



VERMILION ENERGY INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2011

DISCLAIMER

Certain statements included or incorporated by reference in this document may constitute forward-looking statements under applicable securities legislation. Forward-looking statements or information typically contain statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", or similar words suggesting future outcomes or statements regarding an outlook. Forward looking statements or information in this document may include, but are not limited to:

- capital expenditures;
- business strategy and objectives;
- reserve quantities and the discounted present value of future net cash flows from such reserves;
- net revenue;
- future production levels and rates of average annual production growth;
- exploration plans;
- development plans;
- acquisition and disposition plans and the timing thereof;
- operating and other costs;
- royalty rates;
- Vermilion's additional future payment in connection with the Corrib acquisition;
- the timing of regulatory proceedings and approvals;
- the timing of first commercial gas from the Corrib field; and
- estimate of Vermilion's share of the expected gas rates from the Corrib field.

Such forward-looking statements or information are based on a number of assumptions all or any of which may prove to be incorrect. In addition to any other assumptions identified in this document, assumptions have been made regarding, among other things:

- the ability of Vermilion to obtain equipment, services and supplies in a timely manner to carry out its activities in Canada and internationally;
- the ability of Vermilion to market oil and natural gas successfully to current and new customers;
- the timing and costs of pipeline and storage facility construction and expansion and the ability to secure adequate product transportation;
- the timely receipt of required regulatory approvals;
- the ability of Vermilion to obtain financing on acceptable terms;
- currency, exchange and interest rates;
- future oil and natural gas prices; and
- Management's expectations relating to the timing and results of development activities.

Although Vermilion believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward looking statements because Vermilion can give no assurance that such expectations will prove to be correct. Forward-looking statements or information are based on current expectations, estimates and projections that involve a number of risks and uncertainties which could cause actual results to differ materially from those anticipated by Vermilion and described in the forward looking statements or information. These risks and uncertainties include but are not limited to:

- the ability of management to execute its business plan;
- the risks of the oil and gas industry, both domestically and internationally, such as operational risks in exploring for, developing and producing crude oil and natural gas and market demand;
- risks and uncertainties involving geology of oil and natural gas deposits;
- risks inherent in Vermilion's marketing operations, including credit risk;
- the uncertainty of reserves estimates and reserves life;
- the uncertainty of estimates and projections relating to production, costs and expenses;
- potential delays or changes in plans with respect to exploration or development projects or capital expenditures;
- Vermilion's ability to enter into or renew leases;
- fluctuations in oil and natural gas prices, foreign currency exchange rates and interest rates;
- health, safety and environmental risks;
- uncertainties as to the availability and cost of financing;
- the ability of Vermilion to add production and reserves through development and exploration activities;
- general economic and business conditions;
- the possibility that government policies or laws may change or governmental approvals may be delayed or withheld;
- uncertainty in amounts and timing of royalty payments;
- risks associated with existing and potential future law suits and regulatory actions against Vermilion; and
- other risks and uncertainties described elsewhere in this document or in Vermilion's other filings with Canadian securities authorities.

The forward-looking statements or information contained in this document are made as of the date hereof and Vermilion undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless required by applicable securities laws.

Natural gas volumes have been converted on the basis of six thousand cubic feet of natural gas to one barrel equivalent of oil. Barrels of oil equivalent (boe) may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is Management's Discussion and Analysis ("MD&A") dated May 4, 2011 of Vermilion Energy Inc.'s ("Vermilion" or the "Company") operating and financial results as at and for the three months ended March 31, 2011 compared with the corresponding period in the prior year. This discussion should be read in conjunction with the unaudited interim consolidated financial statements for the period ended March 31, 2011 contained herein and Vermilion's audited consolidated financial statements for the years ended December 31, 2010 and 2009, together with accompanying notes, as contained in Vermilion's 2010 Annual Report. The discussion and analysis contained herein is qualified in its entirety by Management's Discussion and Analysis in respect of the three months ended March 31, 2011 to be filed and the financial year ended December 31, 2010 filed on SEDAR (www.sedar.com) in accordance with applicable securities laws.

The unaudited interim consolidated financial statements and comparative information have been prepared in Canadian dollars, except where another currency has been indicated, and in accordance with International Financial Reporting Standard 1, "First-time Adoption of International Financial Reporting Standards", and with International Accounting Standard 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board. Previously, Vermilion prepared its interim and annual consolidated financial statements in accordance with Canadian generally accepted accounting principles.

CORPORATE CONVERSION

On September 1, 2010 Vermilion Energy Trust (the "Trust") completed the conversion from an income trust to a corporation pursuant to an arrangement under the *Business Corporations Act (Alberta)*. As a result of this conversion, units of the Trust were converted to common shares of Vermilion on a one-for-one basis and holders of exchangeable shares in Vermilion Resources Ltd. received 1.89344 common shares for each exchangeable share held. There were no exchangeable shares outstanding following the conversion.

Vermilion retained the same board of directors and management team which continues to be led by Lorenzo Donadeo as President and Chief Executive Officer. There were no changes in Vermilion's underlying operations associated with the conversion. The consolidated financial statements and related financial information have been prepared on a continuity of interest basis, which recognizes Vermilion as the successor entity and accordingly all comparative information presented for the pre-conversion period is that of the Trust. **For the convenience of the reader, when discussing prior periods this MD&A refers to common shares, shareholders and dividends although for the pre-conversion period such items were trust units, unitholders and distributions, respectively.**

NON-GAAP MEASURES

This report includes non-GAAP measures as further described herein. These measures do not have standardized meanings prescribed by GAAP and therefore may not be comparable with the calculations of similar measures for other entities.

"Fund flows from operations" represents cash flows from operating activities before changes in non-cash operating working capital and asset retirement obligations settled. Management considers fund flows from operations and per share calculations of fund flows from operations (see discussion relating to per share calculations below) to be key measures as they demonstrate Vermilion's ability to generate the cash necessary to pay dividends, repay debt, fund asset retirement costs and make capital investments. Management believes that by excluding the temporary impact of changes in non-cash operating working capital, fund flows from operations provides a useful measure of Vermilion's ability to generate cash that is not subject to short-term movements in operating working capital. The most directly comparable GAAP measure is cash flows from operating activities. Cash flows from operating activities as presented in Vermilion's consolidated statements of cash flows is reconciled to fund flows from operations below:

(\$M)	Three Months Ended	
	March 31, 2011	March 31, 2010
Cash flows from operating activities	\$ 126,617	\$ 80,237
Changes in non-cash operating working capital	(26,463)	(3,342)
Asset retirement obligations settled	1,631	-
Fund flows from operations	\$ 101,785	\$ 76,895

“Acquisitions, including acquired working capital deficiency” is the sum of “Acquisition of petroleum and natural gas properties” and “Corporate acquisitions, net of cash acquired” as presented in Vermilion’s consolidated statements of cash flows plus any working capital deficiencies acquired as a result of those acquisitions. Management considers acquired working capital deficiencies to be an important element of a property or corporate acquisition. Acquisitions, including acquired working capital deficiency is reconciled below:

(\$M)	Three Months Ended	
	March 31, 2011	March 31, 2010
Acquisition of petroleum and natural gas properties	\$ 38,291	\$ 954
Working capital deficiencies acquired from acquisitions	-	-
Acquisitions, including acquired working capital deficiency	\$ 38,291	\$ 954

“Net debt” is the sum of long-term debt and working capital excluding the amount due pursuant to acquisition as presented in Vermilion’s consolidated balance sheets. Net debt is used by management to analyze the financial position and leverage of Vermilion. Net debt is reconciled below to long-term debt which is the most directly comparable GAAP measure:

(\$M)	As At	As At	As At
	March 31, 2011	Dec 31, 2010	March 31, 2010
Long-term debt	\$ 376,053	\$ 302,558	\$ 205,277
Current liabilities	464,825	340,934	220,425
Current assets	(399,560)	(340,197)	(221,360)
Net debt	\$ 441,318	\$ 303,295	\$ 204,342

“Cash dividends per share” represents actual cash dividends declared per share by Vermilion during the relevant periods.

“Net dividends” is calculated as dividends declared for a given period less proceeds received by Vermilion pursuant to the dividend reinvestment plan. Dividends both before and after the dividend reinvestment plan are reviewed by management and are also assessed as a percentage of fund flows from operations to analyze how much of the cash that is generated by Vermilion is being used to fund dividends.

Net dividends is reconciled below to dividends declared, the most directly comparable GAAP measure:

(\$M)	Three Months Ended	
	March 31, 2011	March 31, 2010
Dividends declared	\$ 50,942	\$ 45,528
Issue of shares pursuant to the dividend reinvestment plan	(12,976)	(7,380)
Net dividends	\$ 37,966	\$ 38,148

“Total net dividends, capital expenditures and asset retirement obligations settled” is calculated as net dividends as determined above plus the following amounts for the relevant periods from Vermilion’s consolidated statements of cash flows: “Drilling and development of petroleum and natural gas properties” and “Asset retirement obligations settled.” This measure is reviewed by management and is also assessed as a percentage of fund flows from operations to analyze the amount of cash that is generated by Vermilion that is available to repay debt and fund potential acquisitions. This measure is reconciled to the relevant GAAP measures below:

(\$M)	Three Months Ended	
	March 31, 2011	March 31, 2010
Dividends declared	\$ 50,942	\$ 45,528
Issue of shares pursuant to the dividend reinvestment plan	(12,976)	(7,380)
Drilling and development of petroleum and natural gas properties	118,414	119,896
Asset retirement obligations settled	1,631	-
Total net dividends, capital expenditures and asset retirement obligations settled	\$ 158,011	\$ 158,044

“**Netbacks**” are per unit of production measures used in operational and capital allocation decisions.

“**Adjusted basic shares outstanding**” and “**Adjusted basic weighted average shares outstanding**” are different from the most directly comparable GAAP figures in that they include amounts related to outstanding exchangeable shares at the period end exchange ratio. As the exchangeable shares have converted into shares of Vermilion, management believes that their inclusion in the calculation of basic rather than only in diluted per share statistics provides meaningful information.

“**Diluted shares outstanding**” is the sum of adjusted basic shares outstanding as described above plus outstanding awards under Vermilion’s equity based compensation plans, based on current performance factor estimates.

These measures are reconciled to the relevant GAAP measures below:

(Number of shares)	As At	
	March 31, 2011	March 31, 2010
Basic weighted average shares outstanding	89,224,446	79,710,068
Shares issuable pursuant to exchangeable shares outstanding	-	7,338,930
Adjusted basic weighted average shares outstanding	89,224,446	87,048,998

(Number of shares)	As At	
	March 31, 2011	March 31, 2010
Shares outstanding	89,856,389	80,409,833
Shares issuable pursuant to exchangeable shares outstanding	-	7,337,727
Adjusted basic shares outstanding	89,856,389	87,747,560
Potential shares issuable pursuant to equity based compensation plans	1,981,071	1,363,253
Diluted shares outstanding	91,837,460	89,110,813

“**Diluted adjusted weighted average shares outstanding**” is the sum of diluted weighted average shares outstanding as presented on the consolidated statements of earnings plus the weighted average amount of exchangeables outstanding for the period which were considered anti-dilutive for the purposes of calculating earnings per share.

OPERATIONAL ACTIVITIES

Canada

In Canada, Vermilion participated in the drilling of 32 wells (17.9 net) during the first quarter of 2011, resulting in three gas wells (2.4 net) and 29 oil wells (15.5 net). These wells included 11 operated (9.4 net) Cardium horizontal wells and 18 non-operated (6.1 net) Cardium wells. At the end of the first quarter, 17 (15.7 net) operated Cardium wells were on production and 12 (5.1 net) non-operated wells were on production. Vermilion anticipates the drilling and tie-in of approximately five to six gross operated Cardium wells during the second quarter of 2011. Installation of several ‘trunk’ pipelines to transport Cardium production in the Drayton Valley region was largely completed by the end of the first quarter 2011 and activities continued with respect to completion of a 15,000 boe/d oil processing facility which is expected to be in-service in August 2011.

France

In France, Vermilion completed workovers on 10 wells (9.5 net) during the first quarter of 2011 including three in the Aquitaine Basin with the remainder in the Paris Basin. Vermilion also spud a conventional well to test an undeveloped fault block within the Cazaux field during the first quarter.

Netherlands

In the Netherlands, Vermilion remained focused on regular facility and well maintenance and ongoing work to secure pipeline and production permits for the Vinkega-1 (early in the third quarter) and De Hoeve-1 (late in the fourth quarter). Average combined production for these two wells is expected to be 1,500 boe/d.

Australia

In Australia, efforts were focused on minor facilities repairs, including the change-out of a gas-lift compressor, following strong cyclone activity during the first quarter of 2011.

PRODUCTION

	Three Months Ended March 31, 2011				Three Months Ended March 31, 2010			
	Oil & NGLs (bbls/d)	Natural Gas (mmcf/d)	Total (boe/d)	%	Oil & NGLs (bbls/d)	Natural Gas (mmcf/d)	Total (boe/d)	%
Canada	5,086	43.31	12,304	36	3,682	46.99	11,514	38
France	8,411	1.02	8,582	25	7,900	0.94	8,057	27
Netherlands	46	29.96	5,039	15	25	20.97	3,519	12
Australia	8,309	-	8,309	24	7,094	-	7,094	23
Total Production	21,852	74.29	34,234	100	18,701	68.90	30,184	100

Average production in Canada increased over 3% to 12,304 boe/d during the first quarter 2011 compared to 11,913 boe/d in fourth quarter 2010 and nearly 7% compared to first quarter 2010 production of 11,514 boe/d. The increase was primarily attributable to production increases from the Cardium program offset by natural declines. Even more noticeable is year-over-year growth in oil and NGL production of 38%, reflecting our increasing leverage to oil production in Canada. Canadian liquids production is expected to show continued growth in 2011 as Vermilion increases Cardium oil drilling activities. Cardium production growth will be weighted toward the fourth quarter, 2011 as the ability to bring on new production volumes is facility constrained until the new 15,000 boe/d production facility is brought on line in the third quarter.

