Q3 2012

VERMILION ENERGY INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012

DISCLAIMER

Certain statements included or incorporated by reference in this document may constitute forward looking statements or financial outlooks under applicable securities legislation. Such 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 (including the timing thereof) 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. Financial outlooks are provided for the purpose of understanding Vermilion's financial strength and business objectives and the information may not be appropriate for other purposes. 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;
- 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 and associated expenditures;
- 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 October 31, 2012, of Vermilion Energy Inc.'s ("Vermilion" or the "Company") operating and financial results as at and for the three and nine months ended September 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 nine months ended September 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 nine months ended September 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.

"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. 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. Management believes that by excluding expenses related to the Corrib project, fund flows from operations (excluding the Corrib project) provides a useful measure of Vermilion's ability to generate cash from current production.

The most directly comparable GAAP measure to fund flows from operations and fund flows from operations (excluding the Corrib project) is cash flows from operating activities.

Cash flows from operating activities as presented in Vermilion's consolidated statements of cash flows are reconciled to fund flows from operations and fund flows from operations (excluding the Corrib project) as follows:

	Three Months Ended			% change		Nine Months Ended		% change
($M)	Sept 30, 2012	June 30, 2012	Sept 30, 2011	Q3/12 vs. Q2/12	Q3/12 vs. Q3/11	Sept 30, 2012	Sept 30, 2011	2012 vs. 2011
Cash flows from operating activities	148,301	123,485	99,906			396,673	288,453	
Changes in non-cash operating working capital	(13,175)	1,709	12,194			14,003	33,488	
Asset retirement obligations settled	1,968	2,581	4,269			5,315	15,512	
Fund flows from operations	137,094	127,775	116,369	7%	18%	415,991	337,453	23%
Transportation expense related to the Corrib project	1,899	1,974	2,253			5,874	6,721	
Fund flows from operations (excluding the Corrib project)	138,993	129,749	118,622	7%	17%	421,865	344,174	23%

"Acquisitions, including acquired working capital deficiencies" are 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:

	Nine Months Ended	
($M)	Sept 30, 2012	Sept 30, 2011
Property acquisitions	106,184	38,101
Acquired working capital deficiencies	4,098	-
Acquisitions, including acquired working capital deficiencies	110,282	38,101

"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, both as presented in Vermilion's consolidated statements of changes in shareholders' equity. 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 the amount of cash that is generated by Vermilion which is being used to fund dividends. Dividends declared is the most directly comparable GAAP measure to net dividends.

"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.

Total net dividends, capital expenditures and asset retirement obligation settled and total net dividends, capital expenditures and asset retirement obligations settled (excluding the Corrib project) 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 future acquisitions.

Dividends declared, total net dividends, capital expenditures and asset retirement obligations settled and total net dividends, capital expenditures and asset retirement obligations settled (excluding the Corrib project) are reconciled to their most directly comparable GAAP measures as follows:

	Three Months Ended			Nine Months Ended	
($M)	Sept 30, 2012	June 30, 2012	Sept 30, 2011	Sept 30, 2012	Sept 30, 2011
Dividends declared	56,196	55,962	51,612	167,282	153,975
Issuance of shares pursuant to the dividend reinvestment plan	(17,251)	(18,781)	(15,219)	(53,590)	(42,279)
Net dividends	38,945	37,181	36,393	113,692	111,696
Drilling and development	96,212	77,956	89,332	262,064	281,749
Exploration and evaluation	10,043	16,932	45,449	33,439	56,780
Asset retirement obligations settled	1,968	2,581	4,269	5,315	15,512
Total net dividends, capital expenditures and asset retirement obligations settled	147,168	134,650	175,443	414,510	465,737
Capital expenditures and asset retirement obligations settled related to the Corrib project	(17,164)	(13,928)	(21,686)	(40,574)	(54,391)
Total net dividends, capital expenditures and asset retirement obligations settled (excluding the Corrib project)	130,004	120,722	153,757	373,936	411,346

"**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)	Sept 30, 2012	Dec 31, 2011
Long-term debt	492,669	373,436
Current liabilities	442,376	491,184
Current assets	(385,554)	(435,659)
Net debt	549,491	428,961

"**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. The most directly comparable GAAP measure is shares outstanding.

Shares outstanding is reconciled to diluted shares outstanding as follows:

	As At		
('000s of shares)	Sept 30, 2012	June 30, 2012	Sept 30, 2011
Shares outstanding	98,729	98,330	90,675
Potential shares issuable pursuant to the equity based compensation plan	2,420	2,919	2,140
Diluted shares outstanding	101,149	101,249	92,815

OPERATIONAL ACTIVITIES

Canada

In Canada, Vermilion participated in the drilling of 16 wells (11.5 net) during the third quarter of 2012. These wells included 14 (10.7 net) operated Cardium horizontal wells and two (0.8 net) non-operated Cardium wells. At the end of the third quarter of 2012, 83 operated (73.2 net) Cardium wells were on production and 54 (17.6 net) non-operated wells were on production. Drilling and completion activities picked up late in the quarter following wet ground conditions in July and August that hampered the movement of equipment.

France

In France, Vermilion's third quarter activities were focused on workovers at Vic Bihl, the Company's first workovers in that field since obtaining operatorship as part of the acquisition in January of 2012. The workover program has resulted the first five workovers generating an initial incremental rate of over 500 bbls/d. Vermilion continues to work toward full integration of the acquired assets and realization of further future optimization, workover and infill drilling opportunities.

Netherlands

In the Netherlands, third quarter operating activities included testing of the Vinkega-2 development well (42% working interest), which was drilled during the second quarter of 2012 and has now tested at approximately 30 mmcf/d[1], combining results from multiple zones. Further, Vermilion drilled the Eernewoude-2 development well (93% working interest) during the third quarter of 2012 and has achieved an initial test of 25 mmcf/d[2], combining results from multiple zones. Both wells are anticipated to be brought on production toward the end of 2013 at restricted rates. Additional operating activities were focused on ongoing facility maintenance and permitting activities in preparation for a 2013 drilling campaign. Vermilion also continues to evaluate facilities, infrastructure and permitting requirements associated with potential production additions in 2013 from the Langezwaag-1 (42% working interest) well which was drilled during the 2011 drilling campaign.

