

**VERMILION**  
**ENERGY TRUST**



**Notice of Meeting**  
**and**  
**Information Circular**

**in respect of the**

**ANNUAL AND SPECIAL MEETING**  
**OF UNITHOLDERS**

**to be held on Tuesday, May 18, 2004**

**Dated April 15, 2004**

VERMILION  
ENERGY TRUST



**NOTICE OF ANNUAL AND SPECIAL MEETING**

**NOTICE IS HEREBY GIVEN** that an annual and special meeting (the "Meeting") of the holders ("Unitholders") of trust units ("Trust Units") of Vermilion Energy Trust (the "Trust") will be held at the Grand Lecture Theatre, Metropolitan Centre, 333 - 4th Avenue S.W., Calgary, Alberta on Tuesday, May 18, 2004 at 10:00 a.m. (Calgary time) for the following purposes, which are described in more detail in the Proxy Statement and Information Circular of the Trust (the "Circular") accompanying this Notice, namely:

1. to receive the consolidated financial statements of the Trust together with the Report of the Auditors thereon for the year ended December 31, 2003;
2. to appoint auditors of the Trust for the ensuing year;
3. to elect the directors of Vermilion Resources Ltd. to hold office until the next annual meeting of Unitholders or until their successors are elected or appointed;
4. to consider and, if deemed advisable, to pass, with or without variation, an ordinary resolution approving an increase in the number of Trust Units reserved for issuance pursuant to the exercise of rights granted under the Trust Unit Rights Incentive Plan of the Trust; and
5. to transact such other business as may properly come before the Meeting or any adjournment thereof.

The full text of the resolutions for the matter referred to in Item 4 are set out in Schedule "A" to the Circular.

Only Unitholders of record at the close of business on April 2, 2004 will be entitled to notice of and to vote at the Meeting or any adjournment thereof, except that a transferee of Trust Units after such record date may, not later than 10 days before the Meeting, establish the right to vote by providing evidence of ownership of Trust Units and requesting that the transferee's name be placed on the voting list in place of the transferor.

**If you are unable to attend the Meeting in person, please complete and sign the enclosed form of proxy and forward it in the enclosed self-addressed envelope, or otherwise deliver it to Computershare Trust Company of Canada at 9<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1 Attention: Proxy Department, to reach the addressee no later than 3:00 p.m. (Toronto time) on May 14, 2004 or, if the Meeting is adjourned, by 3:00 p.m. (Toronto time) on the second business day prior to the date on which the Meeting is reconvened.**

Holders of exchangeable shares in the capital of Vermilion Resources Ltd. ("Exchangeable Shares") of record at the close of business on April 2, 2004 will be entitled to notice of and to vote, through the mechanics for voting provided in the voting and exchange trust agreement dated January 16, 2003 among the Trust, Vermilion Acquisition Ltd. and Computershare Trust Company of Canada, in its capacity as the exchangeable shares trustee, or any adjournment thereof.

**Holders of Exchangeable Shares may vote by signing the enclosed form of Voting Instruction Form and forwarding it in the enclosed self-addressed envelope, or otherwise deliver it to Computershare Trust Company of Canada, Suite 710, 530-8<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 3S8 Attention: Proxy Department. In order to be valid and acted upon at the Meeting, the Voting Instruction Form must be received no later than 3:00 p.m. (Calgary time) on May 14, 2004.**

**By Order of the Board of Directors of  
Vermilion Resources Ltd.**

(Signed)  
Charles Berard  
Corporate Secretary

Calgary, Alberta  
April 2, 2004

**VERMILION ENERGY TRUST**  
**PROXY STATEMENT AND INFORMATION CIRCULAR**  
**dated April 15, 2004<sup>1</sup>**

**QUESTIONS AND ANSWERS ON VOTING AND PROXIES**

Vermilion Energy Trust (the "Trust") is holding an Annual and Special Meeting (the "Meeting") of holders ("Unitholders") of trust units ("Trust Units") of the Trust to be held at 10:00 a.m. in the Grand Lecture Theatre, Metropolitan Centre, 333 - 4th Avenue S.W., Calgary, Alberta, on Tuesday, May 18, 2004.

The Trust has two types of securities that entitle holders to vote generally at meetings of Unitholders; Trust Units and a special voting unit (the "Special Voting Unit"). A Special Voting Unit was issued to Computershare Trust Company of Canada in its capacity as trustee (the "Exchangeable Shares Trustee") under a voting and exchange trust agreement dated January 16, 2003 among the Trust, Vermilion Acquisition Ltd. and the Exchangeable Shares Trustee (the "Voting and Exchange Trust Agreement") for the benefit of holders of Exchangeable Shares in connection with a plan of arrangement (the "Arrangement") involving the Trust, Vermilion Resources Ltd. ("VRL"), Clear Energy Inc. and Vermilion Acquisition Ltd.

The Trust Units and the Special Voting Unit vote together as a single class on all matters. However, the means by which Unitholders and holders of Exchangeable Shares vote their Trust Units and Exchangeable Shares, respectively, is different.

As it is important that your Trust Units or Exchangeable Shares, as the case may be, are represented at the Meeting, please refer to the following questions and answers which provide guidance on how to vote your securities.

If you are a Unitholder, the questions and answers from numbers 1 to 16 provide information respecting this solicitation of proxies and guidance on how to vote your Trust Units. In particular, if you are not a registered Unitholder, Q&A No. 16 describes the procedure to be followed to vote your Trust Units.

If you are a holder of Exchangeable Shares, the questions and answers in numbers 1 to 15 provide information respecting this solicitation of proxies and guidance on how holders of Exchangeable Shares vote.

**1. Who is soliciting my proxy?**

This Circular is furnished in connection with the solicitation by the management of VRL on behalf of the Trust of proxies to be used at the Meeting and at any adjournment or postponement thereof. The solicitation of proxies will be primarily by mail and may be supplemented by telephone or other contact by employees or agents of VRL at a nominal cost, and all costs thereof will be borne by VRL.

**2. What am I voting on?**

- The election of the directors to the board of directors of VRL (the "Board"). Although Unitholders are not shareholders of VRL, they are entitled to elect the directors of VRL as if they were shareholders of VRL. Holders of Exchangeable Shares are shareholders of VRL. However, the terms of the Exchangeable Shares do not provide the right to directly vote at meetings of Unitholders. Holders of Exchangeable Shares can indirectly vote for the election of directors by directing the Exchangeable Shares Trustee to exercise that number of votes equal to the number of Trust Units (rounded down to the nearest whole number) into which the Exchangeable Shares of such holder are exchangeable, as provided for in the Voting and Exchange Trust Agreement.
- The appointment of the auditors of the Trust.
- The reservation for issuance of up to an additional 775,000 Trust Units pursuant to the exercise of rights granted under the Trust Unit Rights Incentive Plan of the Trust (the "Incentive Rights Plan").

Trust Units and Exchangeable Shares may be voted for or withheld from voting on the election of directors and the appointment of auditors. Trust Units and Exchangeable Shares may be voted for or against the reservation for issuance of up to an additional 775,000 Trust Units pursuant to the exercise of rights granted under the Incentive Rights Plan.

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<sup>1</sup> The information set forth in this proxy statement and information circular is as of March 31, 2004, except as otherwise indicated.

**As indicated elsewhere in this Circular, the Board and management of VRL are recommending that Unitholders and holders of Exchangeable Shares vote FOR the above resolutions.**

### **3. Who is entitled to vote?**

Unitholders as of the close of business on April 2, 2004 or their duly appointed proxies will be entitled to attend the Meeting or to register a vote. If you have acquired Trust Units after April 2, 2004, please refer to Q&A No. 12 to determine whether and how you may vote such Trust Units.

Shareholders of Exchangeable Shares as of the close of business on April 2, 2004 will be entitled to attend the Meeting and to vote with respect to the matters to be considered at the Meeting in accordance with the terms and conditions of the Voting and Exchange Trust Agreement. Shareholders of Exchangeable Shares should refer to the voting direction which was provided to holders of Exchangeable Shares with this proxy statement and information circular.

### **4. How do I vote?**

If you are a registered Unitholder there are two ways that you can vote your Trust Units. You may vote in person at the Meeting or you may complete and sign the enclosed proxy form appointing the named persons or some other person you choose to represent you and vote your Trust Units at the Meeting.

