



## PRESS RELEASE

### VERO ENERGY INC. ANNOUNCES FIRST QUARTER 2011 FINANCIAL RESULTS

CALGARY, Alberta – June 6, 2011 – Vero Energy Inc. (“Vero” or the “Company”) (TSX-VRO) today announces its first quarter, 2011 financial results. Copies of the financial statements and management discussion and analysis in respect thereof for the quarter ended March 31, 2011 will be available, in due course, through [www.sedar.com](http://www.sedar.com) or by visiting Vero’s website at [www.veroenergy.ca](http://www.veroenergy.ca).

#### First Quarter 2011 Highlights

- ✓ Achieved funds flow from operations of \$16.6 million, equating to \$0.34 per share (basic and diluted).
- ✓ Increased oil production by 120% to 1,051 bbls/d.
- ✓ Increased the liquids (oil and NGL’s) proportion of total production to 25% in the first quarter of 2011 from 20% in the first quarter of 2010.
- ✓ Achieved an operating netback of \$25.32 per boe and funds flow netback of \$21.76 per boe representing a 4% and 6% increase respectively, in first quarter 2011 versus 2010, while natural gas prices declined by 22% over the same time frame.
- ✓ Reduction in operating costs of 8% to \$7.85 per boe versus the same quarter of 2010.
- ✓ Drilled 12 (10.2 net) wells with a 91% success rate which included 5 (4.4 net) new pool discoveries.
- ✓ Satisfied the \$25 million flow-through share commitment from the November, 2010 share issuance by the end of the quarter.

#### 2011 Update

- ✓ Production in the second quarter is expected to average 10,700 - 11,200 boe/d based on field estimates. This will be a record quarter for production and will result in growth of over 25% over the first quarter of 2011.
- ✓ Increased the bank credit facility to \$170 million from \$140 million leaving \$48 million undrawn based on first quarter bank debt levels.
- ✓ Plan to drill 8 (5.2 net) wells in the second quarter of which 6 (4.0 net) will be targeting Cardium oil production.

- ✓ Record production, continued emphasis on lowering controllable costs, and using current forward strip commodity prices has the Company forecasting a record year in funds flow. Accordingly, Vero forecasts funds flow netbacks to increase 10% from first quarter levels to over \$24 per boe for the remainder of the year.

Selected financial and operating highlights for the first quarter of 2011 with comparisons to the first quarter of 2010 are set out below and should be read in conjunction with Vero's financial statements for the period ended March 31, 2011 as follows:

<i>Financial (\$000's except per share amounts)</i>	Q1 2011	Q1 2010	% Change
Production revenue	<b>29,121</b>	29,483	(1)
Funds flow from operations <sup>(1)</sup>	<b>16,616</b>	15,598	7
Per basic share	<b>0.34</b>	0.36	(6)
Per diluted share	<b>0.34</b>	0.36	(6)
Net earnings (loss)	<b>(2,183)</b>	1,575	(239)
Per basic share	<b>(0.04)</b>	0.04	(200)
Per diluted share	<b>(0.04)</b>	0.04	(200)
Net capital expenditures	<b>44,903</b>	40,037	12
Net debt <sup>(2)</sup>	<b>151,827</b>	112,294	35
<b><i>Share capital (000's)</i></b>			
Basic, weighted average	<b>48,949</b>	42,236	16
Basic, end of period	<b>48,976</b>	43,391	13
Diluted, weighted average	<b>48,949</b>	43,794	12
Fully diluted	<b>53,222</b>	47,341	12
<b><i>Daily production</i></b>			
Natural gas volumes (mcf/d)	<b>38,018</b>	40,457	(6)
Light oil (boe/d)	<b>1,051</b>	477	120
Natural gas liquids (boe/d)	<b>1,102</b>	1,184	(7)
Corporate (boe/d)	<b>8,489</b>	8,404	1
<b><i>Average realized prices</i></b>			
Natural gas (\$/mcf)	<b>4.12</b>	5.28	(22)
Light Oil (\$/bbl)	<b>84.23</b>	74.96	12
Liquids (\$/bbl)	<b>71.18</b>	66.08	8
Corporate (\$/boe)	<b>38.11</b>	38.98	(2)
<b><i>Netbacks (\$/boe)<sup>(4)</sup></i></b>			
Operating	<b>25.32</b>	24.31	4
Funds flow	<b>21.76</b>	20.63	6
<b><i>Wells drilled</i></b>			
Gross	<b>12</b>	10	20
Net	<b>10.2</b>	8.6	19
Success rate	<b>91%</b>	100%	

