VERMILION ENERGY

Q3 2010

VERMILION ENERGY INC.

FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

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;
- debt levels;
- 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 and the expected impact of changes thereto on Vermilion;
- Vermilion's additional future payment in connection with the Corrib acquisition;
- the timing of regulatory proceedings;
- the timing of first commercial gas from the Corrib field;
- 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 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; and
- future oil and natural gas prices

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.

CONSOLIDATED BALANCE SHEETS
(THOUSANDS OF CANADIAN DOLLARS, UNAUDITED)

		Sept 30, 2010		December 31, 2009
ASSETS				
Current				
Cash and cash equivalents (Note 10)	$	107,425	$	99,066
Short-term investments		35,176		15,895
Accounts receivable		104,683		117,051
Crude oil inventory		8,103		5,235
Derivative instruments (Note 8)		12,103		8,217
Prepaid expenses and other		13,063		11,422
		280,553		256,886
Derivative instruments (Note 8)		3,990		7,896
Future income taxes		152,208		119,714
Long-term investments		3,169		4,342
Goodwill (Note 5)		51,589		19,840
Reclamation fund (Note 2)		-		69,003
Capital assets (Note 5)		1,960,181		1,606,995
	$	2,451,690	$	2,084,676
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$	218,129	$	197,633
Dividends or distributions payable		16,844		15,109
Derivative instruments (Note 8)		-		1,772
Income taxes payable		32,879		2,366
Future income taxes		1,811		683
		269,663		217,563
Long-term debt (Note 3)		249,147		159,723
Amount due pursuant to acquisition		116,187		111,402
Asset retirement obligations (Note 2)		243,755		237,110
Future income taxes (Note 5)		264,224		218,764
		1,142,976		944,562
Non-controlling interest - exchangeable shares (Note 5)		-		100,824
SHAREHOLDERS' OR UNITHOLDERS' EQUITY				
Shareholders' capital (Notes 4 and 5)		1,032,462		-
Unitholders' capital (Note 4)		-		711,667
Contributed surplus (Note 4)		26,610		30,413
Retained earnings		249,642		297,210
		1,308,714		1,039,290
	$	2,451,690	$	2,084,676

APPROVED BY THE BOARD

(Signed "Kenneth Davidson")

W. Kenneth Davidson, Director

(Signed "Lorenzo Donadeo")

Lorenzo Donadeo, Director

CONSOLIDATED STATEMENTS OF EARNINGS, COMPREHENSIVE INCOME AND RETAINED EARNINGS

(THOUSANDS OF CANADIAN DOLLARS, EXCEPT SHARE AND PER SHARE AMOUNTS, UNAUDITED)

