



SECOND QUARTER 2008

For the six months ended June 30, 2008

Q2



Second Quarter 2008 Highlights

- ✓ Increased average daily production 42% to 6,087 boe/d.
- ✓ Cash flow from operations increased 177% to \$26.8 million or \$0.84 per share (basic) and \$0.82 (diluted).
- ✓ Generated net earnings of \$8.7 million in the quarter, a 1,641% increase over the second quarter of 2007.
- ✓ Maintained a low operating cost per barrel average of \$5.65 for the six months to date.
- ✓ Achieved an operating netback of \$51.31 per boe and cash flow netback of \$48.38 per boe.
- ✓ Net debt to annualized, quarterly cash flow was reduced to 0.4x.
- ✓ Drilled 6 (4.4 net) wells with a 100% success rate including 4 horizontal wells.

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Financial and operating highlights for the second quarter of 2008 with comparisons to the second quarter of 2007 are as follows:

<i>Financial (\$000's except per share amounts)</i>	Three Months ended			Six months ended		
	June 30,			June 30,		
	2008	2007	%	2008	2007	%
Production revenue	42,264	20,051	111	73,432	40,459	81
Cash flow from operations (1)	26,805	9,693	177	44,647	20,197	121
Per basic share	0.84	0.33	155	1.44	0.74	95
Per diluted share	0.82	0.32	156	1.41	0.73	93
Net earnings	8,740	502	1,641	12,523	1,224	923
Per basic share	0.27	0.02	1,250	0.40	0.04	900
Per diluted share	0.26	0.02	1,200	0.39	0.04	875
Capital expenditures, net	16,411	5,621	192	36,399	32,519	12
Net debt (2)	38,428	43,905	(12)	38,428	43,905	(12)
Share Capital (000's)						
Basic, weighted average	32,475	28,743	13	31,036	27,333	14
Basic, end of period	32,884	28,911	14	32,884	28,911	14
Fully diluted	35,429	31,347	13	35,429	31,347	13
Daily Production						
Natural gas volumes (mcf/d)	27,705	20,930	32	27,218	21,075	29
Light oil (boe/d)	666	292	128	616	316	95
Liquids (boe/d)	804	510	58	777	531	46
Corporate (boe/d)	6,087	4,290	42	5,929	4,359	36
Average Realized Prices						
Natural gas (\$/mcf)	10.64	7.99	33	9.59	8.11	18
Light Oil (\$/bbl)	120.61	68.28	77	105.65	65.02	62
Liquids (\$/bbl)	111.23	65.25	70	99.49	60.38	65
Corporate (\$/boe)	76.30	51.36	49	68.05	51.28	33
Netbacks (\$/boe)						
Operating (4)	51.31	29.04	77	44.27	29.42	50
Cash flow	48.38	24.82	95	41.37	25.60	62
Wells drilled						
Gross	6	1	500	14	18	(22)
Net	4.4	0.3	1,367	9.9	11.2	(12)

(1) Cash flow from operations is calculated as cash provided by operating activities from the statement of cash flows, adding change in non-cash working capital and asset retirement expenditures. Cash flow from operations is used to analyze the Company's operating performance and leverage. Cash flow from operations does not have a standardized measure prescribed by Canadian Generally Accepted Accounting Principles and therefore may not be comparable with the calculations of similar measures for other companies.

(2) Net debt represents current assets less current liabilities and bank debt (but excludes the potential future liability related to the mar-to-market measurement of hedges). It does not have a standardized meaning prescribed by Generally Accepted Accounting Principles and it is therefore unlikely to be comparable to similar measures presented by other companies.

(3) All barrels of oil equivalent conversions use 6 mcf to 1 barrel of oil.

(4) Operating netback equals total revenue less royalties, transportation and operating costs calculated on a per boe basis. Operating netback and cash flow from operations netback do not have a standardized measure prescribed by Canadian Generally Accepted Accounting Principles and therefore may not be comparable with the calculations of similar measures for other companies.

FINANCIAL REVIEW

Vero had an exceptional second quarter in terms of both production increases and cash flows. Leading the way was a 42% increase in daily production over the same quarter last year. This, coupled with a 49% increase in realized commodity prices generated a record quarter of cash flows. Cash flow for the second quarter was \$26.8 million, or \$0.84 per basic share and \$0.82 per diluted share. While revenues were increasing for the quarter, operating costs were consistent with last year as we experienced only a marginal increase of 4%. General and administrative costs per boe declined by 32% primarily as a result of increased production levels with only marginal increases in staff and head office space requirements. In addition, successful drilling results from the first half of 2008 have reduced the company's depletion rate per boe by 21% to \$17.69 per boe. All of these positive results generated net earnings for the second quarter of \$8.7 million or \$0.27 per share. For the year to date, the net earnings results are progressing ahead of forecasts with Vero realizing \$12.5 million in net earnings or \$0.40 per weighted average, basic share.

Vero was more active on the capital spending front in this quarter as compared to the same quarter last year. Spending totaled \$16.4 million during the quarter, including the drilling of 6 (4.4 net) wells. Vero directed 72% of its exploration and development capital towards drilling and completions, while 20% was devoted to facilities and tie-ins. An additional \$749 thousand was spent on Crown land acquisitions.

In addition to our field activity, Vero completed two private company acquisitions during the quarter, both of which had common properties with Vero's. The first acquisition closed on April 15 and was an all-share deal. The total acquisition cost, including the assumption of approximately \$1.8 million of net debt and working capital, was approximately \$17 million. The second acquisition, which closed on May 21, 2008, was an all-cash deal for an aggregate cost of \$2.4 million. The Company views these acquisitions to be an excellent way to increase drilling and operating opportunities in our core areas along with the added potential to develop some new core areas.

With the enhanced cash flows from the second quarter and the strength in Vero's balance sheet brought forward from the first quarter, the Company has a very solid 0.4 times net debt to annualized cash flow.

OPERATIONS UPDATE

Edson, Alberta

Edson is Vero's largest producing property with average production of 3,802 boe/d (81% natural gas) in the quarter. There were 4 (2.4 net) wells drilled in the second quarter with a success rate of 100%. An additional 2 (2.0 net) wells were drilling over the quarter end. The production primarily targets the Rock Creek and Manville zones to 2,400-2,500 meters in depth and is characterized by gas with a high liquid content, which can generate volumes of up to 30 bbls/mmcf. The Company has an active program in the Edson area for the balance of 2008. We are currently planning to drill approximately 28 (18.8 net) vertical and horizontal wells for the remainder of 2008. Currently there are 14 (9.6 net) horizontal producing wells with 1 (1.0 net) being completed and another 1 (1.0 net) currently drilling. A total of 8 (6.2 net) horizontal wells have been drilled in the Edson area so far this year and with the success achieved to date horizontal drilling is expected to be a substantial part of Vero's Edson program.

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During the second quarter Vero installed two field boosters to counter high line pressures. In addition, the Company has commenced preliminary work on the construction of a 100% owned, 12 mmcf/day facility to handle new production additions in the area as well as to facilitate future growth.

Vero's acreage in the area consists of 35,840 gross (16,265 net) developed acres and 30,720 (23,271 net) undeveloped acres. Vero anticipates that in due course, a majority of the acreage could have at least two wells per section. Therefore, while our acreage in Edson is a significant part of our total acreage, we believe that the reserve potential in this area is a bigger part of this story.

Corbett

Corbett is Vero's second largest producing area contributing 15% to total corporate production in the second quarter. Production averaged 940 boe/d (62 % natural gas) in the second quarter. There were no wells drilled in the area over the quarter due to spring breakup conditions but our current plans for the rest of the year are to drill 4-5, 100% working interest wells. The main focus in the area is the Nordegg at a depth of 1,250 meters. The oil and natural gas liquids production has benefited from the increasing oil prices and the production from this area has become a significant contributor to the Company's cash flows.

Vero currently controls 9,598 (5,469 net) developed acres and 20,160 (16,640 net) undeveloped acres in this area.

Whitecourt

Whitecourt production for the second quarter of 2008 averaged 856 boe/d (88% natural gas). This area has recently been expanded as a result of acquisitions. As a result, Whitecourt production increased by 89% from the first quarter. We have identified several, quality drilling prospects on the acquired undeveloped lands and currently plan to drill 3-5 gross wells in this area in the remainder of 2008.

Vero currently controls 36,956 (17,565 net) developed acres and 59,200 (48,170 net) undeveloped acres in this area..

Alberta - Other

Total aggregate production for all other areas in the first quarter was 489 boe/d (75% natural gas). The major property within this category is Wilson Creek, which is mainly an exploitation property. Average production in Wilson Creek was 257 boe/d for the second quarter. This area generated the highest netbacks for the Company in the second quarter at approximately \$57/boe.

Vero has 34,495 (14,443 net) developed acres and 24,000 (15,890 net) undeveloped acres in the Alberta – Other category.

OUTLOOK AND PRESIDENT'S MESSAGE

Through a combination of operational execution and good timing with respect to recovering gas prices, Vero delivered another record quarterly result in both earnings and cash flow. Vero continued with its rapidly advancing experience in horizontal drilling and multi-stage completions as four more of these wells were completed in the quarter. The drilling success we have enjoyed has directly translated into financial success and profitability. The exceptional cash flow of \$26.8 million for the quarter leaves us in an enviable financial position and provides us with the flexibility to pursue our numerous drilling opportunities; strategic acquisitions; and also add to our drilling inventory through land purchases and farm-ins.

Vero completed two acquisitions in the second quarter and has recently entered into an agreement to purchase additional oil and gas properties that is expected to close on July 31. These acquisitions are at very favorable metrics wherein Vero will have purchased approximately 2.5 mmboc of proved plus probable reserve additions based on third party engineering reports for approximately \$16 per boc. These acquisitions have recycle ratios of over 2.1 times based on first quarter netbacks. They also add approximately 900 boc/d (94 % natural gas) of production and over 70,000 net acres of undeveloped land. The properties are mainly in West Central Alberta and have many synergies with Vero's current operations, which include having common production with approximately 35% of the purchased wells.

Vero continues to manage its resources in an excellent, low-cost operating and controllable cost environment and has one of the lowest cost structures in the junior oil and gas sector. Our low cost structure translates directly to one of the highest netbacks in the industry for a heavily weighted natural gas producer. Our netbacks, coupled with our capital cost efficiency, ability to get production on and in a cash flow position quickly, continue to allow us to provide top tier returns.

