VERMILION ENERGY TRUST

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Forward-looking information

This document contains forward-looking financial and operational information including earnings, fund flow, unitholder distributions, debt levels, production, reserves and capital expenditure projections. These projections are based on the Trust's expectations and are subject to a number of risks and uncertainties that could materially affect the results. These risks include, but are not limited to, future commodity prices, exchange rates, interest rates, geological risk, reserves risk, political risk, production demand, transportation restrictions, risks associated with changes in tax, royalty and regulatory regimes and risks associated with international activities. Additional risks and uncertainties are described in the Trust's Annual Information Form which is filed on SEDAR at www.sedar.com.

Due to the risks, uncertainties and assumptions inherent in forward-looking statements, prospective investors in the Trust's securities should not place undue reliance on these forward-looking statements. Forward looking statements contained in this document are made as of the date hereof and are subject to change. The Trust assumes no obligation to revise or update forward looking statements to reflect new circumstances, except as required by law. 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 boe conversion ratio of six thousand cubic feet to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Q2

FOR THE SIX MONTHS ENDED JUNE 30, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is Management's Discussion and Analysis (MD&A) dated August 6, 2008 of Vermilion's operating and financial results as at and for the three and six month periods ended June 30, 2008 compared with the corresponding periods in the prior year. This discussion should be read in conjunction with the unaudited interim consolidated financial statements for the period ended June 30, 2008 and the Trust's audited consolidated financial statements for the years ended December 31, 2007 and 2006, together with accompanying notes, as contained in the Trust's 2007 Annual Report.

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		Six Months Ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Cash flows from operating activities	$184,174	$95,997	$348,901	$185,233
Changes in non-cash operating working capital	5,031	(11,277)	(41,449)	(25,411)
Asset retirement costs incurred	1,142	381	2,291	1,217
Fund flows from operations	$190,347	$85,101	$309,743	$161,039

"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. Acquisitions, including acquired working capital deficiency, is reconciled below:

($000's)	Three Months Ended		Six Months Ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Acquisition of petroleum and natural gas properties from consolidated statements of cash flows	$900	$120,788	$45,428	$120,914
Corporate acquisition, net of cash acquired from consolidated statements of cash flows	-	-	-	-
Working capital deficiencies acquired from investments and acquisitions (see financial statement notes for relevant period)	-	8,311	-	8,311
Acquisitions, including acquired working capital deficiency	$900	$129,099	$45,428	$129,225

“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. Net debt is reconciled below to long-term debt which is the most directly comparable GAAP measure:

($000’s)	As at June 30, 2008	As at December 31, 2007	As at June 30, 2007
Long-term debt	$286,672	$452,490	$448,177
Current liabilities	245,628	150,620	160,337
Current assets	(247,266)	(186,252)	(162,334)
Net debt	$285,034	$416,858	$446,180

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

“Net distributions” is calculated as distributions declared for a given period less proceeds received by the Trust pursuant to the Distribution Reinvestment Plan (“DRIP”). 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 that is generated by the Trust is being used to fund distributions. Net distributions is reconciled below to distributions declared, the most directly comparable GAAP measure:

($000’s)	Three Months Ended		Six Months Ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Distributions declared	$39,767	$33,669	$78,842	$66,876
Issue of trust units pursuant to the distribution reinvestment plan	(7,794)	(8,950)	(18,453)	(16,684)
Net distributions	$31,973	$24,719	$60,389	$50,192

“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 that is generated by the Trust that is available to repay debt and fund potential acquisitions. This measure is reconciled to the relevant GAAP measures below:

($000’s)	Three Months Ended		Six Months Ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Distributions declared	$39,767	$33,669	$78,842	$66,876
Issue of trust units pursuant to the distribution reinvestment plan	(7,794)	(8,950)	(18,453)	(16,684)
Drilling and development of petroleum and natural gas properties	31,180	32,044	68,569	71,798
Contributions to reclamation fund	-	-	-	-
Asset retirement costs incurred	1,142	381	2,291	1,217
	$64,295	$57,144	$131,249	$123,207

“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. These measures are reconciled to the relevant GAAP measures below:

	As at June 30, 2008	As at June 30, 2007
Trust units outstanding	69,836,829	66,218,901
Trust units issuable pursuant to exchangeable shares outstanding	6,964,480	6,745,895
Adjusted basic trust units outstanding	76,801,309	72,964,796
Potential trust units issuable pursuant to unit compensation plans	2,219,786	3,339,465
Diluted trust units outstanding	79,021,095	76,304,261

	As at June 30, 2008	As at June 30, 2007
Basic weighted average trust units outstanding	69,059,361	65,485,018
Trust units issuable pursuant to exchangeable shares outstanding	6,966,874	6,745,895
Adjusted basic weighted average trust units outstanding	76,026,235	72,230,913

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

Canada

In Canada, Vermilion’s activities were focused on workovers and recompletions as well as the expansion of the gas gathering and compression facilities in the West Pembina area. No wells were drilled during the quarter. The drilling program for the second half of 2008 began July 2, 2008, with plans to drill in the Drayton Valley and Utikuma areas until break-up 2009. Vermilion will also participate in selective partner operated coalbed methane drilling in Central Alberta.

France

In France, activity focused on a significant number of well repairs (mainly pump replacements) related to several causes including extended shut-in periods, summer electrical storm activity and waterflood optimization efforts. This activity tied up the workover rigs, limiting other workover and recompletion activity during the quarter. Well work during the second half of the year will focus primarily on workovers, stimulations and recompletions, which should offset production declines.

A 43 square kilometre 3D seismic program at Cazaux was completed during the quarter. This information is expected to improve the number and quality of drillable prospects available to Vermilion in this field. Vermilion continues to refurbish the main storage tanks at the Ambès terminal and expects to complete this work by year-end.

Netherlands

Activities in the Netherlands focused on permitting new wells for the 2009 drilling program. Subject to receipt of all approvals, Vermilion hopes to drill 4 to 5 wells in the Netherlands next year beginning in the second quarter.

Australia

Australia operations were focused on drilling preparations for later this year. This included the installation of a small platform extension to accommodate new well templates as well as the installation of subsea templates. Vermilion's safety case was submitted to regulators and a rig contract was signed in mid-July.

PRODUCTION

Average production in Canada during the second quarter of 2008 was 4,368 bbls/d of oil and NGLs and 51.3 mmcf/d of natural gas (total 12,915 boe/d) compared to 4,165 bbls/d of oil and NGLs and 51.4 mmcf/d of natural gas (total 12,730 boe/d) in the first quarter of 2008. A steady drilling program scheduled for the second half of 2008 should mitigate declines from our Canadian operations.

Production in France averaged 8,536 boe/d in the second quarter of 2008, slightly below the 8,800 boe/d produced in the first quarter of 2008. Workover activity levels are expected to increase in the second half of 2008 and are expected to sustain production over the balance of the year at slightly improved levels. A higher level of drilling activity in 2009 should have a positive impact on production next year.

Production in the Netherlands averaged 4,980 boe/d in the second quarter of 2008, slightly below first quarter 2008 production of 5,096 boe/d. Approximately 1,000 boe/d of production was voluntarily shut-in at Harlingen in mid-July and will remain shut-in until a new production permit is obtained from regulators. Vermilion is working closely with regulators to determine the source of the discrepancy between projected subsidence figures and measured subsidence. Vermilion hopes to submit a new permit that would allow at least a partial reinstatement of production before year-end 2008.

Australia production averaged 7,312 boe/d in the second quarter of 2008 as compared to 6,446 boe/d in the first quarter of 2008. Second quarter production was for the most part uninhibited, with only modest interruptions for facility maintenance and repairs. Production over the balance of the year should reflect normal base declines.

