Q2 2012

VERMILION ENERGY INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE SIX MONTHS ENDED JUNE 30, 2012

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 strategies and objectives;
- reserve quantities and the discounted present value of future net cash flows from such reserves;
- petroleum and natural gas sales;
- 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 expenses, including the payment of future dividends;
- royalty rates;
- the timing of regulatory proceedings and approvals;
- the timing of first commercial natural gas from the Corrib field; and
- estimate of Vermilion's share of the expected natural gas production 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 crude oil, natural gas liquids 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;
- foreign currency exchange rates and interest rates;
- future crude oil, natural gas liquids and natural gas prices; and
- Management's expectations relating to the timing and results of exploration and 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, natural gas liquids and natural gas and market demand;
- risks and uncertainties involving geology of crude oil, natural gas liquids 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 on acceptable terms;
- fluctuations in crude oil, natural gas liquids 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 exploration and development 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 regulatory 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 of oil equivalent. 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 August 1, 2012, of Vermilion Energy Inc.'s ("Vermilion" or the "Company") operating and financial results as at and for the three and six months ended June 30, 2012 compared with the corresponding periods in the prior year.

This discussion should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2012 and the audited consolidated financial statements for the year ended December 31, 2011 and 2010, together with accompanying notes. Additional information relating to Vermilion, including its Annual Information Form, is available on SEDAR at www.sedar.com or on Vermilion's website at www.vermilionenergy.com.

The unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2012 and comparative information have been prepared in Canadian dollars, except where another currency has been indicated, and in accordance with IAS 34, "Interim financial reporting", as issued by the International Accounting Standards Board.

NON-GAAP MEASURES

This report includes non-GAAP measures as further described herein. These non-GAAP measures do not have standardized meanings prescribed by International Financial Reporting Standards ("IFRS" or, alternatively, "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 fund flows from operations per share to be key measures as they demonstrate Vermilion's ability to generate the cash necessary to pay dividends, repay debt, fund asset retirement obligations 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 non-cash operating working capital. The most directly comparable GAAP measure is cash flows from operating activities.

"Fund flows from operations (excluding the Corrib project)" represents fund flows from operations excluding transportation expense related to the Corrib project. Transportation expense related to the Corrib project pertains to a ship or pay agreement and, 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.

Cash flows from operating activities as presented in Vermilion's consolidated statements of cash flows are reconciled to fund flows from operations as follows:

	Three Months Ended			% change		Six Months Ended		% change
($M)	June 30, 2012	March 31, 2012	June 30, 2011	Q2/12 vs. Q1/12	Q2/12 vs. Q2/11	June 30, 2012	June 30, 2011	2012 vs. 2011
Cash flows from operating activities	**123,485**	124,887	61,930			**248,372**	188,547	
Changes in non-cash operating working capital	**1,709**	25,469	47,757			**27,178**	21,294	
Asset retirement obligations settled	**2,581**	766	9,612			**3,347**	11,243	
Fund flows from operations	**127,775**	151,122	119,299	(15%)	7%	**278,897**	221,084	26%
Transportation expense related to the Corrib project	**1,974**	2,001	2,270			**3,975**	4,468	
Fund flows from operations (excluding the Corrib project)	**129,749**	153,123	121,569	(15%)	7%	**282,872**	225,552	25%

"Acquisitions, including acquired working capital deficiencies" are the sum of "Property acquisitions" 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 acquisition.

Property acquisitions as presented in Vermilion's consolidated statements of cash flows are reconciled to acquisitions, including acquired working capital deficiencies as follows:

	Three Months Ended			% change		Six Months Ended		% change
($M)	June 30, 2012	March 31, 2012	June 30, 2011	Q2/12 vs. Q1/12	Q2/12 vs. Q2/11	June 30, 2012	June 30, 2011	2012 vs. 2011
Property acquisitions	**-**	106,184	(190)			**106,184**	38,101	
Acquired working capital deficiencies	**-**	4,098	-			**4,098**	-	
Acquisitions, including acquired working capital deficiencies	**-**	110,282	(190)	(100%)	100%	**110,282**	38,101	189%

"Net debt" is the sum of long-term debt and working capital as presented in Vermilion's consolidated balance sheets. Net debt is used by management to analyze the financial position and leverage of Vermilion. The most directly comparable GAAP measure is long-term debt.

Long-term debt as presented in Vermilion's consolidated balance sheets is reconciled to net debt as follows:

	As At	
($M)	June 30, 2012	Dec 31, 2011
Long-term debt	**452,267**	373,436
Current liabilities	**397,483**	491,184
Current assets	**(325,140)**	(435,659)
Net debt	**524,610**	428,961

"Cash dividends per share" represents cash dividends declared per share by Vermilion.

"Net dividends" are dividends declared less proceeds received by Vermilion for the issuance of shares 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. Dividends declared are the most directly comparable GAAP measures to net dividends.

Dividends declared as presented in Vermilion's consolidated statements of changes in shareholders' equity are reconciled to net dividends as follows:

	Three Months Ended			% change		Six Months Ended		% change
($M)	June 30, 2012	March 31, 2012	June 30, 2011	Q2/12 vs. Q1/12	Q2/12 vs. Q2/11	June 30, 2012	June 30, 2011	2012 vs. 2011
Dividends declared	**55,962**	55,124	51,421			**111,086**	102,363	
Issuance of shares pursuant to the dividend reinvestment plan	**(18,781)**	(17,558)	(14,084)			**(36,339)**	(27,060)	
Net dividends	**37,181**	37,566	37,337	(1%)	-	**74,747**	75,303	(1%)

"Total net dividends, capital expenditures and asset retirement obligations settled" are "net dividends" plus the following amounts from Vermilion's consolidated statements of cash flows: "Drilling and development", "Exploration and evaluation", and "Asset retirement obligations settled."

"Total net dividends, capital expenditures and asset retirement obligations settled (excluding the Corrib project)" are "total net dividends, capital expenditures and asset retirement obligations settled" excluding drilling and development and asset retirement obligations settled relating to the Corrib project.

These measures are reviewed by management and are assessed as a percentage of fund flows from operations and fund flows from operations (excluding the Corrib project) to analyze the amount of cash that is generated by Vermilion that is available to repay debt and fund potential acquisitions.

These non-GAAP measures are comprised of the following GAAP measures:

($M)	Three Months Ended June 30, 2012	March 31, 2012	June 30, 2011	% change Q2/12 vs. Q1/12	Q2/12 vs. Q2/11	Six Months Ended June 30, 2012	June 30, 2011	% change 2012 vs. 2011
Dividends declared	**55,962**	55,124	51,421			**111,086**	102,363	
Issuance of shares pursuant to the dividend reinvestment plan	**(18,781)**	(17,558)	(14,084)			**(36,339)**	(27,060)	
Drilling and development	**77,956**	87,896	75,584			**165,852**	192,417	
Exploration and evaluation	**16,932**	6,464	9,750			**23,396**	11,331	
Asset retirement obligations settled	**2,581**	766	9,612			**3,347**	11,243	
Total net dividends, capital expenditures and asset retirement obligations settled	**134,650**	132,692	132,283	1%	2%	**267,342**	290,294	(8%)
Capital expenditures and asset retirement obligations settled related to the Corrib project	**(13,928)**	(9,482)	(22,722)			**(23,410)**	(32,705)	
Total net dividends, capital expenditures and asset retirement obligations settled (excluding the Corrib project)	**120,722**	123,210	109,561	(2%)	10%	**243,932**	257,589	(5%)

"Netbacks" are per barrel of oil equivalent and per mcf measures used in operational and capital allocation decisions.

"Diluted shares outstanding" is the sum of shares outstanding at the period end plus outstanding awards under Vermilion's equity based compensation plan, based on current estimates of future performance factors and forfeitures.

Shares outstanding is reconciled to diluted shares outstanding as follows:

('000s of shares)	As At June 30, 2012	March 31, 2012	June 30, 2011
Shares outstanding	**98,330**	96,838	90,322
Potential shares issuable pursuant to the equity based compensation plan	**2,919**	2,719	2,116
Diluted shares outstanding	**101,249**	99,557	92,438

OPERATIONAL ACTIVITIES

Canada

In Canada, Vermilion participated in the drilling of 10 wells (6.7 net) during the second quarter of 2012. These wells included six (5.1 net) operated Cardium horizontal wells and one (0.2 net) non-operated Cardium wells. At the end of the second quarter of 2012, 73 operated (63.9 net) Cardium wells were on production and 53 (17.3 net) non-operated wells were on production. Drilling and completion activities were lower than in the first quarter of 2012 as a result of some activities being deferred until the summer months following spring break-up.

