

MANAGEMENT, DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of Vero Energy Inc. ("Vero" or the "Company") was prepared on March 7, 2008 and is management's assessment of the Company's financial and operating results for the year ended December 31, 2007. This MD&A should be read in conjunction with the audited, financial statements of the Company for the year ended December 31, 2007 and 2006 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, including the Company's Annual Information Form, on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com), or at the company's website (www.veroenergy.ca).

READER ADVISORIES

Forward Looking Statements

Information provided herein contains estimates and assumptions which management is required to make regarding future events and may constitute forward-looking statements within the meaning of applicable securities laws. 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, except 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", "netbacks" and "net debt", which are terms not recognized under Generally Accepted Accounting Principles ("GAAP"). The Company uses these measures to help evaluate its performance, leverage, and liquidity as well as to assess potential acquisitions.

The Company considers 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. Corporate netbacks are comprised of operating, cash flow and net earnings netbacks. Operating netback is calculated as the average unit sales price less royalties, transportation costs and operating expenses. Cash flow netback starts with the operating netback and further deducts general and administrative costs, interest expense and current income tax expense. Net earnings netback takes the cash flow netback and deducts unrealized gains/losses on hedges, stock-based compensation expense, depletion, depreciation and amortization charges and future income tax expense. There is no GAAP measure that is reasonably comparable to netbacks. See the section below entitled "Operating Netbacks by Product" for calculations of operating netbacks for each commodity and corporately.

Net debt and working capital, which terms represent current assets less current liabilities and bank debt is used to assess efficiency, liquidity and general financial strength. There is no GAAP measure that is reasonably comparable to net debt and working capital.

Barrel of Oil Equivalents

Where amounts are expressed in a barrel of oil equivalent ("boe"), or barrel of oil equivalent per day ("boe/d"), natural gas volumes have been converted to barrels of oil equivalent at 6 thousand cubic feet ("mcf") to one barrel. Use of the term boe may be misleading particularly if

used in isolation. The boe conversion ratio of 6 mcf to 1 barrel (“bbl”) of oil or natural gas liquids is based on an energy equivalency conversion methodology primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. This conversion conforms to the Canadian Securities Regulators’ National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities.

Dollar amounts

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

FINANCIAL HIGHLIGHTS FROM 2007

2007 was another year of significant financial and operational growth for Vero. Vero drilled 36 (24.1 net) wells during the year with an 87% success rate. Aggregate sales volumes grew by 92% as we averaged 4,709 boe/d compared to 2,453 boe/d in 2006. While average commodity prices in 2007 were relatively flat with 2006, the successful drilling efforts, and resulting production increases were parlayed into a 71% increase in cash flow from 2006. Cash flow in the fourth quarter reached \$11,662 (\$0.40 per diluted share) and was \$41,284 (\$1.46 per diluted share) for the year to date. As a result of the successful drilling program in the Edson area throughout 2007, Vero determined that the volumes processed through a third party plant could become restricted. To mitigate this, the Company constructed its own 20 mmcf/d gas processing plant in the area to handle its own volumes and potentially take third party gas. This project allowed Vero to take control of the processing of its own gas, and more importantly, secure Vero’s future ability of delivering new volumes added as a result of future drilling in the area. Vero spent \$71,453 in its capital program during the year including: \$3,543 on Crown land acquisitions; \$2,478 in acquiring its partners’ 50% interest in the Corbett area; \$1,338 on 3-D seismic data in its newly expanded area of Corbett; \$44,245 in drilling and completing 24.1 net wells; and \$3,384 for the construction of the new gas plant in Edson. All of this activity culminated in net debt of \$61,774 at the end of the year. Given fourth quarter cash flow the annualized net debt to cash flow ratio was 1.3. Below is the detailed discussion of the results from 2007 with comparative results to 2006.

DETAILED FINANCIAL REVIEW

PRODUCTION REVENUE AND VOLUMES

Vero increased aggregate production volumes by 92% in 2007 to 1,718,760 boe as compared to 895,504 boe in 2006. Leading the way was the growth in natural gas volumes at a 109% increase, followed by a 72% increase in natural gas liquids volumes and an 18% increase in oil volumes. Production growth was largely attributable to the continued success in the drilling program mainly in the core areas of Edson and Corbett. The commodity mix was at our expected levels for the year with natural gas contributing 80% of production volumes, liquids came in at 12% and oil was 8%. This compares to a 74% contribution from natural gas in 2006, while oil

and liquids were both at 13%. It is expected that the commodity mix for 2008 will be similar to that realized in 2007.

Aggregate Sales Volumes

| | 2007 | 2006 | % |
|---------------------------------|-----------|-----------|-----|
| Natural gas (mcf) | 8,289,192 | 3,975,280 | 109 |
| Light/medium oil (bbl) | 139,943 | 118,202 | 18 |
| Natural gas liquids (bbl) | 197,285 | 114,755 | 72 |
| Barrels of oil equivalent (boe) | 1,718,760 | 895,504 | 92 |

Daily Sales Volumes

Daily sales volumes increased to 4,709 boe/d in 2007 from 2,453 boe/d in 2006, which represents a 92% increase. Vero's natural gas drilling program and the resulting increase to natural gas and associated liquid production has created the significant growth in volumes produced. Crude oil production was 18% higher than the comparative quarter in 2006. The majority of this increase was attributable to the purchase of our partners' interest and the subsequent successful drilling in the Corbett area, which became a 100% owned property early in the year. Natural gas liquid production increased 72% which parallels the growth in our liquids-rich natural gas wells in Edson. Vero was able to exceed its twice-revised, year-end exit rate guidance of 5,400 – 5,600 boe/d by exiting 2007 at 5,700 boe/d. 2008 guidance for average production has been initially set at 6,000 to 6,400 boe/d.

| | 2007 | 2006 | % |
|-----------------------------------|--------|--------|-----|
| Natural gas (mcf/d) | 22,710 | 10,891 | 109 |
| Light/medium oil (bbl/d) | 383 | 324 | 18 |
| Natural gas liquids (bbl/d) | 541 | 314 | 72 |
| Barrels of oil equivalent (boe/d) | 4,709 | 2,453 | 92 |

Benchmark Indices

| | 2007 | 2006 | % |
|-----------------------------|-------|-------|-----|
| Natural gas | | | |
| NYMEX (US \$/mmbtu) | 6.91 | 7.27 | (5) |
| AECO- Daily (CDN \$/mcf) | 6.45 | 6.54 | (1) |
| Crude Oil | | | |
| WTI (US \$/bbl) | 72.31 | 66.22 | 9 |
| Edmonton light (CDN \$/bbl) | 76.35 | 72.77 | 5 |
| Foreign Exchange | | | |
| Canadian to US dollar | 1.07 | 1.13 | (5) |
| US to Canadian dollar | 0.94 | 0.88 | 7 |

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 1% lower in 2007 as compared to 2006 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., and a lower than expected summer and fall hurricane activity in the Gulf of Mexico. These factors coupled with a fairly high storage level coming out of last winter all translated into a flat pricing change. The 9% stronger WTI oil prices experienced during the year were offset by the strengthening Canadian dollar in relation to its U.S. counterpart resulting in a small, 5% increase in the Edmonton par realized price.