	Three Months Ended June 30, 2008				Six Months Ended June 30, 2008			
	Oil & NGLs (bbls/d)	Natural Gas (mmcf/d)	Total (boe/d)	%	Oil & NGLs (bbls/d)	Natural Gas (mmcf/d)	Total (boe/d)	%
Canada	4,368	51.28	12,915	38	4,267	51.33	12,822	38
France	8,334	1.21	8,536	25	8,469	1.19	8,668	26
Netherlands	26	29.72	4,980	15	22	30.10	5,038	15
Australia	7,312	-	7,312	22	6,879	-	6,879	21
Total Production	20,040	82.21	33,743	100	19,637	82.62	33,407	100

	Three Months Ended June 30, 2007				Six Months Ended June 30, 2007			
	Oil & NGLs (bbls/d)	Natural Gas (mmcf/d)	Total (boe/d)	%	Oil & NGLs (bbls/d)	Natural Gas (mmcf/d)	Total (boe/d)	%
Canada	4,091	49.56	12,351	40	4,098	48.64	12,205	41
France	9,001	1.32	9,221	30	8,449	1.16	8,642	29
Netherlands	32	23.23	3,904	13	58	25.61	4,326	14
Australia	5,440	-	5,440	17	4,837	-	4,837	16
Total Production	18,564	74.11	30,916	100	17,442	75.41	30,010	100

FINANCIAL OVERVIEW

During the three and six month periods ended June 30, 2008 the Trust generated fund flows from operations of $190.3 million and $309.7 million, respectively. For the same periods in 2007 the Trust generated fund flows from operations of $85.1 million and $161.0 million, respectively. The increase in fund flows from operations of $105.2 million and $148.7 million for the three and six month periods ended June 30, 2008 versus the corresponding periods in the prior year is largely the result of the dramatic year over year increase in commodity prices combined with an increase in production levels. The GAAP measure, cash flows from operating activities similarly increased year over year to $184.2 million and $348.9 million for the three and six month periods ended June 30, 2008 versus $96.0 million and $185.2 million for the same periods in 2007.

These levels of fund flows from operations have allowed Vermilion to further strengthen its financial position and at June 30, 2008 the Trust's net debt was $285.0 million which represents a decrease of 31.6% from the net debt of $416.9 million at December 31, 2007. The Trust's long-term debt has decreased to $286.7 million at June 30, 2008 from $452.5 million at December 31, 2007. At June 30, 2008 Vermilion's net debt represented less than half of annualized fund flows from operations.

For the six months ended June 30, 2008 total net distributions, capital expenditures, reclamation fund contributions and asset retirement costs incurred as a percentage of fund flows from operations was 42% versus 77% for the corresponding period in the prior year. The year over year decrease in this metric relates to the significant increase in fund flows from operations associated with commodity price and production increases.

CAPITAL EXPENDITURES

Total capital spending, including acquisitions for the three and six month periods ended June 30, 2008 was $32.1 million and $114.0 million, respectively (three and six month periods ended June 30, 2007, $152.8 million and $192.7 million, respectively). The year over year decrease in second quarter capital spending mostly relates to the acquisition of the remaining 40% interest in the Wandoo Field in Australia for cash consideration of $117.9 million that closed in June 2007. On a year to date basis, the decrease in capital spending is associated with higher spending in 2007 related to the aforementioned Australian acquisition partially offset by the first quarter 2008 purchase of $44.1 million of producing properties in the Drayton Valley area.

Non-acquisition related capital spending has remained relatively consistent year over year.

($000's)

	Three Months Ended		Six Months Ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Land	$ 1,519	$ 572	$ 1,973	$ 1,072
Seismic	4,468	-	7,481	335
Drilling and completion	2,518	13,729	17,038	29,725
Production equipment and facilities	15,497	12,292	27,789	25,596
Recompletions	4,676	2,340	7,500	7,975
Other	2,502	3,111	6,788	7,095
	31,180	32,044	68,569	71,798
Acquisitions (excluding acquired working capital deficiency)	900	120,788	45,428	120,914
Total	$32,080	$152,832	$113,997	$192,712

REVENUE

Revenue for the three and six month periods ended June 30, 2008 was $341.4 million and $570.9 million, respectively (three and six month periods ended June 30, 2007, $164.9 million and $313.7 million, respectively).

Vermilion's combined crude oil and NGL price was $142.97 per boe in the second quarter of 2008, an increase of 110% over the $68.12 per boe reported in the second quarter of 2007. The natural gas price realized was $10.78 per mcf in the second quarter of 2008 compared to $7.38 per mcf in the second quarter of 2007, a 46% increase year over year. The prices realized in 2008 reflect the dramatic year over year increase in oil and gas reference prices coupled with a significant draw down of Vermilion's oil inventory. Higher realized prices and increased production resulted in higher revenue year over year.

