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.

Q3

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is Management's Discussion and Analysis (MD&A) dated November 6, 2008 of Vermilion's operating and financial results as at and for the three and nine month periods ended September 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 September 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		Nine Months Ended	
	Sept 30, 2008	Sept 30, 2007	Sept 30, 2008	Sept 30, 2007
Cash flows from operating activities	$168,251	$112,920	$517,152	$298,153
Changes in non-cash operating working capital	(39,403)	(15,384)	(80,852)	(40,795)
Asset retirement costs incurred	2,986	1,221	5,277	2,438
Fund flows from operations	$131,834	$ 98,757	$441,577	$259,796

"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		Nine Months Ended	
	Sept 30, 2008	Sept 30, 2007	Sept 30, 2008	Sept 30, 2007
Acquisition of petroleum and natural gas properties from consolidated statements of cash flows	$959	$14	$46,387	$120,928
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
Acquisitions, including acquired working capital deficiency	$959	$14	$46,387	$129,239

“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 Sept 30, 2008	As at December 31, 2007	As at Sept 30, 2007
Long-term debt	$282,711	$452,490	$490,405
Current liabilities	214,903	150,620	184,780
Current assets	(275,429)	(186,252)	(220,473)
Net debt	$222,185	$416,858	$454,712

“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		Nine Months Ended	
	Sept 30, 2008	Sept 30, 2007	Sept 30, 2008	Sept 30, 2007
Distributions declared	$39,810	$33,949	$118,652	$100,825
Issue of trust units pursuant to the distribution reinvestment plan	-	(9,501)	(18,453)	(26,185)
Net distributions	$39,810	$24,448	$100,199	$74,640

“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		Nine Months Ended	
	Sept 30, 2008	Sept 30, 2007	Sept 30, 2008	Sept 30, 2007
Distributions declared	$39,810	$33,949	$118,652	$100,825
Issue of trust units pursuant to the distribution reinvestment plan	-	(9,501)	(18,453)	(26,185)
Drilling and development of petroleum and natural gas properties	37,402	51,720	105,971	123,518
Contributions to reclamation fund	9,711	-	9,711	-
Asset retirement costs incurred	2,986	1,221	5,277	2,438
	$89,909	$77,389	$221,158	$200,596

“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 Sept 30, 2008	As at Sept 30, 2007
Trust units outstanding	69,845,521	66,745,459
Trust units issuable pursuant to exchangeable shares outstanding	7,058,671	6,838,878
Adjusted basic trust units outstanding	76,904,192	73,584,337
Potential trust units issuable pursuant to unit compensation plans	2,245,590	3,091,324
Diluted trust units outstanding	79,149,782	76,675,661

	As at Sept 30, 2008	As at Sept 30, 2007
Basic weighted average trust units outstanding	69,322,375	65,829,215
Trust units issuable pursuant to exchangeable shares outstanding	7,065,140	6,838,878
Adjusted basic weighted average trust units outstanding	76,387,515	72,668,093

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 drilled 14 wells (7.66 net) in the quarter in Drayton Valley and central Alberta, resulting in 4 gas wells (3.38 net) and 10 standing wells (4.28 net) waiting completion and tie-in. Drilling activities are expected to resume in the Drayton Valley region in December.

France

A number of well workovers were completed in the third quarter, increasing production by approximately 300 boe/d over second quarter 2008 levels. A similar level of activity is anticipated for the fourth quarter of 2008.

Reconstruction of the storage tanks at the Ambès terminal continues with a full re-start of the terminal expected in the first quarter of 2009. Vermilion is reviewing the opportunity to assume operatorship of its portion of the Ambès loading and storage terminal, which would provide greater control over shipping, inventory and safety.

Netherlands

Permitting for the 2009 drilling program remains on schedule, and all permits are expected to be received before the end of the first quarter. Subject to receipt of all approvals, Vermilion hopes to drill 4 to 5 wells in the Netherlands next year beginning in the third quarter. The Trust continues to work towards the determination of the source of unexpected subsidence in the Harlingen area, but has not been able to make a significant determination at this point. Vermilion is applying to have one of the Harlingen wells re-instated as this well appears to be isolated from the main pool. This well accounts for approximately 150 boe/d of the 1,000 boe/d production that was shut in. No production will be resumed until regulatory approval is received from the appropriate authorities.