Commodity prices realized by Vero were as follows:

| | 2007 | 2006 | % |
|--------------------------------------|--------------|-------|-----|
| Natural gas (\$/mcf) | 7.11 | 7.17 | (1) |
| Gain on financial contracts (\$/mcf) | 0.16 | - | - |
| Realized gas price (\$/mcf) | 7.27 | 7.17 | 1 |
| Light/medium oil (\$/bbl) | 70.66 | 72.15 | (2) |
| Natural gas liquids (\$/bbl) | 67.07 | 60.43 | 11 |
| Barrels of oil equivalent (\$/boe) | 48.53 | 49.08 | (1) |

Excluding the effects of its hedging program, Vero realized an average 10% premium to the AECO benchmark for its natural gas during 2007. The liquids rich, higher heat content gas in the Edson area is the primary reason for the premium. Before hedging gains, Vero realized 1% lower aggregate prices in 2007 than in 2006. 2007 has been marked by slightly declining gas prices for the reasons mentioned above. Until gas storage levels show a significant decline, Vero does not expect gas prices to increase appreciably from current levels. Vero's gas hedging program boosted Vero's realized prices by \$0.16 per mcf during the year. The Company had two hedges in place during 2007: one for 5,000 gj/day running from April through October, and an additional one for 5,000 gj/day for the period including September through October. The Vero realized oil prices decreased 2% in the current year from the price level in 2006. The strength in the WTI price is being offset by the decline in the U.S. dollar. Realized natural gas liquids prices were 11% higher for the year at \$67.07 as compared to \$60.43 in 2006.

Production revenue

Aggregate revenues increased 90% for 2007 over 2006 levels. The predominant factor in this increase was the 92% increase in production volumes since aggregate realized prices declined by 1%. For the entire year, natural gas prices (excluding hedges) were 1% lower in 2007 compared to 2006. The decline was more dramatic in the fourth quarter as gas prices were 13% lower than the fourth quarter of 2006. Gas prices started recovering in December of 2007 and early 2008 started with prices being 20% higher than that of early 2007. This bodes well for gas prices to average higher in 2008 as compared to 2007. For 2007, natural gas revenues (excluding hedges)

accounted for 70% of corporate revenues followed by liquids at 16%, oil revenues at 12% and hedging income accounted for 2%. As a comparison, the revenue profile from 2006 was: natural gas 65% of revenue, oil was 19% and liquids came in at 16%. There were no hedges in place in 2006.

| | 2007 | 2006 | % |
|--------------------------------------|---------------|--------|-----|
| Natural gas | 58,942 | 28,485 | 107 |
| Light/medium oil | 9,889 | 8,528 | 16 |
| Natural gas liquids | 13,232 | 6,935 | 91 |
| Realized gain on financial contracts | 1,344 | - | - |
| Production revenue | 83,407 | 43,948 | 90 |

ROYALTIES

Vero's royalty expense consists mainly of Crown royalties and these 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 with commodity prices and the volumes produced from the wells burdened by these royalties. Aggregate royalties were \$23,003 for 2007 as compared to \$10,749 for 2006. The increase is directly tied to the significant increase in production revenues in 2007. On a per boe basis the rate increased to \$13.38 from \$12.01 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 throughout 2007. In addition, the Alberta Government cancelled the Alberta Royalty Tax Credit program effective January 1, 2007 and this increased the net royalty rate over 2006 levels. As a percentage of revenue, royalty expense averaged 27.6% of production revenue in 2007 as compared to 24.5% in 2006. For 2008 Vero currently anticipates that the overall royalty rate will decline slightly from that of 2007 as new wells being drilled will not be encumbered by gross over-riding royalties to the same extent as existing wells.

| | \$ | | | \$/boe | | |
|-------------------------------------|---------------|--------|-------|--------------|--------|-------|
| | 2007 | 2006 | % | 2007 | 2006 | % |
| Crown – gross | 20,417 | 9,682 | 111 | 11.88 | 10.81 | 10 |
| Freehold/gross over-riding | 2,586 | 1,591 | 63 | 1.50 | 1.78 | (16) |
| Total royalties | 23,003 | 11,273 | 104 | 13.38 | 12.59 | 6 |
| ARTC | - | (524) | (100) | - | (0.58) | (100) |
| Royalty expense, net of ARTC | 23,003 | 10,749 | 114 | 13.38 | 12.01 | 11 |
| Royalties - % of production revenue | 27.6% | 24.5% | 13 | 27.6% | 24.5% | 13 |

The New Royalty Framework (“NRF”) for Alberta was released on October 25th by the Alberta Government and is proposed to become effective January 1, 2009. Vero has reviewed the modifications proposed by the government and while more detailed analysis remains to be done once various anomalies in the NRF are clarified, based upon the public information available to date, Vero provides the following observations. The NRF is very sensitive to production rates and gas prices. Vero has a wide range of wells with low and high rates of production and the

higher rate wells tend to come from deeper wells, and predominantly our horizontal wells that reach measured depths over 3,400 meters. These higher rate wells should be less affected due to the expansion of “deep gas” relief to include the measured depth of a well, as opposed to true vertical depth. Based upon our review of the new royalty structure, we currently anticipate that the wells, in our largest producing area of Edson (representing approximately 65% of aggregate current production), which have measured depths in the range of 2,200 to 3,500 meters, will be affected only in a modest way at current prices. In some cases, such as with our horizontal wells, the royalty rates will actually be lower than current Crown rates depending on their respective rates of production in 2009 and beyond. On this basis, and assuming current prices, we believe that the majority of our inventory will continue to provide economic returns. Our detailed analysis is continuing, but based upon the information currently available we estimate that the potential effect of the NRF on Vero’s cash flows, using current gas prices and existing production, could be up to 5% lower. The actual effect of the NRF on Vero will be determined based on, among other things, the actual legislation enacted, and clarity of anomalies, production rates, commodity prices, foreign exchange rates, and product mix as they exist on, and after January 1, 2009.

RISK MANAGEMENT ACTIVITIES

During the 2007 year the Company had the following commodity contracts:

| Type | Amount | Term | Price (\$/gj) | Type |
|-------------|---------------|--------------------------------|----------------------|-------------|
| Collar | 5,000 gj/day | April 1 – December 30, 2007 | \$7.00 - \$8.80 | Financial |
| Swap | 5,000 gj/day | December 1 – December 30, 2007 | \$5.65 | Financial |

These hedges were 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. Realized gains or losses are recorded in income in the period in which they occur. For the year ended December 31, 2007, the realized gain from the Company’s hedging contracts was \$1,344. There were no commodity contracts outstanding during 2006.

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

DD&A expense is determined by a combination of: Vero’s spending on its own exploration and development program; the cost of any acquisitions and Vero’s drilling successes. These factors plus the increase in production levels during the year caused aggregate DD&A expense to increase from \$22,125 in 2006 to \$36,052 in 2007. The 63% increase was primarily due to the increased depletion base from Vero’s 2007 capital spending program. In addition, the 92% increase in production volumes in 2007 caused more DD&A to be recognized as the depletion calculation uses the unit-of-production method in its computation. Vero’s successful drilling program throughout 2007 caused the DD&A rate per boe to drop 15% to \$20.98 per boe from the 2006 level of \$24.71. Accretion expense for 2007 increased 77% from 2006 due to the addition

of wells drilled throughout the year and hence the increase in future abandonment liabilities. For 2008 we anticipate the DD&A rate to be similar to the rate realized in 2007 as new reserve additions are balanced against the increased cost of finding and developing the reserves.

| | \$ | | | \$/boe | | |
|---|---------------|--------|----|--------------|-------|------|
| | 2007 | 2006 | % | 2007 | 2006 | % |
| Depletion and depreciation | 35,869 | 22,022 | 63 | 20.87 | 24.59 | (15) |
| Accretion on asset retirement obligations | 183 | 103 | 77 | 0.11 | 0.12 | (8) |
| Total DD&A | 36,052 | 22,125 | 63 | 20.98 | 24.71 | (15) |

CEILING TEST

The Company performs a ceiling test calculation at least annually within the Canadian Institute of Chartered Accountants full cost accounting guidelines. The calculation assesses the carrying value of its oil and gas properties to determine if impairment has occurred. The Company applies a two-stage ceiling test to capitalized costs to ensure that such costs do not exceed the undiscounted future cash flows from production of proved reserves. Undiscounted future cash flows are calculated based on an independent petroleum engineers estimate of forward indexed prices applied to estimated production of proved reserves, less estimated future operating costs, royalties net of applicable tax credits, and future capital development costs. When the carrying amount of a cost center is not recoverable the second stage of the process will determine the impairment whereby the cost center would be written down to its fair value. The second stage requires the calculation of undiscounted cash flows from proved plus probable reserves using the risk-free interest rate plus the cost of undeveloped land, net of any impairment. The fair value is estimated using generally accepted present value techniques, which incorporate risks and other uncertainties when determining expected cash flows. As at December 31, 2007 there was no impairment based on the independent, third party engineering consultant report.