With higher cash flows from added production, the rise in commodity prices, and the strength of our balance sheet we are planning to increase our planned capital expenditures for the balance of the year to bring our total capital budget (including acquisitions mentioned) to approximately \$125 million. The exploration and development portion will be increased to \$85 million to better match cash flow. Vero has increased its planned gross well count for the year to between 43 and 46. Vero will also increase spending on facilities, land, seismic and infrastructure in conjunction with the planned, additional drilling.

In the second quarter Vero was able to drill and complete more wells than in 2007 despite the wet weather in the second half of the quarter that made it difficult to access for completions, tie-ins, and for services to access wells that needed maintenance. Production was shut-in at an unscheduled non-operated facility turnaround, and production to that facility was and still is currently restricted. Even though Vero encountered typical breakup operational issues during the quarter, the Company was able to show year over year and quarterly growth of 42% and 5.5% respectively. Vero's currently production, based on field estimates is approximately 5,650 boc/d, with 500 boc/d restricted and 950 boc/d behind pipe. This production is expected to come on by the end of August. The company is planning to reroute some of the restricted production to our recently built Edson facility. In addition, we are planning to add another 12 mmcfd gas compression and dehydration facility by the end of the third quarter. Currently there are two operated drilling rigs in the field, with two to three operated drilling rigs expected to remain busy for the remainder of the year.

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We are also extremely pleased to announce the recent addition to our management team of Leslie Kende. Mr. Kende is a professional engineer with a Masters of Business Administration and has been appointed to the position of Vice President of Engineering. Mr. Kende has 18 years of broad technical and business development experience. From 2003 to 2007 he was a Director and Vice President of Acquisitions and Divestitures at one of the larger investment banking firms in Calgary. In 2007 he took on the role of Vice President of New Ventures with one of the major trusts. Prior to 2003 Mr. Kende held a variety of reservoir and production engineering roles of increasing responsibility with both junior and large cap oil and gas companies.

I look forward to reporting our future activities.

Douglas J. Bartole
President and Chief Executive Officer

MANAGEMENT'S, DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") was prepared on July 25th, 2008 and is management's assessment of the Company's financial and operating results for the six-months ended June 30, 2008. This MD&A should be read in conjunction with the audited, financial statements of the Company for the year ended December 31, 2007 with the notes related thereto.

Additional information on the financial statements, this MD&A and other factors that could affect the company's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com), or at the company's website (www.veroenergy.ca). Furthermore, the forward-looking statements contained in this MD&A are made as of the date of this MD&A and the company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, accept as may be required by applicable securities laws.

READER ADVISORIES

Forward Looking Statements

Information provided herein contains estimates and assumptions which management is required to make regarding future events and may constitute forward-looking statements within the meaning of applicable securities laws. Forward looking statements may include estimates, plans, expectations, opinions, forecasts, projections, guidance or other statements that are not statements of fact. Although the Company believes the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will be realized. The use of any of the words "anticipate", "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” and “netbacks” which are terms not recognized under Generally Accepted Accounting Principles (“GAAP”). The Company uses these measures to help evaluate its performance, leverage, and liquidity as well as to assess potential acquisitions. The Company considers cash flow from operations a key measure as it demonstrates the Company's ability to generate funds necessary to repay debt and to fund future growth through capital investment. Cash flow from operations should not be considered as an alternative to, or more meaningful than, cash flow from operating activities as determined in accordance with Canadian GAAP as an indicator of Vero's performance. Vero's determination of cash flow from operations may not be comparable to that reported by other companies. The reconciliation between net earnings and cash flow from operations can be found in the statement of cash flows in the financial statements. Vero also presents cash flow from operations per share whereby per share amounts are calculated using weighted average shares outstanding consistent with the calculation of net earnings per share, which per share amount is calculated under GAAP and is more fully described in the notes to the financial statements. The Company considers corporate netbacks as a key measure as it demonstrates its profitability relative to current commodity prices.

Barrel of Oil Equivalents

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

Dollar amounts

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

FINANCIAL HIGHLIGHTS FROM THE SECOND QUARTER OF 2008

Vero has continued to be very active in its exploration and development activities. During the quarter we spent \$16,411 including: \$9,905 drilling and completing 6 (4.4 net) wells; \$2,748 in equipping and tying-in new wells; and \$634 in acquiring new Crown land acreage mainly in our core areas. In addition, we spent \$2,606 (cash costs) in acquiring two private companies during the quarter. Vero achieved production which averaged 6,087 boe/d in the quarter. This represented an increase of 5% from the first quarter of 2008 and was 42% higher than the same period of last year. Operational success met with financial success as Vero generated \$26,805 in cash flow for the quarter and \$44,647 for the year to date. The combination of record production

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and increasing prices generated record cash flows for Vero. Natural gas prices for the quarter, before hedging, averaged \$11.10 per mcf and oil prices increased to \$120.61 per barrel. Below is the detailed discussion of the results from the second quarter.

DETAILED FINANCIAL REVIEW

PRODUCTION REVENUE AND VOLUMES

Vero increased aggregate production volumes by 42% in the second quarter of 2008 to 553,934 boe compared to 390,378 boe in the second quarter of 2007. Production growth over last year continues to be attributable to the successful drilling results in Vero's core area of Edson. Vero is also benefiting from enhanced natural gas liquid recovery from a new 100% owned processing facility in Edson. In the second quarter of 2008 Vero closed the acquisition of a private natural gas producer, which has also contributed to an increase in volumes over 2007.

Gas production contributed 76% of total volumes for the second quarter while liquids came in at 13% and oil at 11%. This compares to 81% for gas in the same quarter of 2007, liquids at 12% and oil at 7%. For the balance of 2008 it is anticipated that the weighting to natural gas will remain around the 80% level as the bulk of our remaining drilling program for 2008 is for natural gas targets.

Aggregate Sales Volumes

	Three months ended June 30,			Six months ended June 30,		
	2008	2007	%	2008	2007	%
Natural gas (mcf)	2,521,194	1,904,633	32	4,953,590	3,814,504	30
Light/medium oil (bbl)	60,592	26,532	128	112,161	57,122	96
Natural gas liquids (bbl)	73,144	46,406	58	141,343	96,168	47
Barrels of oil equivalent (boe)	553,934	390,378	42	1,079,102	789,040	37

Daily Sales Volumes

Daily sales volumes increased 42% to 6,087 boe/d in 2008 from 4,290 boe/d in the second quarter of 2007. Daily oil volumes increased by 128% in the second quarter of 2008 over 2007 as Vero was successful in the drilling of its oil targets in the Corbett and Edson areas. Second quarter production included substantially all of the impact of the first corporate acquisition Vero completed. Third quarter capital activity will increase significantly over the second quarter, which is expected to provide additional production gains by early to late fall.

	Three months ended June 30,			Six months ended June 30,		
	2008	2007	%	2008	2007	%
Natural gas (mcf/d)	27,705	20,930	32	27,218	21,075	29
Light/medium oil (bbl/d)	666	292	128	616	316	95
Natural gas liquids (bbl/d)	804	510	58	777	531	46
Barrels of oil equivalent (boe/d)	6,087	4,290	42	5,929	4,359	36

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

	Three months ended June 30,			Six months ended June 30,		
	2008	2007	%	2008	2007	%
Edson	3,802	2,890	32	3,901	2,766	41
Corbett	940	330	185	915	400	129
Whitecourt	856	450	90	654	485	35
Wilson Creek	257	484	(47)	280	555	(50)
Other	232	137	69	179	154	16
Total	6,087	4,290	42	5,929	4,359	36

Benchmark Indices

	Three months ended June 30,			Six months ended June 30,		
	2008	2007	%	2008	2007	%
Natural gas						
NYMEX (US \$/mmbtu)	10.69	7.52	42	9.38	7.24	30
AECO- Daily (CDN \$/mcf)	10.22	7.07	45	9.10	7.24	26
Crude Oil						
WTI (US \$/bbl)	123.98	65.04	91	110.94	61.60	80
Edmonton light (CDN \$/bbl)	126.07	71.93	75	111.79	69.51	61
Foreign Exchange						
Canadian to US dollar	0.99	1.10	(10)	0.99	1.13	(12)
US to Canadian dollar	1.01	0.91	11	1.01	0.88	15

United States natural gas prices are usually referenced to the New York Mercantile Exchange Henry Hub in Louisiana (NYMEX), while in Canada the generally recognized benchmark is the AECO hub in Alberta. Gas prices are influenced by a variety of factors such as: weather patterns; LNG imports; supplies in Western Alberta; demand in Eastern Canada and the United States, relative storage levels in North America and alternative fuel sources. AECO benchmark pricing was 45% higher in 2008 as compared to 2007 levels. A cold start to the new year in 2008 reduced storage inventories and gave rise to the increase in AECO prices. This coupled with a predicted, active hurricane season to start the summer months caused gas prices to increase substantially in the recent quarter. WTI oil prices for 2008 experienced a significant increase of 91% compared with 2007. Supply, increased demand from India and China, and geopolitical issues worldwide have continued to place upward pressure on oil prices. The Canadian dollar has remained near parity with the US dollar during 2008 compared to 2007 when it was weaker. Strengthening of the Canadian currency had the effect of reducing the increase in WTI prices as the Edmonton light oil benchmark price increased by 75%, which was somewhat less than the advances in the WTI price.

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

	Three months ended June 30,			Six months ended June 30,		
	2008	2007	%	2008	2007	%
Natural gas (\$/mcf)	11.10	7.91	40	9.83	8.07	22
Gain (loss) on financial contracts (\$/mcf)	(0.46)	0.08	(675)	(0.24)	0.04	(700)
Realized price (\$/mcf)	10.64	7.99	33	9.59	8.11	18
Light / medium oil (\$/bbl)	120.61	68.28	77	105.65	65.02	62
Natural gas liquids (\$/bbl)	111.23	65.24	70	99.49	60.38	65
Barrels of oil equivalent (\$/boe)	76.30	51.36	49	68.05	51.28	33

Realized natural gas prices for the year increased by 22% as a result of significant strengthening in prices during the second quarter. Since the quality of Vero's natural gas is higher than the AECO standard due to its heat content, Vero averaged an 8% premium to the AECO price for the year to date. Realized oil prices increased by 62% in 2008 compared to 2007. This increase closely parallels the 61% increase in Edmonton par, oil pricing. Prices received for natural gas liquids increased by 65% in 2008, which is primarily due to a higher proportion of pentane production that more closely parallels oil pricing.