Australia

Australia operations were focused on completing preparations for drilling. Seadrill's 'Western Atlas' jack-up rig arrived on location on October 20, 2008 and the Wandoo B14 commenced drilling on October 22, 2008. The drilling and completion of the two wells is anticipated to be completed before year-end.

PRODUCTION

Average production in Canada during the third quarter of 2008 was 4,113 bbls/d of oil and NGLs and 51.5 mmcf/d of natural gas (12,693 boe/d) compared to 4,368 bbls/d of oil and NGLs and 51.3 mmcf/d of natural gas (12,915 boe/d) in the second quarter of 2008. Canadian production is expected to experience normal declines in the fourth quarter of 2008, partly offset by ongoing completions and tie-ins.

Production in France averaged 8,872 boe/d in the third quarter of 2008, 336 boe/d higher than the 8,536 boe/d produced in the second quarter of 2008 driven by increasing workover activities. Production should remain stable over the balance of 2008.

Production in the Netherlands averaged 4,142 boe/d in the third quarter of 2008, sharply lower than second quarter 2008 production of 4,980 boe/d. Approximately 1,000 boe/d of production was shut in at Harlingen in mid-July and will remain shut in until a new production permit is obtained from regulators. Accordingly, fourth quarter 2008 production is estimated to remain around 4,000 boe/d, reflecting the impact of the shut-in.

Australia production averaged 6,220 boe/d in the third quarter of 2008 as compared to 7,312 boe/d in the second quarter of 2008. Third quarter production was reduced as a result of a scheduled platform turnaround that took longer than expected and some downtime related to drilling preparations. Fourth quarter 2008 volumes are expected to recover to approximately 6,700 boe/d.

	Three Months Ended September 30, 2008				Nine Months Ended September 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	4,113	51.48	12,693	40	4,215	51.38	12,778	39
France	8,682	1.14	8,872	28	8,541	1.17	8,737	27
Netherlands	27	24.69	4,142	13	24	28.28	4,737	14
Australia	6,220	-	6,220	19	6,658	-	6,658	20
Total Production	19,042	77.31	31,927	100	19,438	80.83	32,910	100

	Three Months Ended September 30, 2007				Nine Months Ended September 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	4,084	45.61	11,686	36	4,093	47.62	12,030	39
France	8,804	1.19	9,002	28	8,568	1.17	8,763	29
Netherlands	22	27.04	4,529	14	46	26.09	4,394	14
Australia	6,955	-	6,955	22	5,550	-	5,550	18
Total Production	19,865	73.84	32,172	100	18,257	74.88	30,737	100

FINANCIAL OVERVIEW

During the three and nine month periods ended September 30, 2008 the Trust generated fund flows from operations of $131.8 million and $441.6 million, respectively. For the same periods in 2007 the Trust generated fund flows from operations of $98.8 million and $259.8 million, respectively. The increase in fund flows from operations of $33.0 million and $181.8 million for the three and nine month periods ended September 30, 2008 versus the corresponding periods in the prior year is largely the result of the year over year increase in commodity prices. The GAAP measure, cash flows from operating activities similarly increased year over year to $168.3 million and $517.2 million for the three and nine month periods ended September 30, 2008 versus $112.9 million and $298.2 million for the same periods in 2007.

Increased year over year fund flows from operations have allowed Vermilion to further strengthen its financial position and at September 30, 2008 the Trust's net debt was $222.2 million which represents a decrease of 46.7% from the net debt of $416.9 million at December 31, 2007. The Trust's long-term debt has decreased to $282.7 million at September 30, 2008 from $452.5 million at December 31, 2007. At September 30, 2008 Vermilion's net debt represented less than half of annualized fund flows from operations.

For the nine months ended September 30, 2008 total net distributions, capital expenditures, reclamation fund contributions and asset retirement costs incurred as a percentage of fund flows from operations was 50% 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 higher commodity prices through September 30, 2008.

CAPITAL EXPENDITURES

Total capital spending, including acquisitions for the three and nine month periods ended September 30, 2008 was $38.4 million and $152.4 million, respectively (three and nine month periods ended September 30, 2007, $51.7 million and $244.4 million, respectively). On a year to date basis, non-acquisition capital spending decreased largely as a result of the costs incurred in 2007 to drill the Orca offshore well in France combined with higher levels of drilling in Canada in 2007 versus 2008. Acquisition related capital decreased on a year to date basis from the prior year as a result of the 2007 acquisition of the remaining 40% interest in the Wandoo field, offshore Australia for $117.9 million partially offset by the purchase in the first quarter of 2008 of $44.1 million of producing properties in the Drayton Valley area.