If you wish to vote in person at the Meeting, do not complete or return the proxy form. Your vote will be taken and counted at the Meeting. Completing, signing and returning your proxy form does not preclude you from attending the Meeting in person.

If you do not wish to attend the Meeting or do not wish to vote in person, your proxy will be voted for or against or withheld from voting in accordance with your wishes as specified thereon on any ballot that may be called at the Meeting. **A proxy must be in writing and must be executed by the Unitholder or by the Unitholder's attorney authorized in writing or, if the Unitholder is a corporation, by an officer or attorney thereof duly authorized.**

If your Trust Units are in your brokerage account and therefore registered in the name of a nominee, please see Q&A No. 16 for voting instructions.

If you are a holder of Exchangeable Shares, there are three ways holders of Exchangeable Shares can vote. A holder of Exchangeable Shares may: (i) direct the Exchangeable Shares Trustee to exercise that number

of votes attached to the Special Voting Unit equal to the number of Trust Units (rounded down to the nearest whole number) into which the Exchangeable Shares of such holder are exchangeable; (ii) direct the Exchangeable Shares Trustee to give a proxy to such holder or his designee to personally exercise such votes; or (iii) give a proxy to representatives of the management of the Trust to exercise such votes.

### **5. How do I attend the Meeting in person?**

Unitholders and holders of Exchangeable Shares should present themselves to a representative of Computershare Trust Company of Canada, the Trust's registrar and transfer agent, at the Meeting. Persons who are not proxyholders, Unitholders or holders of Exchangeable Shares may be admitted subject to the discretion of the chairman of the Meeting and subject to any space constraints after addressing themselves to a representative of Computershare Trust Company of Canada. **Non-registered Unitholders wishing to attend the Meeting should refer to Q&A No. 16.**

### **6. What if I sign the proxy form/voting direction enclosed with this circular?**

In the case of Unitholders, signing the enclosed proxy form gives authority to Lorenzo Donadeo or Curtis Hicks, both of whom are officers of VRL, to vote your Trust Units at the Meeting.

In the case of holders of Exchangeable Shares, signing the enclosed voting direction directs the Exchangeable Shares Trustee, Lorenzo Donadeo, Curtis Hicks or other designated proxy to vote or abstain from voting as directed in such voting direction.

### **7. Can I appoint someone other than these persons to vote my Trust Units or Exchangeable Shares, as the case may be?**

**Yes, you can appoint someone other than these persons to vote your Trust Units or Exchangeable Shares.** Write the name of the person you wish to appoint, who need not be a Unitholder or holder of Exchangeable Shares, in the blank space provided in the proxy form or voting direction, as the case may be.

**Please note that it is important to ensure that any other person you appoint is attending the Meeting and is aware that his or her appointment has been made to vote your securities.** Persons who are appointed as such should, at the Meeting, present

themselves to a representative of Computershare Trust Company of Canada.

**8. What do I do with my completed proxy form/voting direction?**

Return it to Computershare Trust Company of Canada, in the envelope provided so that it arrives **no later than 3:00 p.m. (Toronto time) on May 14, 2004**. All Trust Units and Exchangeable Shares represented by properly executed proxy forms or voting directions, as the case may be, received by Computershare Trust Company of Canada prior to such time will be voted for or against or withheld from voting, in accordance with your instructions as specified in the proxy form or voting direction, as the case may be, on any matter dealt with at the Meeting.

**9. How will my Trust Units or Exchangeable Shares be voted if I give my proxy?**

The persons named in the proxy form or voting direction, as the case may be, must vote or withhold from voting your Trust Units or Exchangeable Shares, as the case may be, in accordance with your directions.

In the absence of such directions, your Trust Units will be voted FOR the matters specified in the proxy. In the absence of such directions the Exchangeable Shares Trustee will not vote with respect to those Exchangeable Shares.

**10. If I change my mind, can I take back my proxy or voting direction once I have given it?**

Yes. A Unitholder or holder of Exchangeable Shares who has given a proxy or voting direction, as the case may be, may revoke it by depositing an instrument in writing (which includes another proxy form or voting direction, as the case may be, with a later date) executed by the Unitholder or holder of Exchangeable Shares or by its attorney authorized in writing with the Corporate Secretary, c/o Vermilion Resources Ltd., Suite 2800, 400 - 4<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 0J4 at any time up to and including the last business day preceding the day of the Meeting, or any adjournment or postponement thereof, or by depositing it with the chairman of the Meeting on the day of the Meeting, or any adjournment or postponement thereof. A Unitholder or holder of Exchangeable Shares may also revoke a proxy in any other manner permitted by law.

**It should be noted that the participation in person by a Unitholder in a vote by ballot at the Meeting will automatically revoke any proxy which has been previously given by the Unitholder in respect of business covered by that vote.**

**11. What if amendments are made to these matters or if other matters are brought before the Meeting?**

The person named in the proxy form will have discretionary authority with respect to amendments or variations to matters identified in the notice of the Meeting and to other matters which may properly come before the Meeting. As of March 31, 2004, management of VRL and the Trust know of no such amendment, variation or other matter expected to come before the Meeting. If any other matters properly come before the Meeting, the persons named in the proxy form will vote on them in accordance with their best judgment.

**12. What if ownership of Trust Units or Exchangeable Shares is transferred after April 2, 2004?**

If you are a Unitholder on April 2, 2004 you are entitled to receive notice and to vote at the Meeting, even though since that time you have disposed of your Trust Units. If you acquired your Trust Units after April 2, 2004, you are not entitled to receive notice of or to vote at the Meeting unless you establish, not later than 10 days before the Meeting, the right to vote by providing evidence of your ownership of Trust Units to Computershare Trust Company of Canada and request that your name be placed on the voting list.

If you are a holder of Exchangeable Shares on April 2, 2004 you are entitled to receive notice of and to vote such Exchangeable Shares in accordance with the terms and conditions of the Voting and Exchange Trust Agreement and the voting direction. If you acquired your Exchangeable Shares after April 2, 2004 you are not entitled to receive notice of or to vote in accordance with the Voting and Exchange Trust Agreement.

**13. How many votes are required to approve the matters to be considered at the meeting?**

The election of directors and the appointment of auditors will each be determined by a majority of votes cast. The reservation for issuance of up to an additional 775,000 Trust Units by the Trust pursuant to the Incentive Rights Plan must be approved by

more than 50% of votes cast. In addition, the Toronto Stock Exchange requires this resolution be approved by a majority of the votes cast at the meeting other than votes attaching to Trust Units or Exchangeable Shares beneficially owned by insiders of the Trust and its subsidiaries and associates of such insiders.

#### **14. Who counts the votes?**

The Trust's registrar and transfer agent, Computershare Trust Company of Canada, counts and tabulates the votes. This is done independently of VRL to preserve the confidentiality of individual votes. Proxies and voting directions are referred to VRL only in cases where a Unitholder or Exchangeable Shareholder clearly intends to communicate with management (by making a written statement on the proxy form), in the event of a proxy contest or when it is necessary to do so to meet the requirements of applicable law.

#### **15. How can I contact the Registrar and Transfer Agent or Exchangeable Shares Trustee?**

You can contact the registrar and transfer agent or Exchangeable Shares Trustee at:

Computershare Trust Company of Canada  
Suite 710, 530 – 8<sup>th</sup> Avenue S.W.  
Calgary, Alberta T2P 3S8  
Phone: 1-888-267-6555  
Facsimile: 1-888-453-0330  
Web site: [www.computershare.com](http://www.computershare.com)  
E-mail: [caregistryinfo@computershare.com](mailto:caregistryinfo@computershare.com)

#### **16. If my Trust Units are not registered in my name but are held in the name of a nominee (a bank, trust company, securities broker, trustee or other), how do I vote my Trust Units?**

**If you are a non-registered Unitholder, there are, as discussed below, two ways that you can vote your Trust Units which are held by your nominee.** Applicable securities laws require your nominee to seek voting instructions from you in advance of the meeting. Accordingly, you will receive or have already received from your nominee either a request for voting instructions or a proxy form for the number of Trust Units you hold. Every nominee has its own mailing procedures and provides its own signing and return instructions, which should be carefully followed by non-registered Unitholders to ensure that their Trust Units are voted at the Meeting.

Accordingly, for your Trust Units to be voted by you, please follow the voting instructions provided by your nominee.

