices were 18% higher in the second quarter of 2007 compared to 2006 and 10% higher for the year-to-date. Natural gas revenues accounted for 76% of corporate revenues followed by liquids at 15% and oil revenues at 9% for the quarter. This was a significant shift in revenue profile from the same quarter of 2006 wherein gas contributed 58% of revenue, oil was 26% and liquids came in it at 16%. Natural gas drilling in the latter part of 2006 and early 2007 contributed to the significant shift. In addition, the Company's natural gas hedging program contributed \$155 in revenue during the second quarter of 2007.

	Three Months Ended, June 30,			Six Months Ended, June 30,		
	2007	2006	%	2007	2006	%
Natural gas	<b>15,057</b>	6,131	146	<b>30,783</b>	10,487	194
Light/medium oil	<b>1,812</b>	2,793	(35)	<b>3,714</b>	4,627	(20)
Natural gas liquids	<b>3,027</b>	1,647	84	<b>5,807</b>	2,553	127
Realized gain on financial contracts	<b>155</b>	-	-	<b>155</b>	-	-
Production revenue	<b>20,051</b>	10,571	90	<b>40,459</b>	17,667	129

## Benchmark Indices

	Three Months Ended, June 30,			Six Months Ended, June 30,		
	2007	2006	%	2007	2006	%
<b>Natural gas</b>						
NYMEX (US \$/mmbtu)	7.52	6.85	10	7.24	7.96	(9)
AECO- Daily (CDN \$/mcf)	7.07	6.04	17	7.24	6.77	7
<b>Crude Oil</b>						
WTI (US \$/bbl)	65.04	70.70	(8)	61.60	67.09	(8)
Edmonton light (CDN \$/bbl)	71.93	78.55	(8)	69.51	73.76	(6)
<b>Foreign Exchange</b>						
Canadian to US dollar	1.10	1.12	(2)	1.13	1.14	(1)
US to Canadian dollar	0.91	0.89	2	0.88	0.88	-

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; relative storage levels in North America and alternative fuel sources. AECO benchmark pricing was 17% higher on the quarter and 7% higher for the year-to-date as compared to 2006 levels.

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

	Three Months Ended, June 30,			Six Months Ended, June 30,		
	2007	2006	%	2007	2006	%
Natural gas (\$/mcf)	7.91	6.70	18	8.07	7.34	10
Gain on financial contracts (\$/mcf)	0.08	-	-	0.04	-	-
Realized gas price (\$/mcf)	7.99	6.70	19	8.11	7.34	10
Light/medium oil (\$/bbl)	68.28	80.61	(15)	65.02	74.06	(12)
Natural gas liquids (\$/bbl)	65.24	61.80	6	60.38	61.50	(2)
Barrels of oil equivalent (\$/boe)	51.36	49.44	4	51.28	51.62	(1)

Excluding the effects of its hedging program, Vero realized on average an 11% premium to the AECO benchmark for its natural gas. The liquids rich, higher heat content gas, is the main reason for the premium. Vero realized 18% better prices in the second quarter than it did in the same quarter of 2006. On the year-to-date, we realized 10% better gas prices than we did in 2006. While the first six months of the year showed better pricing, July has shown rapid declines in gas prices for a variety of reasons including: higher storage levels, increased LNG imports and the lack of significant hurricane activity in the Gulf of Mexico to date. Oil prices decreased by 15% in the current quarter and 12% for the year-to-date. This was mainly due to the declining value of the US dollar. Natural gas liquids prices increased by 6% in the second quarter of 2007 compared to 2006 and are 2% lower for the year-to-date. Vero is anticipating additional weakness in natural gas prices throughout the balance of the summer, but with reduced domestic drilling, reductions to LNG imports and continued hot weather, we are anticipating stronger prices towards the end of the summer and into the start of the heating season.

## ROYALTIES

Vero pays royalties mainly to the Crown, but also has gross-over-riding, and to a lesser extent freehold royalty burdens that are payable to individuals and corporations. Crown royalty rates can fluctuate due to commodity price changes or production volume changes on a well by well basis as the Crown has varying royalty rates depending on the productivity of the well. Gross over-riding and freehold royalty rates are fairly consistent and fluctuate only with commodity prices. Royalties were \$5,816 for the second quarter of 2007 as compared to \$2,712 for the second quarter of 2006. The increase is directly tied to the significant increase in production revenues in 2007. On a per boe basis the rate increased to \$14.90 from \$12.68 per boe due to a combination of higher Crown royalty rates on the initial production from newly drilled wells as well as gross-over-riding royalties on a portion of the production added in the second quarter. An annual adjustment to the crown custom processing allowance also accounted for some of the increase in the quarter. In addition, the cancelling of the Alberta Royalty Tax Credit program effective January 1, 2007 increased royalty rate from 2006. As a percentage of revenue, royalty expense averaged 29.2% of production revenue in the second quarter of 2007, and 28.4% for the year-to-date. Vero anticipates for the balance of the year that this rate will decline slightly to approximately 27-28% as the new wells being drilled are not encumbered by gross over-riding royalties similar to the current production.

