

**VERMILION**  
**ENERGY TRUST**



**Notice of Meeting**  
**and**  
**Proxy Statement and Information Circular**

**in respect of the**  
**ANNUAL AND SPECIAL MEETING**  
**OF UNITHOLDERS**

**to be held on Friday, May 8, 2009**

**Dated March 17, 2009**





## 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 Ballroom, Metropolitan Centre, 333 - 4th Avenue S.W., Calgary, Alberta on Friday, May 8, 2009 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, 2008;
2. 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;
3. to appoint auditors of the Trust for the ensuing year;
4. to re-appoint Computershare Trust Company of Canada as trustee of the Trust for an additional three year term;
5. to consider, and if thought fit, pass a resolution, the full text of which is set forth in the Circular accompanying this Notice, approving the renewal of the unitholder rights plan for the Trust (the "Unitholder Rights Plan"); and
6. to transact such other business as may properly come before the Meeting or any adjournment thereof.

Only Unitholders of record at the close of business on March 23, 2009 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 12:00 p.m. (Toronto time) on May 6, 2009 or, if the Meeting is adjourned, by 12:00 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 March 23, 2009 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, at 9<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1 Attention: Proxy Department. In order to be valid and acted upon at the Meeting, the Voting Instruction Form must be received no later than 12:00 p.m. (Toronto time) on May 6, 2009.**

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

(Signed)  
Lorenzo Donadeo  
President and Chief Executive Officer

Calgary, Alberta  
March 17, 2009

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**VERMILION ENERGY TRUST**  
**PROXY STATEMENT AND INFORMATION CIRCULAR**  
**dated March 17, 2009<sup>1</sup>**

**QUESTIONS AND ANSWERS ("Q&A") 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 Friday, May 8, 2009.

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.

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 proxy statement and information circular (the "Circular") is furnished in connection with the solicitation by the management of Vermilion Resources Ltd. ("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 individual 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 for the ensuing year.
- The re-appointment of Computershare Trust Company of Canada as trustee of the Trust for an addition three year term.
- The approval of the renewal of the unitholder rights plan (the "Unitholder Rights Plan") for the Trust, as more particularly described in this Circular.

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 re-appointment of Computershare Trust Company of Canada as trustee of the Trust and the renewal of the Unitholder Rights Plan.

**As indicated elsewhere in this Circular, the Board and management of VRL are recommending that**

<sup>1</sup> The information set forth in this proxy statement and Circular is as of March 17, 2009, except as otherwise indicated.

**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 March 23, 2009 or their duly appointed proxies will be entitled to attend the Meeting or to register a vote. If you have acquired or sold Trust Units after March 23, 2009, please refer to Q&A No. 12 to determine whether you may vote such Trust Units.

Holders of Exchangeable Shares as of the close of business on March 23, 2009 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. If you have acquired Exchangeable Shares after March 23, 2009, please refer to Q&A No. 12 to determine whether and how you may vote such Exchangeable Shares. Holders of Exchangeable Shares should refer to the voting direction which was provided to holders of Exchangeable Shares with this proxy statement and 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. However, 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 or 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 self-addressed envelope provided so that it arrives **no later than 12:00 p.m. (Toronto time) on May 6, 2009 in the case of the proxy form and the voting direction.** 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 17, 2009, 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 March 23, 2009?**

If you are a Unitholder on March 23, 2009 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 March 23, 2009, you are not entitled to receive notice of or to vote at the Meeting.

If you are a holder of Exchangeable Shares on March 23, 2009 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 March 23, 2009, 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 annual and special meeting matters will each be determined by a majority of votes cast.

**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  
9<sup>th</sup> Floor, 100 University Avenue  
Toronto, Ontario, M5J 2Y1  
Calgary, Alberta T2P 3S8  
Phone: 1-800-564-6253  
Facsimile: 1-888-453-0330  
Web site: [www.computershare.com](http://www.computershare.com)  
E-mail: [service@computershare.com](mailto:service@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. Typically, you will be provided with a scanable voting instruction form in lieu of the form of proxy. You will be requested to complete and return the voting instruction form by mail or facsimile. Alternatively, you may call a toll-free telephone number or visit [www.proxyvote.com](http://www.proxyvote.com) to vote your Trust Units. 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-ended 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.

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

Neither the Trustee or 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.

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

Except as disclosed in this Proxy Statement and Circular, neither the Trustee or 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 beginning of the year ended December 31, 2008, 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, 2008.

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

#### **Trust Units**

As at March 17, 2009, the Trust had 70,263,568 issued and outstanding Trust Units. Unitholders as of the close of business on March 23, 2009 or their duly appointed proxies will be entitled to attend the Meeting or to register a vote. 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 17, 2009, 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. Holders of Exchangeable Shares as of the close of business on March 23, 2009 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. 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 as of the close of business on March 23, 2009 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 17, 2009, there were 4,085,605 Exchangeable Shares issued and outstanding and the exchange ratio was 1.69991 Trust Units for each Exchangeable Share. Were all of the Exchangeable Shares to be exercised into Trust Units as at March 17, 2009, the Trust would have 77,208,729 issued and outstanding Trust Units.

### **PRINCIPAL HOLDERS**

As at March 17, 2009, and to the knowledge of the directors and senior officers of VRL, no person or company beneficially owned, or exercised control or direction, directly or indirectly, over more than 10% of the issued and outstanding Trust Units or Exchangeable Shares.

As of March 17, 2009, the directors and senior officers of VRL beneficially owned, directly or indirectly, or exercised control or direction over, 1,108,109 Trust Units representing 1.6% of the issued and outstanding Trust Units and 2,006,077 Exchangeable Shares representing 49.1% of the issued and outstanding Exchangeable Shares. Each such Exchangeable Share held by such director or senior officer is exchangeable into Trust Units utilizing the exchange ratio as at March 17, 2009 of 1.69991. Were all of the Exchangeable Shares to be exercised into Trust Units as at March 17, 2009, the directors and senior officers of VRL would beneficially own, directly or indirectly, or exercise control or direction over 4,518,259 Trust Units representing 5.9% of the then issued and outstanding Trust Units.

## ANNUAL MEETING MATTERS

### Financial Statements

The consolidated financial statements of the Trust for the year ended December 31, 2008 will be placed before the Unitholders at the Meeting. These financial statements were audited by Deloitte & Touche LLP, Chartered Accountants, of Calgary, Alberta.

Under National Instrument 51-102, *Continuous Disclosure Obligations*, a person or corporation who in the future wishes to receive interim financial statements from the Trust must deliver a written request for such material to VRL, together with a signed statement that the person or corporation is the owner of securities (other than debt instruments) of the Trust. Unitholders or holders or Exchangeable Shares who wish to receive interim financial statements are encouraged to send the enclosed return card, together with the completed form of proxy to Computershare Trust Company, 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1. Copies of the Trust's annual and interim financial statements are also available at [www.sedar.com](http://www.sedar.com).

### Election of Directors

VRL has a board of directors consisting of six members, all of which have confirmed their eligibility and willingness to serve as directors.

The Board has set the number of directors to be elected at the Meeting at six. The nominees for election as directors of VRL are:

Larry J. Macdonald	Claudio A. Ghersinich
W. Kenneth Davidson	Joseph F. Killi
Lorenzo Donadeo	William F. Madison

The directors shall be elected individually and not as a slate. The Board has adopted a policy stipulating that if the votes in favour of the election of a director nominee at a Unitholders' meeting represent less than a majority of the Trust Units voted and withheld, the nominee will submit his resignation promptly after the Meeting for the Governance and Human Resources Committee's consideration. The Governance and Human Resources Committee will make a recommendation to the Board after reviewing the matter, and the Board's decision to accept or reject the resignation offer will be disclosed to the public within 90 days of the applicable annual meeting. Resignations shall be expected to be accepted, except in situations where special circumstances would warrant the applicable director to continue to serve as a Board member. The nominee will not participate in any Governance and Human Resources Committee or Board deliberations on the resignation offer. The policy does not apply in circumstances involving contested director elections.

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 each of the proposed persons named above 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.

More information on each of the six proposed nominees for election as director is set forth under the heading "Nominees for Election to the Board of Directors." This section sets forth whether or not the nominee is independent of VRL; age; place of residence; present principal occupation; a brief biography, including principal occupations held in the past five years; education; the Committees on which each of the directors serve including their attendance at Board and Committee meetings; the year from which each has continually served as a director of VRL; a listing of other public board directorships that the nominees for election as director serve as director and any related committees; and the total value of equity at-risk held by each nominee.

### **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.

## SPECIAL MEETING MATTERS

### **Re-Appointment of Trustee**

The Trust Indenture provides that the Unitholders shall re-appoint the trustee of the Trust to hold office for an additional three year term. Computershare Trust Company of Canada was first appointed as trustee of the Trust on December 16, 2002 and was re-appointed on May 5, 2006.

At the meeting, the Unitholders will be asked to consider and, if deemed advisable, approve an ordinary resolution to approve the re-appointment of Computershare Trust Company of Canada as trustee of the Trust for an additional three year term.

The form of resolution to be considered by Unitholders at the Meeting is as follows:

"RESOLVED THAT:

1. Computershare Trust Company of Canada be hereby re-appointed as trustee of Vermilion Energy Trust for an additional three year term; and
2. any one officer or director of Vermilion Resources Ltd. is hereby authorized to execute and deliver all such documents and to do all such acts and things as may be deemed advisable in such individual's discretion for the purpose of giving effect to this resolution."

**The Board of Directors recommends that you vote for the resolution approving the re-appointment of Computershare Trust Company of Canada as discussed above.** The persons named in the enclosed form of proxy intend to vote at the meeting in favour of this resolution.

To be adopted, the resolution must be approved by a majority of votes cast at the Meeting by holders of Trust Units.

### **Renewal of Unitholder Rights Plan**

The Trust first implemented a unitholder rights plan (the "Unitholder Rights Plan") in 2003 in conjunction with the transaction pursuant to which the Trust was formed. The Unitholder Rights Plan was a successor form of plan to a similar plan which the Trust's predecessor had in place since 1999. At the annual and special meeting of Unitholders held in 2006, the Unitholder Rights Plan was renewed and approved by Unitholders. The Unitholder Rights Plan ensures that all Unitholders are treated equally and fairly in connection with any takeover bid or similar offer for all or a portion of the outstanding Trust Units of the Trust. Pursuant to its terms, the Unitholder Rights Plan must be reconfirmed by the Unitholders after three years from its implementation. A renewal of the Unitholder Rights Plan is not effective unless and until the renewal of the Unitholder Rights Agreement (the "Unitholder Rights Agreement") between the Trust and Computershare Trust Company of Canada, as rights agent (the "Rights Agent") is approved by Unitholders by ordinary resolution.

At the Meeting, the Unitholders will be asked to consider and, if deemed advisable, approve an ordinary resolution to renew the Unitholder Rights Plan for an additional three year period. To be adopted, the ordinary resolution must be approved by a simple majority of votes cast at the Meeting by holders of Trust Units.

The Board adopted the Unitholder Rights Plan to ensure, to the extent possible, that all Unitholders are treated equally and fairly in connection with any takeover bid or similar offer for all or a portion of the outstanding Trust Units of the Trust.

### ***Purpose of the Plan***

The objectives of the Unitholder Rights Plan are to ensure, to the extent possible, that all Unitholders are treated equally and fairly in connection with any takeover bid for the Trust. Takeover bids may be structured to be

coercive or may be initiated at a time when the Board of VRL will have a difficult time preparing an adequate response to the offer. Accordingly, such offers do not always result in Unitholders receiving equal or fair treatment or full or maximum value for their investment. Under current Canadian securities legislation, a takeover bid is required to remain open for 35 days, a period of time which the Board believes is insufficient for the directors to: (i) evaluate a takeover bid (particularly if it includes share or trust unit consideration); (ii) explore, develop and pursue alternatives which are superior to the takeover bid and which could maximize Unitholder value; and (iii) make reasoned recommendations to the Unitholders.

The Unitholder Rights Plan discourages discriminatory, coercive or unfair takeovers of the Trust and gives the Board of VRL time if, in the circumstances, the Board determines it is appropriate to take such time, to pursue alternatives to maximize Unitholder value in the event an unsolicited takeover bid is made for all or a portion of the outstanding Trust Units of the Trust. As set forth in detail below, the Unitholder Rights Plan discourages coercive hostile takeover bids by creating the potential that any Trust Units which may be acquired or held by such a bidder will be significantly diluted. The potential for significant dilution to the holdings of such a bidder can occur as the Unitholder Rights Plan provides that all holders of Trust Units who are not related to the bidder will be entitled to exercise rights issued to them under the Unitholder Rights Plan and to acquire Trust Units at a substantial discount to prevailing market prices. The bidder or the persons related to the bidder will not be entitled to exercise any Rights under the Unitholder Rights Plan. Accordingly, the Unitholder Rights Plan will encourage potential bidders to make takeover bids by means of a Permitted Bid (as defined below) or to approach the Board of VRL to negotiate a mutually acceptable transaction. The Permitted Bid provisions of the Unitholder Rights Plan are designed to ensure that in any takeover bid for outstanding Trust Units of the Trust all Unitholders are treated equally and are given adequate time to properly assess such takeover bid on a fully-informed basis.

The Board did not adopt the Unitholder Rights Plan to prevent a takeover of the Trust, to secure the continuance of management or the directors in their respective offices or to deter fair offers for the Trust Units of the Trust.

### ***Summary of the Plan***

The following summary of terms of the Unitholder Rights Plan is qualified in its entirety by reference to the text of the Unitholder Rights Agreement. A Unitholder or other interested party may obtain a copy of the Unitholder Rights Agreement by contacting the Trust at 2800, 400 - 4<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 0J4, telephone: 403.269.4884 or by accessing the Trust's publicly filed documents, including the Unitholder Rights Agreement, on SEDAR at [www.sedar.com](http://www.sedar.com).

### ***Term***

Provided the Unitholder Rights Plan is renewed at the Meeting, the Unitholder Rights Plan (unless terminated earlier) will remain in effect until termination of the annual meeting of Unitholders of the Trust in 2012 unless the term of the Unitholder Rights Agreement is extended beyond such date by resolution of Unitholders at such meeting. If the Unitholder Rights Plan is not renewed at the Meeting, the Unitholder Rights Plan will terminate at the conclusion of the Meeting.

### ***Issue of Rights***

One right (a "Right") has been issued by the Trust pursuant to the Unitholder Rights Agreement in respect of each Trust Unit of the Trust outstanding at the close of business on May 8, 2009 (or such other date on which the Meeting is held) (the "Record Time"). One Right has been issued for each additional Trust Unit issued after the Record Time and prior to the earlier of the Separation Time (as defined below) or the Expiration Time (as defined below).

### ***Rights Exercise Privilege***

The Rights will separate from the voting units to which they are attached and become exercisable at the time (the "Separation Time") which is 10 trading days following the date a person becomes an Acquiring Person (as defined below) or announces an intention to make a takeover bid that is not an acquisition pursuant to a takeover bid permitted by the Unitholder Rights Plan (a "Permitted Bid").

Any transaction or event in which a person (an "Acquiring Person"), including associates and affiliates and others acting in concert, acquires (other than pursuant to an exemption available under the Unitholder Rights Plan or a Permitted Bid) Beneficial Ownership (as defined in the Unitholder Rights Plan) of 20% or more of the voting securities of the Trust is referred to as a "Flip-in Event". Any Rights held by an Acquiring Person on or after the earlier of the Separation Time or the first date of public announcement by the Trust or an Acquiring Person that an Acquiring Person has become such, will become void and the Rights (other than those held by the Acquiring Person) will permit the holder to purchase Trust Units at a substantial discount to their prevailing market price at the time.

The issuance of the Rights is not dilutive and will not affect reported earnings or cash flow per Trust Unit until the Rights separate from the underlying Trust Units and become exercisable or until the exercise of the Rights. The issuance of the Rights will not change the manner in which Unitholders currently trade their Trust Units.