Average production in France of 8,582 boe/d in the first quarter 2011 was relatively unchanged as compared to 8,723 boe/d in the fourth quarter 2010. Production is expected to remain reasonably stable as a result of Vermilion's active well workover program. Second half 2011 production should benefit modestly from the addition of new production from the Cazaux drilling program.

Production in the Netherlands averaged 5,039 boe/d in the first quarter 2011 as compared to 5,105 boe/d in the fourth quarter 2010. The tie-in of Vinkega-1 and De-Hoeve-1 later in the year is expected to add between 1,500 and 2,000 boe/d of production when they are brought on-stream. The Netherlands is expected to deliver continued production increases in the coming years from new drilling activity, although the timing of those increases is less predictable due to the extensive production permitting process.

Australia production averaged 8,309 boe/d in the first quarter 2011 a decrease of 13% compared to 9,561 boe/d in the fourth quarter 2010 resulting from downtime related to strong cyclone activity in the region during the quarter. Despite the downtime in the first quarter, Vermilion expects to sustain annual average production at approximately 9,000 boe/d in 2011. The cyclone season in Australia normally runs from December through March of each year and was unusually active in 2011. In the case of severe storms, Vermilion shuts-in all production and evacuates the platform as a safety precaution.

FINANCIAL REVIEW

During the three months ended March 31, 2011, Vermilion generated fund flows from operations of \$101.8 million. For the same period in 2010, Vermilion generated fund flows from operations of \$76.9 million. The increases in fund flows from operations of \$24.9 million resulted from increased revenue associated with stronger oil prices and higher average production volumes. The GAAP measure, cash flows from operating activities similarly increased year over year to \$126.6 million for the three months ended March 31, 2011 versus \$80.2 million for the same period in 2010.

During the three months ended March 31, 2011, the price of WTI crude oil averaged US\$94.10 per bbl (three months ended March 31, 2010 - US \$78.72 per bbl) and the price of Brent crude oil averaged US\$104.97 per bbl (three months ended March 31, 2010 - US\$76.24 per bbl). For the three months ended March 31, 2011, the AECO price for gas averaged CDN\$3.76 per mcf (three months ended March 31, 2010 - \$4.95 per mcf).

Vermilion's net debt was \$441.3 million at March 31, 2011 (December 31, 2010 - \$303.3 million) representing 108% of first quarter annualized fund flows from operations. Net debt increased as a function of the increase in long term debt to fund capital expenditures as well as increases in the derivative liabilities recorded for mark-to-market adjustments on oil hedges. Vermilion's long-term debt at March 31, 2011 was \$376.1 million (December 31, 2010 - \$302.6 million). The quarter over quarter increases are a function of Vermilion's capital expenditures largely driven by continued Cardium light oil development activity during 2011 and an acquisition of Cardium lands in the quarter.

For the three months ended March 31, 2011, total net dividends, capital expenditures (excluding those on the Corrib project) and asset retirement obligations settled as a percentage of fund flows from operations was 145% (three months ended March 31, 2010, 185%). The year over year decreases in this ratio relate to improved fund flows as described above.

CAPITAL EXPENDITURES

Capital Expenditures by Category (\$M)	Three Months Ended	
	March 31, 2011	March 31, 2010
Land	\$ 2,995	\$ 51,048
Seismic	1,765	1,429
Drilling and completion	63,083	28,276
Production equipment and facilities	43,751	24,632
Recompletions	5,266	6,633
Other	1,554	7,878
	118,414	119,896
Acquisitions (excluding acquired working capital deficiency)	38,291	954
Total Capital Expenditures by Category	\$ 156,705	\$ 120,850

Total capital expenditures, including acquisitions for the three months ended March 31, 2011 was \$156.7 million (three months ended March 31, 2010, \$120.9 million).

Capital expenditures excluding acquisitions was similar to the prior year. Increased activities on Cardium lands, including drilling, completions and facilities additions, offset the reduction in land purchases as compared to the same period in 2010.

PETROLEUM AND NATURAL GAS SALES

(\$M except per boe and per mcf)	Three Months Ended	
	March 31, 2011	March 31, 2010
Crude oil & NGLs	\$ 190,368	\$ 133,465
Per boe	96.80	79.30
Natural gas	39,372	36,116
Per mcf	5.89	5.82
Petroleum and natural gas sales	\$ 229,740	\$ 169,581
Per boe	\$ 74.57	\$ 62.43

Vermilion's revenue increased significantly for the three months ended March 31, 2011 as compared to the prior year. This year over year increase was a result of higher oil volumes and an increase in Netherlands natural gas volumes together with stronger prices.

In Canada, petroleum and natural gas sales increased year over year by \$6.6 million as a result of higher oil production and stronger oil prices which more than offset decreases in natural gas volumes and prices. Vermilion's blended realized oil and NGL price for Canada increased to \$84.97 per bbl for the three month period ended March 31, 2011 from \$74.94 per bbl in the prior year corresponding with the increase in the WTI reference price for the same periods to US\$94.10 per bbl from US\$78.72 per bbl. The increase in strength of the Canadian dollar year over year somewhat reduced the favourable impact of higher crude references prices. The price realized for natural gas sales in Canada decreased year over year due to a lower average AECO reference price of \$3.76 per mcf for the first quarter of 2011 versus \$4.95 per mcf for the corresponding period in the prior year.

Vermilion's sales from its France operations are derived almost exclusively from oil volumes that are priced with reference to Dated Brent. Accordingly, Vermilion's sales in that jurisdiction benefited from the US\$10.87 average per bbl premium Brent commanded over WTI in the first quarter of 2011. For the same period in the prior year, Brent traded at an average discount of US\$2.48 per bbl to WTI. Higher oil prices were responsible for \$17.9 million of the total \$21.6 million in increased sales realized by Vermilion's France operations. The balance of the sales increase was attributable to higher production volumes year over year.

Netherlands' sales increased for the three month period ended March 31, 2011 by \$10.9 million due in equal parts to increased volumes year over year as well as increased pricing. Pricing for Vermilion's natural gas production in the Netherlands is correlated to the Dated Brent oil reference price. However, as a result of the pricing formula employed, there is a six to eight month lag before the impact of changes in oil prices are reflected in the realized price for Netherlands' natural gas sales. Accordingly, the increase in the Euro per mcf reference price for the first quarter of 2011 versus 2010 is associated with the increase in the Dated Brent reference price towards the end of 2010. The increase in strength of the Canadian dollar year over year somewhat reduced the favourable impact of these higher prices. The first quarter 2011 increases in Dated Brent are expected to be reflected in Vermilion's Netherlands realized natural gas price starting in the third quarter of 2011.