[1] Vinkega-2 test rate reflects combined production test results from two separate producing zones including: Slochtgeren Sandstone which tested at an average rate of approximately 22,380 mcf/d over four hours on a 40/64 choke and a flowing well head pressure of approximately 163 Bar; Vlieland Sandstone which tested at an average rate of approximately 4,850 mcf/d over six hours on a 36/64 choke and a flowing well head pressure of approximately 49 Bar. Test results are not necessarily indicative of long-term performance or of ultimate recovery.

[2] Eernewoude-2 test rate reflects combined production test results from three separate producing zones including: Slochteren Sandstone which tested at an average rate of approximately 8,950 mcf/d over four hours on a 24/64 choke and a flowing well head pressure of approximately 199 Bar; Ten Boer Sandstone was tested at (28/64)/(32/64)/(36/64) chokes with average rates of approximately 9,880/11,820/13,465 mcf/d/ over separate three hour periods at flowing well head pressures of approximately 159/147/133 Bar, respectively; Akkrum Sandstone was tested using 24/64 and 36/64 chokes resulting in average rates of approximately 3,770 and 4,475 mcf/d over separate three hour periods at flowing well head pressures of approximately 80 and 40 Bar, respectively. Test results are not necessarily indicative of long-term performance or of ultimate recovery.

Australia

Vermilion continued preparations and permitting activities in anticipation of initiating a two to three well drilling campaign in late 2012. Due to the anticipated timing of the drilling campaign in late 2012, production from the wells is not currently expected to occur until 2013. Vermilion also completed annual platform maintenance in the third quarter of 2012 that resulted in approximately two weeks of planned downtime.

PRODUCTION

	Three Months Ended			% change		Nine Months Ended		% change
	Sept 30, 2012	June 30, 2012	Sept 30, 2011	Q3/12 vs. Q2/12	Q3/12 vs. Q3/11	Sept 30, 2012	Sept 30, 2011	2012 vs. 2011
Canada								
Crude oil & NGLs (bbls/d)	8,526	9,078	5,831	(6%)	46%	8,825	5,378	64%
Natural gas (mmcf/d)	35.54	41.32	42.94	(14%)	(17%)	39.55	43.17	(8%)
Total (boe/d)	14,449	15,965	12,987	(9%)	11%	15,417	12,573	23%
% of consolidated	40%	40%	38%			40%	36%	
France								
Crude oil (bbls/d)	9,767	9,931	7,946	(2%)	23%	9,989	8,208	22%
Natural gas (mmcf/d)	3.39	3.57	0.97	(5%)	249%	3.48	0.96	263%
Total (boe/d)	10,333	10,526	8,108	(2%)	27%	10,569	8,368	26%
% of consolidated	28%	27%	23%			28%	24%	
Netherlands								
NGLs (bbls/d)	41	84	64	(51%)	(36%)	66	55	20%
Natural gas (mmcf/d)	34.59	33.74	33.15	3%	4%	34.47	32.31	7%
Total (boe/d)	5,806	5,707	5,589	2%	4%	5,811	5,440	7%
% of consolidated	16%	15%	16%			15%	16%	
Australia								
Crude oil (bbls/d)	5,958	6,970	7,992	(15%)	(25%)	6,523	8,330	(22%)
% of consolidated	16%	18%	23%			17%	24%	
Consolidated								
Crude oil & NGLs (bbls/d)	24,292	26,063	21,833	(7%)	11%	25,403	21,971	16%
% of consolidated	66%	67%	63%			66%	63%	
Natural gas (mmcf/d)	73.52	78.63	77.06	(6%)	(5%)	77.50	76.44	1%
% of consolidated	34%	33%	37%			34%	37%	
Total (boe/d)	36,546	39,168	34,676	(7%)	5%	38,320	34,711	10%

Canadian production of 14,449 boe/d during the third quarter of 2012 represented a 9% decrease from production of 15,965 boe/d in the second quarter of 2012, but an increase of 11% over third quarter of 2011 production of 12,987 boe/d. The year-over-year increase in Vermilion's Canadian production was mainly attributable to Cardium production growth. The quarter-over-quarter decrease resulted from shutting in some dry gas production and reduced Cardium activity due to wet ground conditions which inhibited the movement of equipment in July and August. Production results continue to illustrate the low risk, dependable nature of planned production additions associated with Vermilion's Cardium program. At the end of the third quarter of 2012, Vermilion's high netback oil and liquids production represented approximately 59% of total Canadian production as compared to 45% at the end of the third quarter of 2011.

Production in France averaged 10,333 boe/d in the third quarter of 2012, a slight decrease from second quarter of 2012 production of 10,526 boe/d. The modest decrease was attributable to natural production declines that were partially offset by optimization and workover activities during the quarter. On a year-over-year basis production has grown by 27%, largely attributable to incremental production volumes associated with Vermilion's acquisition of certain working interests in the Paris and Aquitaine basins in January of 2012. Following the acquisition, Vermilion's France production remains 95% weighted toward Brent crude.

Average production volumes of 5,806 boe/d in the Netherlands during the third quarter of 2012 were nearly flat to second quarter of 2012 production of 5,707 boe/d, and third quarter 2011 production of 5,589 boe/d. Incremental production from the Rotliegend zone of the Vinkega-1 discovery well, brought on production in December 2011, and from De Hoeve-1, brought on in May 2012, have largely offset natural production declines in the Netherlands and the suspension in late 2011 of production from the Vlieland zone of the Vinkega-1 well to facilitate production of the Rotliegend.

Australia production averaged 5,958 boe/d during the third quarter of 2012, compared to 6,970 boe/d in the second quarter of 2012 and 7,992 boe/d in the third quarter of 2011. The quarter-over-quarter decrease in production was largely the result of planned downtime of approximately two weeks for annual platform maintenance. Year-over-year production was lower as a result of natural production declines with no new wells drilled since late 2010. The Company's next drilling campaign is scheduled to begin in December of 2012 and is expected to result in increased production volumes in the first quarter of 2013. Vermilion plans to sustain annual average production between 6,000 and 8,000 boe/d over the next few years with two to three well drilling campaigns conducted approximately every other year.

FINANCIAL REVIEW

During the three months ended September 30, 2012, Vermilion generated fund flows from operations of $137.1 million compared to $127.8 million for the three months ended June 30, 2012 and $116.4 million for the three months ended September 30, 2011. The increase in fund flows from operations for the third quarter of 2012 as compared to both the second quarter of 2012 and the third quarter of 2011 was primarily the result of an increase in crude oil sales volumes in both France and Australia. Cash flows from operating activities, a GAAP measure, increased for the third quarter of 2012 as compared to the same period in the previous year as a result of the increase in fund flows from operations and timing differences pertaining to working capital.