($000's except per boe and per mcf)	Three Months Ended		Six Months Ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Crude oil & NGLs	$260,718	$115,081	$424,820	$210,236
Per boe	$142.97	$68.12	$118.86	$66.59
Natural gas	80,687	49,781	146,044	103,434
Per mcf	$10.78	$7.38	$9.71	$7.58
Petroleum and natural gas revenue	$341,405	$164,862	$570,864	$313,670
Per boe	$111.19	$58.60	$93.89	$57.75

DERIVATIVE INSTRUMENTS

Vermilion continues to manage its risk exposure through prudent commodity and currency economic hedging strategies. Vermilion has the following financial derivatives in place at June 30, 2008:

Risk Management: Oil	Funded Cost	bbls/d	US$/bbl
Collar – WTI			
Q3 2008	US$0.28/bbl	250	$70.00 - $90.00
Q4 2008	US$0.50/bbl	250	$69.00 - $90.00
Collar - BRENT			
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
2009	US$1.00/bbl	500	$100.50 - $200.00
Call Spread - BRENT			
2009 – 2011	US$5.73/bbl	700	$65.00 - $85.00

Risk Management: Natural Gas	Funded Cost	GJ/d	C$/GJ
Put – AECO			
July - October 2008	$0.35/GJ	2,500	$9.30
July - October 2008	$0.32/GJ	2,500	$9.55

The impact of Vermilion's economic hedging program through the second quarter of 2008 decreased fund flows netbacks by $1.34 per boe ($1.94 per boe in the quarter) as the price of oil exceeded the ceiling of the Trust's collars. This compares to a hedging gain of $0.09 per boe in the first six months of 2007 ($0.11 per boe loss in the quarter).

ROYALTIES

Royalties for the three and six month periods ended June 30, 2008 were $18.35 per boe and $15.30 per boe, respectively (three and six month periods ended June 30, 2007, $7.32 per boe and $7.05 per boe, respectively). As a percent of sales for the three and six months ended June 30, 2008, royalties were 16.5% and 16.3%, respectively (three and six months ended June 30, 2007, 12.5% and 12.2% respectively).

In Australia, royalties are reduced by capital reinvestment in the country and the year over year increase in Australian royalties as a percent of revenue is largely due to reduced levels of capital activity in that country in the first half of 2008. Royalties in Canada, which are paid on a sliding scale basis, increased year over year on a per boe basis due to the impact of higher commodity prices. In France, royalties increased on a per boe basis and decreased as a percent of revenue as a portion of the royalties in France are levied on a per unit of production basis. Production in the Netherlands is not subject to royalties.

($000's except per boe and per mcf)	Three Months Ended		Six Months Ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Crude oil & NGLs	$46,520	$13,980	$75,100	$24,858
Per boe	$25.51	$8.28	$21.01	$7.87
Natural gas	9,840	6,610	17,923	13,432
Per mcf	$1.32	$0.98	$1.19	$0.98
Royalties	$56,360	$20,590	$93,023	$38,290
Per boe	$18.35	$7.32	$15.30	$7.05

OPERATING COSTS

Operating costs per boe for the three and six month periods ended June 30, 2008 were $10.78 and $10.93, respectively (three and six month periods ended June 30, 2007, $9.91 and $10.15, respectively). Canadian operating costs have increased on a per boe basis for the three and six months ended June 30, 2008 as a result of a favorable adjustment to equalization provisions that was realized during the second quarter of 2007 which reduced operating costs in that comparative period. Canadian operating costs per boe have decreased versus the first quarter of 2008 due to lower levels of spending on chemicals, electrical power and wages. Operating costs per boe in France have increased slightly for the quarter and year to date periods versus the same periods in the prior year and have remained at relatively consistent levels since the fourth quarter of 2007. Australian operating costs have decreased for the quarter and year to date periods compared to the prior year as a result of decreased levels of diesel consumption as a Wandoo A platform well continued to produce fuel gas. In the Netherlands, operating costs on a per boe basis have remained relatively consistent year over year.

