



## VERMILION ENERGY TRUST

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Forward-looking information

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

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

**Q3-2009 – FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following is Management's Discussion and Analysis (MD&A) dated November 4, 2009 of Vermilion's operating and financial results as at and for the three and nine month periods ended September 30, 2009 compared with the corresponding periods in the prior year. This discussion should be read in conjunction with the unaudited interim consolidated financial statements for the period ended September 30, 2009 and the Trust's audited consolidated financial statements for the years ended December 31, 2008 and 2007, together with accompanying notes, as contained in the Trust's 2008 Annual Report.

### **NON-GAAP MEASURES**

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

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

(\$000's)	Three Months Ended		Nine Months Ended	
	Sept 30, 2009	Sept 30, 2008	Sept 30, 2009	Sept 30, 2008
Cash flows from operating activities	\$ 88,297	\$ 168,251	\$ 146,132	\$ 517,152
Changes in non-cash operating working capital	(20,005)	(39,403)	71,800	(80,852)
Asset retirement costs incurred	1,019	2,986	5,285	5,277
<b>Fund flows from operations</b>	<b>\$ 69,311</b>	<b>\$ 131,834</b>	<b>\$ 223,217</b>	<b>\$ 441,577</b>

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

(\$000's)	Three Months Ended		Nine Months Ended	
	Sept 30, 2009	Sept 30, 2008	Sept 30, 2009	Sept 30, 2008
Acquisition of petroleum and natural gas properties from consolidated statements of cash flows	\$ 125,074	\$ 959	\$ 142,622	\$ 46,387
Corporate acquisition, net of cash acquired from consolidated statements of cash flows	-	-	-	-
Working capital deficiencies acquired from investments and acquisitions (see financial statement notes for relevant period)	57,507	-	57,507	-
<b>Acquisitions, including acquired working capital deficiency</b>	<b>\$ 182,581</b>	<b>\$ 959</b>	<b>\$ 200,129</b>	<b>\$ 46,387</b>

“Net debt” is the sum of long-term debt and working capital excluding the amount due pursuant to acquisition as presented in the Trust’s consolidated statements. Net debt is used by management to analyze the financial position and leverage of the Trust. Net debt is reconciled below to long-term debt which is the most directly comparable GAAP measure:

(\$000's)	As At		As At	
	Sept 30, 2009	Dec 31, 2008	Sept 30, 2008	Sept 30, 2008
Long-term debt	\$ 374,729	\$ 197,651	\$ 282,711	
Current liabilities	198,939	250,275	214,903	
Current assets	(133,700)	(240,173)	(275,429)	
Net debt	\$ 439,968	\$ 207,753	\$ 222,185	

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

“Net distributions” is calculated as distributions declared for a given period less proceeds received by the Trust pursuant to the Distribution Reinvestment Plan (“DRIP”). Distributions both before and after DRIP are reviewed by management and are also assessed as a percentage of fund flows from operations to analyze how much of the cash that is generated by the Trust is being used to fund distributions. The DRIP program was suspended on May 14, 2008, resulting in no proceeds in the current year. Net distributions is reconciled below to distributions declared, the most directly comparable GAAP measure:

(\$000's)	Three Months Ended		Nine Months Ended	
	Sept 30, 2009	Sept 30, 2008	Sept 30, 2009	Sept 30, 2008
Distributions declared	\$ 40,677	\$ 39,810	\$ 121,366	\$ 118,652
Issue of trust units pursuant to the distribution reinvestment plan	-	-	-	(18,453)
Net distributions	\$ 40,677	\$ 39,810	\$ 121,366	\$ 100,199

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

(\$000's)	Three Months Ended		Nine Months Ended	
	Sept 30, 2009	Sept 30, 2008	Sept 30, 2009	Sept 30, 2008
Distributions declared	\$ 40,677	\$ 39,810	\$ 121,366	\$ 118,652
Issue of trust units pursuant to the distribution reinvestment plan	-	-	-	(18,453)
Drilling and development of petroleum and natural gas properties	50,781	37,402	119,208	105,971
Contributions to reclamation fund	-	9,711	-	9,711
Asset retirement costs incurred	1,019	2,986	5,285	5,277
	\$ 92,477	\$ 89,909	\$ 245,859	\$ 221,158

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

“Adjusted basic trust units outstanding” and “Adjusted basic weighted average trust units outstanding” are used in the per unit calculations on the Highlights schedule of this document and are different from the most directly comparable GAAP figures in that they include amounts related to outstanding exchangeable shares at the period end exchange ratio. As the exchangeable shares will eventually be converted into units of the Trust, management believes that their inclusion in the calculation of basic rather than only diluted per unit statistics provides meaningful information. “Diluted trust units outstanding” is the sum of “Adjusted basic trust units outstanding” plus outstanding awards under the Trust’s Unit Rights Incentive Plan and the Trust Unit Award Incentive Plan, based on current performance factor estimates. These measures are reconciled to the relevant GAAP measures below:

	As At Sept 30, 2009	As At Sept 30, 2008
Trust units outstanding	71,410,933	69,845,521
Trust units issuable pursuant to exchangeable shares outstanding	7,091,597	7,058,671
Adjusted basic trust units outstanding	78,502,530	76,904,192
Potential trust units issuable pursuant to unit compensation plans	1,487,388	2,245,590
Diluted trust units outstanding	79,989,918	79,149,782

	As At Sept 30, 2009	As At Sept 30, 2008
Basic weighted average trust units outstanding	70,963,460	69,322,375
Trust units issuable pursuant to exchangeable shares outstanding	7,162,800	7,065,140
Adjusted basic weighted average trust units outstanding	78,126,260	76,387,515

## FORWARD-LOOKING INFORMATION

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

## OPERATIONAL ACTIVITIES

In Canada, the Trust participated in the drilling of four wells (2.17 net) during the third quarter of 2009, resulting in two standing wells awaiting tie-in (1.2 net), one gas well (0.3 net) and one abandoned well (0.67 net). Vermilion completed a multistage fracture treatment on a well in Drayton Valley that yielded initial production of approximately 4 mmcf/d. Vermilion has plans for additional multi-stage completions of horizontal wells in the fourth quarter of 2009.