During the nine months ended September 30, 2012, Vermilion generated fund flows from operations of $416.0 million compared to $337.5 million for the same period in 2011. The year-over-year increase in fund flows from operations resulted primarily from higher average production in Canada, France and the Netherlands, in addition to lower PRRT in Australia. Cash flows from operating activities increased year-over-year as a result of the increase in fund flows from operations, reduced asset retirement obligations settled, and timing differences pertaining to working capital.

Vermilion's net debt was $549.5 million at September 30, 2012 (December 31, 2011 - $429.0 million) representing approximately 1.0 times annualized fund flows from operations. The increase in net debt was the result of the $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 $492.7 million at September 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 nine months ended September 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 89% (nine months ended September 30, 2011 - 120%). The year-over-year decrease in this ratio relates primarily to improved fund flows from operations and lower capital expenditures.

COMMODITY PRICES

	Three Months Ended			% change		Nine Months Ended		% change
	Sept 30, 2012	June 30, 2012	Sept 30, 2011	Q3/12 vs. Q2/12	Q3/12 vs. Q3/11	Sept 30, 2012	Sept 30, 2011	2012 vs. 2011
Average reference prices								
WTI (US$/bbl)	92.22	93.49	89.76	(1%)	3%	96.21	95.48	1%
Edmonton Sweet index (US$/bbl)	85.01	83.29	93.97	2%	(10%)	86.94	96.77	(10%)
Dated Brent (US$/bbl)	109.61	108.19	113.46	1%	(3%)	112.10	111.93	-
AECO ($/mcf)	2.28	1.90	3.66	20%	(38%)	2.11	3.76	(44%)
Netherlands oil-linked gas price ($/mcf)	9.56	9.94	9.78	(4%)	(2%)	9.89	9.41	5%
Netherlands oil-linked gas price (€/mcf)	7.68	7.67	7.07	-	9%	7.70	6.84	13%
Average realized prices ($/boe)								
Canada	53.61	51.58	51.81	4%	3%	53.67	51.71	4%
France	104.95	104.15	108.40	1%	(3%)	106.00	105.67	-
Netherlands	56.88	57.88	58.11	(2%)	(2%)	57.95	55.54	4%
Australia	114.44	129.94	102.98	(12%)	11%	117.40	112.14	5%
Consolidated	80.35	76.04	77.85	6%	3%	79.83	79.82	-
Production mix (% of production)								
% priced with reference to WTI	23%	23%	17%			23%	15%	
% priced with reference to AECO	16%	18%	21%			17%	21%	
% priced with reference to Dated Brent	61%	59%	62%			60%	64%	

Reference prices

Overall, crude oil prices remained relatively consistent during the third quarter of 2012 as compared to the second quarter of 2012. 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 increase in inventories at Cushing, Oklahoma.

The AECO reference price increased 20% from the second quarter of 2012 to the third quarter of 2012 due in part to increased demand in natural gas for power generation during the summer. However, the AECO reference price was 38% lower compared to the same quarter in the previous year 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 natural gas price in the Netherlands is calculated using a trailing average of Dated Brent and the natural 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 increase in the average realized price for Canada was due to an increase in the percentage of crude oil and NGLs production in Canada, from 57% for the second quarter of 2012 to 59% for the third quarter of 2012, coupled with the increase in the AECO reference price for natural gas.

On a consolidated basis, for the three months ended September 30, 2012, crude oil and NGL production represented approximately 66% of total production (three months ended September 30, 2011 - 63%). Production priced with reference to crude oil (WTI and Dated Brent) represented approximately 84% of total production for the three months ended September 30, 2012 (three months ended September 30, 2011, 79%).

CAPITAL EXPENDITURES AND PROPERTY ACQUISITIONS

By category ($M)	Three Months Ended Sept 30, 2012	Three Months Ended June 30, 2012	Three Months Ended Sept 30, 2011	Nine Months Ended Sept 30, 2012	Nine Months Ended Sept 30, 2011
Land	7,666	31,713	35,041	46,046	50,246
Seismic	2,653	1,327	2,090	4,779	5,963
Drilling and completion	55,320	28,309	62,412	138,487	153,379
Production equipment and facilities	34,691	26,718	28,049	86,164	104,205
Recompletions	2,956	1,403	3,399	7,004	14,390
Other	2,969	5,418	3,790	13,023	10,346
Capital expenditures	106,255	94,888	134,781	295,503	338,529
Property acquisitions	-	-	-	106,184	38,101
Total capital expenditures and property acquisitions	106,255	94,888	134,781	401,687	376,630

By classification ($M)	Three Months Ended Sept 30, 2012	Three Months Ended June 30, 2012	Three Months Ended Sept 30, 2011	Nine Months Ended Sept 30, 2012	Nine Months Ended Sept 30, 2011
Drilling and development	96,212	77,956	89,332	262,064	281,749
Exploration and evaluation	10,043	16,932	45,449	33,439	56,780
Capital expenditures	106,255	94,888	134,781	295,503	338,529
Property acquisitions	-	-	-	106,184	38,101
Total capital expenditures and property acquisitions	106,255	94,888	134,781	401,687	376,630

By country ($M)	Three Months Ended Sept 30, 2012	Three Months Ended June 30, 2012	Three Months Ended Sept 30, 2011	Nine Months Ended Sept 30, 2012	Nine Months Ended Sept 30, 2011
Canada	63,701	55,456	92,993	191,139	254,306
France	10,416	10,281	8,806	132,539	44,871
Netherlands	5,257	5,379	8,707	13,206	19,843
Australia	9,721	9,867	2,549	24,132	9,448
Ireland	17,160	13,905	21,726	40,671	48,162

Capital expenditures for the third quarter of 2012 increased from the second quarter of 2012 primarily as a result of increased activity in Canada and Ireland. The increase in capital expenditures in Canada resulted mainly from more wells being drilled, completed, and tied-in in the third quarter as compared to the second quarter. Vermilion participated in the drilling of 16 (11.5 net) wells during the third quarter as compared to the drilling of 10 (6.7 net) wells in the second quarter. This increase in Canada was partially offset by a reduction in land acquisitions in the third quarter. The increase in capital expenditures in Ireland resulted from ocean bottom seismic studies and preliminary tunneling activities.

Capital expenditures for the third quarter of 2012 decreased as compared to the same period in the previous year. This decrease was primarily a result of a reduction in Canadian land acquisitions.

