VERMILION
ENERGY TRUST

PRESS RELEASE – MARCH 3, 2008
YEAR END 2007 OPERATING AND FINANCIAL RESULTS

Vermilion Energy Trust ("Vermilion") (TSX – VET.UN) is pleased to report operating and unaudited financial results for the year ended December 31, 2007.

2007 Highlights:

- Beginning with the December 2007 distribution, Vermilion increased the monthly distribution by 12% to $0.19 per unit. This is the first change in Vermilion's distribution in five years. Since converting to a trust in January 2003, Vermilion has paid distributions of $10.05 per unit equal to 86% of its initial value, and the unit price has nearly tripled from $11.75 per unit to $34.23 per unit as of December 31, 2007.

- Recorded production of 31,325 boe/d in 2007 an increase of 14% compared to 27,401 boe/d in 2006. Fourth quarter 2007 production was 33,070 boe/d compared to 32,172 in the third quarter of 2007.

- Generated fund flows from operations of $126.1 million ($1.73 per unit) in the fourth quarter of 2007, bringing full year 2007 fund flows from operations to $385.9 million ($5.28 per unit) compared to $342.5 million ($4.86 per unit) in 2006. Fourth quarter figures benefited from the recognition of non-recurring tax reductions. Cash distributions as a percent of fund flows from operations were 28% in the fourth quarter of 2007 and 35% for the full year.

- Provided total returns to unitholders of 3.7% in 2007, compared to an average loss of 3.1% for Vermilion's peer group. Over the past three years, the Trust has delivered an industry leading compounded average rate of return of 26.1%. Since converting to a trust in 2003, Vermilion has generated a 5 year compound average rate of return of 30.4% (not including reinvestment of distributions) representing top quartile performance.

- Added 15.8 million barrels equivalent of new proved plus probable reserves in 2007, replacing 138% of 2007 production through drilling and acquisitions. Over the past five years, Vermilion has grown its proved plus probable reserves by 26% per unit on a debt-adjusted basis while increasing its production per unit by 10%. The Trust's proved plus probable reserve life index at the end of 2007 was 10.6 years.

- Acquired 40% of the Wandoo Field, offshore Australia, increasing Vermilion's interest to 100% of this field. Completed the expansion of processing facilities on the platform to enable fluid throughput of 150,000 barrels per day, and successfully carried out the first well workovers ever in this field.

- Successfully drilled Vermilion's first wells in the Netherlands. The three wells combined are expected to contribute approximately 650 boe/d to Vermilion's production in 2008.

- Received recognition for superior corporate governance in the Globe & Mail's "Board Games" as Canada's number one income trust and in Canadian Business Magazine's annual governance survey as one of the top ten companies in Canada.

- By maintaining a conservative payout ratio, Vermilion was able to execute a $176 million development capital program, acquire $130 million of producing properties, declare over $100 million in net cash distributions and still maintain a strong financial position. Vermilion's net debt at year-end 2007 was approximately $417 million, less than 1.1 times trailing funds from operations.

Conference Call and Webcast Details

Vermilion will discuss these results in a conference call to be held on Monday, March 3, 2008. The conference call will begin at 9:00 AM MST - 11:00 AM EST. To participate, you may call toll free 1-800-733-7560 or 1-416-644-3415 (Toronto area). The conference call will also be available on replay by calling 1-877-289-8525 or 1-416-640-1917 (Toronto area) using pass code 21260367 followed by the pound key. The replay will be available until midnight eastern time on March 17, 2008. You may also listen to the webcast by clicking http://www.newswire.ca/en/webcast/viewEvent.cgi?eventID=2146760.

HIGHLIGHTS

Financial ($000 CDN except unit and per unit amounts)	Three Months Ended Dec 31, 2007	Three Months Ended Dec 31, 2006	Year Ended Dec 31, 2007	Year Ended Dec 31, 2006
Petroleum and natural gas revenue	$205,725	$155,722	$707,334	$618,072
Fund flows from operations	126,115	89,558	385,911	342,502
Per unit, basic [1]	1.73	1.27	5.28	4.86
Capital expenditures	52,121	37,425	175,639	136,939
Acquisitions, including acquired working capital deficiency	366	5,845	129,605	195,880
Net debt			416,858	354,809
Reclamation fund contributions and asset retirement costs incurred	1,618	8,027	4,056	13,770
Cash distributions per unit	0.53	0.51	2.06	2.04
Cash distributions total	35,564	32,961	136,389	130,638
Less DRIP	9,807	6,131	35,992	18,811
Cash distributions net	25,757	26,830	100,397	111,827
% of fund flows from operations distributed gross	28%	37%	35%	38%
% of fund flows from operations distributed net	20%	30%	26%	33%
Total net distributions, capital expenditures, reclamation fund contributions and asset retirement costs incurred	$79,496	$ 72,282	$280,092	$262,536
% of fund flows from operations	63%	81%	73%	77%
Trust units outstanding [1]				
Adjusted basic			74,271,031	71,251,256
Diluted			77,270,832	74,925,989
Weighted average trust units outstanding [1]				
Adjusted basic			73,058,209	70,520,196
Diluted			75,782,723	73,059,877
Unit trading				
High			$40.40	$37.99
Low			$30.33	$26.51
Close			$34.23	$35.00
Operations				
Production				
Crude oil (bbls/d)	18,949	16,033	17,324	14,204
Natural gas liquids (bbls/d)	1,486	1,215	1,483	1,229
Natural gas (mcf/d)	75,812	73,221	75,113	71,805
Boe/d (6:1)	33,070	29,452	31,325	27,401
Average reference price				
WTI ($US/bbl)	$90.69	$60.21	$72.34	$66.21
Brent ($US/bbl)	88.69	59.68	72.52	65.14
AECO ($CDN/mcf)	6.14	6.91	6.45	6.53
Netherlands reference (Euro/GJ)	5.87	6.04	5.35	6.12
Foreign exchange rate ($US/$CDN)	1.02	0.88	0.94	0.88
Foreign exchange rate (Euro/$CDN)	0.70	0.68	0.68	0.70
Average selling price				
Crude oil and natural gas liquids ($CDN/bbl)	81.61	64.50	74.08	73.71
Natural gas ($CDN/mcf)	7.50	7.92	7.25	7.74
Netbacks per boe (6:1)				
Operations netback	43.69	36.92	40.62	41.86
Fund flows netback	41.47	33.06	33.75	34.25
Operating costs	$11.28	$10.52	$10.45	$ 9.65

[1] Includes trust units issuable for outstanding exchangeable shares based on the period end exchange ratio

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

FOR A COMPLETE COPY OF VERMILION'S 2007 FINANCIAL STATEMENTS AND RELATED MANAGEMENT'S DISCUSSION AND ANALYSIS, PLEASE REFER TO WWW.SEDAR.COM AND OR VERMILION'S WEBSITE AT WWW.VERMILIONENERGY.COM. THESE DOCUMENTS WILL BE MADE AVAILABLE ON OR BEFORE MARCH 31, 2008.

2007 IN REVIEW

Vermilion generated another year of strong operating and financial results by maintaining a disciplined adherence to the Trust's strategic plan. Initial 2007 production guidance of between 29,500 and 30,500 boe/d was increased by 1,500 boe/d at mid-year to reflect the acquisition of additional production in Australia. Vermilion's actual 2007 volumes averaged 31,325 boe/d, near the midpoint of its revised guidance range.

Total development capital expenditures of $176 million included approximately $29 million related to the pre-tax impact of Vermilion's share of the offshore Aquitaine Maritime well in France. This was a high risk project that had the potential to double the reserves of the Trust with minimal after-tax exposure. Unfortunately, the well was abandoned.

In Canada, Vermilion's 2007 capital program continued to focus on tight natural gas opportunities in the Drayton Valley area as well as coalbed methane and shallow gas in central Alberta. These drilling, workover and recompletion programs contributed to an 11% growth in Canadian production in 2007 as compared to 2006.