	Three Months Ended, June 30,			Six Months Ended, June 30,		
	2007	2006	%	2007	2006	%
Crown – gross	<b>5,156</b>	2,659	94	<b>10,186</b>	3,978	156
Freehold/gross over-riding	<b>660</b>	310	113	<b>1,276</b>	713	79
Total royalties	<b>5,816</b>	2,969	96	<b>11,462</b>	4,691	144
ARTC	-	(257)	-	-	(346)	-
Royalty expense, net of ARTC	<b>5,816</b>	2,712	114	<b>11,462</b>	4,345	164
Royalties (\$/boe)	<b>14.90</b>	12.68	17	<b>14.53</b>	12.69	14
Royalties - % of production revenue	<b>29.0</b>	25.7	13	<b>28.3</b>	24.6	15

## RISK MANAGEMENT ACTIVITIES

During the period ended June 30, 2007 the Company entered into the following commodity contract:

Type	Amount	Term	Price (\$/gj)	Type
Collar	5,000 gj/day	April 1 – October 31, 2007	\$7.00 - \$8.80	Financial

This hedge was considered to be a financial derivative wherein the fair value of the contract was recognized on the balance sheet with changes in fair value recorded in income. As at June 30, 2007 the fair value of the Company's hedge was \$733. A corresponding amount was recognized in income. Realized gains or losses are recorded in income in the period in which they occur. For the three months ended June 30, 2007, the realized gain from the Company's hedging contracts was \$155.

	Three Months Ended, June 30,			Six Months Ended, June 30,		
	2007	2006	%	2007	2006	%
Unrealized gain on risk management	<b>733</b>	-	-	<b>733</b>	-	-
Revenue (\$ per boe)	<b>1.88</b>	-	-	<b>0.93</b>	-	-
Revenue (% of total revenue)	<b>3.5</b>	-	-	<b>1.8</b>	-	-

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

Aggregate DD&A increased from \$6,106 in the second quarter of 2006 to \$8,766 in the second quarter of 2007. The 44% increase was primarily due to the increased depletion base from Vero’s 2006 and 2007 capital programs. In addition, the 83% increase in production volumes in the second quarter caused more DD&A to be recognized as depletion uses the unit-of-production method in its computation. However, Vero’s successful drilling program throughout 2006 and the first half of 2007 caused the DD&A rate per boe to drop 21% to \$22.46 per boe from second-quarter 2006 level of \$28.56. Accretion expense for the three months ended June 30, 2007 increased 51% from 2006 due to new wells being drilled over the year. For the balance of 2007 we anticipate the DD&A rate to be similar to the rate realized in the first half of 2007 as new reserve additions are balanced with increased costs of finding and developing the reserves.

	Three Months Ended, June 30,			Six Months Ended, June 30,		
	2007	2006	%	2007	2006	%
Depletion and depreciation	<b>8,726</b>	6,080	44	<b>17,595</b>	9,455	86
Accretion on asset retirement obligations	<b>40</b>	26	51	<b>78</b>	41	91
Total DD&A	<b>8,766</b>	6,106	44	<b>17,673</b>	9,496	86
DD&A (\$/boe)	<b>22.46</b>	28.56	(21)	<b>22.40</b>	27.75	(19)

## OPERATING

Operating costs were \$2,292 in aggregate or \$5.87 per boe in the second quarter of 2007 as compared to \$1,293 and \$6.05 per boe respectively in the second quarter of 2006. While aggregate operating costs increased 77% quarter-to-quarter, Vero was able to reduce the per boe rate by 3% and the expense as a percentage of revenue by 6%. These reductions were the result of increased production volumes, as well as the concentration of our operations in West Central Alberta. For the balance of 2007 it is anticipated that the per boe expense will remain consistent with second quarter level.