($000's except per boe and per mcf)	Three Months Ended		Six Months Ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Crude oil & NGLs	$20,099	$18,346	$39,781	$34,848
Per boe	$11.02	$10.86	$11.13	$11.04
Natural gas	12,998	9,545	26,671	20,284
Per mcf	$1.74	$1.42	$1.77	$1.49
Operating	$33,097	$27,891	$66,452	$55,132
Per boe	$10.78	$9.91	$10.93	$10.15

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. In France, the majority of Vermilion's transportation costs are comprised of shipping charges incurred in the Aquitaine Basin where oil production is 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 continue to be higher than historic levels as a result of the oil spill at the Ambès Terminal that occurred in January 2007. In early March 2008, Vermilion resumed transporting crude to the Ambès terminal via pipeline and all trucking operations ceased. As a result of the limited capacity of the storage tank rented at the terminal, a vessel has been retained on a full-time basis and serves as a temporary storage tank when not transporting product to the refinery. Transportation costs in France are relatively consistent year over year and will continue to be higher than pre-January 2007 levels until full resumption of terminal operations occurs.

($000's except per boe)	Three Months Ended		Six Months Ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Transportation	$5,949	$6,480	$12,400	$10,615
Per boe	$1.94	$2.30	$2.04	$1.95

GENERAL AND ADMINISTRATION EXPENSES

General and administration expenses per boe for the three and six month periods ended June 30, 2008 were $2.33 and $1.99, respectively (three and six month periods ended June 30, 2007, $1.69 and $1.91, respectively). The increase per boe from 2007 is associated with increased staffing levels and employee retention costs partially offset by increased levels of production.

($000's except per boe)	Three Months Ended		Six Months Ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
General and administration	$7,153	$4,743	$12,086	$10,383
Per boe	$2.33	$1.69	$1.99	$1.91

UNIT BASED COMPENSATION EXPENSE

Non-cash unit based compensation expense for the three and six month periods ended June 30, 2008 was $4.3 million and $9.3 million, respectively (three and six month periods ended June 30, 2007, $4.0 million and $9.4 million, respectively). For 2008, this expense relates to the value attributable to long-term incentives granted to officers, directors and employees under the Trust Unit Award Incentive Plan. The 2007 figures also include expense associated with the Trust Unit Rights Incentive Plan, the value of which had been fully amortized by December 31, 2007 resulting in no expense for this plan being recognized in 2008. Total unit based compensation expense has remained relatively consistent for the three and six month periods ended June 30, 2008 compared with the same periods of the prior year.

($000's except per boe)	Three Months Ended		Six Months Ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Unit based compensation	$4,349	$4,024	$9,250	$9,416
Per boe	$1.42	$1.43	$1.52	$1.73

INTEREST EXPENSE

Interest expense for the three and six month periods ended June 30, 2008 was $5.1 million and $11.3 million, respectively (three and six month periods ended June 30, 2007, $4.7 million and $9.3 million, respectively). The increase in interest expense for the quarter and year to date periods in 2008 versus 2007 is a result of higher weighted average debt levels. The Trust's interest rates have decreased slightly year over year.

($000's except per boe)	Three Months Ended		Six Months Ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Interest	$5,134	$4,735	$11,274	$9,348
Per boe	$1.67	$1.68	$1.85	$1.72

DEPLETION, DEPRECIATION AND ACCRETION EXPENSES

Depletion, depreciation and accretion expenses per boe for the three and six month periods ended June 30, 2008 were $21.22 and $20.99, respectively (three and six month periods ended June 30, 2007, $18.69 and $18.08, respectively). Depletion, depreciation and accretion rates for the quarter and year to date periods in 2008 have increased slightly from the rates per boe for the same periods in 2007.

($000's except per boe)	Three Months Ended		Six Months Ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Depletion, depreciation and accretion	$65,151	$52,560	$127,637	$98,224
Per boe	$21.22	$18.69	$20.99	$18.08

TAXES

Current taxes per boe for the three and six month periods ended June 30, 2008 were $13.58 and $10.29, respectively (three and six month periods ended June 30, 2007, $3.23 and $4.26, respectively). The increase relates to higher revenues associated with the strengthening of commodity prices.