Vermilion's operations in France were notably impacted by the shut down of its Parentis to Ambès pipeline beginning in January. All of the Trust's production from properties in the Aquitaine Basin was transported to an alternate shipping location by truck over the balance of the year, resulting in reduced volumes as well as higher costs related to the trucking operations. Until the fourth quarter, most of the workover program spending for the Aquitaine Basin in southern France was deferred or re-allocated to the Paris Basin properties. In the Paris Basin, Vermilion drilled two wells in the La Torche/Champotran field and participated in a partner operated well at Itteville. France production volumes averaged 8,809 boe/d for the year.

The activity in France which attracted the most attention in 2007 was the drilling of the Orca 1 well on the Aquitaine Maritime offshore exploration concession. While the well ultimately proved to be a dry hole, the process provided Vermilion with valuable experience and, relative to the potential of the prospect, came at a small after-tax cost to unitholders. The well results confirmed all the key elements of Vermilion's geological and geophysical interpretations except for the presence of hydrocarbons. Vermilion will continue to evaluate the exploration potential of offshore France, but has no immediate plans to follow up on this well.

On the other hand, Vermilion's first foray into drilling in the Netherlands provided encouraging results. Vermilion successfully drilled and completed three wells, including two at Harlingen and one at DeBlesse. The combined production from these three wells are expected to contribute approximately 650 boe/d to Vermilion's production in 2008. The Harlingen treatment centre debottlenecking was completed, liberating 200 boe/d of gas previously used to fuel the compressors.

In Australia, Vermilion completed two well interventions in the Wandoo Field, adding approximately 600 boe/d to production. More importantly this work substantiated the opportunity to target unrecovered oil in this field using horizontal wellbores placed higher in the formation than the existing wellbore positions. Vermilion also completed the expansion of surface facilities at Wandoo, significantly enhancing the total fluid handling capacity of the platform. In July, Vermilion increased its interest in the Wandoo Field from 60% to 100%. Accordingly, future work programs will provide a more significant impact to the Trust's overall operations.

Vermilion worked closely with the Canadian Coalition of Energy Trusts in its attempts to reverse the Government of Canada's decision to impose a tax on income trust distributions. Sadly these efforts were to no avail. Then, in October, the Province of Alberta's provincial government announced significant revisions to royalty plans, creating further negative uncertainty for investors. Fortunately, Vermilion believes that it is well positioned to maintain its current business plans with minimal impact to unitholders from either of these government initiatives.

The Trust's Board of Directors and governance practices were recognized in two prominent studies. The Globe & Mail's "Board Games" ranked Vermilion as the number one income trust in Canada in terms of disclosure, board composition and compensation, shareholder rights and total return performance. Canadian Business Magazine ranked Vermilion in the top ten of 275 corporations' surveyed based on similar criteria. Vermilion's success reflects not only the quality of its assets, the strength of its people and the significance of a stable business plan, but also the strong guidance of its management team and Board of Directors.

Vermilion continues to provide superior total returns to its unitholders, and again delivered top-quartile performance in 2007, measured on either a one-year, three-year or five-year basis. The Trust recorded record profits and fund flows from operations in 2007, and we anticipate another strong year in 2008.

OUTLOOK

Vermilion's Board of Directors approved a $182 million development capital program for 2008, slightly higher than the 2007 program. Production is expected to average between 31,000 and 32,000 boe/d in 2008 without attributing any production from the upcoming Australian drilling program. Success in Australia drilling will have a positive impact on 2008 exit production.

The capital program includes approximately $50 million to drill and complete two development wells in the Wandoo Field, offshore Northwest Australia. A contract is currently being finalized with a rig provider, and Vermilion expects to drill these development wells beginning in the third quarter of 2008. Production from these wells, anticipated at 1,000 boe/d each, is expected to be on-stream before year end.

In France, planned activities include the drilling of a water injection well to increase the production capability at Les Mimosas and the drilling of a development well on the west end of the Parentis field. The capital program includes significant funds targeting a 20% increase in workover and recompletion programs in both the Paris and Aquitaine Basins. The Parentis to Ambès pipeline is expected to return to service before mid-year. Seismic programs covering 50% of the Cazaux Field and potentially parts of the Chaunoy and La Torche Fields are also planned.

In Canada, Vermilion recently launched a 16-well coalbed methane shallow gas program in central Alberta. The Trust also is planning to drill three Keg River oil development wells and reactivate five additional wells at its Utikuma light oil properties in northern Alberta. Vermilion's Drayton Valley activities will focus on high-value recompletions, and a handful of non-operated drills.

On January 31, 2008 Vermilion closed the acquisition of a package of producing assets in the Drayton Valley area for $47 million. These properties will add approximately 1,000 boe/d to current production. The properties are in most cases adjacent to or in close proximity to Vermilion's existing production and facilities. Included in the acquisition was a 100% working interest in a 10 mmcf/d sweet gas plant. Although this was a relatively small, bolt-on acquisition, the purchase metrics were attractive at approximately $47,000 per flowing barrel.

Netherlands activities will be directed primarily toward permitting a number of new wells that would be the objective of a drilling program starting in 2009. The Trust also will look to tie in a few stranded gas wells, and continue to work on the optimization of surface facilities.

Vermilion continues to direct a significant amount of time and human capital towards the evaluation of its large oil pools. Based on assessments provided by GLJ Petroleum Consultants Ltd., Vermilion's top five oil pools, including Utikuma in Canada, Wandoo in Australia and Chaunoy, Cazaux and Parentis in France, contained a combined original oil-in-place of approximately 1.5 billion barrels. Of that amount 545 million barrels have been recovered, and 59.8 million barrels are currently booked as recoverable reserves. Vermilion will continue to focus on improving the recovery of oil from these fields through improved processes and ultimately the application of enhanced oil recovery techniques. An incremental recovery rate of only 5% could provide potential incremental reserves of 75 million barrels, which currently represents approximately 60% of the Trust's total reserve base.

The Trust increased its position in Verenex Energy Inc. in 2007, and currently holds approximately 18.7 million shares representing a 42.2% equity interest in the firm. Verenex continues to explore its 1.5 million acre land position, "Area 47", in the Ghadames Basin of Libya, where early results have been remarkable. Verenex has successfully drilled eight wells, the first five of which tested at combined rates of 75,000 barrels of oil per day. The latest well results imply that some of the drilled structural traps may be part of a much more extensive stratigraphic oil play.

Verenex continues to further an appraisal program designed to clear the way for submission of a commerciality application, which is targeted for the middle of 2008. The southern part of Area 47 is contemplated as the core for an initial production phase of up to 50,000 barrels of oil per day (gross) by the end of 2009. Verenex also continues to advance its exploration program through seismic and additional drilling and currently has two rigs operating in Libya. Vermilion remains very pleased with these results which we believe will ultimately be reflected in Vermilion's equity stake in the company.

Vermilion's portfolio of properties and assets provides unitholders with a stable base and significant opportunities for future growth. The Trust will also continue to pursue acquisition opportunities in its core areas of operations, targeting accretive growth and unrealized development potential. Management remains highly committed to delivering meaningful returns to its investors, while protecting the interests of all stakeholders involved in its operations.

RESERVES SUMMARY

GLJ Petroleum Consultants Ltd. (GLJ), independent petroleum engineering consultants in Calgary, has prepared the 2007 year-end reserve evaluation report for the Trust. This report is in compliance with National Instrument 51-101[1] and the COGEH Handbook.

Vermilion added total proved plus probable reserves (P50) of 15.8 mmboe, approximately 1.4 times production in 2007. After production of 11.4 mmboe, the Trust's total proved reserves (P90) increased slightly to 86.6 mmboe at January 1, 2008. Total proved plus probable reserves (P50) increased by approximately 3.5% to 127.6 mmboe. On a per unit basis (debt adjusted where all debt is assumed to be converted to equity at year-end), Vermilion's total proved plus probable reserves (P50) declined by 2.6% over the prior year. Based on fourth quarter production rates, the Trust's effective reserve life index at January 1, 2008 is 7.2 years for proved reserves and 10.6 years for proved plus probable reserves.