Processing income represents the recovery of processing costs incurred by third parties at Vero’s facilities. The amount of processing income is completely variable with the volume of third-party gas being flowed through the Vero facilities. There are no long-term fixed contracts in respect of this through-put.

	Three Months Ended, June 30,			Six Months Ended, June 30,		
	2007	2006	%	2007	2006	%
Expense per financial statements	<b>2,292</b>	1,293	77	<b>4,804</b>	2,107	128
Add: processing income	<b>9</b>	1	712	<b>13</b>	1	1,075
Gross expense	<b>2,301</b>	1,294	78	<b>4,817</b>	2,108	128
Net expense (\$ per boe)	<b>5.87</b>	6.05	(3)	<b>6.09</b>	6.16	(1)
Net expense (% of revenue)	<b>11.5</b>	12.2	(6)	<b>11.9</b>	11.9	-

## TRANSPORTATION

Transportation expenses were \$603 for the current quarter and amounted to 3.0% of production revenue for the period as compared to \$153 and 1.4% for the comparable quarter in 2006. For the year-to-date in 2007 the cost per boe averaged \$1.24, which is 48% higher than the rate for the year-to-date in 2006 of \$0.84. The increase in transportation costs in the second quarter of 2007 of 118% on a per boe basis was mainly attributable to the increased utilization of trucking due to volume restrictions during the spring break-up period, as well as the utilization of partner pipeline infrastructure as opposed to Vero building and operating its own infrastructure for new production. Transportation costs are comprised of gas transportation, pipeline tariffs for oil and liquids transportation as well as trucking charges. The charges 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 2007 is expected to be relatively consistent with that of the year-to-date rates as the majority of these costs are variable in nature.

	Three Months Ended, June 30,			Six Months Ended, June 30,		
	2007	2006	%	2007	2006	%
Expense per financial statements	<b>603</b>	153	295	<b>978</b>	286	242
Expense (\$ per boe)	<b>1.55</b>	0.71	118	<b>1.24</b>	0.84	48
Expense (% of revenue)	<b>3.0</b>	1.4	114	<b>2.4</b>	1.6	50

## GENERAL AND ADMINISTRATIVE (G&A)

Gross G&A expense increased 80% to \$1,497 in the second quarter of 2007 from \$830 in the same quarter of 2006. Net G&A increased 96% to \$1,108 from \$566 for the same periods. Numerous factors caused the significant increase in G&A such as: in 2007 we had a full complement of staff that numbered seventeen employees while we had approximately eight full-time equivalent employees for most of the first half of 2006. In addition, we moved to new office space in March of 2007 to accommodate additional staff levels. Furthermore, annual bonuses were paid in the second quarter of 2007, raising the aggregate G&A for the year with a one-time charge. On a per boe basis Vero realized net G&A of \$2.84 in the second quarter of 2007 as compared to \$2.65 during the similar period in 2006. This represents a 7% increase in G&A costs on a per boe basis. Overhead recoveries increased by 4% in 2007 as compared to 2006. The rate of increase was lower because of the reduced levels of activity in the second quarter of 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. Vero does not anticipate any significant staffing or other G&A changes into the third and fourth quarters of 2007. 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 second quarter of 2007 was \$210, representing a 128% increase from the same quarter in 2006. The year-to-date G&A rate of \$2.28 was 9% lower than the \$2.51 experienced in 2006. The G&A rate for the rest of 2007 is expected to be below \$2.00 per boe. As production volumes grow, and the levels of staff and other overhead remain stable, the G&A rate is expected to drop from second quarter levels.

	Three Months Ended, June 30,			Six Months Ended, June 30,		
	2007	2006	%	2007	2006	%
Gross expense	<b>1,497</b>	830	80	<b>2,558</b>	1,335	92
Less:						
Overhead recoveries	<b>(179)</b>	(172)	4	<b>(438)</b>	(328)	34
Capitalized G&A	<b>(210)</b>	(92)	128	<b>(317)</b>	(149)	114
Net expense	<b>1,108</b>	566	96	<b>1,803</b>	859	110
Average cost (\$ per boe)						
Gross expense	<b>3.84</b>	3.88	(1)	<b>3.24</b>	3.90	(17)
Net expense	<b>2.84</b>	2.65	7	<b>2.28</b>	2.51	(9)