Production revenue

Aggregate revenues for the second quarter of 2008 more than doubled compared with the same period in 2007. Both prices and production volumes for all commodities increased on a quarterly and year-to-date basis. For the second quarter, natural gas prices, after hedging, increased by 33% and volumes increased by 32%, contributing a net of \$11.6 million in additional revenue. Oil volumes more than doubled over last year and prices were up by 77%, contributing an additional \$5.5 million in revenue. Liquids volumes also increased, up by 58%, and with prices increasing by 70% the net effect was a \$5.1 million increase in related revenue. For the quarter, oil and liquids production has increased from 19% of total production last year to 24% this year. However, production revenues for oil and liquids have increased from 24% of total revenue in 2007 to 37% of total revenue this year. This is as a result of a greater increase in related prices.

	Three months ended June 30,			Six months ended June 30,		
	2008	2007	%	2008	2007	%
Natural gas	27,996	15,057	86	48,697	30,783	58
Light / medium oil	7,308	1,812	303	11,849	3,714	119
Natural gas liquids	8,136	3,027	169	14,062	5,807	142
Realized (loss) gain on financial contracts	(1,176)	155	(859)	(1,176)	155	(859)
Production revenue	42,264	20,051	111	73,432	40,459	81

ROYALTIES

Royalties were \$9,774 for the second quarter of 2008 compared to \$5,816 in 2007. The increase parallels the significant increase in production revenues in 2008. On a per boe basis the rate increased to \$17.65 in the second quarter of 2008 from \$14.90 in 2007 mainly as a result of

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higher commodity prices. As a percentage of revenue, the rate for 2008 was lower than 2007 at 23.1% in the second quarter of 2008 compared to 29.0% in 2007. A portion of this decrease was attributable to the annual filing of gas cost allowance credits, which directly offsets gas Crown royalties. Vero expects that its effective royalty rate will be in the 25-27% range for the balance of the year.

	Three months ended June 30,			Six months ended June 30,		
	2008	2007	%	2008	2007	%
Crown – gross	8,667	5,156	68	16,238	10,186	59
Freehold/gross over-riding	1,107	660	68	2,028	1,276	59
Total royalties	9,774	5,816	68	18,266	11,462	59
Royalties (\$/boe)	17.65	14.90	18	16.93	14.53	17
Royalties - % of production revenue	23.1	29.0	(20)	24.9	28.3	(12)

RISK MANAGEMENT ACTIVITIES

The Company entered into the following commodity contracts during 2008:

Type	Amount	Term	Price (\$/gj)	Type
Costless collar	5,000 gj/day	April 1 – October 31, 2008	\$6.50 - \$8.25	Financial
Swap	5,000 gj/day	April 1 – October 31, 2008	\$7.50	Financial
Costless collar	5,000 gj/day	April 1 – October 31, 2008	\$7.00 - \$8.80	Financial
Costless collar	5,000 gj/day	November 1 – December 31, 2008	\$7.75 - \$9.50	Financial
Swap	1,000 gj/day	July 1 – October 31, 2008	\$7.54	Financial

These hedges are considered to be financial derivatives wherein the fair value of the contract was recognized on the balance sheet with changes in fair value recorded in income. In the second quarter of 2008, the unrealized loss from the Company's hedging contracts was \$4,240 and for the six months ended June 30 the unrealized loss was \$7,708. This compares with a gain of \$733 for the second quarter and six month period in 2007. Realized gains or losses are recorded in income in the period in which they occur. For the second quarter of 2008 Vero recorded \$1,176 in realized losses on hedging contracts, compared with a gain of \$155 in the same period last year. The swap for \$7.54 was an obligation assumed from one of the corporate acquisitions during the quarter.

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

Aggregate DD&A for the second quarter increased to \$9,799 from \$8,767 in the second quarter of 2007. The second quarter rate per boe of \$17.69 is down by 21% from \$22.46 in 2007, but significantly higher production volumes this year resulted in an increase in the recorded aggregate expense compared with 2007. The decrease in the DD&A rate from 2007 was primarily due to the positive reserve additions in the last half of 2007 and the first six months of 2008. In addition favourable acquisition metrics on the corporate acquisitions kept this rate in line with Vero's own experienced depletion rate. For the balance of 2008 we anticipate the DD&A rate to be similar to the rate experienced in the second quarter of 2008.

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	Three months ended June 30,			Six months ended June 30,		
	2008	2007	%	2008	2007	%
Depletion and depreciation	9,740	8,726	12	18,440	17,595	5
Accretion on asset retirement obligations	59	40	48	112	78	44
Total DD&A	9,799	8,766	12	18,552	17,673	5
DD&A (\$ / boe)	17.69	22.46	(21)	17.19	22.40	(23)

OPERATING

Operating costs were \$3,398 or \$6.13 per boe in the second quarter of 2008 compared to \$2,292 and \$5.87 per boe respectively in the second quarter of 2007. Aggregate operating costs increased by 48% while production volumes increased by 42%. Operating costs per boe for the quarter were up marginally by 4% compared to 2007. The increase was partially attributable to the corporate acquisitions, which have slightly higher operating costs than Vero's own, core production. While the Company continues to enjoy a low operating cost environment due to the concentration of operations in West Central Alberta, for the balance of 2008 it is anticipated costs on a per boe basis will increase approximately 5%.

	Three months ended June 30,			Six months ended June 30,		
	2008	2007	%	2008	2007	%
Expense per financial statements	3,398	2,292	48	6,092	4,804	27
Add: processing income	106	9	1,078	253	13	1,846
Gross expense	3,504	2,301	52	6,345	4,817	32
Net expense (\$ / per boe)	6.13	5.87	4	5.65	6.09	(7)
Net expense (% of revenue)	8.0	11.5	(30)	8.3	11.9	(30)

TRANSPORTATION

Transportation expenses were \$669 for the quarter and amounted to 1.6% of production revenue for the period. Cost per boe for the quarter averaged \$1.21, which is 22% lower than the second quarter of 2007. For the year to date, the cost per boe is slightly lower than 2007 at \$1.20 as additional firm service contracts for the transportation of Vero's gas were entered into. Transportation costs are dependent on a variety of factors such as: the type of production facilities; the method of transportation; the distances covered; the rates charged by the carriers; quantities shipped; cost of the carrier's fuel; the type of service offered (interruptible versus firm service) as well as ownership of the transportation facilities. The cost per boe for the balance of 2008 is expected to be relatively consistent with the first six months of the year as the majority of these costs are variable in nature.

	Three months ended June 30,			Six months ended June 30,		
	2008	2007	%	2008	2007	%
Expense per financial statements	669	603	11	1,295	978	32
Expense (\$ / boe)	1.21	1.55	(22)	1.20	1.24	(3)
Expense (% of revenue)	1.6	3.0	(47)	1.8	2.4	(25)

SECOND QUARTER 2008 REPORT



For the six months ended June 30, 2008

GENERAL AND ADMINISTRATIVE (G&A)

Aggregate G&A expense for the second quarter increased 9% to \$1,635 in 2008 from \$1,497 in 2007. Net G&A for the quarter decreased 3% to \$1,072 over the same period last year. Capital overhead recoveries were significantly higher this year as a result of higher, Vero-operated, activity levels. Numerous factors caused the increase in gross G&A including additional staff requirements to accommodate the increase in activity, payment of annual bonuses at the beginning of the second quarter, and Vero expanding its head office lease space. Since production volumes have increased significantly over 2007, costs on a per boe basis have decreased. On a per boe basis Vero realized net G&A of \$1.94 compared to \$2.84 in 2007, down 32%. 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. Capitalized G&A for the second quarter of 2008 was \$231, representing a 10% increase from the same quarter in 2007.

	Three months ended June 30,			Six months ended June 30,		
	2008	2007	%	2008	2007	%
Gross expense	1,635	1,497	9	2,894	2,558	13
Less:						
Overhead recoveries	(332)	(179)	85	(582)	(438)	33
Capitalized G&A	(231)	(210)	10	(348)	(317)	10
Net expense	1,072	1,108	(3)	1,964	1,803	9
Average cost (\$ per boe)						
Gross expense	2.96	3.84	(23)	2.68	3.24	(17)
Net expense	1.94	2.84	(32)	1.82	2.28	(20)

INTEREST AND BANK CHARGES

Interest expense for the second quarter of 2008 increased 1% to \$546 from \$539 in the second quarter of 2007. While average, interest-bearing debt increased by 6% in the first quarter of 2008 compared to 2007, the effective interest rate declined by 16% to offset this. Higher debt levels at June 30, 2008 were the result of significant drilling and facility programs entered into by the Company during the last half of 2007 and the first quarter of 2008. These higher debt levels were mitigated by the private placement that Vero closed on February 28, 2008 which provided a net cash infusion of \$16,758. The per boe interest expense rate was \$0.99 for the second quarter of 2008 compared to \$1.38 for last year, a 28% decrease quarter to quarter. With the private placement, equity injection in February, and the cash flow from the year-to-date production, it is anticipated that the interest cost per boe will rise slightly for the third and fourth quarters as the capital expenditure program increases.

SECOND QUARTER 2008 REPORT



For the six months ended June 30, 2008

	Three months ended June 30,			Six months ended June 30,		
	2008	2007	%	2008	2007	%
Interest per financial statements	546	539	1	1,168	1,215	(4)
Deduct: Commitment & other fees	(71)	(1)		(73)	(52)	40
Debt bearing interest	475	538	(12)	1,095	1,163	(6)
Average debt outstanding	37,035	34,903	6	40,036	38,307	5
Average interest rate	5.2%	6.2%	(16)	5.5%	6.1%	(10)
Average interest cost (\$ per boe)	0.99	1.38	(28)	1.08	1.54	(30)

STOCK BASED COMPENSATION

Stock based compensation expense was \$314 for the second quarter of 2008 compared to \$385 for the second quarter of 2007. The 18% decrease in expense is attributable to the unamortized expense hitting its peak in 2007, which has been partially offset by the granting of new options in the second quarter of this year. The net result is that the aggregate expense in 2008 is lower. The per boe rate dropped 42% from 2007 levels as a result of significantly increased production in 2008 as well as the declining unamortized expense balance. The fair value of all stock options is amortized over the options' vesting period, which is three years for all options granted.