	Three Months Ended Sept 30, 2010	Three Months Ended Sept 30, 2009	Nine Months Ended Sept 30, 2010	Nine Months Ended Sept 30, 2009
REVENUE				
Petroleum and natural gas revenue	**$ 172,253**	$ 150,183	**$ 511,379**	$ 459,207
Royalties	**(12,971)**	(23,240)	**(54,230)**	(63,039)
	159,282	126,943	**457,149**	396,168
EXPENSES AND OTHER (INCOME) EXPENSE				
Operating	**36,015**	34,256	**104,981**	102,749
Transportation	**6,547**	3,734	**20,397**	12,517
Equity based compensation (Note 6)	**5,567**	4,706	**14,938**	13,676
Loss (gain) on derivative instruments (Note 8)	**2,241**	2,012	**(10,554)**	(2,277)
Interest	**3,159**	6,361	**9,888**	9,398
General and administration	**10,393**	8,211	**30,167**	22,464
Foreign exchange loss (gain)	**17,170**	(14,227)	**(12,338)**	(26,508)
Other (income) expense	**(1,974)**	(4,389)	**2,431**	(7,833)
Depletion, depreciation and accretion	**71,590**	63,602	**190,005**	191,856
	150,708	104,266	**349,915**	316,042
EARNINGS BEFORE INCOME TAXES AND OTHER ITEMS	**8,574**	22,677	**107,234**	80,126
INCOME TAXES				
Future	**(15,982)**	(4,878)	**(39,805)**	(17,582)
Current	**15,339**	6,456	**43,352**	25,745
	(643)	1,578	**3,547**	8,163
OTHER ITEMS				
Non-controlling interest – exchangeable shares (Note 5)	**306**	1,805	**8,241**	6,200
Loss related to equity method investment	**-**	1,460	**-**	3,165
	306	3,265	**8,241**	9,365
NET EARNINGS AND COMPREHENSIVE INCOME	**8,911**	17,834	**95,446**	62,598
Retained earnings, beginning of period	**288,314**	242,172	**297,210**	280,959
Distributions declared (Note 4)	**(30,739)**	(40,677)	**(122,236)**	(121,366)
Dividends declared (Note 4)	**(16,844)**	-	**(16,844)**	-
Equity-settled distributions on vested equity awards (Note 4)	**-**	-	**(3,934)**	(2,862)
RETAINED EARNINGS, END OF PERIOD	**$ 249,642**	$ 219,329	**$ 249,642**	$ 219,329
NET EARNINGS PER SHARE OR UNIT (Note 7)				
Basic	**$ 0.11**	$ 0.25	**$ 1.17**	$ 0.88
Diluted	**$ 0.10**	$ 0.25	**$ 1.17**	$ 0.87
WEIGHTED AVERAGE SHARES OR UNITS OUTSTANDING (Note 7)				
Basic	**83,374,059**	71,328,047	**81,241,924**	70,963,460
Diluted	**89,036,872**	79,070,585	**88,692,329**	78,920,821

CONSOLIDATED STATEMENTS OF CASH FLOWS
(THOUSANDS OF CANADIAN DOLLARS, UNAUDITED)

	Three Months Ended Sept 30, 2010	Three Months Ended Sept 30, 2009	Nine Months Ended Sept 30, 2010	Nine Months Ended Sept 30, 2009
OPERATING				
Net earnings	**$ 8,911**	$ 17,834	**$ 95,446**	$ 62,598
Adjustments:				
Depletion, depreciation and accretion	**71,590**	63,602	**190,005**	191,856
Change in unrealized gains and losses and accruals relating to derivative contracts (Note 8)	**6,053**	3,104	**(1,752)**	1,728
Equity based compensation	**5,567**	4,706	**14,938**	13,676
Loss related to equity method investment	**-**	1,460	**-**	3,165
Unrealized foreign exchange loss (gain)	**19,482**	(13,874)	**(6,791)**	(30,532)
Non-controlling interest – exchangeable shares	**306**	1,805	**8,241**	6,200
Change in unrealized gains and losses and accruals included in other (income) expense relating to investments	**(1,385)**	(4,448)	**3,028**	(7,892)
Future income taxes	**(15,982)**	(4,878)	**(39,805)**	(17,582)
	94,542	69,311	**263,310**	223,217
Asset retirement costs incurred (Note 2)	**(939)**	(1,019)	**(1,751)**	(5,285)
Changes in non-cash operating working capital	**12,972**	20,005	**32,532**	(71,800)
Cash flows from operating activities	**106,575**	88,297	**294,091**	146,132
INVESTING				
Drilling and development of petroleum and natural gas properties	**(106,993)**	(50,781)	**(326,747)**	(119,208)
Acquisition of petroleum and natural gas properties	**(1,539)**	(125,074)	**(4,436)**	(142,622)
Proceeds from (purchase of) short-term investments	**48,918**	(2,546)	**44,848**	(2,111)
Withdrawals from the reclamation fund	**-**	-	**812**	-
Changes in non-cash investing working capital	**42,392**	3,109	**26,624**	(2,706)
Cash flows used in investing activities	**(17,222)**	(175,292)	**(258,899)**	(266,647)
FINANCING				
Increase in long-term debt	**19,999**	129,000	**89,999**	178,947
Issue of trust units for cash	**-**	1,843	**-**	2,700
Issue of common shares or trust units pursuant to the distribution or dividend reinvestment plans	**10,524**	-	**27,357**	-
Cash distributions	**(30,701)**	(40,637)	**(121,966)**	(121,138)
Cash dividends	**(15,379)**	-	**(15,379)**	-
Cash flows (used in) from financing activities	**(15,557)**	90,206	**(19,989)**	60,509
Foreign exchange gain (loss) on cash held in foreign currencies	**1,784**	(2,973)	**(6,844)**	(4,549)
Net change in cash and cash equivalents	**75,580**	238	**8,359**	(64,555)
Cash and cash equivalents, beginning of period	**31,845**	2,438	**99,066**	67,231
Cash and cash equivalents, end of period	**$ 107,425**	$ 2,676	**$ 107,425**	$ 2,676
Supplementary information - cash payments				
Interest paid	**$ 3,582**	$ 6,793	**$ 10,677**	$ 9,215
Income taxes paid	**$ 4,979**	$ 5,284	**$ 12,839**	$ 80,589