(1) Funds flow from operations is calculated as funds provided by operating activities from the statement of funds flows, adding change in non-funds working capital and asset retirement expenditures. Funds flow from operations is used to analyze the Company's operating performance and leverage. Funds flow from operations does not have a standardized measure prescribed by International Financial Reporting Standards ("IFRS") 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 mark-to-market measurement of derivative contracts). It does not have a standardized meaning prescribed by IFRS 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. Funds flow netback equals the operating netback less cash finance costs, general and administrative costs, realized gains and losses on derivative contracts, plus any interest income. Operating netback and funds flow from operations netback do not have a standardized measure prescribed by IFRS and therefore may not be comparable with the calculations of similar measures for other companies.

## OUTLOOK

Drilling success in the first quarter and the completions of these wells, which occurred late in the quarter and early in the second quarter, resulted in Vero reaching record production levels. Industry activity in the first quarter of 2011 resulted in a number of our projects being somewhat deferred, however, we were able to complete substantially all of our planned activities before spring break-up. These successes have put Vero into a solid position and the Company forecasts production to average 10,700 – 11,200 boe/d in the second quarter. This will be a record production quarter and will result in growth of 25% or better over the first quarter of 2011. The Company remains on track for its 2011 average production guidance of 10,000 – 10,500 boe/d (27-28% liquids). Drilling efforts for the remainder of the year will be directed primarily towards horizontal wells in the Cardium light oil play. In turn, the Company is targeting a year end 2011 oil and liquids ratio of 31–35% compared to 22% realized in 2010. Current production from Vero's Cardium operations is approximately 1,600 boe/d (75% oil and liquids), based on field estimates.

In the first quarter, the Company had significant success with three new horizontal Notikewin liquids-rich gas wells that are currently being produced at restricted rates. These restricted wells have averaged approximately 1,392 boe/d over their first two months of production including approximately 209 bbls/d of liquids with pentanes and condensate contributing over 50% of the liquids production mix. This play is expected to provide significant rates of return, the Company believes to be competitive with most liquids rich gas plays in North America. The Company has recently increased its working interests in the play and plans are to drill two to three follow up locations in 2011 with the potential for several more in 2012. Break up has substantially ended and we currently have two drilling rigs in operation. Vero plans to drill approximately 8 (5.2 net) horizontal wells in the quarter with 6 (4.0 net) targeting Cardium.

The Company's emphasis on the Cardium oil and liquids-rich gas plays has resulted in first quarter, 2011 revenues per boe remaining roughly flat compared to the first quarter of 2010, despite a 22% decrease in natural gas prices. Emphasis on controllable cost reductions have resulted in a drop of over a \$1.00 per boe or approximately 10%. The result of these cost efficiencies is that operating and cash flow netbacks are up by approximately 5% over the same period of last year. Commodity prices have strengthened from the first quarter and based on the current commodity strip prices, coupled with Vero's increased production, the netbacks for the remainder of the year are forecast to improve another 10% from the first quarter.

“The Company's strategy of controlling costs and drilling a balanced portfolio with emphasis on Cardium light oil and high return liquids rich plays remains intact,” said Doug Bartole President and CEO. “With recent positive signs in natural gas prices, increasing oil and liquids mix, and excellent cost structures we expect to have a record year in funds flow and we further expect our netbacks will continue to improve. In fact, our netbacks based on a comparative review of industry analyst reports are better than the average of the mid-size companies which have a liquids weighting ratio closer to 39% .”