On a year to date basis, capital expenditures were lower in 2012 as compared to 2011. This decrease was primarily the result of reduced expenditures in Canada and Ireland, partially offset by higher expenditures in Australia. The decrease in expenditures in Canada was primarily the result of lower facilities expenditures, including the absence of costs relating to the construction of a 15,000 bbls/d oil processing facility that occurred in 2011, reduced land acquisitions and well tie-in activity. The decrease in Ireland was primarily the result of reduced facilities expenditures. The decreases in Canada and Ireland were partially offset by an increase in capital expenditures in Australia, which resulted primarily from facility maintenance and preliminary spending for the Australian drilling campaign.

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 Sept 30, 2012	June 30, 2012	Sept 30, 2011	% change Q3/12 vs. Q2/12	Q3/12 vs. Q3/11	Nine Months Ended Sept 30, 2012	Sept 30, 2011	% change 2012 vs. 2011
Crude oil & NGLs	243,471	205,126	202,303	19%	20%	716,888	625,348	15%
Per boe	100.70	100.07	100.71	1%	-	102.32	104.26	(2%)
Natural gas	41,367	41,418	46,058	-	(10%)	124,982	131,050	(5%)
Per mcf	6.12	5.79	6.50	6%	(6%)	5.89	6.28	(6%)
Petroleum and natural gas sales	284,838	246,544	248,361	16%	15%	841,870	756,398	11%
Per boe	80.35	76.04	77.85	6%	3%	79.83	79.82	-

By country ($M except per boe)	Three Months Ended Sept 30, 2012	June 30, 2012	Sept 30, 2011	% change Q3/12 vs. Q2/12	Q3/12 vs. Q3/11	Nine Months Ended Sept 30, 2012	Sept 30, 2011	% change 2012 vs. 2011
Canada	71,268	74,932	61,903	(5%)	15%	226,726	177,512	28%
Per boe	53.61	51.58	51.81	4%	3%	53.67	51.71	4%
France	102,369	94,828	80,845	8%	27%	300,708	241,383	25%
Per boe	104.95	104.15	108.40	1%	(3%)	106.00	105.67	-
Netherlands	30,386	30,062	29,883	1%	2%	92,268	82,474	12%
Per boe	56.88	57.88	58.11	(2%)	(2%)	57.95	55.54	4%
Australia	80,815	46,722	75,730	73%	7%	222,168	255,029	(13%)
Per boe	114.44	129.94	102.98	(12%)	11%	117.40	112.14	5%

Vermilion's consolidated petroleum and natural gas sales for the three months ended September 30, 2012 increased relative to the three months ended June 30, 2012 by $38.3 million. This increase was primarily the result of higher crude oil sales volumes in Australia and France, partially offset by lower natural gas sales volumes in Canada.

Consolidated petroleum and natural gas sales for the three months ended September 30, 2012 were higher than the comparable period in 2011 by $36.5 million. This increase was primarily the result of overall higher crude oil sales volumes, partially offset by a year-over-year decrease in natural gas sales volumes in Canada and a decrease in the Edmonton Sweet index and Dated Brent reference prices.

Consolidated petroleum and natural gas sales for the nine months ended September 30, 2012 were higher than the comparable period in 2011 by $85.5 million. The increase was primarily attributable to higher crude oil sales volumes, resulting in part from increased Cardium crude oil production in Canada and additional production from Vermilion's January 2012 acquisition in France. These increases were partially offset by a decrease in both the realized prices for crude oil and natural gas in Canada.

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 decreased in the third quarter of 2012 versus the second quarter of 2012 due to a decrease in both France's and Australia's inventory of 24,806 bbls and 158,029 bbls, respectively.

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

	Three Months Ended			Nine Months Ended	
(bbls)	Sept 30, 2012	June 30, 2012	Sept 30, 2011	Sept 30, 2012	Sept 30, 2011
France					
Opening crude oil inventory	270,801	223,421	215,132	186,955	158,229
Crude oil production	898,599	903,750	731,009	2,736,893	2,240,796
Crude oil sales	(923,405)	(856,370)	(736,504)	(2,677,853)	(2,189,388)
Closing crude oil inventory	245,995	270,801	209,637	245,995	209,637
Australia					
Opening crude oil inventory	274,878	208	62,397	221,898	172,199
Crude oil production	548,144	634,245	735,365	1,787,323	2,274,131
Crude oil sales	(706,173)	(359,575)	(626,026)	(1,892,372)	(2,274,594)
Closing crude oil inventory	116,849	274,878	171,736	116,849	171,736

DERIVATIVE INSTRUMENTS

	Three Months Ended			% change		Nine Months Ended		% change
($M except per boe)	Sept 30, 2012	June 30, 2012	Sept 30, 2011	Q3/12 vs. Q2/12	Q3/12 vs. Q3/11	Sept 30, 2012	Sept 30, 2011	2012 vs. 2011
Realized loss on derivative instruments	1,869	3,591	7,793	(48%)	(76%)	11,178	22,185	(50%)
Per boe	0.53	1.11	2.44	(52%)	(78%)	1.06	2.34	(55%)

The realized loss on derivative instruments was lower in the third quarter of 2012 as compared to both the second quarter of 2012 and the third quarter of 2011 due to weaker crude oil prices relative to the ceiling on certain derivative instruments pertaining to 2012. In the current quarter, crude oil prices were lower than the ceiling price of Vermilion's derivative instruments and as such the realized loss related entirely to premiums paid on funded collars and put options.

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 crude oil 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 September 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 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 to December 2012	0.50	500	85.00 - 138.25
January 2013 to March 2013	-	250	85.00 - 109.52
April 2013 to June 2013	-	250	88.00 - 109.43
Swap - WTI			
October 2012 to December 2012	-	750	90.84
January 2013 to June 2013 [1]	-	500	100.85
January 2013 to June 2013 [1]	-	500	101.50
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 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 to December 2012	1.00	500	92.00 - 134.25
October 2012 to December 2012	1.00	500	97.00 - 132.20
January 2013 to March 2013	1.00	250	95.00 - 132.15
January 2013 to March 2013	-	300	98.00 - 128.50
January 2013 to June 2013	-	1,000	90.00 - 103.65
January 2013 to June 2013	-	1,000	90.00 - 106.90
January 2013 to December 2013	-	500	95.00 - 107.35
January 2013 to December 2013	-	500	95.00 - 109.90
January 2013 to December 2013	-	1,000	97.00 - 107.65
January 2013 to December 2013	-	500	95.00 - 106.50
January 2013 to December 2013	-	1,000	97.00 - 106.15
July 2013 to December 2013	-	500	95.00 - 109.10
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
SWAP - DATED BRENT			
October 2012 to December 2012	-	750	103.85

[1] The counterparty to the swap has the option on June 28, 2013 to extend the swap to December 31, 2013 at the contracted volume and price.