[1] Under the NI51-101 guidelines, proved reserves are qualified as those reserves that have a 90% chance of being exceeded at the reported level. Proved reserves, by definition, are conservative. Nine times out of ten actual reserves will be greater than the proved estimate. Proved plus probable reserves are characterized as those reserves that have a 50% probability of being exceeded at the reported level. They are the best estimate, or the most realistic case. It is equally likely that the actual reserves will be higher or lower than the estimate.

The summary reserve table and reserves reconciliation table are included below. The reserves shown are Vermilion's company interest share before deducting royalties.

Reserves Summary Table (Company Interest Gross) (as at January 1, 2008)

					Cumulative Cash Flow (Escalated Prices – Before Tax)	
	Light & Medium Oil (mmbbls)	Natural Gas (bcf)	NGL's (mmbbls)	Oil Equivalent 6:1 (mmboe)	Undisc. ($mm)	8% ($mm)
Total Proved	57.06	160.0	2.82	86.56	3,371	2,257
Total Proved plus probable	81.62	248.68	4.54	127.62	5,033	3,301

The net present value of the reserves shown above (cumulative cash flow) are based on GLJ's escalating price and cost scenario, are presented for comparative purposes only and are not necessarily representative of fair market value.

Company Interest Reserves Reconciliation Summary Table (as at January 1, 2008)

Oil Equivalent (mmbbl) Gas at 6:1	Proved Producing	(P90) Total Proved	(P50) Total Proved Plus Probable
Opening Balance:	75,025	86,418	123,299
Drilling additions and improved recovery	4,705	2,534	5,766
Acquisition	6,587	7,279	9,742
Disposition	-	-	-
Technical revisions	2,197	1,758	242
Production	(11,434)	(11,434)	(11,434)
Closing balance	77,080	86,555	127,615

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

FOR COMPLETE INFORMATION REGARDING VERMILION'S RESERVES, PLEASE REVIEW THE TRUST'S 2007 ANNUAL INFORMATION FORM THAT WILL BE FILED ON SEDAR WWW.SEDAR.COM ON OR BEFORE MARCH 31, 2008.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is Management's Discussion and Analysis (MD&A) dated February 28, 2008 of Vermilion's operating and financial results for the three and twelve month periods ended December 31, 2007 and 2006. This discussion should be read in conjunction with the Trust's audited consolidated financial statements for the years ended December 31, 2006 and 2005, together with accompanying notes.

NON-GAAP MEASURES

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

"Fund flows from operations" represents cash flows from operating activities before changes in non-cash operating working capital and asset retirement costs incurred. Management considers fund flows from operations and per unit calculations of fund flows from operations (see discussion relating to per unit calculations below) to be key measures as they demonstrate the Trust's ability to generate the cash necessary to pay distributions, repay debt, fund asset retirement costs and make capital investments. Management believes that by excluding the temporary impact of changes in non-cash operating working capital, fund flows from operations provides a useful measure of the Trust's ability to generate cash that is not subject to short-term movements in operating working capital. As fund flows from operations also excludes asset retirement costs incurred, it assists management in assessing the ability of the Trust to fund current and future asset retirement costs. The most directly comparable GAAP measure is cash flows from operating activities. Fund flows from operations is reconciled to cash flows from operating activities below.

($000's)	Three Months Ended		Year Ended	Year Ended
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
Cash flows from operating activities	$ 51,737	$93,731	$349,890	$306,033
Changes in non-cash operating working capital	72,760	(7,027)	31,965	32,252
Asset retirement costs incurred	1,618	2,854	4,056	4,217
Fund flows from operations	$126,115	$89,558	$385,911	$342,502

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

"Net debt" is the sum of long-term debt and working capital and is used by management to analyze the financial position and leverage of the Trust.

"Cash distributions per unit" represents actual cash distributions paid per unit by the Trust during the relevant periods.

"Cash distributions net" is calculated as actual cash distributions paid or payable for a given period less proceeds received by the Trust pursuant to the Distribution Reinvestment Plan ("DRIP"). Cash distributions both before and after DRIP are reviewed by management and are also assessed as a percentage of fund flows from operations to analyze how much of the cash generated by the Trust is being used to fund distributions.

"Total net distributions, capital expenditures, reclamation fund contributions and asset retirement costs incurred" is calculated as the addition of net cash distributions as determined above plus the following amounts for the relevant periods from the Trust's consolidated statements of cash flows: "Drilling and development of petroleum and natural gas properties", "Contributions to reclamation fund" and "Asset retirement costs incurred." This measure is reviewed by management and is also assessed as a percentage of fund flows from operations to analyze the amount of cash generated by the Trust that is available to repay debt and fund potential acquisitions.

"Netbacks" are per-unit of production measures used in operational and capital allocation decisions.

"Adjusted basic trust units outstanding" and "Adjusted basic weighted average trust units outstanding" are used in the per unit calculations on the Highlights schedule of this document and are different from the most directly comparable GAAP figures in that they include amounts related to outstanding exchangeable shares at the period end exchange ratio. As the exchangeable shares will eventually be converted into units of the Trust, management believes that their inclusion in the calculation of basic rather than only diluted per unit statistics provides meaningful information.

"Diluted trust units outstanding" is the sum of "Adjusted basic trust units outstanding" plus outstanding awards under the Trust's Unit Rights Incentive Plan and the Trust Unit Award Incentive Plan, based on current performance factor estimates.

FORWARD-LOOKING INFORMATION

This document contains forward-looking financial and operational information as to the Trust's internal projections and expectations relating to future events or performance. In some cases, forward-looking information can be identified by terminology such as "may", "will", "should", "expects", "projects", "anticipates" and similar expressions. These statements represent management's expectations concerning future operating results or the economic performance of the Trust and are subject to a number of risks and uncertainties that could materially affect results. These risks include, but are not limited to future commodity prices, exchange rates, interest rates, geological risk, reserves risk, political risk, product demand and transportation restrictions, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed by such forward-looking statements. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted.

OPERATIONAL ACTIVITIES

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

Canada

In Canada, the Trust participated in the drilling of 51 wells (35.1 net) during 2007, resulting in 29 gas wells (22.1 net), three oil wells (2.4 net), six abandoned wells (6.0 net) and 13 standing wells (4.6 net) awaiting further evaluation and tie-in. The total wells include 27 CBM and shallow gas wells (19.2 net). The abandoned wells were related to a shallow gas exploration venture in Saskatchewan, which has been discontinued.

France

In France, Vermilion drilled and completed two oil wells (2.0 net) in the Champotran/La Torche Field, participated in one oil well (0.2 net) at Itteville in the Paris Basin, and drilled one offshore well (0.5 net) which resulted in a dry and abandoned well. A comprehensive trucking operation was established as an interim replacement for the Ambès pipeline. More than 9,500 truckloads carrying approximately 1.5 million barrels of oil were transported from producing facilities to shipping terminals, virtually incident free, reflecting Vermilion's strong commitment to safety and the environment. Ongoing refurbishment of alternate tanks at the Ambès terminal should allow the resumption of the pipeline operations sometime in the first half of 2008.

Netherlands

In the Netherlands, Vermilion successfully drilled two wells (1.9 net) at Harlingen and one well (0.5 net) at De Blesse, validating the geological and geophysical interpretations for these wells and initiating a drilling program that is expected to resume in 2009. The Trust successfully replaced two oversized gas-powered, turbine compression units at the Harlingen gas treatment centre reducing total horsepower requirements and liberating 1.2 mmcf/d (200 boe/d) of fuel gas to the sales line.

