VERMILION ENERGY TRUST

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FINANCIAL STATEMENTS

Forward-looking information

This document contains forward-looking financial and operational information including earnings, fund flow, unitholder distributions, debt levels, production, reserves and capital expenditure projections. These projections are based on the Trust's expectations and are subject to a number of risks and uncertainties that could materially affect the results. These risks include, but are not limited to, future commodity prices, exchange rates, interest rates, geological risk, reserves risk, political risk, production demand, transportation restrictions, risks associated with changes in tax, royalty and regulatory regimes and risks associated with international activities. Additional risks and uncertainties are described in the Trust's Annual Information Form which is filed on SEDAR at www.sedar.com.

Due to the risks, uncertainties and assumptions inherent in forward-looking statements, prospective investors in the Trust's securities should not place undue reliance on these forward-looking statements. Forward looking statements contained in this document are made as of the date hereof and are subject to change. The Trust assumes no obligation to revise or update forward looking statements to reflect new circumstances, except as required by law. Certain natural gas volumes have been converted on the basis of six thousand cubic feet of gas to one barrel equivalent of oil. Barrels of oil equivalent (boe's) 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.

Q3

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008

Consolidated Balance Sheets
($000's unaudited)

	September 30, 2008	December 31, 2007
ASSETS		
Current		
Cash and cash equivalents (Note 13)	$ 132,436	$ 47,868
Accounts receivable	114,251	119,645
Crude oil inventory	10,090	11,033
Derivative instruments (Note 10)	6,014	37
Prepaid expenses and other	12,638	7,669
	275,429	186,252
Derivative instruments (Note 10)	8,002	9,515
Long-term investments (Note 12)	64,931	63,128
Goodwill	19,840	19,840
Reclamation fund (Note 4)	62,800	57,928
Capital assets	1,315,677	1,331,460
	$1,746,679	$1,668,123
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 146,527	$ 128,858
Distributions payable to unitholders	13,271	12,794
Derivative instruments (Note 10)	1,209	7,450
Income taxes payable	53,896	1,518
	214,903	150,620
Long-term debt (Note 5)	282,711	452,490
Asset retirement obligation (Note 4)	181,159	163,374
Future income taxes	213,466	205,702
	892,239	972,186
Non-controlling interest – exchangeable shares (Note 7)	88,351	68,576
UNITHOLDERS' EQUITY		
Unitholders' capital (Note 6)	432,500	380,941
Contributed surplus (Note 6)	25,432	29,211
Retained earnings	308,157	217,209
	766,089	627,361
	$1,746,679	$1,668,123

APPROVED BY THE BOARD

(Signed "W. Kenneth Davidson")

W. Kenneth Davidson, Director

(Signed "Lorenzo Donadeo")

Lorenzo Donadeo, Director

Consolidated Statements of Earnings, Comprehensive Income and Retained Earnings
($000's except unit and per unit amounts, unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
REVENUE				
Petroleum and natural gas revenue	$245,712	$187,939	$816,576	$501,609
Royalties	(35,340)	(30,126)	(128,363)	(68,416)
	210,372	157,813	688,213	433,193
EXPENSES AND OTHER				
Operating	35,539	30,067	101,991	85,199
Transportation	4,980	6,304	17,380	16,919
Unit based compensation (Note 8)	4,454	3,704	13,704	13,120
Loss (gain) on derivative instruments (Note 10)	(10,537)	1,085	1,865	1,390
Interest	2,674	6,345	13,948	15,693
General and administration	7,541	4,584	19,627	14,967
Foreign exchange (gain) loss	(19,204)	(2,634)	6,045	(14,310)
Other (income) or expense	5,154	594	3,557	(6)
Depletion, depreciation and accretion	63,697	53,475	191,334	151,699
	94,298	103,524	369,451	284,671
EARNINGS BEFORE INCOME TAXES AND OTHER ITEMS	116,074	54,289	318,762	148,522
INCOME TAXES				
Future	639	(10,201)	(313)	(19,758)
Current	19,874	10,186	82,442	33,332
	20,513	(15)	82,129	13,574
OTHER ITEMS				
Non-controlling interest - exchangeable shares (Note 7)	8,756	4,978	21,222	12,388
Loss (gain) related to equity method investment	(144)	686	(23)	1,523
	8,612	5,664	21,199	13,911
NET EARNINGS AND COMPREHENSIVE INCOME	86,949	48,640	215,434	121,037
Retained earnings, beginning of period	261,018	194,833	217,209	190,824
Distributions declared (Note 6)	(39,810)	(33,949)	(118,652)	(100,825)
Unit-settled distributions on vested unit based awards (Note 6)	-	-	(5,834)	(1,512)
RETAINED EARNINGS, END OF PERIOD	$308,157	$209,524	$308,157	$209,524
NET EARNINGS PER TRUST UNIT (NOTE 9):				
Basic	$ 1.24	$ 0.73	$ 3.11	$ 1.84
Diluted	$ 1.22	$ 0.71	$ 3.03	$ 1.77
WEIGHTED AVERAGE TRUST UNITS OUTSTANDING (NOTE 9):				
Basic	69,842,684	66,506,235	69,322,375	65,829,215
Diluted	78,364,794	75,735,767	78,114,281	75,222,465