France

In France, Vermilion continued with an active workover and recompletion program in addition to initiating optimization activities following the assumption of operatorship of the recently acquired working interests in the Paris and Aquitaine basins. Vermilion continues to work toward full integration of the acquired assets and the identification of further future optimization and infill drilling opportunities.

Netherlands

In the Netherlands, second quarter of 2012 operating activities were focused on drilling the Vinkega-2 development well in the Gorredijk concession. The well targeted the Rotliegend sandstone and is a follow-up drill to Vermilion's successful discovery well, Vinkega-1, drilled in 2009. The well was rig released at the end of June following successful drilling operations which were completed on time and on budget. Vermilion has commenced testing operations and is currently awaiting final test results and analysis. Vermilion also completed construction of facilities to enable production from the fourth and final well of the 2009 drilling campaign, De Hoeve-1, and successfully brought on production at De Hoeve in May of 2012. Additional operating activities were focused on ongoing facility maintenance, site construction for the remainder of the 2012 drilling program and planning and permitting activities in preparation for a 2013 drilling campaign. Vermilion currently plans to commence drilling of a second Netherlands well during the third quarter of 2012. Vermilion also continues to evaluate the results of the 2011 drilling program, including facilities, infrastructure and permitting requirements associated with related production additions currently anticipated in 2013.

Australia

Vermilion continued preparations and permitting in anticipation of initiating a two to three well drilling campaign in late 2012. Due to the anticipated late timing of the 2012 drilling campaign, production from the wells is not currently expected to occur until early 2013.

PRODUCTION

	Three Months Ended			% change		Six Months Ended		% change
	June 30, 2012	March 31, 2012	June 30, 2011	Q2/12 vs. Q1/12	Q2/12 vs. Q2/11	June 30, 2012	June 30, 2011	2012 vs. 2011
Canada								
Crude oil & NGLs (bbls/d)	**9,078**	8,876	5,209	2%	74%	**8,977**	5,148	74%
Natural gas (mmcf/d)	**41.32**	41.83	43.30	(1%)	(5%)	**41.58**	43.30	(4%)
Total (boe/d)	**15,965**	15,848	12,426	1%	28%	**15,906**	12,366	29%
% of consolidated	**40%**	40%	35%			**41%**	36%	
France								
Crude oil (bbls/d)	**9,931**	10,270	8,273	(3%)	20%	**10,101**	8,341	21%
Natural gas (mmcf/d)	**3.57**	3.48	0.88	3%	306%	**3.53**	0.95	272%
Total (boe/d)	**10,526**	10,850	8,419	(3%)	25%	**10,689**	8,500	26%
% of consolidated	**27%**	28%	24%			**27%**	24%	
Netherlands								
NGLs (bbls/d)	**84**	72	54	17%	56%	**78**	50	56%
Natural gas (mmcf/d)	**33.74**	35.08	33.77	(4%)	-	**34.41**	31.88	8%
Total (boe/d)	**5,707**	5,919	5,682	(4%)	-	**5,813**	5,362	8%
% of consolidated	**15%**	15%	16%			**15%**	16%	
Australia								
Crude oil (bbls/d)	**6,970**	6,648	8,692	5%	(20%)	**6,809**	8,501	(20%)
% of consolidated	**18%**	17%	25%			**17%**	24%	
Consolidated								
Crude oil & NGLs (bbls/d)	**26,063**	25,866	22,228	1%	17%	**25,965**	22,040	18%
% of consolidated	**67%**	66%	63%			**66%**	63%	
Natural gas (mmcf/d)	**78.63**	80.39	77.95	(2%)	1%	**79.51**	76.13	4%
% of consolidated	**33%**	34%	37%			**34%**	37%	
Total (boe/d)	**39,168**	39,265	35,219	-	11%	**39,217**	34,729	13%

Average total production in Canada of 15,965 boe/d during the second quarter of 2012 was essentially flat with production of 15,848 boe/d in the first quarter of 2012 and 28% higher than second quarter of 2011 production of 12,426 boe/d. The year over year increase in Vermilion's Canadian production was mainly attributable to Cardium volumes, which more than doubled over the period, partially offset by a purposeful decline in Vermilion's conventional Canadian natural gas production. Production results to date continue to illustrate the low risk, dependable nature of planned production additions associated with Vermilion's Cardium related drilling and completions program. At the end of the second quarter of 2012, Vermilion's high netback oil and liquids production represented approximately 57% of total Canadian production as compared to 42% at the end of the second quarter of 2011.

Production in France averaged 10,526 boe/d in the second quarter of 2012, a modest 3% decline from the first quarter of 2012 production of 10,850 boe/d. The decrease was attributable to natural production declines that were partially offset by minor optimization activities during the quarter. On a year over year basis production has grown by more than 25%. The significant increase is largely attributable to incremental production volumes associated with Vermilion's acquisition of certain working interests in the Paris and Aquitaine basins in January 2012. Following the acquisition, Vermilion's France production remains predominantly weighted toward Brent crude at approximately 94%.

Average production volumes of 5,707 boe/d in the Netherlands during the second quarter of 2012 were relatively flat as compared to first quarter of 2012 production of 5,919 boe/d and 5,682 boe/d during the second quarter of 2011. Incremental production from the Rotliegend zone of the Vinkega-1 discovery well, brought on production in December 2011, and from De Hoeve-1, on production in May 2012, have largely offset natural production declines in the Netherlands and the termination of production from the Vlieland zone of the Vinkega-1 well in late 2011.

Australia production averaged 6,970 boe/d during the second quarter of 2012, compared to 6,648 boe/d in the first quarter of 2012 and 8,692 boe/d in the second quarter of 2011. The increase in production as compared to the first quarter of 2012 reflects the absence of downtime associated with cyclone related shut downs during the first quarter of 2012. Production volumes during the second quarter of 2011 reflected the strong, flush performance of three wells drilled and brought on production in November 2010. Vermilion expects to sustain annual average production at between 6,000 boe/d and 8,000 boe/d over the next few years with two-to-three well drilling campaigns conducted approximately every other year. The next planned drilling campaign is scheduled for late 2012.

FINANCIAL REVIEW

During the three months ended June 30, 2012, Vermilion generated fund flows from operations of $127.8 million compared to $151.1 million for the three months ended March 31, 2012 and $119.3 million for the three months ended June 30, 2011. The decrease in fund flows from operations for the second quarter of 2012 as compared to the first quarter of 2012 was primarily the result of lower commodity prices combined with a build of inventory in France and Australia. The increase in fund flows from operations for the second quarter of 2012 compared to the same period in the prior year was the result of lower current taxes and a reduction in realized losses on Vermilion's commodity hedging contracts. The reduction in current taxes was the result of generally lower commodity prices and higher capital spending during the second quarter in Australia, which reduced PRRT. The GAAP measure cash flows from operating activities was relatively consistent quarter over quarter despite the decrease in fund flows from operations, due in part to the collection of accounts receivable related to the draw of inventory in Australia at the end of the previous quarter.

During the six months ended June 30, 2012, Vermilion generated fund flows from operations of $278.9 million compared to $221.1 million in 2011. The year over year increase in fund flows from operations resulted primarily from higher oil production in Canada and France in addition to lower PRRT in Australia. The GAAP measure cash flows from operating activities increased year over year as a result of the increase in fund flows from operations and reduced asset retirement obligations settled.

Vermilion's net debt was $524.6 million at June 30, 2012 (December 31, 2011 - $429.0 million) representing approximately 0.9 times annualized fund flows from operations. The increase in net debt was the result of a $106.1 million acquisition of certain working interests in six producing fields located in the Paris and Aquitaine basins in France. Long-term debt increased to $452.3 million at June 30, 2012 (December 31, 2011 - $373.4 million) as a result of current year to date capital expenditures, including the continued development of the Cardium resource play and the acquisitions of additional undeveloped acreage in Canada, as well as the aforementioned acquisition in France.

For the six months ended June 30, 2012, total net dividends, capital expenditures and asset retirement obligations settled (excluding capital expenditures and asset retirement obligations settled on the Corrib project) expressed as a percentage of fund flows from operations were 86% (June 30, 2011 - 114%). The year over year decreases in this ratio relates primarily to improved fund flows from operations and lower capital expenditures.