In France, Vermilion continues a steady program of workovers and recompletions providing a stabilizing influence on production.

In the Netherlands, Vermilion drilled and completed an exploration well at Vinkega in the third quarter. The well is currently being tested and has produced at rates in excess of 30 mmcf/d from two separate formations. A full development plan for this new discovery will be submitted for regulatory approval, after which the well will be tied in to production facilities. First production from the Vinkega well is anticipated near the end of 2010.

In Australia, the Wandoo B platform was shut down for a few days during the third quarter to repair a failed gas lift compressor. Preparation and planning for the 2010 drilling program is in progress.

## PRODUCTION

Average production in Canada during the third quarter of 2009 was 3,601 bbls/d of oil and NGLs and 45.7 mmcf/d of natural gas (11,212 boe/d) compared to 3,769 bbls/d of oil and NGLs and 51.1 mmcf/d of natural gas (12,288 boe/d) in the second quarter of 2009. Reduced third quarter 2009 production resulted from a combination of normal declines and the voluntary shut-in of up to 1,000 boe/d due to low gas prices during the quarter. All but 200 boe/d of that production has been reinstated, but the impact on daily average production for the third quarter was 350 boe/d.

Production in France averaged 8,257 boe/d in the third quarter of 2009, slightly lower than the 8,628 boe/d produced in the second quarter of 2009. Third quarter 2009 production was impacted by two, non-operated gas compressor failures at Vic Bihl and higher than expected declines from some of the Cazaux field workovers. An ongoing workover and recompletion program is expected to hold production stable through the end of 2009.

Netherlands volumes averaged 3,351 boe/d in the third quarter of 2009, roughly equal to the 3,391 boe/d recorded in the second quarter of 2009. Some minor downtime is projected in the fourth quarter related to production shut-in for the drilling of the Middenmeer and Middelburen wells, which could impact fourth quarter production by as much as 200 boe/d.

Australia production averaged 7,598 boe/d in the third quarter of 2009, compared to 7,931 boe/d in the second quarter of 2009. The failure of a gas lift compressor, and subsequent downtime to repair the same resulted in an approximate loss of 350 boe/d during the quarter. Fourth quarter 2009 volumes are projected to remain at approximately 7,500 boe/d.

	Three Months Ended Sept 30, 2009				Nine Months Ended Sept 30, 2009			
	Oil & NGLs (bbls/d)	Natural Gas (mmcf/d)	Total (boe/d)	%	Oil & NGLs (bbls/d)	Natural Gas (mmcf/d)	Total (boe/d)	%
Canada	3,601	45.67	11,212	37	3,705	48.78	11,834	37
France	8,111	0.87	8,257	27	8,255	1.03	8,426	27
Netherlands	20	19.98	3,351	11	23	21.20	3,557	11
Australia	7,598	-	7,598	25	8,043	-	8,043	25
Total Production	19,330	66.52	30,418	100	20,026	71.01	31,860	100

	Three Months Ended Sept 30, 2008				Nine Months Ended Sept 30, 2008			
	Oil & NGLs (bbls/d)	Natural Gas (mmcf/d)	Total (boe/d)	%	Oil & NGLs (bbls/d)	Natural Gas (mmcf/d)	Total (boe/d)	%
Canada	4,113	51.48	12,693	40	4,215	51.38	12,778	39
France	8,682	1.14	8,872	28	8,541	1.17	8,737	27
Netherlands	27	24.69	4,142	13	24	28.28	4,737	14
Australia	6,220	-	6,220	19	6,658	-	6,658	20
Total Production	19,042	77.31	31,927	100	19,438	80.83	32,910	100

## FINANCIAL REVIEW

During the three and nine month periods ended September 30, 2009, the Trust generated fund flows from operations of \$69.3 million and \$223.2 million, respectively. For the same periods in 2008 the Trust generated fund flows from operations of \$131.8 million and \$441.6 million, respectively. The year over year decrease in fund flows from operations of \$62.5 million and \$218.4 million is largely the result of lower average commodity prices. The GAAP measure, cash flows from operating activities similarly decreased year over year to \$88.3 million and \$146.1 million for the three and nine month periods ended September 30, 2009 versus \$168.3 million and \$517.2 million for the same periods in 2008.

During the three and nine month periods ended September 30, 2009, the price of WTI crude oil averaged US \$68.30 per bbl and US \$57.00 per bbl, respectively (three and nine month periods ended September 30, 2008, US \$117.98 per bbl and US \$113.29 per bbl, respectively). For the three and nine month periods ended September 30, 2009 the AECO price for gas averaged CDN \$2.94 per mcf and CDN \$3.77 per mcf, respectively (three and nine month periods ended September 30, 2008, CDN \$7.74 per mcf and CDN \$8.62 per mcf, respectively). On a year over year basis, the average prices for both oil and gas are significantly lower in 2009 than 2008.

The increase in the Trust's net debt to \$440.0 million from \$207.8 million at December 31, 2008 is a result of the Trust's planned capital program and the Corrib acquisition for \$194.3 million including the acquired working capital deficiency. For the same reasons, the Trust's long-term debt has increased to \$374.7 million at September 30, 2009 from \$197.7 million at December 31, 2008. On October 30, 2009, the Trust closed the sale of 7,282,000 trust units at a price of \$30.90 per trust unit resulting in net proceeds of \$213.8 million after deducting the underwriters' fee. These funds will be used to reduce outstanding indebtedness and to fund development capital programs and prospective acquisitions.