Consolidated Statements of Cash Flows
($000's unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
OPERATING				
Net earnings	$ 86,949	$48,640	$215,434	$121,037
Adjustments:				
Depletion, depreciation and accretion	63,697	53,475	191,334	151,699
Change in unrealized gains and losses and accruals relating to derivative contracts (Note 10)	(14,959)	1,116	(10,705)	1,932
Unit based compensation	4,454	3,704	13,704	13,120
Loss (gain) related to equity method investment	(144)	686	(23)	1,523
Unrealized foreign exchange loss (gain)	(22,780)	(4,235)	7,299	(22,139)
Non-controlling interest - exchangeable shares	8,756	4,978	21,222	12,388
Change in unrealized gains and losses and accruals included in other income or expense relating to investments	5,222	594	3,625	(6)
Future income taxes	639	(10,201)	(313)	(19,758)
	131,834	98,757	441,577	259,796
Asset retirement costs incurred	(2,986)	(1,221)	(5,277)	(2,438)
Changes in non-cash operating working capital	39,403	15,384	80,852	40,795
Cash flows from operating activities	168,251	112,920	517,152	298,153
INVESTING				
Drilling and development of petroleum and natural gas properties	(37,402)	(51,720)	(105,971)	(123,518)
Acquisition of petroleum and natural gas properties (Note 3)	(959)	(14)	(46,387)	(120,928)
Long-term investment	-	(30,000)	(627)	(30,000)
Contributions to reclamation fund	(9,711)	-	(9,711)	-
Changes in non-cash investing working capital	1,228	1,326	(498)	(7,517)
Cash flows used in investing activities	(46,844)	(80,408)	(163,194)	(281,963)
FINANCING				
Increase (decrease) in long-term debt	(4,043)	45,110	(172,893)	137,239
Issue of trust units for cash	-	2,588	3,740	5,710
Issue of trust units pursuant to the distribution reinvestment plan	-	9,501	18,453	26,185
Cash distributions	(39,808)	(33,860)	(118,175)	(100,479)
Changes in non-cash financing working capital	-	(193)	-	-
Cash flows from or used in financing activities	(43,851)	23,146	(268,875)	68,655
Foreign exchange (loss) on cash in foreign currencies	(5,209)	(2,376)	(515)	(5,431)
Net change in cash and cash equivalents	72,347	53,282	84,568	79,414
Cash and cash equivalents, beginning of period	60,089	53,082	47,868	26,950
Cash and cash equivalents, end of period	$132,436	$106,364	$132,436	$106,364
Supplementary information - cash payments				
Interest paid	$ 3,304	$ 9,827	$ 13,065	$ 19,176
Income taxes paid	$ 13,091	$ 9,068	$ 30,064	$ 34,838

($000's except unit and per unit amounts, unaudited)

1. BASIS OF PRESENTATION

The consolidated financial statements of Vermilion Energy Trust (the "Trust" or "Vermilion") include the accounts of the Trust and its subsidiaries and have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") on a consistent basis with the audited consolidated financial statements for the year ended December 31, 2007 except as disclosed in Note 2 below. These interim consolidated financial statements do not include all disclosures required in annual financial statements and therefore should be read in conjunction with the audited consolidated financial statements as at and for the year ended December 31, 2007 included in the Trust's 2007 Annual Report.