	Three months ended June 30,			Six months ended June 30,		
	2008	2007	%	2008	2007	%
Expense per financial statements	314	385	(18)	500	811	(38)
Expense (\$ / boe)	0.57	0.99	(42)	0.46	1.03	(55)

INCOME TAXES

The income tax provision for the second quarter of 2008 was \$3,712 and was comprised entirely of future income taxes. The provision represents a 381% increase over the tax expense for the comparable period in 2007. The effective tax rates in 2008 are 29.8% for the second quarter and 30.0% for the year to date.

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. Vero satisfied this commitment in full during 2007. The Company entered into another flow-through share financing in February of 2008. Under this financing Vero is committed to renounce \$17,945 of exploration expenses to subscribers by December 31, 2008. As of June 30, 2008, \$367 had been expended leaving \$17,578 to be spent by December 31, 2009. The tax effects of the renunciations are recorded when the documents relating to the renunciation are filed with the tax authorities. The future tax liability related to the April 2007 flow-through financing was recognized in the first quarter of 2008 and it is anticipated that the tax effect of the February 2008 financing will be recorded in the first quarter of 2009. At the time the renunciation is made the estimated tax effect of the foregone tax benefits is charged to share capital with a corresponding increase to the future income tax liability.

SECOND QUARTER 2008 REPORT



For the six months ended June 30, 2008

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

	Three months ended			Six months ended		
	June 30,			June 30,		
	2008	2007	%	2008	2007	%
Future income tax expense	3,712	772	381	5,364	1,222	338
Tax expense (\$ / boe)	6.70	1.98	238	4.97	1.55	221
Effective tax rate	29.8%	60.6%	(51)	30.0%	50.0%	(40)

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

Tax Pools	Rate %	2008	2007
Canadian exploration expenses	100	5,868	15,220
Canadian development expenses	30	52,974	34,666
Canadian oil and gas property expenses	10	33,386	28,238
Undepreciated capital costs	10 - 30	41,043	28,875
Financing costs	20%	2,872	2,133
Attributed Canadian Royalty Income	100 (Alberta)	847	2,195
Total		136,990	111,327

NETBACKS

Operating netbacks of \$51.31 per boe for the second quarter of 2008 were 77% higher than those realized for the second quarter of 2007. The 49% increase in average prices per boe for the quarter were the largest single item driving this. For the six months to date the increase in operating netbacks was 50%. Operating cost efficiencies continue even though the two acquisitions during the recent quarter had higher operating costs per boe than what Vero has on its own production. For the quarter operating costs increased by 4% while for the year to date there was a decrease of 7%. In a similar vein, cash flow netbacks were higher by 95% on the quarter and 62% for the six months in 2008. Higher volumes produced, and the reduction in overall bank debt translated into a cash flow netback of \$48.38 per boe. G&A cost per boe decreased by 32% in the quarter as the increased volumes more than offset additional staffing and lease office space. The single largest expense for Vero is the DD&A provision. We were able to reduce this amount by 21% on the quarter and 23% for the year to date mainly as a result of the successful drilling program. In addition, the two acquisitions had favourable metrics and this allowed the Company to achieve a \$17.69 per boe rate for the quarter. The second largest non-cash item was the unrealized loss on the mark-to-market measurement of Vero's hedges. Although these hedges include future periods starting after June 30, 2008, the unrealized amount is brought into the income calculation in full. Stock based compensation expense per boe declined by 42% in the second quarter from 2007 levels due mainly to increased production volumes. Future income tax expense per boe in 2008 is higher relative to 2007 as the 2007 amounts include one time tax rate recoveries. It is anticipated that the corporate netback will decline slightly from second quarter levels as moderating gas prices will be reflected in future results.

SECOND QUARTER 2008 REPORT



For the six months ended June 30, 2008

<i>Netbacks (\$ per boe)</i>	Three months ended June,			Six Months ended June,		
	2008	2007	%	2008	2007	%
Realized price	76.30	51.36	49	68.05	51.28	33
Royalties (net of ARTC)	(17.65)	(14.90)	18	(16.93)	(14.53)	17
Operating expenses	(6.13)	(5.87)	4	(5.65)	(6.09)	(7)
Transportation expenses	(1.21)	(1.55)	(22)	(1.20)	(1.24)	(3)
Operating netback	51.31	29.04	77	44.27	29.42	50
G&A	(1.94)	(2.84)	(32)	(1.82)	(2.28)	(20)
Interest expense	(0.99)	(1.38)	(28)	(1.08)	(1.54)	(30)
Cash flow netback	48.38	24.82	95	41.37	25.60	62
Unrealized gain (loss) on hedges	(7.66)	1.88	(507)	(7.14)	0.93	(868)
Stock based compensation	(0.57)	(0.99)	(42)	(0.46)	(1.03)	(55)
D,D&A	(17.69)	(22.46)	(21)	(17.19)	(22.40)	(23)
Future income taxes	(6.70)	(1.98)	238	(4.97)	(1.55)	221
Net earnings netback	15.76	1.27	1,142	11.61	1.55	648

Operating Netback by Commodity Type:

<i>Natural gas (\$/mcf)</i>	Three months ended June 30,			Six months ended June 30,		
	2008	2007	%	2008	2007	%
Production revenue	10.64	7.99	33	9.59	8.11	18
Royalties (excluding ARTC)	(2.36)	(2.27)	4	(2.37)	(2.29)	3
Operating expenses	(0.82)	(0.56)	46	(0.79)	(0.63)	25
Transportation costs	(0.15)	(0.28)	(46)	(0.16)	(0.22)	(27)
Operating netback	7.31	4.88	50	6.27	4.97	26

<i>Crude Oil (\$/boe)</i>	Three months ended June 30,			Six months ended June 30,		
	2008	2007	%	2008	2007	%
Production revenue	120.61	68.28	77	105.65	65.02	62
Royalties (excluding ARTC)	(14.65)	(16.03)	(9)	(13.36)	(12.86)	4
Operating expenses	(8.62)	(7.47)	15	(8.45)	(8.05)	5
Transportation costs	(3.36)	(1.00)	236	(2.88)	(0.85)	239
Operating netback	93.98	43.78	115	80.96	43.26	87

<i>Natural gas liquids (\$/boe)</i>	Three months ended June 30,			Six months ended June 30,		
	2008	2007	%	2008	2007	%
Production revenue	111.23	65.25	70	99.49	60.38	65
Royalties (excluding ARTC)	(40.13)	(23.00)	74	(35.64)	(20.88)	71
Operating expenses	(10.91)	(21.96)	(50)	(8.81)	(20.20)	(56)
Transportation costs	(1.14)	(0.90)	27	(1.12)	(0.82)	37
Operating netback	59.05	19.38	205	53.92	18.48	192

SECOND QUARTER 2008 REPORT



For the six months ended June 30, 2008

CASH FLOW AND NET EARNINGS

Cash flow from operations in the second quarter of 2008 was \$26,805, an increase of 177% from \$9,693 realized in the second quarter of 2007. The production volume increase of 42% and the increase in average commodity prices of 49% both contributed to the significant gains in cash flow. Net earnings were also higher by 1,641% from 2007 as a result of increasing commodity prices, but also assisted by the growth in production and the declining DD&A rate. Cash flow from operations is calculated as follows:

	Three months ended June 30,			Six months ended June 30,		
	2008	2007	%	2008	2007	%
Net earnings	8,740	502	1,641	12,523	1,224	923
Adjustments for:						
Unrealized gain (loss) on risk management	4,240	(733)	(678)	7,708	(733)	1,152
Depletion, depreciation and accretion	9,799	8,766	12	18,552	17,673	5
Future income tax	3,712	772	381	5,364	1,222	339
Stock based compensation expense	314	385	(18)	500	811	(38)
Cash flow from operations	26,805	9,693	177	44,647	20,197	121

On a per share basis, Vero realized \$0.27 for basic earnings per share for the second quarter and \$0.40 for the year to date. These amounts represent 1,250% and 900% increases respectively from the same periods of 2007. Cash flow per share in the second quarter of 2008 was \$0.84 (basic) and \$0.82 (diluted) representing a 155% and 156% increase over the same quarter of 2007. For the six months ended June 30, Vero achieved \$1.44 in cash flow on a basic basis and \$1.41 on a diluted basis. The increased commodity prices have put us ahead of our original forecasts.

	Three months ended June 30,			Six months ended June 30,		
	2008	2007	%	2008	2007	%
Net earnings	8,740	502	1,641	12,523	1,224	923
Basic	0.27	0.02	1,250	0.40	0.04	900
Diluted	0.26	0.02	1,200	0.39	0.04	875
Cash flow	26,805	9,693	177	44,647	20,197	121
Basic	0.84	0.33	155	1.44	0.74	95
Diluted	0.82	0.32	156	1.41	0.73	93

CAPITAL EXPENDITURES

Vero spent \$13,792 on its own exploration and development program in the second quarter of 2008. Included in this program was the drilling of 6 (4.4 net) wells as compared to 1 (0.3 net) wells in the second quarter of 2007. Field conditions were more favourable in 2008 and consequently Vero was able to continue drilling unlike 2007 where weather conditions muted that ability. 72% of the Company's exploration and development capital was devoted to drilling and completing new wells, of which 4 (2.9 net) were horizontal wells. A breakdown of the costs incurred during each quarter is as follows:

SECOND QUARTER 2008 REPORT



For the six months ended June 30, 2008

	Three months ended June 30,			Six months ended June 30,		
	2008	2007	%	2008	2007	%
Exploration and development						
Land acquisitions and lease rentals	749	813	(8)	1,383	960	44
Geological and geophysical	391	406	(4)	797	1,958	(59)
Drilling and completions	9,905	464	2,035	24,197	19,907	22
Well equipment and facilities	2,747	3,921	(30)	7,298	7,192	1
Exploration and development expenditures	13,792	5,604	146	33,675	30,017	12
Other expenditures	13	17	(24)	18	24	(25)
Total capital expenditures	13,805	5,621	146	33,693	30,041	12
Corporate acquisition (cash outlay)	2,606	-	-	2,606	-	-
Property acquisition	-	-	-	-	2,478	-
Net capital expenditures before ARO	16,411	5,621	192	36,299	32,519	12
Capitalized asset retirement obligations	8	9	(11)	28	91	(69)
Total capital additions	16,419	5,630	192	36,327	32,610	11

	Three months ended June 30,				Six months ended June 30,			
	2008		2007		2008		2007	
<i>Wells drilled</i>	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Exploration	-	-	-	-	2	1.2	2	0.8
Development	6	4.4	1	0.3	12	8.8	13	7.5
Dry holes	-	-	-	-	-	-	3	3.0
Total wells	6	4.4	1	0.3	14	9.9	18	11.2
Success rate	100%	100%	100%	100%	100%	100%	83%	73%

Vero spent approximately 52% of its previously board-approved exploration and development capital budget for 2008 of \$65 million by the end of the second quarter. While spending for the rest of the year will be dependent on many factors such as: weather, commodity prices, rig and services availability and success rates on wells that may require follow-up locations, the enhanced cash flows from higher commodity prices, plus cash flow contributed from the corporate acquisitions will allow Vero to increase its spending.