For the three and nine month periods ended September 30, 2009 total net distributions, capital expenditures, reclamation fund contributions and asset retirement costs incurred as a percentage of fund flows from operations was 133% and 110%, respectively (three and nine month periods ended September 30, 2008, 68% and 50%, respectively). The year over year increase in this ratio relates to the lower fund flows from operations recorded in the three and nine months ended September 30, 2009 versus the same periods in 2008 which is a result of lower average commodity prices.

## CAPITAL EXPENDITURES

On July 30, 2009 the Trust completed its previously announced acquisition of an 18.5% non-operated interest in the Corrib gas field located off the northwest coast of Ireland. The cash consideration paid was \$136.8 million including a US \$10 million deposit paid to the vendor during the second quarter of 2009. Pursuant to the terms of the acquisition agreement, the Trust will make an additional future payment to the vendor, the amount of which will be between US \$135 million and US \$300 million depending on the date when first commercial gas is achieved.

Production from Corrib is expected to increase Vermilion's volumes by approximately 9,000 boe/d once the field reaches peak production. The project, which includes both offshore and onshore pipeline segments and a significant natural gas processing facility, is in the late stages of development and is expected to commence production between late 2010 and the end of 2011.

Total capital spending, including acquisitions for the three and nine month periods ended September 30, 2009 was \$175.9 million and \$261.8 million, respectively (three and nine month periods ended September 30, 2008, \$38.4 million and \$152.4 million, respectively). The year over year increases for the three and nine month periods ended September 30, 2009 primarily relate to the Corrib acquisition of \$136.8 million.

Non-acquisition related capital spending has increased largely as a result of post acquisition capital spending on the Corrib project. Pursuant to the agreement, Vermilion assumed its share of future capital expenditure obligations in order to reach first gas effective from January 1, 2009, which are anticipated to range up to US \$300 million net to the Trust. These capital costs are primarily related to the completion of the facilities necessary to bring this gas on-stream.

(\$000's)	Three Months Ended		Nine Months Ended	
	Sept 30, 2009	Sept 30, 2008	Sept 30, 2009	Sept 30, 2008
Land	\$ 4,787	\$ 896	\$ 8,204	\$ 2,869
Seismic	411	3,062	1,560	10,543
Drilling and completion	7,501	13,400	32,150	30,438
Production equipment and facilities	27,214	12,370	45,296	40,159
Recompletions	4,837	4,381	13,384	11,881
Other	6,031	3,293	18,614	10,081
	50,781	37,402	119,208	105,971
Acquisitions (excluding acquired working capital deficiency)	125,074	959	142,622	46,387
<b>Total</b>	<b>\$ 175,855</b>	<b>\$ 38,361</b>	<b>\$ 261,830</b>	<b>\$ 152,358</b>

## REVENUE

Revenue for the three and nine month periods ended September 30, 2009 was \$150.2 million and \$459.2 million, respectively (three and nine month periods ended September 30, 2008, \$245.7 million and \$816.6 million, respectively).

Vermilion's combined crude oil and NGL price was \$70.00 per boe in the third quarter of 2009, a decrease of 31% over the \$100.83 per boe reported in the third quarter of 2008. The natural gas price realized was \$4.20 per mcf in the third quarter of 2009 compared to \$9.71 per mcf in the third quarter of 2008, a 57% decrease year over year. Vermilion's lower revenue year over year was primarily driven by lower average commodity prices in 2009 versus 2008.

(\$000's except per boe and per mcf)	Three Months Ended		Nine Months Ended	
	Sept 30, 2009	Sept 30, 2008	Sept 30, 2009	Sept 30, 2008
Crude oil & NGLs	\$ 124,497	\$ 176,643	\$ 349,556	\$ 601,463
Per boe	\$ 70.00	\$ 100.83	\$ 63.94	\$ 112.93
Natural gas	25,686	69,069	109,651	215,113
Per mcf	\$ 4.20	\$ 9.71	\$ 5.66	\$ 9.71
Petroleum and natural gas revenue	\$ 150,183	\$ 245,712	\$ 459,207	\$ 816,576
Per boe	\$ 53.67	\$ 83.65	\$ 52.80	\$ 90.56

The following table summarizes Vermilion's ending inventory positions for France and Australia for the most recent four quarters:

	As at Sept 30, 2009	As at June 30, 2009	As at Mar 31, 2009	As at Dec 31, 2008
France (bbls)	147,043	151,488	214,384	62,323
France (\$000's)	\$ 4,459	\$ 4,706	\$ 7,097	\$ 3,421
Australia (bbls)	246,311	137,518	334,838	317,877
Australia (\$000's)	\$ 7,499	\$ 4,143	\$ 9,402	\$ 8,746

## DERIVATIVE INSTRUMENTS

Vermilion manages a component of its risk exposure through prudent commodity and currency economic hedging strategies. Vermilion had the following financial derivatives in place at September 30, 2009:

<b>Risk Management: Oil</b>	<b>Funded Cost</b>	<b>bbls/d</b>	<b>US\$/bbl</b>
Collar - BRENT			
2009	US \$1.00/bbl	260	\$100.50 - \$200.00
Call Spread - BRENT			
2009 - 2011	US \$5.73/bbl	700	\$ 65.00 - \$ 85.00
2010	US \$4.94/bbl	1,100	\$ 65.00 - \$ 85.00
2011	US \$6.08/bbl	960	\$ 65.00 - \$ 85.00
<b>Risk Management: Natural Gas</b>	<b>Funded Cost</b>	<b>GJ/d</b>	<b>C\$/GL</b>
SWAP - AECO			
October to November 2009	\$0.00/GJ	5,000	\$2.89

The impact of Vermilion's economic hedging program increased the fund flows netback for the nine month period ended September 30, 2009 by \$0.46 per boe (\$0.39 per boe in the quarter). This compares to a hedging cost of \$1.39 per boe for the first nine months of 2008 (\$1.51 per boe in the quarter).