Australian revenue increased by \$21.1 million for the three months ended March 31, 2011 as compared to the prior year due to both increases in production volumes (\$9.1 million of the increase) and higher oil prices (\$12.0 million of the increase). As noted previously, the stronger Canadian dollar in the first quarter of 2011 versus the same period in 2010 limited the increase in revenue resulting from increased oil prices.

Vermilion carries an inventory of oil in France and Australia, which reflects a timing difference between production and sales. Crude oil inventories increased substantially in the first quarter of 2011 versus the fourth quarter of 2010 due to an increase in Australia's inventory of approximately 54,000 barrels.

The following table summarizes Vermilion's ending inventory positions for the most recent four quarters:

Ending Inventory Positions (France and Australia)	As at March 31, 2011	As at Dec 31, 2010	As at Sep 30, 2010	As at Jun 30, 2010
France (bbls)	167,438	158,229	149,268	163,515
France (\$M) ¹	\$ 5,439	\$ 4,599	\$ 4,574	\$ 4,663
Australia (bbls)	226,183	172,199	107,744	60,146
Australia (\$M) ¹	\$ 7,932	\$ 6,108	\$ 3,529	\$ 1,784

¹ Represents the cost of the produced crude oil including operating costs, depletion and certain royalties. See "Royalties".

DERIVATIVE INSTRUMENTS

The following table summarizes Vermilion's outstanding financial derivative positions as at March 31, 2011.

Risk Management: Oil	Funded Cost	bbls/d	US \$/bbl
Collar - WTI			
January 2011 to June 2011	US \$1.00/bbl	2,400	\$ 80.00 - \$107.60
January 2011 to June 2011	US \$1.00/bbl	2,400	\$ 75.00 - \$ 97.85
January 2011 to December 2011	US \$1.00/bbl	500	\$ 78.00 - \$ 96.20
January 2011 to December 2011	US \$1.00/bbl	500	\$ 78.00 - \$ 96.25
July 2011 to December 2011	US \$1.00/bbl	2,400	\$ 80.00 - \$110.00
July 2011 to December 2011	US \$1.00/bbl	2,400	\$ 77.25 - \$ 98.50

Collar - BRENT				
January 2011 to December 2011	US \$1.00/bbl	1,000	\$ 77.75 - \$ 96.00	
January 2011 to December 2011	US \$1.00/bbl	1,000	\$ 77.50 - \$ 96.00	
January 2011 to December 2011	US \$0.00/bbl	750	\$ 77.00 - \$ 95.40	
January 2011 to December 2011	US \$1.00/bbl	750	\$ 78.00 - \$ 98.10	
January 2011 to December 2011	US \$1.00/bbl	500	\$ 78.00 - \$100.00	
January 2011 to December 2011	US \$1.00/bbl	500	\$ 78.00 - \$100.05	
January 2011 to December 2011	US \$1.00/bbl	500	\$ 78.00 - \$100.00	
January 2012 to June 2012	US \$1.00/bbl	750	\$ 82.00 - \$105.60	
January 2012 to June 2012	US \$1.00/bbl	750	\$ 82.00 - \$104.80	
January 2012 to June 2012	US \$1.00/bbl	750	\$ 82.00 - \$106.10	
January 2012 to December 2012	US \$1.00/bbl	1,000	\$ 82.00 - \$113.40	
January 2012 to December 2012	US \$1.00/bbl	500	\$ 82.00 - \$115.50	
January 2012 to December 2012	US \$1.00/bbl	500	\$ 82.00 - \$130.75	
July 2012 to December 2012	US \$1.00/bbl	1,000	\$ 82.00 - \$126.55	
July 2012 to December 2012	US \$1.00/bbl	1,000	\$ 82.00 - \$126.05	
Call Spread - BRENT				
January 2011 to December 2011	US \$6.08/bbl ¹	960	\$ 65.00 - \$ 85.00	
January 2011 to December 2011	US \$5.15/bbl ¹	600	\$ 65.00 - \$ 85.00	
Put - BRENT				
January 2012 to December 2012	US \$4.46/bbl	600	\$ 83.00	
January 2012 to December 2012	US \$4.90/bbl	600	\$ 83.00	
January 2012 to December 2012	US \$4.49/bbl	600	\$ 83.00	
January 2012 to December 2012	US \$4.39/bbl	600	\$ 83.00	
Risk Management: Natural Gas		Funded Cost	GJ/d	\$/GJ
SWAP - AECO				
January 2011 to October 2011		\$0.00/GJ	700	\$5.13
Risk Management: Foreign Exchange		Notional Principal (\$US) / Month	Fixed rate (\$CDN / \$US)	
US Dollar Forward Sale				
January 2011 to December 2011		\$750,000	\$1.07	
January 2011 to December 2011		\$750,000	\$1.07	

¹The funded amounts for these instruments were paid in a prior period.

The nature of Vermilion's operations results in exposure to fluctuations in commodity prices, interest rates and foreign currency exchange rates. Vermilion monitors and, when appropriate, uses derivative financial instruments to manage its exposure to these risks. All transactions of this nature entered into by Vermilion are related to an underlying financial position or to future petroleum and natural gas production. Vermilion does not use derivative financial instruments for speculative purposes. Vermilion has elected not to designate any of its price risk management activities as accounting hedges and thus accounts for changes to fair value in net earnings for the period. During the normal course of business, Vermilion may enter into fixed price arrangements to sell a portion of its production. Vermilion has elected to exempt these contracts from fair value accounting through the use of the normal purchase and sales exemption. Vermilion does not obtain collateral or other security to support its financial derivatives as management reviews the creditworthiness of the counterparty prior to entering into a derivative contract.

The impact of Vermilion's derivative based risk management activities decreased the fund flows netback for the three months ended March 31, 2011 by \$1.28 per boe. This compares to a decrease of \$0.09 per boe for the three month ended March 31, 2010. The decrease in the period ended March 31, 2011 was associated with the stronger commodity prices where the prices for crude oil exceeded the ceiling on certain collars entered into for 2011 and 2012.

ROYALTIES

(\$M except per boe and per mcf)	Three Months Ended	
	March 31, 2011	March 31, 2010
Crude oil & NGLs	\$ 11,739	\$ 10,056
Per boe	5.97	5.97
Natural gas	1,468	3,091
Per mcf	0.22	0.50
Royalties	\$ 13,207	\$ 13,147
Per boe	\$ 4.29	\$ 4.84

As a result of Vermilion's adoption of International Financial Reporting Standards ("IFRS"), Vermilion no longer includes Australian Petroleum Resource Rent Tax ("PRRT") within royalties. Under IFRS, Vermilion accounts for PRRT as an income tax and accordingly, royalty figures presented for both the current and prior periods in this MD&A and the financial statements exclude PRRT. Vermilion's previously published MD&A for March 31, 2010 included PRRT of \$15.0 million within royalties for that period. The prior period figures in the above table and below have been restated to reflect the reclassification of this amount to income taxes.

Consolidated royalties per boe for the three months ended March 31, 2011 were \$4.29 (three months ended March 31, 2010, \$4.84). As a percentage of revenue, royalties decreased to 5.8% for the three months ended March 31, 2011 as compared to 7.8% for the comparable period in 2010.