COMMODITY PRICES

	Three Months Ended			% change		Six Months Ended		% change
	June 30, 2012	March 31, 2012	June 30, 2011	Q2/12 vs. Q1/12	Q2/12 vs. Q2/11	June 30, 2012	June 30, 2011	2012 vs. 2011
Average reference prices								
WTI (US $/bbl)	**93.49**	102.93	102.56	(9%)	(9%)	**98.21**	98.33	0%
Edmonton Sweet index (US $/bbl)	**83.29**	92.44	106.91	(10%)	(22%)	**87.86**	98.16	(10%)
Dated Brent (US $/bbl)	**108.19**	118.49	117.36	(9%)	(8%)	**113.34**	111.16	2%
AECO ($/mcf)	**1.90**	2.15	3.87	(12%)	(51%)	**2.02**	3.82	(47%)
Netherlands oil-linked gas price ($/mcf)	**9.94**	10.18	9.14	(2%)	9%	**10.06**	8.68	16%
Netherlands oil-linked gas price (€/mcf)	**7.67**	7.75	6.94	(1%)	11%	**7.71**	6.34	22%
Average realized prices ($/boe)								
Canada	**51.58**	55.84	54.04	(8%)	(5%)	**53.70**	51.66	4%
France	**104.15**	104.84	107.90	(1%)	(3%)	**106.56**	104.35	2%
Netherlands	**57.88**	59.08	56.91	(2%)	2%	**58.49**	54.19	8%
Australia	**129.94**	156.43	132.87	(17%)	(2%)	**119.16**	116.52	2%
Consolidated	**76.04**	86.90	86.83	(12%)	(12%)	**79.57**	80.82	(2%)
Production mix (% of production)								
% priced with reference to WTI	**23%**	23%	15%			**23%**	15%	
% priced with reference to AECO	**18%**	18%	20%			**18%**	21%	
% priced with reference to Dated Brent	**59%**	59%	65%			**59%**	64%	

Reference prices

During the three months ended June 30, 2012, the average WTI reference price decreased by 9%, the average Edmonton Sweet index decreased by 10% and the average Dated Brent reference price decreased by 9% as compared to the three months ended March 31, 2012.

Overall, crude oil prices were generally lower during the second quarter of 2012 as compared to the first quarter of 2012. This was a result of the combined effects of forecasted weaker global demand, easing concerns over geopolitical supply risks, and continued strength in global production. WTI and the Edmonton Sweet index continued to trade at a significant discount to Dated Brent due to increased production in North America and the subsequent pipeline capacity constraints in the U.S. Midwest.

The AECO average reference price declined 12% from the first quarter of 2012 to the second quarter of 2012 due in part to the excess supply of natural gas in North America and continued high levels of inventory.

The Netherlands realized gas price remained relatively consistent quarter over quarter.

Realized pricing

The realized price of Vermilion's crude oil in Canada is directly linked to WTI but is subject to market conditions in Western Canada. These market conditions can result in fluctuations in the pricing differential, as reflected by the Edmonton Sweet index price. The realized price of Vermilion's NGLs in Canada is based on differentials to product specific trading hubs in the U.S. The realized price of Vermilion's natural gas in Canada is based on the AECO spot price in Alberta.

Vermilion's crude oil in France and Australia is priced with reference to Dated Brent.

The price of Vermilion's natural gas in the Netherlands is based on pricing established by GasTerra, a statutory entity which purchases all natural gas produced by Vermilion in the Netherlands. The oil-linked gas price in the Netherlands is calculated using a trailing average of Dated Brent and the gas prices from European trading hubs.

Average realized prices in Vermilion's international jurisdictions will differ from their corresponding average reference prices due to a number of factors; including the timing of the sale of production, differences in the quality of production and point of settlement. In Canada, average realized prices are impacted by the production mix of crude oil, NGLs and natural gas. The quarter over quarter decrease in average realized prices in Canada was due to a decline in oil prices together with the increased spread between WTI and the Edmonton Sweet index price and a lower AECO reference price for natural gas.

On a consolidated basis, for the three months ended June 30, 2012, crude oil and NGL production represented approximately 67% of total production (three months ended June 30, 2011 - 63%). Production priced with reference to crude oil (WTI and Dated Brent) represented approximately 82% of total production for the three months ended June 30, 2012 (three months ended June 30, 2011, 80%).

CAPITAL EXPENDITURES AND PROPERTY ACQUISITIONS

By category ($M)	Three Months Ended June 30, 2012	Three Months Ended March 31, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Land	**31,713**	6,667	12,210	**38,380**	15,205
Seismic	**1,327**	799	2,108	**2,126**	3,873
Drilling and completion	**28,309**	54,858	27,884	**83,167**	90,967
Production equipment and facilities	**26,718**	24,755	32,405	**51,473**	76,156
Recompletions	**1,403**	2,645	5,725	**4,048**	10,991
Other	**5,418**	4,636	5,002	**10,054**	6,556
Capital expenditures	**94,888**	94,360	85,334	**189,248**	203,748
Property acquisitions	**-**	106,184	(190)	**106,184**	38,101
Total capital expenditures and acquisitions	**94,888**	200,544	85,144	**295,432**	241,849

By classification ($M)	Three Months Ended June 30, 2012	Three Months Ended March 31, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Drilling and development	**77,956**	87,896	75,584	**165,852**	192,417
Exploration and evaluation	**16,932**	6,464	9,750	**23,396**	11,331
Capital expenditures	**94,888**	94,360	85,334	**189,248**	203,748
Property acquisitions	**-**	106,184	(190)	**106,184**	38,101
Total capital expenditures and acquisitions	**94,888**	200,544	85,144	**295,432**	241,849

By country ($M)	Three Months Ended June 30, 2012	Three Months Ended March 31, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Canada	**55,456**	71,982	40,985	**127,438**	161,313
France	**10,281**	111,842	17,635	**122,123**	36,065
Netherlands	**5,379**	2,570	5,598	**7,949**	11,136
Australia	**9,867**	4,544	4,473	**14,411**	6,899
Ireland	**13,905**	9,606	16,453	**23,511**	26,436

Capital expenditures for the three months ended June 30, 2012 were higher relative to both the three months ended March 31, 2012 and June 30, 2011 while capital expenditures for the six months ended June 30, 2012 were lower relative to the same period in 2011.

The slight increase in capital expenditures for the second quarter as compared to the first quarter of 2012 was primarily the result of the increased land purchases that were almost entirely offset by lower expenditures for drilling and completion activity, both primarily in Canada.

The increase in capital expenditures for the three months ended June 30, 2012 as compared to the same period in 2011 was primarily the result of increased land purchases in Canada.

The increase in property acquisitions in 2012 was primarily due to the January 2012 acquisition of certain working interests in six producing fields located in the Paris and Aquitaine basins in France. Vermilion paid $106.1 million upon closing of the acquisition.

PETROLEUM AND NATURAL GAS SALES

By product ($M except per boe and per mcf)	Three Months Ended June 30, 2012	March 31, 2012	June 30, 2011	% change Q2/12 vs. Q1/12	Q2/12 vs. Q2/11	Six Months Ended June 30, 2012	June 30, 2011	% change 2012 vs. 2011
Crude oil & NGLs	**205,126**	268,291	232,677	(24%)	(12%)	**473,417**	423,045	12%
Per boe	**100.07**	113.99	115.04	(12%)	(13%)	**103.17**	106.04	(3%)
Natural gas	**41,418**	42,197	45,620	(2%)	(9%)	**83,615**	84,992	(2%)
Per mcf	**5.79**	5.77	6.43	-	(10%)	**5.78**	6.17	(6%)
Petroleum and natural gas sales	**246,544**	310,488	278,297	(21%)	(11%)	**557,032**	508,037	10%
Per boe	**76.04**	86.90	86.83	(12%)	(12%)	**79.57**	80.82	(2%)

By country ($M except per boe)	Three Months Ended June 30, 2012	March 31, 2012	June 30, 2011	% change Q2/12 vs. Q1/12	Q2/12 vs. Q2/11	Six Months Ended June 30, 2012	June 30, 2011	% change 2012 vs. 2011
Canada	**74,932**	80,526	61,110	(7%)	23%	**155,458**	115,609	34%
Per boe	**51.58**	55.84	54.04	(8%)	(5%)	**53.70**	51.66	4%
France	**94,828**	103,511	82,664	(8%)	15%	**198,339**	160,538	24%
Per boe	**104.15**	104.84	107.90	(1%)	(3%)	**106.56**	104.35	2%
Netherlands	**30,062**	31,820	29,426	(6%)	2%	**61,882**	52,591	18%
Per boe	**57.88**	59.08	56.91	(2%)	2%	**58.49**	54.19	8%
Australia	**46,722**	94,631	105,097	(51%)	(56%)	**141,353**	179,299	(21%)
Per boe	**129.94**	156.43	132.87	(17%)	(2%)	**119.16**	116.52	2%

Vermilion's consolidated petroleum and natural gas sales for the three months ended June 30, 2012 decreased relative to the three months ended March 31, 2012 by $63.9 million. This decrease was the result of overall lower commodity prices, partially offset by higher crude oil and NGL sales volumes in Canada.