LAND HOLDINGS

The undeveloped land holdings (all Alberta) at June 30, 2008 are as follows:

Area	Gross Acres	Net Acres	Average WI %
Corbett	20,160	16,640	83
Edson	30,720	23,271	76
Whitecourt	59,200	48,170	81
Other Alberta	24,000	15,890	66
Total	134,080	103,971	76

SECOND QUARTER 2008 REPORT



For the six months ended June 30, 2008

LIQUIDITY AND CAPITAL RESOURCES

	as at June 30,		
	2008	2007	%
Debt and working capital			
Bank debt	36,344	38,772	(6)
Working capital deficiency	10,174	4,400	131
Net debt	46,518	43,172	8

	Three months ended			Six months ended		
	June 30,			June 30,		
Capital Program Funding	2008	2007	%	2008	2007	%
Cash, beginning of period	-	-	-	-	-	-
Funds provided by operations	26,805	9,693	177	44,647	20,197	121
(Decrease) increase in bank debt	(3,529)	(9,477)	(63)	(13,464)	3,121	(531)
Share issuance, net of costs	(3)	17,936	(100)	16,758	17,936	(7)
Stock option exercises	945	21	4,400	945	21	4,400
Change in non-cash working capital	(7,807)	(12,552)	(38)	(12,587)	(8,756)	44
Net capital expenditures	16,411	5,621	192	36,299	32,519	12

The Company funded its \$36,299 in total capital expenditures for the six months ended June 30, 2008 from a variety of resources. Vero's cash flow for the first six months was \$44,647 and was well in excess of amount spent. In addition, Vero completed a private placement which added \$16,758 to its funds available for capital spending. The excess funds were used to pay down Vero's bank line of credit by \$13,464 and pay out net accounts payable of \$12,587. The net debt brought forward from December 31, 2007 of \$61,774 plus the financial activity for the six months to date culminated in net debt at June 30, 2008 of \$38,428. This net debt calculation excludes the \$8,090 of the mark-to-market liability for its natural gas hedges as this is a non-cash liability until it is settled. Using annualized cash flow for the second quarter, this net debt level results in a net debt to cash flow ratio of 0.4x.

Vero continually revisits its capital program with a view to expanding it for additional projects it has in its inventory plus new projects made available to us through industry partners while operating within the limits approved by the Board. As a result of Vero management's assessment of the financial strength of the company, the strength of the commodity prices, and the resources and opportunities available to the company, the Board of Directors has approved a revised exploration and development capital budget for 2008 of \$85,000. To fund the remaining capital program for 2008, Vero expects to generate an additional \$40-45 million of cash flow throughout the remaining two quarters of the year. Therefore, expected cash flows alone will be more than sufficient to fund the remaining capital program. In addition, the Company upgraded its bank line to \$90,000 in April as a result of a favourable borrowing base review. These financial resources give Vero the opportunity to expand its capital program while maintaining a very healthy balance sheet.

SECOND QUARTER 2008 REPORT



For the six months ended June 30, 2008

Available borrowings on the bank credit facility are limited by the borrowing base, which is established by the bank. The amount of available credit is based mainly upon the value of petroleum and natural gas assets. The most recent formal evaluation by our external engineers determined these reserve values as at December 31, 2007. The bank facility is subject to periodic borrowing base reviews. The most recent review by the bank was completed in April of 2008. Corporate working-capital liquidity is maintained by drawing from the unutilized facility as needed and then repaying it periodically through production revenues. As new reserves are added and as the financing needs of the company are expanded, Vero will apply for interim reviews of the facility with a view to upgrading it.

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

	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
High	11.34	8.25	6.23	7.50	8.09	6.25
Low	7.50	5.61	5.36	5.30	5.79	5.21
Close	9.48	7.65	5.80	5.68	7.50	5.77
Volume (000's)	15,024	10,624	8,807	6,671	7,514	9,417

OFF BALANCE SHEET TRANSACTIONS

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

RELATED PARTY TRANSACTIONS

There were no related-party transactions during the quarters ended June 30, 2008 and June 30, 2007.

CONTRACTUAL OBLIGATIONS

The Company is obligated, at June 30, 2008 to make the following payments under the terms of long-term contracts it has entered into:

	Total	Payments Due by Period		
		Less than 1 year	1-3 Years	4-5 Years
Transportation obligations	1,584	387	753	444
Office Leases	3,302	1,078	2,136	88
Farm-in obligations	12,000	12,000	-	-
Total contractual obligations	16,886	13,465	2,889	532

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For the six months ended June 30, 2008

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. Office leases are comprised of a four year lease for Vero's head office plus two office leases assumed with the two corporate acquisitions during the second quarter of 2008. Vero has mitigated these latter obligations by entering into sub-lease agreements that virtually offset the amounts we are obliged to pay. As at June 30, 2008 Vero had committed to drill a total of six wells in Alberta with varying commencement dates in 2008 pursuant to farm-in agreements with industry partners. Vero estimates it will take approximately \$12,000 to fulfill these farm-in commitments.

SHARE CAPITAL

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

(000's)	July 25, 2008	Period ended June 30, 2008		December 31, 2007
		3 months	Six months	
Common shares outstanding	32,808	32,883	32,883	28,915
Stock options outstanding	2,745	2,545	2,545	2,434
Fully diluted shares	35,553	35,428	35,428	31,349
Weighted average shares				
Basic		32,475	31,036	28,129
Diluted		33,349	31,736	28,318

SECOND QUARTER 2008 REPORT



For the six months ended June 30, 2008

SELECTED QUARTERLY INFORMATION

Below is summarized quarterly information for the previous eight quarters.

<i>(000's except as noted)</i>	June 30, 2008	March 31, 2008	December 31, 2007	September 30, 2007
Production (boe/d)	6,087	5,771	5,241	4,865
Average prices realized (\$/boe)	76.30	59.35	48.16	44.08
Production revenue (inc. hedges)	42,264	31,167	23,218	19,731
Net earnings (loss)	8,740	3,783	2,842	(902)
Basic - per share (\$/share)	0.27	0.13	0.09	(0.03)
Diluted - per share (\$/share)	0.26	0.13	0.09	(0.03)
Cash flow	26,805	17,842	11,662	9,425
Basic - per share (\$/share)	0.84	0.60	0.40	0.33
Diluted - per share (\$/share)	0.82	0.59	0.40	0.32
Total assets	254,078	220,682	207,051	187,706
Net capital expenditures	16,411	19,908	20,412	18,522
Long term financial liabilities	-	-	-	-
Net debt	38,428	50,527	61,774	53,002
Dividends paid	-	-	-	-

<i>(000's except as noted)</i>	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 (inc. hedges)	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 (surplus)	43,905	65,934	49,540	39,409
Dividends paid	-	-	-	-

RISK MANAGEMENT

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

Environmental Regulation and Risk

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and

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

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

On March 8, 2007, the Alberta Government introduced Bill 3, the Climate Change and Emissions Management Amendment Act, which intends to reduce greenhouse gas emission intensity from large industries. Bill 3 states that facilities emitting more than 100,000 tonnes of greenhouse gases a year must reduce their emissions intensity by 12% starting July 1, 2008; if such reduction is not initially possible the companies owning the large emitting facilities will be required to pay \$15 per tonne for every tonne above the 12% target. These payments will be deposited into an Alberta-based technology fund that will be used to develop infrastructure to reduce emissions or to support research into innovative climate change solutions. As an alternate option, large emitters can invest in projects outside of their operations that reduce or offset emissions on their behalf, provided that these projects are based in Alberta. Prior to investing, the offset reductions, offered by a prospective operation, must be verified by a third party to ensure that the emission reductions are real.

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

Review of Alberta Royalty and Tax Regime

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

Deep oil wells

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

Deep natural gas

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

Other clarifications as a result of the unintended consequences analysis

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

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

CRITICAL ACCOUNTING ESTIMATES

Management is often required to make judgments, assumptions and estimates in the application of generally accepted accounting principles that have a significant impact on the financial results of the Company. There were no changes to Vero’s critical accounting estimates in the period from those used in the audited financial statements from 2007.

ACCOUNTING STANDARDS CHANGES

Accounting Standard Changes

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

Also effective January 1, 2008, the Corporation adopted CICA 1535 “Capital Disclosures”, which will require additional disclosures of objectives, policies and processes for managing capital. In addition, disclosures will include whether companies have complied with externally imposed capital requirements.

Future Accounting Pronouncements

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

In February 2008, the AcSB issued Handbook Section 3064, Goodwill and Intangible Assets and amended Section 1000, Financial Statement Concepts clarifying the criteria for the recognition of assets, intangible assets and internally developed intangible assets. Items that no longer meet the definition of an asset are no longer recognized with assets. The standard is effective for fiscal years beginning on or after October 1, 2008 and early adoption is permitted. Vero is currently evaluating the impact this section will have on our results of operations and financial position.