However, if you wish to vote in person at the Meeting, insert your own name in the space provided on the request for voting instructions or proxy form to appoint yourself as proxyholder and follow the signing and return instructions of your nominee.

Non-registered Unitholders who appoint themselves as proxyholders should, at the Meeting, present themselves to a representative of Computershare Trust Company of Canada.

## **RELATIONSHIPS AMONG THE TRUSTEE, THE TRUST AND VRL**

The Trust is an open-end unincorporated investment trust created under the laws of Alberta pursuant to an amended and restated trust indenture (the "Trust Indenture") dated as of January 15, 2003 between VRL and Computershare Trust Company of Canada (the "Trustee"), as trustee, as amended from time to time. The Trust was formed on December 16, 2002. As a result of the completion of the Arrangement, former holders of common shares of Vermilion Resources Ltd. received Trust Units or Exchangeable Shares, or a combination thereof, in accordance with the elections made by such shareholders, and VRL became a subsidiary of the Trust.

### **INTEREST OF THE TRUSTEE, VRL AND THE DIRECTORS AND OFFICERS OF VRL IN MATTERS TO BE ACTED UPON**

Neither the Trustee, VRL nor any directors or officers of VRL, nor any proposed nominee for election as a director of VRL, nor any associate or affiliate of any one of them, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting, other than the participation by such directors and officers in the trust unit rights incentive plan of the Trust (the "Incentive Rights Plan").

### **INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS**

Except as disclosed in this Proxy Statement and Information Circular, neither the Trustee, VRL nor any director or officer of VRL, nor any proposed nominee for election as a director of VRL, nor any other insider of the Trust, or VRL, nor any associate or affiliate of any one of them has or has had, at any time since the year ended December 31, 2003, any material interest, direct or indirect, in any transaction or proposed transaction that has materially affected or would materially affect the Trust or VRL.

### **INDEBTEDNESS OF THE TRUSTEE AND THE DIRECTORS AND OFFICERS OF VRL**

Neither the Trustee nor any of the directors or officers of VRL, nor any proposed nominee for election as a director of VRL, nor any associate or affiliate of any one of them is, or was, indebted, directly or indirectly, to the Trust or VRL at any time since the beginning of the year ended December 31, 2003.

### **VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES**

#### **Trust Units**

As at March 31, 2004, the Trust had 59,627,422 issued and outstanding Trust Units. Each Trust Unit entitles the holder thereof to one vote at all meetings of Unitholders for each Trust Unit held.

#### **Exchangeable Shares**

As at March 31, 2004, one Special Voting Unit has been issued to the Exchangeable Shares Trustee under the Voting and Exchange Trust Agreement in conjunction with the issuance of Exchangeable Shares pursuant to the Arrangement. The Special Voting Unit carries a number of votes equal to the number of Trust Units rounded down to the nearest whole number into which the Exchangeable Shares are then exchangeable. Each holder of Exchangeable Shares on the April 2, 2004 is entitled to give the Exchangeable Shares Trustee voting instructions for a number of votes equal to the number of Trust Units rounded down to the nearest whole number into which that holder's Exchangeable Shares are then exchangeable. As of March 31, 2004, there are 4,811,852 Exchangeable Shares issued and outstanding and the exchange ratio is currently 1.16656 Trust Units for each Exchangeable Share.

### **PRINCIPAL HOLDERS**

As at March 31, 2004, and to the knowledge of the directors and senior officers of VRL no person or company beneficially owned, directly or indirectly, or exercised control or direction over more than 10% of the issued and outstanding Trust Units or Exchangeable Shares. As of March 31, 2004, the directors and senior officers



of VRL beneficially owned, directly or indirectly, or exercised control or direction over, 2,472,732 Trust Units representing approximately 4.1% of the issued and outstanding Trust Units and 4,488,951 Exchangeable Shares representing 93.3% of the issued and outstanding Exchangeable Shares. Each such Exchangeable Share held by such director or senior officer is exchangeable into Trust Units at the current exchange ratio of 1.16656.

### REPORT ON EXECUTIVE COMPENSATION

The Governance and Human Resources Committee determined the compensation to be provided to the executive officers of VRL. VRL recognizes the need to deliver a compensation package that recognizes top performance and the ability to attract and retain top performers. Compensation for all of the officers, including the Chief Executive Officer, is reviewed against prevailing industry compensation practices for oil and gas trusts, the Trust's performance in achieving certain goals and the Trust's performance in relation to the performance of the Trust's peers. Standard benefits are provided to all employees, including the executive officers. Executive compensation also includes participation in the Incentive Rights Plan and the VRL employee trust unit ownership and RRSP savings plan (the "Savings Plan").

*Base Salary:* The Governance and Human Resources Committee strives to set all executive annual salaries at a level comparable to executive officers of comparable oil and gas trusts based upon a review of an independently prepared compensation survey by Mercer Human Resources Consulting Limited and information obtained through participation in the Calgary Exchange Group, an association of small to mid-size oil and gas companies established to exchange member information related to human resources practices.

*Bonuses:* The employee bonus plan (the "Employee Bonus Plan") approved by the Unitholders in January 2003, is a broad based plan available to all employees including the executive officers. The Employee Bonus Plan provides that an amount of up to 2.0% per month of net operating income calculated at the end of each calendar month is available to be paid in bonuses pursuant to the Employee Bonus Plan. In no event will the maximum bonus amount allocated pursuant to the Employee Bonus Plan exceed the 2% threshold. See "Executive Compensation - Employee Bonus Plan" for more information in respect of the Employee Bonus Plan. As part of the Employee Bonus Plan, the board of directors established a key employee exemplary performance program (the "KEEP") in early 2003 primarily to retain VRL's key employees while reorganizing its structure from an equity company into an oil and gas trust. The KEEP award, which guaranteed a certain bonus payment, was granted to such key employees in lieu of the typical discretionary bonus. The value attributed to the KEEP award was determined based on the individual's ability to drive VRL forward into its conversion as a premier oil and gas trust. The KEEP is still in effect with certain employees, including the executive officers eligible to participate, however, the guaranteed portion has been reduced for 2004.

*Incentive Rights Plan:* The board of directors may grant trust unit incentive rights ("Rights") to purchase Trust Units to directors, officers, employees and consultants of the Trust. The Incentive Rights Plan is a key instrument used in attracting and retaining top performing employees with the entrepreneurial characteristics needed to further the Trust's objectives and prospects for further growth.

*Savings Plan:* The board of directors approved the Savings Plan effective September, 2003. As an integral part of the Trust's incentive program, the Savings Plan represents VRL's ongoing commitment to maintaining a value driven approach – employees who think like owners, spend money that way. This is a voluntary plan that allows all eligible employees, including the five executive officers, to contribute a percentage of their base salary earnings to the Savings Plan, of which VRL will match each dollar contributed by the employee, up to a maximum of 5%. Funds contributed up to the maximum combined contribution of 10% of the base salary are used to purchase Trust Units through the facilities of the Toronto Stock Exchange (the "TSX"). The Trust Units purchased through the employee and VRL contributions can be sold at any time, provided that any Trust Units purchased with VRL contributions must have been held for at least one year from the date of contribution.

The Governance and Human Resources Committee believes that it has been successful in providing VRL's executive officers with a package that combines reasonable base compensation with additional potential short-term and long-term financial rewards that are tied to positive operational and financial results and increases in Unitholder value.

The foregoing report is respectfully submitted to the Unitholders by the Governance and Human Resources Committee.

Larry J. Macdonald  
 Jeffrey S. Boyce  
 Joseph F. Killi

## EXECUTIVE COMPENSATION

### Summary Compensation Table

The following table provides a summary of compensation information for each of the chief executive officer, chief financial officer and three most highly compensated executive officers of VRL (collectively, the "Named Executive Officers") for the three years ended December 31, 2003.