An up to date listing of 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 Sept 30, 2012	June 30, 2012	Sept 30, 2011	% change Q3/12 vs. Q2/12	Q3/12 vs. Q3/11	Nine Months Ended Sept 30, 2012	Sept 30, 2011	% change 2012 vs. 2011
Crude oil & NGLs	12,087	13,242	12,675	(9%)	(5%)	39,570	36,712	8%
Per boe	5.00	6.46	6.31	(23%)	(21%)	5.65	6.12	(8%)
Natural gas	276	89	808	210%	(66%)	576	2,518	(77%)
Per mcf	0.04	0.01	0.11	300%	(64%)	0.03	0.12	(75%)
Royalties	12,363	13,331	13,483	(7%)	(8%)	40,146	39,230	2%
Per boe	3.49	4.11	4.23	(15%)	(17%)	3.81	4.14	(8%)
% of petroleum and natural gas sales	4.3%	5.4%	5.4%			4.8%	5.2%	

By country ($M except per boe)	Three Months Ended Sept 30, 2012	June 30, 2012	Sept 30, 2011	% change Q3/12 vs. Q2/12	Q3/12 vs. Q3/11	Nine Months Ended Sept 30, 2012	Sept 30, 2011	% change 2012 vs. 2011
Canada	7,081	8,216	8,351	(14%)	(15%)	24,266	24,804	(2%)
Per boe	5.33	5.66	6.99	(6%)	(24%)	5.74	7.23	(21%)
% of petroleum and natural gas sales	9.9%	11.0%	13.5%			10.7%	14.0%	
France	5,282	5,115	5,132	3%	3%	15,880	14,426	10%
Per boe	5.42	5.62	6.88	(4%)	(21%)	5.60	6.32	(11%)
% of petroleum and natural gas sales	5.2%	5.4%	6.3%			5.3%	6.0%	

In Canada, royalties as a percentage of sales for the three months ended September 30, 2012 was 9.9% as compared to 13.5% for the comparative period of the prior year and 11.0% 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 10.9% from 16.4% for the third 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 for the third quarter of 2012 at 10.9% decreased slightly from the prior quarter at 12.3% reflecting additional wells being put on production that benefit from this royalty incentive.

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 three and nine months ended September 30, 2012 decreased to 5.2% and 5.3%, respectively, as compared to 6.3% and 6.0% for the same periods of the previous year due to a weakening Euro. Royalties as a percent of revenue for the third quarter of 2012 were relatively consistent with the rate of 5.4% for the prior quarter.

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

OPERATING EXPENSE

By product ($M except per boe and per mcf)	Three Months Ended Sept 30, 2012	June 30, 2012	Sept 30, 2011	% change Q3/12 vs. Q2/12	Q3/12 vs. Q3/11	Nine Months Ended Sept 30, 2012	Sept 30, 2011	% change 2012 vs. 2011
Crude oil & NGLs	36,889	28,645	32,190	29%	15%	102,400	90,199	14%
Per boe	15.26	13.97	16.03	9%	(5%)	14.62	15.04	(3%)
Natural gas	10,141	11,580	11,098	(12%)	(9%)	32,408	31,672	2%
Per mcf	1.50	1.62	1.57	(7%)	(4%)	1.53	1.52	1%
Operating	47,030	40,225	43,288	17%	9%	134,808	121,871	11%
Per boe	13.27	12.41	13.57	7%	(2%)	12.78	12.86	(1%)

By country ($M except per boe)	Three Months Ended Sept 30, 2012	June 30, 2012	Sept 30, 2011	% change Q3/12 vs. Q2/12	Q3/12 vs. Q3/11	Nine Months Ended Sept 30, 2012	Sept 30, 2011	% change 2012 vs. 2011
Canada	13,420	13,217	13,473	2%	-	40,904	39,503	4%
Per boe	10.10	9.10	11.28	11%	(10%)	9.68	11.51	(16%)
France	12,351	13,755	14,281	(10%)	(14%)	41,208	35,541	16%
Per boe	12.66	15.11	19.15	(16%)	(34%)	14.53	15.56	(7%)
Netherlands	3,870	5,457	3,991	(29%)	(3%)	13,436	12,346	9%
Per boe	7.24	10.51	7.76	(31%)	(7%)	8.44	8.31	2%
Australia	17,389	7,796	11,543	123%	51%	39,260	34,481	14%
Per boe	24.62	21.68	15.70	14%	57%	20.75	15.16	37%

In Canada, third quarter operating expense of $13.4 million was consistent with the $13.2 million for the second quarter of 2012 and the $13.5 million for the third quarter of 2011. On a year to date basis, Canadian operating expense increased slightly to $40.9 million for the nine months ended September 30, 2012 from $39.5 million for the same period in the prior year due to higher volumes. On a per boe basis, quarter-over-quarter operating expenses increased due to slightly lower volumes. Operating costs per boe for the three months ended September 30, 2012, as compared to the same period in the prior year, decreased by $1.18 as a result of higher Canadian volumes driven by the Cardium program. Similarly, for the year to date period ended September 30, 2012, operating costs per boe decreased by $1.83 due to significantly higher production volumes.

In France, third quarter operating expense of $12.4 million was lower than both the second quarter expense of $13.8 million and the third quarter of 2011 expense of $14.3 million due to the timing of downhole intervention work. Lower expenditures resulted in decreased costs per boe for the current quarter versus the previous quarter and versus the same quarter of the prior year. For the nine months ended September 30, 2012 operating costs increased to $41.2 million versus $35.5 million for the corresponding period in the prior year due to the acquisition of producing properties in the first quarter of 2012. The increased volumes associated with this acquisition resulted in operating costs per boe decreasing to $14.53 for the nine months ended September 30, 2012 from $15.56 per boe for the same period in the prior year.

In the Netherlands, operating expense for the three months ended September 30, 2012 of $3.9 million decreased from $5.5 million in the prior quarter and was consistent with the $4.0 million for the same quarter of the prior year. The quarter-over-quarter decrease 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. For the nine months ended September 30, 2012 operating expense increased to $13.4 million versus $12.3 million for the same period of the prior year primarily as a result of higher electricity usage related to the Vikega-2 well. Operating expense per boe for the three and nine months ended September 30, 2012 was consistent with the same periods of the prior year. Quarter-over-quarter operating costs per boe decreased due to lower expenditures and slightly higher production.