Canadian royalties as a percentage of revenue for both crude oil and natural gas decreased for the three months ended March 31, 2011 to 18.6% and 9.3%, respectively, from 25.2% and 13.4%, respectively, in the comparable period of the prior year. The decrease in crude oil royalties as a percentage of revenue is attributable to a change in the royalty framework implemented in 2010 whereby royalties are levied on horizontal oil wells at a flat 5% rate for the first 50,000 to 100,000 bbls of production depending on well depth. Vermilion started to benefit from this royalty framework change after the first quarter of 2010 as it continued to drill and put its Cardium wells on production. Based on the depth of horizontal Cardium wells drilled thus far, the Company has received this reduced royalty rate on individual wells for up to the first 70,000 bbls of production. The decrease in natural gas royalties as a percentage of revenue period over period resulted from the impact of lower gas volumes and prices on royalty rates.

In France, the primary portion of the royalties levied is based on units of production and therefore is not subject to changes in commodity prices. Accordingly, as commodity prices were higher for the three months ended March 31, 2011 as compared to the same periods in 2010, royalties, as a percentage of revenue, decreased to 5.8% from 6.7%

Production in the Netherlands and Australia is not subject to royalties.

OPERATING EXPENSE

(\$M except per boe and per mcf)	Three Months Ended	
	March 31, 2011	March 31, 2010
Crude oil & NGLs	\$ 27,377	\$ 25,324
Per boe	13.92	15.05
Natural gas	10,471	11,011
Per mcf	1.57	1.78
Operating expense	\$ 37,848	\$ 36,335
Per boe	\$ 12.28	\$ 13.38

Consolidated operating expense was \$37.8 million or \$12.28 per boe for the three months ended March 31, 2011 (three months ended March 31, 2010 - \$36.3 million or \$13.38 per boe).

Canadian operating expense for the three months ended March 31, 2011 has increased to \$12.6 million or \$11.36 per boe as compared to \$9.8 million or \$9.48 per boe for the same period in 2010. These increases are a result of chemical costs associated with Vermilion's Cardium wells coupled with higher levels of downhole intervention spending. The increased levels of spending were partially offset by higher volumes reducing the impact on a per boe basis.

France operating expense decreased to \$9.7 million or \$12.59 per boe for the three months ended March 31, 2011 as compared to \$10.9 million or \$14.97 per boe for the comparable period in 2010. The decrease in expense is attributable to lower levels of downhole maintenance as a result of the timing of workover programs and the impact of the stronger Canadian dollar year over year partially offset by higher costs for salaries, fuel and electricity. Higher production volumes further reduced operating costs on a per boe basis.

Netherlands operating expense increased marginally to \$4.4 million for the three months ended March 31, 2011 versus \$4.2 million for the comparable quarter in the prior year. Higher levels of major project spending related to compressor maintenance and increased salary costs were largely offset by lower fuel and electricity costs and the impact of the stronger Canadian dollar year over year. On a per boe basis, Netherlands operating expenses decreased to \$9.71 as compared to \$13.47 for the same period in 2010 as a result of higher production volumes.

Australian operating expense remained relatively constant at \$11.1 million for the three months ended March 31, 2011 as compared to \$11.4 million for the corresponding period in the prior year. An increase in operating expense resulting from the stronger Australian dollar year over year was offset by lower facility maintenance costs. On a per boe basis for the same periods, operating expense decreased to \$14.90 from \$17.84 in the first quarter of 2010 as a result of higher levels of production in the first quarter of 2011.

TRANSPORTATION EXPENSE

(\$M except per boe)	Three Months Ended	
	March 31, 2011	March 31, 2010
Transportation expense	\$ 6,084	\$ 6,949
Per boe	\$ 1.97	\$ 2.56

Transportation expense is a function of the point of legal transfer of the product and is dependent upon where the product is sold, product split, location of properties, as well as industry transportation rates that are driven by supply and demand of available transport capacity. For Canadian gas production, legal title transfers at the intersection of major pipelines whereas the majority of Vermilion's Canadian oil production is sold at the wellhead. In France, the majority of Vermilion's transportation expense is made up of shipping charges incurred in the Aquitaine Basin where oil production is transported by tanker from the Ambès terminal in Bordeaux to the refinery. In Australia, oil is sold at the Wandoo B Platform and in the Netherlands, gas is sold at the plant gate, resulting in no transportation expense relating to Vermilion's production in these countries.

Transportation expense includes the amount due under a ship or pay agreement related to the Corrib project. However, as there is a ceiling on the total payments due in relation to the associated pipeline, these expenses essentially represent a prepayment for future pipeline transportation services.

Transportation expense decreased during the first quarter of 2011 compared to the same prior period in 2010 as a result of lower costs in France due to the timing of Ambès terminal costs as well as the impact of the stronger Canadian dollar year over year on Euro denominated costs in France and Ireland.

GENERAL AND ADMINISTRATION EXPENSE

(\$M except per boe)	Three Months Ended	
	March 31, 2011	March 31, 2010
General and administration expense	\$ 12,107	\$ 10,153
Per boe	\$ 3.93	\$ 3.74

General and administration expense for the three months ended March 31, 2011 increased to \$12.1 million compared to \$10.2 million for the same period in the prior year. This increase is attributable to higher employee costs as Vermilion has increased its staffing levels in Canada to help support its Cardium program and identify future opportunities to generate long-term growth.

EQUITY BASED COMPENSATION EXPENSE

(\$M except per boe)	Three Months Ended	
	March 31, 2011	March 31, 2010
Equity based compensation expense	\$ 8,226	\$ 12,273
Per boe	\$ 2.67	\$ 4.52

Non-cash equity based compensation expense for the three months ended March 31, 2011 was \$8.2 million (three months ended March 31, 2010, \$12.3 million). This expense relates to the value attributable to long-term incentives granted to officers, employees and directors under the Vermilion Incentive Plan, formerly the Trust Unit Award Incentive Plan.

INTEREST EXPENSE

(\$M except per boe)	Three Months Ended	
	March 31, 2011	March 31, 2010
Interest expense	\$ 5,374	\$ 3,033
Per boe	\$ 1.74	\$ 1.12

Interest expense for the three months ended March 31, 2011 was \$5.4 million (three months ended March 31, 2010, \$3.0 million). Interest expense for the year to date period in 2011 has increased from the same period in 2010 due to higher average debt levels and the issuance of the senior notes in the quarter and the higher interest rate associated with the notes.

DEPLETION, DEPRECIATION AND ACCRETION EXPENSES

(\$M except per boe)	Three Months Ended	
	March 31, 2011	March 31, 2010
Accretion expense	\$ 6,315	\$ 4,519
Per boe	\$ 2.05	\$ 1.66
Depletion and depreciation expenses	\$ 51,714	\$ 39,214
Per boe	\$ 16.78	\$ 14.44

Accretion expense for the three months ended March 31, 2011 was \$6.3 million (three months ended March 31, 2010 - \$4.5 million). The increase period over period was as a result of increases to the discount rates applied to the asset retirement obligations.