OPERATING

Operating costs were \$11,189 in aggregate or \$6.51 per boe in 2007 as compared to \$5,564 and \$6.21 per boe in 2006. While aggregate operating costs increased 101% year over year, the increase on a per boe was less significant at 5%. The increase in the aggregate expense is consistent with the 92% increase in production volumes. Directly contributing to the per boe rate increase were one-time workovers and a plant turnaround in Corbett, as well as start up costs for the new Edson facility in the latter part of the year. For 2008 it is currently anticipated that the per boe expense will increase marginally as the combination of higher production levels and reduced processing charges in Edson will be at least partially offset by inflationary pressures on costs.

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.

| | 2007 | 2006 | % |
|----------------------------------|--------|-------|-----|
| Expense per financial statements | 11,189 | 5,564 | 101 |
| Add: processing income | 78 | 15 | 420 |
| Gross expense | 11,267 | 5,579 | 102 |
| Net expense (\$ per boe) | 6.51 | 6.21 | 5 |
| Net expense (% of revenue) | 13.5 | 12.7 | 6 |

TRANSPORTATION

Transportation expenses were \$2,348 for the current quarter and amounted to 2.8% of production revenue for the period as compared to \$734 and 1.7% for 2006. The increase in aggregate transportation expense in 2007 was mainly attributable to the 109% increase in natural gas volumes produced in 2007. In addition, increased utilization of trucking for liquids and oil volumes caused the aggregate and per-boe amounts to increase. Transportation costs are comprised of gas transportation, pipeline tariffs for oil and liquids transportation as well as trucking charges. The charges for the current period are not necessarily indicative of future costs and will depend on the type of production additions (oil and liquids versus natural gas). These 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 2008 is currently expected to be relatively consistent with that of 2007 as the majority of these costs are variable in nature and there are currently no unutilized firm service contracts.

| | 2007 | 2006 | % |
|----------------------------------|-------|------|-----|
| Expense per financial statements | 2,348 | 734 | 220 |
| Expense (\$ per boe) | 1.37 | 0.82 | 67 |
| Expense (% of revenue) | 2.8% | 1.7% | 65 |

GENERAL AND ADMINISTRATIVE (G&A)

Gross G&A expense increased 57% to \$4,847 in 2007 from \$3,077 in 2006. Net G&A increased 79% to \$3,132 from \$1,750 for the same period. One of the significant differences was that we moved to new office space in March of 2007 to accommodate our growing company. The higher rent costs and larger leased space at the new location were higher than what Vero had been paying throughout 2006. A higher staff count was in place during 2007 as Vero's expansion required additional labour resources. On a per boe basis Vero realized net G&A of \$1.82 in 2007 as compared to \$1.95 during 2006. This represents a 7% decrease in G&A costs on a per boe basis. Overhead recoveries increased by 18% in 2007 as compared to 2006 as a result of the number of operated exploration and development projects increasing during the year. Overhead recoveries are a function of field operating activity as well as the number of projects 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 2007 was \$524, representing a 63% increase from 2006. As production volumes continue to grow in 2008 the G&A per boe rate is expected to remain similar or decline somewhat as the current levels of staff and other overheads are expected to remain stable.

| | 2007 | 2006 | % |
|---------------------------|----------------|---------|------|
| Gross expense | 4,847 | 3,077 | 57 |
| Less: | | | |
| Overhead recoveries | (1,190) | (1,005) | 18 |
| Capitalized G&A | (524) | (322) | 63 |
| Net expense | 3,132 | 1,750 | 79 |
| Average cost (\$ per boe) | | | |
| Gross expense | 2.82 | 3.43 | (18) |
| Net expense | 1.82 | 1.95 | (7) |

INTEREST AND BANK CHARGES

Interest expense for 2007 increased 71% to \$2,451 from \$1,434 in 2006. This was mainly the result of the 42% increase in bank debt outstanding during the year. The \$71,453 of capital expenditures in 2007 increased the average bank debt during the year. We exited 2007 with bank debt of \$46,013. In addition, effective interest rates increased by 3% from 6.0% in 2006 to 6.2% in 2007. As a result of a 92% increase in production levels during the year the per boe rate for interest expense decreased from \$1.60 in 2006 to \$1.43 in 2007. It is currently anticipated that the aggregate interest cost will not increase in 2008 at currently planned expenditure levels as the proceeds from the Company's private placement in February of 2008 and the reduction in interest rates should bring the amount down. However, if the capital budget is increased from current levels, this has the potential to increase the interest expense later in the year.

| | 2007 | 2006 | % |
|------------------------------------|---------------|--------|------|
| Interest per financial statements | 2,451 | 1,434 | 71 |
| Deduct: Commitment & other fees | (57) | (67) | (15) |
| Debt bearing interest | 2,394 | 1,367 | 75 |
| Average bank debt outstanding | 38,408 | 26,966 | 42 |
| Average interest rate | 6.2% | 6.0% | 3 |
| Average interest cost (\$ per boe) | 1.43 | 1.60 | (11) |

STOCK BASED COMPENSATION

Stock based compensation expense represents the amortization of the expense associated with the notional fair value of stock options granted. The fair value of the options is determined by the price of the stock, its volatility, risk-free rates of return and the vesting periods. The fair value of all stock options is amortized over the options' vesting period, which is three years for all options granted. Stock based compensation expense in 2007 decreased by 30% to \$1,449 from 2,056 in 2006. The aggregate expense decreased as amortization expense related to options granted in prior years hit its peak in 2006 and is on the decline. In addition, only 140,000 new

options were granted in 2007. The per boe rate for the year dropped 63% to \$0.84 from \$2.30 in 2006 as a result of significantly higher production levels in 2007 as well as the expense being weighted more towards the early vesting periods of 2005 and 2006.

| | 2007 | 2006 | % |
|----------------------------------|--------------|-------|------|
| Expense per financial statements | 1,449 | 2,056 | (30) |
| Expense (\$ per boe) | 0.84 | 2.30 | (63) |

INCOME TAXES

The total income tax provision for 2007 was \$619 and this was comprised entirely of future income taxes. This provision represented a 144% increase in tax expense from 2006. The dramatic increase was attributable to the large income tax recovery in 2006, which resulted from the passing of legislation to reduce corporate tax rates over the period of 2006 to 2010. All of the future benefits of these rate reductions were recognized in the third quarter of 2006. There were further tax rate reductions in 2007. The first was announced in the federal budget of March, 2007. Bill C-52, an Act to implement a reduction to the general corporate income tax rate from 19% to 18.5% effective January 1, 2008 was created in March and passed into law in June. This rate reduction was reflected in the second quarter financial statements. In the October 30, 2007 economic statement, the federal government announced further corporate tax rate reductions of 3.5% to be phased in over the years 2008 to 2011. The tax rate commencing in 2012 will now be 15%. For this latter legislation Bill C-28 received Royal Assent on December 14, 2007 and was passed into law. Accordingly, this additional rate reduction was reflected in the tax provision for the fourth quarter of 2007.