Name and Position <sup>(1)</sup>	Annual Compensation				Long-Term Compensation		All Other Compensation <sup>(5)</sup>
	Year	Salary (\$)	Bonus <sup>(6)</sup> (\$)	Other Annual Compensation (\$)	Awards	Payout	
					Securities under Trust Unit Incentive Rights	LTIP Payouts	
Lorenzo Donadeo President and Chief Executive Officer	2003	275,000 <sup>(2)</sup>	500,000	-	450,000	-	31,358
	2002	245,000	-	-	75,000	-	27,039
	2001	220,000	55,000	-	-	-	24,696
Curtis Hicks Vice-President, Finance and Chief Financial Officer	2003	166,667 <sup>(3)</sup>	220,000	-	300,000	-	16,182
	2002	-	-	-	-	-	-
	2001	-	-	-	-	-	-
Claudio Ghersinich Executive Vice-President, Business Development	2003	255,000	450,000	-	360,000	-	30,773
	2002	245,000	-	-	75,000	-	26,895
	2001	220,000	55,000	-	-	-	24,477
Martin Robert Vice President, Engineering and International Operations	2003	175,333	200,000	8,847 <sup>(4)</sup>	180,000	-	26,780
	2002	176,000	-	94,056 <sup>(4)</sup>	30,000	-	18,825
	2001	170,000	35,000	97,366 <sup>(4)</sup>	-	-	13,998
Raj Patel Vice-President, Marketing	2003	168,500	175,000	-	150,000	-	18,229
	2002	160,000	-	-	20,000	-	16,686
	2001	139,000	50,000	-	90,000	-	15,030

#### Notes:

- (1) Each Named Executive Officer receives compensation in their role as an officer of VRL, a subsidiary of the Trust.
- (2) Lorenzo Donadeo was appointed to the position of President and Chief Executive Officer effective January 22, 2003. Prior to that time, Mr. Donadeo held the position of Chief Operating Officer of VRL.
- (3) Curtis Hicks was appointed Vice-President, Finance and Chief Financial Officer of VRL on March 3, 2003.
- (4) Martin Robert received a foreign hardship allowance and cost of living allowance while an expatriate in France with VRL. Mr. Robert was expatriated to VRL's subsidiary office in France in 1997 and repatriated on January 18, 2003.
- (5) Messrs. Donadeo and Ghersinich each received a one-time payment of \$330,000 as determined by the board of directors of VRL, resulting from the key role that each of them played in initiating the transaction creating the Trust.
- (6) Bonuses for 2003 were paid to the Named Executive Officers, net of required withholdings including income taxes, approximately 50% in Trust Units and the balance in cash.

### Rights Granted

The following table sets forth details with respect to Rights granted to the Named Executive Officers during 2003 pursuant to the Incentive Rights Plan. See "Trust Unit Incentive Rights Plan".

**Rights Grants During the Most Recently Completed Financial Year**

Name	Rights Granted (#)	% of Total Rights Granted to Employees in Financial Year	Initial Exercise or Base Price (\$/Security)	Market Value of Securities Underlying Rights on the Date of Grant (\$/Security) <sup>(1)</sup>	Expiration Date
Lorenzo Donadeo	450,000	9.31%	\$11.45	\$5,152,500	January 29, 2008
Curtis W. Hicks	300,000	6.20%	\$11.45	\$3,435,000	January 29, 2008
Claudio A. Ghersinich	360,000	7.44%	\$11.45	\$4,122,000	January 29, 2008
Martin Robert	180,000	3.72%	\$11.45	\$2,061,000	January 29, 2008
Raj Patel	150,000	3.10%	\$11.45	\$1,717,500	January 29, 2008

**Note:**

- (1) At the election of a holder of Rights, the exercise price per Right granted under the Incentive Rights Plan may be reduced from time to time by deducting from the exercise price of each Right (the "Grant Price") the aggregate of all distributions, on a per Trust Unit basis, made by the Trust after the date of grant which represent a return of more than 0.833% of the Trust's recorded cost of capital assets less depletion, depreciation and amortization charges and any future income tax liability associated with such capital assets at the end of each month. Provided this test has been met, then the entire amount of the distribution may be deducted from the Grant Price.

**Aggregate Rights Exercised and Year-End Values**

The following table sets forth, with respect to the Named Executive Officers, the number of Unexercised and the value of the in-the-money Rights at December 31, 2003.

**Aggregate Rights Exercised During The Most Recently Completed Financial Year and Financial Year-end Rights Values**

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Rights At FY-End (#) Exercisable/Unexercisable	Value of Unexercised In-the-Money Rights at FY-End (\$) Exercisable/Unexercisable <sup>(1)</sup>
Lorenzo Donadeo	-	-	0/450,000	0/\$1,750,500
Curtis W. Hicks	-	-	0/300,000	0/\$1,167,000
Claudio A. Ghersinich	-	-	0/360,000	0/\$1,400,000
Martin Robert	-	-	0/180,000	0/\$700,200
Raj Patel	-	-	0/150,000	0/\$583,500

**Note:**

- (1) At the election of a holder of Rights, the exercise price per Right granted under the Incentive Rights Plan may be reduced from time to time by deducting from the Grant Price the aggregate of all distributions, on a per Trust Unit basis, made by the Trust after the date of grant which represent a return of more than 0.833% of the Trust's recorded cost of capital assets less depletion, depreciation and amortization charges and any future income tax liability associated with such capital assets at the end of each month. Provided this test has been met, then the entire amount of the distribution may be deducted from the Grant Price.

The value of the exercisable Rights (market value of Trust Units less the initial exercise price reduced by eligible distributions) at December 31, 2003, was based upon the closing price of \$15.34 of the Trust Units on December 31, 2003, being the last day of trading of the Trust Units in 2003, as quoted by the TSX.

### **Remuneration of Directors**

An annual retainer of \$15,000 is paid to each independent director together with board meeting fees of \$1,000 per board meeting and \$1,000 per committee meeting. In addition, the Lead Director receives an annual retainer of \$10,000 and each committee chair receives an annual retainer of \$3,000. In the year ended December 31, 2003, a total of \$119,000 in fees were paid to the independent directors of VRL.

Directors are entitled to participate in the Incentive Rights Plan and receive reimbursement for out of pocket expenses for attendance at meetings of the board of directors and any committees of the board of directors. An aggregate of 300,000 Rights were issued to directors of VRL during 2003.

### **Incentive Rights Plan**

The board of directors of VRL and the Unitholders have approved the Incentive Rights Plan for directors, officers, employees or consultants of VRL which currently permits the granting of Rights to purchase up to a maximum of 6,000,000 Trust Units provided that the number of Trust Units reserved from time to time for Rights may not be more than 10% of the aggregate number of the then issued and outstanding Trust Units. Pursuant to the Incentive Rights Plan, the directors of VRL may, from time to time, at their discretion, grant to service providers of the Trust, or any of its subsidiaries, including VRL, in connection with their employment or position, Rights to purchase Trust Units.

The board of directors of VRL may, in its discretion, permit vested Rights to be surrendered to the Trust unexercised in consideration for a payment to the holder of such Rights in cash or Trust Units having a value equal to the excess, if any, of the aggregate fair market value of the Trust Units able to be purchased pursuant to such Rights, determined by reference to the closing price of the Trust Units on the TSX on the trading day immediately prior to the date of surrender of the Rights, over the aggregate exercise price of the Rights. All Rights will be non-assignable and non-transferable.

The term of a Right may be exercised during a period not exceeding ten years from the date upon which the Right was granted (the "Grant Date"), however, VRL currently limits the term to five years.

Any Rights granted shall vest pursuant to vesting schedules determined by the board of directors of VRL in its sole discretion. VRL's current provisions for vesting require all rights agreements, including those provided to directors and executive officers, to vest in thirds, with the first third vesting one year from the date of grant. The rights agreements also provide for the vesting period to be delayed for the same period of time extended with a leave of absence without pay (for any reason), recognizing the recipient has stepped away from the ability to contribute to the success of VRL during such leave. Early vesting privileges are also provided in the event of a termination, providing the terminated employee exercise Rights that would have normally vested during their severance period.

Subject to regulatory approval, the Grant Price per Right shall be equal to the per Trust Unit closing price of the Trust Units on the TSX on the trading day immediately preceding the Grant Date. At the election of a holder of Rights, the Exercise Price per Right may be calculated by deducting from the Grant Price the aggregate of all distributions, on a per Trust Unit basis, made by the Trust after the Grant Date, provided the aggregate amount of such distribution represents a return of more than 0.833% of the Trust's recorded cost of capital assets less depletion, depreciation and amortization charges and any future income tax liability associated with such capital assets at the end of each month.

During the year ended December 31, 2003, the Trust granted 4,825,300 Rights to purchase Trust Units at exercise prices ranging from \$11.45 to \$14.77 per Trust Unit.