Australia

The Wandoo Platform faced three evacuations in the first quarter of the year and one in the fourth quarter of the year. Downtime resulting from evacuations has been reduced through a series of platform modifications, and the total cyclone-related production shortfall was narrowed to approximately 240 boe/d in 2007. Vermilion completed the expansion of fluid handling capacity on the Wandoo platform in the second quarter of 2007. Two successful workover and recompletions in the Wandoo Field provided essential information that confirmed the opportunity to capture additional reserves and production by repositioning wellbores closer to the top of the oil column in this reservoir. A two well drilling program is planned for 2008 to initiate the capture of this opportunity. With success, Vermilion would review additional drilling opportunities in this field.

PRODUCTION

Average production in Canada during 2007 was 4,081 bbls/d of oil and NGL's and 47.7 mmcf/d of natural gas (12,038 boe/d) compared to 4,011 bbls/d of oil and NGL's and 41.0 mmcf/d of natural gas (10,843 boe/d) in 2006. Fourth quarter 2007 production averaged 12,065 boe/d, representing an increase of 12% over prior year levels.

Production in France averaged 8,809 boe/d in 2007, 13% higher than the 7,800 boe/d produced in 2006, reflecting the full year impact of the July 2006 acquisition, net of the reduction in volumes arising from the Ambès pipeline and terminal shut-down incident. Fourth quarter production of 8,946 boe/d in 2007 was 9% lower than the 9,841 boe/d produced in France during the fourth quarter of 2006, reflecting normal declines together with the impact of the Ambès situation and a reduction in workover activity in 2007.

Production in the Netherlands averaged 4,413 boe/d in 2007, down 11% from the 4,943 boe/d recorded in 2006, due primarily to normal reservoir declines and some maintenance downtime. Fourth quarter production averaged 4,468 boe/d in 2007 compared with 5,091 boe/d during the same period in 2006. As recently completed wells are tied in, production is expected to increase early in 2008 before resuming normal declines.

Australia production averaged 6,065 boe/d in 2007, compared to a full year average of 3,815 in 2006. Volumes in 2006 were impacted by storm related shut-downs during the first quarter and operations related shut-downs in the second half of 2006. Production in 2007 was curtailed by cyclone action in the first half of the year, and boosted by the acquisition of the remaining 40% interest in the Wandoo Field in the second half of 2007. Production during the fourth quarter of 2007 averaged 7,591 boe/d, compared to 3,775 boe/d during the same period in 2006. The two wells scheduled for drilling in the second half of the year are expected to be tied-in by year end, but are not anticipated to contribute to 2008 production volumes.

Production

	Three Months Ended Dec 31, 2007			Year Ended Dec 31, 2007			
	Oil & NGLs (bbls/d)	Natural Gas (mmcf/d)	Total (boe/d)	Oil & NGLs (bbls/d)	Natural Gas (mmcf/d)	Total (boe/d)	%
Canada	4,047	48.12	12,065	4,081	47.74	12,038	39
France	8,776	1.02	8,946	8,621	1.13	8,809	28
Netherlands	21	26.68	4,468	40	26.24	4,413	14
Australia	7,591	-	7,591	6,065	-	6,065	19
Total	20,435	75.82	33,070	18,807	75.11	31,325	100

	Three Months Ended Dec 31, 2006			Year Ended Dec 31, 2006			
	Oil & NGLs (bbls/d)	Natural Gas (mmcf/d)	Total (boe/d)	Oil & NGLs (bbls/d)	Natural Gas (mmcf/d)	Total (boe/d)	%
Canada	3,752	41.96	10,745	4,011	40.99	10,843	40
France	9,629	1.27	9,841	7,576	1.35	7,800	28
Netherlands	93	29.99	5,091	31	29.47	4,943	18
Australia	3,775	-	3,775	3,815	-	3,815	14
Total	17,249	73.22	29,452	15,433	71.81	27,401	100

CAPITAL EXPENDITURES

Drilling and development capital spending for the year totalled $305.2 million compared to $332.8 million spent in 2006.

($000's)	Three Months Ended		Year Ended	Year Ended
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
Land	$ 1,086	$ 73	$ 3,484	$ 2,025
Seismic	156	1,151	491	2,555
Drilling and completion	25,000	10,870	89,081	48,559
Production equipment and facilities	22,781	16,404	61,586	58,160
Recompletions	2,999	7,198	11,021	15,280
Other	99	1,729	9,976	10,360
	52,121	37,425	175,639	136,939
Acquisitions	366	5,845	129,605	195,880
Total	$52,487	$43,270	$305,244	$332,819

FINANCIAL REVIEW

The Trust generated fund flows from operations of $126.1 million ($1.73 per unit) in the fourth quarter of 2007, compared to $89.6 million ($1.27 per unit) in the fourth quarter of 2006. Production volumes were 12% higher in the fourth quarter of 2007 compared to last year's period, and realized commodity prices were 18% higher than in the fourth quarter of 2006. A drop in cash taxes, as compared with historical levels, also accounted for part of the strong fourth quarter 2007 results. In 2007, Vermilion executed certain transactions that contributed to a substantial reduction in the current income taxes paid by the Trust's international operating subsidiaries, including the drilling of the offshore well in France and the property acquisition in Australia. The primary impact on current income taxes was recorded over the second half of 2007, as the Trust obtained certainty over both the completion of the transactions and their tax effect.

Cash distributions as a percentage of fund flows from operations was 35.3% (28.2% in the quarter) before the impact of the Trust's distribution reinvestment program ("DRIP"), which generated $36.0 million ($9.8 million in the quarter) of cash to the Trust. Unitholders reinvest their monthly distributions to receive additional trust units equal to 5% of the DRIP units purchased with their distributions. After accounting for the DRIP, cash distributions as a percentage of fund flows from operations were 26.0% (20.4% in the quarter). This compares to cash distributions as a percentage of fund flows from operations of 38.1% (36.8% in the quarter) before the impact of the DRIP and 32.7% (30.0% in the quarter) after the impact of the DRIP in 2006.

Development capital expenditures during the fourth quarter of 2007 were $52.1 million bringing the full year total to $175.6 million. The total of net distributions (after DRIP), capital expenditures, reclamation fund contributions and asset retirement costs incurred represented 73% of fund flows from operations in 2007 as compared to 77% in 2006.

Vermilion's net debt was $416.9 million at the end of the 2007, compared with $354.8 million at the end of 2006. Vermilion was able to execute a $176 million development capital program, acquire $130 million of producing properties, declare over $100 million in net cash distributions, increase its equity position in Verenex by over $30 million and still maintain a strong financial position. The net debt at year end 2007 is equivalent to less than 1.1 times trailing fund flows from operations and only 0.8 times annualized fourth quarter 2007 funds from operations.

REVENUE

Total revenue was $707.3 million ($205.7 million in the quarter) in 2007 compared to $618.1 million ($155.7 million in the quarter) in 2006. Vermilion's combined crude oil & NGL price was $74.08 per boe ($81.61 per boe in the quarter) in 2007, an increase of 1% over the $73.71 per boe reported ($64.50 per boe in the quarter) in 2006. The natural gas price realized was $7.25 per mcf ($7.50 per mcf in the quarter) in 2007 compared to $7.74 per mcf ($7.92 per mcf in the quarter) realized a year ago, a 6% decrease year over year. The increase in oil prices in the fourth quarter of 2007 compared to the same period in 2006 was partially offset by the strengthening of the Canadian dollar. Increased production in Canada, coupled with the acquisition of the remaining 40% interest in the Wandoo Field offshore Australia in the second quarter of 2007, resulted in higher revenue year over year.