Consolidated petroleum and natural gas sales for the three months ended June 30, 2012 were lower than the comparable period in 2011 by $31.8 million. This decrease was the result of lower Dated Brent, Edmonton Sweet index, WTI and AECO pricing, offset slightly by increases in the Netherlands oil-linked gas price. The impact of lower pricing was partially offset by higher crude oil and NGL sales volumes in Canada and France.

Consolidated petroleum and natural gas sales for the six months ended June 30, 2012 were higher than the comparable period in 2011 by $49.0 million. The increase was primarily attributable to higher crude oil and NGL sales volumes in Canada and France and higher natural gas sales volumes in the Netherlands. This increase was partially offset by lower Edmonton Sweet index oil prices and AECO gas prices.

CRUDE OIL INVENTORY

Vermilion carries an inventory of crude oil in France and Australia, which is a result of timing differences between production and sales. Crude oil inventories increased in the second quarter of 2012 versus the first quarter of 2012 due to an increase in both France's and Australia's inventory of 47,380 bbls and 274,670 bbls, respectively.

The following table summarizes the changes in Vermilion's crude oil inventory positions:

(bbls)	Three Months Ended June 30, 2012	Three Months Ended March 31, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
France					
Opening crude oil inventory	**223,421**	186,955	167,438	**186,955**	158,229
Crude oil production	**903,750**	934,544	752,813	**1,838,294**	1,509,786
Crude oil sales	**(856,370)**	(898,078)	(705,119)	**(1,754,448)**	(1,452,883)
Closing crude oil inventory	**270,801**	223,421	215,132	**270,801**	215,132
Australia					
Opening crude oil inventory	**208**	221,898	226,183	**221,898**	172,199
Crude oil production	**634,245**	604,934	790,968	**1,239,179**	1,538,766
Crude oil sales	**(359,575)**	(826,624)	(954,754)	**(1,186,199)**	(1,648,568)
Closing crude oil inventory	**274,878**	208	62,397	**274,878**	62,397

DERIVATIVE INSTRUMENTS

($M except per boe)	Three Months Ended June 30, 2012	Three Months Ended March 31, 2012	Three Months Ended June 30, 2011	% change Q2/12 vs. Q1/12	% change Q2/12 vs. Q2/11	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011	% change 2012 vs. 2011
Realized loss on derivative instruments	**3,591**	5,718	10,437	(37%)	(66%)	**9,309**	14,392	(35%)
Per boe	**1.11**	1.60	3.26	(31%)	(66%)	**1.33**	2.29	(42%)

The impact of Vermilion's derivative based risk management activities decreased the fund flows netback for the three and six months ended June 30, 2012 by $1.11 and $1.33 per boe, respectively. This compares to a decrease of $3.26 and $2.29 per boe for the same periods in 2011. The lower cost of risk management activities in the three and six months ended June 30, 2012 was associated with weaker crude oil prices relative to the ceiling on certain collars pertaining to 2012.

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 fluctuations. 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 in fair value in net earnings at each reporting period. During the normal course of business, Vermilion may enter into fixed price arrangements to sell a portion of its production or purchase commodities for operational use. Vermilion does not apply fair value accounting on these contracts as they were entered into and continue to be held for the sale of production or operational use in accordance with the Company's expected requirements. Vermilion does not obtain collateral or other security to support its financial derivatives as management reviews the creditworthiness of its counterparties prior to entering into derivative contracts.

The following table summarizes Vermilion's outstanding financial derivative positions as at June 30, 2012:

Risk Management	Funded Cost (US $/bbl)	bbls/d	Strike Price(s) US $/bbl
Collar - WTI			
January 2012 to December 2012	1.00	250	82.00 - 119.45
July 2012 to September 2012	1.00	500	82.00 - 125.75
July 2012 to September 2012	1.00	250	82.00 - 128.50
July 2012 to September 2012	1.00	500	85.00 - 145.75
July 2012 to December 2012	1.00	500	78.00 - 104.15
July 2012 to December 2012	1.00	500	82.00 - 99.35
July 2012 to December 2012	1.00	500	82.00 - 115.10
October 2012 - December 2012	0.50	500	85.00 - 138.25
Collar - DATED BRENT			
January 2012 to December 2012	1.00	1,000	82.00 - 113.40
January 2012 to December 2012	1.00	500	82.00 - 115.50
January 2012 to December 2012	1.00	500	82.00 - 130.75
July 2012 to September 2012	1.00	500	97.00 - 126.50
July 2012 to September 2012	1.00	250	92.00 - 127.80
July 2012 to December 2012	1.00	1,000	82.00 - 126.05
July 2012 to December 2012	1.00	1,000	82.00 - 126.55
October 2012 - December 2012	1.00	500	92.00 - 134.25
October 2012 - December 2012	1.00	500	97.00 - 132.20
Put - DATED BRENT			
January 2012 to December 2012	4.46	600	83.00
January 2012 to December 2012	4.90	600	83.00
January 2012 to December 2012	4.49	600	83.00
January 2012 to December 2012	4.39	600	83.00
January 2012 to December 2012	3.65	500	83.00

An up to date listing of Vermilion's outstanding financial derivative positions is available on Vermilion's website at www.vermilionenergy.com/ir/hedging.cfm.

ROYALTIES

By product ($M except per boe and per mcf)	Three Months Ended June 30, 2012	Three Months Ended March 31, 2012	Three Months Ended June 30, 2011	% change Q2/12 vs. Q1/12	% change Q2/12 vs. Q2/11	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011	% change 2012 vs. 2011
Crude oil & NGLs	**13,242**	14,241	12,298	(7%)	8%	**27,483**	24,037	14%
Per boe	**6.46**	6.05	6.08	7%	6%	**5.99**	6.03	(1%)
Natural gas	**89**	211	242	(58%)	(63%)	**300**	1,710	(82%)
Per mcf	**0.01**	0.03	0.03	(67%)	(67%)	**0.02**	0.12	(83%)
Royalties	**13,331**	14,452	12,540	(8%)	6%	**27,783**	25,747	8%
Per boe	**4.11**	4.04	3.91	2%	5%	**3.97**	4.10	(3%)
% of petroleum and natural gas sales	**5.4%**	4.7%	4.5%			**5.0%**	5.1%	

By country ($M except per boe)	Three Months Ended June 30, 2012	Three Months Ended March 31, 2012	Three Months Ended June 30, 2011	% change Q2/12 vs. Q1/12	% change Q2/12 vs. Q2/11	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011	% change 2012 vs. 2011
Canada	**8,216**	8,969	7,778	(8%)	6%	**17,185**	16,453	4%
Per boe	**5.66**	6.22	6.88	(9%)	(18%)	**5.94**	7.35	(19%)
% of petroleum and natural gas sales	**11.0%**	11.1%	12.7%			**11.1%**	14.2%	
France	**5,115**	5,483	4,762	(7%)	7%	**10,598**	9,294	14%
Per boe	**5.62**	5.55	6.22	1%	(10%)	**5.69**	6.04	(6%)
% of petroleum and natural gas sales	**5.4%**	5.3%	5.8%			**5.3%**	5.8%	

Consolidated royalties per boe for the three and six months ended June 30, 2012 were $4.11 and $3.97, respectively, as compared to $3.91 and $4.10 for the same periods in the prior year. Consolidated royalties per boe for the first quarter of 2012 were $4.04. As a percentage of sales, royalties for the three and six months ended June 30, 2012 were 5.4% and 5.0%, respectively, as compared to 4.5% and 5.1% for the comparative periods in the prior year.

In Canada, royalties as a percentage of sales for the three months ended June 30, 2012 was 11.0% as compared to 12.7% for the comparative period of the prior year and 11.1% for the prior quarter. Low natural gas pricing in 2012 has resulted in minimal natural gas royalties. Crude oil and NGL royalties as a percentage of sales decreased for the current quarter to 12.3% from 16.7% for the second quarter of 2011 due to lower royalty rates levied on initial production volumes from Vermilion's horizontal Cardium wells. As Vermilion's production mix has continued to shift towards these types of wells, the Company's crude oil and NGL royalty expense as a percentage of sales has declined. Crude oil and NGL royalties as a percentage of sales remained consistent with the first quarter of 2012.

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. France royalties as a percentage of sales for the second quarter of 2012 was relatively consistent at 5.4% as compared to 5.8% for the same quarter in the previous year and 5.3% for the first quarter of 2012.