Depletion and depreciation per boe for the three months ended March 31, 2011 were \$16.78 (three months ended March 31, 2010 - \$14.44). Depletion and depreciation rates for the three months ended March 31, 2011 have increased over the comparable period in 2010 due primarily to higher finding, development and acquisition costs incurred by Vermilion.

TAXES

Vermilion currently pays taxes in France, the Netherlands and Australia. In Australia, current taxes include a petroleum resource rent tax in addition to corporate income tax. Current taxes for the three months ended March 31, 2011 was \$49.6 million as compared to \$24.9 million for the same period in the prior year. The increases are attributable to the higher year over year revenue associated with increased levels of production and stronger oil prices. As a function of the impact of Vermilion's Canadian tax pools, the Company does not presently pay income taxes in Canada.

(\$M except per boe)	Three Months Ended	
	March 31, 2011	March 31, 2010
Current taxes before petroleum resource rent tax	\$ 26,306	\$ 9,973
Petroleum resource rent tax	23,293	14,950
Current taxes	\$ 49,599	\$ 24,923
Per boe	\$ 16.10	\$ 9.17

FOREIGN EXCHANGE

(\$M except per boe)	Three Months Ended	
	March 31, 2011	March 31, 2010
Foreign exchange (gain)	\$ (13,284)	\$ 22,328
Per boe	\$ (4.31)	\$ 8.22

During the three months period ended March 31, 2011, a combined realized and unrealized foreign exchange gain of \$13.3 million was recognized versus a \$22.3 million loss in 2010. The gain in 2011 is comprised of a realized gain of \$0.2 million associated with cash repatriations and settlements of amounts denominated in foreign currencies. The unrealized, non-cash gain of \$13.1 million resulted from the translation of financial balances denominated in currencies other than the functional currency of Vermilion and its subsidiaries.

NET EARNINGS (LOSS)

Net earnings for the three months ended March 31, 2011 was \$27.2 million or \$0.30 per share as compared to a net loss for the three months ended March 31, 2010 of \$8.2 million or \$0.10 per share. The increase in earnings is largely related to the increase in revenues period over period partially offset by a loss on derivative instruments in 2011.

SUMMARY OF QUARTERLY RESULTS

(\$M except per share)	IFRS					PREVIOUS GAAP		
	Q1/11	Q4/10	Q3/10	Q2/10	Q1/10	Q4/09	Q3/09	Q2/09
Petroleum and natural gas Sales	\$ 229,740	\$ 216,426	\$ 172,253	\$ 169,545	\$ 169,581	\$ 180,544	\$ 150,183	\$ 162,788
Net earnings (loss)	\$ 27,193	\$ (21,809)	\$ 24,577	\$ 49,810	\$ (8,183)	\$ 122,900	\$ 17,834	\$ 24,880
Net earnings per share								
Basic	\$ 0.30	\$ (0.25)	\$ 0.29	\$ 0.62	\$ (0.10)	\$ 1.60	\$ 0.25	\$ 0.35
Diluted	\$ 0.30	\$ (0.25)	\$ 0.29	\$ 0.56	\$ (0.10)	\$ 1.59	\$ 0.25	\$ 0.35

LIQUIDITY AND CAPITAL RESOURCES

Vermilion's net debt as at March 31, 2011 was \$441.3 million compared to \$303.3 million as at December 31, 2010.

As at March 31, 2011, Vermilion had a syndicated revolving credit facility allowing for maximum borrowings of \$635 million. The revolving period under the revolving credit facility is expected to expire in June 2011 and may be extended for an additional period of up to 364 days at the option of the lenders. If the lenders do not extend the term of the revolving facility, the amounts outstanding become repayable 24 months after the expiry of the revolving period. Various borrowing options are available under the facility including prime rate based advances and bankers' acceptance loans.

The revolving credit facility is secured by various fixed and floating charges against subsidiaries of Vermilion. Under the terms of the revolving credit facility, Vermilion must maintain a ratio of total borrowings under the facility to consolidated earnings before interest, income taxes, depreciation, accretion and certain other non-cash items of not greater than 3.0.

The amount available to Vermilion under the facility is reduced by outstanding letters of credit associated with Vermilion's operations totalling \$1.9 million as at March 31, 2011.

On February 10, 2011, Vermilion closed a private placement offering of \$225 million of senior unsecured notes. The notes bear interest at a rate of 6.5% per annum and will mature on February 10, 2016. As direct senior unsecured obligations of Vermilion, the notes rank pari passu with all other present and future unsecured and unsubordinated indebtedness of the Company. Concurrent with the issuance of the notes, the Company's credit facility was reduced from \$675 million to \$635 million.

RECLAMATION FUND

After an extensive review, Vermilion concluded that the reclamation fund assets would be more effectively employed supporting Vermilion's operations. In July 2010, the reclamation fund assets were liquidated and the proceeds were initially used to reduce outstanding bank indebtedness and will ultimately help support Vermilion's capital programs. Vermilion will fund future reclamation costs out of current resources as they become due, consistent with standard industry practice.

ASSET RETIREMENT OBLIGATIONS

As at March 31, 2011, Vermilion's asset retirement obligations were \$267.4 million compared to \$221.4 million as at March 31, 2010. The increase is largely attributable to a change in estimate stemming from a third party review of data associated with the abandonment obligations for Vermilion's Netherlands operations as well as accretion on the obligation partially offset by the impact of exchange rates on foreign currency denominated obligations.

DIVIDENDS

Sustainability of Dividends

(\$M)	Three Months Ended March 31, 2011	Year Ended Dec 31, 2010	Year Ended Dec 31, 2009¹	Year Ended Dec 31, 2008¹
Cash flows from operating activities	\$ 126,617	\$ 421,282	\$ 230,316	\$ 660,135
Net earnings	\$ 27,193	\$ 44,395	\$ 185,498	\$ 229,189
Dividends declared	\$ 50,942	\$ 189,744	\$ 166,385	\$ 158,674
Excess of cash flows from operating activities over cash dividends declared	\$ 75,675	\$ 231,538	\$ 63,931	\$ 501,461
(Shortfall) excess of net earnings over cash dividends declared	\$ (23,749)	\$ (145,349)	\$ 19,113	\$ 70,515

¹ Amounts presented under previous GAAP

Vermilion maintained monthly dividends at \$0.19 per share for the three months ended March 31, 2011 and declared dividends totalling \$50.9 million in the quarter compared to \$45.5 million for the same period in 2010.

Excess cash flows from operating activities over cash dividends declared are used to fund capital expenditures, asset retirement costs and debt repayments. The current quarter shortfall of net earnings over dividends declared is a result of non-cash charges such as depletion, depreciation and accretion which have no immediate impact on dividend sustainability.