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 December 30, 2007, \$959 was still outstanding on this commitment. The Company will have until December 31, 2008 to incur the remaining eligible costs under the agreements. The tax effects of the renunciation will be made when the documents are filed with the tax authorities. This is scheduled to occur on or before the end of March of 2008. At the time the renunciation is made the estimated tax effect of the foregone tax benefits will be charged to share capital with a corresponding increase to the future income tax liability.

Taking into account existing tax pools, projected spending for 2008 as well as the anticipated production levels and commodity prices, it is currently anticipated that Vero will not be cash taxable in 2008.

| | \$ | | | \$/boe | | |
|---------------------------------------|------------|---------|-----|-------------|--------|-----|
| | 2007 | 2006 | % | 2007 | 2006 | % |
| Current income tax expense (recovery) | - | (292) | 100 | - | (0.33) | 100 |
| Future income tax expense (recovery) | 619 | (1,113) | 156 | 0.36 | (1.24) | 129 |
| Total income taxes | 619 | (1,405) | 144 | 0.36 | (1.57) | 123 |

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

| <i>Tax Pools</i> | Rate % | 2007 | 2006 |
|--|---------------|----------------|-------------|
| Canadian exploration expenses | 100 | 21,121 | 19,899 |
| Canadian development expenses | 30 | 39,619 | 26,106 |
| Canadian oil and gas property expenses | 10 | 29,221 | 26,762 |
| Undepreciated capital costs | 10 - 30 | 35,162 | 22,969 |
| Financing costs | 20% S.L. | 1,849 | 1,087 |
| Attributed Canadian Royalty Income | 100 (Alberta) | 3,698 | 3,884 |
| Total | | 130,670 | 100,707 |

NETBACKS

Operating netbacks of \$27.27 per boe for 2007 were 9% lower than those realized in 2006. While the declines in gas prices were mitigated by our favourable hedges in 2007 to produce declines in realized prices of 1% for the year, the further decline in operating netback was attributable to two major items. The first was the 11% increase in royalty expense for the year and the second was an increase in transportation costs by 67% in the year to \$1.37 per boe. Increased utilization of gathering systems and increased trucking for new oil production were the main reasons for the increased transportation expenses. Cash flow netbacks were lower by 11% for 2007 as the gains Vero realized in reducing interest expense on a boe basis were more than offset by the royalty rate increase and the lower gas prices. For the net earnings netback, the largest single expense was DD&A at \$20.98 per boe. Vero was successful in reducing this expense from 2006 levels as we increased our proved reserves through a successful drilling program. Stock based compensation expense declined by 63% for the year as the amortization of the expense reached its peak in mid-2007. In addition, the smaller, remaining, unamortized balance from prior years is now being amortized over larger production volumes. We currently anticipate netbacks in 2008 to be similar to 2007 and possibly to increase if gas storage levels are reduced by any significant amounts. Natural gas storage levels remain high, but the onset of an early cold winter has already increased gas prices and consequently the netbacks for 2008 are looking stronger than in 2007. Below is the breakdown of the boe netbacks for the Company.

Corporate Netbacks

| <i>Netbacks (\$ per boe)</i> | 2007 | 2006 | % |
|-------------------------------------|----------------|-------------|----------|
| Realized price (including hedges) | 48.53 | 49.08 | (1) |
| Royalties (net of ARTC) | (13.38) | (12.01) | 11 |
| Operating expenses | (6.51) | (6.21) | 5 |
| Transportation expenses | (1.37) | (0.82) | 67 |
| Operating | 27.27 | 30.04 | (9) |
| G&A | (1.82) | (1.95) | (7) |
| Interest expense | (1.43) | (1.60) | (11) |
| Interest and other income | - | 0.10 | (100) |
| Current income taxes | - | 0.33 | (100) |

| | | | |
|--------------------------|----------------|---------|-------|
| Cash flow | 24.02 | 26.92 | (11) |
| Stock based compensation | (0.84) | (2.30) | (63) |
| D,D&A | (20.98) | (24.71) | (15) |
| Future income taxes | (0.36) | 1.24 | (129) |
| Net earnings | 1.84 | 1.15 | 60 |

Operating Netback by Commodity Type

| | 2007 | 2006 | % Change |
|--|---------------|--------|-------------|
| <i>Operating netback – Natural gas (\$/mcf)</i> | | | |
| Realized price | 7.11 | 7.17 | (1) |
| Royalties (excluding ARTC) | (2.06) | (1.82) | 13 |
| Operating expenses | (0.68) | (1.10) | (38) |
| Transportation costs | (0.25) | (0.12) | 108 |
| Operating netback | 4.12 | 4.13 | - |

| | 2007 | 2006 | % Change |
|--|----------------|---------|-------------|
| <i>Operating netback – Crude oil (\$/bbl)</i> | | | |
| Realized price | 70.66 | 72.15 | (2) |
| Royalties (excluding ARTC) | (10.72) | (12.92) | (17) |
| Operating expenses | (8.07) | (8.05) | - |
| Transportation costs | (0.88) | (1.52) | (42) |
| Operating netback | 50.99 | 49.66 | 3 |

| | 2007 | 2006 | % Change |
|--|----------------|---------|-------------|
| <i>Operating netback Natural gas liquids (\$/bbl)</i> | | | |
| Realized price | 67.07 | 60.43 | 11 |
| Royalties (excluding ARTC) | (22.42) | (17.18) | 31 |
| Operating expenses | (22.43) | (2.00) | 1,022 |
| Transportation costs | (0.93) | (0.70) | 33 |
| Operating netback | 21.29 | 40.55 | (47) |

Operating expenses with respect to liquids production are solely attributable to processing fee charges as these represent the incremental charges to extract and collect natural gas liquids. The large increase in the per boe processing rates from the prior year are attributable to third party charges at the non-operated gas plants to which the liquids-rich gas was delivered. These charges are expected to decrease in 2008 as Vero now has its own facility in the Edson area to extract the liquids.

CASH FLOW AND NET EARNINGS

Cash flow from operations for 2007 was \$41,284, an increase of 71% from \$24,103 realized in 2006. The largest single contributor to the increase in cash flow for the year was a 92% increase in production volumes. In addition, Vero realized \$1,344 from its hedging activities during 2007,

which helped offset the marginal 1% decline in natural gas prices from 2006. Consequently, Vero was able to realize significant growth in cash flow. Vero realized net earnings of \$3,164 for the year representing a 206% increase over 2006. The growth in production volumes was more than enough to offset the 114% increase in royalties, the 220% increase in transportation charges, 101% increase in operating expense, and 63% increase in DD&A charges. Cash flow from operations is reconciled as follows:

| | 2007 | 2006 | % |
|---------------------------------------|---------------|---------|------|
| Net earnings | 3,164 | 1,035 | 206 |
| Adjustments for: | | | |
| Depletion, depreciation and accretion | 36,052 | 22,125 | 63 |
| Stock based compensation expense | 1,449 | 2,056 | (30) |
| Future income tax (recovery) | 619 | (1,113) | 156 |
| Cash flow from operations | 41,284 | 24,103 | 71 |

On a per share basis, Vero had net earnings of \$0.11 for both basic and diluted earnings per share for 2007 as compared to \$0.04 basic and diluted earnings per share for 2006. Cash flow per share in 2007 was \$1.47 basic and \$1.46 diluted, representing 50% and 49% increases respectively from the \$0.98 basic and diluted per share results from 2006.

| | 2007 | 2006 | % |
|------------------------|-------------|------|-----|
| Net earnings per share | | | |
| Basic | 0.11 | 0.04 | 175 |
| Diluted | 0.11 | 0.04 | 175 |
| Cash flow per share | | | |
| Basic | 1.47 | 0.98 | 50 |
| Diluted | 1.46 | 0.98 | 49 |