At the Meeting, securityholders will be asked to consider and, if deemed appropriate, approve a resolution to increase the number of Trust Units reserved for issuance pursuant to the exercise of Rights. See "Special Meeting Matter – Amendments to the Incentive Rights Plan to Increase the Number of Trust Units Reserved for Issuance under the Incentive Rights Plan".

### **Employee Bonus Plan**

VRL has adopted the Employee Bonus Plan. The principal purpose of the Employee Bonus Plan is to advance the interests of the Trust and its subsidiaries (collectively, "Vermilion") by providing for bonuses for employees of Vermilion who are designated as participants thereunder. The Employee Bonus Plan is intended to attract and retain such employees, make their compensation competitive with other opportunities, provide them with an incentive to strive to achieve the financial and business objectives of Vermilion, and align their interests with those of the Unitholders.

The Employee Bonus Plan is administered by the board of directors of VRL. Under the Employee Bonus Plan, the board of directors of VRL will, on an annual basis, assess the performance of employees and may allocate a bonus in such amount as the board determines appropriate in its sole discretion based upon corporate performance and the achievement of key organizational success factors, individual value add and individual effort. In no event will the maximum bonus amount allocated pursuant to the Employee Bonus Plan exceed 2% per year of the net operating income of Vermilion. The payment of bonuses in any plan year may be made in cash, Trust Units or in a combination of cash and Trust Units as the board of directors may determine in its sole discretion. A total of 2,000,000 Trust Units are reserved for issuance pursuant to the Employee Bonus Plan. In the event of a change of control, VRL shall terminate the Employee Bonus Plan and pay each participant a final bonus amount determined and allocated by the board of directors in its sole discretion out of the monthly bonus amount accumulated within the plan at the time of the change of control. This amount will accrue at the rate of 2% per month of the net operating income of Vermilion for each month. For the fiscal period ended December 31, 2003, an aggregate of 49,630 Trust Units were issued pursuant to the Employee Bonus Plan.

The board of directors of VRL may, in its discretion, pay cash bonuses to its employees in addition to the bonuses payable in cash and Trust Units under the Employee Bonus Plan.

As part of the Employee Bonus Plan, certain employees are eligible to participate in the KEEP.

### **Employee Savings Plan**

VRL has implemented the Savings Plan. Participation in the Savings Plan is voluntary and allows eligible employees, including VRL's executive officers, to contribute a percentage of their base salary earnings to the Savings Plan, of which VRL will match each dollar contributed by the employee. Funds contributed up to the maximum combined contribution of 10% of the participating employee's base salary are used to purchase Trust Units on the TSX. The Savings Plan may also be utilized in conjunction with the Trust's distribution reinvestment and optional trust unit purchase plan.

### **Employment Contracts**

Each of the Named Executive Officers is a party to an executive employment agreement with VRL pursuant to which VRL will make a lump-sum payment to the executive in the event of termination without cause, for "good reason" or in the event of a "change of control" (as defined in the employment agreements). The amount of the lump sum payments in respect of Messrs. Donadeo, Ghersinich and Hicks is equal to 24 months salary together with the average of the previous three years of bonus payments, unless such termination occurs in 2004 or 2005. If the termination occurs in 2004, then the executive will receive the bonus paid in 2003. If the termination occurs in 2005, then the executive shall receive the average of the bonuses paid in 2003 and 2004. In addition, each of such Named Executive Officers would receive the cash equivalent of 24 months of benefits in effect as of the date the termination notice is given. In respect of Messrs. Robert and Patel, the amount of the lump sum payment which will be made to the executive in the event of termination without cause, for "good reason" or in the event of a "change of control" is equal to 12 months salary, the average of the previous three years of bonus payments as

calculated above and the cash equivalent of 12 months of benefits in effect as of the date the termination notice is given.

**SECURITIES ISSUABLE UNDER EQUITY COMPENSATION PLANS**

The following table sets forth the number of Trust Units to be issued upon exercise of outstanding Rights issued pursuant to equity compensation plans, the weighted average exercise price of such outstanding Rights and the number of Trust Units remaining available for future issuance under equity compensation plans of the Trust.

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding Rights</b>	<b>Weighted-average exercise price of outstanding Rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)</b>
Equity compensation plans approved by securityholders	4,257,800	\$11.71	1,480,400
Equity compensation plans not approved by securityholders	Nil	Nil	Nil
<b>Total</b>	<b>4,257,800</b>	<b>\$11.71</b>	<b>1,480,400</b>

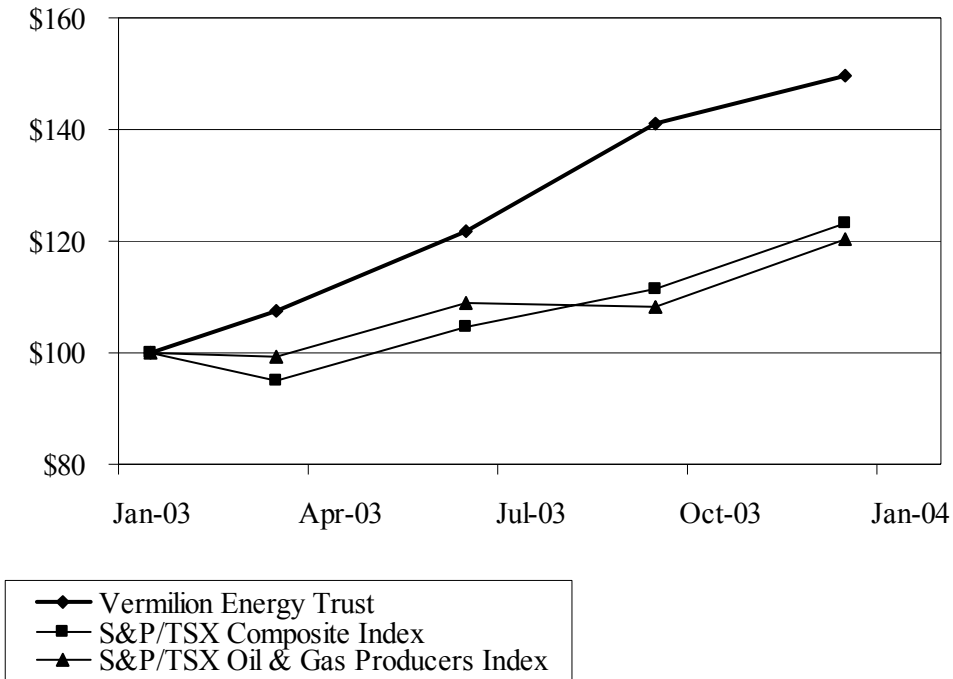
**RECORD OF CASH DISTRIBUTIONS**

The following table sets forth the amount of monthly cash distributions per Trust Unit paid by the Trust since the completion of the Arrangement on January 22, 2003. Distributions are generally paid on the 15<sup>th</sup> day of the month following the month of declaration.

<u>Record Date</u>	<u>Payment Date</u>	<u>Distribution Amount</u>
<b>2003</b>		
February 28	March 14	\$0.17
March 31	April 15	\$0.17
April 30	May 15	\$0.17
May 30	June 13	\$0.17
June 30	July 15	\$0.17
July 31	August 15	\$0.17
August 29	September 15	\$0.17
September 30	October 15	\$0.17
October 31	November 14	\$0.17
November 28	December 15	\$0.17
December 31	January 14	\$0.17
<b>2004</b>		
January 30	February 13	\$0.17
February 27	March 15	\$0.17
March 31	April 15	\$0.17
<b>Total Cash Distributions since January 24, 2003</b>		<b>\$2.38</b>

**PERFORMANCE ANALYSIS**

The following graph illustrates changes from January 24, 2003 to December 31, 2003 in the cumulative Unitholder return, assuming an initial \$100 investment in Trust Units with all cash distributions reinvested at the record date of such distributions, compared to the cumulative return of the TSX 300 Index and the TSX Oil and Gas Producers Sub-Index, assuming the reinvestment of dividends, where applicable, for the comparable period.