#### *Permitted Lock-Up Agreement*

A person will not become an Acquiring Person by virtue of having entered into an agreement (a "Permitted Lock-Up Agreement") with a Unitholder whereby the Unitholder agrees to deposit or tender voting units to a takeover bid made by such person, provided that the agreement meets certain requirements including:

- (a) the terms of the agreement are publicly disclosed and a copy of the agreement is publicly available;
- (b) the Unitholder who has agreed to tender voting units to the takeover bid (the "Lock-Up Bid") made by the other party to the agreement is permitted to terminate its obligation under the agreement in order to tender voting units to another takeover bid or transaction where: (i) the offer price or value of the consideration payable under the other takeover bid or transaction is greater than the price or value of the consideration per share at which the Unitholder has agreed to deposit or tender voting units to the Lock-Up Bid or is equal to or greater than a specified minimum which is not more than 7% higher than the offer price under the Lock-Up Bid; and (ii) if the number of voting units offered to be purchased under the Lock-Up Bid is less than all of the voting units held by Unitholders (excluding Trust Units held by the offeror), the number of voting units offered to be purchased under the other takeover bid or transaction (at an offer price not lower than in the Lock-Up Bid) is greater than the number of voting units offered to be purchased under the Lock-Up Bid or is equal to or greater than a specified number which is not more than 7% higher than the number of voting units offered to be purchased under the Lock-Up Bid; and
- (c) no break-up fees or other penalties that exceed in the aggregate the greater of 2.5% of the price or value of the consideration payable under the Lock-Up Bid and 50% of the increase in consideration resulting from another takeover bid or transaction shall be payable by the Unitholder if the Unitholder fails to deposit or tender voting units to the Lock-Up Bid.

#### *Certificates and Transferability*

Prior to the Separation Time, the Rights will be evidenced by a legend imprinted on certificates for Trust Units issued from and after the effective date (the "Effective Date") of the Unitholder Rights Agreement. Rights are also attached to Trust Units outstanding on the Effective Date, although certificates issued prior to the Effective Date will not bear such a legend. Unitholders are not required to return their certificates in order to have the benefit of the Rights. Prior to the Separation Time, Rights will trade together with the Trust Units and will not be exercisable or transferable separately from the Trust Units. From and after the Separation Time, the Rights will become exercisable, will be evidenced by Rights Certificates and will be transferable separately from the Trust Units.

#### *Permitted Bid Requirements*

The requirements of a "Permitted Bid" include the following:

- (a) the takeover bid must be made by means of a takeover bid circular;

- (b) the takeover bid is made to all holders of voting units as registered on the books of the Trust, other than the offeror;
- (c) the takeover bid contains, and the take-up and payment for securities tendered or deposited is subject to, an irrevocable and unqualified provision that no voting units will be taken up or paid for pursuant to the takeover bid prior to the close of business on the date which is not less than 60 days following the date of the takeover bid and only if at such date more than 50% of the voting units held by independent Unitholders shall have been deposited or tendered pursuant to the takeover bid and not withdrawn;
- (d) the takeover bid contains an irrevocable and unqualified provision that unless the takeover bid is withdrawn, voting units may be deposited pursuant to such takeover bid at any time during the period of time between the date of the takeover bid and the date on which voting units may be taken up and paid for and that any voting units deposited pursuant to the takeover bid may be withdrawn until taken up and paid for; and
- (e) the takeover bid contains an irrevocable and unqualified provision that if, on the date on which voting units may be taken up and paid for, more than 50% of the voting units held by independent Unitholders shall have been deposited pursuant to the takeover bid and not withdrawn, the offeror will make a public announcement of that fact and the takeover bid will remain open for deposits and tenders of voting units for not less than ten business days from the date of such public announcement.

The Unitholder Rights Plan allows for a competing Permitted Bid (a "Competing Permitted Bid") to be made while a Permitted Bid is in existence. A Competing Permitted Bid must satisfy all of the requirements of a Permitted Bid except that it may expire on the same date as the Permitted Bid, subject to the requirement that it be outstanding for a minimum period of 35 days.

#### *Waiver and Redemption*

If a potential offeror does not desire to make a Permitted Bid, it can negotiate with, and obtain the prior approval of, the Board to make a takeover bid by way of a takeover bid circular sent to all holders of voting units on terms which the Board considers fair to all Unitholders. In such circumstances, the Board may waive the application of the Unitholder Rights Plan thereby allowing such bid to proceed without dilution to the offeror. Any waiver of the application of the Unitholder Rights Plan in respect of a particular takeover bid shall also constitute a waiver of any other takeover bid which is made by means of a takeover bid circular to all holders of voting units while the initial takeover bid is outstanding. The Board may also waive the application of the Unitholder Rights Plan in respect of a particular Flip-in Event that has occurred through inadvertence, provided that the Acquiring Person that inadvertently triggered such Flip-in Event reduces its beneficial holdings to less than 20% of the outstanding voting units of the Trust within 14 days or such earlier or later date as may be specified by the Board. With the prior consent of the holders of voting units, the Board may, prior to the occurrence of a Flip-in Event that would occur by reason of an acquisition of voting units otherwise than pursuant to the foregoing, waive the application of the Unitholder Rights Plan to such Flip-in Event.

The Board may, with the prior consent of the holders of voting units, at any time prior to the occurrence of a Flip-in Event, elect to redeem all but not less than all of the then outstanding Rights at a redemption price of \$0.00001 per Right. Rights are deemed to be redeemed following completion of a Permitted Bid, a Competing Permitted Bid or a takeover bid in respect of which the Board has waived the application of the Unitholder Rights Plan.

#### *Exemptions for Investment Advisors*

Investment advisors (for client accounts), trust companies (acting in their capacity as trustees or administrators), statutory bodies whose business includes the management of funds (for employee benefit plans, pension plans, or insurance plans of various public bodies) and administrators or trustees of registered pension plans or funds acquiring greater than 20% of the voting units are exempted from triggering a Flip-in Event, provided they are not making, either alone or jointly or in concert with any other person, a takeover bid.



*Board of Directors*

The renewal of the Unitholder Rights Plan will not in any way lessen or affect the duty of the Board to act honestly and in good faith with a view to the best interests of the Trust. The Board, when a takeover bid or similar offer is made, will continue to have the duty and power to take such actions and make such recommendations to Unitholders as are considered appropriate.

*Amendment*

The Trust may, prior to the date of the Meeting, without the approval of the holders of Trust Units, supplement, amend, vary or delete any of the provisions of the Unitholder Rights Agreement and may, after the date of the Meeting (provided the Unitholder Rights Agreement is approved by Unitholders at such meeting) with the prior approval of Unitholders (or the holders of Rights if the Separation Time has occurred), supplement, amend, vary or delete any of the provisions of the Unitholder Rights Agreement. The Trust may make amendments to the Unitholder Rights Agreement at any time to correct any clerical or typographical error or, subject to confirmation at the next meeting of Unitholders, make amendments which are required to maintain the validity of the Unitholder Rights Agreement due to changes in any applicable legislation, regulations or rules.

*Voting Requirements*

The renewal of the Unitholder Rights Plan must be confirmed by the vote of the holders of a majority of the Trust Units voting at the Meeting. The Trust is not aware of any Unitholder who will be ineligible to vote on the confirmation of the Unitholder Rights Plan at the Meeting. The Board recommends that you vote for the resolution renewing the Unitholder Rights Plan and any Rights issued pursuant thereto.

At the Meeting, Unitholders will be asked to consider and, if deemed appropriate, to pass the following resolution:

"RESOLVED THAT:

1. The renewal of the Unitholder Rights Plan is hereby ratified and confirmed and the term of the Unitholder Rights Agreement is hereby extended to the termination of the annual meeting of Unitholders in the year 2012 and the Unitholder Rights Agreement shall be amended to give effect to such extension.
2. The directors may revoke this resolution before it is acted upon without further approval of the Unitholders of Vermilion Energy Trust.
3. Any one officer or director is hereby authorized to execute and deliver any documents, instruments or other writings and to do all other acts as may be necessary or desirable to give effect to the foregoing resolution."

To be adopted, the resolution must be approved by a majority of votes cast at the Meeting by holders of Trust Units.

**NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS**



**Larry J. Macdonald**  
Okotoks, Alberta, Canada  
Age: 61  
Independent Director  
Director Since: 2002

Mr. Macdonald is the Chairman, Chief Executive Officer and a director of Point Energy Ltd. (from 2003 to the present) and Managing Director of Northpoint Energy Ltd. (from 2003 to present), both private oil and gas exploration companies. Prior thereto, Mr. Macdonald was the Chairman and Chief Executive Officer of Pointwest Energy Inc. from 2000 to 2003.

Mr. Macdonald has more than 33 years of petroleum experience in Western Canada, including at Anderson Exploration Ltd., where he was President and Chief Operating Officer.

Mr. Macdonald has a B.Sc. (Geol) from the University of Alberta.

<b>Board and Committee Participation</b>	<b>Meetings Attended During Fiscal 2008</b>	
Chairman of the Board of Directors	4/4	100%
Audit Committee Member	4/4	100%
Governance and Human Resources Committee Chair	2/2	100%
Health, Safety and Environment Committee Member <sup>(3)</sup>	4/4 <sup>(3)</sup>	100%
Independent Reserves Committee Member	2/2	100%
<b>Other Public Board Directorships</b>	<b>Other Public Board Committee Memberships</b>	
Sure Energy Inc. (TSX)	Reserves Committee Environmental, Health and Safety Committee	



**W. Kenneth Davidson**  
Oakville, Ontario, Canada  
Age: 58  
Independent Director  
Director Since: 2005

Mr. Davidson has more than 30 years of experience in the banking and securities areas of the financial services sector.

From 1996 to 2001, Mr. Davidson was Co-Chief Executive Officer of Gordon Capital Corporation (an independent investment dealer). Prior thereto, Mr. Davidson spent 20 years with the Canadian Imperial Bank of Commerce, where he was involved with corporate investment and merchant banking operations as well as project financing and credit/market risk management. In his final five years with the bank, Mr. Davidson served as Executive Vice President, Risk Management.

Since 2002, Mr. Davidson has acted as an advisor and consultant to various real estate, private power generation and other general corporate opportunities. He currently serves as a director of Millar Western Forest Products Ltd. (a private corporation) and has also served for more than nine years as Director, Pacific Century Group, Hong Kong where he has been involved in Asian/North American investment opportunities in the real estate, services, high technology and retail sectors.

Mr. Davidson holds a B.Sc. Mathematics, and a B.Sc. Business, both from Concordia University and a Masters in Business Administration from McMaster University.

<b>Board and Committee Participation</b>	<b>Meetings Attended During Fiscal 2008</b>	
Board of Directors	4/4	100%
Audit Committee Chair	4/4	100%
Governance and Human Resources Committee Member	2/2	100%
<b>Other Public Board Directorships</b>	<b>Other Public Board Committee Memberships</b>	
None	-	



**Lorenzo Donadeo**  
 Calgary, Alberta, Canada  
 Age: 53  
 Non-Independent Director  
 Director Since: 1994

Mr. Donadeo has more than 25 years of experience in the oil and gas business, including gas marketing, mergers and acquisitions, production, exploitation and field operations in Western Canada and internationally.

Mr. Donadeo was one of the three co-founders of Vermilion Resources in 1994, serving as Chief Executive Officer of VRL from 2003 to the present and as Executive Vice President and Chief Operating Officer of VRL when the company made its international forays into France in 1996 and Trinidad and Tobago in 1999 through Aventura Energy Inc.

Mr. Donadeo has a B.Sc. Mechanical Engineering (with distinction) from the University of Alberta.

<b>Board and Committee Participation</b>	<b>Meetings Attended During Fiscal 2008</b>
Board of Directors	4/4 100%
<b>Other Public Board Directorships</b>	<b>Other Public Board Committee Memberships</b>
Verenex Energy Inc. (TSX)	Governance and Human Resources Committee



**Claudio A. Ghersinich**  
 Calgary, Alberta, Canada  
 Age: 52  
 Independent Director<sup>(1)</sup>  
 Director Since: 1994

Mr. Ghersinich is the President of Carrera Investment Corp. (a private investment company).

Mr. Ghersinich has more than 25 years of industry experience, including extensive experience in identifying and acquiring undervalued oil and gas properties and implementing property exploitation plans.

Mr. Ghersinich was one of the three co-founders of Vermilion in 1994 serving as Executive Vice President, Business Development of VRL from 1994 to 2005 and as Executive Vice President, New Ventures from 2000 to 2003.

Mr. Ghersinich holds a B.Sc. Civil Engineering from the University of Manitoba.

<b>Board and Committee Participation</b>	<b>Meetings Attended During Fiscal 2008</b>
Board of Directors	4/4 100%
Audit Committee Member <sup>(2)</sup>	- -
Health, Safety and Environment Committee Member <sup>(2)</sup>	4/4 <sup>(3)</sup> 100%
Independent Reserves Committee Chair <sup>(1)</sup>	2/2 100%
<b>Other Public Board Directorships</b>	<b>Other Public Board Committee Memberships</b>
Verenex Energy Inc. (TSX)	Independent Reserves Committee Environmental, Health and Safety Committee
Pegasus Oil & Gas Inc. (TSX Venture)	Audit Committee Reserves Committee



**Joseph F. Killi**  
 Calgary, Alberta, Canada  
 Age: 57  
 Independent Director  
 Director Since: 1999

Mr. Killi is the Chairman of Parkbridge Lifestyle Communities Inc. (from 2005 to the present). Mr. Killi is Vice-Chairman of Realex Properties Corp. He has more than 30 years of experience in the real estate industry, 17 of which was with Trizec Corporation Ltd. where he was Executive Vice President, Chief Financial Officer and Chief Operating Officer.

Mr. Killi also has an extensive background in finance, including tax oriented structures and debt placements in Canada, the United States of America and Europe as well as valuations, acquisitions and dispositions experience.

Mr. Killi holds a B.Sc. Biochemistry from Loyola College, a B. Comm. from Concordia University and a Chartered Accountant designation.

<b>Board and Committee Participation</b>	<b>Meetings Attended During Fiscal 2008</b>	
Board of Directors	4/4	100%
Audit Committee Member	4/4	100%
Governance and Human Resources Committee Member	2/2	100%
<b>Other Public Board Directorships</b>	<b>Other Public Board Committee Memberships</b>	
Parkbridge Lifestyle Communities Inc. (TSX)	-	
Wilmington Capital Management Inc. (TSX)	Audit Committee Corporate Governance Committee	
Realex Properties Corp. (TSX Venture)	-	



**William F. Madison**  
 Sugar Land, Texas,  
 United States  
 Age: 66  
 Independent Director  
 Director Since: 2004

From 1965 to 2000 Mr. Madison worked for Marathon Oil Company.

Mr. Madison has an extensive background in international operations in senior executive positions. Mr. Madison began his career as a field engineer and progressed through many positions at Marathon including Engineer/Foreman in Alaska, Operations Superintendent in the Gulf of Mexico, Manager Off-Shore Technology Division in Houston, Texas, General Manager North Sea Operations in Aberdeen, Scotland, President Marathon Oil UK/Vice President Marathon in London, England, Vice President Supply and Transportation in Findlay, Ohio and Vice President International Production, Vice President Technology and Services and Senior Vice President World Wide Production in Houston, Texas.

Mr Madison also served as Chairman of the Health Environment and Safety Committee, Chairman of the Technology Advisory Committee and Chairman of Marathon's Sakhalin joint venture in Russia.

Mr. Madison was a member of the board of directors of Marathon from 1994 to 2000 where he served on the Executive Committee and Salary and Benefits Committee. Mr. Madison was also a director of Montana Tech Foundation from 1999 until 2006, serving as Chairman during 2004 and 2005.

Mr. Madison holds a B.Sc. Petroleum Engineering from Montana Tech and has completed a Harvard Program for Management Development in 1980.