DISCLOSURE CONTROLS AND PROCEDURES

Vero's Chief Executive Officer and Chief Financial Officer are required to cause the Company to disclose herein any change in Vero's internal controls over financial reporting that occurred during the Company's most recent interim period that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting. No material changes in Vero's internal controls over financial reporting were identified during the three months ended June 30, 2008, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

The Company has a Corporate Disclosure Policy to ensure that communications with the public about the Company are timely, factual and accurate; disseminated in accordance with all applicable legal and regulatory requirements; and that all material information in respect of the Company is communicated to the Chief Executive Officer and the Chief Financial Officer and where appropriate, the Board of Directors and/or committees thereof. Vero's Chief Executive Officer and the Chief Financial Officer have evaluated the design of the Company's internal controls over financial reporting. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of June 30, 2008, the Company's

SECOND QUARTER 2008 REPORT



For the six months ended June 30, 2008

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.

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For the six months ended June 30, 2008

VERO ENERGY INC.

Consolidated Balance Sheets

(in thousands of dollars)

	June 30, 2008 <i>(unaudited)</i>	December 31, 2007 <i>(audited)</i>
ASSETS		
CURRENT		
Accounts receivable	27,45	16,767
Prepaid expenses and deposits	4,381	3,523
	31,726	20,290
Property and equipment (Note 5)	202,439	171,727
Goodwill	19,913	15,034
	254,078	207,051
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	33,810	36,051
Risk management (Note 14)	8,090	-
Bank debt (Note 6)	36,344	46,013
	78,244	82,064
Asset retirement obligations (Note 7)	3,032	2,641
Future taxes	18,034	10,812
	99,310	95,517
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	133,578	103,077
Contributed surplus (Note 10)	3,803	3,593
Retained Earnings	17,387	4,864
	154,768	111,534
	254,078	207,051
Commitments (Note 12)		
<i>See accompanying notes.</i>		

APPROVED BY THE BOARD

“Signed” Paul R. Baay, Director

“Signed” Douglas J. Bartole, Director

SECOND QUARTER 2008 REPORT

For the six months ended June 30, 2008



VERO ENERGY INC.

Consolidated Statements of Operations, Comprehensive Income and Retained Earnings

For the three and six month periods ended June 30,

(in thousands of dollars, except per share data)(unaudited)

	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
REVENUE				
Production revenue	43,440	19,896	74,608	40,304
Realized gain (loss) on risk management activities	(1,176)	155	(1,176)	155
	42,264	20,051	73,432	40,459
Royalties	(9,774)	(5,816)	(18,266)	(11,462)
Unrealized gain (loss) on risk management activities	(4,240)	733	(7,708)	733
	28,250	14,968	47,458	29,730
EXPENSES				
Operating	3,398	2,292	6,092	4,804
Transportation	669	603	1,295	978
General and administrative	1,072	1,108	1,964	1,803
Stock based compensation (Note 9(e))	314	385	500	811
Interest and bank charges	546	539	1,168	1,215
Depletion, depreciation and accretion	9,799	8,767	18,552	17,673
	15,798	13,694	29,571	27,284
INCOME BEFORE INCOME TAXES	12,452	1,274	17,887	2,446
INCOME TAXES (Note 8)				
Future	3,712	772	5,364	1,222
	3,712	772	5,364	1,222
NET EARNINGS AND COMPREHENSIVE INCOME	8,740	502	12,523	1,224
RETAINED EARNINGS, BEGINNING OF PERIOD	8,647	2,422	4,864	1,700
RETAINED EARNINGS, END OF PERIOD	17,387	2,924	17,387	2,924
NET EARNINGS PER SHARE (Note 11)				
Basic	0.27	0.02	0.40	0.04
Diluted	0.26	0.02	0.39	0.04

SECOND QUARTER 2008 REPORT



For the six months ended June 30, 2008

VERO ENERGY INC.

Consolidated Statement of Cash Flows

For the three and six month periods ended June 30,

(in thousands of dollars, except per share data)(unaudited)

	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:				
OPERATING				
Net earnings	8,740	502	12,523	1,224
Adjustments for:				
Unrealized gain on risk management activities	4,240	(733)	7,708	(733)
Depletion, depreciation and accretion	9,799	8,766	18,552	17,673
Future income taxes	3,712	772	5,364	1,222
Stock-based compensation	314	385	500	811
	26,805	9,693	44,647	20,197
Changes in non-cash working capital (Note 13(a))	(3,655)	(269)	(6,120)	(4,662)
	23,150	9,424	38,527	15,535
FINANCING				
Increase (decrease) in bank debt	(3,529)	(9,477)	(13,464)	3,121
Proceeds from issuance of common shares, net of share issue costs	(3)	17,936	16,758	17,936
Stock option exercises	945	21	945	21
	(2,587)	8,480	4,239	21,078
INVESTING				
Corporate acquisitions (Note 4)	(2,606)	-	(2,606)	-
Additions to petroleum and natural gas properties	(13,792)	(5,604)	(33,675)	(30,017)
Purchase of petroleum and natural gas properties	-	-	-	(2,478)
Additions to administrative assets	(13)	(17)	(18)	(24)
Changes in non-cash working capital (Note 13(a))	(4,152)	(12,283)	(6,467)	(4,094)
	(20,563)	(17,904)	(42,766)	(36,613)
NET DECREASE IN CASH AND CASH EQUIVALENTS	-	-	-	-
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	-	-	-	-
CASH AND CASH EQUIVALENTS, END OF PERIOD	-	-	-	-

Supplementary cash flow information (Note 13(b))

See accompanying notes

VERO ENERGY INC.

Notes to the Consolidated Interim Financial Statements

For the six months ended June 30, 2008 and 2007

(thousands, except per share data) (unaudited)

1. INCORPORATION AND NATURE OF BUSINESS

Vero Energy Inc. (“Vero or “the Company”) was incorporated on September 23, 2005 and commenced oil and gas operations on November 2, 2005 after the closing of a Plan of Arrangement between Vero, True Energy Inc. (“True”), and TKE Energy Trust (“TKE”). Under the Arrangement Vero acquired certain producing and non-producing oil and gas assets.

On April 15, 2008 Vero acquired all of the outstanding shares of a private company, Dorian Energy Inc. (“Dorian”) (Note 4). On May 31, 2008, Vero amalgamated with Dorian. Vero acquired all of the outstanding shares of another private company, FX Energy Ltd. effective May 21, 2008 (Note 4), which is currently operated as a wholly owned subsidiary of Vero.

Vero is engaged in the exploration, development and production of crude oil and natural gas in the province of Alberta.

2. FINANCIAL PRESENTATION AND POLICIES

The Financial Statements of Vero have been prepared by management in accordance with Canadian generally accepted accounting principles. The interim financial statements have been prepared following the same accounting policies and methods of computation as the financial statements for the fiscal period ended December 31, 2007, except as described below. The disclosures included below are incremental to those included with the annual financial statements. The interim statements should be read in conjunction with the financial statements and the notes thereto in the Company’s annual report for the period ended December 31, 2007. Preparation of the Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenue and expenses during the period. Actual results may differ from these estimates.

3. CHANGES IN ACCOUNTING POLICIES

On January 1, 2008, the Company adopted the following Canadian Institute of Chartered Accountants (“CICA”) Handbook Sections:

- Section 1535, “Capital Disclosures”. This section establishes standards for disclosing information about an entity’s objectives, policies and processes for how it manages its capital. A company must also disclose qualitative data about what the entity regards as capital; and whether the company has complied with any capital requirements and if not, the consequences of such non-compliance. The Company adopted this standard effective January 1, 2008 (see Note 16).
- Section 3862, “Financial Instruments – Disclosures”. This section describes the required disclosures to evaluate the significance of financial instruments for the

entity's financial position and performance as well as the nature and extent of risks arising from both recognized and unrecognized financial instruments to which the entity is exposed and how the entity manages those risks. The Company adopted this standard effective January 1, 2008 (see Note 14).

- Section 3863, "Financial Instruments – Presentation". This section establishes standards for presentation of financial instruments and non-financial derivatives. It details the presentation of the standards described in Section 3861, "Financial Instruments – Disclosure and Presentation". The Company adopted this standard effective January 1, 2008 (see Note 14).

4. CORPORATE ACQUISITIONS

a) Acquisition of Dorian Energy Inc.

Effective April 15, 2008 Vero acquired all of the outstanding common shares of Dorian Energy Inc. ("Dorian"). Dorian shareholders received 0.294 Vero common shares for each Dorian share held. A total of 1,835 Vero common shares were issued. The price ascribed to each common share of \$8.22 was based on the average trading price of Vero common shares on the five days prior, the day of, and the five days following the date the purchase was entered into. The operating results and corresponding cash flow and earnings related to the acquisition were included in the Company's consolidated financial statements effective April 16, 2008. The acquisition was accounted for using the purchase method and the purchase price was allocated based on fair values as follows:

Consideration paid:	
Issuance of 1,835 common shares (Note 9(c))	15,087
Transaction costs	165
	15,252
Allocation of purchase price:	
Current assets	3,594
Current liabilities	(2,763)
Risk management on acquired contract	(381)
Debt assumed	(2,200)
	(1,750)
Property, plant and equipment	13,380
Goodwill	4,879
Asset retirement obligations	(210)
Future income taxes	(1,047)
	15,252

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For the six months ended June 30, 2008

b) Acquisition of FX Energy Ltd.

Effective May 21, 2008 Vero acquired all of the outstanding common shares of FX Energy Ltd. ("FX"). FX shareholders received \$0.25043 per common share outstanding. The operating results and corresponding cash flow and earnings related to the acquisition were included in the Company's consolidated financial statements effective May 22, 2008. The acquisition was accounted for using the purchase method and the purchase price was allocated based on fair values as follows:

Consideration paid:

Cash paid to FX shareholders	2,374
Transaction costs	67
	2,441

Allocation of purchase price:

Current assets	366
Current liabilities	(107)
Debt assumed	(1,595)
	(1,336)
Property, plant and equipment	2,050
Asset retirement obligations	(41)
Future tax benefit	1,768
	2,441

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For the six months ended June 30, 2008



5. PROPERTY AND EQUIPMENT

	June 30, 2008		
	Cost	Accumulated depletion, depreciation and accretion	Net Book Value
Petroleum and natural gas properties and facilities	279,401	(77,043)	202,358
Administrative assets	240	(159)	81
	279,641	(77,202)	202,439

	December 31, 2007		
	Cost	Accumulated depletion, depreciation and accretion	Net Book Value
Petroleum and natural gas properties and facilities	230,277	(58,677)	171,600
Administrative assets	212	(85)	127
	230,489	(58,762)	171,727

Undeveloped land costs and salvage values excluded from the depletion calculation as at June 30, 2008 were \$17,699 (2007 - \$11,529). During 2008, the Company capitalized \$348 (2007 - \$317) in general and administrative expenses directly related to exploration and development activities.