For the remainder of the year the Company plans to drill approximately 25-28 gross (17-19 net) horizontal wells, of which approximately 20-23 gross (13-15 net) will target Cardium light oil. Gas drilling will remain strictly focused on high impact, liquids-rich horizontal wells. This type of gas drilling has historically shown strong economics with high gas rates and liquids recoveries of approximately 30 bbl/mmcf, up to 60% of which is comprised of premium value condensates and pentanes.

## **FINANCIAL REVIEW**

Effective January 1, 2011, Vero began reporting its financial results in accordance with International Financial Reporting Standards (“IFRS”). The prior year comparative amounts have been restated to reflect the financial results with the application of IFRS.

Vero was successful in increasing its oil and natural gas liquids production, as a percentage of corporate production, to 25% during the first quarter of 2011. This was an increase of 5% compared to the same period in 2010. The success of this strategy was that, while natural gas prices were 22% lower, corporate realized prices per boe were only 2% lower than the same period in 2010. Funds flow was \$16.6 million for the quarter, which translated into \$0.34 per share on a basic and diluted basis. Company royalties decreased by 31% on a per boe basis. This decrease was attributable to lower natural gas prices and royalty exemptions from horizontal oil and deep gas drilling programs. The Company reduced operating expenses by 8% per boe from the first quarter of 2010 to \$7.85 per boe in the current quarter. In all, operating netbacks increased by 4% to \$25.32 per boe and funds flow netbacks increased by 6% to \$21.76 per boe in the first quarter. The Company’s loss of \$2.2 million (\$0.04 per basic and diluted share) can be substantially attributed to a \$4.3 million mark-to-market loss on its oil hedges. Due to a recent retreat in oil prices, this market-to-market loss in the second quarter is expected to be significantly lower by the end of June.

The Company had an active first quarter of 2011 drilling 12 (10.2 net) wells. Vero invested approximately \$45 million in its exploration and development program during the quarter. The Company continued to focus on its key oil and gas resource plays in the Edson area, directing 86% of its first quarter expenditures towards drilling and completing the 12 wells, all but one of which were horizontal multi-stage frac wells. Facilities and tie-in expenditures were \$5 million to bring on 10 (7.2 net) new wells in the quarter.

Total net debt amounted to just under \$152 million at March 31, including bank debt of \$122 million. At March 31, 2011 the total net debt to annualized funds flow ratio was 2.3 times; however, with increased funds flow from substantially higher production in the second quarter the Company forecasts the total net debt to annualized funds flow ratio in the second quarter to be reduced to approximately 1.6–1.7 times. Vero expects this to improve substantially over the remainder of the year as the full impact of new production is realized. By the end of the year, projected net debt to annualized fourth quarter 2011 funds flow is forecast to be approximately 1.2 to 1.4 times on forward looking commodity prices. The Company successfully concluded its credit facility review process with its banking syndicate. This resulted in a 21% increase in its borrowing base to \$170 million. It is expected that funds flow for 2011 and the increased borrowing capacity will provide sufficient capital to execute the Company’s growth plan for 2011 and also allow an adequate cushion for future opportunities.

## **OPERATIONS REVIEW**

Edson continues to be Vero’s largest producing property with production of 7,184 boe/d (73% natural gas), accounting for 85% of total corporate production in the first quarter of 2011.

The Company has targeted six separate zones with horizontal drilling coupled with multi-frac completions. The shallowest of these zones is the light oil bearing Cardium Formation which will be the target in up to 70% of the drilling locations for the year. The remaining targets range from 2,000 – 2,600m in depth and yield high netback liquids rich gas.

During the quarter, the Company drilled 11 (9.2 net) horizontal wells including 5 Cardium oil wells, 4 Notikewin wells, 1 Viking well, plus 1 (1.0) vertical multi-zone well in the Edson area with a success rate of 91%.