<b>Board and Committee Participation</b>	<b>Meetings Attended During Fiscal 2008</b>	
Board of Directors	4/4	100%
Audit Committee Member	4/4	100%
Health, Safety and Environment Committee Chair	4/4 <sup>(3)</sup>	100%
Independent Reserves Committee Member	2/2	100%
<b>Other Public Board Directorships</b>	<b>Other Public Board Committee Memberships</b>	
Canadian Oil Recovery and Remediation Enterprises Ltd. (TSX Venture)	Corporate Governance Committee	

**Notes:**

- (1) Mr. Ghersinich became an independent director on June 1, 2008.
- (2) Mr. Ghersinich was appointed to the Reserves Committee and the Health, Safety and Environmental Committee on November 6, 2008 and to the Audit Committee on February 26, 2009.
- (3) The responsibilities of the Health, Safety and Environment Committee were performed by the full Board in 2008.

For information regarding the number of Trust Units and Exchangeable Shares owned or over which control or direction was exercised, directly or indirectly, and the number of trust awards ("Unit Awards") under the TAP held by each director as of March 17, 2009, see "Corporate Governance - Ownership Policy".

### **Interlocking Directorships**

The following table lists the directors who serve together on the boards of directors of other reporting issuers as at December 31, 2008. The Board has adopted a policy that prohibits directors of VRL from serving on the board of directors or as trustees of other oil and gas royalty trusts.

<b><u>Company</u></b>	<b><u>Director</u></b>	<b><u>Committees Served</u></b>
Verenex Energy Inc. <sup>(1)</sup>	Lorenzo Donadeo	Governance and Human Resources Committee
	Claudio A. Ghersinich	Independent Reserves Committee Environmental, Health and Safety Committee

**Note:**

(1) VRL owns 18.8 million shares of Verenex Energy Inc., representing 42.4% of the outstanding common shares of Verenex Energy Inc.

## THE BOARD, ITS COMMITTEES AND THEIR MANDATES

### **Mandate of the Board**

Pursuant to the Trust Indenture, the Board has responsibility for the stewardship of the Trust. The Board has adopted formal terms of reference setting out the Board's stewardship responsibilities. In carrying out its mandate, the Board meets regularly and a broad range of matters are discussed and reviewed for approval. 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. 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 addresses specific risks and risk management in its review of the Trust's financial statements. 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, as a whole, with the assistance of the Health, Safety and Environment Committee, as necessary, addresses specific risks and risk management related to the Trust's environment, health and safety activities, and compliance with applicable rules and regulations. The Board 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 strives to ensure that actions taken by the Trust correspond closely with the objectives of the Unitholders. The Board meets at least once annually to review in depth the Trust's strategic plan and to review the Trust's resources which are required to carry out the Trust's growth strategy and to achieve its objectives. In addition, the Board reviews the mandate on an annual basis.

Please see attached Schedule "A" for a copy of the Trust's current terms of reference for the Board.

### **Board Committees and their Mandates**

The Board presently has four standing committees, being an Audit Committee, a Governance and Human Resources Committee, an Independent Reserves Committee and a Health, Safety and Environment Committee. Each member of the Independent Reserves Committee satisfies the requirements of independence established by National Instrument 51-101, *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101") and each member of the Audit Committee is "an independent" director as defined by National Instrument 52-110, *Audit Committees* ("NI 52-110"), as applicable. Each committee also meets *in camera* without management present at the conclusion of each committee meeting.

#### ***Audit Committee***

The Audit Committee is comprised of Messrs. Davidson (Chair), Ghersinich, Killi, Macdonald and Madison who are all independent and financially literate as defined by NI 52-110. The chair of the Audit Committee, W. Kenneth Davidson, has experience in credit and market risk management, merchant banking, investment banking and corporate and financial restructuring.

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. The Audit Committee reviews and makes a recommendation to the Board 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. The Audit Committee approved the payment to the auditors of \$49,835 for non-audit fees related to property tax services. In addition, it reviews and reports to the Board 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 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 is in compliance with all requirements under NI 52-110.

The terms of reference for the Audit Committee and further information with respect to the members and actions of the Audit Committee is included as a schedule to the Trust's Annual Information Form which is accessible at [www.sedar.com](http://www.sedar.com) or on the Trust's website at [www.vermilionenergy.com](http://www.vermilionenergy.com) or by contacting the Trust at Suite 2800, 400 - 4th Avenue SW, Calgary, Alberta T2P 0J4, telephone: (403) 269-4884.

The Audit Committee met four times in 2008.

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

The Governance and Human Resources Committee is comprised of Messrs. Davidson, Killi and Macdonald (Chair) who are all independent directors as defined by National Instrument 58-101, *Disclosure of Corporate Governance Practices* ("NI 58-101") The Governance and Human Resources Committee is responsible for governance issues and for recommending to the Board suitable candidates for director positions. The selection assessment factors include diversity, skills, judgment, integrity, experience, profile, business prospects, and such other factors deemed appropriate, all in the context of an assessment of the perceived needs of the Board and VRL at the particular time. In addition, the Governance and Human Resources Committee assists the Board on corporate governance issues and in compiling the results of a directors' questionnaire dealing with the effectiveness of the Board, its members, its committees and the Chief Executive Officer.

The Trust strives to ensure that the best possible corporate governance practices are implemented so that it not only meets, but exceeds the regulatory requirements for disclosure. The Governance and Human Resources Committee is charged with this and the Governance and Human Resources Committee reviews corporate governance trends, including the recommendations of various governance bodies, institutions and shareholders and it brings forward its recommendations for adoption by the Board.

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 and the risks involved in being a director. Each of Messrs. Davidson, Killi and Macdonald held senior positions in corporations where their duties included oversight of certain administrative matters including very significant involvement in settling salary levels, bonuses, incentives and other compensation components of employees. Details of each of their recent experience are set out under "Nominees for Election to the Board of Directors".

The terms of reference for the Governance and Human Resources Committee are accessible on the Trust's website at [www.vermilionenergy.com](http://www.vermilionenergy.com) or by contacting the Trust at Suite 2800, 400 - 4th Avenue SW, Calgary, Alberta T2P 0J4, telephone: (403) 269-4884.

The Governance and Human Resources Committee met twice in 2008.



### ***Independent Reserves Committee***

In 2008, the Independent Reserves Committee was comprised of Messrs. Macdonald and Madison (Chair) who each satisfy the independence requirements established by NI 51-101. The Independent Reserves Committee is responsible for ensuring that management has designed and implemented effective reserves programs, controls and reporting systems. The Independent 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 Independent Reserves Committee communicates regularly with management to ensure that all reserves evaluations and reports have been properly handled and reported.

The terms of reference for the Independent Reserves Committee are accessible on the Trust's website at [www.vermilionenergy.com](http://www.vermilionenergy.com) or by contacting the Trust at Suite 2800, 400 - 4th Avenue SW, Calgary, Alberta T2P 0J4, telephone: (403) 269-4884.

The Independent Reserves Committee met twice in 2008.

In 2009, the composition of the Independent Reserves Committee was changed such that it is now comprised of Messrs. Ghersinich (Chair), Macdonald and Madison, who each satisfy the independence requirements established by NI 51-101.

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

In 2008, the Health, Safety and Environment Committee was comprised of Messrs. Macdonald and Madison (Chair). 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 on VRL's policies and procedures related to health, safety and the environment.

The terms of reference for the Health, Safety and Environment Committee are accessible on the Trust's website at [www.vermilionenergy.com](http://www.vermilionenergy.com) or by contacting the Trust at Suite 2800, 400 - 4th Avenue SW, Calgary, Alberta T2P 0J4, telephone: (403) 269-4884.

The Health, Safety and Environment Committee met four times in 2008. The responsibilities of the Health, Safety and Environment Committee were performed by the full Board in 2008.

In 2009, the composition of the Health, Safety and Environment Committee was changed such that it is now comprised of Messrs. Ghersinich, Macdonald and Madison (Chair).

### ***Disclosure Committee***

While not a committee of the Board, the Board has approved the formation of a Disclosure Committee to assist senior management of VRL in fulfilling their responsibilities regarding the identification and disclosure of material information about the Trust and the accuracy, completeness and timeliness of the Trust's disclosure. The membership of the Disclosure Committee includes the President and Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer and the Vice President Capital Markets. The Disclosure Committee has access to counsel to VRL on an as needed basis. The Disclosure Committee is subject to the supervision of the Governance and Human Resources Committee of the Board. The Disclosure Committee is responsible for: (a) monitoring developments or charges that may constitute material facts or charges; (b) review, and as necessary, revise the Trust's disclosure controls and procedures; and (c) review and supervise the preparation of the Trust's continuous disclosure documents and other public documents.

## DIRECTOR COMPENSATION

### Determination of Compensation

The remuneration paid to VRL's directors is reviewed each year by the Governance and Human Resources Committee. The level of remuneration is designed to provide a competitive level of remuneration relative to comparable positions in the marketplace. Remuneration is reviewed annually against prevailing industry practices for oil and gas trusts of similar size and scope. Consultants are periodically retained to obtain this information and to assess the Trust's relative position.

### Retainers and Fees

The following outlines the retainers and meeting fees payable to directors. In addition, directors are entitled to participate in the TAP and Rights Incentive Plan and receive reimbursement for out-of-pocket expenses for attendance at meetings of the Board and any committees of the Board.

	<u>2008</u>	<u>2009</u>
Board Chair Retainer	\$85,000	\$85,000
Board Member Retainer	\$25,000	\$25,000
Audit Committee Chair Retainer	\$15,000	\$15,000
Other Committee Chair Retainer	\$7,000	\$7,000
Board and Committee Meeting Fees (per meeting attended)	\$1,500	\$1,500

### Director Summary Compensation Table

The following table provides information concerning compensation paid to the directors of the Trust for the fiscal year ended December 31, 2008.

Name	Fees Earned <sup>(1)</sup> (\$)	Unit-Based Awards <sup>(2)</sup> (\$)	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total (\$)
Larry J. Macdonald	135,000	162,288	-	-	-	-	297,288
W. Kenneth Davidson	55,000	130,536	-	-	-	-	185,536
Lorenzo Donadeo <sup>(3)</sup>	-	-	-	-	-	-	-
Claudio A. Ghersinich	65,500 <sup>(4)</sup>	130,536	-	-	-	-	196,036
Joseph F. Killi	40,000	130,536	-	-	-	-	170,536
William F. Madison	47,000	130,536	-	-	-	-	177,536
<b>Total</b>	<b>342,500</b>	<b>684,432</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,026,932</b>

**Notes:**

- (1) Includes all retainers and meeting fees,
- (2) Represents Unit Awards granted pursuant to the TAP on March 5, 2008 based on the five day weighted average trading price preceding March 5, 2008 of \$35.28. Refer to "Executive Compensation - Option-Based Awards - Trust Unit Award Incentive Plan" for details.
- (3) Mr. Donadeo receives no remuneration in his capacity as a director.
- (4) Includes Mr. Ghersinich's fees in the amount of \$31,500 earned as a director of the international Vermilion subsidiaries.

### Director Compensation - Unit-Based Awards, Option-Based Awards and Incentive Plan Compensation

The following table sets forth information with respect to the outstanding Unit Awards granted under the TAP and Rights granted under the Rights Incentive Plan to the directors, other than Mr. Donadeo whose information is disclosed under "Executive Compensation - Outstanding Option-Based and Unit-Based Awards," as of December 31, 2008, which includes awards granted prior to January 1, 2009.

Name	Option-Based Awards				Unit-Based Awards			
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-the-Money Options (\$)	Number of Units that Have Not Vested (#)	Award Date	Award Price (\$)	Market or Payout Value of Unit-Based Awards That Have Not Vested <sup>(1)</sup> (\$)
Larry J. Macdonald	-	-	-	-	5,600	March 1, 2006	30.95	191,688
					5,200	March 1, 2007	31.70	177,996
					<u>4,600</u>	March 5, 2008	35.28	<u>157,458</u>
					<b>15,400</b>			<b>527,142</b>
W. Kenneth Davidson	-	-	-	-	7,000	March 1, 2006	30.95	239,610
					4,180	March 1, 2007	31.70	143,081
					<u>3,700</u>	March 5, 2008	35.28	<u>126,651</u>
					<b>14,880</b>			<b>509,342</b>
Claudio A. Ghersinich	-	-	-	-	4,500	March 1, 2006	30.95	154,035
					4,180	March 1, 2007	31.70	143,081
					<u>3,700</u>	March 5, 2008	35.28	<u>126,651</u>
					<b>12,380</b>			<b>423,767</b>
Joseph F. Killi	-	-	-	-	4,500	March 1, 2006	30.95	154,035
					4,180	March 1, 2007	31.70	143,081
					<u>3,700</u>	March 5, 2008	35.28	<u>126,651</u>
					<b>12,380</b>			<b>423,767</b>
William F. Madison	-	-	-	-	4,500	March 1, 2006	30.95	154,035
					4,180	March 1, 2007	31.70	143,081
					<u>3,700</u>	March 5, 2008	35.28	<u>126,651</u>
					<b>12,380</b>			<b>423,767</b>

**Note:**

(1) The market value of the unit-based awards that are not vested is based on the closing trading price of the Trust Units on the TSX on December 31, 2008 of \$34.23. Does not include the value of reinvested distributions.

**Director Compensation - Incentive Plan Awards - Value Vested or Earned During the Year**

The following table sets forth information with respect to the value of Unit Awards granted under the TAP and Rights granted under the Rights Incentive Plan to the directors, other than Mr. Donadeo whose information is disclosed in the "Executive Compensation - Incentive Plan Awards - Value Vested or Earned During the Year" section below, that vested during the period ending December 31, 2008.

<b>Name</b>	<b>Option-Based Awards - Value Vested During Year (\$)</b>	<b>Unit-Based Awards - Value Vested During Year (\$)<sup>(1)</sup></b>	<b>Non-Equity Incentive Plan Compensation- Value Earned During Year (\$)</b>
Larry J. Macdonald	-	639,364	-
W. Kenneth Davidson	-	621,215	-
Claudio A. Ghersinich	-	990,896	-
Joseph F. Killi	-	639,364	-
William F. Madison	-	660,597	-

**Note:**

(1) Granted March 1, 2005. Maximum payout awarded based on corporate performance for 2005, 2006 and 2007. See "Executive Compensation - Option-Based Awards - Trust Unit Award Incentive Plan" for details. Calculation includes reinvestment of distributions.

## CORPORATE GOVERNANCE

### Board of Directors

The Trust's corporate governance practices have been established pursuant to the terms of the Trust Indenture and with reference to the provisions of National Policy 58-201, *Corporate Governance Guidelines* ("NP 58-201"). VRL is committed to a high standard of corporate governance practices. The Board 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 is of the view that its approach to corporate governance is appropriate and complies with the objectives and guidelines relating to corporate governance set forth in NP 58-201. In addition, the Board monitors and considers for implementation by the Trust 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.

### Independence

The Board has adopted governance guidelines consistent with NI 58-201 which provide, among other things, that the Board shall consist of a majority of independent directors.

The Board currently consists of six directors who provide a wide diversity of business experience. Five of the Board members are independent directors as such term is defined by NI 58-101. Each of the independent directors has no direct or indirect material relationship with the Trust, including any business or other relationship, which could reasonably be expected to interfere with the director's ability to act with a view to the best interests of the Trust or which could reasonably be expected to interfere with the exercise of the director's independent judgement.

Mr. Donadeo is not considered by the Board to be an independent director within the meaning of NI 58-101 in that he is currently an executive officer of VRL. On June 1, 2008, Mr. Ghersinich became an independent director. Prior thereto, Mr. Ghersinich was not considered by the Board to be an independent director within the meaning of NI 58-101 since he had been an executive officer of VRL within the past three years.

The members of the Board 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. The Board is committed to reviewing the number of directors regularly, as well as an appropriate mix of backgrounds and skills for the stewardship of the Trust. See "Nominees for Election to the Board of Directors" for additional information on each director.