($000's except per boe and per mcf)

	Three Months Ended		Year Ended	Year Ended
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
Crude oil & NGL's	$153,433	$102,362	$508,540	$415,245
Per boe	$81.61	$64.50	$74.08	$73.71
Natural gas	52,292	53,360	198,794	202,827
Per mcf	$7.50	$7.92	$7.25	$7.74
Petroleum and natural gas revenue	$205,725	$155,722	$707,334	$618,072
Per boe	$67.62	$57.47	$61.86	$61.80

DERIVATIVE INSTRUMENTS

Vermilion continues to manage its risk exposure through prudent commodity and currency economic hedging strategies. Vermilion has the following financial collars and puts in place at December 31, 2007:

Risk Management: Oil	Funded Cost	bbls/d	US$/bbl
Collar – WTI			
Q1 2008	US$0.50/bbl	500	$63.00 - $79.05
Q2 2008	US$0.50/bbl	500	$64.30 - $76.00
Q3 2008	US$0.28/bbl	250	$70.00 - $90.00
Q4 2008	US$0.50/bbl	250	$69.00 - $90.00
Collar - BRENT			
Q1 2008	US$0.25/bbl	500	$68.42 - $83.00
Q1 2008	US$0.25/bbl	500	$69.25 - $82.00
Q2 2008	US$0.50/bbl	500	$64.00 - $80.10
Q2 2008	US$0.25/bbl	500	$67.20 - $82.00
Q3 2008	US$0.25/bbl	500	$66.40 - $82.00
Q3 2008	US$0.25/bbl	500	$66.60 - $82.00
Q3 2008	US$0.19/bbl	250	$65.00 - $90.00
Q4 2008	-	500	$68.20 - $81.00
Call Spread - BRENT			
2009 - 2011	US$5.73/bbl	700	$65.00 - $85.00

The impact of Vermilion's economic hedging program for the year decreased cash netbacks by $0.25 per boe (cost of $1.11 per boe for the quarter) in 2007. This compares to a hedging cost of $0.02 (gain of $0.23 per boe in the quarter) in 2006.

ROYALTIES

Total royalties for the year decreased to $8.53 per boe or 14% of sales ($9.57 per boe, 14% in the quarter) in 2007, compared with $9.22 per boe or 15% of sales ($9.23 per boe, 16% in the quarter) in 2006. In Australia, royalties are reduced by capital reinvestment in the country and the year over year decrease is largely due to Vermilion's active capital program in Australia resulting in the Trust paying royalties at a reduced rate compared to 2006. Royalties in Canada, which are paid on a sliding scale basis, were relatively consistent year over year. Royalties did not change substantially in France, where for the most part, royalties are calculated on a unit of production basis. Production in the Netherlands is not subject to royalties.

($000's except per boe and per mcf)

	Three Months Ended		Year Ended	Year Ended
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
Crude oil & NGL's	$23,165	$18,783	$73,933	$70,941
Per boe	$12.32	$11.84	$10.77	$12.59
Natural gas	5,937	6,220	23,585	21,271
Per mcf	$0.85	$0.92	$0.86	$0.81
Combined	$29,102	$25,003	$97,518	$92,212
Per boe	$9.57	$9.23	$8.53	$9.22

OPERATING COSTS

Operating costs for the year increased to $10.45 per boe ($11.28 per boe in the quarter) from $9.65 per boe ($10.52 boe in the quarter) in 2006. The increase in the dollar amount of operating costs over 2006 reflects the inclusion of a full year of expenses related to the acquisition of Vermilion Emeraude SAS as well as the inclusion of expenses associated with the mid-2007 acquisition of the remaining 40% interest in the Wandoo Field in offshore Australia. On a per boe basis, operating costs in Canada have remained relatively consistent year over year. In France, per unit costs have increased as a result of the acquisition of the higher cost Vermilion Emeraude assets coupled with the impact of the oil spill at the Ambès terminal in 2007. The Trust has been reimbursed for a portion of the costs incurred as a result of the Ambès incident through proceeds of its insurance policies. There is the potential to recover additional costs, however, the timing and certainty of recovery is not determinable at this time and therefore no provision for additional recoveries has been made. Unplanned maintenance resulted in an increase in per boe operating costs in the Netherlands.

($000's except per boe and per mcf)

	Three Months Ended		Year Ended	Year Ended
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
Crude oil & NGL's	$22,578	$17,819	$ 75,102	$54,494
Per boe	$12.01	$11.23	$10.94	$9.67
Natural gas	11,740	10,700	44,415	41,998
Per mcf	$1.68	$1.59	$1.62	$1.60
Combined	$34,318	$28,519	$119,517	$96,492
Per boe	$11.28	$10.52	$10.45	$9.65

TRANSPORTATION

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

Transportation costs in France have increased as a result of the oil spill at the Ambès terminal as Vermilion is currently transporting some of its production to port by truck. It is expected that the terminal will resume operations in 2008.

($000's except per boe)

	Three Months Ended		Year Ended	Year Ended
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
Transportation	$6,007	$2,798	$22,926	$10,504
Per boe	$1.97	$1.03	$2.01	$1.05

GENERAL AND ADMINISTRATION EXPENSES

General and administration expenses for the year increased to $1.64 per boe ($1.24 per boe in the quarter) in 2007 compared to $1.58 per boe ($1.27 per boe in the quarter) in 2006. The increase per boe is primarily a result of increased staffing levels combined with increased staff retention costs. Also contributing to the increase are consulting costs incurred in France as a result of the oil spill at the Ambès terminal.

($000's except per boe)

	Three Months Ended		Year Ended	Year Ended
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
General and administration	$3,759	$3,433	$18,726	$15,839
Per boe	$1.24	$1.27	$1.64	$1.58

UNIT BASED COMPENSATION EXPENSE

A non-cash trust unit compensation expense of $1.22 per boe ($0.28 per boe in the quarter) was recorded in 2007 compared to $2.44 per boe ($3.54 per boe in the quarter) in 2006. This non-cash amount relates to the value attributable to long-term incentives granted to officers, directors and employees under the Trust Unit Rights Incentive Plan and the Trust Unit Award Incentive Plan.

($000's except per boe)	Three Months Ended		Year Ended	Year Ended
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
Unit compensation expense	$865	$9,604	$13,985	$24,383
Per boe	$0.28	$3.54	$1.22	$2.44

INTEREST EXPENSE

Interest expense increased to $1.95 per boe ($2.18 per boe in the quarter) in 2007 from $1.68 per boe ($2.50 per boe in the quarter) in 2006. Debt levels are higher in 2007 primarily stemming from the Australia acquisition at the end of the second quarter of 2007. The Trust's interest rates have remained relatively consistent over the year.

($000's except per boe)	Three Months Ended		Year Ended	Year Ended
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
Interest	$6,637	$6,775	$22,330	$16,781
Per boe	$2.18	$2.50	$1.95	$1.68

DEPLETION, DEPRECIATION AND ACCRETION EXPENSES

Depletion, depreciation and accretion expenses increased to $18.49 per boe ($19.62 per boe in the quarter) in 2007 compared to $16.23 per boe ($16.93 per boe in the quarter) in 2006. The increase is due mainly to higher finding and development costs in Canada and France as well as the increase in the asset retirement obligation resulting primarily from the Australia acquisition.

($000's except per boe)	Three Months Ended		Year Ended	Year Ended
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
Depletion, depreciation and accretion	$59,698	$45,876	$211,397	$162,254
Per boe	$19.62	$16.93	$18.49	$16.23

TAXES

The Trust's current tax provision has decreased to $2.98 per boe ($0.23 per boe in the quarter) in 2007 from $4.29 per boe ($0.27 per boe in the quarter) in 2006. In 2007 certain transactions, including the drilling of the offshore well in France and the property acquisition in Australia resulted in a substantial reduction in current income taxes associated with the Trust's international operating subsidiaries. This impact on current income tax has been mostly reflected in the second half of 2007 as the Trust obtained certainty over both the completion of the transactions and the related tax effect.