2. NEW ACCOUNTING POLICIES

On January 1, 2008, the Trust adopted Section 1535, "Capital Disclosures"; Section 3862, "Financial Instruments – Disclosures"; and Section 3863, "Financial Instruments – Presentation". The adoption of these standards did not impact the amounts reported in the Trust's consolidated financial statements, however, it did result in additional note disclosures relating to the Trust's capital structure and financial instruments (see notes 14 and 15).

On January 1, 2008, the Trust adopted Section 3031, "Inventories." The adoption of this standard did not impact the Trust's consolidated financial statements.

3. INVESTMENTS AND ACQUISITIONS

On January 31, 2008, the Trust completed a Canadian acquisition of gas producing assets and gross-overriding royalties on oil producing properties for cash consideration of $44.1 million.

The purchase price relating to this asset purchase was allocated as follows:

Capital assets	$46,057
Asset retirement obligation	(1,931)
Total consideration	$44,126

During the three and nine month periods ended September 30, 2008, the Trust acquired $1.0 million and $2.3 million of other petroleum and natural gas properties, respectively.

4. ASSET RETIREMENT OBLIGATION

The asset retirement obligation was determined based on the estimated future costs and timing to reclaim the Trust's net interest in all wells and facilities. The Trust has estimated the net present value of its asset retirement obligations to be $181.2 million as at September 30, 2008 (December 31, 2007 - $163.4 million) based on a total undiscounted future liability after inflation adjustment of $616.6 million (December 31, 2007 - $579.4 million). These payments are expected to be made over the next 48 years with most arising within the next 15 to 37 years. The Trust used a credit adjusted risk free rate of 8% and inflation rates of between 1.5% and 2.0% to calculate the present value of the asset retirement obligation.

The following table reconciles the changes in the Trust's asset retirement obligation:

	September 30, 2008	December 31, 2007
Carrying amount, beginning of period	$163,374	$127,494
Increase in liabilities in the period	2,487	12,936
Disposition of liabilities in the period	(5,277)	(4,055)
Change in estimate	3,960	27,240
Accretion expense	10,721	10,067
Foreign exchange	5,894	(10,308)
Carrying amount, end of period	$181,159	$163,374

4. ASSET RETIREMENT OBLIGATION (CONTINUED)

The Trust has set aside funds for the future payment of its estimated asset retirement obligations. The following table reconciles the Trust's reclamation fund investments:

	September 30, 2008	December 31, 2007
Cash and short-term investments, at fair value	$20,741	$10,838
Equity and debt securities, at fair value	42,059	47,090
	$62,800	$57,928

A portion of the cash and short-term investments as well as all of the equity and debt securities which comprise the reclamation fund are professionally managed by third parties.

5. LONG-TERM DEBT

As at September 30, 2008 the Trust had an unsecured, covenant-based credit facility allowing for maximum borrowings of $675 million. The revolving period under the facility is expected to expire in June 2009 and may be extended for an additional period of up to 364 days at the option of the lenders. If the lenders convert the revolving credit facility to a non-revolving credit facility, the amounts outstanding under the facility become repayable 24 months after the end of the revolving period. Various borrowing options are available under the facility including prime rate based advances and bankers' acceptance loans. The amount available to the Trust under this facility is reduced by a US$12.7 million letter of credit associated with the Trust's operations.

6. UNITHOLDERS' CAPITAL AND CONTRIBUTED SURPLUS

	Number of Units	Amount
Trust Units		
Unlimited number of trust units authorized to be issued		
Balance as at December 31, 2006	64,708,194	$321,035
Distribution reinvestment plan	1,082,868	35,992
Issued on conversion of exchangeable shares	2,143	70
Unit rights exercised and issuance of units on vesting of trust unit award plan grants	1,477,278	7,045
Transfer from contributed surplus for unit based awards	-	14,592
Trust units issued for bonus plan	23,039	695
Unit-settled distributions on vested unit based awards	41,905	1,512
Balance as at December 31, 2007	67,335,427	$380,941
Distribution reinvestment plan	521,839	18,453
Issued on conversion of exchangeable shares	187,849	6,049
Unit rights exercised and issuance of units on vesting of trust unit award plan grants	1,630,943	3,740
Transfer from contributed surplus for unit based awards	-	16,886
Trust units issued for bonus plan	18,555	597
Unit-settled distributions on vested unit based awards	150,908	5,834
Balance as at September 30, 2008	69,845,521	$432,500