### Board Meetings

The Board holds four regular meetings each year, as well as additional meetings as required. *In camera* sessions of the independent directors are held following every meeting so that the independent members of the Board will have an opportunity to meet without the presence of members of the Board who are not independent and without management being present. The Audit Committee of the Board meets *in camera* (without both non-independent directors and management) following regularly scheduled Audit Committee meetings and the Governance and Human Resources Committee meets *in camera* following meetings where recommendations are made to the Board for approval. All other committees of the Board meet *in camera* without both non-independent directors and management present following their meetings.

For the year ended December 31, 2008, there were four meetings of the Board and the independent directors.

The independent members of the Board are authorized to retain independent financial, legal and other experts as required at the expense of the Trust whenever, in their opinion, matters come before the Board which require an independent analysis by the independent members of the Board.

## **Chairman of the Board**

The Board has appointed Larry Macdonald, an independent director, to act as the Chairman of the Board to ensure the Board acts independently of management and properly discharges its responsibilities. Mr. Macdonald has served as Chairman of the Board since January 2003.

## **Position Descriptions**

### ***Chairman of the Board***

The Board has adopted terms of reference with respect to the Chairman of the Board's role. The Chairman of the Board 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.

The Chairman of the Board is charged with ensuring that the Board carries out its responsibilities and that these responsibilities are clearly understood by all of its members. The Chairman of the Board also ensures that the Board 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 Chairman of the Board is responsible for overseeing and setting agendas for meetings of the Board, for the quality of information sent to directors and for the *in camera* sessions held among the independent directors at each Board meeting. The Chairman of the Board also oversees the annual performance review of the Chief Executive Officer which is conducted by the Board and the annual Chief Executive Officer succession planning matters. The Chairman of the Board also reviews the performance of those executive officers which report directly to the Chief Executive Officer. The Chairman also oversees the Board and peer assessment of the directors.

The terms of reference for the Chairman of the Board are accessible on the Trust's website at [www.vermilionenergy.com](http://www.vermilionenergy.com) or by contacting the Trust at Suite 2800, 400 - 4th Avenue SW, Calgary, Alberta T2P 0J4, telephone: (403) 269-4884.

### ***Chief Executive Officer***

Day-to-day leadership and management of the Trust is the responsibility of the President and Chief Executive Officer and other management, subject to the Board's stewardship. The Chief Executive Officer is responsible to lead and manage the Trust within parameters established by the Board and its relevant committees. The Chief Executive Officer is also responsible for developing and recommending strategic plans to the Board and for involving the Board in the early stages of strategy development. Additionally, the Chief Executive Officer is expected to successfully implement capital and operating plans; report regularly to the Board 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 terms of reference for the President and Chief Executive Officer are accessible on the Trust's website at [www.vermilionenergy.com](http://www.vermilionenergy.com) or by contacting the Trust at Suite 2800, 400 - 4th Avenue SW, Calgary, Alberta T2P 0J4, telephone: (403) 269-4884.

### ***Directors and Chairs of Board Committees***

Terms of reference for the chairs of the Board's committees as well as position descriptions for directors generally have been developed by the Board. These position descriptions outline the duties and responsibilities for the directors generally, including expectations respecting attendance at meetings and the contributions of each director as well as outline the obligations of the directors with respect to matters such as corporate governance and circumstances involving conflicts of interest. The position descriptions for the chairs of each of the Board's committees set out, among other things, the duties of the chair to lead the respective Committees, ensure the proper functioning of the committees, ensure the committees receive all required information and have adequate access to management to achieve their objectives and ensure that each committee reports to and communicates with the Board.

Currently VRL does not have a mandatory retirement policy for directors.

The terms of reference for the directors and the guidelines for committees of the Board are accessible on the Trust's website at [www.vermilionenergy.com](http://www.vermilionenergy.com) or by contacting the Trust at Suite 2800, 400 - 4th Avenue SW, Calgary, Alberta T2P 0J4, telephone: (403) 269-4884.

The Board also employs a skills matrix to assist with review of the skills set of directors, director candidates and the Board as a whole. The matrix outlines the desired complement of directors' skills and characteristics based on broad categories such as Managing/Leading Growth, International, CEO experience, Exploration, Human Resources, Oil and Gas Operations, Financial Acumen, Health, Safety and Environment, Marketing and Risk Management, Internal Corporate Structuring, Mergers and Acquisitions, Governance, Government and Public Relations, Investor Relations and Legal. This matrix is reviewed and enhanced as required to reflect the Board's assessment of its current needs and strategic priorities. Each director conducts a self-assessment of his qualifications in each of the categories of the matrix. The matrix assists the Board in identifying any gaps and will assist in the search for new director candidates.

### **Orientation and Continuing Education**

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 and the business and operations of the Trust. New directors are also provided the opportunity to participate in meetings and discussions 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 expertise.

Directors are kept informed as to matters impacting, or which may impact, the Trust's operations through reports and presentations at the quarterly Board meetings. Directors from time to time also visit various operating sites to review the business and operations of the Trust on a first hand basis. Special presentations on specific business operations are also provided to the Board.

### **Ethical Business Conduct Disclosure**

The Board has adopted a written Code of Conduct and Ethics for directors, officers and employees (the "Code"). A copy of the Code has been filed on and is accessible through SEDAR at [www.sedar.com](http://www.sedar.com) or on the Trust's website at [www.vermilionenergy.com](http://www.vermilionenergy.com). A copy of the Code may also be obtained upon request by contacting the Trust at 2800, 400 - 4th Avenue SW, Calgary, Alberta, T2P 0J4, telephone: (403) 269-4884.

The Code provides that directors, officers and employees must, among other things: (a) avoid situations that may result in a conflict or perceived conflict between personal interests of directors, officer and employees and the interests of the Trust; (b) provide full disclosure of any actual or potential conflicts of interest; (c) at all times comply fully with applicable law and avoid any situation which could be perceived as improper or unethical; and (d) not hold any significant financial interest, either directly or indirectly, in an organization which has a relationship with the Trust.

Compliance with the Code is monitored by the Governance and Human Resources Committee. To the knowledge of the Board, there have been no departures from the Code during the year ended December 31, 2008 that would require the filing of a material change report.

The Board has reviewed and approved a policy on corporate disclosure, confidentiality and insider trading for the Trust, in order to promote consistent disclosure practices aimed at informative, timely and broadly disseminated disclosure of material information to the market in accordance with applicable securities legislation. The Board has also reviewed and approved a policy on inappropriate behaviour (a "whistle-blower" policy), to promote, among other things, the disclosure and reporting of any serious matters which may affect the financial stability and assets of the Trust and its operating entities as well as matters relating to inappropriate activities.

In accordance with the *Business Corporations Act* (Alberta), directors who are a party to or are a director or officer of a person who is a party to a material contract or material transaction or a proposed material contract or proposed material transaction are required to disclose the nature and extent of their interest and not to vote on any

resolution to approve the contract or transaction. In certain cases, an independent committee may be formed to deliberate on such matters in the absence of the interested party.

### **Nomination of Directors**

With the oversight of the Chairman of the Board, the Board is responsible for succession planning at the Board and senior management levels. The Board has constituted a Governance and Human Resources Committee comprised of independent directors which has the responsibility of 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.

### **Compensation**

#### ***Determination of Compensation***

The remuneration paid to VRL's directors and officers is reviewed each year by the Governance and Human Resources Committee. The level of remuneration is designed to provide a competitive level of remuneration relative to comparable positions in the marketplace. Remuneration is reviewed annually against prevailing industry practices for oil and gas trusts of similar size and scope. Consultants are periodically retained to obtain this information and to assess the Trust's relative position. Additional disclosure regarding director and officer compensation is set forth under the headings "Director Compensation" and "Executive Compensation".

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

The Governance and Human Resources Committee has the responsibility for determining the compensation of the Trust's directors and officers. The mandate of the committee in respect of compensation matters requires the committee to: (a) in consultation with the Chief Executive Officer, approve compensation, including unit award long term incentives, bonuses and benefit plans for executive officers, including the Chief Executive Officer; and (b) review all share compensation plans, including the designation of employees who are entitled to participate in the plans. The Governance and Human Resources Committee reviews the recommendations of various organizations and institutions who deal with corporate governance matters. See "Board Committees and their Mandates - Governance and Human Resources Committee" for more information.

#### ***Compensation Consultants***

The Governance and Human Resources Committee has the power to retain consultants, including compensation consultants or advisors, as the committee may determine necessary or advisable to carry out its responsibilities. An analysis of executive compensation against the Trust's peer group of energy trusts is based on compensation data collected by independent consultants, Mercer Human Resources Consulting Limited ("Mercer") and Towers Perrin ("Towers"). In addition, an analysis of VRL's global staff compensation was prepared for the use by the Governance and Human Resources Committee in determining year end bonuses, long-term incentive awards and base salary adjustments. The total fees paid to Mercer and Towers in 2008 were \$44,525.

### **Assessments and Evaluations**

The Governance and Human Resources Committee has been mandated to perform assessments of the Board as a whole, the committees of the Board, the Chairman of the Board and the other individual directors on an ongoing basis. Individual director evaluations regarding the effectiveness and contribution of the directors are completed by the Governance and Human Resources Committee on an annual basis. An assessment of the Board as a whole involves asking the directors to rate the effectiveness of the Board, the effectiveness of each Board committee and the committee's chair, review Board and committee processes and review the Board's relationship with management. A director evaluation survey was implemented in 2007 and is intended to provide directors with feedback from their peers on their performance. It also provides directors with suggestions for improving their effectiveness as directors and contributions to the Board. The directors also complete an annual self-assessment, designed to assist in determining the strengths and gaps in Board skills as a whole and to enable a comprehensive



and meaningful assessment of skill requirements for nominating future directors. All such assessments are conducted confidentially.

The corporate objectives for which the Chief Executive Officer is responsible are set by the Board, which, with the oversight of the Chairman of the Board, evaluates and assesses the Chief Executive Officer against such objectives.

### **Ownership Policy**

Effective March 1, 2009, the Board has adopted a policy (the "Ownership Policy") that each director, the Chief Executive Officer, each Executive Vice President and each Vice President of VRL should hold that number of Trust Units equivalent to the value set out below:

	<b><u>Value of Trust Units to be held</u></b>
Director	3 times annual retainer
Chief Executive Officer	3 times annual base salary
Executive Vice President	2 times annual base salary
Vice President	1 times annual base salary

The Ownership Policy replaced an earlier policy that applied only to the directors and the Chief Executive Officer. The Ownership Policy supports the Trust's belief that Trust Unit ownership requirements should align the interests of directors and executive officers with Unitholders. The Ownership Policy provides that each of the directors and officers of VRL shall have a period of five years in which to be in compliance with the Ownership Policy. In addition, the Ownership Policy requires that the Chief Executive Officer must continue to hold that number of Trust Units equal to one times the Chief Executive Officer's annual base salary for a period of at least six months following resignation or retirement.

As at March 17, 2009, all of the directors and the Named Executive Officers (as defined under "Executive Compensation - Elements of the Compensation program and rationale") are in compliance with the Ownership Policy.

The number of securities of the Trust, including Rights and Unit Awards held by each director, the Chief Executive Officer, each Executive Vice President and each Vice President and the equity at risk value as at March 17, 2009 is set out below:

**Equity Ownership at March 17, 2009**

						<b>Other Equity Available Through Unit-Based Compensation Plans</b>	
<b>Directors and Named Executive Officers</b>	<b>Ownership Policy Guidelines</b>	<b>Trust Units (#)</b>	<b>Exchangeable Shares (#)</b>	<b>Equity at Risk<sup>(5)</sup> (\$)</b>	<b>Multiple of Base Salary or Retainer<sup>(6)</sup></b>	<b>Right (#)</b>	<b>Unit Awards<sup>(7)</sup> (#)</b>
Larry J. Macdonald	3 times annual retainer	59,338	-	1,568,897	13	-	16,330
W. Kenneth Davidson	3 times annual retainer	30,954	-	818,424	20	-	13,130
Lorenzo Donadeo	3 times annual base salary	457,876 <sup>(1)</sup>	1,989,614 <sup>(2)</sup>	101,530,677	246	75,000	95,460
Claudio A. Ghersinich	3 times annual retainer	22,506 <sup>(3)</sup>	16,463 <sup>(4)</sup>	1,334,998	53	-	13,130
Joseph F. Killi	3 times annual retainer	25,641	-	677,948	27	-	15,405
William F. Madison	3 times annual retainer	44,725	-	1,182,529	37	-	18,130
John D. Donovan	2 times annual base salary	130,715	-	3,456,105	13	-	59,430
Curtis W. Hicks	2 times annual base salary	143,149	-	3,784,860	15	40,000	59,430
George R. (Bob) Mac Dougall	2 times annual base salary	70,722	-	1,869,903	17	-	59,430
Paul Beique	1 times annual base salary	47,884	-	1,266,059	6	25,000	28,420

**Notes:**

- (1) Includes Trust Units held by Mr. Donadeo's immediate family and 26,531 Trust Units held by Sun Valley Enterprises Inc., a holding company owned by Mr. Donadeo.
- (2) Includes 143,597 Exchangeable Shares held by Sun Valley Enterprises Inc., a holding company owned by Mr. Donadeo.
- (3) Includes Trust Units held by Mr. Ghersinich's immediate family members.
- (4) Exchangeable Shares held by Mr. Ghersinich's immediate family members.
- (5) Equity at Risk is the market value of Trust Units and Exchangeable Shares owned by the director or officer, excluding Rights and Unit Awards, based on the closing trading price of the Trust Units on the TSX on March 17, 2009 of \$26.44.
- (6) Base salary for Named Executive Officers or retainer for directors as at December 31, 2008.
- (7) Includes unvested Unit Awards at target. See "Executive Compensation - Option-Based Award - Trust Unit Award Incentive Plan" for a detailed description of the terms of the TAP.

## EXECUTIVE COMPENSATION

### Introduction

The Governance and Human Resources Committee determines and recommends to the Board the compensation package for the executive officers of VRL. The primary objective of the Governance and Human Resources Committee in regards to compensation matters is to attract, retain and motivate the best talent and to reward positive contributions to achievement of the Trust's performance goals. These same principles also apply to all of VRL's employees.

### Compensation Discussion and Analysis

#### *Compensation strategy and program objectives*

The compensation philosophy of the Trust is designed to promote the alignment of executives' and employees' incentives with Unitholder value creation. To this end, the Governance and Human Resources Committee believes that combining 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 will produce success in VRL's quest to deliver the compensation package that achieves the main objective of its remuneration program.

#### *What the compensation program is designed to reward*

The compensation system rewards individual performance aligned to the business strategies of VRL and supported by the core values of excellence, trust, respect and responsibility. The Trust differentiates the contributions of employees to ensure the Trust is rewarding those offering high levels of contribution to the business.

The compensation system is designed to reward annual performance through market competitive base salary, bonus and longer term contribution and retention, through long term incentives or TAP awards.

#### *Elements of the Compensation program and rationale*

##### *Overview of the elements of compensation*

In 2008, the compensation package for executive officers of VRL, including the Chief Executive Officer, Chief Financial Officer and three other most highly compensated executive officers of VRL (collectively, the "Named Executive Officers") consisted of three elements of compensation: base salary, bonus and long-term incentives. The following table provides an overview of the elements of compensation.

<b>Compensation Element</b>	<b>Type of Compensation</b>	<b>Name of Plan</b>	<b>Performance Period</b>	<b>Desired Market Position Relative to Peer Group</b>	<b>Form of Payment</b>
Base Salary	Annual - Fixed Pay	Salary Program	1 year	Median	Cash
Bonus <sup>(1)</sup>	Annual - Variable Pay <sup>(1)(2)</sup>	Employee Bonus Plan	1 year	Up to Top Quartile Based on Performance	50% cash; 50% Trust Units
Long-term Incentives <sup>(1)</sup>	Longer term - Variable Pay <sup>(1)(2)</sup>	TAP	up to 3 years	Up to Top Quartile Based on Performance	Trust Units

**Notes:**

- (1) Performance based compensation.  
 (2) Variable Pay - value will vary from year to year based on Trust and individual performance.