In Australia, third quarter operating expense increased to $17.4 million from the previous quarter's expense of $7.8 million due to a reduction in crude oil inventory associated with shipment timing. A decrease in crude oil inventory results in the release of production costs that are carried on the balance sheet until the product is sold. Operating costs were further increased quarter-over-quarter as the platform ran on diesel for more days during the third quarter as compared to the second quarter. Decreased production volumes quarter-over-quarter contributed to the quarter-over-quarter increase in operating expense per boe. For the three and nine month periods ended September 30, 2012 operating expenses on both a spend and on a per boe basis was higher than comparable periods of the prior year due to increased maintenance costs coupled with a decrease in volumes.

TRANSPORTATION EXPENSE

By country ($M except per boe)	Three Months Ended Sept 30, 2012	June 30, 2012	Sept 30, 2011	% change Q3/12 vs. Q2/12	Q3/12 vs. Q3/11	Nine Months Ended Sept 30, 2012	Sept 30, 2011	% change 2012 vs. 2011
Canada	2,005	2,350	1,641	(15%)	22%	6,399	4,627	38%
Per boe	1.51	1.62	1.37	(7%)	10%	1.51	1.35	12%
France	1,840	1,894	2,567	(3%)	(28%)	6,382	7,163	(11%)
Per boe	1.89	2.08	3.44	(9%)	(45%)	2.25	3.14	(28%)
Ireland	1,899	1,974	2,253	(4%)	(16%)	5,874	6,721	(13%)
Transportation	5,744	6,218	6,461	(8%)	(11%)	18,655	18,511	1%
Per boe	1.62	1.92	2.03	(16%)	(20%)	1.77	1.95	(9%)

Consolidated transportation expense for the three months ended September 30, 2012 was lower than the three months ended June 30, 2012. This decrease was primarily the result of lower transportation costs in Canada due to the absence of pipeline downtime, which increased trucking costs in the second quarter of 2012.

Transportation expense for France for the three and nine months ended September 30, 2012 was lower than for the same periods in the prior year primarily as a result of a reduced number of Aquitaine shipments due to the usage of higher volume cargo vessels. This decrease in expense in France was offset by an increase in transportation expense in Canada for both the three and nine months ended September 30, 2012 as compared to the same periods in the prior year due to higher produced 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

($M except per boe)	Three Months Ended Sept 30, 2012	June 30, 2012	Sept 30, 2011	% change Q3/12 vs. Q2/12	Q3/12 vs. Q3/11	Nine Months Ended Sept 30, 2012	Sept 30, 2011	% change 2012 vs. 2011
Other (income) expense	(277)	585	786	(147%)	(135%)	8,291	1,942	327%
Per boe	(0.08)	0.18	0.25	(144%)	(132%)	0.79	0.20	295%

For the nine months ended September 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

($M except per boe)	Three Months Ended Sept 30, 2012	June 30, 2012	Sept 30, 2011	% change Q3/12 vs. Q2/12	Q3/12 vs. Q3/11	Nine Months Ended Sept 30, 2012	Sept 30, 2011	% change 2012 vs. 2011
General and administration	12,669	12,068	11,375	5%	11%	34,885	34,830	-
Per boe	3.57	3.72	3.57	(4%)	-	3.31	3.68	(10%)

General and administration expense for the third quarter of 2012 was higher than the expense for both the previous quarter and the third quarter of the prior year largely due to the timing of expenditures. General and administration expense for the nine months ended September 30, 2012 is consistent with the prior year.

EQUITY BASED COMPENSATION EXPENSE

	Three Months Ended			% change		Nine Months Ended		% change
($M except per boe)	Sept 30, 2012	June 30, 2012	Sept 30, 2011	Q3/12 vs. Q2/12	Q3/12 vs. Q3/11	Sept 30, 2012	Sept 30, 2011	2012 vs. 2011
Equity based compensation	8,704	9,861	7,609	(12%)	14%	28,620	22,517	27%
Per boe	2.46	3.04	2.39	(19%)	3%	2.71	2.38	14%

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 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 September 30, 2012 was lower than the prior quarter due to the timing of the forfeiture of awards and the granting of new awards. The expense for the three and nine months ended September 30, 2012 was higher than the expense for the same periods in 2011 as the expense in the current periods reflected the revision of performance condition assumptions in the fourth quarter of 2011.

INTEREST EXPENSE

	Three Months Ended			% change		Nine Months Ended		% change
($M except per boe)	Sept 30, 2012	June 30, 2012	Sept 30, 2011	Q3/12 vs. Q2/12	Q3/12 vs. Q3/11	Sept 30, 2012	Sept 30, 2011	2012 vs. 2011
Interest expense	7,229	6,600	6,659	10%	9%	19,930	18,602	7%
Per boe	2.04	2.04	2.09	-	(2%)	1.89	1.96	(4%)

Interest expense increased during the three months ended September 30, 2012 as compared to both the three months ended June 30, 2012 and September 30, 2011, primarily due to increased borrowings under Vermilion's revolving credit facility. Interest expense increased during the nine months ended September 30, 2012 as compared to same period in the prior year as the 6.5% senior unsecured notes, issued in February of 2011, were outstanding for all of 2012.

DEPLETION AND DEPRECIATION, ACCRETION, IMPAIRMENTS AND GAIN ON ACQUISITION

	Three Months Ended			% change		Nine Months Ended		% change
($M except per boe)	Sept 30, 2012	June 30, 2012	Sept 30, 2011	Q3/12 vs. Q2/12	Q3/12 vs. Q3/11	Sept 30, 2012	Sept 30, 2011	2012 vs. 2011
Depletion and depreciation	76,941	76,512	60,516	1%	27%	229,301	171,813	33%
Per boe	21.70	23.60	18.97	(8%)	14%	21.74	18.13	20%
Accretion	5,891	5,792	5,378	2%	10%	16,921	16,096	5%
Per boe	1.66	1.79	1.69	(7%)	(2%)	1.60	1.70	(6%)
Impairments	-	-	-	-	-	65,800	-	100%
Per boe	-	-	-	-	-	6.24	-	100%
Gain on acquisition	-	-	-	-	-	(45,309)	-	(100%)
Per boe	-	-	-	-	-	(4.30)	-	(100%)

Depletion and depreciation expense was relatively consistent for the three months ended September 30, 2012 as compared to the three months ended June 30, 2012. Depletion and depreciation expense was higher in the three and nine months ended September 30, 2012 compared to the same periods in the prior year, 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 increased in the three months ended September 30, 2012 as compared to both the three months ended June 30, 2012 and September 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.