($000's)	Three Months Ended		Nine Months Ended	
	Sept 30, 2008	Sept 30, 2007	Sept 30, 2008	Sept 30, 2007
Land	$ 896	$ 1,326	$ 2,869	$ 2,398
Seismic	3,062	-	10,543	335
Drilling and completion	13,400	34,356	30,438	64,081
Production equipment and facilities	12,370	13,209	40,159	38,805
Recompletions	4,381	47	11,881	8,022
Other	3,293	2,782	10,081	9,877
	37,402	51,720	105,971	123,518
Acquisitions (excluding acquired working capital deficiency)	959	14	46,387	120,928
Total	$38,361	$51,734	$152,358	$244,446

REVENUE

Revenue for the three and nine month periods ended September 30, 2008 was $245.7 million and $816.6 million, respectively (three and nine month periods ended September 30, 2007, $187.9 million and $501.6 million, respectively).

Vermilion's combined crude oil and NGL price was $100.83 per boe in the third quarter of 2008, an increase of 27% over the $79.27 per boe reported in the third quarter of 2007. The natural gas price realized was $9.71 per mcf in the third quarter of 2008 compared to $6.34 per mcf in the third quarter of 2007, a 53% increase year over year. The prices realized in 2008 reflect the year over year increase in oil and gas reference prices and resulted in higher revenue year over year.

($000's except per boe and per mcf)	Three Months Ended		Nine Months Ended	
	Sept 30, 2008	Sept 30, 2007	Sept 30, 2008	Sept 30, 2007
Crude oil & NGLs	$176,643	$144,871	$601,463	$355,107
Per boe	$100.83	$79.27	$112.93	$71.24
Natural gas	69,069	43,068	215,113	146,502
Per mcf	$9.71	$6.34	$9.71	$7.17
Petroleum and natural gas revenue	$245,712	$187,939	$816,576	$501,609
Per boe	$83.65	$63.50	$90.56	$59.78

DERIVATIVE INSTRUMENTS

Vermilion manages a component of its risk exposure through prudent commodity and currency economic hedging strategies. The extent of Vermilion's hedging activities is driven, in part, by the state of the Trust's balance sheet. With current net debt levels being lower resulting in a very strong balance sheet, the Trust's hedging activities have been minimal. Vermilion has the following financial derivatives in place at September 30, 2008:

Risk Management: Oil	Funded Cost	bbls/d	US$/bbl
Collar – WTI			
Q4 2008	US$0.50/bbl	250	$ 69.00 - $ 90.00
Collar - BRENT			
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 third quarter of 2008 decreased fund flows netbacks by $1.39 per boe ($1.51 per boe in the quarter) as the price of oil exceeded the ceiling on the majority of the Trust's collars. This compares to a hedging gain of $0.06 per boe in the first nine months of 2007 ($0.01 per boe gain in the quarter).

ROYALTIES

Royalties for the three and nine month periods ended September 30, 2008 were $12.03 per boe and $14.24 per boe, respectively (three and nine month periods ended September 30, 2007, $10.18 per boe and $8.15 per boe, respectively). As a percent of sales for the three and nine months ended September 30, 2008, royalties were 14% and 16%, respectively (three and nine months ended September 30, 2007, 16% and 14% respectively).

Third quarter royalties as a percent of revenue remained relatively consistent in Canada and France compared to the third quarter of 2007. In Australia royalties are reduced by capital investment in the country and third quarter royalties as a percent of revenue decreased as compared to the prior year as a result of higher levels of capital spending. Vermilion is not subject to royalties in the Netherlands.