(TABULAR AMOUNTS IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT SHARE AND PER SHARE AMOUNTS, UNAUDITED)

1. BASIS OF PRESENTATION AND CORPORATE CONVERSION

The consolidated financial statements of Vermilion Energy Inc. (the “Company” or “Vermilion”) have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”) on a consistent basis with the audited consolidated financial statements of Vermilion Energy Trust (the “Trust”) for the year ended December 31, 2009. 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, 2009 included in the Trust’s 2009 Annual Report.

On September 1, 2010, Vermilion 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 (see Notes 4 and 5). There were no exchangeable shares outstanding following the conversion.

The conversion has been accounted for as a continuity of interests and all comparative information presented for the pre-conversion period is that of the Trust. All transaction costs associated with the conversion were expensed as incurred as general and administration expense.

2. ASSET RETIREMENT OBLIGATIONS AND RECLAMATION FUND

The asset retirement obligations were determined based on the estimated future costs and timing to reclaim Vermilion’s net interest in all wells and facilities. Vermilion has estimated the net present value of its asset retirement obligations to be $243.8 million as at September 30, 2010 (December 31, 2009 - $237.1 million) based on a total undiscounted future liability after inflation adjustment of $843.0 million (December 31, 2009 - $857.2 million).

The following table reconciles the change in Vermilion’s asset retirement obligations:

		Sept 30, 2010		Dec 31, 2009
Carrying amount, beginning of period	**$**	**237,110**	$	265,101
Liabilities incurred		**885**		10,173
Asset retirement costs incurred		**(1,751)**		(10,139)
Change in estimate		**-**		(24,456)
Accretion expense		**13,558**		20,255
Foreign exchange		**(6,047)**		(23,824)
Carrying amount, end of period	**$**	**243,755**	$	237,110

Vermilion had previously established a reclamation fund to provide for the ultimate payout of the environmental and site restoration costs on its asset base. After an extensive review, Vermilion concluded that the reclamation fund assets would be more effectively employed supporting Vermilion’s operations and in July 2010 the reclamation fund assets were liquidated.

3. LONG-TERM DEBT

As at September 30, 2010, Vermilion had a syndicated revolving credit facility allowing for maximum borrowings of $675 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 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 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 other certain 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 September 30, 2010.

4. SHAREHOLDERS' CAPITAL, UNITHOLDERS' CAPITAL AND CONTRIBUTED SURPLUS

As a result of the conversion from an income trust to a corporation on September 1, 2010, (see Note 1), all of the outstanding units of the Trust were exchanged on a one-for-one basis for common shares of Vermilion. Exchangeable shares of Vermilion Resources Ltd. were converted to common shares of Vermilion at the prevailing exchange ratio of 1.89344 (see Note 5).

Vermilion is authorized to issue an unlimited number of common shares.