Standard benefits are provided to all employees, including the Named Executive Officers. Compensation for the Named Executive Officers also includes participation in the Rights Incentive Plan and the VRL employee savings plan (the "Savings Plan"), the TAP and the employee bonus plan (the "Employee Bonus Plan"). VRL does not have a pension plan in place for the Named Executive Officers or any of its Canadian based employees.

#### *Elements of Executive Compensation*

**Base Salary:** The Governance and Human Resources Committee strives to set all executive annual salaries at the median level comparable to executive officers of the Trust's compensation peer group based upon a review of an independently prepared compensation surveys by Mercer Human Resources Consulting Limited ("Mercer") and Towers Perrin ("Towers") and information obtained through participation in two associations representing small to mid-size oil and gas organizations established to exchange member information related to human resources practices. Base salary is fixed compensation and is intended to pay for annual performance recognizing level and experience.

**Bonuses:** The principal purpose of the Employee Bonus Plan is to advance the interests of the Trust by providing bonuses for employees, including the Named Executive Officers, of the Trust who are designated as participants thereunder to reward for near term performance contributions with significant impact on the business. 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 the Trust and align their interests with those of the Unitholders.

The Employee Bonus Plan is administered by the Board. Under the Employee Bonus Plan, the Board 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 and value added by the individual. 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 the Trust. For 2008, bonus payments pursuant to the Employee Bonus Plan totalled approximately 0.6% of net operating income or 30% of the maximum allowable under such plan.

Pursuant to the terms of the Employee Bonus Plan, 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 may determine in its sole discretion. A total of 2,000,000 Trust Units are reserved for issuance pursuant to the Employee Bonus Plan. For the purpose of calculating the number of Trust Units issuable under any bonus payment, such Trust Units shall be priced at the closing price of such Trust Units as quoted by the TSX on the trading day immediately prior to the date of the grant of a bonus by the Board. 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 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 maximum rate of 2% per month of the net operating income of the Trust for each month.

For the fiscal period ended December 31, 2008, an aggregate of 23,790 Trust Units will be issued pursuant to the Employee Bonus Plan, representing 0.03% of the issued and outstanding Trust Units. The bonuses for the Named Executive Officers listed in the "Summary Compensation Table" below will be paid pursuant to the terms of the Employee Bonus Plan on March 31, 2009 along with all other employees.

**Trust Unit Award Incentive Plan:** In October, 2004, the Governance and Human Resources Committee undertook an evaluation of the Trust's long-term incentive program with the goal of developing an annual incentive plan tied to performance relative to predetermined corporate and individual performance objectives. The Board and Unitholders approved the issuance of Trust Units granted under the TAP to employees, officers, directors and consultants of the Trust and its affiliates (as defined in the TAP). The principal purpose of the TAP is to strengthen the ability of the Trust to retain qualified directors and personnel and to focus management of the Trust on operating and financial performance and total long-term Unitholder return by providing an increased incentive to contribute to the Trust's growth and profitability.

As at March 17, 2009, 4,307,287 Trust Units are reserved for issuance under the TAP representing 6.1% of the then issued and outstanding Trust Units, and of these Trust Units an aggregate of 865,529 Unit Awards are outstanding and unvested representing 1.2% of the then issued and outstanding Trust Units, thereby leaving

3,441,758 Trust Units available for future issuance under the TAP. The TAP allows for Trust Units deliverable pursuant to Unit Awards granted under the TAP to be issued from treasury.

Details of the value of the Unit Awards granted to the Named Executive Officers pursuant to the TAP in 2008 are provided below in "Summary Compensation Table" and "Incentive Plan Awards - Outstanding Unit-Based and Option-Based Awards".

**Rights Incentive Plan:** The Board has the power to grant Rights to purchase Trust Units to directors, executive officers, employees and consultants of the Trust. With the implementation of the TAP in 2005, it was determined by the Board that the granting of Rights under the Rights Incentive Plan will only be utilized in limited circumstances. No Rights have been issued since March 2005, including to Named Executive Officers.

The Rights to purchase Trust Units pursuant to the Rights Incentive Plan can be granted to directors, officers, employees or service providers of VRL. The number of Trust Units reserved from time to time for Rights may not be more than 6,000,000 Trust Units. The number of Rights reserved for issuance to one holder cannot exceed 5% of the issued and outstanding Trust Units.

A summary of the Rights outstanding under the Rights Incentive Plan as at December 31, 2008 is as follows:

<u>Year</u>	<u>Exercise Price at Grant Date</u> ( <u>\$</u> )	<u>Number of Rights Outstanding</u> ( <u>#</u> )	<u>Remaining Contractual Life of Right</u> ( <u>Expiry Date</u> )	<u>Number of Rights Exercisable</u> ( <u>#</u> )
2008	17.90 - 19.49	339,850	August 19, 2009	339,850

**Savings Plan:** As an integral part of the Trust's compensation program, the Savings Plan represents VRL's ongoing commitment to maintaining a value driven approach: employees who think like owners, invest the Trust's money that way. For the fiscal period ended December 31, 2008, an aggregate of 89,102 Trust Units were purchased on the TSX at prices ranging from \$21.12 to \$45.02 per Trust Unit pursuant to the Savings Plan.

**Benefits and Perquisites:** The Trust supports a traditional employee benefit plan consisting of health and dental care and various forms of life and disability insurance. In addition, fitness subsidies and additional earned days off assist to ensure competitiveness in the market at the median relative to peer companies. The Named Executive Officers are eligible to participate in the same benefits as are offered to all full-time employees.

In addition to the benefits mentioned above, the Named Executive Officers are entitled to receive parking paid for by VRL. The use of perquisites by VRL as an element of compensation is limited. VRL does not view these items as a significant element of its compensation structure but does believe that they can be used in conjunction with base salary to attract, motivate and retain individuals in a competitive environment. The Governance and Human Resources Committee reviews these items annually to determine if they are appropriate and if any adjustments are warranted.

#### ***How Vermilion determines the amount for each element***

##### *Role of the Governance and Human Resources Committee*

As previously noted, the Governance and Human Resources Committee is responsible for reviewing and recommending to the Board the compensation philosophy, guidelines and plans for VRL's employees and the Named Executive Officers. The Governance and Human Resources Committee consists of three independent directors, namely Messrs. Larry J. Macdonald (Chair), W. Kenneth Davidson and Joseph F. Killi. The mandate of the Governance and Human Resources Committee requires it to, in consultation with the Chief Executive Officer and Vice President People, review and approve compensation, incentives and bonuses and benefit plans for the executive team, including the Chief Executive Officer and the Named Executive Officers. In addition, the

Governance and Human Resources Committee is responsible for reviewing corporate goals and objectives for the Chief Executive Officer to be considered in determining his compensation, recommending a performance evaluation process for the Chief Executive Officer and, once approved, leading the implementation of such process. The mandate of the Governance and Human Resource Committee is posted on the Trust's website at [www.vermilionenergy.com](http://www.vermilionenergy.com).

*Advisors and Compensation Comparison Group*

The Governance and Human Resource Committee reviews the compensation package for the Named Executive Officers on an annual basis against prevailing industry practices for oil and gas trusts of similar size and scope. The Governance and Human Resource Committee may periodically retain independent consultants, Mercer and/or Towers, to provide assistance in obtaining information about a compensation comparison group and assessing the Trust's relative position within such group. The total fees paid to Mercer and Towers in 2008 were \$44,525; this includes fees for participation in annual surveys used to analyze market positioning for the Named Executive Officers and employees.

The Trust's peer comparison group is selected based on discussions with the Governance and Human Resource Committee, the Chief Executive Officer and the independent consultants to identify the most comparable oil and gas trusts of similar size, operations and scope. An overview of the Trust's peers for 2008 is provided in the table below.

	<b>Vermilion<sup>(2)</sup></b>	<b>Peer Group</b>
Industry	Canadian Oil & Gas Trust	Canadian Oil & Gas Trust
Head Office Location	Calgary	Calgary
Revenue <sup>(1)</sup>	\$707.3 million	\$634.6 million
BOE/d <sup>(1)</sup>	31,325	26,509
Assets <sup>(1)</sup>	1,668.0 million	2,332.2 million

**Notes:**

- (1) Median statistic; represents 2007 fiscal year.
- (2) Global operations in Australia, Canada, France and Netherlands.

Members of the compensation comparison group utilized for benchmarking purposes in regards to executive compensation matters in 2008 include the following entities:

Advantage Energy Income Fund	NAL Oil & Gas Trust
ARC Energy Trust	Paramount Energy Trust
Baytex Energy Trust	Pengrowth Energy Trust
Bonavista Energy Trust	Penn West Energy Trust
Crescent Point Energy Trust	Peyto Energy Trust
Daylight Resources Trust	Progress Energy Trust
Enerplus Resources Trust	Provident Energy Trust
Harvest Energy Trust	Trilogy Energy Trust

In 2008, the Governance and Human Resources Committee used the following sources to identify competitive compensation relative to the Named Executive Officers: compensation surveys prepared by Mercer and Towers; the Trust's performance and position against its peer comparison group; proposals by the Chief Executive Officer; annual compensation information disclosed by the Trust's compensation comparison group (noted above) and suggestions of various organizations and institutions who deal with corporate governance matters. To this end, the measurements used in determining compensation for VRL's Named Executive Officers for 2008 includes:

1. Operating and financial performance relative to budgets and objectives;
2. Detailed review of achievements in relation to VRL's strategic plan;

3. Percentile rank of total Unitholder return relative to the returns calculated on a similar basis on securities of the Trust's peer comparison group;
4. Assessment of Health, Safety and Environment ("HSE") performance,
5. Achievement of significant, strategic value add opportunities; and
6. Assessment of the key governing objectives and corporate best practices and overall conduct.

The following table summarizes the Trust's operating and financial performance in terms of the actual results in 2008 as compared to the Trust's 2008 guidance:

<b>(\$000's except production amounts)</b>	<b><u>Capital Expenditures</u></b>	<b><u>Production</u></b>
<u>2008 Guidance</u>		
Provided March 3	\$182,000	31,000 – 32,000 boe/d
Updated May 2	\$210,000	32,000 – 33,000 boe/d
<u>2008 Actual</u>	\$186,836	32,741 boe/d

The Trust provided initial guidance as to its expected 2008 development capital expenditure program and production forecast in March 2008, corresponding with the release of 2007 year-end results. The initial production guidance figures include the impact of the Trust's January 2008 acquisition of approximately 1,000 boe/d of production for \$47 million. By May, oil price expectations had risen even further and the Trust expanded both its production guidance figures and expected development capital program. The Trust was able to achieve its full-year 2008 production guidance figures, due largely to strong performance from Canadian operations. Development capital expenditures for 2008 came in below guidance levels due mostly to the deferral of the Parentis and Les Mimosas drilling programs in France.

The following table provides the detailed review of the Trust's achievements in relation to its strategic plan.

<b>Strategic Plan</b>	<b>Achievement</b>
Develop and sustain a robust portfolio	<ul style="list-style-type: none"> <li>• Acquired Samson's Drayton Valley assets</li> <li>• Implemented La Torche Waterflood to support production</li> <li>• Significantly advanced waterflood optimization and enhanced oil recovery program, including strong staffing additions, completion of phase 1 evaluation process (reservoir and methodology selection) and progressed on phase 2 of the process (technical and commercial feasibility)</li> </ul>
Demonstrate operational excellence	<ul style="list-style-type: none"> <li>• Drilled two Australian offshore wells on budget in a tightly constrained window of opportunity, with results exceeding expectations</li> <li>• Executed a successful Drayton Valley workover and recompletion program, with results on budget for costs and ahead of budget for production and reserves</li> <li>• Completed repair work for storage tanks at Ambes terminal in France and signed a MOU with Total and Esso to transfer operation of the storage facility to the Trust</li> <li>• Completed HSE audits of all country HSE management systems with a focus on detailed field practices. Completed significant improvement of Emergency Response Plans including multiple training sessions by all countries and corporate headquarters</li> </ul>
Provide an efficient and profitable corporate structure	<ul style="list-style-type: none"> <li>• Completed the globalization of software applications in the Trust. All countries and all system are now communicating on same platforms.</li> <li>• Completed implementation of global treasury process to enhance cash management and mitigate risk</li> </ul>
Offer a workplace of choice	<ul style="list-style-type: none"> <li>• Developed leadership skills through the delivery of the Trust customized programs in Canada, France and the Netherlands</li> <li>• Provided formal development opportunities to employees through promotions, job changes and relocations</li> </ul>

Strategic Plan	Achievement
	<ul style="list-style-type: none"> <li>• Provided opportunities for staff and their families to demonstrate commitment to social responsibility through company-sponsored events</li> <li>• Undertook a worldwide employee survey to identify potential areas for improvement</li> </ul>
Continuously enhance stakeholder confidence	<ul style="list-style-type: none"> <li>• Continue to generate strong support for the Trust's business model from the analyst community and from institutional shareholders</li> <li>• Maintained a stable institutional ownership through strong communication and delivery of stated objectives</li> <li>• Received the 2008 Merit for Development award from the Institute of International Promotion and Prestige in a ceremony presided over by France's former Minister of Industry</li> <li>• Generated a total return of -19.8%, significantly outperforming the TSX Composite Index (-33.0%), the TSX Energy Trust Index (-27.1%) and the S&amp;P 500 Index (-38.5%), and finished in the second quartile of our comparison group</li> <li>• Ranked 3rd amongst all Canadian income trusts in the 2008 Globe &amp; Mail Board Games survey, with a score of 87 out of 100, which would place the Trust among the top 30 of all Canadian corporations and in the top 5 of Canadian oil and gas companies. The survey rates corporate boards using a rigorous set of governance criteria.</li> </ul>

*Data Comparisons*

Data was compiled for each of the Named Executive Officers outlining current and historic compensation elements of base salary, bonus, long-term incentive awards, annual cost of perquisites, benefits and total compensation. The purpose is to aggregate data regarding current actual and potential executive compensation to provide the Governance and Human Resources Committee with the necessary information to make decisions which are market competitive and align with the compensation models established for VRL.

*Decision Making Process*

The Governance and Human Resources Committee uses all information provided as a guide to decision making while still exercising discretion in relation to compensation awards depending on the assessment of the individual executive's performance, experience, and expected contributions to the Trust.

*Corporate Performance Metrics*

In the decision making process, the Governance and Human Resources Committee considered the Trust's performance against its peers. The outcomes below were reviewed in the ranking process of the Trust performing at 2<sup>nd</sup> quartile levels. The Governance and Human Resources Committee determined that the total direct compensation for the Named Executive Officers be targeted at the 50-75<sup>th</sup> percentile of the peer group.