($000's except per boe and per mcf)	Three Months Ended		Nine Months Ended	
	Sept 30, 2008	Sept 30, 2007	Sept 30, 2008	Sept 30, 2007
Crude oil & NGLs	$25,975	$25,856	$101,075	$50,714
Per boe	$14.83	$14.15	$18.98	$10.17
Natural gas	9,365	4,270	27,288	17,702
Per mcf	$1.32	$0.63	$1.23	$0.87
Royalties	$35,340	$30,126	$128,363	$68,416
Per boe	$12.03	$10.18	$14.24	$8.15

OPERATING COSTS

Operating costs per boe for the three and nine month periods ended September 30, 2008 were $12.10 and $11.31, respectively (three and nine month periods ended September 30, 2007, $10.16 and $10.15, respectively). Canadian operating costs have remained at a relatively consistent level on a per boe basis for the quarter compared to the same period in the prior year, and increased for the nine months ended September 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 increased versus the second quarter of 2008 due to higher levels of spending related to well intervention work. Operating costs per boe in France have increased 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 increased for the quarter and year to date periods compared to the prior year as a result of increased levels of diesel and power consumption in the third quarter of 2008 coupled with lower production due to reservoir testing in July and scheduled shutdown events in September. In the Netherlands, operating costs on a per boe basis have increased for the three and nine months ended September 30, 2008 due to higher power and salary costs. In addition, operating costs per boe in the third quarter of 2008 were higher as a result of the shut-in of production at Harlingen in mid-July as a result of subsidence concerns.

($000's except per boe and per mcf)	Three Months Ended		Nine Months Ended	
	Sept 30, 2008	Sept 30, 2007	Sept 30, 2008	Sept 30, 2007
Crude oil & NGLs	$22,050	$17,675	$61,831	$52,523
Per boe	$12.59	$9.67	$11.61	$10.54
Natural gas	13,489	12,392	40,160	32,676
Per mcf	$1.90	$1.82	$1.81	$1.60
Operating	$35,539	$30,067	$101,991	$85,199
Per boe	$12.10	$10.16	$11.31	$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		Nine Months Ended	
	Sept 30, 2008	Sept 30, 2007	Sept 30, 2008	Sept 30, 2007
Transportation	$4,980	$6,304	$17,380	$16,919
Per boe	$1.70	$2.13	$1.93	$2.02

GENERAL AND ADMINISTRATION EXPENSES

General and administration expenses per boe for the three and nine month periods ended September 30, 2008 were $2.57 and $2.18, respectively (three and nine month periods ended September 30, 2007, $1.55 and $1.78, respectively). The increase per boe from 2007 is associated with increased staffing levels and employee retention costs combined with a reduction in costs allocated to specific projects.

($000's except per boe)	Three Months Ended		Nine Months Ended	
	Sept 30, 2008	Sept 30, 2007	Sept 30, 2008	Sept 30, 2007
General and administration	$7,541	$4,584	$19,627	$14,967
Per boe	$2.57	$1.55	$2.18	$1.78

UNIT BASED COMPENSATION EXPENSE

Non-cash unit based compensation expense for the three and nine month periods ended September 30, 2008 was $4.5 million and $13.7 million, respectively (three and nine month periods ended September 30, 2007, $3.7 million and $13.1 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 on a year to date basis compared with the prior year.

($000's except per boe)	Three Months Ended		Nine Months Ended	
	Sept 30, 2008	Sept 30, 2007	Sept 30, 2008	Sept 30, 2007
Unit based compensation	$4,454	$3,704	$13,704	$13,120
Per boe	$1.52	$1.25	$1.52	$1.56

INTEREST EXPENSE

Interest expense for the three and nine month periods ended September 30, 2008 was $2.7 million and $13.9 million, respectively (three and nine month periods ended September 30, 2007, $6.3 million and $15.7 million, respectively). The decrease in interest expense for the quarter and year to date periods in 2008 versus 2007 is a result of lower debt levels.

($000's except per boe)	Three Months Ended		Nine Months Ended	
	Sept 30, 2008	Sept 30, 2007	Sept 30, 2008	Sept 30, 2007
Interest	$2,674	$6,345	$13,948	$15,693
Per boe	$0.91	$2.14	$1.55	$1.87

DEPLETION, DEPRECIATION AND ACCRETION EXPENSES

Depletion, depreciation and accretion expenses per boe for the three and nine month periods ended September 30, 2008 were $21.69 and $21.22, respectively (three and nine month periods ended September 30, 2007, $18.07 and $18.08, respectively). Depletion, depreciation and accretion rates for the quarter and year to date periods in 2008 have increased from the rates per boe for the same periods in 2007 due primarily to higher finding, development and acquisition costs incurred by the Trust.