	September 30, 2008	December 31, 2007
Contributed Surplus		
Opening balance	$29,211	$30,513
Unit compensation expense (excluding bonus plan)	13,107	13,290
Transfer to unitholders' capital for unit based awards`	(16,886)	(14,592)
Ending balance	$25,432	$29,211

Distributions declared to unitholders for the three and nine month periods ended September 30, 2008 were $39.8 million and $118.7 million, respectively (2007 - $33.9 million and $100.8 million, respectively). Distributions are determined by the Board of Directors in accordance with the Trust indenture and are paid monthly.

7. NON-CONTROLLING INTEREST – EXCHANGEABLE SHARES

The following table summarizes the change in the outstanding exchangeable share balance:

	September 30, 2008	December 31, 2007
Exchangeable Shares		
Opening number of exchangeable shares	4,457,473	4,458,919
Exchanged for trust units	(119,868)	(1,446)
Ending balance	4,337,605	4,457,473
Ending exchange ratio	1.62732	1.55595
Trust units issuable upon conversion	7,058,671	6,935,605

The following table summarizes the changes in the non-controlling interest as presented on the consolidated balance sheets:

	September 30, 2008	December 31, 2007
Non-controlling interest, beginning of period	$68,576	$51,780
Reduction of book value for conversion to trust units	(1,447)	(17)
Current period net earnings attributable to non-controlling interest	21,222	16,813
Non-controlling interest, end of period	$88,351	$68,576

8. UNIT COMPENSATION PLANS

Unit Rights Incentive Plan

The following table summarizes information about the Trust's Unit Rights Incentive Plan:

	Number of Unit Rights	Grant Date Weighted Average Exercise Price
Balance as at December 31, 2007	1,148,616	$14.55
Exercised	(808,766)	$12.93
Balance as at September 30, 2008	339,850	$18.40

A summary of the plan as at September 30, 2008 is as follows:

Range of Exercise Price At Grant Date	Adjusted Exercise Price	Number of Rights Outstanding and Exercisable	Remaining Contractual Life of Rights (Years)
$15.01 - $19.56	$5.12 - $9.67	339,850	0.89

No compensation expense has been recorded for the three and nine month periods ended September 30, 2008 (2007 - $0.2 million and $1.1 million, respectively) related to the Unit Rights Incentive Plan as all awards are fully vested.

Trust Unit Award Incentive Plan

The following table summarizes information about the Trust Unit Award Incentive Plan:

	Number of Awards
Balance as at December 31, 2007	1,102,495
Granted	514,663
Vested	(407,113)
Cancelled	(18,350)
Balance as at September 30, 2008	1,191,695

8. UNIT COMPENSATION PLANS (CONTINUED)

Compensation expense of $4.5 million and $13.1 million has been recorded for the three and nine month periods ended September 30, 2008, respectively (2007 - $3.5 million and $11.3 million, respectively) related to the Trust Unit Award Incentive Plan.

Phantom Award Incentive Plan

Compensation expense for this cash settled plan of $0.2 million and $1.2 million has been recorded as general and administration expense for the three and nine month periods ended September 30, 2008, respectively (2007 - $0.3 million and $1.2 million, respectively).

9. PER UNIT AMOUNTS

Basic and diluted net earnings per unit have been determined based on the following:

	Three Months Ended		Nine Months Ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
Net earnings	$86,949	$48,640	$215,434	$121,037
Non-controlling interest – exchangeable shares	8,756	4,978	21,222	12,388
Net earnings for diluted net earnings per trust unit calculation	$95,705	$53,618	$236,656	$133,425
Basic weighted average trust units outstanding	69,842,684	66,506,235	69,322,375	65,829,215
Dilutive impact of trust units issuable on conversion of exchangeable shares	7,060,450	6,838,868	7,065,140	6,839,119
Dilutive impact of unit rights incentive and trust unit award plans	1,461,660	2,390,664	1,726,766	2,554,131
Diluted weighted average trust units outstanding	78,364,794	75,735,767	78,114,281	75,222,465

Basic net earnings per trust unit has been calculated based on net earnings divided by the basic weighted average trust units outstanding. Earnings attributable to the non-controlling interest related to the exchangeable shares are added back to net earnings in calculating diluted net earnings per trust unit. All outstanding potential units related to incentive plans were dilutive and therefore have been included in the calculation of the diluted trust units for all periods presented.