On June 22, 2007, the Canadian federal government passed legislation that enacted a tax on publicly traded income trusts as originally announced on October 31, 2006. The changes do not take effect until January 1, 2011, provided the Trust experiences only "normal growth" and no "undue expansion" before then. The government has defined "normal growth" parameters, relative to the market capitalization of the Trust's issued and outstanding publicly traded trust units as of October 31, 2006. For the period from November 1, 2006 to December 31, 2007, a trust's permitted or "safe harbour" growth amount will be 40% of the October 31, 2006 market capitalization benchmark and for each of the years 2008 through and including 2010 will be 20% of the benchmark, cumulatively allowing growth of up to 100% until 2011. In addition, we understand that trusts may be able to issue equity to retire debt existing on October 31, 2006 without eroding their safe harbour limits. Vermilion's estimated market capitalization as defined by the government, was $2.4 billion at October 31, 2006 and outstanding indebtedness was approximately $400 million.

Our interpretation suggests that Vermilion may be able to largely mitigate the contemplated distribution tax for a period of time beyond 2011. Currently, Vermilion's foreign operations generate after tax cash flow and subsequently declare and pay dividends which do not attract additional taxes when received in Canada. We anticipate being able to flow through this dividend income to unitholders as part of the normal distributions paid and not attract the distribution tax on that portion of distributions made up of this dividend income. Beginning in 2006, Vermilion increased the return on capital or taxable portion of its distributions to 100% in order to preserve the tax basis it would have utilized to declare a portion of the distribution as a return of capital or tax deferred. The Trust expects that it will continue with this practice through 2010 to preserve the tax basis during the interim period prior to the implementation of the new rules. Under the legislation the portion of the distribution that represents a return of capital will not attract the distribution tax. This analysis is a general assessment of the impact on Vermilion and is not meant to be exhaustive or definitive.

Applying this legislation resulted in the recognition of future income taxes related to timing differences in Vermilion Energy Trust, the parent entity, whereas previously such differences were only recognized in relation to subsidiaries of the Trust. The related impact on the Trust's consolidated future income tax provision and future income tax liability related to this legislation was not material.

($000's except per boe)	Three Months Ended		Year Ended	Year Ended
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
Current	$701	$731	$34,033	$42,876
Per boe	$0.23	$0.27	$2.98	$4.29

FOREIGN EXCHANGE

A foreign exchange gain of $1.01 per boe (a loss of $0.91 per boe in the quarter) was recorded in 2007 compared with a loss of $1.30 per boe (a loss of $4.81 per boe in the quarter) in 2006. The gain for the year ended December 31, 2007 is mostly due to the impact of the strengthening of the Canadian dollar on foreign currency denominated liabilities.

($000's except per boe)	Three Months Ended		Year Ended	Year Ended
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
Foreign exchange loss (gain)	$2,777	$13,050	$(11,533)	$12,997
Per boe loss (gain)	$0.91	$4.81	$(1.01)	$1.30

EARNINGS

Net earnings in 2007 increased to $164.3 million or $2.48 per unit ($43.2 million or $0.65 per unit for the quarter) from $146.9 million or $2.30 per unit ($17.6 million or $0.27 per unit for the quarter) in 2006. The increase in earnings is primarily due to the impact of higher operating revenues, as stronger price realizations more than offset increased operating costs.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2007 the Trust had an unsecured covenant based credit facility consisting of a revolving term loan in the amount of $625 million. The revolving period under the term loan is expected to expire in June 2008 and may be extended for an additional period of up to 364 days at the option of the lenders. If the lenders convert the revolving credit facility to a non-revolving credit facility, the amounts outstanding under the facility become repayable 24 months after the end of the revolving period. Various borrowing options are available under the facility including prime rate based advances and bankers' acceptance loans.

In the fourth quarter of 2007, Vermilion purchased 0.2 million shares in Verenex Energy Inc. ("Verenex") for total consideration of CDN $2.2 million. After reflecting these additional shares, Vermilion owns 18.7 million shares representing 42.2% of the outstanding shares of Verenex.

RECLAMATION FUND

Vermilion has established a reclamation fund for the ultimate payment of environmental and site restoration costs on its asset base. The reclamation fund is funded by Vermilion Resources Ltd. and its operating subsidiaries. Contribution levels to the reclamation fund are reviewed on a regular basis and are adjusted when necessary to ensure reclamation obligations associated with the Trust's assets will be substantially funded when the costs are forecast to be incurred.

ASSET RETIREMENT OBLIGATION

At December 31, 2007, Vermilion had recorded an asset retirement obligation of $163.4 million for future abandonment and reclamation of its properties compared to $127.5 million as at December 31, 2006. The increase is due mostly to a change in abandonment obligation estimates coupled with the additional obligation related to the Australia acquisition partially offset by the impact of foreign exchange.

DISTRIBUTIONS

Vermilion increased monthly distributions to $0.19 per unit, beginning in December of 2007, bringing total distributions to $2.06 per unit for the year. Distributions declared in 2007 totalled $136.4 million compared to $130.6 million for the same period in the prior year. The 12% increase in distributions is the first since Vermilion's conversion to a trust and follows 58 continuous months of distributions at $0.17 per month.

Since inception, the Trust has declared $614.8 million in distributions to unitholders as compared to unitholders capital of $380.9 million at December 31, 2007.

Proceeds from the Trust's distributions reinvestment program were $36.0 million in 2007 (2006 - $18.8 million).

Sustainability of Distributions

($000's)

	Three Months Ended Dec 31, 2007	Year Ended Dec 31, 2007	Year Ended Dec 31, 2006	Year Ended Dec 31, 2005
Cash flows from operating activities	$51,737	$349,890	$306,033	$245,116
Net earnings	$43,249	$164,286	$146,923	$158,471
Distributions declared	$35,564	$136,389	$130,638	$126,190
Excess of cash flows from operating activities over cash distributions declared	$16,173	$213,501	$175,395	$118,926
Excess of net earnings over cash distributions declared	$ 7,685	$ 27,897	$ 16,285	$ 32,281

Excess of cash flows from operating activities over cash distributions declared and net earnings over cash distributions declared are used to fund capital expenditures, asset retirement costs, reclamation fund contributions and debt repayments.

UNITHOLDERS' EQUITY

During 2007, approximately 2.6 million units were issued pursuant to the conversion of exchangeable shares, the Trust's bonus plan, the Trust's unit based compensation programs and unitholders' participation in the distribution reinvestment plan. Unitholders' capital increased during the same period by $45.3 million as a result of the issuance of those units and by $14.6 million as a result of contributed surplus transfer related to unit based compensation plans.

NON-CONTROLLING INTEREST – EXCHANGEABLE SHARES

The Trust has recorded non-controlling interest attributed to the issued and outstanding exchangeable shares.

Non-controlling interest on the consolidated balance sheet represents the book value of exchangeable shares plus accumulated earnings attributable to the outstanding exchangeable shares. The reduction in net income represents the net income attributable to the exchangeable shareholders for the period. As the exchangeable shares are converted to trust units, Unitholders' capital is increased for the fair value of the trust units issued. As the exchangeable shares are exchanged for trust units over time, the non-controlling interest will decrease and eventually will be nil when all exchangeable shares have been exchanged for trust units on or before January 22, 2013.

As at December 31, 2007 there were 4.5 million exchangeable shares outstanding at exchange ratio of 1.55595 whereby 6.9 million trust units would be issuable upon conversion. The exchangeable shares can be converted into trust units or redeemed by the shareholder for trust units at any time. Vermilion may redeem all outstanding exchangeable shares on or before January 22, 2013 and may redeem the exchangeable shares at any time if the number of exchangeable shares outstanding falls below 500,000 shares. Vermilion may issue cash or trust units upon redemption of exchangeable shares and it is the intention to issue trust units upon redemption.