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

OPERATING EXPENSE

	Three Months Ended			% change		Six Months Ended		% change
By product ($M except per boe and per mcf)	**June 30, 2012**	**March 31, 2012**	**June 30, 2011**	**Q2/12 vs. Q1/12**	**Q2/12 vs. Q2/11**	**June 30, 2012**	**June 30, 2011**	**2012 vs. 2011**
Crude oil & NGLs	**28,645**	36,866	30,633	(22%)	(6%)	**65,511**	58,009	13%
Per boe	**13.97**	15.66	15.14	(11%)	(8%)	**14.28**	14.54	(2%)
Natural gas	**11,580**	10,687	10,102	8%	15%	**22,267**	20,574	8%
Per mcf	**1.62**	1.46	1.42	11%	14%	**1.54**	1.49	3%
Operating	**40,225**	47,553	40,735	(15%)	(1%)	**87,778**	78,583	12%
Per boe	**12.41**	13.31	12.71	(7%)	(2%)	**12.54**	12.50	0%

	Three Months Ended			% change		Six Months Ended		% change
By country ($M except per boe)	**June 30, 2012**	**March 31, 2012**	**June 30, 2011**	**Q2/12 vs. Q1/12**	**Q2/12 vs. Q2/11**	**June 30, 2012**	**June 30, 2011**	**2012 vs. 2011**
Canada	**13,217**	14,267	13,448	(7%)	(2%)	**27,484**	26,030	6%
Per boe	**9.10**	9.89	11.89	(8%)	(23%)	**9.49**	11.63	(18%)
France	**13,755**	15,102	11,536	(9%)	19%	**28,857**	21,260	36%
Per boe	**15.11**	15.30	15.06	(1%)	-	**15.50**	13.82	12%
Netherlands	**5,457**	4,109	3,954	33%	38%	**9,566**	8,355	14%
Per boe	**10.51**	7.63	7.65	38%	37%	**9.04**	8.61	5%
Australia	**7,796**	14,075	11,797	(45%)	(34%)	**21,871**	22,938	(5%)
Per boe	**21.68**	23.27	14.91	(7%)	45%	**18.44**	14.91	24%

Consolidated operating expense was $40.2 million or $12.41 per boe for the three months ended June 30, 2012 as compared to $47.6 million or $13.31 per boe for the first quarter of 2012. Consolidated operating expense for the second quarter of 2011 was $40.7 million or $12.71 per boe. For the six months ended June 30, 2012 consolidated operating expense was $87.8 million or $12.54 per boe as compared to $78.6 million or $12.50 per boe for the same period in the prior year.

In Canada, second quarter operating expense of $13.2 million was lower than the $14.3 million for the first quarter of 2012 and consistent with the $13.4 million for the second quarter of 2011. The decrease quarter over quarter resulted from lower facility maintenance costs. On a year to date basis, Canadian operating expense increased to $27.5 million for the six months ended June 30, 2012 from $26.0 million for the same period in the prior year due to higher volumes. On a per boe basis, quarter over quarter operating expenses decreased due to the lower costs and slightly increased volumes. Operating costs per boe for the three months ended June 30, 2012, as compared to the same period in the prior year, decreased by $2.79 as a result of higher Canadian volumes driven by the Cardium program. Similarly, for the year to date period ended June 30, 2012, operating costs per boe decreased by $2.14 despite slightly higher costs due to significantly higher Canadian volumes.

In France, second quarter operating expense of $13.8 million was lower than the first quarter expense of $15.1 million due to the timing of downhole intervention work. Despite slightly lower volumes, lower expenditures resulted in decreased costs on a per boe basis quarter over quarter. France operating expense for the second quarter of 2012 was higher than the same period in the prior year due to the incremental operating costs associated with a January 2012 acquisition of producing assets. For the same reason, operating costs for the six months ended June 30, 2012 were higher than the costs for the same period of the prior year. Despite the incremental expenses associated with the 2012 acquisition, operating expense remained consistent on a per boe basis for the three month period ended June 30, 2012 as compared to the same period in the prior year due to higher volumes. For the six month period ended June 30, 2012 operating costs per boe increased as additional spending more than offset the favourable impact of higher volumes.

In the Netherlands, operating expense for the three and six months ended June 30, 2012 of $5.5 million and $9.6 million, respectively, was higher than the expense of $4.0 million and $8.4 million for the comparative periods of the prior year. Operating expense for the first quarter of 2012 was $4.1 million. The increase in expense for the current periods is associated with a scheduled $1.3 million maintenance program at the Harlingen natural gas treatment centre that occurred during the second quarter of 2012.

In Australia, second quarter operating expense decreased to $7.8 million from the previous quarter's expense of $14.1 million due to an increase in crude oil inventory associated with shipment timing. An increase in crude oil inventory results in the cost of production being carried temporarily on the balance sheet until the product is sold. Operating costs were further reduced quarter over quarter as the platform ran on diesel for less days during the second quarter as compared to the first quarter. Increased volumes quarter over quarter associated with reduced downtime further contributed to the quarter over quarter decrease in operating expense per boe. For the three and six month periods ended June 30, 2012 operating expense per boe was higher than in the same periods of the prior year due to increased labour costs coupled with a decrease in volumes.

TRANSPORTATION EXPENSE

	Three Months Ended			% change		Six Months Ended		% change
By country ($M except per boe)	**June 30, 2012**	**March 31, 2012**	**June 30, 2011**	**Q2/12 vs. Q1/12**	**Q2/12 vs. Q2/11**	**June 30, 2012**	**June 30, 2011**	**2012 vs. 2011**
Canada	**2,350**	2,044	1,471	15%	60%	**4,394**	2,986	47%
Per boe	**1.62**	1.42	1.30	14%	25%	**1.52**	1.33	14%
France	**1,894**	2,648	2,225	(28%)	(15%)	**4,542**	4,596	(1%)
Per boe	**2.08**	2.68	2.90	(22%)	(28%)	**2.44**	2.99	(18%)
Ireland	**1,974**	2,001	2,270	(1%)	(13%)	**3,975**	4,468	(11%)
Transportation	**6,218**	6,693	5,966	(7%)	4%	**12,911**	12,050	7%
Per boe	**1.92**	1.87	1.86	3%	3%	**1.84**	1.92	(4%)

Consolidated transportation expense for the three months ended June 30, 2012 was lower than the three months ended March 31, 2012. This decrease was the result of a reduced number of Aquitaine shipments in France, due to the usage of higher volume cargo vessels. This decrease was offset partially by higher transportation costs in Canada, due to higher volumes and increased trucking costs as a result of pipeline downtime.

Consolidated transportation expense for the three and six months ended June 30, 2012 was higher than for the same period in the prior year. This increase was primarily the result of higher expenditures in Canada as a result of higher production volumes.

Transportation expense for Ireland pertains to 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.

OTHER EXPENSE

	Three Months Ended			% change		Six Months Ended		% change
($M except per boe)	**June 30, 2012**	**March 31, 2012**	**June 30, 2011**	**Q2/12 vs. Q1/12**	**Q2/12 vs. Q2/11**	**June 30, 2012**	**June 30, 2011**	**2012 vs. 2011**
Other expense	**585**	7,983	804	(93%)	(27%)	**8,568**	1,156	641%
Per boe	**0.18**	2.24	0.25	(92%)	(28%)	**1.22**	0.18	578%

For the six months ended June 30, 2012, other expense was comprised primarily of $8.5 million relating to transfer taxes paid to regulatory authorities in France pursuant to the acquisition, in the first quarter of 2012, of certain working interests in six producing fields located in the Paris and Aquitaine basins in France.

GENERAL AND ADMINISTRATION EXPENSE

	Three Months Ended			% change		Six Months Ended		% change
($M except per boe)	June 30, 2012	March 31, 2012	June 30, 2011	Q2/12 vs. Q1/12	Q2/12 vs. Q2/11	June 30, 2012	June 30, 2011	2012 vs. 2011
General and administration	**12,068**	10,148	11,348	19%	6%	**22,216**	23,455	(5%)
Per boe	**3.72**	2.84	3.54	31%	5%	**3.17**	3.73	(15%)

General and administration expense of $12.1 million for the second quarter of 2012 was higher than the expense of $11.3 million for the second quarter of 2011 and $10.1 million for the prior quarter largely due to increased levels of staffing. For the six months ended June 30, 2012, general and administration expense decreased to $22.2 million from $23.5 million in the prior year due to more employee costs being allocated to specific capital and operating expense projects.