## INTEREST AND BANK CHARGES

Interest expense for the second quarter of 2007 increased 79% to \$539 from \$301 in the second quarter of 2006. This was mainly the result of the 72% increase in debt levels, which in turn were attributable to the extensive capital expenditure program throughout the latter part of 2006 and especially those costs incurred in the first quarter of 2007. In addition, effective interest rates were higher by 5% at 6.2% of debt-bearing interest as compared to 5.9% in the same quarter of 2006. The per boe interest expense rate was \$1.38 for the second quarter of 2007 and averaged \$1.54 for the year-to-date. This compares to \$1.41 for the second quarter of 2006, and \$1.35 for the six months of 2006. The per boe rate represents a 1% decline comparing quarter to quarter. With the private placement of equity in April of 2007, plus higher levels of production in the first half of the year as compared to 2006 levels, we were able to reduce the interest cost per boe while the average debt outstanding increased. It is anticipated that the interest cost per boe will increase in the third and fourth quarters to approximately \$1.50 to \$1.70 per boe as the capital expenditure program is ramped up again.

	Three Months Ended, June 30,			Six Months Ended, June 30,		
	2007	2006	%	2007	2006	%
Interest per financial statements	<b>539</b>	301	79	<b>1,215</b>	463	14
Deduct: Commitment & other fees	<b>(1)</b>	(4)	(79)	<b>(52)</b>	(39)	(36)
Debt bearing interest	<b>538</b>	296	82	<b>1,163</b>	424	19
Average debt outstanding	<b>34,903</b>	20,265	72	<b>38,307</b>	21,169	81
Average interest rate	<b>6.2%</b>	5.9%	5	<b>6.1%</b>	5.8%	5
Average interest cost (\$ per boe)	<b>1.38</b>	1.41	(1)	<b>1.54</b>	1.35	14

## STOCK BASED COMPENSATION

Stock based compensation expense in the second quarter of 2007 decreased by 26% to \$385 from the second quarter of 2006 which was \$520. For the six months of 2007 the expense was \$811 as compared to \$892 in 2006. The large stock option issuance in December of 2005 is more than half-way into its amortization and the nature of the vesting gave more weight to the expense in early periods than the current ones. The per boe rate for the current quarter dropped 59% to \$0.99 from 2006 level of \$2.43 as a result of significantly higher production levels in 2007. The fair value of all stock options is amortized over the options' vesting period, which is three years for all options granted.

	Three Months Ended, June 30,			Six Months Ended, June 30,		
	2007	2006	%	2007	2006	%
Expense per financial statements	<b>385</b>	520	(26)	<b>811</b>	892	(9)
Expense (\$ per boe)	<b>0.99</b>	2.43	(59)	<b>1.03</b>	2.61	(61)

## INCOME TAXES

The total income tax provision for the second quarter of 2007 was \$772 and this was comprised entirely of future income taxes. This provision represents a 167% increase from the tax recovery for the comparable period in 2006. For the year-to-date in 2007, the tax expense was \$1,222 or 219% higher than the recovery of \$1,023 in 2006. The large recoveries in 2006 were attributable to the passing of legislation to reduce corporate tax rates from 2006 to 2010. The gradual reduction of income tax rates as proposed previously by the Federal Government continues until it is fully implemented in 2010. However, all of the future benefits of these rate reductions have already been recognized in the second quarter of 2006. In addition, there was a new tax rate reduction as a result of the federal budget in March of 2007. On June 12, 2007, Bill C-52, An Act to implement a reduction to the general corporate income tax rate from 19% to 18.5% on January 1, 2011 received third reading in Parliament. Accordingly, the law is considered to be substantively enacted and the rate reduction is reflected in the second quarter 2007 financial statements.

Pursuant to the flow-through share private placement, 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. The Company will have until December 31, 2008 to incur eligible costs under the agreements. The tax effects of the renunciation will be made when the documents are filed with the tax authorities. It is anticipated that this will occur on or before the end of March of 2008.

Taking into account projected spending for 2007 as well as the anticipated production levels and commodity prices, it is anticipated that Vero will not be cash taxable throughout the remainder of 2007 and into 2008.