($000's except per boe)	Three Months Ended		Nine Months Ended	
	Sept 30, 2008	Sept 30, 2007	Sept 30, 2008	Sept 30, 2007
Depletion, depreciation and accretion	$63,697	$53,475	$191,334	$151,699
Per boe	$21.69	$18.07	$21.22	$18.08

TAXES

Current taxes per boe for the three and nine month periods ended September 30, 2008 were $6.77 and $9.14, respectively (three and nine month periods ended September 30, 2007, $3.44 and $3.97, respectively). The increase relates to additional taxes owing on higher revenues realized with the strengthening of commodity prices.

($000's except per boe)	Three Months Ended		Nine Months Ended	
	Sept 30, 2008	Sept 30, 2007	Sept 30, 2008	Sept 30, 2007
Current taxes	$19,874	$10,186	$82,442	$33,332
Per boe	$6.77	$3.44	$9.14	$3.97

FOREIGN EXCHANGE

During the nine month period ended September 30, 2008, a combined realized and unrealized foreign exchange loss of $6.0 million was recorded (nine month period ended September 30, 2007, gain of $14.3 million). The combined loss through September 30, 2008 is comprised of a realized gain of $1.3 million and an unrealized non-cash loss of $7.3 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 against the Euro resulting in this unrealized loss.

($000's except per boe)	Three Months Ended		Nine Months Ended	
	Sept 30, 2008	Sept 30, 2007	Sept 30, 2008	Sept 30, 2007
Foreign exchange (gain) loss	$(19,204)	$(2,634)	$6,045	$(14,310)
Per boe	$(6.54)	$(0.89)	$0.67	$(1.71)

EARNINGS

Net earnings for the three and nine month periods ended September 30, 2008 were $86.9 million or $1.24 per unit and $215.4 million or $3.11 per unit, respectively (three and nine month periods ended September 30, 2007, $48.6 million or $0.73 per unit and $121.0 million or $1.84 per unit, respectively). The increase in earnings is associated with higher commodity price levels in 2008 compared to the prior year.

LIQUIDITY AND CAPITAL RESOURCES

Vermilion's net debt as at September 30, 2008 was $222.2 million compared to $416.9 million as at December 31, 2007.

As at September 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.

Vermilion purchased shares in Verenex Energy Inc. ("Verenex") in the first quarter of 2008 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. 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 nine month periods ended September 30, 2008 included cash flows related to the issuance of trust units pursuant to the distribution reinvestment plan of nil 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 September 30, 2008, Vermilion's asset retirement obligation was $181.2 million compared to $163.4 million as at December 31, 2007. The increase is due mostly to the impact of accretion as well as the effect 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 nine months ended September 30, 2008 and declared distributions totalling $118.7 million compared to $100.8 million for the same period in 2007.

Since inception, the Trust has declared $733.4 million in distributions to unitholders as compared to unitholders' capital of $432.5 million at September 30, 2008.

Sustainability of Distributions

($000's)