The remainder of the year is anticipated to again be focused on drilling in Edson with 24-26 gross (16-18 net) wells planned including 18-20 gross (12-13 net) Cardium light oil wells.

#### Other Areas

Total production for Vero's non-core areas in the first quarter was 1,305 boe/d (78% natural gas) and accounts for the remaining 15% of corporate production.

Selected financial and operating highlights for the first quarter of 2011 with comparisons to the first quarter of 2010 are set out below and should be read in conjunction with Vero's financial statements for the period ended March 31, 2011 as follows:

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**VERO ENERGY INC.**

**Balance Sheet**

*(in thousands of Canadian dollars) (unaudited)*

	<b>March 31, 2011</b>	December 31, 2010	January 1, 2010
<b>ASSETS</b>			
<b>CURRENT</b>			
Accounts receivable	<b>24,049</b>	27,458	29,541
Prepaid expenses and deposits	<b>3,434</b>	3,241	4,566
Loans receivable	-	-	2,289
	<b>27,483</b>	30,699	36,396
Property and equipment	<b>386,465</b>	352,007	272,343
Exploration and evaluation assets	<b>19,062</b>	19,495	15,302
Goodwill	<b>19,913</b>	19,913	19,913
	<b>452,923</b>	422,114	343,954
<b>LIABILITIES</b>			
<b>CURRENT</b>			
Accounts payable and accrued liabilities	<b>57,174</b>	60,349	49,574
Derivative contracts	<b>4,867</b>	1,422	1,132
Bank debt	<b>122,136</b>	94,164	77,719
Deferred liability	-	5,062	-
	<b>184,177</b>	160,997	128,425
Derivative contracts	<b>856</b>	-	113
Decommissioning liabilities	<b>10,478</b>	9,346	7,960
Deferred taxes	<b>24,704</b>	18,013	13,422
	<b>220,215</b>	188,356	149,920
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	<b>216,576</b>	216,174	180,617
Contributed surplus	<b>11,935</b>	11,204	9,610
Retained earnings	<b>4,197</b>	6,380	3,807
	<b>232,708</b>	233,758	194,034
	<b>452,923</b>	422,114	343,954

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**VERO ENERGY INC.****Statement of Comprehensive Income (Loss)****For the three months ended March 31, 2011 and 2010***(in thousands of Canadian dollars, except per share data) (unaudited)*

	2011	2010
Petroleum and natural gas sales	29,121	29,483
Royalties	(2,577)	(3,676)
<b>Revenue, net</b>	<b>26,544</b>	<b>25,807</b>
<b>EXPENSES</b>		
Operating	5,996	6,426
Transportation	1,205	989
Losses (gains) on derivative contracts	4,357	(845)
General and administrative	1,201	1,476
Share based compensation	711	980
Exploration and evaluation expenditures written off	382	1,011
Depletion and depreciation	11,669	10,127
	<b>25,521</b>	<b>20,164</b>
<b>NET EARNINGS (LOSS) BEFORE FINANCE AND TAXES</b>	<b>1,023</b>	<b>5,643</b>
<b>FINANCE</b>		
Finance income	14	50
Finance expenses	(1,579)	(1,386)
	<b>(1,565)</b>	<b>(1,336)</b>
<b>NET EARNINGS (LOSS) BEFORE TAXES</b>	<b>(542)</b>	<b>4,307</b>
<b>TAXES</b>		
Deferred tax expense	1,641	2,732
<b>NET EARNINGS (LOSS) AND COMPREHENSIVE INCOME (LOSS)</b>	<b>(2,183)</b>	<b>1,575</b>
<b>NET EARNINGS (LOSS) PER SHARE</b>		
Basic	(0.04)	0.04
Diluted	(0.04)	0.04

**VERO ENERGY INC.**  
**Statement of Cash Flows**  
**For the three months ended March 31, 2011 and 2010**  
*(in thousands of dollars) (unaudited)*