	Three Months Ended, June 30,			Six Months Ended, June 30,		
	2007	2006	%	2007	2006	%
Current income tax expense	-	(308)	100	-	(292)	100
Future income tax expense	772	(851)	185	1,222	(731)	261
Total income taxes	772	(1,159)	167	1,222	(1,023)	219
Tax expense (\$/boe)	1.98	(5.42)	137	1.55	(2.99)	152

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

<i>Tax Pools</i>	<b>Rate %</b>	<b>June 30, 2007</b>	June 30, 2006
Canadian exploration expenses	100	15,220	6,050
Canadian development expenses	30	34,666	29,273
Canadian oil and gas property expenses	10	28,238	26,824
Undepreciated capital costs	10 - 30	28,875	14,529
Financing costs	20% S.L.	2,133	1,123
Attributed Canadian Royalty Income	100 (Alberta)	2,195	2,227
Total		111,327	80,026

## NETBACKS

Below is a breakdown of the boe netbacks for the Company. Operating netbacks of \$29.04 per boe for the second quarter of 2007 were 3% lower than those realized for the second quarter of 2006. For the six months ended June 30, 2007 the net back was \$29.42, an 8% reduction to the \$31.93 realized in 2006. The largest single contributor to the decline was the 18% increase in royalty expense for the quarter and 14% for the year-to-date. Cash flow netbacks were lower by 9% for the second quarter of 2007 as the gains Vero realized in reducing interest expense per boe were more than offset by the royalty rate increase and the administrative bonuses paid in the second quarter. For the net earnings netback, the largest expense, was DD&A at \$22.46 per boe for the second quarter and \$22.40 for the year-to-date. Vero was successful in reducing this expense from 2006 levels as we increased our proved reserve additions through a successful drilling program. Stock based compensation expense declined by 59% for the quarter to quarter results and 61% for the year-to-date as the amortization of the expense reached its peak and is now being amortized over larger production volumes. Future income tax expense per boe should remain stable throughout the rest of the year. It is anticipated that if the softness in natural gas prices continues throughout the third quarter, the netbacks may decline somewhat.

## Corporate Netbacks

<i>Netbacks (\$ per boe)</i>	Three Months Ended, June 30,			Six Months Ended, June 30,		
	2007	2006	%	2007	2006	%
Realized price	<b>51.36</b>	49.44	4	<b>51.28</b>	51.62	(1)
Royalties (net of ARTC)	<b>(14.90)</b>	(12.68)	18	<b>(14.53)</b>	(12.69)	14
Operating expenses	<b>(5.87)</b>	(6.05)	(3)	<b>(6.09)</b>	(6.16)	(1)
Transportation expenses	<b>(1.55)</b>	(0.71)	118	<b>(1.24)</b>	(0.84)	48
Operating netback	<b>29.04</b>	30.00	(3)	<b>29.42</b>	31.93	(8)
G&A	<b>(2.84)</b>	(2.65)	7	<b>(2.28)</b>	(2.51)	(9)
Interest expense	<b>(1.38)</b>	(1.41)	(2)	<b>(1.54)</b>	(1.35)	14
Interest and other income	-	-	-	-	0.26	-
Current income taxes	-	1.44	(100)	-	0.85	(100)
Cash flow netback	<b>24.82</b>	27.38	(9)	<b>25.60</b>	29.18	(12)
Unrealized gain on hedges	<b>1.88</b>	-	-	<b>0.93</b>	-	-
Stock based compensation	<b>(0.99)</b>	(2.43)	(59)	<b>(1.03)</b>	(2.61)	(61)
D,D&A	<b>(22.46)</b>	(28.56)	(21)	<b>(22.40)</b>	(27.75)	(19)
Future income taxes	<b>(1.98)</b>	3.98	150	<b>(1.55)</b>	2.14	172
Net earnings netback	<b>1.27</b>	0.37	243	<b>1.55</b>	0.96	61

## Operating Netback by Commodity Type

<i>Operating netback Natural gas (\$/mcf)</i>	Three Months Ended, June 30,			Six Months Ended, June 30,		
	2007	2006	%	2007	2006	%
Production revenue	<b>7.99</b>	6.70	19	<b>8.11</b>	7.34	10
Royalties (excluding ARTC)	<b>(2.27)</b>	(1.84)	23	<b>(2.29)</b>	(1.86)	23
Operating expenses	<b>(0.56)</b>	(1.02)	(45)	<b>(0.63)</b>	(1.06)	(41)
Transportation costs	<b>(0.28)</b>	(0.10)	180	<b>(0.22)</b>	(0.12)	83
Operating netback	<b>4.88</b>	3.74	30	<b>4.97</b>	4.30	16

<i>Operating netback Crude oil (\$/bbl)</i>	Three Months Ended, June 30,			Six Months Ended, June 30,		
	2007	2006	%	2007	2006	%
Production revenue	<b>68.28</b>	80.61	(15)	<b>65.02</b>	74.06	(12)
Royalties (excluding ARTC)	<b>(16.03)</b>	(16.33)	(2)	<b>(12.86)</b>	(15.86)	(19)
Operating expenses	<b>(7.47)</b>	(8.90)	(16)	<b>(8.05)</b>	(8.15)	(1)
Transportation costs	<b>(1.00)</b>	(0.79)	27	<b>(0.85)</b>	(1.11)	(23)
Operating netback	<b>43.78</b>	54.59	(20)	<b>43.26</b>	48.94	(12)