($000's except per boe)	Three Months Ended		Six Months Ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Current taxes	$41,697	$9,078	$62,568	$23,146
Per boe	$13.58	$3.23	$10.29	$4.26

FOREIGN EXCHANGE

During the six month period ended June 30, 2008, a combined realized and unrealized foreign exchange loss of $25.2 million was recorded (six month period ended June 30, 2007, gain of $11.7 million). The combined loss through June 30, 2008 is comprised of a realized gain of $4.8 million and an unrealized non-cash loss of $30.0 million. The year to date unrealized loss is related to the translation to Canadian dollars of foreign currency denominated future income taxes and asset retirement obligations. Since December 31, 2007, the Canadian dollar weakened significantly against the Euro resulting in this unrealized loss.

($000's except per boe)	Three Months Ended		Six Months Ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Foreign exchange (gain) loss	$(2,381)	$(12,190)	$25,249	$(11,676)
Per boe	$(0.77)	$(4.33)	$4.16	$(2.15)

EARNINGS

Net earnings for the three and six month periods ended June 30, 2008 were $102.3 million or $1.47 per unit and $128.5 million or $1.86 per unit, respectively (three and six month periods ended June 30, 2007, $41.1 million or $0.62 per unit and $72.4 million or $1.11 per unit, respectively). The increase in earnings is associated with higher commodity price levels and production.

LIQUIDITY AND CAPITAL RESOURCES

Vermilion's net debt as at June 30, 2008 was $285.0 million compared to $416.9 million as at December 31, 2007.

As at June 30, 2008, the Trust had an unsecured covenant-based credit facility allowing for maximum borrowings of $675 million. The revolving period under the facility is expected to expire in June 2009 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.

Through the second quarter of 2008, Vermilion purchased shares in Verenex Energy Inc. ("Verenex") for total consideration of $0.6 million. After reflecting these additional shares, Vermilion owns 18.8 million shares representing 42.4% of the outstanding shares of Verenex.

On May 14, 2008, Vermilion suspended the distribution reinvestment plan indefinitely. This suspension was effective June 16, 2008 and was the result of continued high commodity prices resulting in fund flows from operations that are in excess of the level needed to sustain the Trust's business model. Cash flows from financing activities for the three and six month periods ended June 30, 2008 included cash flows related to the issuance of trust units pursuant to the distribution reinvestment plan of $7.8 million and $18.5 million, respectively.

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 that reclamation obligations associated with the Trust's assets will be substantially funded when the costs are expected to be incurred.

ASSET RETIREMENT OBLIGATION

At June 30, 2008, Vermilion's asset retirement obligation was $188.0 million compared to $163.4 million as at December 31, 2007. The increase is due mostly to the impact of foreign exchange rate changes on non-Canadian dollar denominated obligations. When appropriate, the Trust engages external third party consultants with relevant experience in reclamation activities in the regions in which Vermilion has operations to assist in estimating its asset retirement obligations.

DISTRIBUTIONS

Vermilion maintained monthly distributions at $0.19 per unit for the six months ended June 30, 2008 and declared distributions totalling $78.8 million compared to $66.9 million for the same period in 2007.

Since inception, the Trust has declared $693.6 million in distributions to unitholders as compared to unitholders' capital of $432.2 million at June 30, 2008.

Sustainability of Distributions

($000's)	Three Months Ended June 30, 2008	Six Months Ended June 30, 2008	Year Ended Dec 31, 2007	Year Ended Dec 31, 2006
Cash flows from operating activities	$184,174	$348,901	$349,890	$306,033
Net earnings	$102,289	$128,485	$164,286	$146,923
Distributions declared	$ 39,767	$ 78,842	$136,389	$130,638
Excess of cash flows from operating activities over cash distributions declared	$144,407	$270,059	$213,501	$175,395
Excess of net earnings over cash distributions declared	$ 62,522	$ 49,643	$ 27,897	$ 16,285

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

UNITHOLDERS' EQUITY

During the six month period ended June 30, 2008, approximately 2.5 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 $34.3 million as a result of the issuance of those units and by $16.9 million as a result of contributed surplus transfer related to unit based compensation plans.