The total return performance for the years 2003 to 2008 is set out in the table below:



Peer Group Companies	2008 total return (%)	2007 total return (%)	2006 total return (%)	2005 total return (%)	2004 total return (%)	2003 total return (%)
Advantage Energy Income Fund	-25.3	-15.5	-32.7	16.1	38.4	58.8
ARC Energy Trust	11.6	2.2	-6.8	58.8	33.6	38.8
Baytex Energy Trust	-9.0	-5.0	38.1	52.7	34.3	9.0
Bonavista Energy Trust	-27.7	14.0	-16.0	53.4	43.8	36.3
Crescent Point Energy Trust	7.6	54.6	-3.3	35.4	42.6	16.1
Daylight Resources Trust	27.1	-14.6	-2.6	48.3	-5.3	
Enerplus Resources Trust	-27.6	-11.4	-0.3	38.2	21.5	55.4
Harvest Energy Trust	-31.7	-4.6	-17.3	76.0	80.2	73.4
NAL Oil and Gas Trust	-14.1	9.8	-19.6	48.3	40.8	41.3
Paramount Energy Trust	-0.8	-37.1	-32.2	56.1	55.1	-41.7
Pengrowth Energy Trust	-31.9	2.9	1.3	37.5	-0.8	62.3
Penn West Energy Trust	-31.7	-15.9	4.3	37.8		
Peyto Energy Trust	-31.0	5.0	-23.7	12.0	83.0	82.2
Provident Energy Trust	-32.6	-11.1	13.8	23.0	12.1	25.5
Trilogy Energy Trust	-0.4	-29.6	-41.7	63.4		
<b>Vermilion Energy Trust</b>	<b>-19.75</b>	<b>3.69</b>	<b>24.55</b>	<b>57.98</b>	<b>44.46</b>	<b>46.47</b>
<b>Peer Group Average</b>	<b>-14.8</b>	<b>-3.3</b>	<b>-7.1</b>	<b>46.6</b>	<b>34.4</b>	<b>40.4</b>

#### Chief Executive Officer Review

The Board, in consultation with the Chief Executive Officer, approves annual objectives, which are recommended by the Governance and Human Resources Committee, that the Chief Executive Officer is responsible for achieving.

The compensation of the Chief Executive Officer is based on his performance against the agreed upon written annual objectives. The Chief Executive Officer's goals and performance for 2008 were as set out in the table below.

Objective	Performance in 2008
Develop and implement a short-term and long-term corporate strategy	In 2008, Mr. Donadeo initiated a corporate wide review of the corporate strategy to ensure the Trust is capturing short-term opportunities as well as positioning itself in the long term with a sustainable high performing business plan. The plan was reviewed by the Board for its input and approval. The first year of the strategy was the operating plan for 2008 (the "2008 Operating Plan"). Longer term plans included expansion of the unconventional resource base, focused strategic acquisitions, waterflood optimization of all of the major oil fields, evaluation of the feasibility of enhanced oil recovery for the Chaunoy field in France and the preparation for conversion to a corporation.
Execute the 2008 Operating Plan and deliver production volumes, reserve replacement, general and administrative and operating targets as set out in the 2008 Operating Plan	In 2008, under Mr. Donadeo's leadership, the Trust's capital expenditures were \$186.8 million and, despite unexpected shut-in volumes in the Netherlands, the Trust was able to deliver guidance production numbers as set out in the 2008 Operating Plan. 32.6% of the 2008 cash flow was invested in capital projects and the Trust was able to replace 56.9% of reserves produced, booking 6.82 million boes of proved plus probable reserves, while providing the Trust with strong returns at an attractive recycle ratio of 1.74. An additional \$48.2 million, representing 8.4% of cash flow, was expended to acquire 1.676 million boes of proved plus probable reserves. The Trust effectively managed its operating and general and administrative costs and delivered top quartile netbacks compared to the peer group.

Objective	Performance in 2008
	<p>A key accomplishment of the Trust was the design and implementation of two horizontal wells in Australia. These wells, which required significant engineering, planning and logistics, were effectively drilled and came in on schedule, on budget and delivered better than expected results.</p>
<p>Maintain a strong balance sheet and financial flexibility to support both short-term and long-term business strategies</p>	<p>In 2008, under Mr. Donadeo's direction, the Trust prudently managed its capital spending and strong cash flows to exit the year with one of the strongest balance sheets in the sector. The Trust exited the year with \$208 million of debt on a bank line of \$675 million and a debt to trailing cash flow ratio of 0.36. As a result of our strong balance sheet, we are well positioned to capture opportunistic strategic acquisitions during the current downturn in commodity prices.</p>
<p>Offer a workplace of choice</p>	<p>Mr. Donadeo places a high degree of importance on offering a workplace of choice, so throughout his leadership in 2008, the Trust continued to focus on further strengthening its already strong performance-driven corporate culture. Mr. Donadeo leads by example, and without exception, all business and community initiatives were aligned to the Trust's core values of <i>Excellence, Trust, Respect, and Responsibility</i>.</p> <p>Mr. Donadeo understands that the Unitholders' investment in the Trust is only as good as its investment in people, so under his direction, the Trust enhanced its employee training program, undertook a second global staff survey to identify key areas for improvement, and refined the employee performance management process to ensure individual and business objectives are aligned.</p> <p>Mr. Donadeo believes that a key component of offering a workplace of choice is demonstrating the Trust's social responsibility. To maximize the impact of our contributions to the community, the Trust strategically focuses its charitable giving program in all of its areas of operations on supporting charitable and not-for-profit organizations that address the issue of homelessness and poverty. A snapshot of the agencies that received support from the Trust in 2008 include: Alberta Adolescent Recovery Centre, Alberta Food Bank Network Association, Calgary Drop-In &amp; Rehab Centre, Central Alberta Women's Emergency Shelter, HomeFront, Hockey for the Homeless, Kids Up Front, Northern Haven Support Society, The Mustard Seed, The Salvation Army, Santa's Anonymous, United Way of Calgary and Area, and the YWCA of Calgary.</p> <p>Mr. Donadeo demonstrates a hands-on commitment to community investment that goes beyond cheque book philanthropy. In addition to the Trust's \$2.5 million investment in the Vermilion / YWCA Skills Training Centre, a carpentry program that helps women break the cycle of poverty by equipping them with marketable skills, Mr. Donadeo is actively engaged in ensuring the Trust supports the long-term success of this program by advising on the development of its five-year business plan. The Trust also actively encourages employees to become engaged in giving back to their communities. The Trust's "Volunteer Grant Program" recognizes staff and their families who give back to their communities through volunteerism, while the Trust's "Day of Caring" program provides hands-on opportunities for staff and their families to become engaged in Trust-sponsored volunteer activities during business hours with pay.</p>
<p>Further strengthen and enhance the health, safety and environment program</p>	<p>Social responsibility is a key focus for Mr. Donadeo. In 2008, the Trust further strengthened its corporate emergency response plan, set clear policies for diligent reporting of leading indicator "near misses" to ensure potential incidents are flagged before they happen. The Trust also held numerous Emergency Response Plan exercises to ensure its readiness in the event of an environmental or safety mishap. The Trust was able to achieve or exceed over 90% of its 2008 targets in this area with no major environmental incidents and no major lost time injuries.</p>

See below in "Summary Compensation Table" for total compensation paid to the Named Executive Officers in 2008.

## Summary Compensation Table

The following table provides a summary of compensation information for each of the Named Executive Officers for the year ended December 31, 2008.

Name and Principal Position <sup>(1)</sup>	Year	Salary (\$)	Unit-Based Awards (\$) <sup>(4)</sup>	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation		Pension Value <sup>(3)</sup> (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans (\$) <sup>(5)</sup>	Long-Term Incentive Plans (\$)			
Lorenzo Donadeo President and Chief Executive Officer	2008	408,750	1,000,012	-	300,000	-	42,919	-	1,751,681
	2007	333,333	853,523	-	500,000	-	32,608	-	1,719,464
	2006	<u>269,167</u>	<u>896,776</u>	-	<u>500,000</u>	-	<u>18,842</u>	-	<u>1,684,785</u>
		<b>1,011,250</b>	<b>2,750,311</b>	-	<b>1,300,000</b>	-	<b>94,369</b>	-	<b>5,155,930</b>
Curtis Hicks Executive Vice- President and Chief Financial Officer	2008	257,500	699,955	-	145,000	-	27,037	-	1,129,492
	2007	242,500	507,993	-	220,000	-	21,262	-	991,755
	2006	<u>228,417</u>	<u>433,300</u>	-	<u>220,000</u>	-	<u>15,989</u>	-	<u>897,706</u>
		<b>728,417</b>	<b>1,641,248</b>	-	<b>585,000</b>	-	<b>64,288</b>	-	<b>3,018,953</b>
George (Bob) Mac Dougall Executive Vice- President and Chief Operating Officer	2008	257,500	729,943	-	145,000	-	27,037	-	1,159,480
	2007	242,500	507,993	-	220,000	-	21,262	-	991,755
	2006	<u>226,667</u>	<u>492,105</u>	-	<u>220,000</u>	-	<u>15,867</u>	-	<u>954,639</u>
		<b>726,667</b>	<b>1,730,041</b>	-	<b>585,000</b>	-	<b>64,166</b>	-	<b>3,105,874</b>
John Donovan Executive Vice- President Business Development	2008	257,500	699,955	-	130,000	-	27,037	-	1,114,492
	2007	242,500	507,993	-	200,000	-	21,262	-	971,755
	2006	<u>228,333</u>	<u>433,300</u>	-	<u>220,000</u>	-	<u>15,983</u>	-	<u>897,616</u>
		<b>728,333</b>	<b>1,641,248</b>	-	<b>550,000</b>	-	<b>64,282</b>	-	<b>2,983,863</b>
Paul Beique <sup>(2)</sup> Vice-President, Capital Markets	2008	185,400	356,810	-	94,150	-	19,511	-	655,871
	2007	173,250	213,341	-	130,000	-	15,188	-	531,779
	2006	<u>163,333</u>	<u>221,293</u>	-	<u>130,000</u>	-	<u>11,433</u>	-	<u>526,059</u>
		<b>521,983</b>	<b>791,444</b>	-	<b>354,150</b>	-	<b>46,132</b>	-	<b>1,713,709</b>

### Notes:

- (1) Each Named Executive Officer receives compensation in their role as an officer of VRL, a subsidiary of the Trust.
- (2) Mr. Beique was appointed to Vice-President, Capital Markets in October 2008. The Unit Award includes a one time award for this promotion.
- (3) The Trust does not have a pension plan. These amounts represent contributions made on behalf of the Named Executive Officer to VRL's Savings Plan. See "Compensation Discussion and Analysis - Elements of the Compensation Program and Rationale."
- (4) TAP awarded March 5, 2008 at \$35.28. Value excludes reinvested distributions. See "Executive Compensation - Option-Based Awards - Trust Unit Incentive Plan."
- (5) 2008 bonus amount is payable on March 31, 2009.

### Incentive Plan Awards - Outstanding Unit-Based and Option-Based Awards

The following table sets forth information with respect to the outstanding Unit Awards granted under the TAP and Rights granted under the Incentive Rights Plan to the Named Executive Officers as of December 31, 2008, which includes awards granted prior to January 1, 2009. The closing price of the Trust Units on the TSX on December 31, 2008 was \$34.23.

Name	Option-Based Awards				Unit-Based Awards			
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-the-Money Options <sup>(1)</sup> (\$)	Number of Units that Have Not Vested (#)	Award Date	Award Price (\$)	Market or Payout Value of Unit-Based Awards That Have Not Vested <sup>(1)</sup> (\$)
Lorenzo Donadeo President and Chief Executive Officer	75,000	18.27	August 19, 2009	1,197,000	28,975	March 1, 2006	30.95	991,814
					26,925	March 1, 2007	31.70	921,643
					<u>28,345</u>	March 5, 2008	35.28	<u>970,249</u>
					<b>84,245</b>			<b>2,883,706</b>
Curtis Hicks Executive Vice- President and Chief Financial Officer	40,000	18.27	August 19, 2009	638,400	14,000	March 1, 2006	30.95	479,220
					16,025	March 1, 2007	31.70	548,536
					<u>19,840</u>	March 5, 2008	35.28	<u>679,123</u>
					<b>49,865</b>			<b>1,706,879</b>
George (Bob) MacDougall Executive Vice- President and Chief Operating Officer	-	-	-	-	15,900	March 1, 2006	30.95	544,257
					16,025	March 1, 2007	31.70	548,536
					<u>20,690</u>	March 5, 2008	35.28	<u>708,219</u>
					<b>52,615</b>			<b>1,801,011</b>
John Donovan Executive Vice- President Business Development	—	—	—	—	14,000	March 1, 2006	30.95	479,220
					16,025	March 1, 2007	31.70	548,536
					<u>19,840</u>	March 5, 2008	35.28	<u>679,123</u>
					<b>49,765</b>			<b>1,706,879</b>
Paul Beique Vice-President, Capital Markets	25,000	18.27	August 1 9, 2009	399,000	7,150	March 1, 2006	30.95	244,745
					6,730	March 1, 2007	31.70	230,368
					6,380	March 5, 2008	35.28	218,387
					<u>3,770</u>	October 1, 2008	34.94	<u>129,047</u>
					<b>24,030</b>			<b>822,547</b>

**Note:**

(1) The value of unexercised in-the-money options and market or payout value of unit-based awards that have not vested is based on the closing price of the Trust Units on the TSX on December 31, 2008 of \$34.23. Does not include the value of reinvested distributions.

### Incentive Plan Awards - Value Vested or Earned During the Year

The following table sets forth information with respect to the value of awards granted to the Named Executive Officers pursuant to TAP, Rights Incentive Plan and Employee Bonus Plan that vested during the period ending December 31, 2008.

Name	Option-Based Awards - Value Vested During Year (\$)	Unit- Based Awards - Value Vested During Year (\$)	Non-Equity Incentive Plan Compensation- Value Earned During Year (\$)
Lorenzo Donadeo President and Chief Executive Officer	4,473,215	3,765,403	300,000
Curtis Hicks Executive Vice-President and Chief Financial Officer	1,858,940	1,887,420	145,000
George (Bob) MacDougall Executive Vice-President and Chief Operating Officer	-	943,710	145,000
John Donovan Executive Vice-President Business Development	-	1,887,420	130,000
Paul Beique Vice-President, Capital Markets	894,400	943,710	94,150

### Total Compensation

The total compensation for the Chief Executive Officer and the aggregate compensation for the Chief Executive Officer, Chief Financial Officer and next three highest paid executive officers is shown below:

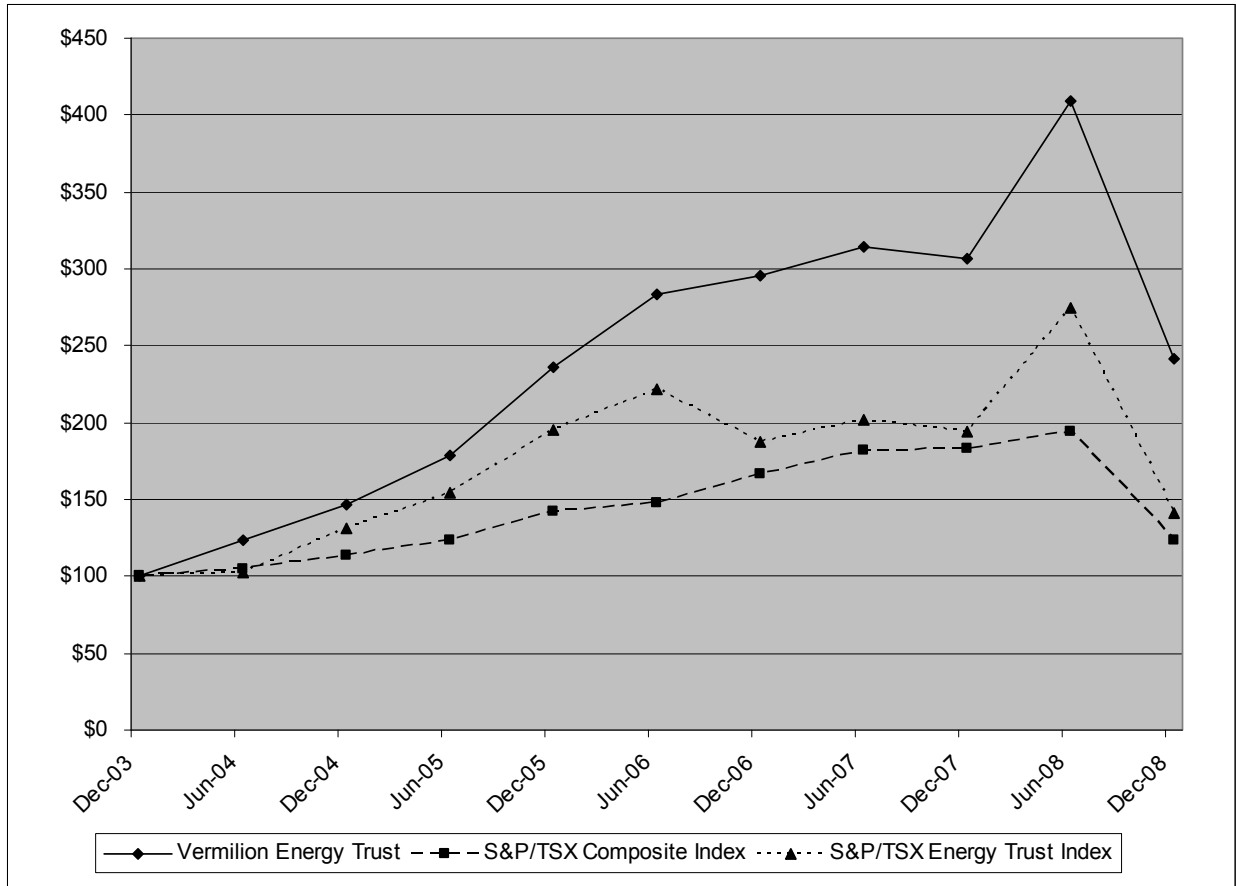
	2008	2007	2006
CEO	\$1,751,681	\$1,776,131	\$1,751,618
Total Aggregate of Named Executive Officers (including the CEO and CFO) <sup>(1)</sup>	\$5,811,016	\$5,392,981	\$5,129,784
Total Aggregate of Named Executive Officers (including the CEO and CFO) as a % of Total Market Capitalization <sup>(2)</sup>	0.30%	0.21%	0.21%
Total Aggregate of Named Executive Officers (including the CEO and CFO) as a % of Cash Flow	1.01%	1.40%	1.50%
Total Aggregate of Named Executive Officers (including the CEO and CFO) as a % of Total Profit	2.54%	3.28%	3.49%
Unitholder Total Return	(19.75)%	3.69%	24.55%

**Notes:**

- (1) Total Aggregate Compensation includes salary, bonus, value of long-term incentives and retirement benefits calculated in the same manner as Summary Executive Compensation above.
- (2) Market capitalization as at December 31 of the applicable year was based on the number of outstanding Trust Units and Exchangeable Shares, assuming they were exchanged for Trust Units at the relevant exchange rate, multiplied by the closing year end Trust Unit price.