## ROYALTIES

Consolidated royalties per boe for the three and nine month periods ended September 30, 2009 were \$8.30 and \$7.25, respectively (three and nine month periods ended September 30, 2008, \$12.03 and \$14.24, respectively). As a percent of revenue for the three and nine month periods ended September 30, 2009, royalties were 15% and 14%, respectively (three and nine month periods ended September 30, 2008, 14% and 16%, respectively).

In Australia, royalties, as a percentage of revenue for the three and nine month periods ended September 30, 2009 were 26% and 24%, respectively (three and nine month periods ended September 30, 2008, 22% and 29%, respectively). Royalties are reduced by capital investment in the country and as such, third quarter royalties as a percent of revenue increased as compared to the prior year as a result of lower levels of capital spending in 2009. The year to date decrease is attributable to the impact of lower commodity pricing in the royalty formula coupled with a recovery of previously paid royalties related to prior periods.

In Canada, royalties as a percent of revenue for the three and nine month periods ended September 30, 2009 decreased to 18% and 13%, respectively (three and nine month periods ended September 30, 2008, 21% and 20%, respectively). The year over year decrease is attributable to the impact of lower commodity prices in 2009 versus the same periods in 2008 combined with additional gas cost allowance recoveries related to prior periods realized during the second quarter of 2009.

In France, the primary portion of the royalties levied is based on units of production and therefore is not subject to changes in commodity prices. Accordingly, as commodity prices were lower for the three and nine month periods ended September 30, 2009 compared to the same periods in 2008, royalties, as a percent of revenue, increased to 8% and 8%, for those periods, respectively (three and nine month periods ended September 30, 2008, 7% and 6%, respectively).

Production in the Netherlands is not subject to royalties.

(\$000's except per boe and per mcf)	Three Months Ended		Nine Months Ended	
	Sept 30, 2009	Sept 30, 2008	Sept 30, 2009	Sept 30, 2008
Crude oil & NGLs	\$ 21,992	\$ 25,975	\$ 59,673	\$ 101,075
Per boe	\$ 12.37	\$ 14.83	\$ 10.92	\$ 18.98
Natural gas	1,248	9,365	3,366	27,288
Per mcf	\$ 0.20	\$ 1.32	\$ 0.17	\$ 1.23
Royalties	\$ 23,240	\$ 35,340	\$ 63,039	\$ 128,363
Per boe	\$ 8.30	\$ 12.03	\$ 7.25	\$ 14.24

## OPERATING COSTS

Consolidated operating costs per boe for the three and nine month periods ended September 30, 2009 were \$12.24 and \$11.81, respectively (three and nine month periods ended September 30, 2008, \$12.10 and \$11.31, respectively). Canadian operating costs have remained at a relatively consistent level on a per boe basis for the three and nine month periods ended September 30, 2009 at \$10.10 and \$10.01, respectively (three and nine month periods ended September 30, 2008, \$10.38 and \$10.34, respectively).

Operating costs in France on a per boe basis increased for the three and nine month periods ended September 30, 2009 to \$11.67 and \$11.77, respectively (three and nine month periods ended September 30, 2008, \$10.11 and \$10.08, respectively). The increase is attributable to increased fuel and electricity costs combined with higher facility maintenance expenditures.

Australian operating costs on a per boe basis for the three and nine month periods ended September 30, 2009 have decreased to \$14.98 and \$13.00, respectively (three and nine month periods ended September 30, 2008, \$17.18 and \$14.17, respectively). The decrease is attributable to higher production levels in 2009 which reflects the impact of two wells drilled and placed on production late in 2008.



In the Netherlands, operating costs on a per boe basis for the three and nine month periods ended September 30, 2009 have increased to \$14.63 and \$15.23, respectively (three and nine month periods ended September 30, 2008, \$14.00 and \$12.18, respectively). The increase is due to lower production resulting from the temporary shut-in of production at Harlingen in mid-July 2008 as a result of subsidence concerns combined with planned and unplanned shutdowns that occurred in the second quarter of 2009.

(\$000's except per boe and per mcf)	Three Months Ended		Nine Months Ended	
	Sept 30, 2009	Sept 30, 2008	Sept 30, 2009	Sept 30, 2008
Crude oil & NGLs	\$ 22,730	\$ 22,050	\$ 66,110	\$ 61,831
Per boe	\$ 12.78	\$ 12.59	\$ 12.09	\$ 11.61
Natural gas	11,526	13,489	36,639	40,160
Per mcf	\$ 1.88	\$ 1.90	\$ 1.89	\$ 1.81
Operating	\$ 34,256	\$ 35,539	\$ 102,749	\$ 101,991
Per boe	\$ 12.24	\$ 12.10	\$ 11.81	\$ 11.31

## TRANSPORTATION

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

Transportation costs in France decreased in 2009 on a year to date basis as in March 2008, Vermilion resumed transporting crude to the Ambès terminal via pipeline and trucking operations ceased. In addition, resumption of terminal operations occurred during the second quarter of 2009 as two storage tanks were placed back into service further reducing transportation costs on a quarterly and on a year to date basis. Long term plans for the terminal include an expanded level of operations utilizing four storage tanks.

(\$000's except per boe)	Three Months Ended		Nine Months Ended	
	Sept 30, 2009	Sept 30, 2008	Sept 30, 2009	Sept 30, 2008
Transportation	\$ 3,734	\$ 4,980	\$ 12,517	\$ 17,380
Per boe	\$ 1.33	\$ 1.70	\$ 1.44	\$ 1.93

## GENERAL AND ADMINISTRATION EXPENSES

General and administration expense per boe for the three and nine month periods ended September 30, 2009 was \$2.93 and \$2.58, respectively (three and nine month periods ended September 30, 2008, \$2.57 and \$2.18, respectively). The increase per boe from 2008 is associated with a decrease in third party overhead recoveries and lower levels of project specific costs charged to capital assets.