As at July 28, 2008 there were 69,837,101 trust units outstanding.

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 sheets 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.

As at June 30, 2008 there were 4.3 million exchangeable shares outstanding at an exchange ratio of 1.60362 whereby 7.0 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. All outstanding exchangeable shares must be redeemed on or before January 22, 2013 and Vermilion 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 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.

NEW ACCOUNTING POLICIES

On January 1, 2008, the Trust adopted Section 1535, "Capital Disclosures"; Section 3862, "Financial Instruments – Disclosures"; and Section 3863, "Financial Instruments – Presentation". The adoption of these standards did not impact the amounts reported in the Trust's consolidated financial statements however, it did result in additional note disclosures relating to the Trust's capital structure and financial instruments.

On January 1, 2008, the Trust adopted Section 3031, "Inventories." The adoption of this standard did not impact the Trust's consolidated financial statements.

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 June 30, 2008.

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.

INTERNATIONAL FINANCIAL REPORTING STANDARDS TRANSITION

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

Vermilion has created an internal IFRS transition team to oversee the Trust's adoption of IFRS and the services of a large international public accounting firm have been retained to assist the Trust in its conversion program. Through the end of 2008 the Trust anticipates that it will continue to research areas of difference between IFRS and Canadian GAAP and in 2009 the Trust will design and implement policies and processes allowing for the preparation of both IFRS and Canadian GAAP financial statements in 2010 providing for comparative financial statements after the official changeover in 2011.

NETBACKS (6:1)

Trust Financial Information	Three Months Ended June 30, 2008 Oil & NGLs $/bbl	Natural Gas $/mcf	Total $/boe	Six Months Ended June 30, 2008 Oil & NGLs $/bbl	Natural Gas $/mcf	Total $/boe	Three Months Ended June 30/07 Total $/boe	Six Months Ended June 30/07 Total $/boe
Canada								
Price	$115.35	$10.85	$82.08	$104.31	$9.40	$72.34	$52.50	$52.05
Realized hedging gain or loss	-	-	-	-	-	-	(0.08)	(0.11)
Royalties	(19.68)	(2.10)	(15.00)	(18.29)	(1.92)	(13.75)	(10.09)	(10.18)
Transportation	(1.48)	(0.23)	(1.43)	(1.37)	(0.20)	(1.24)	(0.64)	(0.67)
Operating costs	(10.30)	(1.57)	(9.73)	(11.10)	(1.65)	(10.31)	(8.08)	(8.57)
Operating netback	$ 83.89	$ 6.95	$55.92	$ 73.55	$5.63	$47.04	$33.61	$32.52
France								
Price	$144.41	$11.51	$142.62	$116.41	$10.66	$115.20	$75.21	$69.55
Realized hedging gain or loss	(7.85)	-	(7.66)	(5.29)	-	(5.16)	(0.25)	0.48
Royalties	(6.53)	(0.34)	(6.42)	(6.04)	(0.13)	(5.92)	(4.87)	(4.91)
Transportation	(5.62)	-	(5.49)	(6.17)	-	(6.03)	(6.86)	(5.84)
Operating costs	(9.95)	(3.37)	(10.20)	(9.82)	(3.43)	(10.07)	(9.26)	(9.24)
Operating netback	$114.46	$ 7.80	$112.85	$ 89.09	$ 7.10	$ 88.02	$53.97	$50.04
Netherlands								
Price	$112.14	$10.65	$64.14	$103.52	$10.21	$61.43	$43.39	$46.92
Operating costs	-	(1.95)	(11.67)	-	(1.91)	(11.43)	(11.78)	(11.85)
Operating netback	$112.14	$ 8.70	$52.47	$103.52	$ 8.30	$50.00	$31.61	$35.07
Australia								
Price	$157.93	$ -	$157.93	$130.96	$ -	$130.96	$55.20	$60.70
Royalties	(50.71)	-	(50.71)	(41.21)	-	(41.21)	(10.44)	(9.28)
Operating costs	(12.71)	-	(12.71)	(12.80)	-	(12.80)	(13.84)	(14.24)
Operating netback	$ 94.51	$ -	$ 94.51	$ 76.95	$ -	$ 76.95	$30.92	$37.18
Total Trust								
Price	$142.97	$10.78	$111.19	$118.86	$9.71	$93.89	$58.60	$57.75
Realized hedging gain or loss	(3.26)	-	(1.94)	(2.28)	-	(1.34)	(0.11)	0.09
Royalties	(25.51)	(1.32)	(18.35)	(21.01)	(1.19)	(15.30)	(7.32)	(7.05)
Transportation	(2.66)	(0.15)	(1.94)	(2.96)	(0.12)	(2.04)	(2.30)	(1.95)
Operating costs	(11.02)	(1.74)	(10.78)	(11.13)	(1.77)	(10.93)	(9.91)	(10.15)
Operating netback	$100.52	$ 7.57	$ 78.18	$ 81.48	$6.63	$64.28	$38.96	$38.69
General and administration			(2.33)			(1.99)	(1.69)	(1.91)
Interest			(1.67)			(1.85)	(1.68)	(1.72)
Foreign exchange			1.39			0.79	(2.11)	(1.15)
Current taxes			(13.58)			(10.29)	(3.23)	(4.26)
Fund flows netback			$ 61.99			$50.94	$30.25	$29.65
Depletion, depreciation and accretion			(21.22)			(20.99)	(18.69)	(18.08)
Future income taxes			(0.09)			0.16	(0.57)	1.76
Other income or loss			(0.19)			0.26	(0.01)	0.11
Foreign exchange			(0.62)			(4.95)	6.44	3.30
Non-controlling interest – exchangeable shares			(3.31)			(2.05)	(1.50)	(1.36)
Equity in affiliate			(0.04)			(0.02)	(0.28)	(0.15)
Unrealized gain or loss on derivative instruments			(1.79)			(0.70)	0.38	(0.15)
Fair value of unit compensation			(1.42)			(1.52)	(1.43)	(1.73)
Earnings netback			$ 33.31			$21.13	$14.59	$13.35