Vermilion's policy with respect to dividends is to be conservative and retain a low payout ratio when comparing dividends to fund flows from operations. During low price commodity cycles, Vermilion will initially maintain dividends and allow the payout ratio to rise. Should low commodity price cycles remain for an extended period of time, Vermilion will evaluate the necessity to change the level of dividends, taking into consideration capital development requirements, debt levels and acquisition opportunities.

Over the next two years, the Corrib and Cardium projects will require a significant capital investment by Vermilion. As such, Vermilion's fund flows from operations may not be sufficient during this period to fund cash dividends, capital expenditures and asset retirement costs. Vermilion currently intends to finance any shortfall primarily with debt.

Since Vermilion's conversion to a trust in January 2003, the distribution remained at \$0.17 per unit per month until it was increased to \$0.19 per unit per month in December 2007. Effective September 1, 2010, Vermilion converted to a dividend paying corporation and dividends have remained at \$0.19 per share per month.

SHAREHOLDERS' EQUITY

During the three months ended March 31, 2011, 858,147 shares were issued pursuant to the dividend reinvestment plan and Vermilion's equity based compensation programs. Shareholders' capital increased by \$35.2 million as a result of the issuance of those shares.

As at March 31, 2011, there were 89,856,389 shares outstanding. As at May 4, 2011, there were 90,091,116 shares outstanding.

RISK MANAGEMENT

Vermilion is exposed to various market and operational risks. For a detailed discussion of these risks, please see Vermilion's 2010 Annual Report which is available on SEDAR at www.sedar.com or on the Company's website at <http://www.vermilionenergy.com/ir/financialreports/financialreportscurrent.cfm>

CRITICAL ACCOUNTING ESTIMATES

Vermilion's financial and operating results contain estimates made by management in the following areas:

- i. Capital expenditures are based on estimates of projects in various stages of completion;
- ii. Revenues, royalties and operating costs include accruals based on estimates of management;
- iii. Fair value of derivative instruments are based on estimates that are subject to the fluctuation of commodity prices and foreign exchange rates;
- iv. Depletion, depreciation and accretion are based on estimates of oil and gas reserves that Vermilion expects to recover in the future;
- v. Asset retirement obligations are based on estimates of future costs and the timing of expenditures;
- vi. The future recoverable value of capital assets and goodwill are based on estimates that Vermilion expects to realize;
- vii. Equity compensation expense is determined using accepted fair value approaches which rely on historical data and certain estimates made by management; and
- viii. The amount recorded as due to the vendor pursuant to the Corrib acquisition is dependent on management's estimate of the timing of first gas.

OFF BALANCE SHEET ARRANGEMENTS

Vermilion has certain lease agreements that are entered into in the normal course of operations. All leases are operating leases and accordingly no asset or liability value has been assigned in the balance sheet as of March 31, 2011.

Vermilion uses a variety of derivatives including puts, calls and forward purchase contracts to manage the risks associated with fluctuating commodity prices and exchange rates. Vermilion does not obtain collateral or other security to support its financial derivatives as Vermilion reviews the creditworthiness of the counterparty prior to entering into a derivative contract.

Vermilion has not entered into any guarantee or off balance sheet arrangements that would adversely impact Vermilion's financial position or results of operations.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There was no change in Vermilion's internal control over financial reporting that occurred during the period covered by this MD&A that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") TRANSITION

Adoption of IFRS

Vermilion has prepared its March 31, 2011 interim consolidated financial statements in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards", and with IAS 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board. Previously, Vermilion prepared its financial statements in accordance with generally accepted accounting principles as issued by the Canadian Accounting Standards Board ("Previous GAAP"). The adoption of IFRS has not had a material impact on Vermilion's operations, strategic decisions, cash flow and capital expenditures. Vermilion's IFRS accounting policies are provided in Note 2 to the Interim consolidated financial statements. In addition, Note 20 to the interim consolidated financial statements presents reconciliations between Vermilion's 2010 Previous GAAP results and the 2010 IFRS results. The reconciliations include the Consolidated Balance Sheets as at January 1, 2010, March 31, 2010 and December 31, 2010, and Consolidated Statements of Net Earnings and Comprehensive Income (loss), Changes in Shareholders' (Unitholders') Equity and Cash Flows for the three month period ended March 31, 2010 and for the year ended December 31, 2010. The following provides summary reconciliations of Vermilion's 2010 Previous GAAP and IFRS results. Detailed descriptions of the differences between IFRS and Previous GAAP are outlined in Notes 20 and 21 to the consolidated financial statements.

SUMMARY OF CHANGES IN NET EARNINGS AND COMPREHENSIVE INCOME (LOSS)

	Three months ended March 31, 2010	Year ended Dec 31, 2010
NET EARNINGS UNDER PREVIOUS GAAP	\$ 42,508	\$ 111,263
Increase in equity based compensation expense	(6,966)	(6,406)
Increase in loss on derivative instruments	(1,123)	(3,013)
Increase in foreign exchange loss	(41,973)	(61,091)
Decrease in accretion expense	143	250
Decrease in depletion and depreciation	13,187	69,783
Increase in deferred income tax expense	531	(23,663)
Goodwill impairment	-	(19,840)
Reversal of non-controlling interest - exchangeable shares	3,883	8,241
Remeasurement loss associated with exchangeable share liability	(18,373)	(31,129)
NET (LOSS) EARNINGS UNDER IFRS	(8,183)	44,395
Cumulative translation adjustments	(33,606)	(31,577)
TOTAL COMPREHENSIVE (LOSS) INCOME UNDER IFRS	\$ (41,789)	\$ 12,818

SUMMARY OF CHANGES IN ROYALTY AND CURRENT TAX EXPENSES

(\$M)	Three months ended March 31, 2010	Year ended Dec 31, 2010
Royalty expense - Previous GAAP	\$ 28,097	\$ 83,509
Per boe	\$ 10.34	\$ 7.12
Reclassification of Australia PRRT from royalties to current taxes	(14,950)	(39,537)
Royalties – IFRS	\$ 13,147	\$ 43,972
Per boe	\$ 4.84	\$ 3.75

(\$M)	Three months ended March 31, 2010	Year ended Dec 31, 2010
Current tax expense - Previous GAAP	\$ 9,973	\$ 72,701
Per boe	\$ 3.67	\$ 6.20
Reclassification of Australia PRRT from royalties to current taxes	14,950	39,537
Current tax expense - IFRS	\$ 24,923	\$ 112,238
Per boe	\$ 9.17	\$ 9.57

SUMMARY OF CHANGES IN FINANCIAL METRICS

(\$M)	Three months ended March 31, 2010	Year ended Dec 31, 2010
Fund flows from operations - Previous GAAP	\$ 78,361	\$ 363,487
Reclassification of contingent consideration to operating activities from investing activities	(1,466)	(5,958)
Fund flows from operations - IFRS	76,895	357,529
Net Debt - Previous GAAP	\$ 200,977	\$ 300,393
Reclassify current portion of deferred taxes to non current	(593)	2,902
Adjustment to accrue for contingent consideration	3,958	-
Net debt - IFRS	\$ 204,342	\$ 303,295

NETBACKS (6:1)