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

Gain on acquisition in the nine months ended September 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		Nine Months Ended		% change
By classification ($M except per boe)	Sept 30, 2012	June 30, 2012	Sept 30, 2011	Q3/12 vs. Q2/12	Q3/12 vs. Q3/11	Sept 30, 2012	Sept 30, 2011	2012 vs. 2011
Current taxes before PRRT	38,784	29,225	24,599	33%	58%	100,373	86,573	16%
Per boe	10.94	9.01	7.71	21%	42%	9.52	9.14	4%
PRRT	22,743	8,460	18,281	169%	24%	58,472	77,534	(25%)
Per boe	6.42	2.61	5.73	146%	12%	5.54	8.18	(32%)
Current taxes	61,527	37,685	42,880	63%	43%	158,845	164,107	(3%)
Per boe	17.36	11.62	13.44	49%	29%	15.06	17.32	(13%)

	Three Months Ended			% change		Nine Months Ended		% change
By country ($M except per boe)	Sept 30, 2012	June 30, 2012	Sept 30, 2011	Q3/12 vs. Q2/12	Q3/12 vs. Q3/11	Sept 30, 2012	Sept 30, 2011	2012 vs. 2011
Canada	36	845	467	(96%)	(92%)	1,323	1,291	2%
Per boe	0.03	0.58	0.39	(95%)	(92%)	0.31	0.38	(18%)
France	21,051	15,725	13,696	34%	54%	49,671	48,226	3%
Per boe	21.58	17.27	18.36	25%	18%	17.51	21.11	(17%)
Netherlands	9,614	5,875	2,571	64%	274%	24,546	11,718	109%
Per boe	18.00	11.31	5.00	59%	260%	15.42	7.89	95%
Australia	30,826	15,240	26,146	102%	18%	83,305	102,872	(19%)
Per boe	43.66	42.38	35.56	3%	23%	44.02	45.23	(3%)

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. 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.

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 sales less eligible expenditures, which includes operating expenses and capital expenditures.

Current taxes before PRRT for the three and nine months ended September 30, 2012 were higher as compared to the same periods in the prior year. These year-over-year increases were attributable to higher taxable income associated with generally higher production volumes and an increase in taxes in the Netherlands. Current taxes were higher in the Netherlands in 2012 as compared to 2011 as a result of the absence of a tax incentive, which allowed Vermilion to accelerate the rate of depreciation on certain assets.

PRRT increased in the three months ended September 30, 2012 as compared to both the three months ended June 30, 2012 and September 30, 2011 primarily as a result of higher sales volumes. PRRT as a percentage of operating income for the Australia segment for the nine months ended September 30, 2012 was 32% as compared to 37% for the nine months ended September 30, 2011. This decrease was primarily the result of the impact of higher capital expenditures on PRRT in the current year versus the same period in the prior year.

FOREIGN EXCHANGE

($M except per boe)	Three Months Ended Sept 30, 2012	June 30, 2012	Sept 30, 2011	Nine Months Ended Sept 30, 2012	Sept 30, 2011
Unrealized foreign exchange loss (gain)	6,740	16,730	1,260	18,223	(13,952)
Per boe	1.89	5.16	0.39	1.73	(1.47)
Realized foreign exchange (gain) loss	(410)	(755)	670	(345)	228
Per boe	(0.11)	(0.23)	0.21	(0.03)	0.02
Foreign exchange loss (gain)	6,330	15,975	1,930	17,878	(13,724)
Per boe	1.78	4.93	0.60	1.70	(1.45)

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.

Foreign exchange gains and losses are comprised of both unrealized and realized amounts. 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.

In the three months ended September 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, offset partially by the impact of the appreciation of the Canadian dollar against the U.S. Dollar on the U.S. Dollar denominated amount due pursuant to the Corrib acquisition.

NET EARNINGS

For the three and nine months ended September 30, 2012, Vermilion had net earnings of $30.8 million or $0.31 per share and $133.7 million or $1.37 per share, respectively (three and nine months ended September 30, 2011, net earnings of $64.4 million or $0.71 per share and $173.1 million or $1.92 per share, respectively).

The decrease in net earnings for the three months and nine months ended September 30, 2012 as compared to the same periods in the prior year was due to higher foreign exchange losses, other expense and depletion and depreciation. For the three months ended September 30, 2012, there were additional decreases in net earnings resulting from higher unrealized losses on derivative instruments and current taxes, offset by higher sold volumes in Canada, France and the Netherlands.

SUMMARY OF RESULTS

($M except per share)	Three Months Ended Sept 30, 2012	Jun 30, 2012	Mar 31, 2012	Dec 31, 2011	Sept 30, 2011	Jun 30, 2011	Mar 31, 2011	Dec 31, 2010
Petroleum and natural gas sales	284,838	246,544	310,488	275,172	248,361	278,297	229,740	216,426
Net earnings (loss)	30,798	37,816	65,094	(30,243)	64,442	81,429	27,193	(21,809)
Net earnings (loss) per share								
Basic	0.31	0.39	0.67	(0.32)	0.71	0.90	0.30	(0.25)
Diluted	0.31	0.38	0.66	(0.32)	0.70	0.89	0.30	(0.25)

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 September 30, 2012 was $549.5 million compared to $429.0 million as at December 31, 2011.

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

	As At	
($M)	Sept 30, 2012	Dec 31, 2011
Revolving credit facility	270,653	152,086
Senior unsecured notes	222,016	221,350
Total long-term debt	492,669	373,436

Revolving Credit Facility

At September 30, 2012, Vermilion had in place a bank revolving credit facility totalling $950 million, of which approximately $270.7 million was drawn. The facility, which matures in May of 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 $10.8 million as at September 30, 2012 (December 31, 2011 - $3.7 million).

As at September 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 September 30, 2012, Vermilion's asset retirement obligations were $371.0 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	Nine Months Ended	Year Ended
($M)	Sept 30, 2012	Sept 30, 2012	Dec 31, 2011
Cash flows from operating activities	148,301	396,673	447,092
Net earnings	30,798	133,708	142,821
Dividends declared	56,196	167,282	207,846
Excess of cash flows from operating activities over dividends declared	92,105	229,391	239,246
(Shortfall) of net earnings over dividends declared	(25,398)	(33,574)	(65,025)

Vermilion maintained monthly dividends at $0.19 per share and declared dividends totalling $167.3 million for the nine months ended September 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.