EQUITY BASED COMPENSATION EXPENSE

	Three Months Ended			% change		Six Months Ended		% change
($M except per boe)	June 30, 2012	March 31, 2012	June 30, 2011	Q2/12 vs. Q1/12	Q2/12 vs. Q2/11	June 30, 2012	June 30, 2011	2012 vs. 2011
Equity based compensation	**9,861**	10,055	6,682	(2%)	48%	**19,916**	14,908	34%
Per boe	**3.04**	2.81	2.08	8%	46%	**2.84**	2.37	20%

Equity based compensation expense relates to non-cash compensation expense attributable to long-term incentives granted to directors, officers and employees under the Vermilion Incentive Plan ("VIP"). The expense is recognized over the vesting period of the award based on the grant date fair value of awards, adjusted for the ultimate number of awards that actually vest as determined by the Company's achievement of a number of performance conditions.

Equity based compensation expense for the three months ended June 30, 2012 was lower than the preceeding quarter due to an overall decrease in outstanding awards. The expense for the six months ended June 30, 2012 was higher than the expense for the same period in 2011 as the 2012 expense reflected the revision of performance condition assumptions in the fourth quarter of 2011.

INTEREST EXPENSE

	Three Months Ended			% change		Six Months Ended		% change
($M except per boe)	June 30, 2012	March 31, 2012	June 30, 2011	Q2/12 vs. Q1/12	Q2/12 vs. Q2/11	June 30, 2012	June 30, 2011	2012 vs. 2011
Interest expense	**6,600**	6,101	6,569	8%	-	**12,701**	11,943	6%
Per boe	**2.04**	1.71	2.05	19%	-	**1.81**	1.90	(5%)

Interest expense increased during the three months ended June 30, 2012 as compared to the three months ended March 31, 2012, primarily due to increased borrowings under Vermilion's revolving credit facility as a result of continued capital expenditures for the Cardium resource play and the afformentioned France acquisition. Interest expense increased during the six months ended June 30, 2012 as compared to same period in the prior year primarily due to the 6.5% senior unsecured notes, issued in February of 2011, being outstanding for all of 2012.

DEPLETION AND DEPRECIATION, ACCRETION, IMPAIRMENTS AND GAIN ON ACQUISITION

	Three Months Ended			% change		Six Months Ended		% change
($M except per boe)	June 30, 2012	March 31, 2012	June 30, 2011	Q2/12 vs. Q1/12	Q2/12 vs. Q2/11	June 30, 2012	June 30, 2011	2012 vs. 2011
Depletion and depreciation	**76,512**	75,848	59,583	1%	28%	**152,360**	111,297	37%
Per boe	**23.60**	21.23	18.59	11%	27%	**21.76**	17.71	23%
Accretion	**5,792**	5,238	4,403	11%	32%	**11,030**	10,718	3%
Per boe	**1.79**	1.47	1.37	22%	31%	**1.58**	1.71	(8%)
Impairments	**-**	65,800	-	(100%)	-	**65,800**	-	100%
Per boe	**-**	18.42	-	(100%)	-	**9.40**	-	100%
Gain on acquisition	**-**	(45,309)	-	100%	-	**(45,309)**	-	(100%)
Per boe	**-**	(12.68)	-	100%	-	**(6.47)**	-	(100%)

Depletion and depreciation expense on a per boe basis for the three and six months ended June 30, 2012 increased as compared to the same period in 2011. The higher expenses are primarily due to the result of higher finding, development and acquisition costs incurred, which resulted from increased liquids development in Canada, and the acquisition of six producing fields in France in 2012.

Accretion expense on a per boe basis has increased in the three months ended June 30, 2012 as compared to both the three months ended March 31, 2012 and June 30, 2011. The higher accretion expense was due to an increase in asset retirement obligations resulting from additional obligations recognized on newly drilled and acquired wells and a decrease in the discount rates used to calculate asset retirement obligations in the jurisdictions in which Vermilion operates.

The impairment losses in the six months ended June 30, 2012 relate to impairment losses recorded on Vermilion's conventional deep gas and shallow coal bed methane natural gas plays. These impairment charges were the result of significant declines in the forward pricing assumptions for natural gas in Canada.

Gain on acquisition in the six months ended June 30, 2012 relates to Vermilion's acquisition of certain working interests in the Paris and Aquitaine basins in France. The gain arose as a result of the increase in the fair value of the acquired petroleum and natural gas reserves from the time when the acquisition was negotiated to the acquisition date. The increase resulted from a change in the underlying commodity price forecasts used to determine the fair value of the acquired reserves.

TAXES

	Three Months Ended			% change		Six Months Ended		% change
By classification ($M except per boe)	**June 30, 2012**	**March 31, 2012**	**June 30, 2011**	**Q2/12 vs. Q1/12**	**Q2/12 vs. Q2/11**	**June 30, 2012**	**June 30, 2011**	**2012 vs. 2011**
Current taxes before PRRT	**29,225**	32,364	35,668	(10%)	(18%)	**61,589**	61,974	(1%)
Per boe	**9.01**	9.06	11.13	(1%)	(19%)	**8.80**	9.86	(11%)
PRRT	**8,460**	27,269	35,960	(69%)	(76%)	**35,729**	59,253	(40%)
Per boe	**2.61**	7.63	11.22	(66%)	(77%)	**5.10**	9.43	(46%)
Current taxes	**37,685**	59,633	71,628	(37%)	(47%)	**97,318**	121,227	(20%)
Per boe	**11.62**	16.69	22.35	(30%)	(48%)	**13.90**	19.29	(28%)

	Three Months Ended			% change		Six Months Ended		% change
By country ($M except per boe)	**June 30, 2012**	**March 31, 2012**	**June 30, 2011**	**Q2/12 vs. Q1/12**	**Q2/12 vs. Q2/11**	**June 30, 2012**	**June 30, 2011**	**2012 vs. 2011**
Canada	**845**	442	495	91%	71%	**1,287**	824	56%
Per boe	**0.58**	0.31	0.44	87%	32%	**0.44**	0.37	19%
France	**15,725**	12,895	18,548	22%	(15%)	**28,620**	34,530	(17%)
Per boe	**17.27**	13.06	24.21	32%	(29%)	**15.38**	22.44	(31%)
Netherlands	**5,875**	9,057	6,390	(35%)	(8%)	**14,932**	9,147	63%
Per boe	**11.31**	16.82	12.36	(33%)	(8%)	**14.11**	9.42	50%
Australia	**15,240**	37,239	46,195	(59%)	(67%)	**52,479**	76,726	(32%)
Per boe	**42.38**	61.56	58.40	(31%)	(27%)	**44.24**	49.87	(11%)

Vermilion pays current taxes in France, the Netherlands and Australia. Corporate income taxes in France and the Netherlands apply to taxable income after eligible deductions at a rate of approximately 34% and 45%, respectively.

In Australia, current taxes include both corporate income taxes and PRRT. Corporate income taxes are applied at a rate of approximately 30% on taxable income after eligible deductions, which include PRRT. PRRT is a profit based tax applied at a rate of 40% on revenues less eligible expenditures, which includes operating expenses and capital expenditures.

Current taxes before PRRT for the three and six months ended June 30, 2012 were lower as compared to the same period in the prior year. These year over year decreases are attributable to lower taxable income associated with generally weaker commodity prices.

PRRT decreased in the three months ended June 30, 2012 as compared to both the three months ended March 31, 2012 and June 30, 2011. These decreases were primarily the result of lower crude oil prices in the second quarter of 2012 as compared to both the first quarter of 2012 and the second quarter of 2011. PRRT as a percentage of operating income for the Australia segment for the six months ended June 30, 2012 was 30% as compared to 40% for the six months ended June 30, 2011. This decrease was primarily the result of higher capital expenditures in the current year versus the prior year.

As a function of the impact of Vermilion's Canadian tax pools, the Company does not presently pay current taxes in Canada. The Canadian segment includes holding companies that pay current taxes in foreign jurisdictions.

FOREIGN EXCHANGE

($M except per boe)	Three Months Ended June 30, 2012	March 31, 2012	June 30, 2011	Six Months Ended June 30, 2012	June 30, 2011
Unrealized foreign exchange loss (gain)	**16,730**	(5,247)	(2,108)	**11,483**	(15,212)
Per boe	**5.16**	(1.47)	(0.66)	**1.64**	(2.42)
Realized foreign exchange (gain) loss	**(755)**	820	(262)	**65**	(442)
Per boe	**(0.23)**	0.23	(0.08)	**0.01**	(0.07)
Foreign exchange loss (gain)	**15,975**	(4,427)	(2,370)	**11,548**	(15,654)
Per boe	**4.93**	(1.24)	(0.74)	**1.65**	(2.49)

Foreign exchange gains and losses are comprised of both unrealized and realized gains and losses. Unrealized foreign exchange gains and losses are the result of translating monetary assets and liabilities held in non-functional currencies to the respective functional currencies of Vermilion and its subsidiaries. Realized gains and losses are the result of foreign exchange fluctuations on transactions conducted in non-functional currencies.