	Three Months Ended March 31, 2011			Three Months Ended March 31, 2010	
	Oil & NGLs \$/bbl	Natural Gas \$/mcf	Total \$/boe	Total \$/boe	
Canada					
Price	\$ 84.97	\$ 4.00	\$ 49.21	\$ 46.25	
Realized hedging loss	(0.64)	-	(0.28)	(0.19)	
Royalties	(15.79)	(0.37)	(7.83)	(9.04)	
Transportation	(1.62)	(0.20)	(1.37)	(1.49)	
Operating costs	(14.90)	(1.48)	(11.36)	(9.48)	
Operating netback	\$ 52.02	\$ 1.95	\$ 28.37	\$ 26.05	
France					
Price	\$ 101.58	\$ 10.64	\$ 100.83	\$ 77.60	
Realized hedging loss	(2.02)	-	(1.98)	(0.07)	
Royalties	(5.96)	(0.21)	(5.87)	(5.21)	
Transportation	(3.13)	-	(3.07)	(3.78)	
Operating costs	(12.44)	(3.34)	(12.59)	(14.97)	
Operating netback	\$ 78.03	\$ 7.09	\$ 77.32	\$ 53.57	
Netherlands					
Price	\$ 91.81	\$ 8.45	\$ 51.08	\$ 38.84	
Operating costs	-	(1.63)	(9.71)	(13.47)	
Operating netback	\$ 91.81	\$ 6.82	\$ 41.37	\$ 25.37	
Australia					
Price	\$ 99.23	\$ -	\$ 99.23	\$ 83.14	
Realized hedging loss	(2.83)	-	(2.83)	-	
Royalties	-	-	-	-	
Operating costs	(14.90)	-	(14.90)	(17.84)	
Operating netback	\$ 81.50	\$ -	\$ 81.50	\$ 65.30	
Total Company					
Price	\$ 96.80	\$ 5.89	\$ 74.57	\$ 62.43	
Realized hedging loss	(2.00)	-	(1.28)	(0.09)	
Royalties	(5.97)	(0.22)	(4.29)	(4.84)	
Transportation	(1.58)	(0.44)	(1.97)	(2.56)	
Operating costs	(13.92)	(1.57)	(12.28)	(13.38)	
Operating netback	\$ 73.33	\$ 3.66	\$ 54.75	\$ 41.56	
General and administration			(3.93)	(3.74)	
Interest			(1.74)	(1.12)	
Realized foreign exchange			0.06	0.77	
Other income			0.01	-	
Proceeds on sale of investments			-	-	
Current taxes			(16.10)	(9.17)	
Fund flows netback			\$ 33.05	\$ 28.30	
Accretion			(2.05)	(1.66)	
Depletion, depreciation			(16.78)	(14.44)	
Future income taxes			8.41	4.02	
Other income or loss			(0.13)	(0.57)	
Unrealized foreign exchange			4.25	(8.99)	
Remeasurement of liability associated with exchangeable shares			-	(6.76)	
Unrealized gain or loss on derivative instruments			(15.24)	1.60	
Equity based compensation			(2.67)	(4.52)	
Earnings netback (loss)			\$ 8.84	\$ (3.02)	

The above table includes non-GAAP measures which may not be comparable to other companies. Please see "Non-GAAP Measures" under MD&A section for further discussion.

DIRECTORS

Larry J. Macdonald ^{1, 2, 3, 4, 5}
Chairman & CEO, Point Energy Ltd.
Calgary, Alberta

W. Kenneth Davidson ^{2, 3}
Toronto, Ontario

Lorenzo Donadeo
Calgary, Alberta

Claudio A. Ghersinich ^{2, 4, 5}
Executive Director, Carrera Investments Corp.
Calgary, Alberta

Joseph F. Killi ^{2, 3}
Chairman,
Parkbridge Lifestyle Communities Inc.
Vice Chairman, Realex Properties Corp.
Calgary, Alberta

William F. Madison ^{2, 4, 5}
Sugar Land, Texas

Timothy R. Marchant ^{3, 4, 5}
Calgary, Alberta

¹ Chairman of the Board

² Audit Committee

³ Governance and Human Resources Committee

⁴ Health, Safety and Environment Committee

⁵ Independent Reserves Committee

ABBREVIATIONS

bbl(s)	barrel(s)
mbbls	thousand barrels
bbls/d	barrels per day
mcf	thousand cubic feet
mmcf	million cubic feet
bcf	billion cubic feet
mcf/d	thousand cubic feet per day
mmcf/d	million cubic feet per day
boe	barrels of oil equivalent of natural gas and crude oil on the basis of one boe for six mcf of natural gas
mboe	thousand barrels of oil equivalent
mmboe	million barrels of oil equivalent
boe/d	barrels of oil equivalent per day
CBM	coalbed methane
NGLs	natural gas liquids
GJ/d	Gigajoules per day
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for crude oil of standard grade
\$M	thousand dollars
\$MM	million dollars

OFFICERS AND KEY PERSONNEL

CANADA

Lorenzo Donadeo, P.Eng.
President & Chief Executive Officer

John D. Donovan, F.C.A.
Executive Vice President Business Development

Curtis W. Hicks, C.A.
Executive Vice President & CFO

G. R. (Bob) Mac Dougall, P.Eng.
Executive Vice President & COO

Paul L. Beique
Vice President Capital Markets

Mona Jasinski, M.B.A., C.H.R.P.
Vice President People

Raj C. Patel, P.Eng.
Vice President Marketing

Daniel Goulet, P.Eng.
Director Production and Operations

Cameron A. Hercus, MSc
Director Exploitation and New Growth

Dean N. Morrison, CFA
Director Investor Relations

Gerardo Rivera
Director Commercial

Robert (Bob) J. Engbloom, LL.B.
Corporate Secretary

EUROPE

Peter Sider, P.Eng.
Vice President European Operations

David Burghardt, P.Eng.
Director Exploitation

Scott Ferguson, P.Eng.
Director European Operations

AUSTRALIA

Bruce D. Lake, P.Eng.
Managing Director
Vermilion Oil & Gas Australia Pty Ltd.

AUDITORS

Deloitte & Touche LLP
Calgary, Alberta

BANKERS

The Toronto-Dominion Bank
Calgary, Alberta

Bank of Montreal
Calgary, Alberta

BNP Paribas (Canada)
Toronto, Ontario

Royal Bank of Canada
Calgary, Alberta

The Bank of Nova Scotia
Calgary, Alberta

Alberta Treasury Branches
Calgary, Alberta

Canadian Imperial Bank of Commerce
Calgary, Alberta

Citibank N.A., Canadian Branch
Calgary, Alberta

EVALUATION ENGINEERS

GLJ Petroleum Consultants Ltd.
Calgary, Alberta

LEGAL COUNSEL

Macleod Dixon LLP
Calgary, Alberta

TRANSFER AGENT

Computershare Trust Company of Canada

STOCK EXCHANGE LISTING

The Toronto Stock Exchange
Symbol: VET
US OTC
Symbol: VEMTF

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