CAPITAL EXPENDITURES

Vero spent an aggregate of \$71,453 in 2007, representing a decrease of 6% from that spent in 2006. Even though drilling expenditures increased by 22%, and equipping and tie-in work increased by 19%, we only had one small acquisition in the year for \$2,478 as compared to the larger corporate acquisition in 2006. The property acquisition occurred in January of 2007 wherein we purchased the remaining 50% interest of our partner in the Corbett area. The purchase came with approximately 60 boe/d of production and 2,800 net acres of undeveloped land. 36 (24.1 net) wells were drilled in 2007 which was 15% higher (on a net basis) than in 2006. In addition Vero spent \$3,560 on new land additions, mainly in its core areas adding over 12,000 net undeveloped acres of land to its inventory. Other significant expenditures during the year included spending \$3,384 for the construction and installation of the 100% owned 20 mmcf/d gas processing facility in Edson and \$1,338 for the acquisition of 3D seismic data in its newly expanded area of Corbett. A summary of the costs incurred for the year is as follows:

| | 2007 | 2006 | % |
|--|--------|--------|-------|
| Exploration and development | | | |
| Land acquisitions and lease rentals | 3,716 | 4,468 | (17) |
| Geological and geophysical | 2,456 | 855 | 187 |
| Drilling and completions | 44,245 | 36,148 | 22 |
| Well equipment and facilities | 18,515 | 15,555 | 19 |
| Disposals | - | (300) | 100 |
| Total exploration and development | 68,932 | 56,726 | 22 |
| Other expenditures | 43 | 141 | (70) |
| Total capital expenditures | 68,975 | 56,867 | 21 |
| Corporate acquisition (cash outlay) | - | 18,887 | (100) |
| Property acquisition | 2,478 | - | - |
| Net capital expenditures before ARO | 71,453 | 75,754 | (6) |
| Capitalized asset retirement obligations | 717 | 636 | 13 |
| Total capital additions | 72,170 | 76,390 | (6) |

| | 2007 | | 2006 | |
|----------------------|-------|------|-------|------|
| | Gross | Net | Gross | Net |
| Wells drilled | | | | |
| Exploration | 10 | 5.6 | 4 | 3.3 |
| Development | 22 | 15.4 | 22 | 12.3 |
| Dry holes | 4 | 3.1 | 2 | 2.0 |
| Standing wells | - | - | 7 | 3.4 |
| Total wells | 36 | 24.1 | 35 | 21.0 |
| Success rate (%) | 89% | 87% | 94% | 91% |

Vero's capital spending budget for 2008 has initially been set at \$50,000, which is slightly less than forecasted cash flows. This level of expenditures will be dependent on many factors such as: weather, commodity prices, new opportunities that arise during the year, rig and services availability and success rates on wells that may require follow-up locations. The Company is currently planning to drill 30-32 (22-23.5 net) wells. The closing of Vero's private placement financing at the end of February 2008 gives Vero additional flexibility in taking advantage of the numerous drilling opportunities in front of us. It is possible that the capital budget will be expanded as a result of the financing, but Vero will re-visit these plans after evaluating the first quarters' drilling results and also reviewing the commodity price outlook.

LIQUIDITY AND CAPITAL RESOURCES

| Debt and working capital | 2007 | 2006 | % |
|----------------------------|--------|--------|----|
| Bank debt | 46,013 | 35,651 | 29 |
| Working capital deficiency | 15,761 | 13,889 | 13 |
| Net debt | 61,774 | 49,540 | 25 |

| Capital Program Funding | 2007 | 2006 | % |
|------------------------------------|---------------|--------|-------|
| Cash, beginning of period | - | 12,523 | (100) |
| Funds provided by operations | 41,284 | 24,103 | 71 |
| Asset retirement costs | (43) | - | - |
| Increase in bank debt | 10,362 | 17,131 | (40) |
| Share issuance, net of costs | 17,935 | 12,061 | 49 |
| Option exercises | 43 | - | - |
| Change in non-cash working capital | 1,872 | 9,936 | (81) |
| Net capital expenditures | 71,453 | 75,754 | (6) |

The Company funded its \$71,453 in total capital expenditures for 2007 from a variety of resources. Vero realized cash flow of \$41,284; increased its bank debt by \$10,362; closed a private placement (plus a small stock option exercise) which netted the Company \$17,978; and increased its non-cash working capital by \$1,872. All of this activity resulted in net debt at December 31, 2007 of \$61,774, which was 25% higher than December 31, 2006. The oil and gas industry, by its nature, requires significant amounts of capital to fund its capital programs with a view to expanding its production and reserves. The Company currently plans to spend approximately \$50,000 in 2008. To fund its capital program for 2008, Vero currently expects to generate approximately \$58,000 of cash flow in 2008. This alone will be sufficient to fund the capital program. However, with the currently unutilized bank line of approximately \$24,000 and the net proceeds of its February 2008 private placement financing, the additional resources will make it possible for Vero to expand its drilling program in 2008 from the currently planned levels.

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 annual review by the bank was completed in July of 2007 and the next review, is scheduled for March of 2008 and is currently under way. 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 review of the borrowing base. The credit facility is currently authorized at \$70,000 and we currently expect this amount may be expanded with the recently updated reserves report at December 31, 2007.

Vero's stock has maintained its high levels of liquidity. For 2007, the stock has traded an average of over 129 thousand shares per trading day in 2007 as compared to an average of 89 thousand shares per day in 2006. Below is a summary of the trading history of the Company's shares for 2007 and 2006.

| | 2007 | | | | | 2006 | | | | |
|------------|---------------|-------|-------|-------|-------|--------|-------|-------|-------|--------|
| | YTD | Q4 | Q3 | Q2 | Q1 | YTD | Q4 | Q3 | Q2 | Q1 |
| High (\$) | 8.09 | 6.23 | 7.50 | 8.09 | 6.25 | 7.18 | 6.70 | 6.00 | 7.06 | 7.18 |
| Low (\$) | 5.21 | 5.36 | 5.30 | 5.79 | 5.21 | 4.20 | 4.20 | 4.60 | 5.02 | 5.00 |
| Close (\$) | 5.80 | 5.80 | 5.68 | 7.50 | 5.77 | 6.06 | 6.06 | 4.69 | 5.43 | 6.15 |
| Volume | 32,408 | 8,807 | 6,671 | 7,514 | 9,417 | 22,332 | 3,467 | 3,683 | 3,773 | 11,409 |

(000's)

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

Five officers of the Company subscribed for 26 thousand common shares at a price of \$5.55 per share and 21 thousand flow-through common shares at a price of \$7.25 per share in the April 5, 2007 private placement. The prices at which the shares were issued were the same as those used in the subscription agreements entered into with non-related parties.

CONTRACTUAL OBLIGATIONS

In the normal course of operations, the Company has entered into contracts and incurred obligations that will impact future liquidity. Based on current cash flow forecast and resources, Vero expects to fulfil the obligations summarized in the below table as they come due. As at December 31, 2007 Vero is obligated to make the following payments under the terms of long-term contracts or commitments it has entered into:

| | Total | Payments Due by Period | | |
|-------------------------------|-------|------------------------|--------------|--------------|
| | | Less than 1 year | 1-3 Years | 4-5 Years |
| Transportation obligations | 889 | 209 | 407 | 273 |
| Head office lease | 3,308 | 931 | 1,390 | 987 |
| Farm-in obligations | 1,920 | 1,920 | - | - |
| Total contractual obligations | 6,117 | 3,060 | 1,797 | 1,260 |

The transportation obligations are comprised of firm service natural gas commitments with a gas transmission company. In the event of a shortfall in gas deliveries to the pipeline, the Company must pay the carrier the difference between volumes delivered and the contracted volumes in cash at the contracted rate. The head office lease obligations are comprised of the lease (including parking and a reasonable estimate of occupancy costs) for the Company's head office space as well as certain of the furnishings contained therein. Vero entered into a four-year lease for its new head office space with the lease term commencing March 1, 2007. In addition, and as at December 31, 2007 Vero had committed to drill one (net 0.8) well in Alberta with an anticipated commencement date in 2008 pursuant to farm-in agreements with an industry partner. Vero expects to settle the farm-in commitment at a net cost of \$1,920.