Following 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 nine months ended September 30, 2012, Vermilion issued 2,299,123 shares pursuant to the dividend reinvestment plan and Vermilion's equity based compensation programs. Shareholders' capital increased by $94.7 million as a result of the issuance of those shares.

As at September 30, 2012, there were 98,729,258 shares outstanding. As at October 31, 2012, there were 98,873,567 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 five ready to produce 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 September 30, 2012 of $284.5 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 prior to the end 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. Sales, 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 and depreciation are based on estimates of crude oil, natural gas liquids and natural 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 recoverable amount of capital assets and exploration and evaluation assets are based on estimates that Vermilion expects to realize in future periods; 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 to the consolidated balance sheet as at September 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 are 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 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 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 are intended to assist financial statement users in evaluating the nature, risks and financial effects of an entity's interest in subsidiaries and joint arrangements.

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 Sept 30, 2012			Nine Months Ended Sept 30, 2012			Three Months Ended Sept 30, 2011	Nine Months Ended Sept 30, 2011
	Oil & NGLs $/bbl	Natural Gas $/mcf	Total $/boe	Oil & NGLs $/bbl	Natural Gas $/mcf	Total $/boe	Total $/boe	Total $/boe
Canada								
Price	80.37	2.52	53.61	83.66	2.25	53.67	51.81	51.71
Realized hedging loss	(0.35)	-	(0.21)	(0.55)	-	(0.32)	(0.16)	(0.35)
Royalties	(8.79)	(0.06)	(5.33)	(9.90)	(0.03)	(5.74)	(6.99)	(7.23)
Transportation	(1.92)	(0.15)	(1.51)	(1.94)	(0.16)	(1.51)	(1.37)	(1.35)
Operating	(10.48)	(1.59)	(10.10)	(10.04)	(1.53)	(9.68)	(11.28)	(11.51)
Operating netback	58.83	0.72	36.46	61.23	0.53	36.42	32.01	31.27
France								
Price	107.49	9.96	104.95	108.53	10.58	106.00	108.40	105.67
Realized hedging loss	(1.47)	-	(1.39)	(3.46)	-	(3.27)	(4.46)	(4.15)
Royalties	(5.63)	(0.28)	(5.42)	(5.84)	(0.25)	(5.60)	(6.88)	(6.32)
Transportation	(1.99)	-	(1.89)	(2.38)	-	(2.25)	(3.44)	(3.14)
Operating	(12.21)	(3.44)	(12.66)	(14.51)	(2.45)	(14.53)	(19.15)	(15.56)
Operating netback	86.19	6.24	83.59	82.34	7.88	80.35	74.47	76.50
Netherlands								
Price	94.66	9.44	56.88	99.63	9.58	57.95	58.11	55.54
Operating	-	(1.22)	(7.24)	-	(1.42)	(8.44)	(7.76)	(8.31)
Operating netback	94.66	8.22	49.64	99.63	8.16	49.51	50.35	47.23
Australia								
Price	114.44	-	114.44	117.40	-	117.40	102.98	112.14
Realized hedging loss	(0.33)	-	(0.33)	(0.30)	-	(0.30)	(5.82)	(5.06)
Operating	(24.62)	-	(24.62)	(20.75)	-	(20.75)	(15.70)	(15.16)
PRRT [1]	(32.21)	-	(32.21)	(30.90)	-	(30.90)	(24.86)	(34.09)
Operating netback	57.28	-	57.28	65.45	-	65.45	56.60	57.83
Total Company								
Price	100.70	6.12	80.35	102.32	5.89	79.83	77.85	79.82
Realized hedging loss	(0.77)	-	(0.53)	(1.60)	-	(1.06)	(2.44)	(2.34)
Royalties	(5.00)	(0.04)	(3.49)	(5.65)	(0.03)	(3.81)	(4.23)	(4.14)
Transportation	(1.38)	(0.35)	(1.62)	(1.58)	(0.36)	(1.77)	(2.03)	(1.95)
Operating	(15.26)	(1.50)	(13.27)	(14.62)	(1.53)	(12.78)	(13.57)	(12.86)
PRRT [1]	(9.41)	-	(6.42)	(8.35)	-	(5.54)	(5.73)	(8.18)
Operating netback	68.88	4.23	55.02	70.52	3.97	54.87	49.85	50.35
General and administration			(3.57)			(3.31)	(3.57)	(3.68)
Interest expense			(2.04)			(1.89)	(2.09)	(1.96)
Realized foreign exchange gain (loss)			0.11			0.03	(0.21)	(0.02)
Other income (expense)			0.08			(0.74)	0.19	0.07
Current income taxes [1]			(10.94)			(9.52)	(7.71)	(9.14)
Fund flows netback			38.66			39.44	36.46	35.62
Accretion			(1.66)			(1.60)	(1.69)	(1.70)
Depletion and depreciation			(21.70)			(21.74)	(18.97)	(18.13)
Impairments			-			(6.24)	-	-
Gain on acquisition			-			4.30	-	-
Deferred taxes			0.76			2.92	(0.94)	2.95
Unrealized other expense			-			(0.05)	(0.44)	(0.27)
Unrealized foreign exchange (loss) gain			(1.89)			(1.73)	(0.39)	1.47
Unrealized (loss) gain on derivative instruments			(3.02)			0.09	8.54	0.71
Equity based compensation			(2.46)			(2.71)	(2.39)	(2.38)
Earnings netback			8.69			12.68	20.18	18.27

[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.

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.
Managing Director (Acting) Europe

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

The Bank of Nova Scotia
Calgary, Alberta

Royal Bank of Canada
Calgary, Alberta

Canadian Imperial Bank of Commerce
Calgary, Alberta

National Bank of Canada
Calgary, Alberta

Alberta Treasury Branches
Calgary, Alberta

Citibank N.A., Canadian Branch
Citibank Canada
Calgary, Alberta

Wells Fargo Bank N.A., London Branch
London, England

La Caisse Centrale Desjardins du Québec
Montréal, Quebec

HSBC Bank Canada
Calgary, Alberta

JPMorgan Chase Bank, N.A., Toronto Branch
Toronto, Ontario

EVALUATION ENGINEERS

GLJ Petroleum Consultants Ltd.
Calgary, Alberta

LEGAL COUNSEL

Norton Rose Canada 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

Dean Morrison, Director Investor Relations

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