(\$000's except per boe)	Three Months Ended		Nine Months Ended	
	Sept 30, 2009	Sept 30, 2008	Sept 30, 2009	Sept 30, 2008
General and administration	\$ 8,211	\$ 7,541	\$ 22,464	\$ 19,627
Per boe	\$ 2.93	\$ 2.57	\$ 2.58	\$ 2.18

## UNIT BASED COMPENSATION EXPENSE

Non-cash unit based compensation expense for the three and nine month periods ended September 30, 2009 was \$4.7 million and \$13.7 million, respectively (three and nine month periods ended September 30, 2008, \$4.5 million and \$13.7 million, respectively). This expense relates to the value attributable to long-term incentives granted to officers, employees and directors under the Trust Unit Award Incentive Plan and the Trust's bonus plan.

Total unit based compensation expense has remained relatively consistent on a year over year basis.

(\$000's except per boe)	Three Months Ended		Nine Months Ended	
	Sept 30, 2009	Sept 30, 2008	Sept 30, 2009	Sept 30, 2008
Unit based compensation	\$ 4,706	\$ 4,454	\$ 13,676	\$ 13,704
Per boe	\$ 1.68	\$ 1.52	\$ 1.57	\$ 1.52

## INTEREST EXPENSE

Interest expense for the three and nine month periods ended September 30, 2009 was \$6.4 million and \$9.4 million, respectively (three and nine month periods ended September 30, 2008, \$2.7 million and \$13.9 million, respectively). Interest expense for the year to date period in 2009 has decreased from the same period in 2008 as a result of lower average debt levels. Interest expense for the third quarter of 2009 has increased compared to the third quarter of 2008 due to higher interest rates and increased debt levels related to the Corrib acquisition that closed in late July 2009. Interest expense for the quarter and year to date periods in 2009 includes a \$2.2 million non-cash charge relating to the unwinding of the discount on the Corrib acquisition obligation. See "Liquidity and Capital Resources" for additional information.

(\$000's except per boe)	Three Months Ended		Nine Months Ended	
	Sept 30, 2009	Sept 30, 2008	Sept 30, 2009	Sept 30, 2008
Interest	\$ 6,361	\$ 2,674	\$ 9,398	\$ 13,948
Per boe	\$ 1.47	\$ 0.91	\$ 0.82	\$ 1.55

## DEPLETION, DEPRECIATION AND ACCRETION EXPENSES

Depletion, depreciation and accretion expenses per boe for the three and nine month periods ended September 30, 2009 were \$22.73 and \$22.06, respectively (three and nine month periods ended September 30, 2008, \$21.69 and \$21.22, respectively). Depletion, depreciation and accretion rates for the quarter and year to date periods in 2009 have increased marginally from the rates per boe for the same periods in 2008 due primarily to higher finding, development and acquisition costs incurred by the Trust.

(\$000's except per boe)	Three Months Ended		Nine Months Ended	
	Sept 30, 2009	Sept 30, 2008	Sept 30, 2009	Sept 30, 2008
Depletion, depreciation and accretion	\$ 63,602	\$ 63,697	\$ 191,856	\$ 191,334
Per boe	\$ 22.73	\$ 21.69	\$ 22.06	\$ 21.22

## TAXES

Vermilion is subject to current taxes in France, the Netherlands and Australia. Current taxes for the nine months ended September 30, 2009 decreased to \$25.7 million compared to \$82.4 million in the prior year. This decrease is attributable to the decline in year over year revenues associated with significantly lower average commodity prices in 2009 versus 2008.

On June 22, 2007 Federal legislation to tax certain types of income in publicly traded income and royalty trusts ("SIFT Rules") received royal assent. The main purpose of the SIFT Rules was to introduce a tax structure for trusts similar to that for corporations and the rules are expected to take effect at the beginning of 2011. The SIFT Rules also introduced normal growth guidelines that limit the amount of equity that can be issued by trusts until 2011. Currently, Vermilion does not anticipate the normal growth guidelines will impede its ability to execute its business strategy.

On June 18, 2008 Federal legislation was enacted to replace the 13% provincial tax component for the tax applicable to SIFT trusts with the "provincial SIFT tax rate". As substantially all of Vermilion's Canadian operations are in Alberta, we expect the provincial SIFT tax rate to be 10%. The related income tax regulations for calculating the provincial SIFT tax rate were enacted on March 12, 2009.

On November 28, 2008 the Minister of Finance introduced legislation to permit trusts to convert into corporations without any undue tax consequences to either the trust or its unitholders. The legislation was enacted on March 12, 2009. Vermilion has evaluated the impact of the SIFT Rules on the current Trust structure in addition to analyzing other alternative structures to determine the impact to its business model and unitholders. It is management's current intention that Vermilion will convert to a corporation by the end of September 2010. The timing of the intended conversion to a corporation will be influenced by a number of factors including strategic business opportunities. Management will continue to monitor any future changes to tax legislation and determine the impact to the trust structure accordingly.

(\$000's except per boe)	Three Months Ended		Nine Months Ended	
	Sept 30, 2009	Sept 30, 2008	Sept 30, 2009	Sept 30, 2008
Current taxes	\$ 6,456	\$ 19,874	\$ 25,745	\$ 82,442
Per boe	\$ 2.31	\$ 6.77	\$ 2.96	\$ 9.14

## FOREIGN EXCHANGE

During the nine months ended September 30, 2009, a combined realized and unrealized foreign exchange gain of \$26.5 million was recorded compared to a loss of \$6.0 million in 2008. The combined gain through September 30, 2009 is comprised of a realized loss of \$6.3 million associated with cash repatriations and an unrealized, non-cash gain of \$32.8 million. The year to date unrealized gain is largely related to the translation to Canadian dollars of foreign currency denominated future income taxes and asset retirement obligations. Since December 31, 2008, the Canadian dollar has strengthened against the Euro resulting in this unrealized gain.