In addition to the above and 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. As at December 30, 2007, \$959 was still outstanding on this commitment. The Company will have until December 31, 2008 to incur the remaining eligible costs under the agreements.

SHARE CAPITAL

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

| (000's) | March 7, 2008 | December 31, 2007 | December 31, 2006 |
|--------------------------------|--------------------------|------------------------------|----------------------|
| Common shares outstanding | 30,855 | 28,915 | 25,907 |
| Stock options outstanding | 2,440 | 2,434 | 2,321 |
| Fully diluted shares | 33,295 | 31,349 | 28,228 |
| Weighted average common shares | | | |
| Basic | | 28,129 | 24,589 |
| Diluted | | 28,318 | 24,589 |

The increase in shares outstanding from December 31, 2007 is attributable to the private placement of 1,940 shares, which closed on February 28, 2008.

FOURTH QUARTER 2007

A 59% increase in production volumes highlighted the fourth quarter of 2007 as compared to the same quarter last year. All of our production growth came through the drill bit in the fourth quarter. Even though natural gas prices were 13% lower than the comparable quarter in 2006, we did see some strengthening of the prices in December. Liquids prices and oil prices were markedly higher in the fourth quarter of 2007, and this coupled with the significant production gains, spearheaded the 49% increase in cash flow. On a per share basis Vero realized cash flow of \$0.40 per share (basic and diluted) representing a 29% increase from 2006. We spent \$20,412 in our capital program for the quarter. The largest single addition in the quarter was the completion of our 100% owned 20 mmcf/d gas processing facility. \$2,200 of the total \$3,384 cost was spent in the fourth quarter. Operating netbacks averaged \$26.77 in the fourth quarter of 2007 as compared to \$29.27 in the fourth quarter of 2006. Cash flow netbacks were only slightly lower in 2007 at \$24.20 compared to \$25.80 in 2006. Vero again made headway in reducing its DD&A charges for the quarter wherein we saw a 14% reduction from 2006 levels. The growth in proved reserve additions in the quarter allowed this number to be reduced. Specific highlights of the fourth quarter are as follows:

| | Three months ended, | | |
|---------------------------------------|------------------------------|----------------------|-------|
| | December 31, 2007 | December 31, 2006 | % |
| <i>Financial (\$000's)</i> | | | |
| Production revenue | 23,218 | 14,846 | 56 |
| Cash flow from operations | 11,662 | 7,835 | 49 |
| Basic - per share (\$/share) | 0.40 | 0.31 | 29 |
| Diluted - per share (\$/share) | 0.40 | 0.31 | 29 |
| Net earnings | 2,842 | 688 | 313 |
| Basic - per share (\$/share) | 0.09 | 0.03 | 200 |
| Diluted - per share (\$/share) | 0.09 | 0.03 | 200 |
| Capital expenditures (net) | 20,412 | 17,966 | 14 |
| Net debt | 61,774 | 49,540 | 25 |
| <i>Share Capital (000's)</i> | | | |
| Basic, weighted average | 28,914 | 25,907 | 12 |
| Basic, end of period | 28,915 | 25,907 | 12 |
| Diluted | 29,034 | 25,907 | 12 |
| Fully diluted | 31,349 | 28,228 | 11 |
| <i>Daily Sales Volumes</i> | | | |
| Natural gas volumes (mcf/d) | 24,663 | 15,247 | 62 |
| Light/medium oil (\$/bbl) | 524 | 299 | 75 |
| Liquids (boe/d) | 606 | 460 | 32 |
| Corporate (boe/d) | 5,241 | 3,301 | 59 |
| <i>Average Prices Realized</i> | | | |
| Natural gas (\$/mcf) | 6.78 | 7.77 | (13) |
| Light Oil (\$/bbl) | 73.81 | 62.32 | 18 |
| Liquids (\$/bbl) | 76.49 | 52.63 | 45 |
| Corporate (\$/boe) | 48.16 | 48.89 | (1) |
| <i>Netbacks (\$/boe)</i> | | | |
| Production revenue | 48.16 | 48.89 | (1) |
| Royalties | (12.42) | (12.15) | 2 |
| Operating | (7.53) | (6.70) | 12 |
| Transportation | (1.44) | (0.77) | 87 |
| Operating netback | 26.77 | 29.27 | (9) |
| General and administrative | (1.25) | (1.66) | (25) |
| Interest | (1.32) | (1.81) | (27) |
| Cash flow netback | 24.20 | 25.80 | (6) |
| Stock-based compensation | (0.66) | (1.82) | (64) |
| DD&A | (18.33) | (21.37) | (14) |
| Future taxes | 0.70 | (0.34) | (306) |
| Net earnings | 5.91 | 2.27 | 160 |

SELECTED QUARTERLY INFORMATION

Below is summarized quarterly information for the previous eight quarters.

| <i>(000's except as noted)</i> | December 31, 2007 | September 30, 2007 | June 30, 2007 | March 31, 2007 |
|----------------------------------|------------------------------|-----------------------|------------------|-------------------|
| Production (boe/d) | 5,241 | 4,865 | 4,290 | 4,430 |
| Average prices realized (\$/boe) | 48.16 | 44.08 | 51.36 | 51.19 |
| Production revenue | 23,218 | 19,731 | 20,051 | 20,407 |
| Net earnings (loss) | 2,842 | (902) | 502 | 722 |
| Basic - per share (\$/share) | 0.09 | (0.03) | 0.02 | 0.03 |
| Diluted - per share (\$/share) | 0.09 | (0.03) | 0.02 | 0.03 |
| Cash flow | 11,662 | 9,425 | 9,693 | 10,504 |
| Basic - per share (\$/share) | 0.40 | 0.33 | 0.33 | 0.41 |
| Diluted - per share (\$/share) | 0.40 | 0.32 | 0.32 | 0.41 |
| Total assets | 207,051 | 187,706 | 178,377 | 182,470 |
| Net capital expenditures | 20,412 | 18,522 | 5,621 | 26,898 |
| Long term financial liabilities | - | - | - | - |
| Net debt | 61,774 | 53,002 | 43,172 | 65,934 |
| Dividends paid | - | - | - | - |

| <i>(000's except as noted)</i> | December 31, 2006 | September 30, 2006 | June 30, 2006 | March 31, 2006 |
|----------------------------------|----------------------|-----------------------|------------------|-------------------|
| Production (boe/d) | 3,301 | 2,713 | 2,350 | 1,427 |
| Average prices realized (\$/boe) | 48.89 | 45.82 | 49.44 | 55.26 |
| Production revenue | 14,846 | 11,436 | 10,571 | 7,096 |
| Net earnings | 688 | 16 | 79 | 252 |
| Basic - per share (\$/share) | 0.03 | - | - | 0.01 |
| Diluted - per share (\$/share) | 0.03 | - | - | 0.01 |
| Cash flow | 7,835 | 6,280 | 5,854 | 4,133 |
| Basic - per share (\$/share) | 0.31 | 0.24 | 0.23 | 0.20 |
| Diluted - per share (\$/share) | 0.31 | 0.24 | 0.23 | 0.20 |
| Total assets | 166,858 | 155,480 | 142,344 | 132,787 |
| Net capital expenditures | 17,966 | 15,556 | 12,322 | 29,911 |
| Long term financial liabilities | - | - | - | - |
| Net debt (surplus) | 49,540 | 39,409 | 30,133 | 35,768 |
| Dividends paid | - | - | - | - |