Unitholders' Capital	**Number of Units**		**Amount**
Balance as at January 1, 2010	79,523,028	$	711,667
Distribution reinvestment plan	718,424		23,186
Issued on conversion of exchangeable shares (Note 5)	4,547		151
Issuance of units on vesting of trust unit award plan grants	555,459		17,733
Trust units issued for bonus plan	28,624		1,008
Equity-settled distributions on vested equity based awards	113,527		3,934
Trust units exchanged pursuant to corporate conversion	(80,943,609)		(757,679)
Balance as at August 31, 2010	-	$	-

Shareholders' Capital	**Number of Shares**		**Amount**
Balance as at August 31, 2010	-	$	-
Issuance of common shares for trust units pursuant to corporate conversion	80,943,609		757,679
Issuance of common shares for exchangeable shares pursuant to corporate conversion (Note 5)	7,586,546		270,612
Dividend reinvestment plan	120,880		4,171
Balance as at September 30, 2010	88,651,035	$	1,032,462

		Sept 30, 2010		**Dec 31, 2009**
Contributed Surplus				
Opening balance	**$**	**30,413**	$	29,698
Equity based compensation expense (excluding bonus plan)		**13,930**		17,561
Transfer to unitholders' capital for vested trust unit based awards		**(17,733)**		(16,846)
Ending balance	**$**	**26,610**	$	30,413

4. SHAREHOLDERS' CAPITAL, UNITHOLDERS' CAPITAL AND CONTRIBUTED SURPLUS (Continued)

The total of cash distributions and dividends declared for the three and nine month periods ended September 30, 2010 were $47.6 million and $139.1 million, respectively (2009 - $40.7 million and $121.4 million, respectively).

Dividends are determined and declared by the Board of Directors after considering the Company's earnings as well as current and anticipated financial requirements. Dividends are subject to solvency tests imposed by the Business Corporations Act (Alberta) and are anticipated to be paid monthly.

5. NON-CONTROLLING INTEREST – EXCHANGEABLE SHARES

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

	Sept 30, 2010	Dec 31, 2009
Exchangeable Shares		
Opening number of exchangeable shares	**4,009,253**	4,085,605
Exchanged for trust units	**(2,500)**	(76,352)
Exchanged for common shares pursuant to corporate conversion (Notes 1 and 4)	**(4,006,753)**	-
Ending balance	**-**	4,009,253
Ending exchange ratio	**-**	1.80065
Units issuable upon conversion	**-**	7,219,261

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

		Sept 30, 2010		Dec 31, 2009
Non-controlling interest, beginning of period	**$**	**100,824**	$	84,523
Current period net earnings attributable to the non-controlling interest		**8,241**		17,977
Reduction of book value for conversion to trust units		**(64)**		(1,676)
Reduction of book value for conversion to common shares		**(109,001)**		-
Non-controlling interest, end of period	**$**	**-**	$	100,824

In connection with the corporate conversion (see Notes 1 and 4), Vermilion issued 7,586,546 common shares in exchange for the remaining 4,006,753 exchangeable shares in Vermilion Resources Ltd. based on an exchange ratio of 1.89344. The conversion of exchangeable shares was accounted for as an acquisition of the non-controlling interest at fair value. The fair value of the common shares issued in consideration for the non-controlling interest represented by the exchangeable shares was $270.6 million. The difference between that amount and the carrying value of the non-controlling interest of $109.0 million resulted in increases to capital assets of $189.9 million, goodwill of $31.7 million and future income tax liability of $60.0 million.

6. EQUITY BASED COMPENSATION PLANS

Vermilion Incentive Plan

In connection with the corporate conversion (see Note 1), modifications were made to Vermilion's equity-settled long term incentive plan. After receiving securityholder approval, the Trust Unit Award Incentive Plan (the "TAP plan") was replaced by the Vermilion Incentive Plan (the "VIP plan") and grantees received one VIP plan award for each TAP plan award held.

The terms of the VIP plan are substantially the same as the TAP plan with the following exceptions:

- Under the TAP plan, the annual performance factor that determined the number of units that ultimately vested was dependent upon the financial performance of the Trust compared to its peers as measured by unit price appreciation and distributions declared ("Total Shareholder Return"). Under the VIP plan, the Board of Directors of Vermilion will determine the annual performance factor after considering a number of key corporate performance measures including, but not limited to, Total Shareholder Return, capital efficiency metrics, production and reserves growth as well as safety performance.

- Under the TAP plan, the annual performance factor could be 0, 1 or 2 depending on the ranking of the Trust relative to its peers. Under the VIP plan, the annual performance factor as determined by the Board of Directors may be 0, 1, 1.5 or 2.