	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2008	Year Ended Dec 31, 2007	Year Ended Dec 31, 2006
Cash flows from operating activities	$168,251	$517,152	$349,890	$306,033
Net earnings	$ 86,949	$215,434	$164,286	$146,923
Distributions declared	$ 39,810	$118,652	$136,389	$130,638
Excess of cash flows from operating activities over cash distributions declared	$128,441	$398,500	$213,501	$175,395
Excess of net earnings over cash distributions declared	$ 47,139	$ 96,782	$ 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 nine month period ended September 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 $34.7 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 October 31, 2008 there were 70,212,769 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 September 30, 2008 there were 4.3 million exchangeable shares outstanding at an exchange ratio of 1.62732 whereby 7.1 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 September 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 Sept 30, 2008 Oil & NGLs $/bbl	Natural Gas $/mcf	Total $/boe	Nine Months Ended Sept 30, 2008 Oil & NGLs $/bbl	Natural Gas $/mcf	Total $/boe	Three Months Ended Sept 30/07 Total $/boe	Nine Months Ended Sept 30/07 Total $/boe
Canada								
Price	$115.34	$ 8.45	$71.63	$107.92	$ 9.08	$ 72.11	$48.26	$50.81
Realized hedging gain or loss	-	0.01	0.04	-	-	0.01	0.24	0.01
Royalties	(21.33)	(1.97)	(14.90)	(19.28)	(1.93)	(14.14)	(8.69)	(9.69)
Transportation	(1.27)	(0.16)	(1.06)	(1.33)	(0.18)	(1.18)	(0.49)	(0.61)
Operating costs	(11.48)	(1.64)	(10.38)	(11.22)	(1.65)	(10.34)	(10.48)	(9.19)
Operating netback	$ 81.26	$ 4.69	$45.33	$ 76.09	$ 5.32	$ 46.46	$28.84	$31.33
France								
Price	$ 97.39	$11.90	$96.83	$109.92	$11.06	$108.94	$74.94	$71.42
Realized hedging gain or loss	(5.60)	-	(5.48)	(5.39)	-	(5.27)	(0.28)	0.22
Royalties	(7.08)	(0.30)	(6.97)	(6.40)	(0.18)	(6.28)	(4.99)	(4.94)
Transportation	(4.69)	-	(4.59)	(5.66)	-	(5.54)	(6.97)	(6.23)
Operating costs	(9.86)	(3.54)	(10.11)	(9.83)	(3.46)	(10.08)	(8.24)	(8.90)
Operating netback	$ 70.16	$ 8.06	$69.68	$ 82.64	$ 7.42	$ 81.77	$54.46	$51.57
Netherlands								
Price	$109.58	$12.25	$73.73	$105.79	$10.81	$ 65.04	$43.88	$45.87
Operating costs	-	(2.35)	(14.00)	-	(2.04)	(12.18)	(11.61)	(11.77)
Operating netback	$109.58	$ 9.90	$59.73	$105.79	$ 8.77	$ 52.86	$32.27	$34.10
Australia								
Price	$ 96.00	$ -	$96.00	$120.00	$ -	$120.00	$87.05	$71.83
Royalties	(21.40)	-	(21.40)	(34.99)	-	(34.99)	(26.02)	(16.35)
Operating costs	(17.18)	-	(17.18)	(14.17)	-	(14.17)	(11.15)	(12.94)
Operating netback	$ 57.42	$ -	$57.42	$ 70.84	$ -	$ 70.84	$49.88	$42.54
Total Trust								
Price	$100.83	$ 9.71	$83.65	$112.93	$ 9.71	$ 90.56	$63.50	$59.78
Realized hedging gain or loss	(2.55)	0.01	(1.51)	(2.37)	-	(1.39)	0.01	0.06
Royalties	(14.83)	(1.32)	(12.03)	(18.98)	(1.23)	(14.24)	(10.18)	(8.15)
Transportation	(2.41)	(0.11)	(1.70)	(2.78)	(0.12)	(1.93)	(2.13)	(2.02)
Operating costs	(12.59)	(1.90)	(12.10)	(11.61)	(1.81)	(11.31)	(10.16)	(10.15)
Operating netback	$ 68.45	$ 6.39	$56.31	$ 77.19	$ 6.55	$ 61.69	$41.04	$39.52
General and administration			(2.57)			(2.18)	(1.55)	(1.78)
Interest			(0.91)			(1.55)	(2.14)	(1.87)
Foreign exchange			(1.22)			0.14	(0.54)	(0.93)
Proceeds on sale of investments			0.02			0.01	-	-
Current taxes			(6.77)			(9.14)	(3.44)	(3.97)
Fund flows netback			$44.86			$ 48.97	$33.37	$30.97
Depletion, depreciation and accretion			(21.69)			(21.22)	(18.07)	(18.08)
Future income taxes			(0.22)			0.03	3.45	2.35
Other income or loss			(1.78)			(0.40)	(0.20)	-
Foreign exchange			7.76			(0.81)	1.43	2.64
Non-controlling interest – exchangeable shares			(2.98)			(2.35)	(1.68)	(1.48)
Equity in affiliate			0.05			-	(0.23)	(0.18)
Unrealized gain or loss on derivative instruments			5.09			1.19	(0.38)	(0.23)
Fair value of unit compensation			(1.52)			(1.52)	(1.25)	(1.56)
Earnings netback			$29.57			$ 23.89	$16.44	$14.43

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]
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Lorenzo Donadeo
Calgary, Alberta

Claudio A. Ghersinich
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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
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Curtis W. Hicks, C.A.
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G. R. (Bob) Mac Dougall, P.Eng.
Executive Vice President & COO

Paul L. Beique
Vice President Capital Markets

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

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

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

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Vermilion Oil & Gas Netherlands B.V.

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Royal Bank of Canada
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Fortis Capital (Canada) Ltd.
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Société Générale (Canada Branch)
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Citibank Canada
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LEGAL COUNSEL
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TRANSFER AGENT
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STOCK EXCHANGE LISTING
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