SELECTED ANNUAL INFORMATION

| | 2007 | 2006 | 2005 |
|---------------------------------|----------------|---------|---------|
| Production (boe/d) | 4,709 | 2,453 | 980 |
| Petroleum and natural gas sales | 83,407 | 43,948 | 4,212 |
| Cash flow from operations | 41,284 | 24,103 | 1,896 |
| Per share – basic | 1.47 | 0.98 | 0.20 |
| Per share – diluted | 1.46 | 0.98 | 0.20 |
| Net earnings | 3,164 | 1,035 | 665 |
| Per share – basic | 0.11 | 0.04 | 0.07 |
| Per share – diluted | 0.11 | 0.04 | 0.07 |
| Total assets | 207,051 | 166,858 | 53,131 |
| Net capital expenditures | 71,453 | 75,754 | 35,021 |
| Long term financial liabilities | - | - | - |
| Net debt (surplus) | 61,774 | 49,540 | (8,411) |
| Dividends paid | - | - | - |

The Company has been operating since November 2, 2005. Therefore the results for 2005 are for sixty days of operations only. The bulk of the 2005 capital spending was associated with the transfer of assets from the Plan of Arrangement between True Energy Inc., TKE Energy Trust and Vero Energy Inc. In these sixty days of operations, Vero drilled 6 (3.8 net) wells.

2006 was the first full year of operations for Vero. Vero's objective was to grow primarily by drilling on its core properties, but to also make any strategic acquisitions if management was able to locate quality assets that came available. On February 24, 2006 Vero acquired all of the shares of a private company. This acquisition added approximately 850 boe/d; 2,521 mboe of proved and probable reserves; and 9,385 net undeveloped acres of land. The acquisition was paid for with the issuance of 4,755 thousand Vero shares, cash payments to shareholders of \$18,261 and the assumption of debt of \$18,520. Vero generated \$24,103 in cash flow in 2006 or \$0.31 per share (basic and diluted). In addition to the acquisition, Vero drilled 35 (21.0 net) wells in its core areas with a 91% success rate. Production volumes rose throughout 2006 to exit the year at approximately 3,900 boe/d.

In 2007, Vero, as well as the whole industry, experienced a stagnation of natural gas prices. Vero was still able to grow in all respects. Vero was able to increase its average production by 92% over the prior year. Cash flow was \$41,284 or \$1.47 per basic share and \$1.46 per diluted share. Virtually all of the production increases were attributable to Vero's drilling of 36 (24.1 net) wells and an 87% success rate. We had a small acquisition at the beginning of the year which came with approximately 60 boe/d and 2,800 net acres of undeveloped land. Vero exited the year producing approximately 5,700 boe/d.

RISK MANAGEMENT

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

Commodity price and exchange rate volatility

Revenues and consequently cash flows fluctuate with commodity prices and the US/Canadian dollar exchange rate. While the industry as a whole is experiencing reasonably strong commodity prices there is no certainty as to whether these price levels are sustainable. Commodity prices are determined on a global basis and circumstances that occur in various parts of the world are outside of the control of the Company. The Company protects itself from fluctuations in prices by maintaining an appropriate hedging strategy, diversifying its asset mix and strengthening its balance sheet in order to take advantage of low price environments by making strategic acquisitions. We enter into commodity price contracts to actively manage the risks associated with price volatility and thereby protect our cash flows used to fund our capital program. We have used costless collars and swap contracts to manage these risks and to take advantage of market conditions. Net earnings for the year ended December 31, 2007 included \$1,344 of realized gains on these transactions. There were no contracts outstanding as at December 31, 2007. However, subsequent to the year-end, Vero entered into the following contracts with respect to its natural gas pricing:

| Type | Amount | Term | Price (\$/gj) | Type |
|-----------------|---------------|--------------------------------|-----------------|-----------|
| Costless Collar | 5,000 gj/day | April 1 – October 31, 2008 | \$6.50 - \$8.25 | Financial |
| Swap | 5,000 gj/day | April 1 – October 31, 2008 | \$7.50 | Financial |
| Costless Collar | 5,000 gj/day | April 1 – October 31, 2008 | \$7.00 - \$8.80 | Financial |
| Costless Collar | 10,000 gj/day | November 1 – December 31, 2008 | \$7.75 - \$9.50 | Financial |

Vero is also exposed to fluctuations in the exchange rate between the Canadian and US dollar. Most commodity prices are based on U.S. dollar benchmarks that results in our realized prices being influenced mainly by the Canadian/U.S. currency exchange rates. The Canadian dollar continued its strengthening during the year, so that even though oil prices continued to rise, the net Canadian price did not go up in the same proportion.

Interest rate risk

Vero is exposed to interest rate fluctuations. The Company has made a decided effort to not lock in interest rates at current levels as we view the risk of rates increasing significantly to be minimal. The economy in the United States continues to slow and this will certainly have an impact in Canada. Inflation rates were running at around 2% for 2007. In addition the credit problems in the U.S. did impact the stock market in Canada and both the Canadian and U.S. governments moved to reduce interest rates to mitigate this. There being no perceived upward pressure on interest rates, Vero will maintain its exposure to the spot rates for the near term.

The maturing Western Canadian Sedimentary Basin

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

Operating and finding and development costs are increasing each year

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

Administrative risks

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

Environmental Regulations

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

The Federal Government released on April 26, 2007, its Action Plan to Reduce Greenhouse Gases and Air Pollution (the "Action Plan"), also known as ecoACTION and which includes the Regulatory Framework for Air Emissions. This Action Plan covers not only large industry, but

regulates the fuel efficiency of vehicles and the strengthening of energy standards for a number of energy-using products. Regarding large industry and industry related projects the Government's Action Plan intends to achieve the following: (i) an absolute reduction of 150 megatonnes in greenhouse gas emissions by 2020 by imposing mandatory targets; and (ii) air pollution from industry is to be cut in half by 2015 by setting certain targets. New facilities using cleaner fuels and technologies will have a grace period of three years. In order to facilitate the companies' compliance of the Action Plan's requirements, while at the same time allowing them to be cost-effective, innovative and adopt cleaner technologies, certain options are provided. These are: (i) in-house reductions; (ii) contributions to technology funds; (iii) trading of emissions with below-target emission companies; (iv) offsets; and (v) access to Kyoto's Clean Development Mechanism.

On March 8, 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 the New 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 produced its report and recommendations on September 18, 2007. The Government of Alberta considered these recommendations and obtained input from the public and the oil and gas sector on the recommendations and on October 25, 2007 issued its decision on the direction of royalties in the province. A summary of the Alberta Governments framework, as currently proposed, that will impact Vero is as follows:

Conventional Oil

Price-sensitive and volume-sensitive conventional oil royalty rates will become separate elements within a single sliding rate formula. New royalty rates will range from 0% to 50%, up

from the current maximums of 30% and 35% for new and old vintages. Royalties will be calculated on a monthly production rate as is done currently and as collected, reported and used by industry.

The following royalty programs will be eliminated:

- Third Tier Exploratory Well Royalty Exemption
- Re-activated Well Royalty Reduction
- Low Productivity Well Royalty Reduction
- Horizontal Re-entry Well Royalty Program
- Experimental Project Petroleum Royalty

Oil project royalty programs like Enhanced Oil Recovery and the Innovative Energy Technology Program will be retained to encourage research and additional oil recovery. The tiers in conventional oil that distinguish vintages based on the discovery date will be eliminated. Rate caps on price will be raised for conventional oil to \$120 per barrel. Currently, maximum rates are reached at around \$30 per barrel for conventional oil.

Natural Gas

New royalty rates will range from 5% to 50%, up from ranges of 5% to 30% for new and 5% to 35% for old vintages.