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

TRUST INFORMATION

DIRECTORS

Larry J. Macdonald [1, 2, 3, 4, 5]
Chairman & CEO, Point Energy Ltd.
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W. Kenneth Davidson [2,3]
Toronto, Ontario

Lorenzo Donadeo
Calgary, Alberta

Claudio A. Ghersinich
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Calgary, Alberta

Joseph F. Killi [2, 3]
Chairman,
Parkbridge Lifestyle Communities Inc.
Vice Chairman, Realex Properties Corp.
Calgary, Alberta

William F. Madison [2, 4, 5]
Sugar Land, Texas

1 Chairman of the Board
2 Audit Committee
3 Governance and Human Resources Committee
4 Health, Safety and Environment Committee
5 Independent Reserves Committee

ABBREVIATIONS

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

OFFICERS & KEY PERSONNEL

CANADA
Lorenzo Donadeo, P.Eng.
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Executive Vice President Business Development

Curtis W. Hicks, C.A.
Executive Vice President & CFO

G. R. (Bob) Mac Dougall, P.Eng.
Executive Vice President & COO

Keith D. Hartman, P.Eng.
Vice President Exploitation

Raj C. Patel, P.Eng.
Vice President Marketing

Paul L. Beique
Director Investor Relations

Daniel Goulet, P.Eng.
Director Production and Operations

Cheryl M. Kinzie
Director Human Resources & Administration

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Partner, Macleod Dixon LLP
Corporate Secretary

FRANCE
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Regional General Manager, European Operations
Vermilion REP SAS

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Vermilion Oil & Gas Netherlands B.V.

AUSTRALIA
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Managing Director
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The Bank of Nova Scotia
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Alberta Treasury Branches
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Fortis Capital (Canada) Ltd.
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Société Générale (Canada Branch)
Calgary, Alberta

Citibank Canada
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EVALUATION ENGINEERS
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LEGAL COUNSEL
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TRANSFER AGENT
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STOCK EXCHANGE LISTING
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