CRITICAL ACCOUNTING ESTIMATES

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

i. Capital expenditures are based on estimates of projects in various stages of completion;
ii. Revenues, royalties and operating costs include accruals based on estimates of management;
iii. Fair value of derivative instruments are based on estimates that are subject to fluctuation of commodity prices and foreign exchange rates;
iv. Depletion, depreciation and accretion are based on estimates of oil and gas reserves that the Trust expects to recover in the future;
v. Asset retirement obligations are based on estimates of future costs and the timing of expenditures;
vi. The future recoverable value of capital assets and goodwill are also based on estimates that the Trust expects to realize; and
vii. Unit compensation expense is determined using accepted fair value approaches which rely on historical data and certain estimates made by management.

RECENTLY ADOPTED ACCOUNTING STANDARDS

Financial Instruments

On January 1, 2007 the Trust adopted Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1506 - "Accounting Changes", Section 1530 - "Comprehensive Income", Section 3855 - "Financial Instruments", Section 3861 - "Financial Instruments – Presentation and Disclosure", and Section 3865 - "Hedges". These standards require that entities categorize financial instruments and measure certain financial instruments at fair value. In addition, these standards introduce the concept of comprehensive income within Canadian GAAP and establish new guidance relating to hedge accounting.

As a result of adopting Section 3855, the Trust's investments in marketable securities are now measured at fair value whereas previously they were carried at cost. Gains and losses associated with these securities are reflected in net earnings in the period in which they arise. Transaction costs and discounts are now added to the fair value of long-term debt on initial recognition whereas previously these amounts were deferred and amortized using the straight-line method over the term of the debt. Unamortized amounts were included in prepaid expenses and other on the consolidated balance sheet. The Trust does not currently use hedge accounting and accordingly risk management related derivatives continue to be accounted for at fair value with the associated gains and losses reflected in net earnings. As the Trust does not have any other comprehensive income, net earnings equal comprehensive income.

In accordance with the transitional provisions, prior periods have not been restated as a result of adopting these standards. The cumulative effect of the adoption of these new standards had the following impact on the Trust's consolidated balance sheet as at January 1, 2007:

	Increase (Decrease)
Prepaid expenses and other	$ (2,431)
Long-term investments	$ 4,704
Reclamation fund	$ 2,436
Long-term debt	$ (2,431)
Future income taxes	$ 1,375
Retained earnings	$ 5,765

There was no other material impact on the consolidated financial statements relating to the adoption of these standards.

Accounting Changes

Effective January 1, 2007, the Trust adopted Section 1506 – "Accounting Changes" which prescribes the criteria for changing accounting policies as well as the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. The adoption of this amended accounting standard did not impact the financial statements of the Trust.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In December 2006 the CICA issued Section 1535 - "Capital Disclosures" which establishes disclosure standards about an entity's capital structure and how it is managed. Section 3862 - "Financial Instruments – Disclosures" and Section 3863 - "Financial Instruments – Presentation" were also issued in December 2006 and establish standards for the presentation of financial instruments and non-financial derivatives and require additional disclosure to enable users to evaluate the significance and risks relating to financial instruments on an entity's financial position. These three sections are effective for fiscal years beginning on or after October 1, 2007. The Trust does not anticipate that the adoption of these standards will have an impact on its results of operations and financial position.

In June 2007, the CICA issued Section 3031 - "Inventories." This section enhances the guidance relating to the determination of inventory cost and effectively harmonizes the Canadian standard with the International Financial Reporting Standards equivalent. This section applies to interim and annual financial statements for fiscal years beginning on or after January 1, 2008. The Trust does not anticipate that the adoption of this standard will have a material impact on its results of operations and financial position.

In June 2007, the CICA amended Section 1400 - "General Standards of Financial Statement Presentation," to require an assessment and potential disclosure of an entity's ability to continue as a going concern. The new requirements are effective for interim and annual periods beginning on or after January 1, 2008. These amendments will not impact the Trust's consolidated financial statements.

On February 13, 2008, the Accounting Standards Board ("AcSB") confirmed that the transition date to International Financial Reporting Standards ("IFRS") from Canadian GAAP will be January 1, 2011 for publically accountable enterprises.

In February 2008, the CICA issued Section 3064 – “Goodwill and Intangible Assets” to replace Sections 3062 – “Goodwill and Other Intangible Assets” and 3450 – “Research and Development Costs”. Section 3064 incorporates guidance addressing when an internally developed intangible asset meets the criteria for recognition as an asset. This Section is effective for fiscal years beginning on or after October 1, 2008. The Trust does not anticipate that the adoption of this standard will have a material impact on its results of operations and financial position.

OFF BALANCE SHEET ARRANGEMENTS

The Trust 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 December 31, 2007.

The Trust uses a variety of options including funded and costless collars and puts to manage the risk associated with fluctuating commodity prices on the sale of crude oil and natural gas. The Trust does not obtain collateral or other security to support its financial derivatives as the majority of these instruments are with the Trust’s banking syndicate.

The Trust has not entered into any guarantee or off balance sheet arrangements that would adversely impact the Trust’s financial position or results of operations.

DISCLOSURE CONTROLS AND PROCEDURES

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

ABBREVIATIONS

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

NETBACKS (6:1)

Trust Financial Information	Three Months Ended December 31, 2007 Oil & NGLs $/bbl	Natural Gas $/mcf	Total $/boe	Twelve Months Ended December 31, 2007 Oil & NGLs $/bbl	Natural Gas $/mcf	Total $/boe	Three Months Ended Dec 31/06 Total $/boe	Twelve Months Ended Dec 31/06 Total $/boe
Canada								
Price	$78.80	$6.62	$52.82	$71.24	$6.85	$51.32	$49.18	$52.64
Realized hedging gain or loss	0.01	0.08	0.34	-	0.02	0.09	0.33	0.24
Royalties	(15.08)	(1.34)	(10.38)	(13.33)	(1.35)	(9.87)	(10.39)	(10.24)
Transportation	(0.55)	(0.15)	(0.78)	(0.33)	(0.14)	(0.65)	(0.92)	(0.77)
Operating costs	(13.73)	(1.45)	(10.37)	(12.02)	(1.37)	(9.49)	(11.41)	(9.64)
Operating netback	$49.45	$3.76	$31.63	$45.56	$4.01	$31.40	$26.79	$32.23
France								
Price	$85.30	$8.75	$84.67	$75.45	$7.58	$74.81	$62.60	$70.83
Realized hedging gain or loss	(4.65)	-	(4.56)	(1.03)	-	(1.01)	0.31	(0.42)
Royalties	(4.87)	(0.27)	(4.81)	(4.98)	(0.24)	(4.91)	(6.74)	(5.69)
Transportation	(6.36)	-	(6.24)	(6.37)	-	(6.24)	(2.09)	(2.62)
Operating costs	(9.75)	(4.90)	(10.12)	(8.90)	(3.93)	(9.21)	(8.09)	(7.35)
Operating netback	$59.67	$3.58	$58.94	$54.17	$3.41	$53.44	$45.99	$54.75
Netherlands								
Price	$83.84	$9.03	$54.34	$73.99	$7.97	$48.03	$53.42	$51.32
Operating costs	-	(1.99)	(11.88)	-	(1.98)	(11.80)	(8.50)	(10.68)
Operating netback	$83.84	$7.04	$42.46	$73.99	$5.99	$36.23	$44.92	$40.64
Australia								
Price	$78.85	$ -	$78.85	$74.05	$ -	$74.05	$73.16	$82.97
Royalties	(19.51)	-	(19.51)	(17.34)	-	(17.34)	(24.85)	(25.50)
Operating costs	(13.74)	-	(13.74)	(13.19)	-	(13.19)	(17.09)	(13.01)
Operating netback	$45.60	$ -	$45.60	$43.52	$ -	$43.52	$31.22	$44.46
Total Trust								
Price	$81.61	$7.50	$67.62	$74.08	$7.25	$61.86	$57.47	$61.80
Realized hedging gain or loss	(1.99)	0.05	(1.11)	(0.47)	0.01	(0.25)	0.23	(0.02)
Royalties (net)	(12.32)	(0.85)	(9.57)	(10.77)	(0.86)	(8.53)	(9.23)	(9.22)
Transportation	(2.84)	(0.10)	(1.97)	(2.99)	(0.09)	(2.01)	(1.03)	(1.05)
Operating costs	(12.01)	(1.68)	(11.28)	(10.94)	(1.62)	(10.45)	(10.52)	(9.65)
Operating netback	$52.45	$4.92	$43.69	$48.91	$4.69	$40.62	$36.92	$41.86
General and administration			(1.24)			(1.64)	(1.27)	(1.58)
Interest			(2.18)			(1.95)	(2.50)	(1.68)
Foreign exchange			1.03			(0.41)	0.18	(0.06)
Proceeds on sale of investment			0.40			0.11	-	-
Current and capital taxes			(0.23)			(2.98)	(0.27)	(4.29)
Fund flows netback			$41.47			$33.75	$33.06	$34.25
Depletion, depreciation and accretion			(19.62)			(18.49)	(16.93)	(16.23)
Future income taxes			(3.43)			0.82	(0.46)	1.63
Other income or loss			(0.04)			(0.01)	0.50	0.13
Foreign exchange			(1.94)			1.42	(4.99)	(1.24)
Non-controlling interest – exchangeable shares			(1.45)			(1.47)	(1.20)	(1.49)
Equity in affiliate			0.25			(0.07)	0.04	0.01
Unrealized gain or loss on derivative instruments			(0.74)			(0.37)	0.03	0.06
Fair value of stock compensation			(0.28)			(1.22)	(3.54)	(2.44)
Earnings netback			$14.22			$14.36	$ 6.51	$14.68