The government plans to revamp the Deep Gas Drilling Program. The Government announced that royalty reductions will be available for deep gas wells. Deep gas wells included those over 2,000 meters of drilling length. Included in the deep well regime will be entire length of horizontal wells. The government will raise rate caps on the price of natural gas to \$16.59/GJ. The cap will ensure the royalty system is sensitive over a broad range of prices. Currently maximums are reached at around \$3.70/GJ for natural gas.

Royalties for natural gas liquids will now be set at 40% for pentanes, a change from 22-50% for old tiers and 22-35% for new. The new royalties for butanes and propane will be 30%, up from 15-30%. The government will eliminate the option to use the Corporate Average Price to determine natural gas royalties.

For gas processing facilities, the government will move from using corporate effective royalty rates to calculate costs of the Crown's share of capital to establishing facility effective royalty rates. This will improve the link of capital costs for natural gas to a particular facility. The Alberta Royalty Review Panel had recommended going to deemed or set fees, an approach tried before in Alberta, but it does not recognize significant actual cost differences in processing plants. For gathering and compression, the government will continue to use set fees which recognize actual costs. The government will eliminate the tiers in conventional natural gas that distinguish vintages based on the discovery date to simplify the system. The Government views that under current economic conditions the difference between tiers is minimal. The government will retain the Otherwise Flared Solution Gas Royalty (OFSG) Waiver Program and extend it to bitumen wells. This program encourages solution gas conservation, rather than venting the gas, resulting in improved air quality.

The government has stated its intention to consult with industry and potentially revise the NRF for unintended consequences. Vero will continue to monitor government announcements and proposed revisions as they become available in order to better assess the impact of these changes on its future cash flows and reserve valuations.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management is often required to make judgments, assumptions and estimates in the application of generally accepted accounting principles that have a significant impact on the financial results of the Company.

Full cost accounting

The Company follows the full cost method of accounting for petroleum and natural gas operations, whereby all costs relating to the Energy and development of petroleum and natural gas reserves are capitalized on a country-by-country cost centre basis. Such costs include land acquisition costs, costs of drilling both productive and non-productive wells, well equipment, flow-line and facility costs, geological and geophysical expenses and overhead expenses directly related to exploration and development activities. Gains or losses on sales of properties are recognized only when crediting the proceeds to the recorded costs would result in a change of 20% or more in the depletion and depreciation rate. The aggregate of capitalized costs, net of certain costs related to unproved properties, and estimated future development costs are amortized using the unit-of-production method based on estimated proved reserves of petroleum and natural gas before royalties as determined by independent petroleum engineers. Changes in estimated proven reserves or future development costs have a direct impact on depletion and depreciation expense.

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

Oil and natural gas reserves

Estimates of oil and natural gas reserves are projections based on geological and engineering data. There are uncertainties inherent in these projections including the interpretation of data and the projection of future rates or production and the timing of developmental expenditures. Reserve engineering is an analytical process of estimating below ground accumulations of oil and natural gas that are difficult to measure. The accuracy of any reserve estimate is a function of the quality of available data, engineering and geological interpretation and judgment. The Company's proved oil and gas reserves are evaluated and reported on annually by an independent, qualified, petroleum-engineering consultant. The estimation of reserves is a

subjective process. Forecasts are based on engineering data, projected future rates of production, estimated commodity price forecasts and the timing of future expenditures, all of which are subject to a number of uncertainties and various interpretations. The Company expects that over time its reserve estimates will be revised upward or downward based on updated information such as the results of future drilling, testing and production levels. Reserve estimates can have a significant impact on net earnings, as they are a key component in the calculation of depletion. A revision to the reserves estimate could result in a higher or lower D,D&A charge to net earnings. Downward revisions to reserve estimates could also result in a write-down of oil and natural gas property, plant and equipment under the ceiling test described below.

Ceiling test

Under full cost accounting, a ceiling test is performed to ensure that unamortized capitalized costs in each cost center do not exceed their fair value. The carrying value of property, plant and equipment is reviewed annually for impairment. Impairment will occur when the carrying amount of the property, plant and equipment minus the sum of the undiscounted cash flows expected to result from the Company's proved reserves yields a negative result. The cash flows are calculated based on third party quoted forward prices and adjusted for the Company's contract and/or hedged prices as well as quality differentials. If there were impairment, the magnitude of it would be calculated by comparing the carrying amount of property, plant and equipment to the estimated net present value of future cash flows from proved plus risked probable reserves. A risk-free interest rate is used to arrive at the net present value of the future cash flows. Any excess carrying value above the net present value of future cash flows would be recorded as a permanent impairment and charged as additional depletion expense in the Statement of Operations and Comprehensive Income. No write-down was required at December 31, 2007.

Goodwill

Goodwill of \$15,034 represents the excess purchase price over the fair value of identifiable assets and liabilities acquired in the private company acquisition on February 24, 2006. Goodwill is not amortized. However, as per accounting standards, goodwill impairment is assessed annually at December 31, or more frequently as economic events dictate. Impairment is determined by comparing the fair value of the reporting unit to its carrying value, including goodwill. If it is determined that the fair value of the reporting units assets and liabilities is less than its carrying value, an impairment amount is determined by deducting the fair value of the reporting unit from its book value and applying it against the book balance of goodwill. The offset is charged to the Statement of Operations and Comprehensive Income as additional DD&A.

Asset retirement obligations

The Company recognizes the fair value of an asset retirement obligation ("ARO") in the period in which it is incurred when a reasonable estimate of fair value can be made. The obligations recognized are estimates of statutory, contractual or legal obligations that the Company will reasonably be expected to incur and then discounted to its present value using the Company's

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

Future income tax

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

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

Stock-based compensation

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

Financial Instruments

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

Other estimates

The accrual method of accounting will require management to incorporate certain estimates of revenues, royalties, and production costs as at a specific reporting date but for which actual revenue, royalties and other costs have not yet been received. In addition, the Company must estimate capital expenditures on capital projects that are in progress or recently completed where actual costs have not been received as of the reporting date.

ACCOUNTING STANDARDS CHANGES

Financial Instruments

Vero prospectively 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.

Derivatives embedded in other financial instruments or contracts, are separated from their host contracts and accounted for as derivatives when their economic characteristics and risks are not closely related to those of the host contract. The Company has never had any contracts or financial instruments with embedded derivatives that require bifurcation.

Comprehensive income is the change in shareholder's equity, which results from transactions and events from sources other than the Company's shareholders. These transactions and events include changes in the currency translation adjustment relating to self-sustaining foreign operations and unrealized gains and losses resulting from changes in the fair value of certain financial instruments. The Company did not have any items to record as transitional adjustments with respect to comprehensive income. Upon adoption of Section 1530, the Company revised the heading on its financial statements from "Statements of Operations" to include the newly

required Statement of Comprehensive Income by creating a combined “Statement of Operations, Comprehensive Income and Retained Earnings”.

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.

Future Accounting Pronouncements

As of January 1, 2008 Vero will be required to adopt two 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. The new financial instruments presentation and disclosure requirements were issued in December 2006 and the corporation is assessing the impact on its financial statements.

As of January 1, 2008, the Corporation will be required to adopt 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. The new capital disclosure requirements were issued in December 2006 and the Corporation is assessing the impact on its financial statements.

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 2010. The Corporation continues to monitor and assess the impact of the convergence of Canadian GAAP and IFRS.

DISCLOSURE CONTROLS AND PROCEDURES

Vero's Chief Executive Officer and Chief Financial Officer have designed or caused to be designed under their supervision, internal controls over financial reporting related to the Company. 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 December 31, 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 effect on the annual or interim financial statements.

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 year that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting. During 2007 the Audit Committee of Vero engaged the auditors of the Company to evaluate and report on the adequacy of their internal controls. No material changes in Vero's internal controls over financial reporting were identified during the year ended December 31, 2007, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

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.