As a result of Vermilion's international operations, Vermilion conducts business in currencies other than the Canadian dollar and has monetary assets and liabilities (including cash, receivables, payables, derivative assets and liabilities, and intercompany loans) denominated in such currencies. Vermilion's exposure to foreign currencies include the U.S. Dollar, the Euro and the Australian Dollar.

In the three months ended June 30, 2012, the unrealized foreign exchange loss primarily resulted from the impact of the appreciation of the Canadian dollar against the Euro and the resultant impact on Euro denominated loans made by Vermilion to its subsidiaries and the impact of the depreciation of the Canadian dollar against the U.S. Dollar on the U.S. Dollar denominated amount due pursuant to the Corrib acquisition.

Changes quarter over quarter and year over year in realized foreign exchange gains and losses are the result of changes in the volumes of transactions and daily fluctuations in foreign currencies.

NET EARNINGS

For the three and six months ended June 30, 2012, Vermilion had net earnings of $37.8 million or $0.39 per share and $102.9 million or $1.06, respectively (three and six months ended June 30, 2011, net earnings of $81.4 million or $0.90 per share and $108.6 million or $1.21 per share, respectively).

The decrease in net earnings for the three months ended June 30, 2012 as compared to the same period in the prior year was the result of lower commodity prices, higher depletion and depreciation and foreign exchange losses. These unfavorable variances were partially offset by lower current taxes and higher sold volumes in Canada and France.

The decrease in net earnings for the second quarter of 2012 as compared to the first quarter of 2012 was the result of lower commodity prices, foreign exchange losses and the absence of a gain on asset acquisition in France, which occurred in the first quarter of 2012. The decrease was partially offset by mark to market gains recorded on Vermilion's commodity hedging program in the second quarter of 2012 and the absence of impairment charges recorded in the first quarter of 2012.

Net earnings for the six months ended June 30, 2012 were consistent with the same period in the prior year.

SUMMARY OF RESULTS

	Three Months Ended							
($M except per share)	Jun 30, 2012	Mar 31, 2012	Dec 31, 2011	Sept 30, 2011	Jun 30, 2011	Mar 31, 2011	Dec 31, 2010	Sept 30, 2010
Petroleum and natural gas sales	**246,544**	310,488	275,172	248,361	278,297	229,740	216,426	172,253
Net earnings (loss)	**37,816**	65,094	(30,243)	64,442	81,429	27,193	(21,809)	24,576
Net earnings (loss) per share								
Basic	**0.39**	0.67	(0.32)	0.71	0.90	0.30	(0.25)	0.29
Diluted	**0.38**	0.66	(0.32)	0.70	0.89	0.30	(0.25)	0.29

The fluctuations in Vermilion's petroleum and natural gas sales and net earnings (loss) from quarter to quarter are primarily caused by variations in sales volumes, petroleum and natural gas prices and the impact of royalties and tax legislation in the jurisdictions in which Vermilion operates. In addition, petroleum and natural gas prices may impact gains and losses on derivative instruments and may result in impairment charges or the reversal of impairment charges incurred in previous periods.

LIQUIDITY AND CAPITAL RESOURCES

Vermilion's net debt as at June 30, 2012 was $524.6 million compared to $429.0 million as at December 31, 2011.

Long-term debt was comprised of the following balances as at June 30, 2012 and December 31, 2011:

	As At	
($M)	June 30, 2012	Dec 31, 2011
Revolving credit facility	**230,473**	152,086
Senior unsecured notes	**221,794**	221,350
Total long-term debt	**452,267**	373,436

Revolving Credit Facility

At June 30, 2012, Vermilion had in place a bank revolving credit facility totalling $950 million, of which approximately $230.5 million is drawn. The facility, which matures in May 2015, is fully revolving up to the date of maturity. The amount available to Vermilion under this facility is reduced by outstanding letters of credit associated with Vermilion's operations totalling $7.4 million as at June 30, 2012 (December 31, 2011 - $3.7 million).

As at June 30, 2012, Vermilion was in compliance with its financial covenants.

Senior Unsecured Notes

On February 10, 2011, Vermilion issued $225.0 million of senior unsecured notes at par. 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.

Vermilion may, at its option, prior to February 10, 2014, redeem up to 35% of the notes with net proceeds of equity offerings by the Company at a redemption price equal to 106.5% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest, if any, to the applicable redemption date. Subsequently, Vermilion may, on or after February 10, 2014, redeem all or part of the notes at fixed redemption prices, plus, in each case, accrued and unpaid interest, if any, to the applicable redemption date. The notes were initially recognized at fair value net of transaction costs and are subsequently measured at amortized cost using an effective interest rate of 7.1%.

ASSET RETIREMENT OBLIGATIONS

As at June 30, 2012, Vermilion's asset retirement obligations were $359.0 million compared to $310.5 million as at December 31, 2011.

The increase in asset retirement obligations is largely attributable to accretion, an overall decrease in the discount rates applied to the obligations, additions from wells drilled in 2012 and liabilities acquired pursuant to the acquisition in France during the first quarter of 2012.

DIVIDENDS

	Three Months Ended	Six Months Ended	Year Ended
($M)	June 30, 2012	June 30, 2012	Dec 31, 2011
Cash flows from operating activities	**123,485**	**248,372**	447,092
Net earnings	**37,816**	**102,910**	142,821
Dividends declared	**55,962**	**111,086**	207,846
Excess of cash flows from operating activities over dividends declared	**67,523**	**137,286**	239,246
(Shortfall) of net earnings over dividends declared	**(18,146)**	**(8,176)**	(65,025)

Vermilion maintained monthly dividends at $0.19 per share and declared dividends totalling $111.1 million for the six months ended June 30, 2012.

Excess cash flows from operating activities over dividends declared are used to fund capital expenditures, asset retirement obligations and debt repayments.

Vermilion's policy with respect to dividends is to be conservative and retain a low ratio of dividends to fund flows from operations. During low price commodity cycles, Vermilion will initially maintain dividends and allow the 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.

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.

Over the next three years, the Corrib, Cardium and other exploration and development activities will require a significant capital investment by Vermilion. Although Vermilion currently expects to be able to maintain its current dividend, Vermilion's fund flows from operations may not be sufficient during this period to fund cash dividends, capital expenditures and asset retirement obligations. Vermilion will evaluate its ability to finance any shortfalls with debt, an issuance of equity or by reducing some or all categories of expenditures to ensure that total expenditures do not exceed available funds.

SHAREHOLDERS' EQUITY

During the six months ended June 30, 2012, Vermilion issued 1,899,914 shares pursuant to the dividend reinvestment plan and Vermilion's equity based compensation programs. Shareholders' capital increased by $77.4 million as a result of the issuance of those shares.

As at June 30, 2012, there were 98,330,049 shares outstanding. As at August 1, 2012, there were 98,455,923 shares outstanding.

CORRIB PROJECT

Vermilion holds an 18.5% non-operating interest in the offshore Corrib gas field located off the northwest coast of Ireland. Production from Corrib is expected to increase Vermilion's volumes by approximately 55 mmcf/d (9,000 boe/d) once the field reaches peak production. Vermilion acquired its 18.5% working interest in the project on July 30, 2009. The project comprises seven offshore wells, both offshore and onshore pipeline segments as well as a significant natural gas processing facility. At the time of the acquisition most of the key components of the project, with the exception of the onshore pipeline, were either complete or in the latter stages of development. Vermilion's interest was acquired for cash consideration of $136.8 million with subsequent capital expenditures to June 30, 2012 of $267.3 million, primarily related to completion of the natural gas processing facility, sub-surface well work, and permitting and preparations for construction of the onshore pipeline. Furthermore, pursuant to the terms of the acquisition agreement, Vermilion will make an additional payment to the vendor of US$135 million at the end of 2012. In 2011, approvals and permissions were granted for the onshore gas pipeline and construction has commenced with tunnelling expected to begin in the fourth quarter of 2012. Vermilion expects to continue significant capital investment on this project over the next two years and currently expects to achieve initial gas production from this field in late 2014.

RISK MANAGEMENT

Vermilion is exposed to various market and operational risks.

For a detailed discussion of these risks, please see Vermilion's Annual Report for the year ended December 31, 2011, which is available on SEDAR at www.sedar.com or on the Company's website at www.vermilionenergy.com.

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, operating expenses, and current taxes 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 exploration and evaluation assets are based on estimates that Vermilion expects to realize; and
vii. Equity based compensation expense is determined using accepted fair value approaches which rely on historical data and certain estimates made by management.