	24-Jan-03	31-Mar-03	30-Jun-03	30-Sep-03	31-Dec-03
Vermilion Energy Trust	\$100.00	\$107.47	\$121.93	\$141.01	\$149.79
S&P/TSX Composite Index	\$100.00	\$95.17	\$104.77	\$111.35	\$123.35
S&P/TSX Oil & Gas Producers Index	\$100.00	\$99.37	\$108.76	\$108.34	\$120.27

**CORPORATE GOVERNANCE**

**General**

In 1995, the TSX adopted a set of guidelines which were revised in 1999 (the "Guidelines") relating to corporate governance matters. The Guidelines address such matters as the constitution and independence of boards of directors, the functions to be performed by boards and their committees, and the relationship among a corporation's board of directors, management and shareholders. The TSX has prescribed that all companies listed on the TSX must now annually disclose their approach to corporate governance with specific reference to each of the Guidelines.

Attached as Schedule "B" to this Proxy Statement and Information Circular is a description of the Trust's corporate governance practices, which have been established pursuant to, among other things, the terms of the Trust Indenture. VRL is committed to a high standard of corporate governance practices. The board of directors of VRL believes that this commitment is not only in the best interest of Unitholders but that it also promotes effective decision making at the board level. The board of directors of VRL is of the view that its approach to corporate governance is appropriate and complies with the objectives and guidelines relating to corporate governance adopted

by the TSX. In addition, the board of directors of VRL monitors and considers for implementation by VRL the corporate governance standards which are proposed and/or enforced by various Canadian regulatory authorities or which are published by various non-regulatory organizations in Canada.

The board of directors of VRL presently has four standing committees, being an Audit Committee, a Governance and Human Resources Committee, a Reserves Committee and a Health, Safety and Environment Committee. Each member of the committees are "unrelated directors" as defined in the TSX guidelines.

### **Mandate of the Board of Directors**

Pursuant to the Trust Indenture, the board of directors has responsibility for the stewardship of the Trust. In carrying out this mandate, the board of directors meets regularly and a broad range of matters are discussed and reviewed for approval. These matters include overall plans and strategies, budgets, internal controls and management information systems, risk management as well as interim and annual financial and operating results. The board of directors is also responsible for the approval of all major transactions, including equity issuances as well as for the Trust's debt and borrowing policies. The board of directors strives to ensure that actions taken by the Trust correspond closely with the objectives of the Unitholders. The board of directors meets at least once annually to review in depth the Trust's strategic plan and it reviews the Trust's resources which are required to carry out the Trust's growth strategy and to achieve its objectives.

### **Composition of the Board of Directors**

The board of directors currently consists of five directors who provide a wide diversity of business experience. Three of the board members are independent of management and are unrelated directors, as such terms are defined by the guidelines of the TSX. Each of the unrelated directors is free from any business or other relationship which could reasonably be perceived to materially interfere with the director's ability to act with a view to the best interest of the Trust, other than interests and relationships which arise solely as a result of holding Trust Units or Exchangeable Shares. The members of the board of directors have diverse backgrounds and expertise, and were selected in the belief that the Trust benefits materially from such a broad range of experience and talent.

### **Mandate of Lead Director**

The Lead Director is an unrelated director. The Lead Director is charged with ensuring that the board of directors carries out its responsibilities and that these responsibilities are clearly understood by all of its members. The Lead Director also ensures that the board of directors can function independently of management, that the necessary resources and procedures are available or in place to support its responsibilities and that the appropriate functions are delegated to the relevant committees. The Lead Director is responsible for overseeing and setting agendas for meetings of the board of directors, for the quality of information sent to directors and for the in-camera sessions held among the independent directors at each board of directors meeting. The Lead Director also oversees the annual performance review of the Chief Executive Officer which is conducted by the board of directors and the annual Chief Executive Officer succession planning matters. The Lead Director also reviews the performance of those executive officers which report directly to the Chief Executive Officer.

### **Audit Committee**

The Audit Committee is comprised of Messrs. Macdonald, Boyce and Killi. The Audit Committee reviews the Trust's interim unaudited consolidated financial statements and annual audited consolidated financial statements and certain corporate disclosure documents including the annual information form, management's discussion and analysis, annual and interim earnings press releases, offering documents (including all prospectuses) and other offering memoranda before they are approved by the board of directors. The Audit Committee reviews and makes a recommendation to the board of directors in respect of the appointment and compensation of the external auditor and it monitors accounting, financial reporting, control and audit functions. The Audit Committee meets to discuss and review the audit plans of external auditors and it is directly responsible for overseeing the work of the external auditor with respect to the preparing or issuing of the auditor's report or the performance of other audit, review or attest services, including the resolution of disagreements between management and the external auditor regarding



financial reporting. The Audit Committee questions the external auditor independently of management and reviews a written statement of its independence based on the criteria found in the recommendations of the Canadian Institute of Chartered Accountants. The Audit Committee must be satisfied that adequate procedures are in place for the review of the Trust's public disclosure of financial information extracted or derived from its financial statements and it periodically assesses the adequacy of those procedures. The Audit Committee must approve or pre-approve, as applicable, any non-audit services to be provided to the Trust by the external auditor. In addition, it reviews and reports to the board of directors on the Trust's risk management policies and procedures and reviews the internal control procedures to determine their effectiveness and to ensure compliance with the Trust's policies and avoidance of conflicts of interest. The Audit Committee has established procedures for dealing with complaints or confidential submissions which come to its attention with respect to accounting, internal accounting controls or auditing matters.

The Audit Committee met five times in 2003.

### **Governance and Human Resources Committee**

The Governance and Human Resources Committee is comprised of Messrs. Macdonald, Boyce and Killi. The Governance and Human Resources Committee is responsible for recommending to the board of directors suitable candidates for director positions. The selection assessment factors include diversity, age, skills, judgment, integrity, gender, experience, profile, business prospects, and such other factors deemed appropriate, all in the context of an assessment of the perceived needs of the board of directors and VRL at the time. In addition, the Governance and Human Resources Committee assists the board of directors on corporate governance issues and in compiling the results of a directors' questionnaire dealing with the effectiveness of the board of directors, its members and its committees.

The Governance and Human Resources Committee's mandate also includes reviewing VRL's human resources policies and procedures and compensation and incentive programs. The Governance and Human Resources Committee is responsible for assessing senior management's performance. The Governance and Human Resources Committee reviews the adequacy and form of directors' compensation and makes recommendations designed to ensure that directors' compensation adequately reflects the responsibilities of the board of directors.

The Governance and Human Resources Committee met one time in 2003.

### **Reserves Committee**

The Reserves Committee is comprised of Messrs. Macdonald and Boyce and is responsible for ensuring that management has designed and implemented effective reserves programs, controls and reporting systems. The Reserves Committee's mandate also includes reviewing the independent reserves evaluation of VRL and any public disclosure of reserves and other oil and gas information and reviewing and approving any proposals to change the evaluating engineers. The Reserves Committee communicates regularly with management to ensure that all reserves evaluations and reports have been properly handled and reported.

The Reserves Committee did not meet in 2003 as the first engineering report for the Trust was prepared in 2004.

### **Health, Safety and Environment Committee**

The Health, Safety and Environment Committee is comprised of Messrs. Macdonald and Boyce. The Health, Safety and Environment Committee is responsible for ensuring that management has in place effective programs relating to environment, health and safety matters, including the prevention or mitigation of risks, conformity with industry standards and the compliance with applicable legal requirements, and ensuring that management administers VRL's policies and procedures on these matters. It reviews reports and, when appropriate, makes recommendations to the board of directors on VRL's policies and procedures related to health, safety and the environment.

The Health, Safety and Environment Committee met one time in 2003.

## **SPECIAL MEETING MATTER**

### **Amendments to the Incentive Rights Plan to Increase the Number of Trust Units Reserved for Issuance under the Incentive Rights Plan**

Currently, the maximum number of Trust Units reserved for issuance under the Incentive Rights Plan is 6,000,000. The board of directors of VRL believe it is important to issue Rights from time to time to provide a continuing incentive to directors, officers, employees or consultants of VRL. Pursuant to the terms of the Incentive Rights Plan, the total number of Trust Units reserved for issuance under the Incentive Rights Plan shall not exceed 10% of the issued and outstanding Trust Units including Trust Units issuable on the exercise of the Exchangeable Shares. As the number of issued and outstanding Trust Units has increased since the time the Incentive Rights Plan was first created, the board of directors of VRL proposes that Unitholders authorize an increase in the number of Trust Units reserved for issuance pursuant to the exercise of Rights under the Incentive Rights Plan. It is proposed that the number of Trust Units reserved under the Incentive Rights Plan be increased by 775,000 Trust Units. If approved, the number of Trust Units reserved for issuance pursuant to the exercise of Rights under the Incentive Rights Plan as amended, will be 6,775,000 which represents approximately 10% of the issued and outstanding Trust Units (including Trust Units issuable on the exercise of the Exchangeable Shares) as of March 31, 2004.