### Performance Graph

The following graph illustrates changes from December 31, 2003 to December 31, 2008 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 S&P/TSX Composite Index and the S&P/TSX Total Return Energy Trust Index, assuming the reinvestment of distributions, where applicable, for the comparable period.



Date	Vermilion Energy Trust	S&P/TSX Composite Index	S&P/TSX Energy Trust Index
December 31, 2003	\$100	\$100	\$100
June 30, 2004	\$124	\$105	\$103
December 31, 2004	\$147	\$114	\$131
June 30, 2005	\$179	\$124	\$154
December 30, 2005 <sup>(1)</sup>	\$236	\$142	\$195
June 30, 2006	\$283	\$148	\$222
December 29, 2006 <sup>(2)</sup>	\$296	\$167	\$188
June 29, 2007 <sup>(3)</sup>	\$314	\$182	\$202
December 31, 2007	\$307	\$183	\$194
June 30, 2008	\$409	\$194	\$275
December 31, 2008	\$241	\$123	\$141

**Notes:**

- (1) December 30, 2005 was the last day of trading on the TSX for 2005.
- (2) December 29, 2006 was the last day of trading on the TSX for 2006.
- (3) June 29, 2007 was the last day of trading on the TSX for the month of June.

Total compensation for the Named Executive Officers is impacted by the trend reflected in the performance chart above in addition to market comparisons of peer companies and Named Executive Officers at similar levels. The Governance and Human Resources Committee reviews and recommends to the Board the remuneration of the Trust's Named Executive Officers. The Governance and Human Resources Committee considers a number of

factors in connection with its determination of appropriate levels of compensation as discussed under "Compensation Discussion and Analysis" above. The trading price of the Trust Units on the TSX is subject to fluctuation based on a number of factors, many of which are outside of the control of the Trust. These factors include, but are not limited to, fluctuations and volatility in commodity prices for crude oil and natural gas, volatility in foreign exchange rates and global economic conditions, some of which are disclosed under the heading "Risk Factors" in the Trust's Management and Discussion Analysis for the period ended December 31, 2008 and the annual information form of the Trust dated March 17, 2009.

In respect of the compensation paid to the Named Executive Officers in 2008, the base salary remained at the same level while the bonus decreased significantly compared to compensation paid in 2007. The marginal increase in the total compensation paid to the Named Executive Officers in 2008, as compared to 2006 and 2007, is directly related to the amount of the payout under the TAP. The Unit Awards vested in 2008 consisted of the Unit Awards granted in the 2005. The maximum payout of 2 was based on corporate measures for 2005, 2006, and 2007 performance years and included reinvestment of distributions.

### **Option-Based Awards**

***Trust Unit Award Incentive Plan:*** In accordance with the terms of the TAP, two types of Unit Awards may be granted: Restricted Time Based Awards and Performance Based Awards. Unit Awards granted to the executive officers, including the Named Executive Officers are at all times designated as Performance Based Awards. Grantees of Unit Awards, other than executive officers, are permitted to allocate the applicable Unit Award as between a Performance Based Award or a Restricted Time Based Award either: (a) 100% as a Performance Based Award; or (b) 75% as a Performance Based Award and 25% as a Restricted Time Based Award, and such determination shall be reflected in the Unit Award Agreement. Failure by a grantee to elect a particular allocation results in the grantee being deemed to have selected the allocation in (b) above.

At the sole discretion of the Board, Trust Units deliverable pursuant to Unit Awards may be issued from treasury or acquired through the facilities of the TSX. The number of Trust Units reserved for issuance from time to time pursuant to Unit Awards may not exceed 10% of the aggregate number of outstanding Trust Units (calculated on an undiluted basis). In addition, no one service provider may be granted any Unit Award which would, together with all Unit Awards then held by such grantee, entitle such grantee to receive a number of Trust Units which exceeds 5% of the outstanding Trust Units (calculated on an undiluted basis).

The vesting date for the Restricted Units subject to either a Performance Based Award or a Restricted Time Based Award occurs on April 1, or such other date should the vesting date coincide with a blackout period imposed by the Trust, of the third year following the date of the Unit Award. Upon the vesting of a Unit Award, all of the Restricted Units subject to either a Performance Based Award or a Restricted Time Based Award shall be deliverable to the grantee, multiplied in the case of a Performance Based Award by the Performance Factor (as defined in the TAP).

In addition, the Restricted Units which have vested on a vesting date will be cumulatively adjusted with the fair market value of the monthly market price to account for distributions attributable to such Restricted Units from the date of grant to the vesting date.

Under the terms of the TAP, the Board may elect in its discretion to pay to any grantee of a Unit Award, in lieu of delivering all or any part of the Trust Units that would be otherwise delivered to the grantee on such issue date, a cash amount equal to the aggregate fair market value of the Trust Units that would otherwise have been issued on such issue date in consideration for surrender by the grantee to the Trust of the right to receive all or any part of the Trust Units under such Unit Award.

In the event that a grantee of a Unit Award is terminated for cause, all Unit Award Agreements and all unvested Restricted Units will be terminated and all rights to receive Trust Units thereunder will be forfeited. In the event a grantee of a Unit Award is terminated for any reason other than for cause, all outstanding Unit Award Agreements and all unvested Restricted Units will be terminated as of the date of the notice of termination and all outstanding Restricted Awards will be terminated as of the last day of any notice period in respect of such termination. In the event a grantee of a Unit Award voluntarily resigns, all Unit Award Agreements and all unvested

Restricted Units will be terminated as of the last day of any notice period applicable in respect of such resignation. In the event a grantee takes a leave of absence (other than maternity leave, parental leave or disability leave), the vesting of all Restricted Units which are unvested shall be suspended and such terms of vesting shall be adjusted upon completion of the leave of absence such that the date of vesting is extended in proportion to the length of the leave of absence. In the event of the death of the grantee, the vesting date of all Restricted Unit Awards shall be accelerated as of the date of the grantee's death provided that the Board, taking into account the performance of the Trust and the grantee, may determine the performance factor to be applied and the number of Restricted Units which will vest. All Restricted Units will be non-assignable and non-transferable, except upon the death of the grantee.

Details of the value of the Unit Awards granted to the Directors and the Named Executive Officers pursuant to the TAP in 2008 are provided in the "Director Summary Compensation Table" and "Summary Compensation Table," respectively.

***Rights Incentive Plan:*** The Board has the powers to grant Rights to purchase Trust Units to directors, executive officers, employees and consultants of the Trust. The number of Trust Units reserved from time to time for Rights may not be more than 6,000,000 Trust Units. The number of Rights reserved for issuance to one holder cannot exceed 5% of the issued and outstanding Trust Units. The Board 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, except for a limited right of assignment in the event of death or incapacity.

The term of a Right may be exercised during a period not exceeding ten years from the date on which the Right was granted (the "Grant Date"); however, VRL limited the term for Rights issued to five years.

Any Rights granted vest pursuant to vesting schedules determined by the Board in its sole discretion. VRL's current provisions for vesting require all rights agreements, including those provided to directors and executive officers, to either vest in thirds (as a new hire), with the first third vesting one year from the Grant Date or to vest in full, three years from the Grant Date. 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 other than maternity leave, parental leave or disability leave), 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.

The term and exercise periods for Rights are determined at the discretion of the Board at the time of granting the Rights. The Board may determine that a Right is exercisable only during the term of employment or during the term of employment and for a limited period of time after termination of employment. Also, the Board may determine that a Right is exercisable for a period of time or for its remaining term after the death, disability or incapacity of the service provider. In the alternative, the Board may determine that a Right can be exercised early or terminated in the event of the death of a person.

Subject to regulatory approval, the Grant Price per Right is set to equal to 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.

The Board may, in its discretion, amend the terms and conditions of the Rights Incentive Plan or terminate the Rights Incentive Plan. Any amendment to the plan shall be subject to the prior consent of any applicable regulatory bodies, including the TSX.



**Savings Plan:** Savings Plan is a voluntary plan that allows all eligible participants, including the Named 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 by 1.5 times, up to a maximum of 10.5%. Funds contributed up to the maximum combined contribution of 17.5% of the base salary are used to purchase Trust Units through the facilities of the TSX. The Trust Units purchased by the participant and through 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. In the event a participant chooses to sell his or her Trust Units prior to having held the Trust Units for one year, a penalty will be imposed on the participant of not providing VRL contributions for a period of three months.

**Pension Plan Benefits:** VRL does not have any of the following plans in place: defined benefits plan, defined contribution plan or deferred compensation plan for the Named Executive Officers or employees.

### **Termination and Change of Control Benefits**

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 Named Executive Officer in the event of termination without "just cause", for "good reason" or in the event of a "change of control".

Payment with respect to "change of control" is triggered upon occurrence of any of the following: (i) the purchase or acquisition of Trust Units of the Trust and/or securities convertible into Trust Units of the Trust or carrying the right to acquire Trust Units of the Trust ("Convertible Securities") as a result of which a person, group of person or persons acting jointly or in concert, or any affiliates or associates of any such person, group of persons or any of such persons acting jointly or in concert (collectively, the "Holders") beneficially own or exercise control or direction over Trust Units and/or Convertible Securities of the Trust that, assuming only the conversion of the Convertible Securities beneficially owned by the Holders thereof, would have the right to cast more than 33 1/3% of the votes attached to all Trust Units of the Trust; or (ii) approval by the Unitholders of the Trust of: (A) an amalgamation, arrangement, merger or other consolidation or combination of the Trust with another trust, corporation or other entity pursuant to which the Unitholders immediately prior to such transaction own securities of the successor or continuing trust, corporation or other entity following completion of such transaction that would entitle them to cast less than 33 1/3% of the votes attaching to all of the trust units or shares in the capital of the successor or continuing trust, corporation or other entity; (B) a liquidation, dissolution or winding up of the Trust or VRL; or (C) the sale, lease or other disposition of all or substantially all of the assets of the Trust or VRL; or (iii) the election at a meeting of the Unitholders of a number of directors of VRL, who were not included in the slate for election as directors proposed to the Unitholders by VRL's prior Board, and would represent a majority of the Board; or (iv) the appointment of a number of directors which would represent a majority of the Board and which were nominated by any holder of Trust Units of the Trust or by any group of holders of Trust Units of the Trust acting jointly or in concert and not approved by the VRL's prior Board.

Event of termination for "good reason", pursuant to the terms of the executive employment agreements with the Named Executive Officers, is brought about by occurrence of any of the following events: (i) a materially detrimental change (other than those which are clearly consistent with a promotion) in the Named Executive Officer's position or duties, title or office, which includes any removal of the Named Executive Officer from or any failure to re-elect or re-appoint the Named Executive Officer to any such positions or offices; provided that such term shall not include (A) a change consistent with VRL splitting a position into one or more positions based on the demands of such position so long as there is no reduction in the Named Executive Officer's annual salary or a material reduction in benefits or other remuneration or (B) a request by VRL for the Named Executive Officer to be employed by one of VRL's affiliates or associates if such employment would be on substantially the same terms as his employment with VRL (including with respect to geographic location) and there would be no reduction in the Executive's Annual Salary or a material reduction in Benefits or other remuneration; or (ii) a reduction by VRL in the Named Executive Officer's annual salary or any material change in the manner in which the Named Executive Officer's annual salary is determined. Provided, however, that the "good reason" shall expressly be deemed not to include the following: (i) the occurrence of any of the aforesaid events with the consent of the Named Executive Officer; (ii) termination of the employment of the Named Executive Officer for "just cause", death or disability; or (iii) the occurrence of any of the aforesaid events where such event has been approved by the Board on the basis that such action is reasonable and justifiable in the immediate best interests of VRL and such action has been applied in a similar and consistent manner to all executives of VRL.

The Named Executive Officers receive a payment upon their employment being terminated without "just cause". Pursuant to the provisions of the executive employment agreements, "just cause" means any act or course of conduct which at law constitutes just cause and shall expressly be deemed to include, without limitation: (i) the continued failure by the Named Executive Officer to substantially perform his duties according to the terms of his employment (other than any such failure resulting from the Named Executive Officer's disability) after VRL has given the Named Executive Officer reasonable notice of such failure and a reasonable opportunity to correct it; (ii) the engaging by the Named Executive Officer in any act which is materially injurious to VRL, financially or otherwise; (iii) a breach of any provision in the executive employment agreement dealing with confidentiality, non-solicitation and non-competition matters or a material breach of any other provision of the executive employment agreement; (iv) the conviction of the Named Executive Officer of an indictable offence or fraud; or (v) fraud, theft or wilful misconduct by the Named Executive Officer that relates to or affects VRL, the Trust or the Named Executive Officer's employment with VRL.

The key terms of the executive employment agreements with the Named Executive Officers set out in the table below.