10. DERIVATIVE INSTRUMENTS

Risk Management Activities

The nature of the Trust's operations result in exposure to fluctuations in commodity prices, interest rates and foreign currency exchange rates. The Trust monitors and, when appropriate, uses derivative financial instruments to manage its exposure to these risks. The Trust does not obtain collateral or other security to support its financial derivatives as the majority of these instruments are with the Trust's banking syndicate.

Risk Management: Oil	Funded Cost	bbls/d	US$/bbl
Collar – WTI			
Q4 2008	US$0.50/bbl	250	$ 69.00 - $ 90.00
Collar - BRENT			
Q4 2008	-	500	$ 68.20 - $ 81.00
2009	US$1.00/bbl	500	$100.50 - $200.00
Call Spread - BRENT			
2009 – 2011	US$5.73/bbl	700	$ 65.00 - $ 85.00

Risk Management: Natural Gas	Funded Cost	GJ/d	C$/GJ
Put – AECO			
July - October 2008	$0.35/GJ	2,500	$ 9.30
July - October 2008	$0.32/GJ	2,500	$ 9.55

10. DERIVATIVE INSTRUMENTS (CONTINUED)

The following table reconciles the change in the Trust's fair value of derivative contracts:

	September 30, 2008	December 31, 2007
Fair value of contracts, beginning of period	$ 2,102	$6,280
Opening unrealized loss (gain) on contracts settled during the period	6,708	(1,624)
Realized (loss) on contracts settled during the period	(12,570)	(2,835)
Unrealized gain (loss) during the period on contracts outstanding at the end of the period	3,997	(2,554)
Net payment to counterparties under contract settlements during the period	12,570	2,835
Fair value of contracts, end of period	$12,807	$2,102
Comprised of:		
Current derivative asset	$ 6,014	$ 37
Current derivative liability	(1,209)	(7,450)
Non-current derivative asset	8,002	9,515
Fair value of contracts, end of period	$12,807	$2,102

The loss (gain) on derivative instruments for the periods is comprised of the following:

	Three Months Ended		Nine Months Ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
Realized (gain) loss on contracts settled during the period	$ 4,422	$ (31)	$12,570	$ (542)
Opening unrealized gain (loss) on contracts settled during the period	(2,110)	149	(6,708)	1,449
Unrealized loss (gain) during the period on contracts outstanding at the end of the period	(12,849)	967	(3,997)	483
Loss (gain) on derivative instruments for the period	$(10,537)	$1,085	$ 1,865	$1,390

During the normal course of business, the Trust enters into fixed price arrangements to sell a portion of its production. The Trust has elected to exempt these contracts from fair value accounting through the use of the normal purchase and sale exemption.

11. SEGMENTED INFORMATION

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Petroleum and natural gas revenue				
Canada	$ 83,646	$ 51,886	$252,473	$166,869
France	79,041	62,065	260,787	170,856
Netherlands	28,090	18,282	84,416	55,029
Australia	54,935	55,706	218,900	108,855
	$245,712	$187,939	$816,576	$501,609
Net earnings				
Canada	$ 9,640	$ (2,331)	$ 43,070	$ 8,065
France	40,069	24,666	81,890	61,315
Netherlands	12,700	7,581	23,125	17,677
Australia	24,540	18,724	67,349	33,980
	$ 86,949	$ 48,640	$215,434	$121,037
Capital expenditures				
Canada	$ 16,698	$ 14,319	$ 86,607	$ 48,599
France	11,768	28,087	39,971	56,860
Netherlands	1,410	8,222	11,101	12,603
Australia	8,485	1,106	14,679	126,384
	$ 38,361	$ 51,734	$152,358	$244,446

	September 30, 2008	December 31, 2007
Total assets		
Canada	$ 695,023	$ 662,904
France	653,868	604,090
Netherlands	142,495	150,533
Australia	255,293	250,596
	$1,746,679	$1,668,123

12. LONG-TERM INVESTMENTS

The following table reconciles the Trust's total long-term investments as presented on the consolidated balance sheets:

	September 30, 2008	December 31, 2007
Portfolio investments, at fair value	$ 6,186	$ 5,032
Investment in Verenex Energy Inc., equity method (fair value - $152.0 million, 2007 - $158.8 million)	58,745	58,096
Total long-term investments	$64,931	$63,128

13. COMPONENTS OF CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents are as follows:

	September 30, 2008	December 31, 2007
Monies on deposit with banks	$132,436	$44,588
Guaranteed short-term investments	-	3,280
Total cash and cash equivalents	$132,436	$47,868

14. CAPITAL DISCLOSURES

In managing capital, the Trust reviews whether fund flows from operations, (a non-GAAP measure, defined as cash flows from operating activities before changes in non-cash operating working capital and asset retirement costs incurred) is sufficient to pay for all capital expenditures, distributions, contributions to the reclamation fund and abandonment and reclamation expenditures. To the extent that the forecasted fund flows from operations is not expected to be sufficient to cover these expenditures, the Trust will evaluate its ability to finance any excess with debt or reduce some or all categories of expenditures to ensure that total expenditures do not exceed available funds.

As a part of the management of capital, the Trust monitors the ratio of net debt (a non-GAAP measure, which is defined as long-term debt as shown on the consolidated balance sheets plus working capital) to annualized fund flows from operations.

The Trust typically strives to maintain a ratio of net debt to annualized fund flows from operations near 1.0. In a commodity price environment where prices trend higher, the Trust may target a lower ratio and conversely, in a lower commodity price environment, the acceptable ratio may be higher. At times, the Trust will use its balance sheet to finance acquisitions and in these situations, the Trust is prepared to accept a higher ratio in the short term but will implement a plan to reduce the ratio to acceptable levels within a reasonable period of time, usually considered to be no more than 12 to 18 months. This plan could potentially include an increase in hedging activities, a reduction in capital spending and the utilization of excess fund flows from operations to reduce outstanding indebtedness.

The following table calculates the Trust's ratio of net debt to annualized fund flows from operations for the three and nine month periods ended September 30, 2008 and for the three month period ended December 31, 2007:

	As at or for the Three Months Ended September 30, 2008	As at or for the Nine Months Ended September 30, 2008	As at or for the Three Months Ended December 31, 2007
Long-term debt	$282,711	$282,711	$452,490
Current liabilities	214,903	214,903	150,620
Current assets	(275,429)	(275,429)	(186,252)
Net debt [1]	$222,185	$222,185	$416,858
Cash flows from operating activities	$168,251	$517,152	$ 51,737
Changes in non-cash operating working capital	(39,403)	(80,852)	72,760
Asset retirement costs incurred	2,986	5,277	1,618
Fund flows from operations	$131,834	$441,577	$126,115
Annualized fund flows from operations [2]	$527,336	$588,769	$504,460
Ratio of net debt to annualized fund flows from operations ([1] ÷ [2])	0.4	0.4	0.8

For the periods presented here, the ratio of net debt to annualized fund flows from operations was between 0.4 and 0.8 which is within the range targeted by the Trust in high commodity price environments.

In relation to its long-term debt, the Trust is subject to a debt to EBITDA ratio test (where debt is defined as long-term debt as presented on the consolidated balance sheet and EBITDA is defined as earnings before interest, taxes, depreciation, amortization and other certain non-cash items). During the periods covered by these financial statements, the Trust continued to comply with this externally imposed capital requirement.

15. FINANCIAL INSTRUMENTS

The following table summarizes information relating to Vermilion's financial instruments as at September 30, 2008 and December 31, 2007:

Classification of Financial Instruments

Class of Financial Instruments	Location on Consolidated Balance Sheet	Accounting Designation	Related Income or Expense Account on Statement of Earnings	Carrying Amount and Fair Value of Asset (Liability) as at: September 30, 2008	December 31, 2007
Cash	Cash and cash equivalents	HFT-B	Gains and losses on foreign exchange are included in foreign exchange loss (gain)	$ 132,436	$ 47,868
Receivables	Accounts receivable	LAR	Gains and losses on foreign exchange are included in foreign exchange loss (gain). Impairments are recognized as general and administration expense	$ 114,251	$ 119,645
Derivative assets	Derivative instruments	HFT-B	Loss (gain) on derivative instruments	$ 14,016	$ 9,552
Derivative liabilities	Derivative instruments	HFT-B	Loss (gain) on derivative instruments	$ (1,209)	$ (7,450)
Reclamation fund investments	Reclamation fund	HFT-A	Other income or expense	$ 62,800	$ 57,928
Portfolio investments	Long-term investments (1)	HFT-A	Other income or expense	$ 6,186	$ 5,032
Payables	Accounts payable and accrued liabilities. Distributions payable to unitholders.	OTH	Gains and losses on foreign exchange are included in foreign exchange loss (gain)	$ (159,798)	$ (141,652)
Long-term debt	Long-term debt	OTH	Interest	$ (282,711)	$ (452,490)