(\$000's except per boe)	Three Months Ended		Nine Months Ended	
	Sept 30, 2009	Sept 30, 2008	Sept 30, 2009	Sept 30, 2008
Foreign exchange (gain) loss	\$ (14,227)	\$ (19,204)	\$ (26,508)	\$ 6,045
Per boe	\$ (5.09)	\$ (6.54)	\$ (3.05)	\$ 0.67



Verenex Energy Inc. ("Verenex"), in which Vermilion holds 18,760,540 common shares representing a 42% equity ownership position (38% on a fully diluted basis), has entered into a definitive arrangement agreement (the "Agreement") with the Libyan Investment Authority (the "LIA") pursuant to which the LIA, through a subsidiary, has agreed to acquire all of the Verenex shares issued and outstanding upon completion of the transaction at a price per share in cash equal to \$7.09 plus any positive net working capital at the time of completion of the transaction. The transaction will be completed by way of plan of arrangement (the "Arrangement"), to be submitted to the holders of Verenex securities (Verenex shares, options and performance warrants) for approval at a meeting scheduled for December 11, 2009.

On October 30, 2009, the Trust closed the sale of 7,282,000 trust units at \$30.90 per trust unit which resulted in net proceeds of \$213.8 million after deducting the underwriters' fee. In addition, the underwriters have been granted an over-allotment option to purchase up to an additional 809,000 trust units at the issue price at any time from the closing date until 30 days following the closing date which would result in additional net proceeds of up to \$23.8 million.

## **RECLAMATION FUND**

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

As at September 30, 2009, the fair value of the reclamation fund was \$69.3 million and the fund was comprised of \$22.0 million in cash and short term investments and \$47.4 million in equity and debt securities. A portion of the cash and short term investments and all of the equity and debt securities are professionally managed by third parties.

## **ASSET RETIREMENT OBLIGATION**

At September 30, 2009, Vermilion's asset retirement obligations were \$265.3 million compared to \$265.1 million as at December 31, 2008. The change is attributable to accretion expense and the acquired obligation as a result of the Corrib acquisition offset by changes in estimates, foreign exchange and disposition of liabilities in the period. When appropriate, the Trust engages external third party consultants with relevant experience in reclamation activities in the regions in which Vermilion has operations to assist in estimating its asset retirement obligations.

## **DISTRIBUTIONS**

Vermilion maintained monthly distributions at \$0.19 per unit for the three and nine month periods ended September 30, 2009 and declared distributions totalling \$121.4 million in the first nine months of 2009 compared to \$118.7 million for the same period in 2008.

Since inception, the Trust has declared \$894.8 million in distributions to unitholders as compared to unitholders' capital of \$471.2 million at September 30, 2009.

## Sustainability of Distributions

(\$000's)	Three Months Ended	Nine Months Ended	Year Ended	Year Ended
	Sept 30, 2009	Sept 30, 2009	Dec 31, 2008	Dec 31, 2007
Cash flows from operating activities	\$ 88,297	\$ 146,132	\$ 660,135	\$ 349,890
Net earnings	\$ 17,834	\$ 62,598	\$ 229,189	\$ 164,286
Distributions declared	\$ 40,677	\$ 121,366	\$ 158,674	\$ 136,389
Excess of cash flows from operating activities over cash distributions declared	\$ 47,620	\$ 24,766	\$ 501,461	\$ 213,501
(Shortfall) excess of net earnings over cash distributions declared	\$ (22,843)	\$ (58,768)	\$ 70,515	\$ 27,897

Excess of cash flows from operating activities over cash distributions are used to fund capital expenditures, asset retirement costs, reclamation fund contributions and debt repayments. The current year shortfalls of net earnings over distributions declared is a result of non-cash charges such as depletion, depreciation and accretion which have no immediate impact on distribution sustainability.

The Trust's policy with respect to distributions is to be conservative and retain a low payout ratio when comparing distributions to fund flows from operations. During low price commodity cycles, Vermilion will initially maintain distributions and allow the payout ratio to rise. Should the low price cycle remain for an extended period of time, the Trust will evaluate the necessity to change the level of distribution, taking into consideration capital development requirements, debt levels and acquisition opportunities.

Over the next two years, the recently acquired Corrib gas field will require a significant capital investment by Vermilion. As such, the Trust's fund flows from operations will not be sufficient during this period to fund cash distributions, capital expenditures and asset retirement costs. The Trust will finance any shortfall primarily with debt after taking into consideration the \$213.8 million equity financing that closed on October 30, 2009.

Since Vermilion's conversion to a trust in January 2003, the distribution remained at \$0.17 per unit per month until December 2007. Since then, the distribution has remained at \$0.19 per unit per month.

### **UNITHOLDERS' EQUITY**

During the nine month period ended September 30, 2009, approximately 1.2 million units were issued pursuant the conversion of exchangeable shares, Trust's bonus plan and unit based compensation programs.

Unitholders' capital increased during the same period by \$26.8 million as a result of the issuance of those units including \$16.8 million as a result of contributed surplus transfer related to unit based compensation plans.

As at November 4, 2009 there were 78,706,933 trust units outstanding.

## **NON-CONTROLLING INTEREST – EXCHANGEABLE SHARES**

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

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

As at September 30, 2009 there were 4.0 million exchangeable shares outstanding at an exchange ratio of 1.76706 whereby 7.1 million trust units would be issuable upon conversion. The exchangeable shares can be redeemed by the shareholder for trust units at any time. All outstanding exchangeable shares must be redeemed on or before January 22, 2013 and Vermilion may redeem the exchangeable shares at any time if the number of exchangeable shares outstanding falls below 500,000 shares. Vermilion may issue cash or trust units upon redemption of exchangeable shares and it is the intention to issue trust units upon redemption. Upon converting to a corporation, it is expected that the outstanding exchangeable shares will be converted to common shares of Vermilion at the exchange ratio prevailing at the time of conversion.

## **CRITICAL ACCOUNTING ESTIMATES**

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

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

## **OFF BALANCE SHEET ARRANGEMENTS**

The Trust has certain lease agreements that are entered into in the normal course of operations. All leases are operating leases and accordingly no asset or liability value has been assigned in the balance sheet as of September 30, 2009.