The following table summarizes information about the awards granted under the TAP plan and the VIP Plan. The table does not reflect the exchange of TAP plan awards for VIP plan awards as the exchange was completed on a one-for-one basis.

	Number of Awards
Balance as at December 31, 2009	1,417,314
Granted	796,273
Vested	(447,714)
Forfeited	(119,272)
Balance as at September 30, 2010	1,646,601

Compensation expense for the three and nine month periods ended September 30, 2010 was $5.6 million and $13.9 million, respectively (2009 - $4.7 million and $13.0 million, respectively) related to the VIP and TAP plans.

Phantom Award Incentive Plan

Compensation expense for this cash settled plan of $0.4 million and $1.5 million has been recorded as general and administration expense during the three and nine month periods ended September 30, 2010 (2009 - $0.3 million and $0.8 million, respectively).

7. PER SHARE AMOUNTS

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

	Three Months Ended		Nine Months Ended	
	Sept 30, 2010	**Sept 30, 2009**	**Sept 30, 2010**	**Sept 30, 2009**
Net earnings	**$ 8,911**	$ 17,834	**$ 95,446**	$ 62,598
Non-controlling interest - exchangeable shares	**306**	1,805	**8,241**	6,200
Net earnings for diluted net earnings per share or unit calculation	**$ 9,217**	$ 19,639	**$ 103,687**	$ 68,798
Basic weighted average shares or units outstanding	**83,374,059**	71,328,047	**81,241,924**	70,963,460
Dilutive impact of shares or units issuable on conversion of exchangeable shares	**5,057,672**	7,090,852	**6,743,994**	7,162,800
Dilutive impact of equity based compensation plan awards	**605,141**	651,686	**706,411**	794,561
Diluted weighted average shares or units outstanding	**89,036,872**	79,070,585	**88,692,329**	78,920,821

Basic net earnings per share or unit has been calculated based on net earnings divided by the basic weighted average shares or 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 share or unit. All outstanding potential shares or units related to incentive plans were dilutive and therefore have been included in the calculation of the diluted shares or units for all periods presented. As a result of the conversion to a corporation (see Notes 1, 4 and 5), 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.

8. DERIVATIVE INSTRUMENTS

Risk Management Activities

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 to not 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 enters 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.

8. DERIVATIVE INSTRUMENTS (Continued)

The following table summarizes Vermilion's outstanding financial derivative positions as at September 30, 2010.

Risk Management: Oil	Funded Cost	bbls/d	US $/bbl
Collar - WTI			
April 2010 - December 2010	US $0.00/bbl	750	$ 72.00 - $ 95.00
April 2010 - December 2010	US $0.00/bbl	750	$ 72.00 - $ 95.00
2010	US $0.00/bbl	1,500	$ 70.00 - $ 97.80
2010	US $1.00/bbl	1,500	$ 72.00 - $ 99.00
2010	US $1.00/bbl	1,500	$ 72.00 - $100.65
2010	US $1.50/bbl	750	$ 70.00 - $ 97.40
2010	US $1.50/bbl	750	$ 69.00 - $ 90.15
January 2011 to June 2011	US $1.00/bbl	2,400	$ 80.00 - $107.60
July 2011 to December 2011	US $1.00/bbl	2,400	$ 80.00 - $110.00
Call Spread - BRENT			
2010	US $4.94/bbl	1,100	$ 65.00 - $ 85.00
2011	US $6.08/bbl	960	$ 65.00 - $ 85.00
2010	US $5.64/bbl	700	$ 65.00 - $ 85.00
2011	US $5.15/bbl	600	$ 65.00 - $ 85.00
Risk Management: Natural Gas	**Funded Cost**	**GJ/d**	**$/GJ**
SWAP - AECO			
April 2010 to October 2010	$0.00/GJ	5,000	$5.28
April 2010 to October 2010	$0.00/GJ	5,000	$5.30
January 2010 to October 2011	$0.00/GJ	700	$5.13
Put – AECO			
April 2010 to October 2010	$0.35/GJ	10,000	$4.50