(1) See note 12 for a reconciliation of the long-term investments account

Accounting designations used in the above table:

HFT-A – Designated by the Trust as "Held for trading" upon initial recognition. Financial assets and liabilities designated as "Held for trading" are carried at fair value on the consolidated balance sheets with gains and losses associated with fair value adjustments recognized in net earnings.

HFT-B – Classified as "Held for trading" in accordance with Section 3855 of the CICA Handbook. As with HFT-A instruments these financial assets and liabilities are carried at fair value on the consolidated balance sheets with associated gains and losses reflected in net earnings.

LAR – "Loans and receivables" are initially recognized at fair value and subsequently are measured at amortized cost. Impairments and foreign exchange gains and losses are recognized in net earnings.

OTH – "Other financial liabilities" are initially recognized at fair value and subsequently are measured at amortized cost. Interest is recognized in net earnings using the effective interest method. Foreign exchange gains and losses are recognized in net earnings.

15. FINANCIAL INSTRUMENTS (CONTINUED)

Determination of Fair Values

Fair values for derivative assets and derivative liabilities are determined using option pricing models that are based on assumptions which are supported by prices from observable market transactions and are adjusted for credit risk. Fair values for portfolio investments and reclamation fund investments are determined by reference to published price quotations in active markets. The carrying value of cash equivalents, receivables and payables approximate their fair value due to their short maturities. The carrying value of long-term debt approximates its fair value due to the use of short-term borrowing instruments at market rates of interest.

Nature and Extent of Risks Arising From Financial Instruments

Vermilion is exposed to the following types of risks in relation to its financial instruments:

Credit risk:

Vermilion extends credit to customers and the Trust may, from time-to-time, be due amounts from counterparties in relation to derivative instruments. Accordingly, there is a risk of financial loss in the event that a counterparty fails to discharge its obligation. For transactions that are financially significant, Vermilion reviews third-party credit ratings and may require additional forms of security. Cash held on behalf of the Trust by financial institutions is also subject to credit risk related to the credit profile of those institutions.

Currency risk:

Vermilion conducts business in currencies other than Canadian dollars and accordingly is subject to currency risk associated with changes in foreign exchange rates in relation to cash, receivables, payables, derivative assets and liabilities and reclamation fund investments. The impact related to working capital is somewhat mitigated as a result of the offsetting effects of foreign exchange fluctuations on assets and liabilities. Vermilion monitors its exposure to currency risk and reviews whether the use of derivative financial instruments is appropriate to manage potential fluctuations in foreign exchange rates. At present, the Trust does not have any derivative instruments in place with respect to currency risk.

Commodity price risk:

Vermilion uses financial derivatives as part of its risk management program associated with the effects of changes in commodity prices on future cash flows. Changes in the underlying commodity prices impact the fair value and future cash flows related to these derivatives.

Equity price risk:

The Trust holds investments in equity securities in its reclamation fund. In addition, at September 30, 2008 the Trust held portfolio investments in equity securities with a fair value of $6.2 million. The fair value of these instruments is exposed to changes in the prices of the underlying equities.

Interest rate risk:

Vermilion’s debt is primarily comprised of short-term bankers acceptances that bear interest at market rates. Accordingly, Vermilion’s exposure to interest rate risk in relation to its long-term debt at the balance sheet date is not material. The fair value of the bonds and debt securities that Vermilion holds in its reclamation fund is subject to interest rate risk.

15. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk:

Liquidity risk is the risk that Vermilion will encounter difficulty in meeting obligations associated with its financial liabilities. The Trust does not consider this to be a significant risk as its financial position and available committed borrowing facility provide significant financial flexibility and allow Vermilion to meet its obligations as they come due.

Vermilion does not consider there to be a present risk in relation to funds availability to the Trust under its committed borrowing facility.