6. BANK DEBT

The Company has a \$90,000 (2007 - \$70,000) revolving credit facility with a Canadian Chartered Bank. The advances bear interest at bank prime. The authorized limit is subject to an annual review and potential revision of the borrowing base by the bank. The most recent borrowing base review was completed in April of 2008. The facility is secured with a \$125,000 (2007 - \$125,000) floating charge debenture over the assets of the Company.

7. ASSET RETIREMENT OBLIGATIONS

The Company's asset retirement obligations result from the ownership interests it has in petroleum and natural gas assets, including well sites, gathering systems, batteries and processing facilities. The Company estimates the total undiscounted amount of cash flows required to settle its asset retirement obligations at June 30, 2008 to be \$7,688 (2007 - \$4,053), which will be incurred at various times between 2008 and 2021. The fair value of the asset retirement obligations incurred in the period ended June 30, 2008

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For the six months ended June 30, 2008

was calculated using a credit-adjusted risk free rate of 8.1% (2007 – 8.4%) and an inflation factor of 1.5% (2007 – 2.4%). Settlement of the obligations will be funded from general corporate funds at the time of retirement or removal. As at June 30, 2008, no funds have been set aside to settle these obligations. Changes to asset retirement obligations during the periods were as follows:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Asset retirement obligations beginning of period	2,715	1,905	2,641	1,785
Liabilities assumed on corporate acquisitions (Note 4)	251	-	251	-
Liabilities incurred during the period	8	6	28	124
Change in estimated future cash flows	(1)	3	-	(33)
Accretion	59	40	112	78
Asset retirement obligations end of period	3,032	1,954	3,032	1,954

8. INCOME TAXES

The provision for income tax differs from the amounts that would have resulted from the combined federal and provincial rate had it been applied for the periods ended:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Income before income taxes	12,452	1,274	17,887	2,446
Expected income tax recovery at the statutory rate of 29.5% (2007 – 32.1%)	3,673	409	5,277	785
Tax effect of non-deductible and non-taxable amounts related to:				
Stock-based compensation and other non-Deductible items	99	129	154	313
Rate changes	-	(378)	-	(378)
Reconcile book to actual on filing tax returns	-	499	-	499
Other	(60)	114	(67)	3
	3,712	773	5,364	1,222

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For the six months ended June 30, 2008



9. SHARE CAPITAL

	Shares (000's)	Amount
Authorized		
Unlimited number of voting common shares		
Unlimited number of first preferred shares		
Issued		
<i>Common shares</i>		
Balance December 31, 2006	25,907	84,710
Private placement, net of share issue costs (b)	3,000	17,935
Exercise of stock options (d)	8	58
Adjustment for tax benefits from share issue costs	-	374
Balance December 31, 2007	28,915	103,077
Private placement, net of share issue costs (a)	1,940	16,758
Issuance of shares on corporate acquisition (c)	1,835	15,087
Exercise of stock options (d) (Note 10)	193	1,235
Adjustment for tax benefits from share issue costs	-	328
Adjustment for tax cost of flow-through shares (b)	-	(2,907)
Total share capital at June 30, 2008	32,883	133,578

a) Private placement

On February 28, 2008 the Company closed a private placement for the issuance of 1,940 Flow-Through Common Shares at a price of \$9.25 per share. The net proceeds of issuance of \$16,758 were comprised of gross proceeds of \$17,945 less expenses of the issue of \$1,187. The tax effect of the tax benefits renounced to subscribers in respect of the flow-through shares will be recognized in the period when the renouncement documents are filed with the taxation authorities. Using a combination of the regular, and the "look-back" flow-through Share provisions of the Income Tax Act, the Company is required to incur eligible expenditures in the amount of \$17,945 prior to December 31, 2009 (Note 12(e)).

b) Private Placement

On April 5, 2007 the Company closed a private placement for the issuance of 1,500 Common Shares at a price of \$5.55 per share and 1,500 Flow-Through Common Shares at a price of \$7.25 per share. The net proceeds of issuance of \$17,935 were comprised of gross proceeds of \$19,200 less expenses of the issue of \$1,265. The tax effect of \$2,907 for the tax benefits renounced to subscribers in respect of the flow-through shares was recognized in 2008, the period when the renouncement documents were filed with the taxation authorities. Using a combination of the regular, and the "look-back" flow-through Share provisions of the Income Tax Act, the Company was required to incur eligible expenditures in the amount of \$10,875 prior to December 31, 2008 (Note 12(e)).

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For the six months ended June 30, 2008

c) Acquisition of Dorian Energy Inc.

On April 15, 2008 the Vero acquired all of the outstanding shares of a private company. At closing 1,835 common shares were issued at a deemed value of \$15,088 (see Note 4).

d) Stock options

The Company has a stock option plan under which options to purchase common shares may be granted to officers, directors, employees and consultants. The Board has approved a policy of reserving up to 10% of the outstanding common shares for issuance to eligible participants. As at June 30, 2008 there were 2,891 (2007 – 2,891) shares reserved for issuance under the plan. All options awarded have a maximum term of five years and vest in equal one-third increments on each anniversary of the grant. The following stock options were outstanding at the end of the respective periods:

	June 30, 2008		June 30, 2007	
	Stock Options	Weighted Average Exercise Price \$	Stock Options	Weighted Average Exercise Price \$
Outstanding, beginning of period	2,434	5.18	2,321	5.14
Granted	304	9.34	130	5.83
Exercised	(193)	4.89	(4)	5.35
Cancelled	-	-	(11)	5.42
Outstanding, end of period	2,545	5.69	2,436	5.18
Exercisable, end of period	1,297		721	

Exercise Price	Options Outstanding					
	June 30, 2008			June 30, 2007		
	Number of Options Outstanding	Weighted Average Exercise Price \$	Weighted Average Years to Expiry	Number of Options Outstanding	Weighted Average Exercise Price \$	Weighted Average Years to Expiry
\$4.87 - \$5.61	1,716	4.93	2.57	1,911	4.93	3.5
\$5.90 - \$10.80	829	7.28	3.69	525	6.08	4.0
	2,545	5.69	2.93	2,436	5.18	3.6

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For the six months ended June 30, 2008



e) Stock-based compensation

The Company accounts for its stock options granted to employees, officers, and directors using the fair value method. In accordance with the Company's incentive stock plan, these options have an exercise price equal to the fair value of the security at the date of grant. The fair value of each option granted is estimated on the date of grant using a modified Black-Scholes option-pricing model. The following assumptions have been used:

	Six months ended June 30,	
	2008	2007
Risk free rate (%)	3.3%	4.1
Expected life (years)	5	5
Expected volatility (%)	61%	52
Expected dividends	-	-

For the period ended June 30, 2008, 304 (2007 – 130) stock options were granted to employees, officers and directors, and 193 options were exercised for net proceeds of \$945 with an offsetting debit of \$290 recorded to contributed surplus (Note 10). During the period, \$500 (2007 - \$811) was recorded as stock compensation expense with respect to the options outstanding with a corresponding credit to contributed surplus. The option grants during the period had a weighted average fair value expense attributed to them of \$5.43 (2007 - \$2.67) per share.

10. CONTRIBUTED SURPLUS

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

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Balance at beginning of period	3,779	2,585	3,593	2,159
Stock-based compensation expense	314	385	500	811
Exercise of stock options	(290)	(7)	(290)	(7)
Balance at end of period	3,803	2,963	3,803	2,963

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For the six months ended June 30, 2008



11. PER SHARE AMOUNTS

The following table summarizes the shares used in calculating net earnings per share for the periods ended June 30:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Weighted average shares outstanding – basic	32,475	28,743	31,036	27,333
Dilutive stock options outstanding	2,451	2,436	2,286	2,416
Shares notionally repurchased with proceeds from dilutive stock options	(1,577)	(1,958)	(1,586)	(2,204)
Weighted average shares outstanding – diluted	33,349	29,221	31,736	27,546

During the three and six month periods ended June 30, 2008 94 (2007 – Nil) and 259 (2007 – 20) respectively of the issued stock options were excluded from the calculation of diluted weighted average shares outstanding as to include them would be anti-dilutive.

12. COMMITMENTS

In addition to the commitments listed below, the Company has various indemnifications in place in the ordinary course of business, none of which, as assessed by management, are expected to have a significant impact on the Company's financial statements.

a) Transportation costs

The Company has committed to firm-service contracts for the transportation of its natural gas. The amounts below are the minimum cash obligations that the Company must pay under the terms of the contract. The combined minimum future costs are as follows:

	As at June 30,	
	2008	2007
2007	-	105
2008	194	209
2009	387	209
2010	374	197
2011	370	194
2012	246	80
2013	13	-
Total minimum payments	1,584	994

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For the six months ended June 30, 2008



b) Office lease costs

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

	As at June 30,	
	2008	2007
2007	-	455
2008	549	910
2009	1,064	910
2010	1,070	910
2011	619	531
Total minimum payments	3,302	3,716

c) Indemnifications

From time to time, the Company may become involved in litigation or have claims sought against it in the normal course of business operations. Management of the corporation is not currently aware of any claims or actions that would materially affect the Corporation's reported financial position or results from operations.

Under the terms of certain agreements and the Company's by-laws the Company indemnifies individuals who have acted at the Company's request to be a director and/or officer of the Company, to the extent permitted by law, against any and all damages, liabilities, costs, charges or expenses suffered by or incurred by the individuals as a result of their service. The Company has no outstanding claims having a potentially material adverse effect on the Company as a whole.

d) Drilling commitments

As at June 30, 2008 Vero had committed to drill and complete a total of 6 (2007 – 8) wells in Alberta with varying commencement dates in 2008 pursuant to farm-in agreements with industry partners. The Company expects to satisfy their net portion of these commitments at an estimated cost of \$12,000 (2007 – \$8,210).