The board of directors of VRL believes that it is important to provide competitive compensation to directors, officers, employees and consultants of VRL, including compensation in the form of Rights. The board of directors of VRL considers the increase in the number of Trust Units reserved for issuance pursuant to the exercise of Rights under the Incentive Rights Plan to be appropriate.

The board of directors of VRL have approved the ordinary resolution to amend the Incentive Rights Plan to increase the number of Trust Units reserved for issuance pursuant to the exercise of Rights under the Incentive Rights Plan and recommend that the Unitholders vote in favour of the ordinary resolution to amend the Incentive Rights Plan. The form of the resolution to be considered by Unitholders relating to this matter of special business is set forth in Schedule "A".

To be approved, the ordinary resolution to amend the Incentive Rights Plan must be passed by the affirmative votes of holders of not less than 50% of the Trust Units represented in person or by proxy at the Meeting. In addition, the TSX requires the ordinary resolution to amend the Incentive Rights Plan be approved by a majority of the votes cast at the Meeting other than votes attaching to Trust Units or Exchangeable Shares beneficially owned by the insiders of the Trust and its subsidiaries and associates of such insiders, who in the aggregate own 2,472,732 Trust Units and 4,488,951 Exchangeable Shares.

## **ANNUAL MEETING MATTERS**

### **Financial Statements**

The consolidated financial statements of the Trust for the year ended December 31, 2003 will be placed before the Unitholders at the Meeting. These financial statements were audited by Deloitte & Touche LLP, Chartered Accountants, of Calgary, Alberta.

### **Election of Directors**

VRL has a board of directors consisting of five members, all of which shall be elected on behalf of the Unitholders.

The persons listed in the following table will be nominated at the Meeting. In accordance with the Trust Indenture, each director elected will hold office until the close of the next annual meeting of Unitholders, or until his successor is duly elected or appointed. It is the intention of the persons named in the enclosed form of proxy to vote such proxy for the election of persons named on the following table as directors of VRL. Management does not contemplate that any of the nominees will be unable to serve as directors, but if that should occur for any reason

prior to the Meeting, the persons named in the enclosed form of proxy shall have the right to vote for another nominee in their discretion.

The following table includes information about each of the nominees for election as a director, including the number of Trust Units and Exchangeable Shares beneficially owned, directly or indirectly, or over which control or direction is exercised as at March 31, 2004. Each of the nominees has served as a director of VRL since the year he first became a director.

<b>Name and Municipality of Residence</b>	<b>Principal Occupation</b>	<b>Director of VRL Since</b>	<b>Number of Trust Units Beneficially Owned or Controlled</b>	<b>Number of Exchangeable Shares Beneficially Owned or Controlled</b>
Larry J. Macdonald <sup>(1)(2)(3)(4)(5)</sup> Calgary, Alberta	Chief Executive Officer, Point Energy Ltd. from September, 2003 to present; Chairman and Chief Executive Officer, Pointwest Energy Inc. from 2000 to December 2003; Chairman and Chief Executive Officer, Westpoint Energy Inc. from 1999 to 2000; and President and Chief Operating Officer, Anderson Exploration Ltd. from 1992 to 1999	2002	17,145	4,486
Jeffrey S. Boyce <sup>(2)(3)(4)(5)</sup> Calgary, Alberta	President and Chief Executive Officer of Clear Energy Inc. from January 2003 to present; From July 1994 to January 2003, President, Chief Executive Officer of VRL	1994	631,491	686,431
Claudio A. Ghersinich Calgary, Alberta	Executive Vice President, Business Development of VRL from December 2000 to present; Executive Vice President and Director of VRL from February 1995 to December 2000	1994	932,962	1,812,906
Lorenzo Donadeo Calgary, Alberta	President and Chief Executive Officer of VRL from January 2003 to present; Executive Vice President and Chief Operating Officer of VRL from December 2000 to January 2003; Executive Vice President and Director of VRL from February 1995 to December 2000	1994	523,716	1,989,614
Joseph F. Killi <sup>(2)(3)</sup> Calgary, Alberta	President of Rosebridge Capital Corp. Inc.	1999	-	-

**Notes:**

- (1) Mr. Macdonald is the Lead Director.
- (2) Member of the Audit Committee.
- (3) Member of the Governance and Human Resources Committee.
- (4) Member of the Health, Safety and Environment Committee.
- (5) Member of the Reserves Committee.

### **Appointment of Auditors**

The Trust Indenture provides that Unitholders shall appoint the auditors of the Trust at each annual meeting of Unitholders. Unitholders will be asked at the Meeting to pass a resolution appointing Deloitte & Touche LLP as the auditors of the Trust for a term expiring at the close of the next annual meeting of Unitholders. Deloitte & Touche LLP were appointed the initial auditors of the Trust on December 16, 2002 pursuant to the terms of the Trust Indenture.

### **ADDITIONAL INFORMATION**

Copies of the Trust's most recent annual information form and any information incorporated therein by reference, the Trust's audited consolidated financial statements as at and for the year ended December 31, 2003 and this Proxy Statement and Information Circular may be obtained on the SEDAR website at [www.sedar.com](http://www.sedar.com) or from the Vice President, Finance and Chief Financial Officer of VRL at Suite 2800, 400 – 4<sup>th</sup> Avenue S.W., Calgary, Alberta T2P 0J4.

**SCHEDULE "A" TO THE PROXY STATEMENT  
AND INFORMATION CIRCULAR**

**Approve Amendments to the Trust Unit Rights Incentive Plan to Increase the Number of Trust Units Reserved for Issuance Pursuant to the Exercise of Rights Granted under the Plan**

"BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT:

- (a) the Trust Unit Rights Incentive Plan (the "Incentive Rights Plan") be amended to increase the number of Trust Units reserved for issuance pursuant to the exercise of rights granted under the Incentive Rights Plan to 6,775,000 Trust Units; and
- (b) any director or officer of VRL be and is hereby authorized and directed to execute and deliver such documents and instruments and take such other actions as such director or officer may determine to be necessary or advisable to implement this resolution and the matters authorized hereby, and the approval by such director or officer of the text of such documents or instruments and the taking of such actions shall be conclusive proof of the approval thereof by the Unitholders."

**SCHEDULE "B" TO THE PROXY STATEMENT  
AND INFORMATION CIRCULAR**

<b>Corporate Governance Guideline of the Toronto Stock Exchange</b>	<b>Compliance</b>	<b>Comments</b>
1. The board should explicitly assume responsibility for stewardship of the Company, and specifically for:	Yes	Pursuant to the Trust Indenture, the board of directors has responsibility for the stewardship of the Trust. The board has adopted a formal mandate setting out the board's stewardship responsibilities. In carrying out this mandate, the board of directors meets regularly and a broad range of matters are discussed and reviewed for approval. Among other things, the mandate describes the decisions of the Trust that require prior approval of the board, measures for receiving Unitholder feedback and the board's expectations of management.
(a) adoption of a strategic planning process and approval of a strategic plan which takes into account (among other things) the opportunities and risks of the business;	Yes	The board participates with management in the development and approval of the Trust's strategic plan, which takes into account the Trust's opportunities and risks associated with its business. The board also approves all overall plans and strategies, budgets, internal controls and management information systems, risk management as well as interim and annual financial and operating results. At regularly scheduled meetings, members of the board and management discuss a broad range of issues relevant to the Trust's strategy.
(b) identification of principal risks, and implementing risk management systems;	Yes	The board's participation in the strategic planning process involves consideration of the principal risks inherent in the Trust's business. The Audit Committee of the board of directors addresses specific risks and risk management in its review of the Trust's financial statements. The Health, Safety and Environment Committee addresses specific risks and risk management related to the Trust's environment, health and safety activities, and compliance with applicable rules and regulations.
(c) succession, planning and monitoring senior management;	Yes	With the oversight of the Lead Director, the board of directors is responsible for succession planning at the board and senior management levels. The Governance and Human Resources Committee reviews compensation policies and plans, assesses the performance of the Trust's senior management compared with the Trust's goals, and approves the salary and other remuneration of the Trust's executive officers.
(d) communication policy; and	Yes	The Trust's communication policy provides for open and timely disclosure of relevant information relating to the Trust and its business and affairs. The board reviews the Trust's annual and interim financial statements and selected corporate disclosure documents, including the annual information form, information circulars and all prospectuses before they are publicly released. The communication policy,