The nature of these risks and the Trust's strategy for managing these risks has not changed significantly from the prior period.

Summarized Quantitative Data Associated with the Above Risks

Credit risk:

As at September 30, 2008 Vermilion's maximum exposure to receivable credit risk was $128.3 million which is the aggregate value of receivables and derivative assets at the balance sheet date. Vermilion's receivables are due from counterparties that have investment grade third party credit ratings or, in the absence of the availability of such ratings; Vermilion has satisfactorily reviewed the counterparty for creditworthiness as appropriate. In addition, at September 30, 2008 Vermilion had $132.4 million in cash on deposit at banks. The Trust is reviewing options to mitigate its risk in relation to recent economic events.

As at the balance sheet date the amount of financial assets that were past due or impaired was not material for disclosure.

Liquidity risk:

The following table summarizes Vermilion's financial liabilities and their contractual maturities:

Due in (from balance sheet date)	Not later than one month	Later than one month and not later than three months	Later than three months and not later than one year	Later than one year and not later than five years
Non-derivative financial liabilities	$96,354	$58,707	$4,737	$282,711
Derivative financial liabilities	-	$ 806	$ 403	-

Minimal liquidity risk exists with regards to the Trust's financial liabilities given the Trust's financial position and committed borrowing facility.

Market risk:

As previously noted, the Trust is exposed to currency risk related to changes in foreign currency denominated financial instruments, commodity price risk related to outstanding derivative positions, interest rate risk related to its long-term debt and investments in debt securities and equity price risk related to investments in equity securities. The following table summarizes what the impact on net earnings before tax would be for the nine month period ended September 30, 2008 given changes in the relevant risk variables that the Trust considers were reasonably possible at September 30, 2008. The impact on net earnings before tax associated with changes in these risk variables for liabilities that are not considered financial instruments is excluded from this analysis. This analysis does not attempt to reflect any interdependencies between the relevant risk variables.

15. FINANCIAL INSTRUMENTS (CONTINUED)

Risk	Description of change in risk variable	Effect on net earnings before tax increase (decrease)
Currency risk – Euro to Canadian	Increase in strength of the Canadian dollar against the Euro by 5% over the relevant closing rates on September 30, 2008.	$ (7,248)
	Decrease in strength of the Canadian dollar against the Euro by 10% over the relevant closing rates on September 30, 2008.	$ 14,495
Currency risk – US$ to Canadian	Increase in strength of the Canadian dollar against the US$ by 5% over the relevant closing rates on September 30, 2008.	$ (3,005)
	Decrease in strength of the Canadian dollar against the US$ by 10% over the relevant closing rates on September 30, 2008.	$ 6,009
Currency risk – AUD$ to Canadian	Increase in strength of the Canadian dollar against the AUD$ by 5% over the relevant closing rates on September 30, 2008.	$ 46
	Decrease in strength of the Canadian dollar against the AUD$ by 10% over the relevant closing rates on September 30, 2008.	$ (92)
Commodity price risk	Increase in relevant oil reference price at September 30, 2008 by US$5.00/bbl within option pricing models used to determine the fair value of derivative positions.	$(1,333)
	Decrease in relevant oil reference price at September 30, 2008 by US$5.00/bbl within option pricing models used to determine the fair value of derivative positions.	$ 1,333

Reasonably possible changes in the relevant variables associated with interest rate risk and equity price risk would not have had a material impact on net earnings for the period ended September 30, 2008.

TRUST INFORMATION

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Sugar Land, Texas

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

API	American Petroleum Institute
bbls	barrels
bbls/d	barrels per day
bcf	billion cubic feet
boe	barrel of oil equivalent
boe/d	barrel of oil equivalent per day
CBM	coalbed methane
GJ	gigajoules
$m	thousands of dollars
$mm	millions of dollars
mbbls	thousand barrels
mboe	thousand barrels of oil equivalent
mcf	thousand cubic feet
mcf/d	thousand cubic feet per day
mmboe	million barrels of oil equivalent
mmcf	million cubic feet
mmcf/d	million cubic feet per day
MW	megawatt
NGLs	natural gas liquids
NPV	net present value
WTI	West Texas Intermediate

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TRANSFER AGENT
Computershare Trust Company of Canada

STOCK EXCHANGE LISTING
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