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 June 30, 2012.

Vermilion has not entered into any guarantee or off balance sheet arrangements that would materially 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.

ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

Unless otherwise noted, as of January 1, 2013, Vermilion will be required to adopt the following standards and amendments as issued by the IASB. The adoption of the following standards is not expected to have a material impact on Vermilion's consolidated financial statements:

IFRS 9 "Financial Instruments"
As of January 1, 2015, Vermilion will be required to adopt IFRS 9, as part of the first phase of the IASB's project to replace IAS 39, "Financial Instruments: Recognition and Measurement". The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value.

IFRS 10 "Consolidated Financial Statements"
IFRS 10 replaces Standing Interpretations Committee 12, "Consolidation - Special Purpose Entities" and the consolidation requirements of IAS 27 "Consolidated and Separate Financial Statements". The new standard replaces the existing risk and rewards based approaches and establishes control as the determining factor when determining whether an interest in another entity should be included in the consolidated financial statements.

IFRS 12 "Disclosure of Interests in Other Entities"
IFRS 12 provides comprehensive disclosure requirements on interests in other entities, including joint arrangements, associates, and special purpose vehicles. The new disclosures require information that will assist financial statement users in evaluating the nature, risks and financial effects of an entity's interest in subsidiaries and joint arrangements.

Vermilion is currently assessing the impact of the adoption of the following standards on the consolidated financial statements:

IFRS 11 "Joint Arrangements"
IFRS 11 replaces IAS 31 "Interests in Joint Ventures". The new standard focuses on the rights and obligations of an arrangement, rather than its legal form. The standard redefines joint operations and joint ventures and requires joint operations to be proportionately consolidated and joint ventures to be equity accounted.

IFRS 13 "Fair Value Measurement"
IFRS 13 provides a common definition of fair value within IFRS. The new standard provides measurement and disclosure guidance and applies when another IFRS requires or permits an item to be measured at fair value, with limited exceptions.

NETBACKS

The following table includes segmented financial statement information on a per unit basis. Natural gas sales volumes have been converted on a basis of six thousand cubic feet of natural gas to one barrel of oil equivalent.

	Three Months Ended June 30, 2012			Six Months Ended June 30, 2012			Three Months Ended June 30, 2011	Six Months Ended June 30, 2011
	Oil & NGLs $/bbl	Natural Gas $/mcf	Total $/boe	Oil & NGLs $/bbl	Natural Gas $/mcf	Total $/boe	Total $/boe	Total $/boe
Canada								
Price	81.03	2.13	**51.58**	85.25	2.14	**53.70**	54.04	51.66
Realized hedging loss	(0.51)	-	**(0.29)**	(0.65)	-	**(0.37)**	(0.63)	(0.46)
Royalties	(9.94)	-	**(5.66)**	(10.43)	(0.02)	**(5.94)**	(6.88)	(7.35)
Transportation	(2.13)	(0.16)	**(1.62)**	(1.94)	(0.16)	**(1.52)**	(1.30)	(1.33)
Operating	(9.22)	(1.49)	**(9.10)**	(9.82)	(1.51)	**(9.49)**	(11.89)	(11.63)
Operating netback	59.23	0.48	**34.91**	62.41	0.45	**36.38**	33.34	30.89
France								
Price	105.96	12.60	**104.15**	109.07	10.88	**106.56**	107.90	104.35
Realized hedging loss	(3.50)	-	**(3.30)**	(4.51)	-	**(4.25)**	(6.03)	(3.99)
Royalties	(5.87)	(0.26)	**(5.62)**	(5.95)	(0.24)	**(5.69)**	(6.22)	(6.04)
Transportation	(2.21)	-	**(2.08)**	(2.59)	-	**(2.44)**	(2.90)	(2.99)
Operating	(15.45)	(1.61)	**(15.11)**	(15.73)	(1.97)	**(15.50)**	(15.06)	(13.82)
Operating netback	78.93	10.73	**78.04**	80.29	8.67	**78.68**	77.69	77.51
Netherlands								
Price	94.74	9.55	**57.88**	100.95	9.65	**58.49**	56.91	54.19
Operating	-	(1.78)	**(10.51)**	-	(1.53)	**(9.04)**	(7.65)	(8.61)
Operating netback	94.74	7.77	**47.37**	100.95	8.12	**49.45**	49.26	45.58
Australia								
Price	129.94	-	**129.94**	119.16	-	**119.16**	132.87	116.52
Realized hedging loss	(0.47)	-	**(0.47)**	(0.28)	-	**(0.28)**	(6.46)	(4.70)
Operating	(21.68)	-	**(21.68)**	(18.44)	-	**(18.44)**	(14.91)	(14.91)
PRRT [1]	(23.53)	-	**(23.53)**	(30.12)	-	**(30.12)**	(45.46)	(38.51)
Operating netback	84.26	-	**84.26**	70.32	-	**70.32**	66.04	58.40
Total Company								
Price	100.07	5.79	**76.04**	103.17	5.78	**79.57**	86.83	80.82
Realized hedging loss	(1.75)	-	**(1.11)**	(2.03)	-	**(1.33)**	(3.26)	(2.29)
Royalties	(6.46)	(0.01)	**(4.11)**	(5.99)	(0.02)	**(3.97)**	(3.91)	(4.10)
Transportation	(1.78)	(0.36)	**(1.92)**	(1.68)	(0.36)	**(1.84)**	(1.86)	(1.92)
Operating	(13.97)	(1.62)	**(12.41)**	(14.28)	(1.54)	**(12.54)**	(12.71)	(12.50)
PRRT [1]	(4.13)	-	**(2.61)**	(7.79)	-	**(5.10)**	(11.22)	(9.43)
Operating netback	71.98	3.80	**53.88**	71.40	3.86	**54.79**	53.87	50.58
General and administration			**(3.72)**			**(3.17)**	(3.54)	(3.73)
Interest expense			**(2.04)**			**(1.81)**	(2.05)	(1.90)
Realized foreign exchange gain (loss)			**0.23**			**(0.01)**	0.08	0.07
Other income (expense)			**0.06**			**(1.15)**	(0.01)	-
Current income taxes [1]			**(9.01)**			**(8.80)**	(11.13)	(9.86)
Fund flows netback			**39.40**			**39.85**	37.22	35.16
Accretion			**(1.79)**			**(1.58)**	(1.37)	(1.71)
Depletion and depreciation			**(23.60)**			**(21.76)**	(18.59)	(17.71)
Impairments			**-**			**(9.40)**	-	-
Gain on acquisition			**-**			**6.47**	-	-
Deferred taxes			**(0.09)**			**4.02**	1.56	4.92
Unrealized other expense			**(0.24)**			**(0.07)**	(0.24)	(0.18)
Unrealized foreign exchange (loss) gain			**(5.16)**			**(1.64)**	0.66	2.42
Unrealized gain (loss) on derivative instruments			**6.17**			**1.67**	8.25	(3.26)
Equity based compensation			**(3.04)**			**(2.84)**	(2.08)	(2.37)
Earnings netback			**11.65**			**14.72**	25.41	17.27

[1] Vermilion considers Australian PRRT to be an operating item and accordingly has included PRRT in the calculation of operating netbacks. Current income taxes presented above excludes PRRT.

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
NGLs	natural gas liquids
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for crude oil of standard grade
AECO	the daily average Alberta natural gas price as traded on the Natural Gas Exchange
$M	thousand dollars
$MM	million dollars
PRRT	Petroleum Resource Rent Tax, a profit based tax levied on petroleum projects in Australia
GAAP	Canadian Generally Accepted Accounting Principles or, alternatively, IFRS
IFRS	International Financial Reporting Standards or, alternatively, GAAP

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

Anthony (Tony) Marino, P.Eng.
Executive Vice President & COO

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

Terry Hergott, CMA
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

Mike Prinz
Director Information Technology

Gerardo Rivera
Director Strategy and Portfolio Management

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

EUROPE

Gerard Schut, P.Eng.
Vice President European Operations

David Burghardt, P.Eng.
Director Exploitation

AUSTRALIA

Bruce D. Lake, P.Eng.
Managing Director
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Royal Bank of Canada
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The Bank of Nova Scotia
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Canadian Imperial Bank of Commerce
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Alberta Treasury Branches
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National Bank of Canada
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LEGAL COUNSEL
Norton Rose Canada LLP
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TRANSFER AGENT
Computershare Trust Company of Canada

STOCK EXCHANGE LISTING
The Toronto Stock Exchange
Symbol: VET
US OTC
Symbol: VEMTF

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