<i>Operating netback</i> <i>Natural gas liquids (\$/bbl)</i>	Three Months Ended, June 30,			Six Months Ended, June 30,		
	2007	2006	%	2007	2006	%
Production revenue	<b>65.24</b>	61.80	6	<b>60.38</b>	61.50	(2)
Royalties (excluding ARTC)	<b>(23.00)</b>	(17.35)	33	<b>(20.88)</b>	(16.87)	24
Operating expenses	<b>(21.96)</b>	(1.88)	1,068	<b>(20.20)</b>	(2.00)	910
Transportation costs	<b>(0.90)</b>	(1.19)	(24)	<b>(0.82)</b>	(1.21)	(32)
Operating netback	<b>19.38</b>	41.38	(53)	<b>18.48</b>	41.42	(55)

## CASH FLOW AND NET EARNINGS

Cash flow from operations in the second quarter of 2007 was \$9,693, an increase of 66% from \$5,854 realized in the second quarter of 2006. The major contributors to this increase in the quarter were the combination of an 83% increase in production volumes and 4% increase in average commodity prices. In addition, Vero realized \$155 from its hedging activities during the second quarter of 2007, which assisted in enhancing its realized gas price. Consequently, Vero was able to realize significant growth in cash flow. Net earnings in the quarter were also higher by 535% from 2006 levels mainly as a result of the growth in production and prices, but also because we were able to reduce our DD&A charges by 21% due to successful drilling efforts. For the six months ended June 30, 2007 Vero had a 102% growth in cash flow and 270% increase in net earnings. Cash flow from operations is calculated as follows:

	Three Months Ended, June 30,			Six Months Ended, June 30,		
	2007	2006	%	2007	2006	%
Net earnings	<b>502</b>	79	535	<b>1,224</b>	331	270
Adjustments for:						
Unrealized gain on risk management	<b>(733)</b>	-	-	<b>(733)</b>	-	-
Depletion, depreciation and accretion	<b>8,766</b>	6,106	44	<b>17,673</b>	9,496	86
Future income tax	<b>772</b>	(851)	191	<b>1,222</b>	(731)	267
Stock based compensation expense	<b>385</b>	520	(26)	<b>811</b>	892	(9)
Cash flow from operations	<b>9,693</b>	5,854	66	<b>20,197</b>	9,988	102

On a per share basis, Vero realized \$0.02 for both basic and diluted earnings per share for the second quarter of 2007 as compared to nil earnings per share for the same period of 2006. For the year-to-date, we recognized a 300% increase from 2006 to \$0.04 per share, basic and diluted. Cash flow per share in the second quarter of 2007 was \$0.33 basic and \$0.32 diluted representing 43% and 39% increases respectively from the second quarter of 2006.

	Three Months Ended, June 30,			Six Months Ended, June 30,		
	2007	2006	%	2007	2006	%
Net earnings	<b>502</b>	79	535	<b>1,224</b>	331	270
Basic	<b>0.02</b>	-	-	<b>0.04</b>	0.01	300
Diluted	<b>0.02</b>	-	-	<b>0.04</b>	0.01	300
Cash flow	<b>9,693</b>	5,854	66	<b>20,197</b>	9,988	102
Basic	<b>0.33</b>	0.23	43	<b>0.74</b>	0.43	72
Diluted	<b>0.32</b>	0.23	39	<b>0.73</b>	0.43	70

## CAPITAL EXPENDITURES

Vero concentrated its drilling program in the first quarter of 2007 in anticipation of a lengthy break-up season. Consequently, capital spending was greatly reduced in the second quarter as the Company spent less than its cash flow and used the excess to reduce the net debt resulting from the first quarters' activity. Projects in the second quarter were mainly directed to facilities, optimizations, seismic data purchases, and land acquisitions, which will enable the Company to proceed quickly with new projects to be started when the capital program comes back into full swing in the third quarter. Vero spent \$5,621 on its capital program in the second quarter including: \$1,144 spent on a new compression facility in Edson, \$764 on Crown land acquisitions and \$151 on seismic data acquisitions. A summary of the costs incurred in each comparative quarter and for the year-to-date is as follows:

	Three Months Ended, June 30,			Six Months Ended, June 30,		
	2007	2006	%	2007	2006	%
Exploration and development						
Land acquisitions and lease rentals	813	833	(2)	960	2,824	(66)
Geological and geophysical	406	348	17	1,958	419	367
Drilling and completions	464	9,123	(95)	19,907	16,401	21
Well equipment and facilities	3,921	2,269	73	7,192	3,876	86
Disposals	-	(300)	(100)	-	(300)	(100)
Total exploration and development	5,604	12,273	(55)	30,017	23,220	29
Other expenditures	17	49	(65)	24	125	(81)
Total capital expenditures	5,621	12,322	(55)	30,041	23,345	29
Corporate acquisition (cash outlay)	-	-	-	-	18,887	(100)
Property acquisition	-	-	-	2,478	-	-
Net capital expenditures before ARO	5,621	12,322	(55)	32,519	42,232	(23)
Capitalized asset retirement obligations	9	126	(93)	91	202	(55)
Total capital additions	5,630	12,448	(56)	32,610	42,434	(23)

	Three Months Ended, June 30,				Six Months Ended, June 30,			
	2007		2006		2007		2006	
Wells drilled	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Exploration	-	-	-	-	2	0.8	3	2.8
Development	1	0.3	8	3.8	13	7.5	13	6.8
Dry holes	-	-	-	-	3	3.0	-	-
Standing wells	-	-	-	-	-	-	-	-
Total wells	1	0.3	8	3.8	18	11.2	16	9.6
Success rate (%)	100	100	100	100	83	73	100	100

Vero spent approximately 50% of its recently board-approved capital budget of \$60 million in the first half of the year. Spending for the third and fourth quarters 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. However, it is currently anticipated that we are on schedule to spend the full \$60 million authorized by the Board.

## LAND HOLDINGS

The undeveloped land holdings (all Alberta) at June 30, 2007 are as follows:

Area	Gross Acres	Net Acres	Average WI %
Corbett	17,920	16,096	90
Edson	21,440	11,455	53
Whitecourt	37,600	31,328	83
Other Alberta	16,640	11,704	70
<b>Total</b>	<b>93,600</b>	<b>70,583</b>	<b>75</b>

## LIQUIDITY AND CAPITAL RESOURCES

Debt and working capital	June 30,			December 31,	
	2007	2006	%	2006	%
Bank debt	<b>38,772</b>	21,554	80	35,651	9
Working capital deficiency	<b>4,400</b>	8,579	(49)	13,889	(68)
<b>Net debt</b>	<b>43,172</b>	30,133	43	49,540	(13)

Capital Program Funding	Three months ended, June 30,			Six months ended, June 30,		
	2007	2006	%	2007	2006	%
Cash, beginning of period	-	-	-	-	12,523	(100)
Funds provided by operations	<b>9,693</b>	5,854	66	<b>20,197</b>	9,988	102
(Decrease) increase in bank debt	<b>(9,477)</b>	(3,745)	(153)	<b>3,121</b>	3,033	3
Share issuance, net of costs	<b>17,957</b>	12,102	48	<b>17,957</b>	12,061	49
Change in non-cash working capital	<b>(12,552)</b>	(1,889)	(564)	<b>(8,756)</b>	4,627	289
<b>Net capital expenditures</b>	<b>5,621</b>	12,322	(54)	<b>32,519</b>	42,232	(23)

The Company funded its \$32,519 in total capital expenditures for the six months ended June 30, 2007 from a variety of resources. Vero realized cash flow of \$20,197, increased its bank debt by \$3,121, and closed a private placement (plus a small stock option exercise) which netted the Company \$17,957. This was partially offset by a decrease in its non-cash working capital by \$8,756, which is mainly from the payment of the Company's outstanding payables. All of this activity resulted in net debt at June 30, 2007 of \$43,172. To fund its remaining capital program for 2007, Vero expects to generate an additional \$20 million of cash flow. This coupled with the Company's unutilized bank line of approximately \$31 million will be more than sufficient to fund Vero's remaining current capital program for 2007, which is currently anticipated to be approximately \$30 million.

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 most recent annual review by the bank was completed in March of 2007 and the next review, which is an interim review, is currently ongoing. 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 the financing needs of the company are expanded, Vero will apply to the bank for interim an review. The credit facility is currently authorized at \$70 million.

Below is a summary of the trading history of the Company's shares for 2007 and 2006.