The Trust uses a variety of options including funded and costless collars and puts to manage the risk associated with fluctuating commodity prices on the sale of crude oil and natural gas. The Trust does not obtain collateral or other security to support its financial derivatives as Vermilion reviews the creditworthiness of the counterparty prior to entering into a derivative contract.

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

## **DISCLOSURE CONTROLS AND PROCEDURES**

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

## **INTERNATIONAL FINANCIAL REPORTING STANDARDS TRANSITION**

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

Vermilion has created an internal IFRS transition team to oversee the Trust's adoption of IFRS and the services of a large international public accounting firm have been retained to assist the Trust in its conversion program. The Trust has completed a scoping diagnostic to determine the areas of significant difference between Canadian GAAP and IFRS and Vermilion has reviewed the results with its advising public accounting firm. Vermilion's transition team is continuing to draft accounting research and policy papers which are reviewed by the advising public accounting firm before being provided to the Trust's external auditor. Vermilion is currently focusing its efforts on high priority areas as determined through the initial scoping exercise which include:

- Accounting for capital assets including impairment;
- Functional currency;
- Deferred income taxes;
- Unit based compensation;
- Accounting for trust units and exchangeable shares;
- Asset retirement obligations;
- Business combinations; and
- Issues associated with the initial adoption of IFRS.

On July 23, 2009 the International Accounting Standards Board ("IASB") issued amendments to IFRS 1, "First-time Adoption of International Financial Reporting Standards" that greatly reduces the amount of effort required for entities such as Vermilion that have followed the full cost method of accounting.

As envisioned by the Trust's IFRS project schedule, Vermilion will be ready to prepare both IFRS and Canadian GAAP financial statements in 2010 providing for comparative financial statements after the official changeover in 2011. Vermilion will continue to make additional information available as final determinations are made in relation to specific accounting policies.

## **NEW ACCOUNTING POLICIES**

On January 1, 2009 the Trust adopted CICA Handbook Section 3064, "Goodwill and Intangible Assets" which replaced Section 3062, "Goodwill and Other Intangible Assets" and Section 3450, "Research and Development Costs". Section 3064 incorporates guidance addressing when an internally developed intangible asset meets the criteria for recognition as an asset. The adoption of this standard did not impact the Trust's consolidated financial statements.

Effective January 1, 2009 the Trust adopted EIC 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". This abstract concludes that for all financial assets and liabilities measured at fair value, including derivative instruments, an entity's own credit risk and the credit risk of the counterparty should be taken into account when determining fair value. The adoption of this abstract did not impact the Trust's consolidated financial statements.

On July 1, 2009 the Trust adopted the amendments to Section 3855 "Financial Instruments – Recognition and Measurement". The amendments clarify that reclassification out of the held for trading category of an embedded derivative in a contract that can not be measured separately is prohibited. The adoption of this amendment did not have an impact on the Trust's consolidated financial statements.



## **RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

In June 2009 the CICA amended Section 3862, "Financial Instruments – Disclosures" to require certain additional disclosures relating to the determination of fair values. The amendments require that an entity disclose a fair value hierarchy classification for each class of financial instruments and provide additional information relating to liquidity risk associated with financial instruments. The amendments are effective for annual financial statements ending on or after September 30, 2009 and Vermilion's financial statements for the year ended December 31, 2009 will reflect these additional disclosure requirements. As the amendments related strictly to disclosures, the adoption of these amendments to Section 3862 will not have a material impact on the financial statements of the Trust.