	2011	2010
<b>CASH FLOWS PROVIDED BY (USED IN) THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Net earnings (loss)	(2,183)	1,575
Adjustments for:		
Unrealized loss (gain) on derivative contracts	4,301	(906)
Share based compensation	711	980
Depletion and depreciation	11,669	10,127
Accretion of decommissioning liabilities	95	79
Deferred income taxes	1,641	2,732
Exploration and evaluation expense	382	1,011
	<b>16,616</b>	<b>15,598</b>
Decommissioning costs incurred	(3)	(243)
Changes in non-cash working capital	5,497	(2,442)
	<b>22,110</b>	<b>12,913</b>
<b>FINANCING</b>		
Changes in bank debt	27,972	15,764
Proceeds from stock option exercises	277	399
Loans to officers/directors	-	2,289
	<b>28,249</b>	<b>18,452</b>
<b>INVESTING</b>		
Additions to petroleum and natural gas properties	(44,811)	(32,724)
Additions exploration and evaluation assets	(46)	(789)
Acquisition of producing petroleum and natural gas assets	(40)	(5,624)
Additions to administrative assets	(6)	-
Changes in non-cash working capital	(5,456)	7,772
	<b>(50,359)</b>	<b>(31,365)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>-</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>-</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>-</b>	<b>-</b>

Vero Energy Inc. is a Calgary based oil and natural gas exploration and development company. Vero's common shares trade on The Toronto Stock Exchange under the symbol "VRO". Please view the Vero Energy website at [www.veroenergy.ca](http://www.veroenergy.ca) for the latest corporate presentation and details of anticipated 2011 operations.

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**READER ADVISORY**

*Forward Looking Statements: Certain information regarding the Company in this news release including management's assessment of future plans and operations, and the timing thereof, production estimates, drilling inventory and wells to be drilled, timing of drilling and tie-in of wells, productive capacity of new wells, anticipated year-end production mix, capital expenditures and the ability to fund the 2011 capital program, and capital efficiencies, may constitute forward-looking statements under applicable securities laws and necessarily involve risks including, without limitation, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, inability to retain drilling rigs and other services, the timing and length of plant turnarounds and the impact of such turnarounds and the timing thereof, risks that planned dispositions will not be completed on projected timelines or at all, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources. As a consequence, the Company's actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly no assurance can be given that any events anticipated by the forward-looking statements will transpire or occur, or, if any of them do so, what benefits the Company will derive therefrom. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could effect the Company's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)), and the Company's website ([www.veroenergy.ca](http://www.veroenergy.ca)). Furthermore, the forward-looking statements contained in this news release are made as at the date of this news release 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.*

*BOE Disclosure: Disclosure provided herein in respect of barrels of oil equivalent (boe) may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf: 1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Mboe means thousands of barrels of oil equivalent.*

*Non-IFRS terms: this press release contains the terms "funds flow from operations" and "netbacks" which are not terms recognized under International Financial Reporting Standards ("IFRS"). The Company uses these measures to help evaluate its performance as well as to evaluate acquisitions. The Company considers funds 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. Funds generated from operations should not be considered as an alternative to, or more meaningful than, cash flow from operating activities as determined in accordance with IFRS as an indicator of Vero's performance. Vero's determination of funds flow from operations may not be comparable to that reported by other companies. The reconciliation between net income and funds flow from operations can be found in the statement of cash flows in the financial statements. Vero also presents funds generated from operations per share whereby per share amounts are calculated using weighted*

*average shares (basic and diluted) outstanding consistent with the calculation of net earnings per share, which per share amounts are calculated under IFRS. The Company considers netbacks as a key measure as it demonstrates its profitability relative to current commodity prices. Operating netbacks are calculated by taking total revenues and subtracting royalties, operating expenses and transportations costs on a per boe basis. Funds flow netbacks are calculated by taking the operating netback and subtracting interest costs, and general and administrative costs on a per boe basis.*

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