Risk Management: Foreign Exchange	Notional Principal ($US) / Month	Fixed rate ($CDN / $US)
US Dollar Forward Sale		
July 2010 to December 2010	$2,000,000	$1.07
July 2010 to December 2010	$2,000,000	$1.07
2011	$750,000	$1.07
2011	$750,000	$1.07

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

	Sept 30, 2010	Dec 31, 2009
Fair value of contracts, beginning of period	**$ 14,341**	$ 15,204
Opening unrealized (gain) on contracts settled during the period	**(6,549)**	(11,959)
Realized gain on contracts settled during the period	**8,802**	5,389
Unrealized gain during the period on contracts outstanding at the end of the period	**8,301**	11,096
Net (receipt from) counterparties on contract settlements during the period	**(8,802)**	(5,389)
Fair value of contracts, end of period	**16,093**	14,341
Comprised of:		
Current derivative asset	**12,103**	8,217
Current derivative liability	**-**	(1,772)
Non-current derivative asset	**3,990**	7,896
Fair value of contracts, end of period	**$ 16,093**	$ 14,341

8. DERIVATIVE INSTRUMENTS (Continued)

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

	Three Months Ended		Nine Months Ended	
	Sept 30, 2010	**Sept 30, 2009**	**Sept 30, 2010**	**Sept 30, 2009**
Realized (gain) on contracts settled during the period	**$ (3,812)**	$ (1,092)	**$ (8,802)**	$ (4,005)
Opening unrealized gain on contracts settled during the period	**2,237**	2,989	**6,549**	8,969
Unrealized loss (gain) during the period on contracts outstanding at the end of the period	**3,816**	115	**(8,301)**	(7,241)
Loss (gain) on derivative instruments for the period	**$ 2,241**	$ 2,012	**$ (10,554)**	$ (2,277)

9. SEGMENTED INFORMATION

	Three Months Ended		Nine Months Ended	
	Sept 30, 2010	**Sept 30, 2009**	**Sept 30, 2010**	**Sept 30, 2009**
Petroleum and natural gas revenue				
Canada	**$ 43,696**	$ 33,761	**$ 135,633**	$ 109,998
France	**63,023**	55,539	**180,734**	145,003
Netherlands	**20,872**	12,432	**51,122**	54,372
Australia	**44,662**	48,451	**143,890**	149,834
Ireland	**-**	-	**-**	-
	$ 172,253	$ 150,183	**$ 511,379**	$ 459,207
Net earnings (loss)				
Canada	**$ (14,459)**	$ (19,065)	**$ (1,880)**	$ (49,110)
France	**(9,523)**	15,609	**51,424**	40,721
Netherlands	**4,951**	4,611	**13,645**	21,383
Australia	**21,077**	18,713	**41,865**	51,638
Ireland	**6,865**	(2,034)	**(9,608)**	(2,034)
	$ 8,911	$ 17,834	**$ 95,446**	$ 62,598
Capital expenditures				
Canada	**$ 45,751**	$ 13,234	**$ 189,933**	$ 40,213
France	**8,808**	11,009	**31,953**	49,216
Netherlands	**1,384**	4,695	**6,504**	9,293
Australia	**24,217**	26	**38,908**	4,457
Ireland	**28,372**	146,891	**63,885**	158,651
	$ 108,532	$ 175,855	**$ 331,183**	$ 261,830

	Sept 30, 2010	**Dec 31, 2009**
Total assets		
Canada	**$ 957,074**	$ 711,435
France	**676,581**	575,426
Netherlands	**123,684**	180,803
Australia	**258,997**	250,780
Ireland	**435,354**	366,232
	$ 2,451,690	$ 2,084,676

10. COMPONENTS OF CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at September 30, 2010 and December 31, 2009 was comprised solely of monies on deposit with banks.