(e) Flow-through shares

Pursuant to the flow-through share private placement entered into on April 5, 2007, the Company was obligated to incur \$10,875 in eligible costs by December 31, 2007. Vero has satisfied this commitment in full.

Pursuant to the flow-through share private placement entered into on February 28, 2008, the Company was obligated to incur \$17,945 in eligible costs by December 31, 2009. As at June 30, 2008 Vero had \$17,578 remaining on this commitment.

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13. SUPPLEMENTARY INFORMATION

a) Changes in non-cash working-capital

	Three months ended		Six months ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Accounts receivable	(8,251)	1,652	(10,578)	4,214
Prepaid expenses and deposits	(763)	78	(858)	15
Accounts payable and accrued liabilities	117	(14,282)	(2,241)	(12,985)
Corporate acquisition of working capital	1,090	-	1,090	-
Net change in non-cash working capital	(7,807)	(12,552)	(12,587)	(8,756)
Investing activities	4,152	12,283	(6,467)	4,094
Operating activities	(3,655)	(269)	(6,120)	(4,662)

b) Supplementary cash flow information

	Three months ended		Six months ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Interest paid	488	537	1,107	1,212

14. FINANCIAL INSTRUMENTS

The Company holds various forms of financial instruments. The nature of these instruments and its operations expose the Company to market risk, credit risk and liquidity risks. The Company manages its exposure to these risks by operating in a manner that minimizes this exposure. While management monitors and administers these risks, the Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established policies in setting risk limits and controls and monitors these risks in relation to market conditions.

Market risk

Market risks are generally those risks that are outside of the control of the Company. These are: commodity prices, foreign exchange rates and interest rates. The objective of the Company is to mitigate exposure to these risks, while maximizing returns to the Company.

14. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Commodity price risk

Due to the volatility of commodity prices the Company is potentially exposed to adverse consequences in the event of declining prices. The Company may enter into oil and natural gas contracts in order to protect its cash flow on future sales. The contracts reduce the fluctuation in sales revenue by locking in prices with respect to future deliveries of oil and natural gas. As at June 30, 2008, the Company had the following contracts outstanding:

Type	Amount	Term	Price (\$/gj)	Type
Costless collar	5,000 gj/day	April 1 – October 31, 2008	\$6.50 - \$8.25	Financial
Swap	5,000 gj/day	April 1 – October 31, 2008	\$7.50	Financial
Costless collar	5,000 gj/day	April 1 – October 31, 2008	\$7.00 - \$8.80	Financial
Costless collar	5,000 gj/day	November 1 – December 31, 2008	\$7.75 - \$9.50	Financial
Swap	1,000 gj/day	July 1, 008 – October 31, 2008	\$7.54	Financial

The contracts in place resulted in an unrealized loss for the six months ended June 30, 2008 of \$7,708 (2007 – \$733 gain).

(b) Foreign currency exchange risk

Even though all of Vero's petroleum and natural gas sales are denominated in Canadian dollars, the underlying market prices for these commodities are impacted by the exchange rate between Canada and the United States. In addition, the fair value of our risk management contracts will fluctuate as a result of changes in foreign exchange rates as most derivative contracts are denominated in US dollars. As at June 30, 2008 the Company had no forward, foreign exchange contracts in place.

(c) Interest rate risk

The Company's revolving demand loan facility is subject to floating rates and is therefore exposed to fluctuations in the market rate of interest. The floating rate debt is subject to interest rate cash flow risk, as the required cash flows to service the debt will fluctuate as a result of changes in market rates. The Company had no interest rate swaps or financial contracts in place at or during the six months ended June 30, 2008.

Credit risk

Substantially all of the accounts receivable are with customers and joint venture partners in the oil and gas industry and are subject to normal industry credit risks. The Company generally extends unsecured credit to these customers and therefore, the collection of accounts receivable may be affected by changes in economic or other conditions. Management believes the risk is mitigated by entering into transactions with long-standing, reputable, counterparties and partners. Wherever possible, the Company requires cash calls from its partners on capital projects before they commence. Receivables related to the sale of the Company's petroleum and natural gas production are from major marketing companies who have excellent credit ratings. These revenues are normally collected on the 25th day of the month following delivery. The Company has not experienced any credit loss in the collection of its accounts receivable.

SECOND QUARTER 2008 REPORT

For the six months ended June 30, 2008



Liquidity risk

Liquidity risk would occur if the Company is not able to meet its financial obligations as they come due. The Company has established a standard of ensuring that it has enough available resources to withstand any downturn in the industry. As our industry is very capital intensive, the majority of our spending is related to our capital programs. See Note 16 for disclosure related to the management of our capital program. The Company's goal is to prudently spend its capital while maintaining its credit reputation amongst its suppliers.

Fair values of financial instruments

The carrying value of financial instruments, which include accounts receivable, deposits, derivative financial instruments, accounts payable and accrued liabilities approximates amounts at which these instruments could be exchanged in a transaction between knowledgeable and willing parties. The fair value of accounts receivable, deposits, accounts payable and accrued liabilities approximates their carrying amounts due to their short term nature. The fair value of derivative financial instruments is determined by calculating the difference between the contracted price and published forward price curves as at the balance sheet date, and then multiplying this price differential by the contracted commodity volumes. Vero's bank debt bears interest at a floating market rate and accordingly the fair market value approximates the carrying value. The carrying and fair values of the Company's financial instruments as at June 30, 2008 are as follows:

	Carrying Value	Fair Value
<u>Financial Assets</u>		
Held-for-trading:		
Prepaid and deposits	4,381	4,381
Loans and receivables:		
Accounts receivable	27,345	27,345
<u>Financial Liabilities</u>		
Held-for-trading:		
Risk management liabilities	8,090	8,090
Other financial liabilities		
Accounts payable and accrued liabilities	33,810	33,810
Credit facility	36,344	36,344

As at each reporting period the Company will assess whether a financial asset, other than those classified as held-for-trading is impaired. Any impairment loss will be included in earnings for the period.

15. RELATED PARTY TRANSACTIONS

Two officers and one director of the Company subscribed for 16 flow-through common shares at a price of \$9.25 per share in the February 28, 2008 private placement (note 9(a)). The price at which the shares were issued were the same as those used in the subscription agreements entered into with non-related parties.

16. CAPITAL DISCLOSURES

The Company considers its capital structure to include shareholders' equity, bank debt and working capital. The Company will adjust its capital structure to manage its current and projected debt through the issuance of shares, increasing its bank line of credit and/or adjusting its capital spending. Vero monitors its capital based on the current and projected ratios of net debt to cash flow.

Vero's objectives in managing its capital structure are to:

- 1) create and maintain flexibility so that Vero can continue to meet its financial obligations; and
- 2) finance its growth either through internally generated projects, joint venture relationships or asset/corporate acquisitions.

The Company monitors its capital structure using primarily the non-GAAP financial metric of net debt to annualized, most recent quarters' cash flow from operations ratio. Vero's objective is to maintain a net debt to cash flow from operations ratio of one and one half times or less. This ratio may temporarily increase as a result of an acquisition; however the Company aims to reduce it below this level as the acquisitions are incorporated into Vero's operations over time. To facilitate the management of this ratio, the Company prepares an annual budget, which is updated each quarter for any significant acquisition, a change in economic circumstances outside the control of the Company, and success or failure of our capital deployed. Each of the annual budget and the quarterly updates are approved by the Board of Directors. As at June 30, 2008 the net debt to adjusted cash flow (annualized) was 0.4 times calculated as follows:

	Period ended June 30,	
	2008	2007
Current assets	31,726	12,901
Accounts payable and accrued liabilities	(33,810)	(17,301)
Bank debt	(36,344)	(38,772)
Net Debt	(38,428)	43,172
	Three months ended June 30,	
	2008	2007
Net earnings	8,740	502
Add (deduct):		
Unrealized (gain) loss on risk management activities	4,240	(733)
Depletion, depreciation and accretion	9,799	8,766
Future income taxes	3,712	772
Stock-based compensation	314	385
Cash flow from operations	26,805	9,693
Annualized cash flow	107,220	38,772
Net Debt to Annualized Cash Flow	0.4x	1.1x

The Company's capital is not subject to any external restrictions as to how it is deployed nor does it have any financial covenants in respect of its bank credit facility.

17. SUBSEQUENT EVENTS

On July 25, 2008 the Company entered into a purchase and sale agreement with an industry partner to acquire certain oil and gas producing assets as well as undeveloped lands. The expected closing date for this acquisition is July 31, 2008.

SECOND QUARTER 2008 REPORT

For the six months ended June 30, 2008



CORPORATE INFORMATION

OFFICERS

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

Kevin W. Yakiwchuck, P.Geol.,
M.Sc.
Vice President, Exploration

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

Robert Bachynski, P.Land
Vice President, Land

Shane Manchester, P.Eng
Vice President, Operations

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

BOARD OF DIRECTORS

Kenneth P. Acheson, C.A

Paul R. Baay, Chairman

Douglas J. Bartole, P.Eng.

Clinton T. Broughton, P.Eng.

W.D. (Mickey) Dunn

Robert G. Rowley, LLB, Q.C.

STOCK EXCHANGE LISTING

The Toronto Stock Exchange
– “VRO”

LEGAL COUNSEL

Burnett, Duckworth & Palmer
LLP

AUDITORS

PricewaterhouseCoopers LLP

BANKERS

Canadian Imperial Bank of
Commerce

RESERVE ENGINEERS

Sproule Associates Limited.

REGISTRAR AND TRANSFER AGENT

Computershare Investor
Services Ltd.

ABBREVIATIONS

bbbl	barrels
bbbl/d	barrels per day
bcf	billion cubic feet
boe	barrels of oil equivalent
	(6mcf: 1 bbl)
bopd	barrels of oil per day
mmbtu	million British thermal units
mboe	thousand barrels of oil equivalent (6 mcf: 1bbl)
mmboe	million barrels of oil equivalent (6mcf:1bbl)
mcf	thousand cubic feet
mcf/d	thousand cubic feet per day
mmcf	million cubic feet
mmcf/d	million cubic feet per day
ngl	natural gas liquids

CAUTIONARY STATEMENT

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



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