<b>Corporate Governance Guideline of the Toronto Stock Exchange</b>	<b>Compliance</b>	<b>Comments</b>
		which is reviewed by the board annually, addresses how the Trust interacts with analysts and the public, and contains measures for avoiding selective disclosure.
(e) integrity of internal control and management information systems.	Yes	The Audit Committee is specifically mandated to assist the board by reviewing the effectiveness of financial reporting, management information and internal control systems. The Audit Committee is mandated to meet at least four times each year. The Audit Committee meets with the auditors independent of management as required. The Reserves Committee is mandated to assist the board by reviewing the effectiveness of the engineering reserves' reports and related significance of the reserves on the public and financial reporting of the Trust.
2. Majority of directors should be "unrelated", (free from conflicting interests).	Yes	Two members of the board are "related" and the remaining three directors are "unrelated" to the Trust as those terms are defined in the TSX guidelines.
3. Disclose for each director whether he or she is related, and how that conclusion was reached.	Yes	Larry Macdonald, Jeffrey Boyce and Joseph Killi are unrelated to the Trust as that term is used in the TSX guidelines. Each of these directors is independent of management and is free from any interest, business or other relationship that could, or could reasonably be perceived to, materially interfere with their ability to act in the Trust's best interests, and none of them has received any material compensation from the Trust, although each director is eligible to participate in the Trust Unit Rights Incentive Plan. Claudio Ghersinich and Lorenzo Donadeo are related directors as both are senior executive officers of the Trust.
4. Appoint a committee:		
(a) responsible for the appointment and assessment of directors; and	Yes	The board has constituted a Governance and Human Resources Committee which is responsible for nominating new directors and assessing the board as well as individual directors on an ongoing basis. With respect to new directors, the full board determines the competencies, skills and personal qualities that the Governance and Human Resources Committee should seek in new board members to add value to the Trust.
(b) composed exclusively of outside (i.e. non-management) directors, the majority of whom are unrelated.	Yes	All of the members of the Governance and Human Resources Committee are unrelated directors.
5. Implement a process for assessing effectiveness of the board and its committees and individual directors.	Yes	The Governance and Human Resources Committee has been mandated to perform assessments of the board as a whole, the committees of the board, the Lead Director and the other individual directors on an ongoing basis. Individual director evaluations regarding the

<b>Corporate Governance Guideline of the Toronto Stock Exchange</b>	<b>Compliance</b>	<b>Comments</b>
		effectiveness and contribution of the directors are completed by the Governance and Human Resources Committee on an annual basis.
6. Provide orientation and education programs for new directors.	Yes	New directors are provided with an orientation and education program which includes written information about the duties and obligations of directors, the role of the board and its committees, the expected contributions of individual directors, the business and operations of the Trust, and opportunities for meetings and discussion with senior management and other directors. The details of the orientation of each new director are tailored to that director's individual needs and areas of interests.
7. Examine the size of the board with a view to improving effectiveness.	Yes	The board of directors consists of five members. The board of directors is committed to reviewing the number of directors regularly and currently considers five directors to be appropriate for the Trust's size and a number that facilitates effective decision-making, as well as an appropriate mix of backgrounds and skills for the stewardship of the Trust.
8. Review compensation of directors in light of risks and responsibilities.	Yes	The Governance and Human Resources Committee reviews and reports to the board of directors on compensation issues. The board has determined that the current compensation realistically reflects the responsibilities of and risks involved in being a director.
9. Committees should generally be composed of outside directors, a majority of whom are unrelated.	Yes	All board committees are made up of unrelated directors.
10. Appoint a committee responsible for approach to corporate governance issues.	Yes	The Governance and Human Resources Committee, which is comprised solely of unrelated directors, is responsible for governance issues and the Trust's response to the TSX's governance guidelines or other applicable governance rules or guidelines.
11. (a) Develop position descriptions and mandates for the board and the Chief Executive Officer (CEO), and define limits to management's responsibilities for:		The board and the CEO develop position descriptions for the board and the CEO and define the limits to management's responsibilities.
(i) the board; and	Yes	The board has ultimate responsibility for the stewardship of the Trust.
(ii) the Chief Executive Officer.	Yes	Day-to-day leadership and management are the responsibility of the President and CEO and other management, subject to the board's stewardship. The CEO is responsible to lead and manage the Trust within parameters established by the board of directors and relevant committees. The CEO is also responsible for developing and recommending strategic plans to the



Corporate Governance Guideline of the Toronto Stock Exchange	Compliance	Comments
(b) Board should approve the Chief Executive Officer's corporate objectives, and assess the Chief Executive Officer against these objectives.	Yes	board of directors and for involving the board of directors in the early stages of strategy development. Additionally, the CEO is expected to successfully implement capital and operating plans; report regularly to the board of directors on the progress and results compared with the operating and financial objectives, and initiate courses of action for improvement; develop and maintain a sound, effective organization structure; and ensure progressive employee training and development programs.  The corporate objectives for which the CEO is responsible are set by the board of directors, which, with the oversight of the Lead Director, assesses the CEO against such objectives.
12. Establish structures and procedures to enable the board to function independently of management.	Yes	The board has appointed Larry Macdonald, an unrelated director, to act as the Lead Director of the board to ensure the board acts independently of management and properly discharges its responsibilities, and the board has adopted terms of reference with respect to the Lead Director's role. The Lead Director ensures that the board meets on a regular basis without management, emphasizes the boundaries between the board's and management's responsibilities, ensures prospective board members understand the role and contribution of directors, and ensures the board addresses its responsibilities in relation to corporate governance.
(a) Ensure an Audit Committee has a specifically defined mandate and direct communication channels with internal and external auditors.	Yes	The Audit Committee is comprised of Messrs. Macdonald, Boyce and Killi. The Audit Committee reviews the Trust's interim unaudited consolidated financial statements and annual audited consolidated financial statements and certain corporate disclosure documents including the annual information form, management's discussion and analysis, annual and interim earnings press releases, offering documents (including all prospectuses) and other offering memoranda before they are approved by the board of directors. The Committee reviews and makes a recommendation to the board of directors in respect of the appointment and compensation of the external auditor and it monitors accounting, financial reporting, control and audit functions. The Audit Committee meets to discuss and review the audit plans of external auditors and it is directly responsible for overseeing the work of the external auditor with respect to the preparing or issuing of the auditor's report or the performance of other audit, review or attest services, including the resolution of disagreements between management and the external auditor regarding financial reporting. The Committee questions the external auditor independently of management and

Corporate Governance Guideline of the Toronto Stock Exchange	Compliance	Comments
(b) All members of the Audit Committee should be unrelated directors and should be financially literate. At least one member should have financial expertise.	Yes	<p>reviews a written statement of its independence based on the criteria found in the recommendations of the Canadian Institute of Chartered Accountants. The Committee must be satisfied that adequate procedures are in place for the review of the Trust's public disclosure of financial information extracted or derived from its financial statements and it periodically assesses the adequacy of those procedures. The Audit Committee must approve or pre-approve, as applicable, any non-audit services to be provided to the Trust by the external auditor. In addition, it reviews and reports to the board of directors on the Trust's risk management policies and procedures and reviews the internal control procedures to determine their effectiveness and to ensure compliance with the Trust's policies and avoidance of conflicts of interest. The Committee has established procedures for dealing with complaints or confidential submissions which come to its attention with respect to accounting, internal accounting controls or auditing matters.</p> <p>All members of the audit committee are unrelated directors and are financially literate. The chair of the Audit Committee, Joseph Killi, is a chartered accountant and has accounting and financial expertise.</p>
13. Implement a system to enable individual directors to engage outside advisors at the Company's expense.	Yes	<p>In addition to the authority of committees to retain external advisors in connection with their responsibilities, individual directors may engage outside advisors at any time (at the expense of the Trust) to provide advice on a corporate decision or action.</p>