NETBACKS (6:1)							Three Months	Nine Months
	Three Months Ended Sept 30/09			Nine Months Ended Sept 30/09			Ended	Ended
	Oil & NGLs	Natural Gas	Total	Oil & NGLs	Natural Gas	Total	Sept 30/08	Sept 30/08
Trust Financial Information	\$/bbl	\$/mcf	\$/boe	\$/bbl	\$/mcf	\$/boe	\$/boe	\$/boe
<b>Canada</b>								
Price	\$ 63.47	\$ 3.03	\$ 32.73	\$ 56.17	\$ 4.00	\$ 34.05	\$ 71.63	\$ 72.11
Realized hedging gain or loss	-	-	-	-	-	-	0.04	0.01
Royalties	(14.80)	(0.29)	(5.94)	(11.30)	(0.25)	(4.56)	(14.90)	(14.14)
Transportation	(1.78)	(0.18)	(1.32)	(1.60)	(0.19)	(1.26)	(1.06)	(1.18)
Operating costs	(11.26)	(1.59)	(10.10)	(11.45)	(1.56)	(10.01)	(10.38)	(10.34)
Operating netback	\$ 35.63	\$ 0.97	\$ 15.37	\$ 31.82	\$ 2.00	\$ 18.22	\$ 45.33	\$ 46.46
<b>France</b>								
Price	\$ 73.64	\$ 7.26	\$ 73.11	\$ 63.33	\$ 8.16	\$ 63.03	\$ 96.83	\$ 108.94
Realized hedging gain or loss	1.46	-	1.44	1.78	-	1.74	(5.48)	(5.27)
Royalties	(5.72)	(0.32)	(5.65)	(5.43)	(0.24)	(5.35)	(6.97)	(6.28)
Transportation	(3.18)	-	(3.12)	(3.74)	-	(3.67)	(4.59)	(5.54)
Operating costs	(11.43)	(4.12)	(11.67)	(11.53)	(3.91)	(11.77)	(10.11)	(10.08)
Operating netback	\$ 54.77	\$ 2.82	\$ 54.11	\$ 44.41	\$ 4.01	\$ 43.98	\$ 69.68	\$ 81.77
<b>Netherlands</b>								
Price	\$ 32.86	\$ 6.73	\$ 40.33	\$ 33.62	\$ 9.36	\$ 56.00	\$ 73.73	\$ 65.04
Operating costs	-	(2.45)	(14.63)	-	(2.55)	(15.23)	(14.00)	(12.18)
Operating netback	\$ 32.86	\$ 4.28	\$ 25.70	\$ 33.62	\$ 6.81	\$ 40.77	\$ 59.73	\$ 52.86
<b>Australia</b>								
Price	\$ 69.31	\$ -	\$ 69.31	\$ 68.23	\$ -	\$ 68.23	\$ 96.00	\$ 120.00
Royalties	(18.34)	-	(18.34)	(16.40)	-	(16.40)	(21.40)	(34.99)
Operating costs	(14.98)	-	(14.98)	(13.00)	-	(13.00)	(17.18)	(14.17)
Operating netback	\$ 35.99	\$ -	\$ 35.99	\$ 38.83	\$ -	\$ 38.83	\$ 57.42	\$ 70.84
<b>Total Trust</b>								
Price	\$ 70.00	\$ 4.20	\$ 53.67	\$ 63.94	\$ 5.66	\$ 52.80	\$ 83.65	\$ 90.56
Realized hedging gain or loss	0.61	-	0.39	0.73	-	0.46	(1.51)	(1.39)
Royalties	(12.37)	(0.20)	(8.30)	(10.92)	(0.17)	(7.25)	(12.03)	(14.24)
Transportation	(1.67)	(0.13)	(1.33)	(1.84)	(0.13)	(1.44)	(1.70)	(1.93)
Operating costs	(12.78)	(1.88)	(12.24)	(12.09)	(1.89)	(11.81)	(12.10)	(11.31)
Operating netback	\$ 43.79	\$ 1.99	\$ 32.19	\$ 39.82	\$ 3.47	\$ 32.76	\$ 56.31	\$ 61.69
General and administration			(2.93)			(2.58)	(2.57)	(2.18)
Interest			(1.47)			(0.82)	(0.91)	(1.55)
Realized foreign exchange			(0.67)			(0.72)	(1.22)	0.14
Other Income			(0.02)			(0.01)	-	-
Proceeds on sale of investments			-			-	0.02	0.01
Current taxes			(2.31)			(2.96)	(6.77)	(9.14)
Fund flows netback			\$ 24.79			\$ 25.67	\$ 44.86	\$ 48.97
Depletion, depreciation and accretion			(22.73)			(22.06)	(21.69)	(21.22)
Future income taxes			1.74			2.02	(0.22)	0.03
Other income or loss			1.59			0.91	(1.78)	(0.40)
Unrealized foreign exchange			5.76			3.77	7.76	(0.81)
Interest accrued on amount due pursuant to acquisition			(0.80)			(0.26)	-	-
Non-controlling interest – exchangeable shares			(0.65)			(0.71)	(2.98)	(2.35)
Equity in affiliate			(0.52)			(0.36)	0.05	-
Unrealized gain or loss on derivative instruments			(1.11)			(0.20)	5.09	1.19
Fair value of unit compensation			(1.68)			(1.57)	(1.52)	(1.52)
Earnings netback			\$ 6.39			\$ 7.21	\$ 29.57	\$ 23.89

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

## DIRECTORS

Larry J. Macdonald <sup>1, 2, 3, 4, 5</sup>  
Chairman & CEO, Point Energy Ltd.  
Calgary, Alberta

W. Kenneth Davidson <sup>2, 3</sup>  
Toronto, Ontario

Lorenzo Donadeo  
President & Chief Executive Officer  
Calgary, Alberta

Claudio A. Ghersinich <sup>2, 4, 5</sup>  
Executive Director  
Carrera Investments Corp.  
Calgary, Alberta

Joseph F. Killi <sup>2, 3</sup>  
Chairman,  
Parkbridge Lifestyle Communities Inc.  
Vice Chairman, Realex Properties Corp.  
Calgary, Alberta

William F. Madison <sup>2, 4, 5</sup>  
Sugar Land, Texas

<sup>1</sup> Chairman of the Board

<sup>2</sup> Audit Committee

<sup>3</sup> Governance and Human Resources Committee

<sup>4</sup> Health, Safety and Environment Committee

<sup>5</sup> Independent Reserves Committee

## ABBREVIATIONS

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

## OFFICERS & KEY PERSONNEL

### CANADA

Lorenzo Donadeo, P.Eng.  
President & Chief Executive Officer

John D. Donovan, F.C.A.  
Executive Vice President Business  
Development

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

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

Paul L. Beique  
Vice President Capital Markets

Mona Jasinski, M.B.A., C.H.R.P.  
Vice President People

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

Daniel Goulet, P.Eng.  
Director Production and Operations

Robert (Bob) J. Engbloom, LL.B.  
Corporate Secretary

### FRANCE

Peter Sider, P.Eng.  
Vice President European Operations

### NETHERLANDS

Scott Ferguson, P.Eng.  
General Manager

### AUSTRALIA

Bruce D. Lake, P.Eng.  
Managing Director

## AUDITORS

Deloitte & Touche LLP  
Calgary, Alberta

## BANKERS

The Toronto-Dominion Bank  
Calgary, Alberta

Bank of Montreal  
Calgary, Alberta

BNP Paribas (Canada)  
Toronto, Ontario

Royal Bank of Canada  
Calgary, Alberta

The Bank of Nova Scotia  
Calgary, Alberta

Alberta Treasury Branches  
Calgary, Alberta

Canadian Imperial Bank of Commerce  
Calgary, Alberta

Citibank N.A., Canadian Branch  
Calgary, Alberta

## EVALUATION ENGINEERS

GLJ Petroleum Consultants Ltd.  
Calgary, Alberta

## LEGAL COUNSEL

Macleod Dixon LLP  
Calgary, Alberta

## TRANSFER AGENT

Computershare Trust Company of  
Canada

## STOCK EXCHANGE LISTING

The Toronto Stock Exchange (TSX)  
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US OTC: VETMF

## INVESTOR RELATIONS

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