	2007			2006		
	Q2	Q1	Q4	Q3	Q2	Q1
High	<b>8.09</b>	6.25	6.70	6.00	7.06	7.18
Low	<b>5.79</b>	5.21	4.20	4.60	5.02	5.00
Close	<b>7.50</b>	5.77	6.06	4.69	5.43	6.15
Volume (000's)	<b>7,514</b>	9,417	3,467	3,683	3,773	11,409

### 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

There were no related party transactions during the period.

### CONTRACTUAL OBLIGATIONS

The Company is obligated, at June 30, 2007 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	<b>994</b>	209	415	370
Head Office Lease	<b>3,716</b>	910	1,820	986
Farm-in obligations	<b>8,210</b>	8,210	-	-
Total contractual obligations	<b>12,920</b>	9,329	2,235	1,356

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, 2006. Vero moved into these new premises on March 1, 2007. As at June 30, 2007 Vero had committed to drill a total of five 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, the most recent quarter, and the preceding year-end:

(000's)	July 27, 2007	June 30, 2007	December 31, 2006
Common shares outstanding	28,911	28,911	25,907
Stock options outstanding	2,436	2,436	2,321
Fully diluted shares	31,347	31,347	28,228
Weighted average common shares			
Basic	-	27,333	24,589
Diluted	-	27,545	24,589

## SELECTED QUARTERLY INFORMATION

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

(000's except as noted)	June 30, 2007	March 31, 2007	December 31, 2006	September 30, 2006
Production (boe/d)	4,290	4,430	3,301	2,713
Average prices realized (\$/boe)	51.36	51.19	48.89	45.82
Production revenue	20,051	20,407	14,846	11,436
Net earnings	502	722	688	16
Basic - per share (\$/share)	0.02	0.03	0.03	-
Diluted - per share (\$/share)	0.02	0.03	0.03	-
Cash flow	9,693	10,504	7,835	6,280
Basic - per share (\$/share)	0.33	0.41	0.31	0.24
Diluted - per share (\$/share)	0.32	0.41	0.31	0.24
Total assets	178,377	182,470	166,858	155,480
Net capital expenditures	5,621	26,898	17,966	15,556
Long term financial liabilities	-	-	-	-
Net debt	43,172	65,934	49,540	39,409
Dividends paid	-	-	-	-

<i>(000's except as noted)</i>	June 30, 2006	March 31, 2006	December 31, 2005
Production (boe/d)	2,350	1,427	980
Average prices realized (\$/boe)	49.44	55.26	71.65
Production revenue	10,571	7,096	4,212
Net earnings	79	252	665
Basic - per share (\$/share)	-	0.01	0.07
Diluted - per share (\$/share)	-	0.01	0.07
Cash flow	5,854	4,133	1,896
Basic - per share (\$/share)	0.23	0.20	0.20
Diluted - per share (\$/share)	0.23	0.20	0.20
Total assets	142,344	132,787	53,131
Net capital expenditures	12,322	29,911	35,021
Long term financial liabilities	-	-	-
Net debt (surplus)	30,133	35,768	(8,412)
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, 2006.

### **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, 2007; 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**

On February 16, 2007, the Alberta Government announced that a review of the province's royalty and tax regime (including income tax and freehold mineral rights tax) pertaining to oil and gas resources, including oil sands, conventional oil and gas and coal bed methane, will be conducted by a panel of experts, with the assistance of individual Albertans and key stakeholders. The review panel is to produce a final report that will be presented to the Minister of Finance by August 31, 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 2006.

### **ACCOUNTING STANDARDS CHANGES**

#### *Financial Instruments*

Vero adopted the following new CICA Handbook Sections effective January 1, 2007:

- Section 1530, Comprehensive Income
- Section 3251, Equity
- Section 3855, Financial Instruments – Recognition and Measurement
- Section 3865, Hedges

These new accounting standards provide requirements for the recognition and measurement of financial instruments and the use of hedge accounting. The standards have been adopted prospectively and the comparative interim financial statements have not been restated.

#### *Accounting Changes*

Effective January 1, 2007 Vero adopted the recommendations of CICA Handbook Section 1506, Accounting Changes. These standards are effective for all changes in accounting policies, changes in accounting estimates and corrections of prior period errors initiated in periods beginning on or after January 1, 2007. There was no effect on the current or prior period financial statements as a result of this adoption.

### **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 June 30, 2007, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Vero's Chief Executive Officer and the Chief financial Officer, has 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 June 30, 2007, 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.