Effective Date	Lorenzo Donadeo, President and Chief Executive Officer: March 1, 2006 Curtis Hicks, Executive Vice-President and Chief Financial Officer: March 1, 2006 George (Bob) Mac Dougall, Executive Vice-President and Chief Operating Officer: March 1, 2006 John Donovan, Executive Vice-President Business Development: March 1, 2006 Paul Beique, Vice-President, Capital Markets: October 1, 2008
Base Salary	See "Summary Compensation Table" above. As determined by the Governance and Human Resources Committee.
Annual Variable Compensation	Discretionary bonus amount of which is determined in accordance with the Employee Bonus Plan. Participation in the TAP. Reimbursement of expenses for reasonable travelling and other expenses properly incurred in connection with fulfilment of the employment duties.
Benefits	Benefits which are determined in accordance with a formal executive benefits plan documents or policies.
Vacation	Paid vacation in accordance with VRL's vacation policy.
Termination of Employment Without "Just Cause" or for "Good Reason"	VRL shall pay to the Named Executive Officer: (i) the amount of unpaid salary to and including the termination date; (ii) all outstanding vacation pay and expense reimbursement; and (iii) a severance payment which shall be equal to the aggregate of: 2 times the annual salary, 2 times the average amount of the bonus payments paid by VRL to the Named Executive Officer on an annual basis for the 3 full calendar years prior to the date of termination and an amount equal to VRL's cost of all benefit plans in which the Named Executive Officer is actively participating at the date of termination for a period of 2 years following the date of termination (the "Severance Payment"). <sup>(1)</sup> If the termination occurs prior to receipt of the payment of 3 years of bonus payments, the Named Executive Officer shall receive the average of the bonuses paid for each full year of service (in the 3 year period) to date of termination.  Any rights to purchase Trust Units under the Incentive Rights Plan that would have vested during the 2 year period <sup>(2)</sup> for which the severance payment is being paid shall automatically vest on the date of termination and such vested rights must be exercised and shall expire in accordance with the terms of the Incentive Rights Plan. Any outstanding awards of Trust Units under the TAP shall continue to vest and Trust Units shall be granted in respect of such vested award in accordance with the TAP.

Termination upon "Change of Control"	<p>VRL shall pay to the Named Executive Officer the amount of the Severance Pay.<sup>(1)</sup></p> <p>Any rights to purchase Trust Units under the Incentive Rights Plan that would have vested during the 2 year period<sup>(2)</sup> for which the severance payment is being paid shall automatically vest on the date of termination and such vested rights must be exercised and shall expire in accordance with the terms of the Incentive Rights Plan. Any outstanding awards of Trust Units under the TAP shall continue to vest and Trust Units shall be granted in respect of such vested award in accordance with the TAP. However, to the extent that "change of control" constitutes an "Unsolicited Offer" as defined in the Incentive Rights Plan or a "Change of Control Transaction" in the TAP, the provisions under the Incentive Rights Plan or the TAP applicable to such an event shall govern the vesting and treatment of the Named Executive Officer's rights and awards under such plans</p>
Termination for "Just Cause" or Without "Good Reason"	<p>VRL shall pay to the Named Executive Officer: (i) the amount of unpaid salary to and including the termination date; and (ii) all outstanding vacation pay and expense reimbursement.</p> <p>Any vested rights to purchase Trust Units under the Incentive Rights Plan must be exercised and shall expire in accordance with the terms of the Incentive Rights Plan. Any outstanding award of Trust Units under the TAP shall terminate in accordance with the terms of the TAP.</p>
Termination upon Death	<p>Personal representatives of the Named Executive Officer shall be entitled to receive: (i) the amount of unpaid salary to and including the date of death; and (ii) all outstanding vacation pay and expense reimbursement.</p> <p>Any vested rights to purchase Trust Units under the Rights Incentive Plan must be exercised and shall expire in accordance with the applicable option agreement entered into by the deceased Named Executive Officer. Any outstanding awards of Trust Units under the TAP shall vest and Trust Units shall be granted in respect of such vested awards in accordance with the TAP Plan.</p>
Termination upon Disability	<p>VRL shall pay to the Named Executive Officer: (i) the amount of unpaid salary to and including the date of termination and all outstanding pay (unless the Named Executive Officer is receiving long-term disability insurance, in which case VRL shall have no obligation to pay the Named Executive Officer's salary or vacation pay); (ii) outstanding expense reimbursements; and (iii) the Severance Payment.<sup>(1)</sup></p> <p>Any rights to purchase Trust Units under the Incentive Rights Plan that would have vested during the 2 year period<sup>(2)</sup> for which the severance payment is being paid shall automatically vest on the date of termination and such vested rights must be exercised and shall expire in accordance with the terms of the Incentive Rights Plan. Any outstanding awards of Trust Units under the TAP shall continue to vest and Trust Units shall be granted in respect of such vested award in accordance with the TAP.</p>

**Notes:**

- (1) Severance Payment amount for Messrs. Donadeo, Hicks, MacDougall and Donovan is based on a 2 year period. Severance Payment amount for Mr. Beique is based on a 1 year period.
- (2) The vesting of any rights under the Incentive Rights Plan for Messrs. Donadeo, Hicks, MacDougall and Donovan is based on a 2 year period. The vesting of any rights under the Incentive Rights Plan for Mr. Beique is based on a 1 year period.

Based on each of the Named Executive Officers' 2008 base salary, bonus and benefits, the table below sets out an estimated aggregate amount that each of the Named Executive Officers would have been entitled to if the event resulting in termination of employment occurred on January 1, 2009.

Name	Termination of Employment Without "Just Cause" or for "Good Reason"	Termination upon "Change of Control"	Termination for "Just Cause" or Without "Good Reason"
Lorenzo Donadeo President and Chief Executive Officer	\$1,268,455	\$1,268,455	\$1,268,455
Curtis Hicks Executive Vice-President and Chief Financial Officer	\$724,897	\$724,897	\$724,897

<b>Name</b>	<b>Termination of Employment Without "Just Cause" or for "Good Reason"</b>	<b>Termination upon "Change of Control"</b>	<b>Termination for "Just Cause" or Without "Good Reason"</b>
George (Bob) MacDougall Executive Vice-President and Chief Operating Officer	\$724,897	\$724,897	\$724,897
John Donovan Executive Vice-President Business Development	\$711,558	\$711,558	\$711,558
Paul Beique Vice-President, Capital Markets	\$345,136	\$345,136	\$345,136

The executive employment agreements rely on the terms and conditions of the Incentive Rights Plan and the TAP, as they relate to termination provisions for all employees, including the Named Executive Officers. See "Executive Compensation - Incentive Plan Awards - Value Vested or Earned During the Year" for further details.

#### **Total Compensation Mix of Executive Officers**

The following table outlines the compensation mix of the total compensation awarded in 2008 for each of the Named Executive Officers. The Trust's performance based compensation program is designed to vary from year to year based on individual and Trust performance and market competitiveness.

<b>Name</b>	<b>Fixed Pay</b>	<b>Variable Pay</b>		<b>Savings Plan</b>
	<b>Base Salary</b>	<b>Bonus</b>	<b>TAP</b>	
Lorenzo Donadeo President and Chief Executive Officer	23%	17%	57%	2%
Curtis Hicks Executive Vice-President and Chief Financial Officer	23%	13%	62%	2%
George (Bob) MacDougall Executive Vice-President and Chief Operating Officer	22%	13%	63%	2%
John Donovan Executive Vice-President Business Development	23%	12%	63%	2%
Paul Beique Vice-President, Capital Markets	28%	14%	54%	3%

**SECURITIES ISSUABLE UNDER EQUITY COMPENSATION PLANS**

The following table sets forth, as at December 31, 2008, the number of Trust Units to be issued upon exercise of outstanding Rights issued pursuant to the Rights Incentive Plan and pursuant to Unit Awards under the TAP, the weighted average exercise price of such outstanding Rights and Unit Awards and the number of Trust Units remaining available for future issuance under the Rights Incentive Plan and the TAP.

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding Rights and Unit Awards</b>	<b>Weighted-average exercise prices of outstanding Rights and Unit Awards</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 <sup>(1)(2)</sup>	339,850 Rights 1,247,768 Unit Awards	\$18.40 \$38.67	684,900 Rights 3,782,569 Unit Awards
Equity compensation plans not approved by securityholders	-	-	-
Total	339,850 Rights 1,247,768 Unit Awards	N/A	684,900 Rights 3,782,569 Unit Awards

**Notes:**

- (1) The Rights Incentive Plan was approved in connection with the Arrangement in January 2003.
- (2) At the time of its implementation, the TAP did not provide for the issuance of Trust Units from treasury to satisfy Unit Awards under the TAP; all Unit Awards were then contemplated to be satisfied by the purchase of Trust Units on the open market. As Trust Units issuable pursuant to Unit Awards were only purchased on the open market, the rules of the TSX did not require the Unitholders to approve the TAP. In May 2005, the Unitholders approved an amendment to the TAP which allows the Trust to either purchase Trust Units on the open market or to issue Trust Units from treasury to satisfy Unit Awards, at the discretion of the Board.
- (3) With the implementation of the TAP, the granting of Rights under the Rights Incentive Plan will only be used in limited circumstances. No rights have been issued under the Rights Incentive Plan since March 2005.

### 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.

<b>Period</b>	<b>Distribution Amount for Period per Trust Unit</b>
<b>2003</b>	
January 22 to December 31	\$1.87
<b>2004</b>	
January to December	\$2.04
<b>2005</b>	
January to December	\$2.04
<b>2006</b>	
January to December	\$2.04
<b>2007</b>	
January to December	\$2.06
<b>2008</b>	
January to December	\$2.28
<b>2009</b>	
January to March	\$0.57
<b>Total Cash Distribution since January 22, 2003</b>	<b>\$12.90</b>

### 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, 2008 and this Proxy Statement and Circular may be obtained on the SEDAR website at [www.sedar.com](http://www.sedar.com) or from the Executive Vice President and Chief Financial Officer of VRL at Suite 2800, 400 – 4<sup>th</sup> Avenue S.W., Calgary, Alberta T2P 0J4. Financial information is provided in the Trust's comparative financial statements and management's discussion and analysis for the year ended December 31, 2008.

**SCHEDULE "A"**  
**TERMS OF REFERENCE FOR THE BOARD**

**I. INTRODUCTION**

- A. The Board's primary responsibility is to foster the long-term success of Vermilion Energy Trust (the "Trust") consistent with the Board's responsibility to the unitholders to maximize unitholder value
- B. The Board of Directors has plenary power. Any responsibility not delegated to management or a committee of the Board remains with the Board.
- C. These terms of reference are prepared to assist the Board and management in clarifying responsibilities and ensuring effective communication between the Board and management.

**II. COMPOSITION AND BOARD ORGANIZATION**

- A. Nominees for directors are initially considered and recommended by the Governance and Human Resources Committee of the Board, approved by the entire Board and elected annually by the unitholders of the Trust
- B. A majority of directors comprising the Board must qualify as independent directors<sup>1</sup>
- C. Certain of the responsibilities of the Board referred to herein may be delegated to committees of the Board. The responsibilities of those committees will be as set forth in their terms of reference, as amended from time to time

**III. DUTIES AND RESPONSIBILITIES**

**A. Managing the Affairs of the Board**

The Board operates by delegating certain of its authorities, including spending authorizations, to management and by reserving certain powers to itself. The legal obligations of the Board are described in detail in Section IV. Subject to these legal obligations and to the Articles and By-laws of the Trust, the Board retains the responsibility for managing its own affairs, including:

- i) planning its composition and size;
- ii) selecting and setting the terms of reference for the Chairman of the Board;
- iii) nominating candidates for election to the Board;
- iv) appointing committees;
- v) determining director compensation; and
- vi) assessing the effectiveness of the Board, committees and directors in fulfilling their responsibilities.

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<sup>1</sup> The Board has adopted the meaning of "Independence" set forth in National Instrument 58-101, *Disclosure of Corporate Governance Practices*.

**B. Management and Human Resources**

The Board has the responsibility for:

- i) the appointment and succession of the President and Chief Executive Officer (the "CEO") and monitoring CEO performance, approving CEO compensation and providing advice and counsel to the CEO in the execution of the CEO's duties;
- ii) approving terms of reference for the CEO;
- iii) satisfying itself as to the integrity of the CEO and the other executive officers and that the CEO and the other executive officers create a culture of integrity throughout the organization;
- iv) in consultation with the CEO, approve annual objectives that the CEO is responsible for meeting;
- v) reviewing CEO performance at least annually, against agreed upon written objectives;
- vi) approving decisions relating to senior management, including the:
  - a) appointment and discharge of officers;
  - b) compensation and benefits for executive officers;
  - c) CEO's acceptance of public service commitments or outside directorships; and
  - d) employment contracts, termination and other special arrangements with executive officers, or other employee groups.
- vii) ensuring succession planning programs are in place, including programs to train and develop management;
- viii) approving certain matters relating to all employees, including:
  - a) the annual salary policy/program for employees;
  - b) new benefit programs or material changes to existing programs; and
  - c) pension fund investment guidelines and the appointment of pension fund managers.

**C. Strategy and Plans**

The Board has the responsibility to:

- i) participate with management, in the development of, and ultimately approve, the Trust's strategic plan;
- ii) approve the annual business plans that enable the Trust to realize its objectives;
- iii) approve annual capital and operating budgets which support the Trust's ability to meet its strategic objectives;
- iv) approve the entering into, or withdrawing from, lines of business that are, or are likely to be, material to the Trust;



- v) approve material divestitures and acquisitions; and
- vi) monitor the Trust's progress towards its goals, and to revise and alter its direction through management in light of changing circumstances.

**D. Financial and Corporate Issues**

The Board has the responsibility to:

- i) with consideration to the recommendation of the Audit Committee, nominate an External Auditor for approval by unitholders; and if the Board does not adopt the Audit Committee's recommendation for External Auditor, ensure this fact is disclosed in the Annual Information Form or Proxy Statement and Information Circular;
- ii) with consideration to the recommendation of the Audit Committee, approve the compensation of the External Auditor; and if the Board does not adopt the Audit Committee's recommendation, ensure this fact is disclosed in the Annual Information Form or Proxy Statement and Information Circular;
- iii) take reasonable steps to ensure the implementation and integrity of the Trust's internal control and management information systems;
- iv) review operating and financial performance relative to budgets or objectives;
- v) approve annual and quarterly financial statements and related press releases and approve release thereof by management;
- vi) approve the Management Proxy Circular, Annual Information Form and documents incorporated by reference therein; and
- vii) set unit distributions
- viii) approve financings, changes in authorized capital, issue and repurchase of units, issue of debt securities, listing of units and other securities, issue of commercial paper, and related prospectuses and trust indentures;
- ix) approve the commencement or settlement of litigation that may have a material impact on the Trust.

**E. Business and Risk Management**

The Board has the responsibility to:

- i) ensure management identifies the principal risks of the Trust's business and implements appropriate systems to manage these risks;
- ii) assess and monitor management control systems:
  - a) evaluate and assess information provided by management and others (e.g., internal and external auditors) about the effectiveness of management control systems; and
  - b) understand principal risks and determine whether the Trust achieves a proper balance between risk and returns.

**F. Policies and Procedures**

The Board has the responsibility to:

- i) approve and monitor compliance with all significant policies and procedures by which the Trust is operated;
- ii) direct management to ensure the Trust operates at all times within applicable laws and regulations and to the highest ethical and moral standards;
- iii) adopt a written Code of Business Conduct and Ethics; and
- iv) review significant new corporate policies or material amendments to existing policies (including, for example, policies regarding business conduct, conflict of interest and the environment).

**G. Compliance Reporting and Corporate Communications**

The Board has the responsibility to:

- i) ensure the Trust has in place effective communication processes with unitholders and other stakeholders and financial, regulatory and other recipients;
- ii) approve interaction with unitholders on all items requiring unitholder response or approval;
- iii) ensure that the financial performance of the Trust is adequately reported to unitholders, other security holders and regulators on a timely and regular basis;
- iv) ensure the financial results are reported fairly and in accordance with generally accepted accounting principles;
- v) ensure the timely reporting of any other developments that have a significant and material impact on the value of the Trust; and
- vi) report annually to unitholders on the Board's stewardship for the preceding year (the Annual Report, Information Circular and/or Proxy Statement and Information Circular).

**IV. GENERAL LEGAL OBLIGATIONS OF THE BOARD OF DIRECTORS**

**A. The Board is responsible for:**

- i) directing management to ensure legal requirements have been met, and documents and records have been properly prepared, approved and maintained; and
- ii) approving matters requiring unitholder approval, and agendas for unitholder meetings; and

**B. Legal requirements for the Board include:**

- i) to act honestly and in good faith with a view to the best interests of the Trust;
- ii) to exercise the care, diligence and skill that reasonably prudent people would exercise in comparable circumstances.

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