11. CAPITAL DISCLOSURES

Vermilion's manner of managing capital has not changed from the prior year. The following table calculates Vermilion's ratio of net debt to annualized fund flows from operations (both non-GAAP measures) for the three and nine month periods ended September 30, 2010:

	Three Months Ended Sept 30, 2010	Nine Months Ended Sept 30, 2010
Long-term debt	**$ 249,147**	$ 249,147
Current liabilities	**269,663**	269,663
Current assets	**(280,553)**	(280,553)
Net debt [1]	**$ 238,257**	$ 238,257
Cash flows from operating activities	**$ 106,575**	$ 294,091
Changes in non-cash operating working capital	**(12,972)**	(32,532)
Asset retirement costs incurred	**939**	1,751
Fund flows from operations	**$ 94,542**	$ 263,310
Annualized fund flows from operations [2]	**378,168**	351,080
Ratio of net debt to annualized fund flows from operations ([1] / [2])	**0.63**	0.68

For the three and nine month periods ended September 30, 2010, the ratio of net debt to annualized fund flows from operations was 0.63 and 0.68 respectively. As a result of expected capital spending, Vermilion expects that its ratio of net debt to fund flows from operations will increase until first gas is achieved on the Corrib project in Ireland.

In relation to its long-term debt, Vermilion 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, income taxes, depreciation, amortization and certain other non-cash items). During the periods covered by these financial statements, Vermilion continued to comply with this externally imposed capital requirement.

12. FINANCIAL INSTRUMENTS

Fair Values of Financial Instruments

Cash, short-term investments, derivative assets and liabilities and long-term investments are recorded at fair value which is determined with reference to published price quotations in active markets or accepted pricing models which are adjusted for credit risk. The carrying value of accounts receivable, accounts payable and dividends payable approximates fair value due to the short maturities of these instruments. 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.

Summarized Quantitative Data Associated with the Risks Arising from Financial Instruments

Credit risk:
As at September 30, 2010 Vermilion's maximum exposure to receivable credit risk was $120.8 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 at the balance sheet date the amount of financial assets that were past due or impaired was not material.

12. FINANCIAL INSTRUMENTS (Continued)

Liquidity risk:
The following table summarizes Vermilion's undiscounted financial liabilities and their contractual maturities as at September 30, 2010 and December 31, 2009:

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
September 30, 2010:				
Non-derivative financial liabilities	89,805	138,858	6,310	390,423
December 31, 2009:				
Non-derivative financial liabilities	117,911	84,911	9,920	302,691

Vermilion's derivative liabilities settle on a monthly basis.

Market risk:
Vermilion is exposed to currency risk related to changes in foreign currency denominated financial instruments, commodity price risk related to outstanding derivative positions and interest rate risk related to its long-term debt. The following table summarizes what the impact on net earnings before tax would be for the nine month period ended September 30, 2010 given changes in the relevant risk variables that Vermilion considers were reasonably possible at the balance sheet date. 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.

Nine months ended September 30, 2010:

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, 2010.	$	(1,866)
	Decrease in strength of the Canadian dollar against the Euro by 5% over the relevant closing rates on September 30, 2010.	$	1,866
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, 2010.	$	3,760
	Decrease in strength of the Canadian dollar against the US$ by 5% over the relevant closing rates on September 30, 2010.	$	(3,760)
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, 2010.	$	(727)
	Decrease in strength of the Canadian dollar against the AUD$ by 5% over the relevant closing rates on September 30, 2010.	$	727
Commodity price risk	**Increase** in relevant oil reference price at September 30, 2010 by US$5.00/bbl within option pricing models used to determine the fair value of derivative positions.	$	3,156
	Decrease in relevant oil reference price at September 30, 2010 by US$5.00/bbl within option pricing models used to determine the fair value of derivative positions.	$	726

Reasonably possible changes in interest rates and natural gas prices would not have had a material impact on net earnings for the period ended September 30, 2010.

VERMILION ENERGY

Corporate Information

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

INVESTOR RELATIONS CONTACT
Paul L. Beique, VP Capital Markets
Dean Morrison, Director Investor Relations
403.269.4884 TEL
403.476.8100 FAX
1.866.895.8101 IR TOLL FREE
investor_relations@vermilionenergy.com

3500, 520 - 3rd Avenue S.W.
Calgary, Alberta T2P 0R3
T. 403.269.4884 | F. 403.476-8100
www.vermilionenergy.com