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

Consolidated Balance Sheets
($000's unaudited)

	December 31, 2007	December 31, 2006
Assets		
Current		
Cash and cash equivalents	$ 47,868	$ 26,950
Accounts receivable	119,645	120,573
Crude oil inventory	11,033	4,898
Derivative instruments	37	1,624
Prepaid expenses and other	7,669	13,473
	186,252	167,518
Derivative instruments	9,515	4,656
Long-term investments	63,128	27,152
Goodwill	19,840	19,840
Reclamation fund	57,928	56,357
Capital assets	1,331,460	1,187,316
	$1,668,123	$1,462,839
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 128,858	$ 139,672
Distributions payable to unitholders	12,794	11,000
Derivative instruments	7,450	-
Income taxes payable	1,518	13,419
	150,620	164,091
Long-term debt	452,490	358,236
Asset retirement obligation	163,374	127,494
Future income taxes	205,702	224,631
	972,186	874,452
Non-controlling interest – exchangeable shares	68,576	51,780
Unitholders' Equity		
Unitholders' capital	380,941	321,035
Contributed surplus	29,211	30,513
Retained earnings	217,209	185,059
	627,361	536,607
	$1,668,123	$1,462,839

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

	Three Months Ended December 31, 2007	Three Months Ended December 31, 2006	Year Ended December 31, 2007	Year Ended December 31, 2006
Revenue				
Petroleum and natural gas revenue	$205,725	$155,722	$707,334	$618,072
Royalties	(29,102)	(25,003)	(97,518)	(92,212)
	176,623	130,719	609,816	525,860
Expenses and other income				
Operating	34,318	28,519	119,517	96,492
Transportation	6,007	2,798	22,926	10,504
Unit based compensation	865	9,604	13,985	24,383
Loss (gain) on derivative instruments	5,623	(695)	7,013	(349)
Interest	6,637	6,775	22,330	16,781
General and administration	3,759	3,433	18,726	15,839
Foreign exchange loss (gain)	2,777	13,050	(11,533)	12,997
Other income	(1,100)	(1,348)	(1,106)	(1,348)
Depletion, depreciation and accretion	59,698	45,876	211,397	162,254
	118,584	108,012	403,255	337,553
Earnings before income taxes and other items	58,039	22,707	206,561	188,307
Income taxes				
Future	10,433	1,249	(9,325)	(16,349)
Current	701	731	34,033	42,876
	11,134	1,980	24,708	26,527
Other items				
Non-controlling interest – exchangeable shares	4,425	3,244	16,813	14,917
Loss (gain) related to equity method investment	(769)	(121)	754	(60)
	3,656	3,123	17,567	14,857
Net earnings and comprehensive income	43,249	17,604	164,286	146,923
Retained earnings, beginning of period	209,524	200,416	185,059	168,774
Cumulative effect of adoption of new accounting standards	-	-	5,765	-
Distributions declared	(35,564)	(32,961)	(136,389)	(130,638)
Unit-settled distributions on vested unit based awards	-	-	(1,512)	-
Retained earnings, end of period	$217,209	$185,059	$217,209	$185,059
Net earnings per trust unit				
Basic	$ 0.65	$ 0.27	$ 2.48	$ 2.30
Diluted	$ 0.62	$ 0.26	$ 2.39	$ 2.22
Weighted average trust units outstanding				
Basic	66,992,180	64,583,168	66,122,423	63,977,134
Diluted	76,414,607	73,693,408	75,782,723	73,059,877

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

	Three Months Ended December 31, 2007	Three Months Ended December 31, 2006	Year Ended December 31, 2007	Year Ended December 31, 2006
Operating				
Net earnings	$43,249	$ 17,604	$164,286	$146,923
Adjustments:				
Depletion, depreciation and accretion	59,698	45,876	211,397	162,254
Change in unrealized gains and losses and amounts accrued relating to derivative contracts	2,246	(82)	4,178	(571)
Unit based compensation	865	9,604	13,985	24,383
Loss (gain) related to equity method investment	(769)	(121)	754	(60)
Unrealized foreign exchange loss (gain)	5,913	13,532	(16,226)	12,353
Non-controlling interest – exchangeable shares	4,425	3,244	16,813	14,917
Change in unrealized gains and losses and amounts accrued relating to investments	55	(1,348)	49	(1,348)
Future income taxes	10,433	1,249	(9,325)	(16,349)
	126,115	89,558	385,911	342,502
Asset retirement costs incurred	(1,618)	(2,854)	(4,056)	(4,217)
Changes in non-cash operating working capital	(72,760)	7,027	(31,965)	(32,252)
Cash flows from operating activities	51,737	93,731	349,890	306,033
Investing				
Drilling and development of petroleum and natural gas properties	(52,121)	(37,425)	(175,639)	(136,939)
Acquisitions of petroleum and natural gas properties	(366)	(5,845)	(121,294)	(26,435)
Long-term investment	(2,193)	(7,500)	(32,193)	(7,500)
Corporate acquisition, net of cash acquired	-	-	-	(124,604)
Purchase of derivative instrument	-	(4,926)	-	(4,926)
Contributions to reclamation fund	-	(5,173)	-	(9,553)
Changes in non-cash investing working capital	3,005	(6,871)	(4,512)	548
Cash flows used in investing activities	(51,675)	(67,740)	(333,638)	(309,409)
Financing				
Increase in long-term debt	(38,186)	(54,402)	99,053	87,137
Issue of trust units for cash	1,335	1,155	7,045	11,545
Issue of trust units pursuant to distribution reinvestment plan	9,807	6,131	35,992	18,811
Cash distributions	(34,116)	(32,909)	(134,595)	(130,264)
Changes in non-cash financing working capital	-	850	-	(1,531)
Cash flows from (used in) financing activities	(61,160)	(79,175)	7,495	(14,302)
Foreign exchange (loss) gain on cash held in a foreign currency	2,602	1,938	(2,829)	1,851
Net change in cash and cash equivalents	(58,496)	(51,246)	20,918	(15,827)
Cash and cash equivalents, beginning of period	106,364	78,196	26,950	42,777
Cash and cash equivalents, end of period	$ 47,868	$ 26,950	$ 47,868	$ 26,950
Supplementary information - cash payments				
Interest paid	$ 6,895	$ 6,114	$ 26,071	$ 20,320
Income taxes paid	$ 11,096	$ 12,180	$ 45,934	$ 47,523

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